# *QGOG Constellation S.A.*

*Unaudited Condensed Consolidated Interim Financial Statements as of September 30, 2013 and for the Three and Nine-Month Periods Then Ended and Report on Review of Interim Financial Statements*

Deloitte Touche Tohmatsu Auditores Independentes

Atendimento Prisma

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors and Shareholders of
QGOG Constellation S.A.
Luxembourg

***Introduction***

We have reviewed the accompanying condensed consolidated interim statement of financial position of QGOG Constellation S.A. (the "Company") as of September 30, 2013, the related condensed consolidated interim statements of operations and comprehensive income for the three and nine-month periods then ended and the changes in shareholders' equity and cash flows for the nine-month period then ended, and other explanatory notes.

Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standards 34 *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

***Scope of Review***

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

***Basis for Qualified Conclusion***

The Company's investments: (i) in the associates FPSO Capixaba Venture S.A., SBM Espírito do Mar Inc., Urca Drilling B.V., Bracuhy Drilling B.V. and Mangaratiba Drilling B.V.; and (ii) in the joint ventures Tupi Nordeste S.à.r.l., Tupi Nordeste Holding Ltd., Guará Norte S.à.r.l. and Guará Norte Holding Ltd. (all together denominated "Investees"), accounted for by the equity method, are carried at US$134,875 thousand on the statement of financial position as at September 30, 2013, and the Company's share of the Investees net income amounts of US$3,032 thousand and US$50,949 thousand, are included in the Company's net income for the three and nine-month periods then ended, respectively.

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We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Company's investments in the Investees as at September 30, 2013 and the Company's share of the Investees comprehensive income for the three and nine-month periods then ended. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Qualified Conclusion***

Based on our review, except for the possible effects, if any, of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information does not present fairly, in all material respects, the financial position of the Company as of September 30, 2013, and of its financial performance for the three and nine-month periods then ended and its cash flows for the nine-month period then ended in accordance with IAS 34, as issued by the IASB.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes
Rio de Janeiro, Brazil
November 29, 2013

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QGOG CONSTELLATION S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2013
(Amounts expressed in thousands of U.S. dollars - US$)

| ASSETS | Note | September 30, 2013 | December 31, 2012 |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 3 | 353,761 | 219,613 |
| Short-term investments | 4 | 335,627 | 213,178 |
| Restricted cash | 5 | 43,788 | 25,483 |
| Trade and other receivables | 6 | 108,682 | 129,330 |
| Inventories | 7 | 150,246 | 112,233 |
| Recoverable taxes | 21.a | 200 | 170 |
| Deferred mobilization costs | | 13,509 | 12,675 |
| Deferred taxes | 21.c | 153 | 153 |
| Receivables from related parties | 8 | 30,080 | 195 |
| Other current assets | | 21,022 | 17,486 |
| | | 1,057,068 | 730,516 |
| NON-CURRENT ASSETS | | | |
| Receivables from related parties | 8 | 212,651 | 247,636 |
| Other non-current assets | | 496 | 568 |
| Investments | 9 | 168,145 | 71,713 |
| Deferred mobilization costs | | 36,678 | 44,978 |
| Deferred taxes | 21.c | 97 | 212 |
| Property, plant and equipment, net | 10 | 4,155,529 | 4,213,595 |
| | | 4,573,596 | 4,578,702 |
| TOTAL ASSETS | | 5,630,664 | 5,309,218 |

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

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QGOG CONSTELLATION S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2013
(Amounts expressed in thousands of U.S. dollars - US$)

| LIABILITIES AND SHAREHOLDERS' EQUITY | Note | September 30, 2013 | December 31, 2012 |
|---|---|---|---|
| CURRENT LIABILITIES | | | |
| Loans and financings | 11 | 632,837 | 567,847 |
| Accrued liabilities | 12 | 78,523 | - |
| Payroll and related charges | | 65,965 | 52,299 |
| Derivatives | 15 | 45,103 | 56,126 |
| Trade and other payables | | 25,770 | 25,004 |
| Payables to related parties | 8 | 32,090 | 12,007 |
| Taxes payables | 21.b | 3,709 | 4,383 |
| Provisions | 13 | 7,525 | 7,525 |
| Deferred mobilization revenue | | 27,672 | 22,902 |
| Other current liabilities | | 31,784 | 27,938 |
| | | 950,978 | 776,031 |
| NON-CURRENT LIABILITIES | | | |
| Loans and financings | 11 | 2,518,744 | 2,847,700 |
| Payables to related parties | 8 | 201,068 | 210,793 |
| Derivatives | 15 | 46,735 | 92,234 |
| Deferred taxes | 21.d | 5,711 | 7,265 |
| Deferred mobilization revenue | | 67,915 | 81,143 |
| Other non-current liabilities | | 7,092 | 11,311 |
| | | 2,847,265 | 3,250,446 |
| TOTAL LIABILITIES | | 3,798,243 | 4,026,477 |
| SHAREHOLDERS' EQUITY | | | |
| Capital | 16 | 63,200 | 55,632 |
| Share premium | 16 | 766,561 | 479,812 |
| Transaction costs | 16 | (9,721) | (9,325) |
| Reserves | 16 | 27,053 | (1,484) |
| Retained earnings | | 973,475 | 759,462 |
| Equity attributable to the owners of the Group | | 1,820,568 | 1,284,097 |
| Non-controlling interests | | 11,853 | (1,356) |
| | | 1,832,421 | 1,282,741 |
| TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY | | 5,630,664 | 5,309,218 |

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

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QGOG CONSTELLATION S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013 AND 2012
(Amounts expressed in thousands of U.S. dollars - US$, except per share amounts)

| | Note | Three-month period ended September 30, | | Nine-month period ended September 30, | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| NET OPERATING REVENUE | 17 | 268,170 | 199,147 | 800,707 | 575,946 |
| COSTS OF SERVICES | 18 | (155,879) | (109,520) | (459,068) | (342,481) |
| GROSS PROFIT | | 112,291 | 89,627 | 341,639 | 233,465 |
| General and administrative expenses | 18 | (12,474) | (10,359) | (38,539) | (31,470) |
| Other income | 19 | 490 | 1,364 | 997 | 3,031 |
| Other expenses | 19 | - | - | (1,477) | (1,202) |
| OPERATING PROFIT | | 100,307 | 80,632 | 302,620 | 203,824 |
| Financial income | 20 | 1,486 | 812 | 5,344 | 3,470 |
| Financial expenses | 20 | (42,952) | (35,728) | (122,265) | (96,161) |
| Net foreign exchange gain/(loss) | 20 | 153 | (249) | (3,823) | (1,506) |
| FINANCIAL EXPENSES, NET | | (41,313) | (35,165) | (120,744) | (94,197) |
| Shares of results of investments | 9 | 3,146 | 631 | 38,727 | 2,416 |
| PROFIT BEFORE TAXES | | 62,140 | 46,098 | 220,603 | 112,043 |
| Taxes | 21.e | (4,155) | (218) | (5,805) | (696) |
| PROFIT FOR THE PERIOD | | 57,985 | 45,880 | 214,798 | 111,347 |
| Profit attributable to the owners of the Group | | 53,846 | 45,865 | 214,013 | 112,901 |
| Profit (loss) attributable to non-controlling interests | | 4,139 | 15 | 785 | (1,554) |
| Profit per share | | | | | |
| Basic | 16 | 0.31 | 0.27 | 1.24 | 0.66 |
| Diluted | 16 | 0.31 | 0.27 | 1.24 | 0.66 |

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

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QGOG CONSTELLATION S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013 AND 2012
(Amounts expressed in thousands of U.S. dollars - US$)

| | Note | Three-month period ended September 30, | | Nine-month period ended September 30, | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| PROFIT FOR THE PERIOD | | 57,985 | 45,880 | 214,798 | 111,347 |
| OTHER COMPREHENSIVE INCOME | | | | | |
| Attributable to owners of the Group | 16 | 482 | 6,040 | 15,185 | 4,320 |
| Attributable to non-controlling interests | 16 | 394 | 4,942 | 12,424 | 3,534 |
| Cash flow hedge fair value adjustments | 15/16 | 876 | 10,982 | 27,609 | 7,854 |
| Shares of cash flow hedge adjustments of investments | 9/16 | (114) | - | 12,222 | - |
| Currency translation adjustments | 16 | (418) | (184) | (4,553) | (4,037) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 58,329 | 56,678 | 250,076 | 115,164 |
| Profit attributable to the owners of the Group | | 53,796 | 51,721 | 236,867 | 113,184 |
| Profit attributable to non-controlling interests | | 4,533 | 4,957 | 13,209 | 1,980 |

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

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QGOG CONSTELLATION S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013 AND 2012
(Amounts expressed in thousands of U.S. dollars - US$)

| | | Capital | | | | | Reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Constellation Oveseas Ltd. | QGOG Constellation S.A. | Total | Share premium | Transaction costs | Legal | Cash flow hedge fair value adjustments | Shares of cash flow hedge adjustements of investments | Currency translation adjustments | Retained earnings | Equity attributable to the owners of the Group | Equity attributable to non-controlling interests | Total shareholders' equity |
| BALANCE AS OF DECEMBER 31, 2011 | | 130,987 | 58 | 131,045 | 404,407 | (9,325) | - | (27,454) | - | 22,132 | 627,904 | 1,148,709 | (26,273) | 1,122,436 |
| Profit for the period | | - | - | - | - | - | - | - | - | - | 112,901 | 112,901 | (1,554) | 111,347 |
| Other comprehensive income for the period | | - | - | - | - | - | - | 4,320 | - | (4,037) | - | 283 | 3,534 | 3,817 |
| Total comprehensive income for the period | | - | - | - | - | - | - | 4,320 | - | (4,037) | 112,901 | 113,184 | 1,980 | 115,164 |
| Capital reduction | | - | (8) | (8) | - | - | - | - | - | - | - | (8) | - | (8) |
| Capital exchange | | (130,987) | 55,582 | (75,405) | 75,405 | | - | - | - | - | - | - | - | - |
| BALANCE AS OF SEPTEMBER 30, 2012 | | - | 55,632 | 55,632 | 479,812 | (9,325) | - | (23,134) | - | 18,095 | 740,805 | 1,261,885 | (24,293) | 1,237,592 |
| BALANCE AS OF DECEMBER 31, 2012 | | - | 55,632 | 55,632 | 479,812 | (9,325) | - | 3,395 | (23,311) | 18,432 | 759,462 | 1,284,097 | (1,356) | 1,282,741 |
| Profit for the period | | - | - | - | - | - | - | - | - | - | 214,013 | 214,013 | 785 | 214,798 |
| Other comprehensive income for the period | 16 | - | - | - | - | - | - | 15,185 | 12,222 | (4,553) | - | 22,854 | 12,424 | 35,278 |
| Total comprehensive income for the period | | - | - | - | - | - | - | 15,185 | 12,222 | (4,553) | 214,013 | 236,867 | 13,209 | 250,076 |
| Legal reserve | 16 | - | - | - | (5,683) | - | 5,683 | - | - | - | - | - | - | - |
| Share dividend | 16 | - | 1,193 | 1,193 | (1,193) | - | - | - | - | - | - | - | - | - |
| Capital increase | 16 | - | 6,375 | 6,375 | 293,625 | - | - | - | - | - | - | 300,000 | - | 300,000 |
| Transaction costs on the issuance of shares | 16 | - | - | - | - | (396) | - | - | - | - | - | (396) | - | (396) |
| BALANCE AS OF SEPTEMBER 30, 2013 | | - | 63,200 | 63,200 | 766,561 | (9,721) | 5,683 | 18,580 | (11,089) | 13,879 | 973,475 | 1,820,568 | 11,853 | 1,832,421 |

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

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QGOG CONSTELLATION S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013 AND 2012
(Amounts expressed in thousands of U.S. dollars - US$)

| | Note | 2013 | 2012 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit for the period | | 214,798 | 111,347 |
| Adjustments to reconcile profit to net cash provided by operating activities: | | | |
| Depreciation of property, plant and equipment | 10/18 | 144,177 | 119,373 |
| Gain on disposals of property, plant and equipment | 10/19 | (651) | (162) |
| Shares of results of investments | 9 | (38,727) | (2,416) |
| Recognition of mobilization costs | | 10,503 | 6,039 |
| Recognition of mobilization revenues, net of taxes | | (18,746) | (10,405) |
| Financial charges on loans and financings | 11/20 | 97,378 | 58,954 |
| Financial expenses from related parties, net | 8/20 | 1,899 | 1,206 |
| Derivatives | 15/20 | 16,408 | 29,537 |
| Provision for employee profit sharing | | 24,985 | - |
| Other financial expenses, net | 20 | 5,059 | 4,500 |
| Taxes | 21.e | 5,805 | 696 |
| Changes in working capital: | | | |
| (Increase)/decrease in short-term investments | | (123,916) | 20,815 |
| Decrease in restricted cash | | - | 14,242 |
| (Increase)/decrease in trade and other receivables | | 17,677 | (63,474) |
| (Increase)/decrease in receivables from related parties | | (25) | (16) |
| Increase in inventories | | (41,450) | (30,793) |
| Increase in recoverable taxes | | (47) | (4,780) |
| Increase in deferred mobilization costs | | (3,120) | (17,299) |
| (Increase)/decrease in other assets | | 2,183 | (10,360) |
| Increase in payroll and related charges | | (5,991) | 18,268 |
| Increase in trade and other payables | | 1,532 | 771 |
| Decrease in payables to related parties | | (577) | (6) |
| Increase/(decrease) in taxes payables | | (7,193) | 1,197 |
| Increase in deferred mobilization revenue | | 10,865 | 28,000 |
| Increase/(Decrease) in other liabilities | | (7,794) | 2,451 |
| Net cash provided by operating activities | | 305,032 | 277,685 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Loans to related parties | 8 | - | (156,823) |
| Proceeds from related parties | 8 | - | 91,536 |
| Acquisition of property, plant and equipment | 10 | (11,480) | (938,249) |
| Aquisition of investments | 9 | (43,446) | (3,609) |
| Proceeds from sales of property, plant and equipment | 19 | 697 | 199 |
| Net cash used in investing activities | | (54,229) | (1,006,946) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Payments to related parties | | (13,838) | (91,536) |
| Proceeds from related parties | | 28,000 | 125,593 |
| Proceeds from loans and financing, net of transactions costs | 11 | 149,149 | 1,150,943 |
| Interest paid on loans and financings | 11 | (77,982) | (51,087) |
| Cash payments on derivatives | 15 | (45,321) | (37,108) |
| Restricted cash | 5 | (18,304) | (5,788) |
| Capital increase | 16 | 299,604 | - |
| Repayment of principal on loans and financings | 11 | (436,300) | (274,964) |
| Net cash provided by (used in) financing activities | | (114,992) | 816,053 |
| Increase in cash and cash equivalents | | 135,811 | 86,792 |
| Cash and cash equivalents at the beginning of the period | | 219,613 | 188,938 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | (1,663) | 956 |
| Cash and cash equivalents at the end of the period | | 353,761 | 276,686 |

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

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QGOG CONSTELLATION S.A.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2013 AND FOR THE THREE AND NINE-MONTH PERIODS THEN ENDED
(Amounts expressed in thousands of U.S. dollars - US$, unless otherwise stated)

## 1. GENERAL INFORMATION

QGOG Constellation S.A., ("QGOG Constellation" or the "Company") was incorporated in Luxembourg in August 30, 2011 as a "*société anonyme*" and is indirectly controlled by members of the Queiroz Galvão family. The Company has its registered address at 40, Avenue Monterey, L-2163 Luxembourg.

