Constellation Oil Services Holding S.A. Reports Third Quarter 2019 Results

Luxembourg, November 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 in Brazil, today reported unaudited results for the third quarter ended September 30, 2019.

THIRD QUARTER HIGHLIGHTS

- Net operating revenue decreased 78.8% year-over-year to US$ 27.2 million in 3Q19.
- Revenues from ultra-deepwater (UDW) units represented 88.8% of total net revenues in 3Q19, up from 71.9% in 3Q18.
- Adjusted EBITDA totaled negative US$ 29.8 million and the Adjusted EBITDA margin was negative 109.3% in 3Q19.
- Net loss during the period was US$ 141.5 million, down from a net loss of US$ 4.4 million year-over-year.
- The total backlog as of September 30, 2019 was US$ 534.0 million of which US$ 531.1 million relates to the Company's operational offshore drilling fleet. The Company is no longer considering the backlog from FPSO after concluding the transaction regarding the sale to SBM Offshore of Constellation's equity ownership in the lease and operating companies related to five Brazilian FPSOs.
- Average uptime for the UDW fleet was higher year-over-year at 98% in 3Q19, compared with 95% in 3Q18.

RECENT DEVELOPMENTS

- On November 13, 2019, the Company reached a settlement with certain funds managed by Pacific Investment Management Co. (PIMCO) that had objected to the Company's RJ Plan in Brazil and its chapter 15 petition in the United States. This settlement resolves PIMCO's objections and the Company takes a significant step forward towards the consummation of its largely consensual restructuring process. The RJ Plan was approved by the Company's creditors on June 28, 2019, confirmed by the Brazilian court on July 1, 2019, and upheld by the Brazilian Appellate Court on October 22, 2019, providing certainty to the Company to continue working together with its creditors to successfully implement the restructuring transactions contemplated in the RJ Plan.

- On November 19, Shell Brasil exercised its second right to extend the Brava Star's contract for an estimated period of 90 days.

- On November 22, 2019, SBM Offshore and the Company jointly confirmed that they have successfully completed the transaction regarding the sale to SBM Offshore of Constellation's equity ownership in the lease and operating companies related to five Brazilian FPSOs. This follows the announcement by SBM Offshore dated October 18, 2019, confirming SBM Offshore as the successful bidder in the public auction for the equity ownership. SBM Offshore was already the majority shareholder of the related entities and operator of these FPSOs before the transaction was completed. Upon completion of the transaction SBM Offshore paid the total cash consideration of US$149 million.

- The Group has announced several extensions of the milestone date by which the closing of its restructuring shall occur (the "RJ Closing Milestone") as set forth in the PSA attached to the RJ Plan in its judicial recovery proceeding in Brazil. The new date for the RJ Closing Milestone has been extended to December 16, 2019.

THIRD QUARTER 2019 RESULTS

Net operating revenue decreased 78.8%, or US$ 101.5 million, year-over-year to US$ 27.2 million in 3Q19, mainly due to the expiration of Brava Star, Amaralina Star, Laguna Star and Atlantic Star contracts in August/18, September/18, November/18 and January/2019, respectively. The decrease was partially offset by the start of operations of Laguna Star for Enauta and Brava Star for Shell, in February/19 and March/19, respectively.

Average uptime of the UDW units increased to 98% in 3Q19 from 95% in 3Q18. Average uptime of the deepwater rig was 93% in the third quarter of 2019.

The Company's fleet utilization decreased to 266 days in 3Q19 from 467 days in 3Q18. The reduction was mainly due to the expiration of the Brava Star, Amaralina Star, Laguna Star and Atlantic Star contracts. The decrease was partially offset by the previously mentioned recent contracts of Laguna Star and Brava Star.

Contract drilling expenses (operating costs excluding depreciation) decreased 32.1%, or US$ 15.7 million, to US$ 33.2 million in 3Q19. The year-over-year decrease was driven mainly by: (a) a US$ 4.9 million decrease in payroll, charges and benefits; (b) a US$ 4.4 million decrease in other costs; (c) a US$ 2.5 million decrease in insurance due to the reversal of Olinda Star insurance provision; and (d) a US$ 2.5 million decrease in materials. The result reflects the decrease in costs and in the number of employees in the offshore business, following the expiration of the abovementioned rigs.

General and administrative expenses increased US$ 21.3 million, or 293.4%, year-over-year to US$ 28.5 million in 3Q19 versus 3Q18. 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 totaled negative US$ 29.8 million and the Adjusted EBITDA margin was negative 109.3%, compared with positive US$ 82.8 million and 64.3%, respectively, in 3Q18. The reduction in 3Q19 Adjusted EBITDA was mainly due to the expiration of the previously mentioned rigs contracts, which was partially offset by the operations of Laguna Star and Brava Star.

Net financial expenses were broadly stable year-over-year, totaling US$ 28.7 million in 3Q19, from US$ 28.2 million in 3Q18.

