QGOG Constellation S.A. Reports
Second Quarter 2014 Results

Luxembourg, August 29, 2014– QGOG Constellation S.A., ("QGOG Constellation" or the "Company") a market leading Brazilian-controlled provider of offshore and onshore oil and gas contract drilling and FPSO services in Brazil, today reported results for the second quarter ended June 30, 2014.

HIGHLIGHTS

- Net operating revenue was broadly stable year-over-year at US$275.1 million in 2Q14.
- Revenues from ultra-deepwater (UDW) rigs represented 63.3% of total net revenues in 2Q14, up from 61.4% in 2Q13.
- EBITDA was US$162.4 million and EBITDA margin was 59.0% in 2Q14, compared with US$157.2 million and 57.4%, respectively, in 2Q13, excluding the one-off gain of US$32.6 million related to the financial leasing treatment of the charter agreement for FPSO Cidade de Paraty recorded in 2Q13.
- Net income was US$86.0 million in 2Q14, compared with US$ 69.1 million in 2Q13, excluding the aforementioned one-off gain.
- The total backlog as of June 30, 2014 was US$10.2 billion, 4.3 times net debt.
- Average uptime for the UDW fleet increased to 95% in 2Q14 from 94% in 2Q13.

RECENT DEVELOPMENTS

- On July 11, 2014, the Company signed a contract for the deepwater rig Olinda Star with Karoon Petróleo e Gás Ltda. The new contract is expected to commence immediately after the completion of the existing contract with Petrobras. The two-well contract has an estimated duration of 120 days and can be extended to two additional wells. In addition, on August 26, 2014, Petrobras exercised its option to extend the Olinda Star rig contract by 150 days with operation starting by August 1st, 2015.
- On August 29, 2014, Petrobras also exercised its option to extend the contract for the ultra-deepwater rig Gold Star by three years from February 2015.
- On July 28, 2014, the Company and its partners SBM Inc. Mitsubishi and NYK Line, through their joint venture Alfa Lula Alto S.à.r.l, secured a US$1.45 billion loan from a group of international commercial banks in order to finance the construction of the FPSO Cidade de Maricá, in which we indirectly hold a minority stake. The loan agreement was structured as a Limited Recourse Project Finance and matures in December 2030.

MANAGEMENT COMMENTARY

"We are pleased to report continued improvement in QGOG's financial results, with second quarter EBITDA and net income increasing year-over-year, excluding a one-off gain in the year-ago period. The Company has consistently increased bottom line results in recent years and we expect growth to continue, as the conclusion of the renewal cycle for our offshore fleet, combined with the signing of a new contract for UDW drillship Brava Star, provide revenue visibility at higher day rates and thereby benefit future earnings." said Mr. Leduvy Gouvea, CEO of QGOG Constellation.

SECOND QUARTER 2014 RESULTS

Net operating revenue increased 0.5%, or US$1.4 million, to US$275.1 million in 2Q14 when compared to 2Q13. Average uptime of the UDW rigs increased to 95% in 2Q14 from 94% in 2Q13, while deepwater rig uptime decreased to 85% in 2Q14 from 89% in 2Q13. Midwater rig uptime was unchanged at 99% in 2Q14, while onshore rigs also maintained stable average uptime of 99% in the second quarter of 2014. Improved UDW performance was partially offset by a US$3.2 million decrease in onshore revenues, as well as the 8% year-over-year appreciation of the average exchange rate of the U.S dollar against the Brazilian Real, which resulted in a 3.7% decrease in net revenues. The Company's offshore fleet was fully utilized, operating 728 days during 2Q14, which is in line with 2Q13.

Operating costs increased 2.5%, or US$3.7 million, to US$155.3 million in 2Q14 when compared to 2Q13. Contract drilling expenses (operating costs excluding depreciation and amortization) increased 3.7%, or US$3.8 million, to US$107.6 million. The increase in operating costs was mostly due to a US$7.7 million increase in materials and maintenance, which was partially offset by the positive impact of the currency appreciation on payroll, charges and benefits, which decreased US$1.8 million year-over-year.

General and administrative expenses decreased 11.0% to US$12.7 million in 2Q14 versus 2Q13.