The unaudited condensed consolidated interim financial statements include QGOG Constellation and its subsidiaries (the "Group").

QGOG Constellation's objective is to hold investments in Luxembourg or foreign countries; to acquire any securities and rights through participation, contribution, underwriting firm purchase or option, negotiation or in any other way and namely to acquire patents and licenses, and other property, rights and interest in property as the Company shall deem necessary, and generally to hold, manage, develop, sell or dispose of the same, in whole or in part, for such consideration as the Company may deem necessary, and in particular for shares or securities of any company purchasing the same; to enter into, assist or participate in financial, commercial and other transactions, and to grant to any holding company, subsidiary, or fellow subsidiary, or any other company associated in any way with the Company, or the said holding company, subsidiary or fellow subsidiary, in which the Company has a direct or indirect financial interest, any assistance, loans, advances or guarantees; to borrow and raise money in any manner and to secure the repayment of any money borrowed; and finally, to perform any operation which is directly or indirectly related to its purpose. QGOG Constellation's fiscal year is from January 1 to December 31.

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On May 2, 2012, in connection with the corporate reorganization, QGOG Constellation changed its share capital from €40 thousand represented by 1,200,000 ordinary shares to US$50 represented by 150,000 ordinary shares. On the same date, in exchange for the contribution of Constellation Overseas Ltd. ("Constellation"), QGOG Constellation issued 166,747,338 ordinary shares with a nominal value of US$0.33 per share, representing an exchange ratio of one ordinary share of QGOG Constellation for each share of Constellation. As a result, QGOG Constellation indirectly owns Constellation and all of the charter and drilling services operations through five wholly-owned sub-holdings. Since QGOG Constellation and Constellation are under common control, this transaction was recorded using the historical book value of Constellation's assets and liabilities. Additionally, since QGOG Constellation and Constellation were under common control for the years presented prior to the corporate reorganization, the Company's financial statements reflect the combined operations of QGOG Constellation and Constellation for these years.

QGOG Constellation has completed its corporate reorganization which was related to its directly wholly-owned subsidiaries. This restructuring did not result in any impact on the Company's consolidated financial statements. Following is a description of the Company's directly wholly-owned sub holdings:

- QGOG Star GmbH, an entity organized under the laws of Switzerland on May 2, 2012, which wholly-owns Constellation. Constellation continues to wholly-own, directly and indirectly, the entities which own the drilling rigs.

- Arazi S.à.r.l. ("Arazi"), an entity organized under the laws of Luxembourg on May 12, 2011, which holds investments in the following Floating, Production, Storage and Offloading - FPSO vessels: FPSO Capixaba, FPSO Cidade de Paraty, FPSO Cidade de Ilhabela, FPSO Cidade de Maricá and FPSO Cidade de Saquarema. Prior to the corporate reorganization, Arazi was a wholly-owned subsidiary of Constellation.

- Constellation Netherlands B.V., an entity organized under the laws of the Netherlands on April 3, 2012, which indirectly wholly-owns certain entities that are party to Constellation's offshore charter agreements with Petróleo Brasileiro S.A. ("Petrobras").

- Centaurus S.à.r.l., an entity organized under the laws of Luxembourg on July 27, 2007, which directly wholly-owns Eiffel Ridge C.V., an entity that is party to Constellation's offshore charter agreements with Petrobras related to Lone Star and Gold Star offshore drilling rigs.

- Angra Participações B.V. ("Angra"), an entity organized under the laws of Netherlands on May 11, 2012, which holds a 15% equity interest in three Special Purpose Entities ("SPEs"), each one with an ultra-deepwater semi-submersible rig (Urca, Bracuhy and Mangaratiba) in partnership with Sete Brasil S.A. ("Sete Brasil").

The corporate reorganization aimed an improvement in QGOG Constellation's corporate governance structure and tax efficiency.

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QGOG Constellation holds investments in subsidiaries that charter and operate onshore and offshore drilling rigs and drillships for exploration and production companies operating in Brazil. The Group currently charters rigs mainly to Petrobras, but also to Shell Brasil Petróleo S.A. ("Shell") and HRT O&G Exploração e Produção de Petróleo Ltda. ("HRT").

The contract with Shell was signed on December 19, 2012 with a minimum 180-day term. The purpose of the contract is to drill a specific oil well in the São Francisco Basin, Brazil, using the onshore drilling rig QG-I. The contract began on February 28, 2013 when the stacking rate started to be applicable. The oil well drilling began on July 23, 2013 and was completed on September 30, 2013.

The Group is currently negotiating new contracts related to the onshore drilling rig QG-I.

The Group's fleet is currently comprised of the following equipment:

| Equipment | Type | Start of operations |
|---|---|---|
| QG-I | Onshore drilling rig | 1981 |
| QG-II | Onshore drilling rig | 1981 |
| QG-III | Onshore drilling rig | 1987 |
| QG-IV | Onshore drilling rig | 1996 |
| QG-V | Onshore drilling rig | 2011 |
| QG-VI | Onshore drilling rig | 2008 |
| QG-VII | Onshore drilling rig | 2008 |
| QG-VIII | Onshore drilling rig | 2011 |
| QG-IX | Onshore drilling rig | 2011 |
| Alaskan Star | Offshore drilling rig | 1994 |
| Atlantic Star | Offshore drilling rig | 1997 |
| Olinda Star | Offshore drilling rig | 2009 |
| Gold Star | Offshore drilling rig | 2010 |
| Lone Star | Offshore drilling rig | 2011 |
| Alpha Star | Offshore drilling rig | 2011 |
| Amaralina Star (1) | Drillship | 2012 |
| Laguna Star (2) | Drillship | 2012 |
| Brava Star (3) | Drillship | Under construction |

(1) The construction of Amaralina Star was concluded in July 2012 in partnership with Alperton Capital Limited ("Delba") as described in Note 10. The operations started in September 2012.

(2) The construction of Laguna Star was concluded in September 2012 in partnership with Delba as described in Note 10. The operations started in November 2012.

(3) The equipment is currently under construction and its delivery is expected to occur in December 2014.

Although the Group has long-term contracts, the operations are indirectly dependent upon conditions in the oil and natural gas industry and, specifically, on the exploration and production expenditures of oil and natural gas companies. The demand for charter and operate contracts for drilling and related services provided to the Group's customers is influenced by, among other factors, oil and natural gas prices, expectations about future prices, the cost of producing and delivering oil and natural gas, government regulations and local and international political and economic conditions.

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FPSO Cidade de Ilhabela

On March 20, 2012, Arazi and Lancaster Projects Corp., QGOG Constellation's subsidiaries, signed a shareholders' agreement with SBM Holding Inc. ("SBM") and Mitsubishi Corporation ("Mitsubishi"), in order to create Guará Norte S.à.r.l. ("Guará Norte"), Guará Norte Holding Ltd. ("Guará Norte Holding") and Guará Norte Operações Marítimas Limitada ("Guará Norte Operações Marítimas"). These entities will respectively charter and operate the FPSO Cidade de Ilhabela for Petrobras for a 20 year period with an expected date for the start of the operations in third quarter of 2014.

The Group has a participation of 12.75% in these entities and has the right to acquire an additional participation of 12.75% from SBM within fifteen days of the final acceptance of the FPSO, based on the capital invested by SBM plus interest of 8% p.a..

Partnership with Petrobras and Sete Brasil

On August 3, 2012, Angra signed three shareholders agreements in which the Company acquired a 15% equity interest in three SPEs, each one owning an ultra-deepwater semi-submersible rig (Urca, Bracuhy and Mangaratiba) in partnership with Sete Brasil. In the same day, the partnership signed charter agreements of these equipment with Petrobras. The ultra-deepwater semi-submersible offshore rigs are expected to be delivered in 2016, 2018 and 2019, respectively. Queiroz Galvão Óleo e Gás S.A. ("QGOG") will be the sole operator of these rigs.

Samsung Construction Contract

On August 15, 2012, the Company executed a Letter of Intent ("LOI") with Samsung Heavy Industries Co., Ltd ("Samsung"), which provided an option to enter into two Engineering, Procurement, Construction and Integration ("EPCI") contracts by November 15, 2012 for the construction and delivery of two ultra-deepwater drillships by December 2014 and June 2015, respectively.

On November 14, 2012, the Company, through one of its subsidiaries, exercised the right to enter into a contract with Samsung to design, construct, complete and deliver an ultra-deepwater drillship, the Brava Star drillship. The Brava Star total project cost (without an estimative of capitalized interest) is of approximately US$660 million and the Company paid 10% of the contract price as a first installment in November 2012. The Company expects that Samsung will deliver this ultra-deepwater drillship by December 2014.

Since January 16, 2013, the Company, through one of its subsidiaries, has been executing certain amendments to the LOI, which extended its right to enter in the second EPCI until December 10, 2013. If the Company elects to enter in the second EPCI, the drillship is expected to be delivered by February 2016 and the total project cost shall be consistent with Brava Star's project cost (approximately US$660 million).

Atendimento Prisma

Initial Public Offering ("IPO")

On January 7, 2013, QGOG Constellation filed its registration statement within the U.S. Securities and Exchange Commission ("SEC") in connection with its IPO. On February 7, 2013 the Company announced that, due to market conditions, it has decided to postpone its previously-announced IPO.

Concurrent Private Placement

On January 17, 2013, the Company entered into a share exchange agreement with Delba and its shareholders, conditioned to the completion of the Company's IPO, in which Delba agreed to exchange its 45% equity interest in Amaralina and Laguna for 3,580,026 of the Company's common shares, which would represent 2.1% of the Company's common shares (excluding the common shares that would be issued in the IPO), together with the cancellation of Delba's loans with the Company's subsidiary, Constellation. The Company's shareholders would transfer these shares to the Company to implement the exchange with Delba concurrently with the completion of the IPO through a private placement that would not be registered under the U.S. Securities Act of 1933, as amended. Upon this transfer, the Company would own 100% of the equity interest in Amaralina and Laguna.

The share exchange agreement terminated on July, 17, 2013, and was not implemented due to the IPO's postponement.

Share Split

On January 29, 2013, the Company performed a one-for-three forward share split of its common shares. All references to common share values in these unaudited condensed consolidated interim financial statements have been retroactively adjusted to reflect this forward split.

Share Dividend

On January 29, 2013, the Company's shareholders approved a share dividend of 3,580,026 common shares. The shares were issued pro-rata to the Company's existing shareholders. All references to common share values in these unaudited condensed consolidated interim financial statements have been retroactively adjusted to reflect this share dividend.

FPSO Cidade de Maricá and FPSO Cidade de Saquarema

On March 26, 2013, LOIs were signed by Petrobras, by which the Company's subsidiary Queiroz Galvão Óleo e Gás S.A. ("QGOG") together with SBM Offshore N.V. ("SBM") have been awarded with two charter and service agreements for two new FPSOs for the Consortium BM-S-11, operated by Petrobras. These FPSOs are owned by Alfa Lula Alto S.à.r.l. ("Alfa Lula") and Beta Lula Central S.à.r.l. ("Beta Lula"), which are investees of Arazi, SBM, Mitsubishi Corporation ("Mitsubishi") and Nippon Yusen Kabushiki Kaisha ("NYK Line").

These FPSOs will operate in the Lula field, the pre-salt Santos Basin and will have 65% of national content and a daily oil and gas production capacity of 150,000 barrels and 6 million cubic meters each, respectively. The construction of the FPSOs Cidade de Maricá and Cidade de Saquarema began in March 2013 and the FPSOs are expected to be delivered in the fourth quarter of 2015. The start of the operations of the FPSOs Cidade de Maricá and Cidade de Saquarema are expected to occur in the fourth quarter of 2015 and in the first quarter of 2016, respectively.

Atendimento Prisma

The Group has a participation of 5% in both Alfa Lula and Beta Lula and has the right to acquire an additional participation of 5% from SBM within fifteen days of the final acceptance of the FPSOs, based on the capital invested by SBM plus interest of 8% p.a..

