QGOG Constellation S.A. Reports Second Quarter 2015 Results

Luxembourg, August 18, 2015 – QGOG Constellation S.A. ("QGOG Constellation" or the "Company"), a market leading 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, 2015.

KEY RESULTS

- Net operating revenue was US$247.6 million in 2Q15, a 10% decline versus the 2Q14. The decrease primarily reflects the depreciation of the Brazilian Real.
- Revenues from ultra-deepwater (UDW) rigs represented 67.4% of total net revenues in 2Q15, up from 63.3% in 2Q14.
- EBITDA was broadly stable year-over-year at US$160.9 million in 2Q15, compared with US$162.4 million in 2Q14. The EBITDA margin improved to 65.0% in 2Q15, up from 59.0% in the 2Q14.
- Net income was US$85.9 million in 2Q15, in line with US$86.0 million in 2Q14.
- Total backlog as of June 30, 2015 was US$8.7 billion.
- Average uptime for the UDW fleet was 94% in 2Q15, versus 95% in 2Q14.

RECENT DEVELOPMENTS

- The scheduled five-year survey of Olinda Star was completed on time and on budget in the last week of July, 2015. The unit resumed operations for Petrobras on August 2, 2015 under a five-month contract.
- Following delivery by Samsung Heavy Industries (SHI) on May 29, 2015, the Brava Star UDW drillship arrived in Brazil on July 24, 2015. After completing its acceptance test, the rig commenced operation on August 18, 2015.
- On July 27, 2015, the FPSO Cidade de Saquarema, in which QGOG Constellation indirectly holds a minority stake, secured a US$1.55 billion loan from a group of international commercial banks and export credit agencies. The loan was structured as a limited recourse project finance and matures in December, 2030.
- In June, 2015, the FPSO Cidade de Maricá arrived in Brazil for the integration of process modules, marking the final phase of its construction. Delivery is expected to occur in 1Q2016.

MANAGEMENT COMMENTARY

The Company achieved solid operational results in the second quarter. Average uptime for the ultra-deepwater fleet, which accounts for approximately two thirds of total revenues, was 94% in the quarter. The Company remains focused on the safety of its operations and fleet reliability. As such, QGOG is pleased to have completed five-year surveys on both the Olinda and Gold Star rigs on time and on budget. Future operating results will be supported by the commencement of operations of the Brava Star, a state of the art UDW drillship, under a three-year contract with the consortium BM-S-11, formed by Petrobras S.A. (operator), BG E&P Brasil Ltda. and Petrogal, for operation within the pre-salt area offshore Brazil. QGOG Constellation remains in a solid financial position to navigate the current market environment, backed by revenue visibility from a robust backlog, sustainable leverage and a large asset base.

SECOND QUARTER 2015 RESULTS

Net operating revenue decreased 10% year-over-year to US$247.6 million in 2Q15 versus US$275.1 million in 2Q14. The result was primarily impacted by the 37.8% year-over-year average depreciation of the Brazilian Real versus the U.S. dollar during the second quarter of 2015, which resulted in a 6.6% decrease in net revenues or a US$18.2 million decline.

In addition to the aforementioned effect, average uptime of the UDW rigs decreased to 94% in 2Q15 from 95% in 2Q14. The scheduled five-year survey of the Gold Star was completed on time and on budget, and the unit resumed operations for Petrobras on May 8, 2015. Due to the scheduled survey, the rig incurred 15 days without revenue in 2Q15, which was mostly offset by a higher dayrate following a contract extension that came into effect in mid-February, 2015.

Deepwater rig uptime increased to 99% in 2Q15 from 85% in 2Q14, while Midwater rig uptime decreased to 93% in 2Q15 from 99% in the 2Q14, mainly due to the temporary suspension of the Alaskan Star following an inspection by the Ouro Negro project. The rig received permission to resume operations on April 6, 2015. Average uptime of the onshore rigs reached 100% in the second quarter of 2015.

