Constellation Oil Services Holding S.A. Reports Second Quarter 2018 Results

Luxembourg, August 29, 2019 – Constellation Oil Services Holding S.A. (“Constellation” or the “Company”), a market leading provider of offshore and onshore oil and gas contract drilling and FPSO services in Brazil, today reported unaudited results for the second quarter ended June 30, 2019.

SECOND QUARTER HIGHLIGHTS

- Net operating revenue decreased 77.0% year-over-year to US$ 34.4 million in 2Q19;
- Revenues from ultra-deepwater (UDW) units represented 69.4% of total net revenues in 2Q19, down from 75.6% in 2Q18;
- Adjusted EBITDA totaled negative US$ 12.9 million and the Adjusted EBITDA margin was negative 37.6% in 2Q19. The result compares with Adjusted EBITDA of US$ 95.5 million and an Adjusted EBITDA margin of 63.9% in 2Q18;
- Net loss was US$ 79.2 million in 2Q19, down from a net income of US$ 32.6 million in 2Q18;
- The total backlog as of June 30, 2019 was US$ 1.4 billion of which US$ 85.4 million relates to the Company’s operational offshore drilling fleet;
- Average uptime for the UDW fleet was higher year-over-year at 99% in 2Q19, compared with 94% in 2Q18;

RECENT DEVELOPMENTS

- On July 4, 2019, the Company announced that the Laguna Star drillship has been awarded a contract with the consortiums of BM-S-11, BM-S-11 and Production Individualization Agreement (Acordo de Individualização de Produção - AIP) of Lula, operated by Petrobras. The contract has a duration of 730 days. The operations will be performed in the Santos Basin, located offshore of Brazil, and operations under the contract are expected to commence by the end of October 2019. Also on July 4, 2019, the Company signed an agreement to render drilling services for Eneva S.A. with the onshore drilling rig QG-VIII. The purpose of the agreement is to drill three oil wells in the Azulão Field with an expected duration of 90 days. Operations are expected to start in August 2019.

- On July 17, 2019 the Company announced that it will distribute to eligible holders of its 9.000% Cash / 0.500% PIK Senior Secured Notes due 2024 (the "existing 2024 Notes"), on a pro rata basis, non-transferable subscription rights (the "Subscription Rights") to purchase their pro rata share of up to U.S.$27 million in aggregate principal amount of the Company's 10.00% PIK / Cash Senior Secured First Lien Tranche due 2024 (the "First Lien Tranche"), together with the right to receive the corresponding principal amount of the Second Lien Tranche and the Third Lien Tranche. The offering (the "Rights Offering") of the First Lien Tranche through the Subscription Rights is being made solely in accordance with the rights offering memorandum, dated July 17, 2019 (as amended or supplemented from time to time). The Rights Offering and the issuance of the First Lien Tranche are being conducted as part of the Company's judicial reorganization plan.

- On July 30, 2019 the Company announced the results of the Rights Offering. According to information received by the Subscription Agent, as of 5:00 p.m., New York City time, on July 26, 2019, subject to confirmation of delivery of the required subscription forms and funding of the relevant purchase price, holders of approximately 92% of the aggregate principal amount of Existing 2024 Notes elected to participate in the Rights Offering. In accordance with the terms of the Amended and Restated BCA, holders of 52.95% of the outstanding principal amount of the Existing 2024 Notes will purchase the aggregate principal amount of the First Lien Tranche that was unsubscribed in the Rights Offering, such that subject to the conditions described in the Rights Offering, on the Settlement Date, the Company will issue US$27.0 million aggregate principal amount of the First Lien Tranche for an aggregate purchase price of US$27.0 million.

- On July 22, 2019, the Company announced that three of the Company's ultra-deepwater (UDW) rigs, Alpha Star, Gold Star, and Lone Star, have been awarded new firm contracts with Petrobras S.A. ("Petrobras") for two years. The drilling activities will be performed offshore of Brazil and operations under each contract is expected to commence by January 2020.

SECOND QUARTER 2019 RESULTS

Net operating revenue decreased 77.0%, or US$ 115.2 million, year-over-year to US$ 34.4 million in 2Q19, mainly due to the expiration of Brava Star, Amaralina Star, Laguna Star and Atlantic Star contracts with Petrobras in August/18, September/18, November/18 and January/19, respectively. The decrease in revenue was partially offset by the start of operations of Laguna Star for Enauta in February 2019 and Brava Star for Shell in March 2019.