On July 12, 2013, the Company entered into 20-year contracts to charter and operate the FPSOs Cidade de Maricá and Cidade de Saquarema, with the Consortium BM-S-11.

FPSO P-63 Operation

In January 2010, the Group entered into a consortium agreement with BW Offshore do Brasil Ltda. ("BW Offshore") in order to operate the FPSO P-63 which is owned by Petrobras. The Group holds 40% and BW Offshore, the consortium leader, holds the remaining 60%. The three-year agreement with Petrobras covers the production start-up period and progressive hand-over of the operation to Petrobras.

On June 18, 2013, the Group and BW Offshore started to provide operational services to Petrobras related to FPSO P-63. On November 11, 2013, the Papaterra Operações Marítimas Consortium started the FPSO P-63 operations in the Papa Terra field, in the Campos Basin, under the service contract with Petrobras, after a continuous oil flow of 72 hours and the consequent issuance of the Ready for Oil Certificate.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), on a basis consistent with the significant accounting policies disclosed in Note 3 to the consolidated financial statements for the year ended December 31, 2012.

IAS 34 requires the use of certain accounting estimates by the Company's Management. These unaudited condensed consolidated interim financial statements were prepared based on historical cost, except for certain financial liabilities, which are measured at fair value.

These unaudited condensed consolidated interim financial statements do not include all the information and disclosure items required in the annual consolidated financial statements. Therefore, they must be read together with the Company's consolidated financial statements referring the year ended December 31, 2012, which were prepared according to accounting policies, as described above. There were no changes in the accounting policies and critical accounting estimates adopted on December 31, 2012 and September 30, 2013.

Atendimento Prisma

The following new and amended Standards have been effective since January 1, 2013 or will be effective on January 1, 2014 and 2015 and their adoption, where applicable, did not or will not have significant effect on the unaudited condensed consolidated interim financial statements:

| Standard or interpretation | Description | Effective date for annual period beginning on or after |
|---|---|---|
| IFRS 1 (amended) | Government Loans | January 1, 2013 |
| IFRS 7 (amended) | Disclosures - Offsetting Financial Assets and Financial Liabilities | January 1, 2013 |
| IFRS 9 | Financial Instruments | January 1, 2015 |
| IFRS 10 | Consolidated Financial Statements | January 1, 2013 |
| IFRS 11 | Joint Arrangements | January 1, 2013 |
| IFRS 13 | Fair Value Measurement | January 1, 2013 |
| IAS 19 (revised in 2011) | Employee Benefits | January 1, 2013 |
| IAS 27 (revised in 2011) | Separate Financial Statements | January 1, 2013 |
| IAS 28 (revised in 2011) | Investments in Associates and Joint Ventures | January 1, 2013 |
| IAS 32 (amended) | Offsetting Financial Assets and Financial Liabilities | January 1, 2014 |
| IAS 39 (amended) | Novation of Derivatives and Continuation of Hedge Accounting' | January 1, 2014 |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | January 1, 2013 |
| IFRIC 21 | Levies | January 1, 2014 |

Consolidation

The unaudited condensed consolidated interim financial statements as of September 30, 2013 and for the three and nine-month periods then ended have been prepared by consolidating the financial statements of the Company and its subsidiaries. All intra-group transactions, balances, income and expenses were eliminated in the consolidation process.

Combination

As described in Note 1, in May 2012, the Company's controlling shareholders completed a corporate restructuring resulting in Constellation becoming a wholly-owned indirect subsidiary of QGOG Constellation. This corporate restructuring was accounted for at historical cost as QGOG Constellation and Constellation were under common control. The financial information for all periods prior to the corporate restructuring have been prepared by combining the historical financial statements of QGOG Constellation and the consolidated financial statements of Constellation and its subsidiaries.

## 3. CASH AND CASH EQUIVALENTS

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Cash and bank deposits | 39,724 | 58,606 |
| Cash equivalents | 314,037 | 161,007 |
| Total | 353,761 | 219,613 |

Atendimento Prisma

Cash equivalents represent time deposits with original maturities of less than 90 days. These investments are highly liquid and convertible into known amounts of cash and are subject to insignificant risk of changes in value.

The amounts of cash equivalents are presented below:

| Cash equivalents | Financial Institution | Average interest rate (per annum) | September 30, 2013 | December 31, 2012 |
|---|---|---|---|---|
| Time deposits | Itaú BBA Nassau | 0.41% | 146,078 | 127,567 |
| Time deposits | Bradesco S.A. Grand Cayman | 0.28% | 167,959 | 32,500 |
| Time deposits | Citibank | 0.08% | - | 940 |
| Total | | | 314,037 | 161,007 |

## 4. SHORT-TERM INVESTMENTS

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Time deposits | 319,685 | 195,460 |
| Bank deposits certificates | 7,092 | 11,952 |
| Repurchase agreements | 8,850 | 5,766 |
| Total | 335,627 | 213,178 |

| Short-term investments | Financial institution | Average interest rate (per annum) | September 30, 2013 | December 31, 2012 |
|---|---|---|---|---|
| Time deposits | HSBC Bank | 0.04% | 43,804 | 30,563 |
| Time deposits | Citibank | 0.17% | 14,415 | - |
| Time deposits | Deutsche Bank | 0.11% | 45,025 | - |
| Time deposits | Itaú BBA Nassau | 1.45% | - | 123,600 |
| Time deposits | ING Bank | 0.19% | 24,287 | 41,297 |
| Time deposits | Bradesco Grand Cayman | 0.88% | 54,132 | - |
| Time deposit | Banco do Brasil | 1.20% | 44,031 | - |
| Time deposit | Itau S.A. | 1.44% | 93,991 | - |
| Bank deposit certificates | Banco do Nordeste - BNB | 101.5% of CDI (*) | 5,495 | 4,417 |
| Bank deposit certificates | Banco do Brasil S.A. | 98% of CDI (*) | 1,597 | 4,428 |
| Bank deposit certificates | Itaú S.A. | 98% of CDI (*) | - | 3,107 |
| Repurchase agreements (**) | Itaú S.A. | 100.5% of CDI (*) | - | 1,339 |
| Repurchase agreements (**) | Bradesco S.A. | 99.5 % of CDI (*) | 8,850 | 4,427 |
| Total | | | 335,627 | 213,178 |

(*) CDI - Interbank deposit certificate.

(**) Repurchase agreements are contracts in which the bank has a commitment to repurchase the asset back from the Group within a specified time limit.

Atendimento Prisma

## 5. RESTRICTED CASH

Under certain of the Group's project finance arrangements, surplus cash from operations is held in designated reserve accounts, up to a level determined in relation to the future debt servicing requirements on that financing arrangement.

Since July 2012, cash added in these accounts is exclusively designated for debt payment and therefore, is presented as financing activity in the statement of cash flows (before that date, such amounts were used for operating expenditures payments and were presented as operating activity in the statement of cash flows). Cash generated from operations in excess of the required amount of the reserve account is free from use restrictions and is presented as cash and cash equivalents or short-term investments.

These accounts refer to the financing agreements related to the construction of Lone Star, Gold Star and Olinda Star offshore drilling rigs, as described in Note 11, with original maturity of less than one year.

The amounts in these accounts are presented below:

| Restricted cash | Financial institution | Average interest rate (per annum) | September 30, 2013 | December 31, 2012 |
|---|---|---|---|---|
| Time deposits | ING Bank | 0.23% | 43,788 | 25,483 |
| Total | | | 43,788 | 25,483 |

6. TRADE AND OTHER RECEIVABLES

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Trade receivables | 108,682 | 129,330 |
| Total | 108,682 | 129,330 |

Trade receivables are mainly related to receivables from Petrobras for charter and services relating to onshore and offshore drilling rigs and drillships used in the exploration of oil and natural gas in Brazil. Historically, there have been no defaults on receivables or delays in collections and consequently, the Group has not recorded an allowance for doubtful accounts for the periods presented. The average collection period is of approximately 30 days. See credit risks in Note 22.

The decrease in trade receivables is mainly represented by the reimbursement of State Value-Added Tax ("State VAT" - ICMS) charged on the importation of Amaralina and Laguna drillships, in the amounts of US$18,551 and US$18,357, respectively. Such amounts were fully reimbursed by Petrobras. However this decrease was partially offset by mobilization accounts receivable related to the onshore drilling rig QG-VI and FPSO P-63 contracts amounting to US$6,108 and US$2,463, respectively, which were charged to Petrobras in September 2013.

7. INVENTORIES

Inventories refer basically to materials to be used in the onshore and offshore drilling rigs and drillships operations. The amounts recognised in the statement of operations are accounted as costs of services in the account "Materials", as disclosed in Note 18.

Atendimento Prisma

## 8. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries that are part of the Group are eliminated for consolidation purposes and are not presented in the note below.

The consolidated intercompany balances as of September 30, 2013 and December 31, 2012 and the intercompany transactions for the three and nine-month periods ended September 30, 2013 and 2012 are as follows:

| | September 30, 2013 | | Three-month period ended September 30, 2013 | Nine-month period ended September 30, 2013 | December 31, 2012 | | Three-month period ended September 30, 2012 | Nine-month period ended September 30, 2012 |
|---|---|---|---|---|---|---|---|---|
| | Assets | Liabilities | Income / (expenses) | Income / (expenses) | Assets | Liabilities | Income / (expenses) | Income / (expenses) |
| Delba [(a)] | 234,212 | 230,946 | 375 | 1,122 | 212,366 | 210,222 | - | - |
| FPSO Cidade de Paraty [(b)] | 3,308 | - | 110 | 864 | 30,443 | - | - | 803 |
| QG S.A. [(c)] | - | 2,154 | (1,268) | (4,049) | - | 11,943 | (196) | (2,157) |
| Queiroz Galvão Exploração e Produção S.A. (QGEP) [(f)] | 202 | - | 84 | 300 | 195 | - | 13 | 27 |
| Manati S.A. [(f)] | - | - | - | - | - | - | 79 | 358 |
| FPSO Capixaba [(d)] | 888 | - | 5 | 8 | 880 | - | - | - |
| Espírito do Mar [(e)] | 3,921 | - | 53 | 156 | 3,765 | - | 50 | 148 |
| Sete Brasil [(g)] | - | - | 1,352 | 7,582 | - | 571 | - | - |
| Others | 200 | 58 | - | - | 182 | 64 | - | - |
| Total | 242,731 | 233,158 | 711 | 5,983 | 247,831 | 222,800 | (54) | (821) |
| | | | | | | | | |
| Total current | 30,080 | 32,090 | | | 195 | 12,007 | | |
| Total non-current | 212,651 | 201,068 | | | 247,636 | 210,793 | | |

Atendimento Prisma

(a) In 2010, Constellation and Delba signed shareholders and loan agreements in order to construct, charter and operate two drillships for Petrobras, the Amaralina Star and the Laguna Star, through Constellation's 55% interest in each of Amaralina Star Ltd. ("Amaralina" - former Bulzow Capital Inc.) and Laguna Star Ltd. ("Laguna" - former Guildford Projects Corp.), the remaining 45% of these companies shares being held by Delba.

Under these agreements, Constellation has committed to finance Delba's 45% expenditures share on these projects.

The receivables from Delba refers to the loans receivable which bears interest at 12% p.a., compounded annually, up to the sixth anniversary of the sub-charter contract with Petrobras. Thereafter, the loans receivable will bear interest at 13% p.a., compounded. Repayment of interest and principal is scheduled to occur quarterly as from 1 year after the "Date of Acceptance" of the drillships by Petrobras, with the principal being repayable in equal quarterly installments over the six-year term of the Petrobras charter contract, starting from the "Date of Acceptance", since Amaralina and Laguna comply with the financing agreement conditions to pay dividends. The amounts payables refer to intercompany loans provided by Delba to Amaralina and Laguna with the same terms and conditions of the related receivable amounts from Delba.

The amounts of the loans receivable from Delba are secured by:

- ✓ A pledge of Delba's 45% shares in Amaralina and Laguna;
- ✓ An assignment of dividends payable to Delba by Amaralina and Laguna; and
- ✓ An assignment of amounts payable to Delba by Amaralina and Laguna.

Any cash available in Amaralina and Laguna for dividends payment will be used to repay the intercompany loans to Delba. Amaralina and Laguna may not pay any dividends or other payables to Delba, until the intercompany loans are fully paid. The intercompany loans may be extended in the event that the term of the charter contract with Petrobras is extended. In this case, the new maturity date will be the end date of the extended contract.

In connection with the first disbursement of Amaralina Star and Laguna Star project financings, since May 2012, Constellation charges Delba a fee for being the guarantor of Amaralina Star and Laguna Star project financings. For the nine-month period ended September 30, 2013, the fee charged to Delba amounted to US$1,122.

Non-compliance with the contracts between Delba and Constellation could result in penalties to either entity. As of September 30, 2013 and for the nine-month period then ended, the Group was in compliance with the requirements of the respective contracts.

Atendimento Prisma

(b) The Group signed a shareholders' agreement with its partners to regulate their relation in the companies that will construct, charter and operate the FPSO Cidade de Paraty for Petrobras. As of September 30, 2013 loans receivables amounting to US$3,308 (US$30,443 as of December 31, 2012) refer to milestone payments made by Constellation in proportion to its participation in the referred FPSO. During 2013, the Company received the amounts of US$16,720 and US$11,273 in connection with the payment made by Petrobras and with the final drawdown of the financing contracted to fund the equipment construction, respectively. The loan bears interest rate at LIBOR plus 3% p.a., with no maturity date.

(c) The payable amount of US$2,154 is related to the fee charged by QG S.A. for being the guarantor for importations under the Special Regime of Temporary Admission ("REPETRO"). The amount of US$11,943 as of December 31, 2012 was comprised by US$5,578 related to the fee charged for being the guarantor for importations under the REPETRO and US$6,365 which refers to the fee charged by QG S.A., an entity under common control with the Group, for being guarantor of part of the Company's subsidiaries' loans and financings (such guarantees ceased in 2012).