The Company's offshore fleet was operational for 695 days during 2Q15, down from 728 days in 2Q14. The reduction is due to the conclusion of the Olinda Star rig contract with Karoon on May 28, 2015. The unit resumed operations for Petrobras on August 2, 2015 under a five-month contract. The onshore fleet utilization decreased to 452 days in 2Q15 from 754 days in 2Q14.

Operating costs decreased 14.0%, or US$21.7 million, to US$133.6 million in 2Q15 when compared to 2Q14. Contract drilling expenses (operating costs excluding depreciation and amortization) decreased 20.1%, or US$21.7 million, to US$86.0 million. The decrease in operating costs was mostly due to a US$11.7 million decline in payroll, charges and benefits, reflecting primarily the year-over-year depreciation of the Brazilian Real versus the U.S. dollar. The currency impact was also the primary driver of a US$2.4 million decrease in material costs during the period.

General and administrative expenses decreased US$2.3 million to US$10.4 million in 2Q15 versus 2Q14, once again reflecting the currency impact.

EBITDA was US$160.9 million and the EBITDA margin was 65.0% in 2Q15, compared with US$162.4 million and 59.0%, respectively, in 2Q14. Second quarter EBITDA was impacted by the conclusion of Olinda Star's contract. In addition, lower utilization of the Company's onshore fleet resulted in a US$6.3 million year-over-year decrease in EBITDA. These factors were broadly offset by a positive exchange rate impact of 9.9%, or US$16.1 million. The margin expansion mainly reflected the positive exchange rate impact.

Net financial expenses decreased 17.7% year-over-year, or US$5.1 million, to US$23.6 million in 2Q15, primarily due to a US$2.8 million decrease in financial charges on loans and financings. This decline mainly reflects the reduction in average debt in the period.

Net income was stable year-over-year at US$85.9 million in 2Q15, compared with US$86.0 million in 2Q14.

CASH FLOW & BALANCE SHEET HIGHLIGHTS

Adjusted cash flow provided by operating activities, which excludes the impact of increased short-term investments, totaled US$142.3 million during 2Q15, compared to US$125.6 million in 2Q14. The increase reflects the reimbursement of costs related to FPSO projects in the amount of US$5.2 million, in addition to lower disbursements on material purchases and insurance in the 2Q15 compared with the same period of last year.

Net cash used in investing activities totaled US$439.0 million in 2Q15, compared to US$59.8 million in 2Q14. The increase is mainly due to milestone payments following the delivery of Brava Star by SHI.

Total cash (which includes cash and cash equivalents, short-term investments and restricted cash) amounted to US$403.4 million as of June 30, 2015, compared to US$400.2 million as of March 31, 2015. Cash available free of liens was US$320.0 million at the end of the second quarter.

Total debt increased US$338.4 million to US$2.8 billion as of June 30, 2015 compared to March 31, 2015. The increase is explained by the disbursement of Brava Star project financing in connection with the milestone payments following the delivery of the unit by SHI, which totaled US$464 million.

The Company released the letter of credit related to the 12-month interest reserve account, in compliance with the QGOGCO (6.250% Senior Notes due 2019) documentation and in consideration of the Company's consistent deleveraging since the QGOGCO issuance.

Net debt increased US$335.3 million to US$2.4 billion as of June 30, 2015 compared to 1Q15, mainly reflecting the final milestone payment to SHI.

ABOUT QGOG CONSTELLATION S.A.