EBITDA was US$162.4 million and EBITDA margin was 59.0% in 2Q14, compared with US$157.2 million and 57.4%, respectively, in 2Q13, excluding the one-off gain of US$32.6 million related to the financial leasing treatment of the charter agreement for FPSO Cidade de Paraty recorded in 2Q13.

Net financial expenses decreased 24.7% year-over-year, or US$9.4 million, to US$28.7 million in 2Q14, primarily due to a US$5.9 million decrease in financial charges on loans and financings. This decline mainly reflects the reduction in total debt in the period.

Net income was US$86.0 million in 2Q14, compared with US$ 69.1 million in 2Q13, excluding the aforementioned one-off gain recorded in 2Q13.

CASH FLOW & BALANCE SHEET HIGHLIGHTS

Adjusted cash flow provided by operating activities, which excludes the impact of increased short-term investments, totaled US$125.6 million during 2Q14, compared to US$150.4 million in 2Q13. This decrease mainly reflects the impact of higher revenues in trade and others receivables and certain one-off changes in working capital.

Net cash used in investing activities totaled US$59.8 million in 2Q14, compared to US$14.7 million in 2Q13. This increase is mainly explained by capital expenditures of US$19.8 million in 2Q14, compared to US$4.0 million in the same period of 2013, and by investments in partnerships in the amount of US$37.0 million in 2Q14.

Total cash (which includes cash and cash equivalents, short-term investments and restricted cash) decreased to US$415.7 million as of June 30, 2014, compared to US$538.9 million as of March 31, 2014.

As of June 30, 2014, total debt was US$2.8 billion, consisting of US$645.3 million of short-term debt (including US$519.7 million of the current portion of long-term debt) and US$2.1 billion of long-term debt. Total debt decreased US$152.6 million in the 2Q14, reflecting amortization in the period. Net debt decreased slightly by US$29.4 million to US$2.4 billion, mainly reflecting cash generation in the period.

On May 9, 2014, a new working capital credit line was contracted with Bradesco amounting to US$150 million. The 3-year credit line will bear interest at an annual rate of LIBOR plus 3.05%. To date, the credit line has not been used.

ABOUT QGOG CONSTELLATION S.A.

QGOG Constellation is a market leading Brazilian-controlled provider of offshore and onshore oil and gas contract drilling and FPSO services in Brazil through its subsidiary Queiroz Galvão Óleo e Gás S.A. (QGOG). With continuous operations since 1981, QGOG has built an unmatched reputation for excellence in service for onshore and offshore drilling, obtaining ISO 9001, ISO 14001 and OHSAS 18001 certification for its quality management, environmental and safety records and systems.

FORWARD LOOKING STATEMENTS

Matters discussed in this release may constitute forward-looking statements. Forward-looking statements relate to QGOG Constellation's expectations, beliefs, intentions or strategies regarding the future. These statements may be identified by the use of words like "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project," "should," "seek," and similar expressions. Forward-looking statements reflect QGOG Constellation's current views and assumptions with respect to future events and are subject to risks and uncertainties.

The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in QGOG Constellation's records and other data available from third parties. Although QGOG Constellation believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond QGOG Constellation's control, QGOG Constellation cannot assure you that it will achieve or accomplish these expectations, beliefs or projections described in the forward-looking statements contained herein. Actual and future results and trends could differ materially from those set forth in such statements.

Important factors that could cause actual results to differ materially from those discussed in the forward-looking statements include (i) factors related to the offshore drilling market, including supply and demand, utilization and day rates; (ii) hazards inherent in the drilling industry causing personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties or customers and suspension of operations; (iii) changes in laws and governmental regulations, particularly with respect to environmental or tax matters; (iv) the availability of competing offshore drilling rigs; (v) the performance of our rigs; (vi) our ability to procure or have access to financing and comply with our loan covenants; (vii) our ability to successfully employ our drilling rigs; (viii) our capital expenditures, including the timing and cost of completion of capital projects; and (ix) our revenues and expenses. Due to such uncertainties and risks, investors are cautioned not to place undue reliance upon such forward-looking statements.