(d) Loans bearing interest at LIBOR plus 0.5% p.a., with maturity at the end of the charter contract period between Espírito do Mar and Petrobras (2022). Bank guarantees are provided by SBM.

(e) The loan to Espírito do Mar reflects an effective interest rate of 5.56% p.a., with maturity at the end of the charter contract period between SBM Espírito do Mar Inc. and Petrobras (2022). Bank guarantees are provided by SBM.

(f) On June 1, 2010, QGOG entered into an agreement with QGEP pursuant to which they agreed to share infrastructure and certain administrative costs. On November 30, 2012, Manati was incorporated by QGEP.

(g) On August 3, 2012, Angra signed three shareholders' agreements in which the Company acquired a 15% equity interest in three SPEs, each one owning an ultra-deepwater semi-submersible rig (Urca, Bracuhy and Mangaratiba) in partnership with Sete Brasil. In the same day, the partnership signed charter agreements of these assets with Petrobras. The amount of US$7,582 refers to the fee charged by the Company related to Urca, Bracuhy and Mangaratiba project management.

Key management personnel remuneration is presented below:

| | Three-month period ended September 30, | | Nine-month period ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Key management personnel compensation [(i)] | 2,831 | 3,303 | 8,178 | 6,649 |

(i) Key management is defined as the statutory officers and directors of Company.

All key management personnel compensation refers to short-term benefits.

The cash compensation for each member of senior management is mainly comprised of base salary and bonus. The compensation that is paid to senior management is evaluated on an annual basis considering the following primary factors: individual performance during the prior year, market rates and movements and the individual's anticipated contribution to the Group growth. Members of senior management are also eligible to participate in the Group's retirement savings plans (Note 24).

Atendimento Prisma

## 9. INVESTMENTS

Atendimento Prisma

September 30, 2013

| | Associates | | | | | Joint Ventures | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | FPSO Capixaba Venture S.A. | SBM Espírito do Mar Inc. | Urca Drilling B.V. | Bracuhy Drilling B.V. | Mangaratiba Drilling B.V. | Tupi Nordeste S.à.r.l. | Tupi Nordeste Ltd. | Guará Norte S.à.r.l. | Guará Norte Ltd. | Alfa Lula Alto S.à.r.l. | Beta Lula Central S.à.r.l. |
| Number of shares (thousands) | 100 | 100 | 90 | 90 | 90 | 20 | 12 | 50,200 | 12 | 65,200 | 65,200 |
| Ownership interest (%) | 20.00% | 20.00% | 15.00% | 15.00% | 15.00% | 20.00% | 20.00% | 12.75% | 12.75% | 5.00% | 5.00% |
| Authorized share capital | 82 | 88 | €9( | €9( | €9( | 16,020 | 12 | 50,200 | 12 | 65,200 | 65,200 |
| Current assets | 5,547 | 28,974 | 25,678 | 50,787 | 50,484 | 209,431 | 2,976 | 19,491 | 296 | 1 | 1 |
| Non-current assets | 4,774 | 292,692 | 363,561 | 89,427 | 88,708 | 1,139,044 | 5,285 | 1,059,933 | - | 296,145 | 291,819 |
| Current liabilities | 17,654 | 639 | 312,369 | 81,004 | 50,044 | 146,886 | 4,125 | 11,452 | - | - | - |
| Non-current liabilities | 12,303 | 159,731 | 27,419 | 52,497 | 82,150 | 931,756 | 3,128 | 731,545 | 255 | - | - |
| Shareholder's equity (deficit) | (19,636) | 161,296 | 49,451 | 6,713 | 6,998 | 269,833 | 1,008 | 336,427 | 41 | 296,146 | 291,820 |

December 31, 2012

| | Associates | | | | | Joint Ventures | |
|---|---|---|---|---|---|---|---|
| | FPSO Capixaba Venture S.A. | SBM Espírito do Mar Inc. | Urca Drilling B.V. | Bracuhy Drilling B.V. | Mangaratiba Drilling B.V. | Tupi Nordeste S.à.r.l. | Guará Norte S.à.r.l. |
| Number of shares (thousands) | 100 | 100 | 90 | 90 | 90 | 20 | 50,200 |
| Ownership interest (%) | 20.00% | 20.00% | 15.00% | 15.00% | 15.00% | 20.00% | 12.75% |
| Authorized share capital | 82 | 88 | €9( | €9( | €9( | 16,020 | 50,200 |
| Current assets | 340 | 29,090 | 1,129 | 626 | 647 | 209 | 657 |
| Non-current assets | 9,150 | 324,057 | 249,108 | 34,001 | 33,980 | 1,195,867 | 652,583 |
| Current liabilities | 7,543 | 65,047 | 85,459 | 31 | 31 | 133,982 | 27,030 |
| Non-current liabilities | 11,395 | 148,567 | 136,671 | 28,666 | 28,663 | 1,007,307 | 415,605 |
| Shareholder's equity (deficit) | (9,448) | 139,533 | 28,107 | 5,930 | 5,933 | 54,787 | 210,605 |

| | Three-month period ended September 30, 2013 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Associates | | | | | Joint Ventures | | | | | |
| | FPSO Capixaba Venture S.A. | SBM Espírito do Mar Inc. | Urca Drilling B.V. | Bracuhy Drilling B.V. | Mangaratiba Drilling B.V. | Tupi Nordeste S.à.r.l. | Tupi Nordeste Ltd. | Guará Norte S.à.r.l. | Guará Norte Ltd. | Alfa Lula Alto S.à.r.l. | Beta Lula Central S.à.r.l. |
| Net income (loss) | (2,701) | 7,154 | (4,030) | (325) | (343) | 12,252 | 2,540 | - | 17 | - | - |
| Other comprehensive income (loss) | - | - | - | - | - | 1,712 | - | (3,584) | - | - | - |
| Total comprehensive income | (2,701) | 7,154 | (4,030) | (325) | (343) | 13,964 | 2,540 | (3,584) | 17 | - | - |

| | Three-month period ended September 30, 2012 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Associates | | | | | Joint Ventures | | | |
| | FPSO Capixaba Venture S.A. | SBM Espírito do Mar Inc. | Urca Drilling B.V. | Bracuhy Drilling B.V. | Mangaratiba Drilling B.V. | Tupi Nordeste S.à.r.l. | Tupi Nordeste Ltd. | Guará Norte S.à.r.l. | Guará Norte Ltd. |
| Net income (loss) | (3,143) | 6,296 | (3,142) | (487) | (476) | - | - | - | - |
| Total comprehensive income | (3,143) | 6,296 | (3,142) | (487) | (476) | - | - | - | - |

Atendimento Prisma

| | Nine-month period ended September 30, 2013 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Associates | | | | | Joint Ventures | | | | | |
| | FPSO Capixaba Venture S.A. | SBM Espírito do Mar Inc. | Urca Drilling B.V. | Bracuhy Drilling B.V. | Mangaratiba Drilling B.V. | Tupi Nordeste S.à.r.l. | Tupi Nordeste Ltd. | Guará Norte S.à.r.l. | Guará Norte Ltd. | Alfa Lula Alto S.à.r.l. | Beta Lula Central S.à.r.l. |
| Net income (loss) | (10,186) | 21,763 | 378 | 509 | 512 | 179,991 | 1,018 | - | 33 | - | - |
| Other comprehensive income (loss) | - | - | - | - | - | 35,056 | - | 40,867 | - | - | - |
| Total comprehensive income | (10,186) | 21,763 | 378 | 509 | 512 | 215,047 | 1,018 | 40,867 | 33 | - | - |

| | Nine-month period ended September 30, 2012 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Associates | | | | | Joint Ventures | | | |
| | FPSO Capixaba Venture S.A. | SBM Espírito do Mar Inc. | Urca Drilling B.V. | Bracuhy Drilling B.V. | Mangaratiba Drilling B.V. | Tupi Nordeste S.à.r.l. | Tupi Nordeste Ltd. | Guará Norte S.à.r.l. | Guará Norte Ltd. |
| Net income (loss) | (6,001) | 18,079 | (3,142) | (487) | (476) | - | - | - | - |
| Total comprehensive income | (6,001) | 18,079 | (3,142) | (487) | (476) | - | - | - | - |

Atendimento Prisma

Changes in investments

| | Nine-month period ended September 30, 2013 | | | | |
|---|---|---|---|---|---|
| | Asset (liability) balance as of December 31, 2012 | Capital increase [2] | Share of results | Share of comprehensive income | Asset (liability) balance as of September 30, 2013 |
| Associates | | | | | |
| FPSO Capixaba Venture S.A. | (1,891) | - | (2,037) | - | (3,928) |
| SBM Espírito do Mar Inc. | 27,906 | - | 4,353 | - | 32,259 |
| Urca Drilling B.V. | 4,216 | 3,145 | 57 | - | 7,418 |
| Bracuhy Drilling B.V. | 890 | 41 | 76 | - | 1,007 |
| Mangaratiba Drilling B.V. | 890 | 83 | 77 | - | 1,050 |
| Joint ventures | | | | | |
| Tupi Nordeste S.à.r.l. [3] | 10,957 | - | 35,998 | 7,011 | 53,966 |
| Tupi Nordeste Ltd. | - | 2 | 199 | - | 201 |
| Guará Norte S.à.r.l. | 26,854 | 10,832 | - | 5,211 | 42,897 |
| Guará Norte Ltd. | - | 1 | 4 | - | 5 |
| Alfa Lula Alto S.à.r.l. | - | 14,779 | - | - | 14,779 |
| Beta Lula Central S.à.r.l. | - | 14,563 | - | - | 14,563 |
| Total | 69,822 | 43,446 | 38,727 | 12,222 | 164,217 |
| Total assets (investments) | 71,713 | | | | 168,145 |
| Total liabilities (accumulated deficit in investments) [1] | (1,891) | | | | (3,928) |

| | Nine-month period ended September 30, 2012 | | | | |
|---|---|---|---|---|---|
| | Asset (liability) balance as of December 31, 2011 | Capital increase | Share of results | Share of comprehensive income | Asset (liability) balance as of September 30, 2012 |
| Associates | | | | | |
| FPSO Capixaba Venture S.A. | (1,446) | - | (1,200) | - | (2,646) |
| SBM Espírito do Mar Inc. | 22,981 | - | 3,616 | - | 26,597 |
| Urca Drilling B.V. | - | 2,613 | - | - | 2,613 |
| Bracuhy Drilling B.V. | - | 498 | - | - | 498 |
| Mangaratiba Drilling B.V. | - | 498 | - | - | 498 |
| Total | 21,535 | 3,609 | 2,416 | - | 27,560 |
| Total assets (investments) | 22,981 | | | | 30,206 |
| Total liabilities (accumulated deficit in investments) [1] | (1,446) | | | | (2,646) |

(1) The liability to fund deficit in FPSO Capixaba Venture S.A. and Tupi Nordeste Ltd. are recognised in “Other current liabilities”.

(2) Capital contributions have been made by cash disbursements.

(3) FPSO Cidade de Paraty started its operations in June 2013. Tupi Nordeste S.à.r.l. classified its charter agreement with Petrobras as a financial lease agreement. Included in the amount of US$35,998 there is a gain of US$32,571 that corresponds to the share of the difference between the recognition of the present value of the minimum lease payments as revenues at the lease date of inception, and the corresponding recognition of the equipment cost in the statement of operations.

Atendimento Prisma

The main activities of the Group's associates are as follows:

- Capixaba's core business is to support operations for contracts in the offshore oil and gas industry. Since March 16, 2007, this company is a shareholder of a Brazilian company which operates the FPSO Capixaba unit, currently located off the Brazilian coast and chartered to Petrobras until 2022.
- Espírito do Mar owns the FPSO Capixaba and its main activity is to support charter contracts in the offshore oil and gas industry.
- Urca Drilling B.V. owns the Urca semi-submersible drilling rig, which operation is expected to commence in 2016. This drilling rig will be equipped to operate in pre-salt water depths. Upon its construction completion and acceptance by Petrobras, Urca will be chartered to Petrobras until 2031. QGOG will be the sole operator of this offshore drilling rig.
- Bracuhy Drilling B.V. owns the Bracuhy semi-submersible drilling rig, which operation is expected to commence in 2018. This drilling rig will be equipped to operate in pre-salt water depths. Upon its construction completion and acceptance by Petrobras, Bracuhy will be chartered to Petrobras until 2033. QGOG will be the sole operator of this offshore drilling rig.
- Mangaratiba Drilling B.V. owns the Mangaratiba semi-submersible drilling rig, which operation is expected to commence in 2019. This drilling rig will be equipped to operate in pre-salt water depths. Upon its construction completion and acceptance by Petrobras, Mangaratiba will be chartered to Petrobras until 2034. QGOG will be the sole operator of this offshore drilling rig.

Atendimento Prisma

The main activities of the Group's joint ventures are as follows:

- Tupi Nordeste S.à.r.l.'s main activity is to act as a sub-charter party in the contracts in the offshore oil and gas industry. The Company charters the FPSO Cidade de Paraty to Petrobras until 2033, which is currently located off the Brazilian coast. The start of operations was in June 2013.
- Tupi Nordeste Ltd.'s core business is to support operations for contracts in the offshore oil and gas industry. This company is a shareholder of a Brazilian company which operates the FPSO Cidade de Paraty unit to Petrobras until 2033.
- Guará Norte S.à.r.l.'s main activity is to act as a sub-charter party in the contracts in the offshore oil and gas industry. The Company owns the FPSO Cidade de Ilhabela, which will operate off the Brazilian coast being chartered to Petrobras for 20 years. The expected date for the start of the operations is the third quarter of 2014. As of June 30, 2013 the Group's main capital commitments for the conclusion of the construction of the FPSO Cidade Ilhabela, is in the amount of US$23 million, corresponding to the ownership interest percentage in this joint venture.
- Guará Norte Ltd.'s core business is to support operations for contracts in the offshore oil and gas industry. This company is a shareholder of a Brazilian company which will operate the FPSO Cidade de Ilhabela unit to Petrobras for 20 years.