Net loss was US$ 141.5 million in 3Q19, compared to a net loss of US$ 4.4 million in 3Q18, mainly due to the previously mentioned expiration of Brava Star, Amaralina Star, Laguna Star and Atlantic Star contracts.

CASH FLOW & BALANCE SHEET HIGHLIGHTS

Adjusted cash flow provided by operating activities, which excludes the impact of decreased short-term investments, totaled negative US$ 29.4 million in 3Q19, compared to US$ 63.0 million in 3Q18. The reduction is mainly due to lower Adjusted EBITDA.

Net cash used in investing activities (acquisition of property, plant and equipment) totaled US$ 2.1 million in 3Q19, compared to US$ 24.8 million in 3Q18.

Total cash (which includes cash and cash equivalents, short-term investments and restricted cash) decreased to US$ 117.1 million as of September 30, 2019, compared to US$ 148.6 million as of June 30, 2019. Available cash, free of liens, was US$ 63.6 million at the end of the third quarter of 2019.

Total debt increased US$ 28.9 million to US$ 1.6 billion as of September 30, 2019, compared to June 30, 2019.

Net debt increased US$ 60.4 million to US$ 1.4 billion as September 30, 2019, compared to June 30, 2019.

ABOUT CONSTELLATION OIL SERVICES HOLDING S.A.

Constellation is a market leading provider of offshore and onshore oil and gas contract drilling 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.

CONTACTS

Investor Relations
Phone: +352 20 20 2401
ir@theconstellation.com
www.theconstellation.com/ir

IR Team:

Fabiola Goulart	fgoulart@theconstellation.com
Monique Fares	mfares@theconstellation.com

Constellation – Financial and Operating Highlights

	For the three–month period ended September 30, (unaudited)		For the nine-month period ended September 30, (unaudited)	
	2019	**2018**	**2019**	**2018**
Statement of Operations Data:	*(in millions of $, except per share data)*			
Net operating revenue	27.2	128.7	93.6	452.5
Operating Costs	(80.6)	(93.5)	(248.4)	(289.4)
Gross profit	(53.4)	35.3	(154.8)	163.2
General and administrative expenses	(28.5)	(7.3)	(53.0)	(20.9)
Other operating income (expenses), net	(34.6)	(11.9)	(16.6)	(4.8)
Operating profit	(116.5)	16.1	(224.3)	137.5
Financial expenses, net	(28.7)	(28.2)	(85.3)	(85.3)
Share of results of investments	-	9.7	4.6	11.1
Profit/ (Loss) before taxes	(145.3)	(2.5)	(305.0)	63.4
Taxes	3.7	(1.9)	3.7	3.2
Profit/ (Loss) for the period	(141.5)	(4.4)	(301.3)	66.5
Profit per share:				
Basic	(0.75)	(0.03)	(1.59)	0.32
Diluted	(0.75)	(0.03)	(1.59)	0.32
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 September 30, (unaudited)		For the nine-month period ended September 30, (unaudited)	
	2019	**2018**	**2019**	**2018**
Other Financial Information:	*(in millions of $)*			
Profit/ (Loss) for the period/year	(141.5)	(4.4)	(301.3)	66.5
(+) Financial expenses, net	28.7	28.2	85.3	85.3
(+) Taxes	(3.7)	1.9	(3.7)	(3.2)
(+) Depreciation	47.5	44.6	143.4	129.7
EBITDA (1)	(69.0)	70.4	(76.3)	278.4
EBITDA margin (%) (2)	(253.6%)	54.7%	(81.5%)	61.5%
Non-cash adjustments (3)				
Onerous contract provision,net	38.0	12.4	8.3	22.4
Impairment on FPSO	1.3	-	-	(0.2)
Adjusted EBITDA (1)	(29.8)	82.8	(54.1)	286.7
Adjusted EBITDA margin (%) (2)	(109.3%)	64.3%	(57.8%)	63.3%

____

(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 3Q19, the Company recorded non-cash losses of US$ 40.8 million due to an onerous contract provision related to Laguna Star, Gold Star, Lone Star and Alpha Star's contracts with Petrobras. The Company also recognized in 3Q19 US$ 2.6 million in non-cash adjustments due to a reversal of the onerous contract provision related to Laguna and Olinda Star's contracts with Enauta and ONGC, respectively. In addition, the Company recorded an impairment loss of US$ 1.3 million on investment in FPSO. In 2Q19, the Company recognized US$ 6.8 million in non-cash adjustments due to a reversal of the onerous contract provision related to Brava Star and Olinda Star's contracts with Shell and ONGC, respectively. Also in 2Q19, the Company recorded an impairment reversal of US$ 2.8 million related to FPSO investments. In 1Q19, the Company recognized US$ 9.0 million in non-cash adjustments due to a reversal of the onerous contract provision 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$ 1.1 million due to an onerous contract provision related to the contract between Amaralina Star and Total, which was totally reverted in 3Q19. Also in 1Q19, the Company recorded an impairment loss of US$ 1.3 million on investment in FPSO. In 1Q18, 2Q18 and 3Q18, the Company recognized US$ 0.9 million, US$ 3.2 million and US$ 6.5 million in non-cash adjustments, respectively, due to a reversal of the onerous contract provision related to the contract between Olinda Star and ONGC. The provision was originally recorded in 4Q17, in the amount of US$ 36.0 million. In addition, in 3Q18 the Company recorded non-cash losses of: (a) US$ 17.1 million due to the onerous contract provision related to the contract between Brava Star and Shell Brasil; and (b) US$ 1.8 million due to the onerous contract provision related to the contract between Laguna Star and QGEP.