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QGOG Constellation– Financial and Operating Highlights

	For the three–month period ended June 30,		For the six-month period ended June 30,	
	2014	2013	2014	2013
Statement of Operations Data:	*(in millions of $, except per share data)*			
Net operating revenue	275.1	273.7	537.5	532.5
Operating Costs	(155.3)	(151.6)	(299.1)	(303.2)
Gross profit	119.8	122.2	238.5	229.3
General and administrative expenses	(12.7)	(14.3)	(24.6)	(26.1)
Other operating income (expenses), net	0.2	0.3	0.3	(1.0)
Operating profit	107.4	108.1	214.2	202.3
Financial expenses, net	(28.7)	(38.1)	(56.9)	(79.4)
Share of results of investments	7.1	33.5	8.3	35.6
Profit before taxes	85.7	103.5	165.6	158.5
Taxes	0.3	(1.8)	0.6	(1.7)
Profit for the period	86.0	101.7	166.2	156.8
Profit per share:				
Basic	0.44	0.63	0.85	0.94
Diluted	0.44	0.63	0.85	0.94
Weighted average common shares outstanding (thousands of common shares):				
Basic	189,227	170,477	189,227	170,477
Diluted	189,277	170,477	189,277	170,477

	For the three–month period ended June 30, (unaudited)		For the six-month period ended June 30, (unaudited)	
	2014	2013	2014	2013
Other Financial Information:	*(in millions of $)*			
Profit for the period/year	86.0	101.7	166.2	156.8
(+) Financial expenses, net	28.7	38.1	56.9	79.4
(+) Taxes	(0.3)	1.8	(0.6)	1.7
(+) Depreciation	48.0	48.0	95.5	96.9
EBITDA(1)	162.4	189.7	318.0	334.8
EBITDA margin (%) (2)	59.0%	69.3%	59.2%	62.9%

(1) EBITDA is a non-GAAP measure prepared by us. EBITDA consists of: net income, plus net financial expenses, taxes and depreciation. EBITDA is not a measure defined under IFRS, should not be considered in isolation, does not represent cash flow for the periods indicated and should not be regarded as an alternative to cash flow or net income, or as an indicator of operational performance or liquidity. EBITDA does not have a standardized meaning, and different companies may use different EBITDA definitions. Therefore our definition of EBITDA may not be comparable to the definitions used by other companies. We use EBITDA to analyze our operational and financial performance, as well as a basis for administrative decisions. The use of EBITDA as an indicator of our profitability has limitations because it does not account for certain costs in connection with our business, such as net financial expenses, taxes, depreciation, capital expenses and other related expenses.

(2)EBITDA margin is a non-GAAP measure prepared by us. EBITDA margin is calculated by dividing EBITDA by net operating revenue for the applicable period.

Statement of Financial Position:	As of June 30,	As of December 31,	
	2014	**2013**	**2012**
		(in millions of $)	
Cash and cash equivalents	157.9	217.5	219.6
Short-term investments	204.4	283.4	213.2
Restricted cash	53.4	38.7	25.5
Total assets	5,720.8	5,497.2	5,309.2
Total loans and financings	2,785.1	3,003.3	3,415.5
Total liabilities	3,657.6	3,592.3	4,026.5
Shareholders' equity	2,063.1	1,904.9	1,282.7
Net Debt	2,369.4	2,463.7	2,957.2

Statement of Cash Flows:	For the six-month period ended June 30,		For the year ended December 31,	
	2014	**2013**	**2013**	**2012**
			(in millions of $)	
Cash flows provided/used in operating activities:				
Profit for the period	166.2	156.8	308.5	131.2
Adjustments to reconcile net income (loss) to net cash used in operating activities	150.7	153.0	307.9	297.2
Net income after adjustments to reconcile net income (loss) to net cash used in operating activities	316.9	309.8	616.4	428.4
Increase in working capital related to operating activities	27.1	(63.4)	(106.7)	(125.2)
Cash flows provided by operating activities	344.0	246.4	509.7	303.2
Cash flows used in investing activities	(98.0)	(21.3)	(216.0)	(1,136.3)
Cash flows provided by (used in) financing activities	(305.5)	(306.8)	(294.0)	864.0
Increase (decrease) in cash and cash equivalents	(59.5)	(81.6)	(0.2)	30.8