  Additionally, the Group has a participation of 12.75% in Guará Norte S.à.r.l. and Guará Norte Ltd. and has the right to acquire an additional participation of 12.75% in both entities from SBM within fifteen days of the FPSO final acceptance, based on the capital invested by SBM plus interest of 8% p.a..

- Alfa Lula owns the FPSO Cidade de Maricá, which is expected to be delivered and start its operations in the fourth quarter of 2015. On July 12, 2013, the Company entered into a 20-year contract to charter the FPSO Cidade de Maricá with the Consortium BM-S-11. As of September 30, 2013, the Group's main capital commitment for the conclusion of the FPSO Cidade de Maricá construction amounts to US$19 million, corresponding to the ownership interest percentage in the partnership.
- Beta Lula owns the FPSO Cidade de Saquarema, which is expected to be delivered in the fourth quarter of 2015 and start its operations in the first quarter of 2016. On July 12, 2013, the Company entered into a 20-year contract to charter the FPSO Cidade de Saquarema with the Consortium BM-S-11. As of September 30, 2013, the Group's main capital commitment for the conclusion of the FPSO Cidade de Saquarema construction amounts to US$18 million, corresponding to the ownership interest percentage in the partnership.

Additionally, the Group has a participation of 5% in both Alfa Lula and Beta Lula and has the right to acquire from SBM an additional participation of 5% in each entity within fifteen days of the FPSOs final acceptance, based on the capital invested by SBM plus interest of 8% p.a..

Atendimento Prisma

# 10. PROPERTY, PLANT AND EQUIPMENT

Atendimento Prisma

| | Equipment under Construction | Equipment in operation | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Amaralina drillship | Laguna drillship | Alaskan Star Rig | Atlantic Star Rig | Alpha Star Rig | Gold Star Rig | Lone Star Rig | Olinda Rig | Onshore drilling rigs, equipment and bases | Corporate | Total |
| Cost | | | | | | | | | | | | |
| Balance as of December 31, 2011 | 966,846 | - | - | 378,708 | 334,568 | 718,636 | 536,701 | 639,844 | 531,137 | 170,837 | 29,511 | 4,306,788 |
| Additions | 260,276 | - | - | 185 | 494 | 2,109 | 125 | 167 | 309 | 2,735 | 1,493 | 267,893 |
| Disposals | - | - | - | (1,052) | (49) | - | - | - | (64) | - | (186) | (1,351) |
| Transfers | (1,227,122) | 630,026 | 597,096 | - | - | - | - | - | - | - | - | - |
| Currency translation differences | - | - | - | - | - | - | - | - | - | (7,143) | (1,205) | (8,348) |
| Balance as of September 30, 2012 | - | 630,026 | 597,096 | 377,841 | 335,013 | 720,745 | 536,826 | 640,011 | 531,382 | 166,429 | 29,613 | 4,564,982 |
| Balance as of December 31, 2012 | 61,283 | 640,111 | 647,084 | 378,212 | 335,088 | 721,207 | 537,140 | 640,421 | 531,589 | 169,762 | 29,626 | 4,691,523 |
| Additions | 85,693 | 880 | 407 | 268 | 95 | 27 | 16 | 23 | 225 | 4,448 | 1,710 | 93,792 |
| Disposals | - | (1,587) | (1,835) | - | (50) | - | - | (19) | - | - | (363) | (3,854 |
| Currency translation differences | - | - | - | - | - | - | - | - | - | (7,529) | (1,318) | (8,847 |
| Balance as of September 30, 2013 | 146,976 | 639,404 | 645,656 | 378,480 | 335,133 | 721,234 | 537,156 | 640,425 | 531,814 | 166,681 | 29,655 | 4,772,614 |
| Accumulated depreciation | | | | | | | | | | | | |
| Balance as of December 31, 2011 | - | - | - | (50,782) | (51,929) | (16,271) | (45,758) | (24,894) | (59,019) | (51,019) | (14,515) | (314,187) |
| Depreciation | - | - | - | (12,514) | (11,539) | (24,833) | (17,097) | (24,614) | (17,142) | (9,744) | (1,890) | (119,373) |
| Disposals | - | - | - | - | - | - | - | - | - | - | 149 | 149 |
| Currency translation differences | - | - | - | - | - | - | - | - | - | 3,595 | 420 | 4,015 |
| Balance as of September 30, 2012 | - | - | -- | (63,296) | (63,468) | (41,104) | (62,855) | (49,508) | (76,161) | (57,168) | (15,836) | (429,396) |
| Balance as of December 31, 2012 | - | (6,535) | (2,219) | (67,513) | (67,379) | (49,503) | (68,639) | (57,801) | (81,835) | (60,137) | (16,367) | (477,928) |
| Depreciation | - | (19,562) | (19,675) | (12,468) | (11,283) | (19,501) | (15,120) | (18,808) | (16,909) | (9,425) | (1,426) | (144,177) |
| Disposals | - | - | - | - | - | - | - | - | - | - | 317 | 317 |
| Currency translation differences | - | - | - | - | - | - | - | - | - | 4,181 | 522 | 4,703 |
| Balance as of September 30, 2013 | - | (26,097) | (21,894) | (79,981) | (78,662) | (69,004) | (83,759) | (76,609) | (98,744) | (65,381) | (16,954) | (617,085) |
| Property, plant and equipment, net | | | | | | | | | | | | |
| December 31, 2012 | 61,283 | 633,576 | 644,865 | 310,699 | 267,709 | 671,704 | 468,501 | 582,620 | 449,754 | 109,625 | 13,259 | 4,213,595 |
| September 30, 2013 | 146,976 | 613,607 | 623,762 | 298,499 | 256,471 | 652,230 | 453,397 | 563,816 | 433,070 | 101,300 | 12,701 | 4,155,529 |
| Average useful life (years) | | 24 | 24 | 22 | 21 | 27 | 26 | 25 | 24 | 17 | 15 | |

The detailed cost of equipment under construction is as follows:

| | Equipment under construction (Drillships) |
|---|---|
| Cost | |
| Balance as of December 31, 2011 | 966,846 |
| Additions | 260,276 |
| Transfers | (1,227,122) |
| Balance as of September 30, 2012 | - |
| Balance as of December 31, 2012 | 61,283 |
| ¤ Additions | 85,693 |
| Balance as of September 30, 2013 | 146,976 |

The construction of Amaralina Star and Laguna Star was concluded on July and September 2012, respectively. Amaralina Star and Laguna Star started their operations in September and November 2012, respectively.

As of September 30, 2013 the balance of equipment under construction refers to the costs incurred in Brava Star construction, which total cost of construction project (without an estimative of capitalized interest) is of approximately US$660 million, as described in Note 1. Until September 30, 2013 the unbilled costs by the shipyard and other suppliers amounts to US$78,523. The Company recognised these costs in PP&E against a provision recognized in accrued liabilities (Note 12).

Borrowing costs capitalized in PP&E for the nine-month periods ended September 30, 2013 and 2012 were US$3,789 and US$52,180, respectively.

Borrowing costs are capitalized using the effective interest rates of each financing agreement described in Note 11.

The Group's assets which are pledged as security for financing are also described in Note 11.

Atendimento Prisma

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## 11. LOANS AND FINANCINGS

| Financial institution | Funding type | Objective | Beginning period | Maturity | Contractual interest rate | Effective interest rate | Currency | September 30, 2013 | December 31, 2012 |
|---|---|---|---|---|---|---|---|---|---|
| Banco do Brasil | Loan | Working capital | Sept, 2012 | Aug, 2013 | 2.75%p.a. | 2.75%p.a. | U.S. dollar | - | 124,089 |
| Bradesco | Loan | Working capital | Aug, 2013 | Jul,2014 | 2.52%p.a. | 2.52%p.a. | U.S. dollar | 123,275 | - |
| ING (leader arranger) | Financing | Gold Star rig construction[1] | Jul,2007 | Dec,2017 | Libor+1.15%p.a. to Libor+1.35%p.a.[2] | 1.42%p.a. | U.S. dollar | 253,355 | 278,489 |
| ING (leader arranger) | Financing | Lone Star rig construction[3] | Jul,2007 | Jan,2015 | Libor+1.15%p.a. | 1.42%p.a. | U.S. dollar | 215,999 | 281,621 |
| Santander, HSBC, Citibank (joint bookrunners) | Senior Notes ("Project Bond") | Refinance Alaskan Star and Atlantic Star rigs, and other corporate purposes | Jul,2011 | Jul,2018 | 5.25%p.a. | 5.55%p.a. | U.S. dollar | 529,156 | 569,287 |
| ING (leader arranger) | Financing | Olinda Star rig construction | Feb,2008 | Jul,2014 | Libor+1.40%p.a. | 1.67%p.a. | U.S. dollar | 108,352 | 151,276 |
| Citibank and Santander (joint leader arrangers) | Financing | Alpha Star rig construction | Apr,2011 | Jul,2017 | Libor+2.50%p.a. | 3.53%p.a. | U.S. dollar | 409,056 | 454,178 |
| BNP, Citi and ING (leader arrangers) and The Norwegian Ministry of Trade and Industry ("MTI") | Financing | Amaralina Star drillship construction | May,2012 | Oct,2018[4] | Libor+2.75% to Libor+3.00%p.a.[5] | 4.44%p.a. | U.S. dollar | 403,367 | 419,222 |
| BNP, Citi and ING (leader arrangers) and The Norwegian Ministry of Trade and Industry ("MTI") | Financing | Laguna Star drillship construction | May,2012 | Dec,2018[4] | Libor+2.75% to Libor+3.00%p.a.[5] | 4.64%p.a. | U.S. dollar | 408,172 | 449,474 |
| HSBC, BAML and Citibank (joint bookrunners) | Senior Unsecured Notes ("Corporate Bond") | Prepay working capital loans | Nov, 2012 | Nov, 2019 | 6.25%p.a. | 6.68%p.a. | U.S. dollar | 700,849 | 687,911 |
| Total | | | | | | | | 3,151,581 | 3,415,547 |
| Current | | | | | | | | 632,837 | 567,847 |
| Non-current | | | | | | | | 2,518,744 | 2,847,700 |

(1) The repayment proceeds of this financing come from the charter receivables of the Lone Star rig.
(2) The interest rate is Libor plus 1.15% p.a. until the fifth anniversary as from the first principal repayment and thereafter is Libor plus 1.35% p.a.
(3) The repayment proceeds of this financing come from the charter receivables of the Gold Star rig.
(4) The maturity dates for MTI tranches for Amaralina and Laguna project financings are December 2020 and January 2021, respectively, unless the commercial banks tranche would not be extended to the same dates.
(5) The contractual interest rate is Libor plus 2.75% p.a., except for the MTI tranches in which during the construction period the interest rate is Libor plus 3.00% p.a. and after the compliance with certain conditions is Libor plus 2.75% p.a.

Changes in loans and financings

| | Nine-month period ended September 30, | |
|---|---|---|
| | 2013 | 2012 |
| Balance as of January 1, | 3,415,547 | 2,440,522 |
| Additions | 149,149 | 1,170,635 |
| Repayment of principal | (436,300) | (274,964) |
| Transaction cost | - | (19,692) |
| Interest capitalized | 3,789 | 11,812 |
| Interest charged through profit and loss | 89,210 | 54,992 |
| Payment of interest | (77,982) | (51,087) |
| Transaction cost charged through profit and loss | 6,421 | 3,133 |
| Debt discounts charged through profit and loss | 1,747 | 829 |
| Balance as of September 30, | 3,151,581 | 3,336,180 |

Loans and financings long term amortization schedule

| For the years ending December 31, | Loans and financing | Transaction costs | Debt discounts | Net amount |
|---|---|---|---|---|
| 2014 | 127,428 | (1,856) | (514) | 125,058 |
| 2015 | 422,245 | (7,028) | (1,947) | 413,270 |
| 2016 | 340,729 | (6,262) | (1,751) | 332,716 |
| 2017 | 494,581 | (4,942) | (1,596) | 488,043 |
| 2018 | 467,432 | (3,364) | (1,455) | 462,613 |
| After 2018 | 700,000 | (1,765) | (1,191) | 697,044 |
| Total | 2,552,415 | (25,217) | (8,454) | 2,518,744 |

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Covenants

The financing agreements contain financial covenants and securities provided to lenders as described hereafter. Non compliance with such financial covenants could constitute a Restricted Payment Trigger Event, which would result in the borrower entity not being allowed to pay dividends, purchase, retire or otherwise distribute capital stock or make certain payments to related parties.

The financial covenants are measured semiannually and consists of: (i) a minimum requirement of Consolidated Tangible Net Worth; (ii) Consolidated Cash and Cash Equivalents and Marketable Securities; (iii) Interest Cover Ratio, that requires to maintain a minimum Consolidated Adjusted EBITDA to Consolidated Net Interest Payable ratio (which calculations are subjected to defined adjustments mainly related to borrowings to Project Finance); (iv) Leverage Ratio, which requires a maximum ratio of Consolidated Net Total Borrowings to Consolidated Adjusted EBITDA (which calculations are subjected to defined adjustments mainly related to borrowings to Project Finance). Consolidated refers to the Group.

The financial covenants are assessed semi-annually based on the consolidated financial statements as of December 31 and June 30 of each year. As of June 30, 2013 (last assessment period), the Group was in compliance with such restrictive clauses.