QGOG Constellation is a market leading 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 offshore and onshore drilling services, 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,	
	2015	2014	2015	2014
Statement of Operations Data:	*(in millions of $, except per share data)*			
Net operating revenue	247.6	275.1	508.6	537.5
Operating Costs	(133.6)	(155.3)	(271.1)	(299.1)
Gross profit	114.0	119.8	237.5	238.5
General and administrative expenses	(10.4)	(12.7)	(18.7)	(24.6)
Other operating income (expenses), net	0.9	0.2	(0.4)	0.3
Operating profit	104.4	107.4	218.4	214.2
Financial expenses, net	(23.6)	(28.7)	(48.9)	(56.9)
Share of results of investments	8.6	7.1	12.8	8.3
Profit before taxes	89.4	85.7	182.3	165.6
Taxes	(3.5)	0.3	(12.5)	0.6
Profit for the period	85.9	86.0	169.8	166.2
Profit per share:				
Basic	0.42	0.44	0.83	0.85
Diluted	0.42	0.44	0.83	0.85
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,	
	2015	2014	2015	2014
Other Financial Information:	*(in millions of $)*			
Profit for the period/year	85.9	86.0	169.8	166.2
(+) Financial expenses, net	23.6	28.7	48.9	56.9
(+) Taxes	3.5	(0.3)	12.5	(0.6)
(+) Depreciation	47.9	48.0	95.8	95.5
EBITDA(1)	160.9	162.4	327.0	318.0
EBITDA margin (%) (2)	65.0%	59.0%	64.3%	59.2%

(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.

	As of June 30,	As of December 31,	
	2015	2014	2013
Statement of Financial Position:		*(in millions of $)*	
Cash and cash equivalents	233.5	147.1	217.5
Short-term investments	157.9	83.5	283.4
Restricted cash	11.9	37.8	38.7
Total assets	5,752.1	5,614.9	5,497.2
Total loans and financings	2,808.2	2,434.7	3,003.3
Total liabilities	3,370.5	3,386.8	3,592.3
Shareholders' equity	2,381.6	2,228.1	1,904.9
Net Debt	2,404.9	2,166.3	2,463.7

	For the six-month period ended June 30,		For the year ended December 31,	
Statement of Cash Flows:	2015	2014	2014	2013
		(in millions of $)		
Cash flows provided/used in operating activities:				
Profit for the period	169.8	166.2	348.6	308.5
Adjustments to reconcile net income to net cash used in operating activities	155.7	150.7	282.2	307.9
Net income after adjustments to reconcile net income to net cash used in operating activities	325.5	316.9	630.8	616.4
Decrease (increase) in working capital related to operating activities	(95.6)	27.1	143.6	(106.7)
Cash flows provided by operating activities	229.9	344.0	774.5	509.7
Cash flows used in investing activities	(467.3)	(98.0)	(117.2)	(216.0)
Cash flows provided by (used in) financing activities	324.4	(305.5)	(727.5)	(294.0)
Increase (decrease) in cash and cash equivalents	87.0	(59.5)	(70.3)	(0.2)

	For the six-month period ended June 31,		For the year ended December 31,	
Non-GAAP Adjusted Cash Flows:	2015	2014	2014	2013
		(in millions of $)		
Cash flows provided/used in operating activities	229.8	344.0	774.5	509.7
Impact of short-term investments	(78.5)	81.2	195.8	(73.4)
Adjusted cash flows provided by operating activities	308.3	262.8	578.7	583.1

Fleet summary report

Offshore Rig	% Interest	Type	Water Depth (ft)	Delivery Date	Dayrate ($/day) June 30, 2015	Contract Expiration Date
Ultra-deepwater [5]						
Alpha Star	100%	DP; SS	9,000	July 2011	430,348	July 2017
Lone Star [6]	100%	DP; SS	7,900	April 2011	349,267	March 2018
Gold Star [4]	100%	DP; SS	9,000	February 2010	475,034	February 2018
Amaralina Star [1]	55%	DP drillship	10,000	September 2012	421,431	September 2018
Laguna Star [1]	55%	DP drillship	10,000	November 2012	421,431	November 2018
Urca	15%	DP; SS	10,000	July 2016	570,955	July 2031
Bracuhy	15%	DP; SS	10,000	January 2018	575,740	January 2033
Mangaratiba	15%	DP; SS	10,000	May 2019	579,939	May 2034
Brava Star [7]	100%	DP drillship	12,000	August 2015	545,303	August 2018
Deepwater						
Olinda Star[3]	100%	Moored; SS	3,600	August 2009	-	-
Midwater						
Alaskan Star	100%	Moored; SS	1,700	December 2010 [2]	298,974	November 2016
Atlantic Star	100%	Moored; SS	2,000	February 2011 [2]	287,475	July 2018