Non-GAAP Adjusted Cash Flows:	For the six-month period ended June 30,		For the year ended December 31,	
	2014	**2013**	**2013**	**2012**
			(in millions of $)	
Cash flows provided/used in operating activities	344.0	246.4	509.7	303.2
Impact of short-term investments	81.2	(36.4)	(73.4)	(75.8)
Impact of restricted cash	—	—	—	14.2
Adjusted cash flows provided by operating activities	262.8	282.8	583.1	364.8

Fleet summary report

Offshore Rig	% Interest	Type	Water Depth (ft)	Delivery Date	Dayrate ($/day) June 30, 2014	Contract Expiration Date
Ultra-deepwater						
Alpha Star	100%	DP; SS	9,000	July 2011	437,874	July 2017
Lone Star	100%	DP; SS	7,900	April 2011	378,861	March 2018
Gold Star (4)	100%	DP; SS	9,000	February 2010	358,000	February 2015
Amaralina Star (1)	55%	DP drillship	10,000	September 2012	428,800	September 2018
Laguna Star (1)	55%	DP drillship	10,000	November 2012	428,800	November 2018
Urca	15%	DP; SS	10,000	July 2016	537,778	July 2031
Bracuhy	15%	DP; SS	10,000	January 2018	541,905	January 2033
Mangaratiba	15%	DP; SS	10,000	May 2019	546,042	May 2034
Brava Star	100%	DP drillship	12,000	March 2015	583,000	March 2018
Deepwater						
Olinda Star(3)	100%	Moored; SS	3,600	August 2009	296,195	August 2014
Midwater						
Alaskan Star	100%	Moored; SS	1,700	December 2010 (2)	307,829	November 2016
Atlantic Star	100%	Moored; SS	2,000	February 2011 (2)	295,989	July 2018

(1) We hold a 55% interest in these drillships through a strategic partnership with Alperton Capital Ltd., or Alperton, We will receive 100% of the charter and services revenues from these drillships until the repayment in full of loans we have made to Alperton (with a maximum term of 12 years) to fund its related equity contributions.
(2) Delivery date corresponds to the date the upgrade of these rigs was concluded.
(3) On July 11, 2014, Olinda Star was contracted by Karoon Petróleo e Gás Ltda. for a two-well operation offshore Brazil, with a dayrate of US$308k/day . The new contract is expected to commence immediately after the completion of the existing contract with Petrobras. On August 26, 2014, Petrobras contract extension was signed with a dayrate of $257k/day plus performance bonus.
(4) On August 29, 2014, Gold Star extension contract was secured by Petrobras with a dayrate of $470k/day plus performance bonus.

Onshore Rig	Type	Drilling Depth Capacity (ft)	Customer	Charter Expiration Date
QG-I	1600HP	16,500	President Energy	January 2015
QG-II	1600HP	16,500	Petrobras	January 2016(1)
QG-III	Heli-portable; 1200HP	11,500	Petrobras	April 2016(2)
QG-IV	Heli-portable; 550HP	9,800	Petrobras	July 2014
QG-V	Heli-portable; 1600HP	14,800	Petrobras	April 2015
QG-VI	2000HP	23,000	Petrobras	June 2016
QG-VII	2000HP	23,000	Petrobras	June 2015
QG-VIII	Heli-portable; 1600HP	14,800	HRT	April 2015
QG-IX	Heli-portable; 1600HP	14,800	HRT	April 2015

(1) Subject to early termination from April 2015.
(2) The contract had a stacking period from April 12, 2014 to July 14, 2014 within no dayrate was chargeable.