The indenture governing the Corporate Bond contains certain financial covenants that limit the Company's ability to incur additional indebtedness. The covenants are measured on the four most recent fiscal quarters for which financial statements are available and consist of: (i) Unconsolidated Interest Coverage Ratio and (ii) Consolidated Net Leverage Ratio. These financial covenants are not required to be measured on a regular basis and shall be assessed whenever additional indebtedness to be incurred by the Company, as required under the indenture.

Guarantees

The financings obtained by QGOG Constellation's subsidiaries in order to finance the construction of the drilling rigs and drillships and for other corporate purposes are usually structured as Project Finance/Project Bond, therefore benefiting from a customary security package which includes guarantees such as assignment of the charter receivables, mortgages over the drilling rigs and drillships, pledges over the shares of the rig owners, charges over the relevant bank accounts held at the facility agents, including accounts into which the amounts payable under charter agreement are required to be paid, assignment of the relevant insurances along with corporate guarantees during pre-completion period. In addition, the terms of some of these financing debt instruments restrict the ability of project subsidiaries, to pay dividends, incur additional debt, grant additional liens, sell or dispose of assets and enter into certain acquisitions, mergers and consolidations, except as already established in such financing debt instruments.

This can be applied to the financings of the following offshore drilling rigs: Olinda Star, Gold Star, Lone Star, Alpha Star, Alaskan Star and Atlantic Star, and the Project Financing of Amaralina Star and Laguna Star drillships.

The Corporate Bond issued on November 9, 2012 is guaranteed on a senior unsecured basis by Constellation. In addition, the Company established an interest reserve account in favor of the collateral agent, which is fully funded by cash and/or letters of credit in an amount sufficient to provide for the payment of the next two succeeding interest payments.

Atendimento Prisma

## 12. ACCRUED LIABILITIES

Equipment under construction is recorded considering the incurred costs of the related project based on information provided by the shipyard and other suppliers. These costs are recognized in PP&E and the respective amounts of the unbilled costs are recognized as accrued liabilities, as follows:

| | September 30, 2013 |
|---|---|
| Equipment under construction: | |
| Brava Star | 78,523 |
| Total | 78,523 |

## 13. PROVISIONS

In the normal course of its business the Group engages in contracts with third parties which convey contractual obligations. The Group recognises provisions for contractual penalties which are allegedly payable with respect to certain of its contracts. As of September 30, 2013 and December 31, 2012 the amount of US$7,525 corresponds to the contractual penalties of Amaralina Star and Laguna Star, which do not foresee monetary variation.

## 14. PROVISION FOR RISKS AND CONTINGENCIES

Labor, civil and tax claims

a) Provision for probable losses on labor, civil and tax claims:

During the normal course of its business activities, the Company has received labor and tax claims. Regarding each claim or exposure, Management has made an assessment of the probability that the matter resolution would ultimately result in a loss. Therefore, based on such assessment a provision to cover the probable losses arising from labor claims was recorded. As of September 30, 2013 and December 31, 2012 the provisions for labor lawsuits included in “other non-current liabilities” are mainly related to hardship and retirement.

Changes in the loss provision for labor claims are as follows:

| | Nine-month period ended September 30, | |
|---|---|---|
| | 2013 | 2012 |
| Balance as of January 1, | 935 | 156 |
| Additions | 97 | 621 |
| Reversals | (8) | - |
| Currency translation differences | (79) | 1 |
| Balance as of September 30, | 945 | 778 |

b) Claims assessed as possible losses by Management

Based on the in-house counsel and external legal advisors’ opinions, these claims are not accrued in the unaudited condensed consolidated interim financial statements and basically consist of labor lawsuits (comprised mainly by compensation due to work related accidents and occupational diseases) in the amount of US$12,453 (US$8,392 as of December 31, 2012) and tax lawsuits in the amount of US$3,329 (US$22,511 as of December 31, 2012).

The main tax lawsuits assessed as possible losses are described as follows:

1) QGOG received a Notice of Violation issued by the Brazilian tax authorities related to the importation of the Atlantic Star offshore drilling rig consisting of: (i) the lack of an appropriate importation license of the related offshore drilling rig under the REPETRO and (ii) error in filling out the import documents. As of December 31, 2012, the estimated amount involved was US$19,161.

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On April 25, 2013, QGOG was notified of the decision in second administrative instance regarding this Notice of Violation. The decision was as follows: (i) exclude the fine in the percentage of 30% of the total amount of the Atlantic Star offshore drilling rig related to the lack of an appropriate importation license under the REPETRO; and (ii) uphold the fine in the percentage of 1% of the total amount of the Atlantic Star offshore drilling rig related to an error in filling out the import documents.

The Brazilian tax authorities did not appeal on the decision and, therefore, on May 29, 2013 the Company paid the amount of US$628 to settle the debt.

2) The Group received a Notice of Violation issued by the Rio de Janeiro tax authorities due to nonpayment of ISS in the city of Rio de Janeiro. The Group argues, on appeal, that the operations tax jurisdiction was carried out in other places and in these collected taxes (ISS due to the site of the service provider). As of September 30, 2013, the estimated involved amount is US$2,933 (US$2,909 in December 31, 2012).

c) Tax, labor and social security matters

The Group enters into transactions and operations that may be interpreted by others subjectively and/or as opposed to the Group’s position. Nevertheless, the Group’s actions are supported by its in-house counsel and external legal advisors’ opinion.

Atendimento Prisma

## 15. DERIVATIVES

Under the terms of the Project Finance arrangements (Note 11), the Group is contractually required to manage its risk on floating interest rates by taking out variable-to-fixed interest rate swaps on its long term variable rate loans. Accordingly, the interest rate swaps contracted by Management convert the variable component of interest rates to fixed rates ranging from 1.930% to 5.165% to mitigate such risk. The floating component of interest rate of all derivatives contracts is US$ LIBOR.

These swaps protect the Group from fluctuations in interest rates. As of September 30, 2013, the Group has interest rate swaps related to the loans funding Olinda Star, Gold Star, Lone Star, and Alpha Star offshore rigs, and Amaralina Star and Laguna Star drillships. The swap contracts cover the expected periods of the loans and terminate between 2013 and 2018.

<u>Information on derivative contracts</u>

Interest rate swaps US$ LIBOR/Pre

| Banks | Loans and financings objective | Payable leg interest rate | Maturity | Notional amount Sep 30, 2013 | Notional amount Dec 31, 2012 | Fair value Sep 30, 2013 | Fair value Dec 31, 2012 |
|---|---|---|---|---|---|---|---|
| ING financing (leader arranger) | Gold Star rig construction | 5.165% p.a. | Jul, 2017 | 214,959 | 248,660 | 21,436 | 30,452 |
| ING financing (leader arranger) (*) | Lone Star rig construction | 5.165% p.a. | Jan, 2015 | 205,412 | 267,499 | 7,699 | 15,497 |
| ING financing (leader arranger) | Olinda Star rig construction | 3.973% p.a. | Dec, 2013 | 74,753 | 118,422 | 1,078 | 3,935 |
| Citibank and Santander financing (joint leader arranger) (*) | Alpha Star rig construction | 1.930% p.a. | Jul, 2017 | 413,674 | 459,866 | 12,020 | 19,263 |
| BNP, Citibank and ING financing (joint leader arranger) (**) | Amaralina Star construction | 2.815% p.a. | Oct, 2018 | 414,366 | 472,711 | 23,982 | 36,851 |
| BNP, Citibank and ING financing (joint leader arranger) (**) | Laguna Star construction | 2.900% p.a. | Dec, 2018 | 419,782 | 471,152 | 25,623 | 42,362 |
| Total amount | | | | | | 91,838 | 148,360 |
| Current liabilities | | | | | | 45,103 | 56,126 |
| Non-current liabilities | | | | | | 46,735 | 92,234 |

| | Nine-month period ended September 30, 2013 | 2012 |
|---|---|---|
| Balance as of January 1, | 148,360 | 133,710 |
| Fair value adjustments capitalized | - | 40,368 |
| Fair value adjustments through profit and loss | 16,408 | 29,537 |
| Fair value adjustments through other comprehensive income (loss) (*) | (27,609) | (7,854) |
| Settlements | (45,321) | (37,108) |
| Balance as of September 30, | 91,838 | 158,653 |

(*) The Group has adopted the hedge accounting as from July 15, 2011, using derivative contracts related to Amaralina Star and Laguna Star drillships construction. Additional information on these instruments is included in Note 22. Accordingly, the effect of the changes in the fair value of these derivative contracts were recorded in "Other Comprehensive Income/(Loss)" until the completion of its construction and the disbursement of the Project Financing (Note 11). At the completion date of construction of each equipment, the fair value adjustments balance recognised in "Other Comprehensive Income/(Loss)" were capitalized.

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Derivative contracts designated as cash flow hedges

Under interest rate swap contracts, the Group agrees to exchange the differences between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of cash flow exposures on the issue variable rate debt. The fair value of interest rate swap at the end of the reporting period is determined by discounting the future cash flows using the curves, as disclosed below.

In connection with the Project Financing (Note 11) for the construction of Amaralina Star and Laguna Star drillships, the Group has a contractual commitment with the same financial institutions to contract derivatives as hedging instrument of the debt in relation to changes in LIBOR. Accordingly, the Group has swap contracts in connection with the rates, spreads, notional, terms and debt cash flows. The swap contracts were contracted on July 2011 and follow the Project Financing terms.

The following table details the notional amounts and remaining terms of interest contracts outstanding at the end of the reporting periods.

Interest rate swaps US$ LIBOR/Pre

| | | | | Notional amount | | Fair value | |
|---|---|---|---|---|---|---|---|
| Banks | Loans and financings objective | Payable leg interest rate | Maturity | Sep 30, 2013 | Dec 31, 2012 | Sep 30, 2013 | Dec 31, 2012 |
| BNP, Citibank and ING financing (joint leader arrangers) | Amaralina Star construction | 2.815%p.a. | Oct, 2018 | 414,366 | 472,711 | 23,982 | 36,851 |
| BNP, Citibank and ING financing (joint leader arrangers) | Laguna Star construction | 2.900%p.a. | Dec, 2018 | 419,782 | 471,152 | 25,623 | 42,362 |

Interest rate swap contracts exchanging floating rate interest for fixed rate interest are designated and effective as fair value hedges in respect of interest rates. During the periods presented, the hedge was effective in hedging the fair value.

## 16. SHAREHOLDER'S EQUITY

*Share capital*

The Company's original share capital was US$58 (equivalent to historical value of €40 thousand) represented by 1,200,000 ordinary shares with a par value of €0.03 each, subscribed by Orangefield Trust (Luxembourg) S.A.. As of August 30, 2011, 1,200,000 shares were issued and fully paid.

In May 2012, in connection with the corporate reorganization, QGOG Constellation changed its share capital from €40 thousand represented by 1,200,000 ordinary shares, to US$50 represented by 150,000 ordinary shares. On the same date, in exchange for the contribution of Constellation in the amount of US$130,987, QGOG Constellation issued 166,747,338 ordinary shares with a nominal per share value of US$0.33, representing an exchange ratio of one ordinary share of QGOG Constellation for each share of Constellation. The remaining amount of the Constellation's contribution, US$75,405, was recorded as share premium.

On July 26, 2013, the Company signed share subscription agreements with CGPE VI L.P. and CIPEF VI QGOG S.à.r.l. (together denominated "CIPEF VI") and Queiroz Galvão Oil & Gas International S.à.r.l. ("QGOG International") for the subscription of 18,750,000 Company's shares of US$16.00 each, with a nominal per share value of US$0.34, in the aggregate amount of US$300 million, consisting of US$250 million from CIPEF VI and US$50 million from QGOG International.

The transaction completion was subject to the compliance of certain conditions, including its approval by *CADE – Conselho Administrativo de Defesa Econômica* ("Administrative Council for Economic Defense"), the Brazilian antitrust authority, which occurred on August 16, 2013 and was published in the *Diário Oficial da União* ("Official Daily Gazette") on August 19, 2013. Under the Brazilian antitrust law, the parties must observe a waiting period of fifteen days from such publication to implement the transaction. Thus, the proceeds from the equity contribution were received in September 2013. The transaction costs amounted to US$396.

Members of the Queiroz Galvão family continue to be the indirect controlling shareholders of the Company through QGOG International.

| Shareholders | Ordinary shares (1) | Rights over the amounts (2) Capital | Share premium | Total |
|---|---|---|---|---|
| Queiroz Galvão Oil & Gas International S.à.r.l | 140,293,142 | 46,857 | 568,328 | 615,185 |
| Constellation Coinvestment S.à.r.l. | 15,570,123 | 5,200 | 63,075 | 68,275 |
| Constellation Holding S.à.r.l. | 17,739,099 | 5,925 | 71,861 | 77,786 |
| CGPE VI L.P. | 303,125 | 101 | 1,228 | 1,329 |
| CIPEF VI QGOG S.à.r.l. | 15,321,875 | 5,117 | 62,069 | 67,186 |
| Total as of September 30, 2013 | 189,227,364 | 63,200 | 766,561 | 829,761 |

(1) Considers the one-for-three forward share split and share dividend approved in the Company's general shareholders meeting on January 29, 2013.

(2) Represents the shareholders rights over the amounts contributed based on the ownership interest at the balance sheet date.



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The shareholders historical capital contributions were as follows: QGOG International, US$150,755, Constellation Coinvestment S.à.r.l. (“Capital 1”), US$196,063, Constellation Holding S.à.r.l. (“Capital 2”), US$223,552, CGPE VI L.P., US$4,844, and CIPEF VI QGOG S.à.r.l., US$244,826. Such amounts are net of transaction costs.

The Company’s ultimate controlling party is the Queiroz Galvão family, who controls the direct parent companies QGOG International.