(1) The Company holds 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 $308k/day. The contract commenced on October 22, 2014 and was concluded on May 28, 2015. On August 26, 2014, Petrobras contract extension was signed for a period of 150 days starting on August 1, 2015 and with a dayrate of $257k/day plus performance bonus ($246k/day as of June 30, 2015). The unit resumed operations for Petrobras on August 2, 2015 under a five-month contract.
(4) On August 29, 2014, the Gold Star extension contract was secured by Petrobras for a three-year period with a dayrate of $470k/day plus performance bonus. On February 13, 2015, the Gold Star rig started its new contract extension with Petrobras.
(5) In September 2014, the Company agreed with Petrobras on certain technical improvements, including the MPD readiness, to Amaralina Star, Laguna Star, Gold Star and Lone Star Rig.
(6) In the case of Lone Star Rig, the upgrade also includes an increased water depth capacity and part of the total capex will be compensated through a day rate increase of $37.5k, which is expected to be implemented in September 2015.
(7) Brava Star commenced operation on August 18, 2015.

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

(1) The rig shall continue on well in progress clause. Contract end expected by September/15.

FPSO	Status	% Interest	Daily Production Capacity (bbl/day)	Storage Capacity (bbl)	Expected/ Delivery Date	Charter Expiration Date	Total Contract Amount (in millions of $)(1)
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%	150,000	2,400,000	November 2014	November 2034	5,220.5
P-63 (Papa Terra) (2)	Operating	—	140,000	2,200,000	June 2013	June 2016	89.1
Cidade de Maricá(3)	Construction	5%	150,000	1,600,000	1Q2016	1Q2036	5,348.0
Cidade de Saquarema(3)	Construction	5%	150,000	1,600,000	2Q2016	2Q2036	5,273.0

(1) 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.
(2) The Company owns 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.
(3) We currently own an equity interest of 5% with an option to increase our interest to 10% after first oil production.

Backlog(1)

	2015	2016	2017	2018	2019–2036	Total	%
Ultra-deepwater	562.2	1,026.6	982.4	561.3	2,860.2	5,992.7	68.7%
Deepwater	40.6	-	-	-	-	40.6	0.5%
Midwater	107.9	200.3	104.9	58.1	-	471.2	5.4%
FPSOs	46.2	126.7	127.0	127.0	1,762.0	2,188.8	25.1%
Onshore	16.6	11.4	-	-	-	28.0	0.3%
Total	**773.5**	**1,364.9**	**1,214.3**	**746.4**	**4,622.2**	**8,721.3**	**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
	2015	2014	2015/ 2014	2015	2014	2015/ 2014
Net revenue per asset type:	*(in millions of $)*			*(in millions of $)*		
Ultra-deepwater	167.0	174.0	(4.0)	338.7	335.0	1.1
Deepwater	14.8	20.6	(28.2)	38.2	43.6	(12.5)
Midwater	47.8	53.4	(10.5)	91.1	105.4	(13.5)
Onshore rigs	12.6	22.5	(44.0)	31.3	44.5	(29.6)
Other	5.4	4.5	18.7	9.3	9.0	4.1
Total	247.6	275.1	(10.0)	508.6	537.5	(5.4)

Operating Statistics

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2015	2014	2015	2014
Uptime by asset type: [(1)]	*(%)*		*(%)*	
Ultra-deepwater	94	95	95	95
Deepwater	99	85	94	91
Midwater	93	99	90	100
Onshore rigs	100	99	99	99

	For the three-month period ended June 30,		Change	For the six-month period ended June 30,		Change
	2015	2014	2015/ 2014	2015	2014	2015/ 2014
Utilization days [(2)]**:**	*(in days)*			*(in days)*		
Ultra-deepwater	455	455	-	905	905	-
Deepwater	58	91	(33)	148	181	(33)
Midwater	182	182	-	362	362	-
Onshore rigs	452	754	(302)	992	1,474	(482)
Total	1,147	1,482	(335)	2,407	2,922	(515)

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