Average uptime of the UDW units increased to 99% in 2Q19, from 94% in 2Q18. Average uptime of the deepwater rig increased to 98% in the second quarter of 2019, from 95% in 2Q18.

The Company's fleet utilization decreased to 288 days in 2Q19 from 532 days in 2Q18. The reduction was due to the expiration of the abovementioned contracts, partially offset by the previously mentioned start of operations of Laguna Star and Brava Star.

Contract drilling expenses (operating costs excluding depreciation) decreased 43.0%, or US$ 25.1 million, to US$ 33.3 million in 2Q19. The year-over-year decrease was driven mainly by a 39.9% or US$ 11.4 million decrease in payroll, charges and benefits and a 64.7% or US$ 8.9 million decrease in maintenance costs, reflecting the expiration of the abovementioned contracts.

General and administrative expenses increased US$ 6.7 million, or 97.6%, year-over-year to US$ 13.6 million in 2Q19 versus 2Q18. The increase in general and administrative expenses was mostly due to costs in connection with the financial restructuring and ongoing judicial recovery proceeding.

Adjusted EBITDA decreased to negative US$ 12.9 million and the Adjusted EBITDA margin was negative 37.6%, compared with US$ 95.5 million and 63.9%, respectively, in 2Q18. The reduction in 2Q19 Adjusted EBITDA was mainly due to lower offshore fleet utilization following the expiration of the previously mentioned rigs contracts, which was partially offset by the commencement of operations of Laguna Star and Brava Star, but both with lower dayrates when compared with previous contracts.

Net financial expenses were broadly stable year-over-year, totaling US$ 28.3 million in 2Q19 from US$ 28.5 million in 2Q18.

Net loss was US$ 79.2 million in 2Q19, down from a net income of US$ 32.6 million in 2Q18, mainly related to the expiration of Brava Star, Amaralina Star, Laguna Star and Atlantic Star contracts combined with higher expenses related to the financial restructuring.

CASH FLOW & BALANCE SHEET HIGHLIGHTS

Adjusted cash flow provided by operating activities, which excludes the impact of decreased short-term investments, totaled negative US$ 17.2 million in 2Q19, compared to US$ 52.0 million in 2Q18. The reduction is mainly due to lower Adjusted EBITDA.

Net cash used in investing activities (acquisition of property, plant and equipment) totaled US$ 1.6 million in 2Q19, compared to negative US$ 11.2 million in 2Q18.

Total cash (which includes cash and cash equivalents, short-term investments and restricted cash) decreased to US$ 148.6 million as of June 30, 2019, compared to US$ 164.6 million as of March 31, 2019. Available cash, free of liens, was US$ 99.4 million at the end of the second quarter of 2019.

Total debt increased US$ 28.7 million to US$ 1.5 billion as of June 30, 2019, compared to March 31, 2019.

Net debt increased US$ 44.7 million to US$ 1.4 billion as of June 30, 2019, compared to March 31, 2019.

ABOUT CONSTELLATION OIL SERVICES HOLDING S.A.

Constellation is a market leading provider of offshore and onshore oil and gas contract drilling and FPSO services in Brazil through its subsidiary Serviços de Petróleo Constellation S.A. ("Serviços de Petróleo Constellation"). With continuous operations since 1981, Serviços de Petróleo Constellation has built an unmatched reputation for excellence in offshore and onshore drilling services, obtaining ISO 9001, ISO 14001, OHSAS 18001 and API Spec Q2 certifications 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 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 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 Constellation's records and other data available from third parties. Although 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 Constellation's control, 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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Constellation – Financial and Operating Highlights