Capital 1 and Capital 2 are companies controlled by CIPEF Constellation Coinvestment Fund L.P. and Cipef V Constellation Holding L.P., respectively, which are limited partnerships organized under the laws of Delaware, United States of America.

*Share Split*

On January 29, 2013, the Company’s shareholders approved a one-for-three forward share split of QGOG Constellation’s common shares, immediately converting all of the Company’s shares to shares with no par value. All references to common share values in these unaudited condensed consolidated interim financial statements have been retroactively adjusted to reflect this forward split.

*Share Dividend*

On January 29, 2013, the Company’s shareholders approved a share dividend of 3,580,026 common shares. The shares were issued pro-rata to the Company’s existing shareholders and the Company recorded a capital increase in the amount of US$1,193 using the share premium reserve. All references to common share values in these unaudited condensed consolidated interim financial statements have been retroactively adjusted to reflect this share dividend.

*Legal reserve*

Luxembourg companies are required to appropriate to the legal reserve a minimum of 5% of the net profit for the year after deduction of any losses brought forward, until this reserve equals to 10% of the subscribed capital. This reserve may not be distributed in the form of cash dividends, or otherwise, during the Company’s life. The appropriation to legal reserve is effected after approval at the general shareholders meeting.

On January 29, 2013, the Company’s general shareholders meeting approved the transfer of US$5,683 from share premium to the legal reserve.

*Dividends policy*

Any future determination relating to Company’s dividend policy will be made by the Board of Directors and will depend on a number of factors, including earnings, capital requirements, contractual restrictions, financial condition, future prospects and other factors that the Board of Directors may deem relevant. The decision to distribute dividends will however be taken by the general shareholders meeting upon a proposal by the issuer’s Board of Directors.

Additionally, any dividends paid by the Company will be subject to a Luxembourg withholding tax at a rate of 15% (17.65% if the dividend tax is not charged to the shareholder), subject to the exceptions provided by the Luxembourg tax law or by double tax treaties concluded by the Grand Duchy of Luxembourg and the country of the shareholders tax residency.

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The withholding tax must be withheld from the gross distribution and paid to the Luxembourg tax authorities.

*Other Comprehensive Items (OCI)*

*Hedging reserve*

The hedging reserve consists of the effective portion of cash flow hedging instruments related to hedged financing transactions.

*Currency translation adjustments reserve*

The currency translation adjustments reserve is used to record exchange adjustments arising from the translation of foreign subsidiaries' financial information.

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*Changes in Other Comprehensive Items*

Changes in comprehensive income (loss) for the three and nine-month periods ended September 30, 2013 and 2012 are as follows:

| | Cash flow hedge fair value adjustments | | | | | |
|---|---|---|---|---|---|---|
| | Attributable to owners of the Group | Attributable to non-controlling interests | Total cash flow hedge fair value adjustments | Shares of cash flow hedge adjustments of investments | Currency translation adjustments | Total |
| Balances as of June 30, 2012 | (29,174) | (23,870) | (53,044) | - | 18,279 | (34,765) |
| Fair value adjustment on derivative contracts | 6,040 | 4,942 | 10,982 | - | - | 10,982 |
| Amounts transferred to PP&E | 22,202 | 18,166 | 40,368 | - | - | 40,368 |
| Exchange differences arising during the period | - | - | - | - | (184) | (184) |
| Balances as of September 30, 2012 | (932) | (762) | (1,694) | - | 18,095 | 16,401 |
| Balances as of June 30, 2013 | 18,098 | 14,809 | 32,907 | (10,975) | 14,297 | 36,229 |
| Fair value adjustment on derivative contracts | 482 | 394 | 876 | - | - | 876 |
| Fair value adjustment on joint ventures' derivative contracts | - | - | - | (114) | - | (114) |
| Exchange differences arising during the period | - | - | - | - | (418) | (418) |
| Balances as of September 30, 2013 | 18,580 | 15,203 | 33,783 | (11,089) | 13,879 | 36,573 |

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| | Cash flow hedge fair value adjustments | | | | | |
|---|---|---|---|---|---|---|
| | Attributable to owners of the Group | Attributable to non-controlling interests | Total cash flow hedge fair value adjustments | Shares of cash flow hedge adjustments of investments | Currency translation adjustments | Total |
| Balances as of December 31, 2011 | (27,454) | (22,462) | (49,916) | - | 22,132 | (27,784) |
| Fair value adjustment on derivative contracts | 4,320 | 3,534 | 7,854 | - | - | 7,854 |
| Amounts transferred to PP&E | 22,202 | 18,166 | 40,368 | | | 40,368 |
| Exchange differences arising during the period | - | - | - | - | (4,037) | (4,037) |
| Balances as of September 30, 2012 | (932) | (762) | (1,694) | - | 18,095 | 16,041 |
| Balances as of December 31, 2012 | 3,395 | 2,779 | 6,174 | (23,311) | 18,432 | 1,295 |
| Fair value adjustment on derivative contracts | 15,185 | 12,424 | 27,609 | - | - | 27,609 |
| Fair value adjustment on joint ventures' derivative contracts | - | - | - | 12,222 | - | 12,222 |
| Exchange differences arising during the period | - | - | - | - | (4,553) | (4,553) |
| Balances as of September 30, 2013 | 18,580 | 15,203 | 33,783 | (11,089) | 13,879 | 36,573 |

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Non-controlling interests

The Group's consolidated financial statements include Amaralina e Laguna, whose share capital is 55% owned by the Group. The portion of Amaralina and Laguna total shareholders' equity not attributable to the Group is included in non-controlling interests.

Profit per share

Basic and diluted profit per share amounts are calculated by dividing the profit for the period, all from continuing operations, attributable to ordinary equity holders of the parent by the Company's weighted average number of ordinary shares outstanding during the period.

| | Three-month period ended September 30, | | Nine-month period ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Profit attributable to the owners of the Company | 53,846 | 45,865 | 214,013 | 112,901 |
| Weighted average number of ordinary shares for calculation purposes (thousands of shares) (*) | 175,776 | 170,477 | 172,263 | 170,477 |
| Basic and diluted profit per share | 0.31 | 0.27 | 1.24 | 0.66 |

(*) Considers the one-for-three forward share split and share dividend approved in the Company's general shareholders meeting on January 29, 2013.

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The Group has no potential dilutive shares. Therefore, diluted profit per share is equal to basic profit per share.

## 17. NET OPERATING REVENUE

The Group's operating revenue is mainly derived from charter agreements and related drilling services. As of September 30, 2013 and 2012, of the total revenues, 96% and 94%, respectively, is derived from one client, Petrobras.

Net operating revenue is stated after the following items:

| | Three-month period ended September 30, | | Nine-month period ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Operating revenue | 275,416 | 206,005 | 823,201 | 596,951 |
| Taxes levied on revenue: | | | | |
| Social Integration Program (PIS) | (1,037) | (988) | (3,232) | (3,002) |
| Social Investment Program (COFINS) | (4,776) | (4,551) | (14,896) | (13,827) |
| Services Tax (ISS) | (1,433) | (1,319) | (4,366) | (4,176) |
| Net operating revenue | 268,170 | 199,147 | 800,707 | 575,946 |

## 18. COSTS OF SERVICES AND OPERATING EXPENSES

| Costs and expenses by nature | Three-month period ended September 30, 2013 – Costs of services | 2013 – General and administrative expenses | 2013 – Total | 2012 – Costs of services | 2012 – General and administrative expenses | 2012 – Total |
|---|---|---|---|---|---|---|
| Payroll, charges and benefits | (57,900) | (7,610) | (65,510) | (42,946) | (6,853) | (49,799) |
| Depreciation | (47,045) | (256) | (47,301) | (39,824) | (275) | (40,099) |
| Materials | (20,839) | - | (20,839) | (5,695) | - | (5,695) |
| Maintenance | (14,712) | - | (14,712) | (9,010) | - | (9,010) |
| Insurance | (5,213) | - | (5,213) | (3,786) | - | (3,786) |
| Other [1] | (10,170) | (4,608) | (14,778) | (8,259) | (3,231) | (11,490) |
| | (155,879) | (12,474) | (168,353) | (109,520) | (10,359) | (119,879) |

| Costs and expenses by nature | Nine-month period ended September 30, 2013 – Costs of services | 2013 – General and administrative expenses | 2013 – Total | 2012 – Costs of services | 2012 – General and administrative expenses | 2012 – Total |
|---|---|---|---|---|---|---|
| Payroll, charges and benefits | (174,929) | (23,162) | (198,091) | (128,561) | (18,323) | (146,884) |
| Depreciation | (143,359) | (818) | (144,177) | (118,510) | (863) | (119,373) |
| Materials | (52,843) | - | (52,843) | (30,409) | - | (30,409) |
| Maintenance | (39,226) | - | (39,226) | (26,638) | - | (26,638) |
| Insurance | (15,179) | - | (15,179) | (9,699) | - | (9,699) |
| Other [2] | (33,532) | (14,559) | (48,091) | (28,664) | (12,284) | (40,948) |
| | (459,068) | (38,539) | (497,607) | (342,481) | (31,470) | (373,951) |

(1) Costs of services: mainly comprised of rig boarding transportation; lodging and meals; data transmission; among others.

(2) General and administrative expenses: mainly comprised of transportation; information technology; legal advisors; auditors; advisory services; among others.

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## 19. OTHER INCOME (EXPENSES), NET

| | Three-month period ended September 30, 2013 | 2012 | Nine-month period ended September 30, 2013 | 2012 |
|---|---|---|---|---|
| Revenue from sales of PP&E | 306 | - | 697 | 1,364 |
| Contractual fee | - | 1,269 | - | 1,514 |
| Other | 184 | 95 | 300 | 153 |
| Other income | 490 | 1,364 | 997 | 3,031 |
| Cost of PP&E sold | - | - | (46) | (1,202) |
| Transaction costs [*] | - | - | (1,431) | - |
| Other | - | - | - | - |
| Other expenses | - | - | (1,477) | (1,202) |
| Total expenses, net | 490 | 1,364 | (480) | 1,829 |

(*) Transaction costs written off due to the IPO's postponement (Note 1).

## 20. FINANCIAL EXPENSES, NET

| | Three-month period ended September 30, | | Nine-month period ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Interest on cash investments | 1,032 | 747 | 3,037 | 2,504 |
| Financial income from related parties | 543 | 50 | 2,150 | 951 |
| Other financial income | (89) | 15 | 157 | 15 |
| Financial income | 1,486 | 812 | 5,344 | 3,470 |
| Financial charges on loans and financings | (31,712) | (19,939) | (97,378) | (58,954) |
| Derivative expenses | (8,852) | (12,725) | (16,408) | (29,537) |
| Financial expenses from related parties | (1,268) | (196) | (4,049) | (2,157) |
| Other financial expenses | (1,120) | (2,868) | (4,430) | (5,513) |
| Financial expenses | (42,952) | (35,728) | (122,265) | (96,161) |
| Exchange rate variations, net | 153 | (249) | (3,823) | (1,506) |
| Financial expenses, net | (41,313) | (35,165) | (120,744) | (94,197) |

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## 21. TAXES

Most of the companies comprising the Group are located in jurisdictions that do not charge income tax. Certain of the consolidated entities operate in the Netherlands and Luxembourg, but none of these reported taxable income for the periods presented.

QGOG operates in Brazil, and the related taxes and contributions are as follows:

a) Recoverable taxes

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Income tax (IRPJ) and social contribution (CSLL) (*) | 200 | 170 |
| Total | 200 | 170 |

(*) Mainly refers to withholding taxes on Petrobras invoices.

b) Taxes payables

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Taxes on revenue (PIS and COFINS) | 122 | 2,579 |
| Income tax (IRPJ) and social contribution (CSLL) | 1,876 | 365 |
| Services Tax (ISS) | 1,394 | 1,234 |
| State VAT (ICMS) | 148 | 203 |
| Others | 169 | 2 |
| Total | 3,709 | 4,383 |

c) Deferred tax assets

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Taxes on revenue (PIS/COFINS) | 250 | 365 |
| Total | 250 | 365 |
| Current | 153 | 153 |
| Non-current | 97 | 212 |

d) Deferred tax liabilities

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Income tax (IRPJ) and social contribution (CSLL) (*) | 5,711 | 7,265 |
| Total | 5,711 | 7,265 |

(*) Deferred tax liabilities effect related to the deemed cost adjustments.

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e) Effect of income tax results

The tax rate used for the three and nine-month periods ended September 30, 2013 and 2012 reconciliations below is the corporate nominal tax rate of 34% in accordance with the Brazilian tax law, jurisdiction in which QGOG operates.

The amounts reported as income tax expense in the unaudited condensed consolidated statement of operations are reconciled from the nominal rate to the effective rate as follows:

| | Three-month period ended September 30, | | Nine-month period ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Profit before taxes | 62,140 | 46,098 | 220,603 | 112,043 |
| Income tax and social contribution at nominal rate (i) | (5,258) | 237 | (6,306) | 323 |
| Adjustments to derive effective tax rate: | | | | |
| Non-deductible expenses | (927) | (717) | (2,614) | (1,823) |
| Tax loss carryforwards utilized (not recognized) (ii) | 1,948 | 248 | 2,973 | 789 |
| Other | 82 | 14 | 142 | 15 |
| Taxes | (4,155) | (218) | (5,805) | (696) |
| Effective tax rate | 7% | 0% | 3% | 1% |

(i) As of September 30, 2012 the tax effect on deemed cost realization is higher than the income tax and social contribution expenses at nominal rate. Therefore, such amount presents a positive balance.

(ii) As of September 30, 2013 and December 31, 2012, QGOG has tax loss carryforwards in the amounts of US$4,087 and US$8,392, respectively, for which no deferred tax assets are recorded since the Group does not expect that QGOG's operations will generate taxable income in the foreseeable future.

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## 22. FINANCIAL INSTRUMENTS

### a) General considerations

The Group manages its capital to ensure that its entities will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity mix.