	As of September 30, (unaudited)	**As of December 31,** (audited)	
	2019	**2018**	**2017**
Statement of Financial Position:	*(in millions of $)*		
Cash and cash equivalents	63.0	109.4	216.3
Short-term investments	10.9	26.0	13.5
Restricted cash	43.1	42.6	39.0
Total assets	2,808.8	3,063.2	3,586.7
Total loans and financings	1,561.4	1,475.2	1,655.2
Total liabilities	1,698.9	1,643.7	2,197.9
Shareholders' equity	1,109.9	1,419.5	1,388.8
Net debt	1,444.3	1,297.2	1,386.4

	For the nine-month period ended September 30, (unaudited)	
Statement of Cash Flows:	**2019**	**2018**
	(in millions of $)	
Cash flows provided by operating activities:		
Profit/ (Loss) for the period	(301.3)	66.5
Adjustments to reconcile net income to net cash used in operating activities	244.4	183.6
Net income after adjustments to reconcile net income to net cash used in operating activities	(56.9)	250.2
Decrease (increase) in working capital related to operating activities	9.2	(45.0)
Cash flows provided by operating activities	(47.7)	205.2
Cash flows used in investing activities	2.1	(24.8)
Cash flows used in financing activities	(0.6)	(286.1)
Increase (decrease) in cash and cash equivalents	(46.2)	(105.7)

Non-GAAP Adjusted Cash Flows [1]:	For the nine-month period ended September 30, (unaudited) 2019	2018
	(in millions of $)	
Cash flows provided by operating activities........	(47.7)	205.2
Impact of short-term investments	15.1	10.5
Adjusted cash flows provided by operating activities	(62.8)	194.4

(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]	100%	DP drillship	10,000	September 2012	-	-
Laguna Star [1] [5]	100%	DP drillship	10,000	November 2012	Petrobras	October 2021
Brava Star [4]	100%	DP drillship	12,000	August 2015	Shell	May 2020
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. The total contract duration is now estimated in 440 days.

(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, and the contract expired on September 20, 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 is being performed in the Santos Basin, located offshore of Brazil, and operations under the contract commence on October 30, 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 the contracts are 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.	December 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 commenced on October 01, 2019.

Backlog (1)

	2019	2020	2021	2022–2036	Total	%
Ultra-deepwater	21.4	242.8	206.8	5.6	476.5	89.2%
Deepwater.............	10.7	42.6	1.3	-	54.5	10.2%
Midwater................	-	-	-	-	-	-
Onshore.................	2.9	-	-	-	2.9	0.5%
Total....................	**35.0**	**285.3**	**208.1**	**5.6**	**534.0**	**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 and the backlog from FPSO. 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 September 30,		% Change	For the nine-month period ended September 30,		% Change
	2019	2018	2019/ 2018	2019	2018	2019/ 2018
Net revenue per asset type:	*(in millions of $)*			*(in millions of $)*		
Ultra-deepwater...............................	19.0	92.6	-79.5%	61.4	344.8	-82.2%
Deepwater	9.5	9.2	3.2%	30.4	28.9	5.1%
Midwater	-	25.5	-100%	6.5	73.5	-91.2%
Onshore rigs	0.5	1.4	-64.7%	0.8	5.3	-85.5%
Other	-	-	-	-	-	-
Total	29.0	128.7	-77.5%	99.0	452.5	-78.1%

Operating Statistics

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2019	2018	2019	2018
Uptime by asset type (1):	*(%)*		*(%)*	
Ultra-deepwater	98	95	99	88
Deepwater...............................	93	77	94	88
Midwater	-	100	100	98
Onshore rigs	-	99	-	97

	For the three-month period ended September 30,		Change	For the nine-month period ended September 30,		Change
	2019	2018	2019/ 2018	2019	2018	2019/ 2018
Utilization days (2):	*(in days)*			*(in days)*		
Ultra-deepwater	174	218	(44)	467	880	(413)
Deepwater...............................	92	92	-	265	261	4
Midwater	-	92	(92)	23	273	(250)
Onshore rigs	-	65	(65)	-	246	(246)
Total	266	467	(201)	755	1,660	(905)

(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.