	For the three–month period ended June 30, (unaudited)		For the six-month period ended June 30, (unaudited)	
	2019	2018	2019	2018
Statement of Operations Data:	*(in millions of $, except per share data)*			
Net operating revenue	34.4	149.6	66.3	323.8
Operating Costs	(81.1)	(101.7)	(167.7)	(195.9)
Gross profit	(46.7)	47.9	(101.4)	127.9
General and administrative expenses	(13.6)	(6.9)	(24.4)	(13.6)
Other operating income (expenses), net	10.0	5.7	18.0	7.2
Operating profit	(50.3)	46.8	(107.8)	121.4
Financial expenses, net	(28.3)	(28.5)	(56.6)	(57.0)
Share of results of investments	(1.0)	8.5	4.6	1.5
Profit before taxes	(79.6)	26.8	(159.8)	65.9
Taxes	0.4	5.8	(0.0)	5.0
Profit for the period	(79.2)	32.6	(159.8)	70.9
Profit per share:				
Basic	(0.42)	0.16	(0.84)	0.35
Diluted	(0.42)	0.16	(0.84)	0.35
Weighted average common shares outstanding (thousands of common shares):				
Basic	189,227	189,227	189,227	189,227
Diluted	189,227	189,227	189,227	189,227

	For the three–month period ended June 30, (unaudited)		For the six-month period ended June 30, (unaudited)	
	2019	2018	2019	2018
Other Financial Information:	*(in millions of $)*			
Profit for the period/year	(79.2)	32.6	(159.8)	70.9
(+) Financial expenses, net	28.3	28.5	56.6	57.0
(+) Taxes	(0.4)	(5.8)	0.0	(5.0)
(+) Depreciation	47.9	43.4	95.9	85.1
EBITDA [(1)]	(3.4)	98.7	(7.2)	208.0
EBITDA margin (%) [(2)]	(10.0%)	66.0%	(10.9%)	64.2%
Non-cash adjustment [(3)]				
Onerous contract provision, net	(6.7)	(3.2)	(15.6)	(4.1)
Impairment on FPSO	(2.8)	-	(1.5)	-
Adjusted EBITDA [(1)]	(12.9)	95.5	(24.3)	203.9
Adjusted EBITDA margin (%) [(2)]	(37.6%)	63.9%	(36.7%)	63.0%

(1) EBITDA is a non-GAAP measure prepared by us and 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. Adjusted EBITDA is also a non-GAAP measure prepared by us and consists of: net income, plus net financial expenses taxes, depreciation and some specified non cash adjustments.

(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. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by net operating revenue for the applicable period.

(3) In 1H19, the Company recognized US$ 15.8 million in non-cash adjustments due to the onerous contract provision reversal related to Brava Star, Laguna Star and Olinda Star's contracts with Shell, Enauta and ONGC, respectively. In addition, the Company recorded a non-cash loss of US$ 0.2 million due to an onerous contract provision related to the contract between Amaralina Star and Total, recognized as "Other Expenses". Also in 1H19, the Company recorded an impairment reversal of US$ 1.5 million related to FPSO investments. In 1H18, the Company recognized US$ 4.1 million in non-cash adjustments, due to the onerous contract provision reversal related to the contract between Olinda Star and ONGC. The provision was originally recorded in 4Q17 in the amount of US$ 36.0 million.

	As of June 30, (unaudited)	**As of December 31,** (audited)	
	2019	**2018**	**2017**
Statement of Financial Position:	*(in millions of $)*		
Cash and cash equivalents	89.6	109.4	216.3
Short-term investments	16.0	26.0	13.5
Restricted cash	43.0	42.6	39.0
Total assets	2,897.2	3,063.2	3,586.7
Total loans and financings	1,532.5	1,475.2	1,655.2
Total liabilities	1,638.2	1,643.7	2,197.9
Shareholders' equity	1,258.9	1,419.5	1,388.8
Net debt	1,383.9	1,297.2	1,386.4

	For the six-month period ended June 30, (unaudited)	
Statement of Cash Flows:	**2019**	**2018**
	(in millions of $)	
Cash flows provided by operating activities:		
Profit for the period	(159.8)	70.9
Adjustments to reconcile net income to net cash used in operating activities	133.1	112.3
Net income after adjustments to reconcile net income to net cash used in operating activities	(26.7)	183.1
Decrease (increase) in working capital related to operating activities	3.3	(42.4)
Cash flows provided by operating activities	(23.4)	140.7
Cash flows used in investing activities	2.7	(20.4)
Cash flows used in financing activities	(0.4)	(164.6)
Increase (decrease) in cash and cash equivalents	(21.1)	(44.3)

Non-GAAP Adjusted Cash Flows [1]:	For the six-month period ended June 30, (unaudited) 2019	2018
	(in millions of $)	
Cash flows provided by operating activities	(23.4)	140.7
Impact of short-term investments	10.0	9.1
Adjusted cash flows provided by operating activities...	33.4	131.6

(1) This is a non-GAAP adjusted measure prepared by the Company to adjust the impact of short-term investments as part of the cash flow provided by operating activities.