The Group's main financial instruments are cash and cash equivalents, short-term investments, restricted cash, trade and other receivables and payables, loans and financings and derivative instruments, as follows:

| | | September 30, 2013 | | December 31, 2012 | |
|---|---|---|---|---|---|
| | Category | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | | |
| Cash and bank deposits | Loans and receivables | 39,724 | 39,724 | 58,606 | 58,606 |
| Cash equivalents | Fair value through profit or loss | 314,037 | 314,037 | 161,007 | 161,007 |
| Short-term investments | Fair value through profit or loss | 335,627 | 335,627 | 213,178 | 213,178 |
| Restricted cash | Fair value through profit or loss | 43,788 | 43,788 | 25,483 | 25,483 |
| Trade and other receivables | Loans and receivables | 108,682 | 108,682 | 129,330 | 129,330 |
| Receivables from related parties | Loans and receivables | 242,731 | 242,731 | 247,831 | 247,831 |
| Financial liabilities | | | | | |
| Loans and financings | Other financial liabilities | 3,151,581 | 3,127,243 | 3,415,547 | 3,495,727 |
| Trade and other payables | Other financial liabilities | 25,770 | 25,770 | 25,004 | 25,004 |
| Payables to related parties | Other financial liabilities | 233,158 | 233,158 | 222,800 | 222,800 |
| Derivatives | Fair value through profit or loss | 91,838 | 91,838 | 148,360 | 148,360 |

The Group has no forward contracts, options, *swaptions* (swaps with non-exercise options), flexible options, derivatives embedded in other products or exotic derivatives. The Group does not conduct derivative transactions for speculative purposes, thus reaffirming its commitment to a policy of conservative cash management.

Management believes that there is no significant risk of short-term fluctuations in the day-rates on charter agreements due to the respective contracts being long-term.

Except for loans and financings, Management also believes that the carrying amounts of the remaining financial instruments are not significantly different from their fair value as it considers that interest rates on such instruments are not significantly different from market rates.

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Additionally, the amounts of trade accounts receivables and payables reported in these unaudited condensed consolidated interim financial statements do not significantly differ from their fair value due to the turnover of these accounts being less than 30 days.

b) Fair value hierarchy

IFRS 7 - *Financial Instruments: Disclosures* defines fair value as the value or price that would be received to sell an asset or paid to transfer a liability in a transaction between participants in an ordinary market on the measurement date. The standard clarifies that fair value shall be based on assumptions that market participants use when measuring a value or price for an asset or a liability and establishes a hierarchy that prioritizes the information used to develop those assumptions.

The fair value hierarchy gives greater weight to available market information (i.e. observable) and less weight to information related to data without transparency (i.e. unobservable data). Additionally, it requires that the entity consider all aspects of nonperformance risk, including the entity's own credit, to measure the fair value of a liability.

IFRS 7 also establishes a three levels hierarchy to be used to measure and disclose the fair value. A categorization tool in the fair value hierarchy is based on the lowest level of "input" significant for its measurement. A description of the three hierarchical levels is shown below:

Level 1 - The "inputs" are determined based on prices in an active market for identical assets or liabilities at the measurement date. Additionally, the entity must be able to trade in an active market and the price cannot be adjusted by the entity.

Level 2 - The "inputs" are other than prices as determined by Level 1 that are observable for the asset or liability, directly or indirectly. The "inputs" level include two prices in an active market for similar assets or liabilities, prices in an inactive market for identical assets or liabilities, or "inputs" that are observable or can corroborate the observation of market data by correlation or other means for substantially every part of the asset or liability.

Level 3 - The "inputs" are those unobservable from little or no market activity. These "inputs" represent Management's best estimates as market participants could assign value or price for these assets or liabilities. Generally, the assets and liabilities are measured using Level 3 pricing models, discounted cash flow, or similar methods that require significant judgments or estimates.

According to IAS 39 - *Financial Instruments: Recognition and Measurement*, the Group measures its cash equivalents, short-term investments, restricted cash and derivative financial instruments at fair value. Cash equivalents, short-term investments and restricted cash are classified as Level 1 since they are measured using market prices for identical instruments. Derivative financial instruments are classified as Level 2 since they are measured using similar instruments.

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The tables below present the Group's assets and liabilities recorded at fair value as of September 30, 2013 and December 31, 2012:

| | September 30, 2013 | | |
|---|---|---|---|
| | Fair value | Quoted prices for identical assets or liabilities (Level 1) | Other observable inputs for assets and liabilities (Level 2) |
| Financial assets | | | |
| Cash equivalents | 314,037 | 314,037 | - |
| Short-term investments | 335,627 | 335,627 | - |
| Restricted cash | 43,788 | 43,788 | - |
| | | | |
| Financial liabilities | | | |
| Derivatives | 91,838 | - | 91,838 |

| | December 31, 2012 | | |
|---|---|---|---|
| | Fair value | Quoted prices for identical assets or liabilities (Level 1) | Other observable inputs for assets and liabilities (Level 2) |
| Financial assets | | | |
| Cash equivalents | 161,007 | 161,007 | - |
| Short-term investments | 213,178 | 213,178 | - |
| Restricted cash | 25,483 | 25,483 | - |
| | | | |
| Financial liabilities | | | |
| Derivatives | 148,360 | - | 148,360 |

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Financial instruments fair value measurement

The Group assessed the evaluation of financial assets and liabilities in relation to its market values or its effective recoverable amount, using available information and best practices and methodologies of market valuations for each situation. Market data information interpretation about methodologies choice requires a higher level of judgment and establishment of reasonable estimate to achieve the fair value. Consequently, the estimate presented may not indicate, necessarily, the amounts that maybe obtained in current market. The use of different hypothesis to fair values calculation can result in significant effect in obtained values.

The method used to assess the derivatives fair value, represented exclusively by interest rate swaps, was obtained by inputs that are observable or can corroborate the observation of market data by correlation or other means for substantially every part of the asset or liability.

For securities that has quoted price in active markets (Project Bond and Corporate Bond), the fair value is equal to its last quoted price at the balance sheet closing date obtained from Bloomberg, multiplied by the number of notes in circulation.

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For contracts where the current conditions are similar to those in which they originated or that do not have parameters for quotation or contract, fair values are similar to its carrying amounts. In the evaluation carried out for the purpose of determining the fair value of assets and liabilities measured at amortized cost method, it was not considered the applicability of this adjustment, due to the following reasons:

- ✓ Trade and other receivables and payables: very short-term of maturity; and
- ✓ Loans and financings (other than the Project Bond and the Corporate Bond) and related parties: the fact that fair value information has not been disclosed for these instruments because fair value cannot be measured reliably.

c) Financial risk management

The Group is exposed to liquidity, credit and market risks. Management believes that the Group's principal market risk is its exposure to interest rate risk, as discussed below.

<u>Liquidity risk</u>

Ultimate responsibility for liquidity risk management rests with the Board of directors, which has built a liquidity risk management framework for managing the Group's short and long-term funding and liquidity management requirements. The Group manages liquidity risk by a combination of maintaining adequate reserves, banking facilities and reserve borrowing facilities (Note 11) and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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The Group cultivates relationships with specific lenders and continually monitors its funding needs together with these lenders. The Group manages the majority of its long-term financing on a project-by-project basis. Such financing is arranged as required to support the Group's operations and growth.

The following table details the Group's liquidity analysis for its non-derivative financial liabilities and related derivative financial instruments. The table has been drawn up based on the undiscounted contractual cash inflows and outflows for the financial instruments.

When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period:

| Period | Loans and financings | Derivatives | Trade payables | Related parties | Total |
|---|---|---|---|---|---|
| 2013 | 180,134 | 13,308 | 25,770 | 2,212 | 221,424 |
| 2014 | 718,420 | 40,150 | - | 34,809 | 793,379 |
| 2015 | 521,419 | 25,289 | - | 8,140 | 554,848 |
| 2016 | 435,111 | 11,932 | - | 8,256 | 455,299 |
| 2017 | 578,492 | 2,271 | - | 2,870 | 583,633 |
| 2018 | 533,193 | (895) | - | 10,344 | 542,642 |
| After 2018 | 743,750 | - | - | 349,864 | 1,093,614 |
| Total | 3,710,519 | 92,055 | 25,770 | 416,495 | 4,244,839 |

Credit risk

Credit risk refers to the risk that counter-party will default on its contractual obligations resulting in financial loss to the Group. Financial instruments that potentially subject the Group to concentrations of credit risk are primarily cash and cash equivalents, trade receivables and receivables from related parties. It is the Group's practice to place its cash and cash equivalents in time deposits at commercial banks with high credit ratings or at mutual funds, which invest exclusively in high quality money market instruments. The Group limits the amount of exposure to any one institution to minimize its exposure to credit risk.

The Group has a concentration of trade receivables with Petrobras, which is the Group's main customer. Management considers that the credit risk arising from this concentration is minimal as Petrobras is a government controlled entity with a history of full payment, and of being respectful of contractual rights.

Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts. The Group is exposed to fluctuations in US$ LIBOR interest rates charged on its loans and financings as reported in Note 11. As discussed in Note 15, the Group manages this interest rate risk by taking out variable-to-fixed interest rate swaps. As a result of the swaps in place at the balance sheet date, the Group's exposure to changes in interest rate expense as a result of fluctuations in US$ LIBOR is in respect of changes in fair values of the respective interest rate swaps. As discussed in Note 15, these interest rates swaps are held at fair value in the statement of the financial position. The fair value of these instruments is affected by factors including market expectations for future changes to US$ LIBOR. Changes to these expectations affect the value of the swaps of the Group and its subsidiaries, producing effects in the statement of operations unless such changes are capitalized.

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Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period and considers the effects of an increase or decrease of 0.1 percent on outstanding loans and financing and the effects of either an increase or a decrease of 0.1 percent in the interest curve (Libor), and its impacts in the swaps mark to market on the date of the unaudited condensed consolidated interim financial statements. For floating rate liabilities (US$ LIBOR plus spread), the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. A 0.1 percent increase or decrease in US$ LIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the US$ LIBOR had been 0.1 percent higher/lower and all other variables were held constant, the Group's:

- ✓ Profit for the nine-month period ended September 30, 2013 would increase/ decrease by US$76 (profit for the nine month period ended September 30, 2012 would increase/decrease by US$964). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings (US$ LIBOR plus spread); and

- ✓ Other comprehensive income for the nine-month period ended September 30, 2013 would decrease/increase by US$834 (Other comprehensive income for the nine month period ended September 30, 2012 would increase/decrease by US$933), mainly as a result of the changes in the fair value of the cash flow hedges.

d) Capital management

The Group manages its capital structure, which consists of the relation between financial debt and shareholders' equity in accordance with best market practices, as follows:

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Loans and financings [(a)] | 3,151,581 | 3,415,547 |
| Cash transactions [(b)] | (733,176) | (458,274) |
| Net debt | 2,418,405 | 2,957,273 |
| Shareholders' equity [(c)] | 1,832,421 | 1,282,741 |
| Net debt ratio [(a) + (b)] ÷ [(a) + (b) + (c)] | 57% | 70% |

(a) Consider all loans and financings.

(b) Includes cash and cash equivalents, short-term investments and restricted cash.

(c) Includes all shareholders' equity accounts managed as capital.

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## 23. INSURANCE

As of September 30, 2013 and December 31, 2012, major assets or interests covered by insurance policies and respective amounts are summarized below:

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Civil liability | 2,125,499 | 2,175,438 |
| Operating risks | 5,662,929 | 5,586,986 |
| Operational headquarter and others | 12,089 | 9,612 |
| Total | 7,800,517 | 7,772,036 |

## 24. PENSION PLAN

The Company, through its subsidiary QGOG, offers a private defined contribution pension plan to all employees and management. Under the pension plan, up to 12% of the monthly salary is contributed by the employee and up to 6.5% by the employer, according to the employee's seniority level. The pension plan is managed by Bradesco Vida e Previdência under two regimes: progressive and regressive. When employees choose to abandon the plan before the end of payments, the contributions still payable are reduced to the amount already paid by QGOG. QGOG's only obligation to the Pension Plan is to make its specified contributions.

For the nine-month periods ended September 30, 2013 and 2012, contributions payable by QGOG at rates specified by the plan rules amounted to US$1,721 and US$1,054, respectively.

## 25. ADDITIONAL INFORMATION ON CASH FLOWS

| | Nine-month period ended September 30, | |
|---|---|---|
| | 2013 | 2012 |
| Non-cash investing activities: | | |
| Recognition of accrued costs of drilling rigs and drillships under construction | 78,523 | - |
| Capital increase ("share dividend") | 1,193 | - |
| Borrowing costs capitalized, net of hedging adjustments | 3,789 | 52,180 |
| | 83,505 | 52,180 |

## 26. SEASONALITY

There is no seasonality impact over the Group's charter agreements and related drilling services.

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## 27. SUBSEQUENT EVENTS

*Brava Star construction*

On October 15, 2013 the Company paid the amount of US$119,590 to Samsung related to the second milestone of Brava Star construction contract.

*FPSOs construction contracts*

On October 22, 2013 the Company paid the amounts of US$7,389 and US$7,281 related to the third milestone of the FPSO Cidade de Maricá and Cidade de Saquarema construction contracts, respectively.

On November 20, 2013 the Company paid the amount of US$8,530 related to a milestone of the FPSO Cidade de Ilhabela construction contract.

*FPSO P-63 operation*

On November 11, 2013, the Papaterra Operações Marítimas Consortium started the FPSO P-63 operations in the Papaterra field, in the Campos Basin, under the service contract with Petrobras, after a continuous oil flow of 72 hours and the consequent issuance of the Ready for Oil Certificate.

## 28. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements were approved by the Company's management and authorized for issue on November 29, 2013.

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