FPSO	Status	% Interest	Daily Production Capacity (bbl/day)	Storage Capacity (bbl)	Expected/ Delivery Date	Charter Expiration Date	Total Contract Amount (in millions of $)(3)
Capixaba	Operating	20%	100,000	1,600,000	May 2006	May 2022	1,774.9
Cidade de Paraty	Operating	20%	120,000	2,300,000	June 2013	April 2033	4,254.2
Cidade de Ilhabela.........	Construction	12.75% (1)	150,000	2,400,000	September 2014	August 2034	5,220.5
P-63 (Papa Terra) (2)	Operating	—	140,000	2,200,000	June 2013	June 2016	89.1
Cidade de Maricá(4)	Construction	5%	150,000	1,600,000	December 2015	November 2035	5,348.0
Cidade de Saquarema(4)	Construction	5%	150,000	1,600,000	January 2016	December 2035	5,273.0

(1) We currently own an equity interest of 12.75% with an option to increase our interest to 25.5% after first oil production.
(2) We own a 40% participation in the operating contract, but not an ownership interest in the asset. The term of the operating contract is 50 months. Petrobras owns this FPSO and no charter agreement exists.
(3) Except in the case of P-63, for which the total contract amount refers to 100% of the amounts to be paid under the service contract, total contract amount refers to 100% of the amounts to be paid under both the charter and corresponding services contract.
(4) We currently own an equity interest of 5% with an option to increase our interest to 10% after first oil production.

Backlog(1)

	2014	2015	2016	2017	2018–2034	Total	%
Ultra-deepwater	376.2	819.3	885.0	842.8	3,952.2	6,875.6	67.5%
Deepwater.............	9.8	-	-		-	9.8	0.1%
Midwater...............	111.1	220.4	205.9	108.0	59.5	704.9	6.9%
FPSOs...................	91.3	120.9	134.0	134.8	1,975.2	2,456.1	24.1%
Onshore	51.4	61.3	20.3	-	-	133.1	1.3%
Total....................	**639.8**	**1,221.9**	**1,245.3**	**1,085.6**	**5,986.9**	**10,179.5**	**100.0%**

(1) Contract drilling backlog is calculated by multiplying the contracted operating dayrate by the firm contract period and adding any potential rig performance bonuses, which we have assumed will be paid to the maximum extent provided for in the respective contracts. Our calculation also assumes 100% uptime of our drilling rigs for the contract period; however, the amount of actual revenue earned and the actual periods during which revenues are earned may be different from the amounts and periods shown in the tables below due to various factors, including, but not limited to, stoppages for maintenance or upgrades, unplanned downtime, the learning curve related to commencement of operations of additional drilling units, weather conditions and other factors that may result in applicable dayrates lower than the full contractual operating dayrate. Contract drilling backlog includes revenues for mobilization and demobilization on a cash basis and assumes no contract extensions.

Revenue per asset type

	For the three-month period ended June 30,		% Change	For the six-month period ended June 30,,		% Change
	2014	2013	2014/ 2013	2014	2013	2014/ 2013
Net revenue per asset type:	*(in millions of $)*			*(in millions of $)*		
Ultra-deepwater	174.0	168.0	3.6	335.0	324.6	3.2
Deepwater	20.6	22.9	(9.8)	43.6	44.1	(1.0)
Midwater	53.4	52.9	1.0	105.4	105.2	0.2
Onshore rigs	22.5	25.7	(12.3)	44.5	52.4	(15.0)
Other	4.5	4.2	8.3	9.0	6.2	43.8
Total	275.1	273.7	(0.4)	537.5	532.5	0.9

Operating Statistics

	For the three-month period ended June 30,		For the six-month period ended June 30,,	
	2014	2013	2014	2013
Uptime by asset type:	*(%)*		*(%)*	
Ultra-deepwater	95	94	95	93
Deepwater...............................	85	89	91	89
Midwater	99	99	100	99
Onshore rigs	99	100	99	99

	For the three-month period ended June 30		Change	For the six-month period ended June 30		Change
	2014	2013	2014/ 2013	2014	2013	2014/ 2013
Utilization days (1)**:**	*(in days)*			*(in days)*		
Ultra-deepwater	455	455	-	905	905	-
Deepwater	91	91	-	181	181	-
Midwater	182	182	-	362	362	-
Onshore rigs	754	819	(65)	1,474	1,620	(146)
Total	1,482	1,547	(65)	2,922	3,068	(146)

(1) Utilization days are derived by multiplying the number of rigs by the days under contract, excluding upgrade periods. Except for certain of our onshore rigs, our rigs are currently under long-term contracts.