Fleet summary report

Offshore Rig	% Interest	Type	Water Depth (ft)	Delivery Date	Customer	Contract Expiration Date
Ultra-deepwater						
Alpha Star [8]	100%	DP; SS	9,000	July 2011	Petrobras	January 2022
Lone Star [8]	100%	DP; SS	7,900	April 2011	Petrobras	January 2022
Gold Star [8]	100%	DP; SS	9,000	February 2010	Petrobras	January 2022
Amaralina Star [1] [7]	55%	DP drillship	10,000	September 2012	-	-
Laguna Star [1] [5]	55%	DP drillship	10,000	November 2012	Enauta	September 2019
Brava Star [4]	100%	DP drillship	12,000	August 2015	Shell	November 2019
Deepwater						
Olinda Star [3]	100%	Moored; SS	3,600	August 2009 [2]	ONGC	January 2021
Midwater						
Atlantic Star [6]	100%	Moored; SS	2,000	February 2011 [2]	-	-

(1) In 2010, the Company and Alperton signed shareholders' and loan agreements in order to construct, charter and operate the Amaralina Star and the Laguna Star drillships for Petróleo Brasileiro S.A. ("Petrobras"). The Company held a 55% interest in these drillships, but was entitled to receive 100% of the charter and services revenues from these drillships until the repayment in full of loans the Company made to Alperton Capital Ltd. ("Alperton") to fund its related equity contributions On September 21, 2018, the remaining 45% shares held by Alperton were transferred to the Company's indirect subsidiary, Constellation Overseas Ltd. ("Constellation Overseas"), as a result of Alperton's failure to transfer such shares following the occurrence of a deadlock pursuant to the terms of the shareholders' agreements between Alperton and Constellation Overseas, such that Constellation Overseas became the 100% owner of the shares in each of Amaralina Star and Laguna Star.

(2) Delivery date corresponds to the date the upgrade of these rigs was concluded.

(3) On April 25, 2017, the Company announced that Olinda Star was awarded a three-year contract with Oil and Natural Gas Corporation Ltd. ("ONGC"), an Indian state-owned oil and gas exploration and production company, for operations within an offshore area in India. The operations commenced on January 12, 2018, with a dayrate of $ 116,300/ day.

(4) On August 1, 2018, the Company announced that its ultra-deepwater drillship Brava Star was awarded a contract with Shell Brasil. The operations under the contract commenced on March 7, 2019.

(5) On September 17, 2018, the Company announced that its UDW drillship Laguna Star was awarded a contract with Enauta for a campaign of one firm well up to 90 days, and two additional options for well interventions of 45 days each. The operations under the contract commenced on February 18, 2019. On July 04, 2019, the Company announced that the Laguna Star was awarded a contract with the consortiums of BM-S-11, BM-S-11 and AIP (Acordo de Individualização de Produção, or Production Individualization Agreement) of Lula, operated by Petrobras. The contract has a firm duration of 730 days. The work will be performed in the Santos Basin, located offshore of Brazil, and operations under the contract are expected to commence by the end of October 2019.

(6) On January 23, 2019, the Atlantic Star offshore drilling charter and service rendering agreements with Petrobras expired.

(7) On February 11, 2019, the Company announced that the ultra-deepwater drillship Amaralina Star has been awarded a contract with Total. The operations commenced on February 28, 2019, and the contract expired on April 14, 2019.

(8) On July 22, 2019, the Company announced that three of the Company's ultra-deepwater (UDW) rigs, Alpha Star, Gold Star, and Lone Star, have been awarded new firm contracts with Petrobras for two years. The drilling activities will be performed offshore of Brazil and operations under each contract is expected to commence by January 2020.

Onshore Rig	Type	Drilling Depth Capacity (ft)	Customer	Charter Expiration Date
QG-I	1600HP	16,500	-	-
QG-II	1600HP	16,500	-	-
QG-III	Heli-portable; 1200HP	11,500	-	-
QG-IV	Heli-portable; 550HP	9,800	-	-
QG-V	Heli-portable; 1600HP	14,800	-	-
QG-VI	2000HP	23,000	-	-
QG-VII	2000HP	23,000	-	-
QG-VIII(1)	Heli-portable; 1600HP	14,800	Eneva S.A.	November 2019
QG-IX	Heli-portable; 1600HP	14,800	-	-

(1) On July 4, 2019, the Company announced that it has signed an agreement to charter and render onshore drilling services for Eneva S.A. ("Eneva"). The agreement is for the drilling of three wells in Azulão Block (Amazon basin, Brazil), using the onshore drilling rig QG-VIII. The operation is expected to commence by the end of August 2019.

FPSO	Status	% Interest	Daily Production Capacity (bbl/day)	Storage Capacity (bbl)	Delivery Date	Charter Expiration Date	Total Contract Amount (in millions of $) (1)
Capixaba	Operating	20%	100,000	1,600,000	May 2006	February 2022	1,774.9
Cidade de Paraty	Operating	20%	120,000	2,300,000	June 2013	May 2033	4,254.2
Cidade de Ilhabela	Operating	12.75%	150,000	2,400,000	November 2014	November 2034	5,220.5
Cidade de Maricá	Operating	5%	150,000	1,600,000	February 2016	February 2036	5,348.0
Cidade de Saquarema	Operating	5%	150,000	1,600,000	July 2016	July 2036	5,273.0

(1) The total contract amount refers to 100% of the amounts to be paid under both the charter and corresponding services contract.

Backlog [(1)]

	2019	2020	2021	2022–2036	Total	%
Ultra-deepwater	20.1	-	-	-	20.1	1.4%
Deepwater.............	21.4	42.6	1.3	-	65.2	4.6%
Midwater...............	-	-	-	-	-	0.0%
FPSOs...................	53.8	107.0	106.7	1,065.6	1,333.1	94.0%
Onshore................	-	-	-	-	-	0.0%
Total....................	**95.3**	**149.6**	**108.0**	**1,065.6**	**1,418.5**	**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. The Company is no longer considering the backlog from Sete Brasil. In December 2015, Constellation exercised a Put Option whereby it has formalized its intention to cease its ownership interest in the Sete Brasil rigs by transferring its shares to Sete International in accordance with the Shareholders' Agreement.

Revenue per asset type

	For the three-month period ended June 30,		% Change	For the six-month period ended June 30,		% Change
	2019	**2018**	**2019/ 2018**	**2019**	**2018**	**2019/ 2018**
Net revenue per asset type:	*(in millions of $)*			*(in millions of $)*		
Ultra-deepwater...............................	25.3	113.1	-77.7%	42.4	252.2	-83,2%
Deepwater	11,0	10.4	5.5%	20.9	19.7	6,1%
Midwater	0.0	24.3	-100.0%	6.5	48.0	-86,5%
Onshore rigs	0.2	1.8	-91.1%	0.3	3.9	-93.1%
Other	-	-	-	-	-	-
Total	36.4	149.6	-75.7%	70.0	323.8	-78.4%

Operating Statistics

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2019	**2018**	**2019**	**2018**
Uptime by asset type [(1)]:	*(%)*		*(%)*	
Ultra-deepwater	99	94	99	86
Deepwater................................	98	95	95	95
Midwater	-	98	100	97
Onshore rigs	-	100	-	97

	For the three-month period ended June 30,		Change	For the six-month period ended June 30,		Change
	2019	**2018**	**2019/ 2018**	**2019**	**2018**	**2019/ 2018**
Utilization days (2):	*(in days)*			*(in days)*		
Ultra-deepwater	197	259	(62)	293	662	(369)
Deepwater	91	91	(10)	163	169	(6)
Midwater	-	91	(91)	23	181	(158)
Onshore rigs	-	91	(91)	-	181	(181)
Total	288	532	(254)	479	1,193	(714)

(1) Uptime is derived by dividing (i) the number of days the rigs effectively earned a contractual dayrate by (ii) utilization days. Uptime adjusts for planned downtime, such as rig upgrades and surveys.

(2) Utilization days consider the impact of scheduled maintenance, reflecting the days without revenue related to planned upgrades and surveys.