QGOG Constellation S.A. Reports Third Quarter 2016 Results

Luxembourg, November 29, 2016 – 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 third quarter ended September 30, 2016.

HIGHLIGHTS

- Net operating revenue increased 10.9% year-over-year to US$291.9 million in 3Q16;
- Revenues from ultra-deepwater (UDW) rigs represented 80.9% of total net revenues in 3Q16, up from 74.2% in 3Q15.
- The Company recognized US$247.1 million of non-cash impairment charges and inventory write-off related to Alaskan Star rig.
- Excluding the before mentioned non-cash losses related to Alaskan Star, EBITDA would have increased to US$209.8 million and EBITDA margin would have expanded to 71.9% in 3Q16 from US$180.4 million and 68.5%, respectively, in 3Q15.
- Net loss during the period was US$130.4 million. Excluding non-cash losses related to Alaskan Star, QGOG would have reported a 22.2% year-over-year increase in net income to US$116.7 million in 3Q16.
- The total backlog as of September 30, 2016 was US$3.5 billion, of which US$1.8 billion relates to the Company's operational offshore fleet.
- Average uptime for the UDW fleet was stable year-over-year at 96% in 3Q16.

RECENT DEVELOPMENTS

- On November 18, QGOG Constellation informed the market that its subsidiary Queiroz Galvão Óleo e Gás S.A. ("QGOG") has concluded its discussions with Petrobras referred to in the press release dated April 20, 2016 with no changes to the terms and conditions of the existing charter and service agreements to which QGOG´s affiliates and Petrobras are party.

- On November 13, Alaskan Star charter and service agreements with Petrobras expired, with no renewal.

- On October 3, the Company signed an agreement to charter and render onshore drilling services for ROSNEFT BRASIL E&P LTDA. The commencement date is scheduled for January 9th, 2017. The agreement is for the drilling a well in Solimões Basin, using the onshore drilling rig QG-VIII for a minimum 170-day term. The agreement can be extended by two periods of one year provided both parties are in agreement.

- On October 20, 2016, the Alpha Star offshore drilling rig commenced its 5-year survey. It resumed operations under the current charter and service-rendering agreements with Petrobras on November 24, 2016.

THIRD QUARTER 2016 RESULTS

Net operating revenue rose 10.9%, or US$ 28.8 million, year-over-year to US$291.9 million in 3Q16. This increase mainly reflects the commencement of Brava Star's operations on August 18, 2015, which contributed US$27.8 million to the increase in 3Q16 revenues. In addition, US$8.6 million of deferred revenue related to technical improvements and MPD system implementation in certain rigs benefited the quarterly results. Deferred revenue is allocated during the rendering of services.

These factors were partially offset by a US$8.1 million decrease in onshore revenues due to presently uncontracted fleet.

Average uptime of the UDW fleet was stable year-over-year at 96% in 3Q16. Average uptime of the midwater rigs decreased to 97% in 3Q16 from 99% in the third quarter of 2015 mainly due to equipment failure on the Atlantic Star in August.

The Company's offshore utilization decreased to 736 days from 746 days in 3Q15. The commencement of Brava Star was offset by the end of Olinda Star's contract in December 2015.

Contract drilling expenses (operating costs excluding depreciation) increased 5.9%, or US$4.7 million, to US$84.2 million in 3Q16. The increase in operating costs was mostly due to a US$6.3 million increase in materials and maintenance, mainly reflecting the impact of the year-over-year appreciation of the Brazilian Real, in addition to costs related to Brava Star, which became operational in August 2015. The year-over-year increase in operational expenses was partially offset by a decrease in the number of employees in the onshore business to 18 from 214 at the end of September 2016.

General and administrative expenses increased US$2.8 million to US$11.3 million in 3Q16 versus 3Q15. The increase is mainly explained by higher consulting and legal expenses related to the Company's internationalization initiatives, in addition to the impact of the year-over-year appreciation of the Brazilian Real.

During 3Q16, the Company recognized a non-cash loss of US$237.2 million from asset impairments related to the Alaskan Star rig, reflecting the expiration of a contract with Petrobras in November 13, the absence of a new contract and the current drilling market conditions. In addition, the Company wrote down the inventory value of the rig, resulting in US$ 9.9 million allocated to other expenses. Total non-cash loss was US$247.1 million (see notes 7, 10 and 18 in the September 30, 2016 Financial Statements).

Excluding non-cash losses, EBITDA increased to US$209.8 million and EBITDA margin expanded to 71.9% in 3Q16 from US$180.4 million and 68.5%, respectively, in 3Q15. The increase in 3Q16 EBITDA was mainly due to the expansion of the Company's UDW operation, following the commencement of the Brava Star. This increase was partially offset by lower utilization from the Company's deepwater and onshore fleet.

Net financial expenses were broadly stable at US$30.0 million in 3Q16.

Net loss was US$130.4 million in 3Q16. Excluding non-cash losses related to Alaskan Star, net income would have totaled US$116.7 million, up from US$95.5 million in 3Q15.

CASH FLOW & BALANCE SHEET HIGHLIGHTS

Adjusted cash flow provided by operating activities, which excludes the impact of decreased short-term investments, totaled US$194.2 million during 3Q16, compared to US$178.0 million in 3Q15. The improvement is mainly due to increased EBITDA.

Net cash used in investing activities (acquisition of PP&E) totaled US$16.4 million in 3Q16, compared to US$14.4 million in 3Q15.

Total cash (which includes cash and cash equivalents, short-term investments and restricted cash) increased to US$470.9 million as of September 30, 2016, compared to US$382.0 million as of June 30, 2016. Available cash, free of liens, was US$298.0 million at the end of the third quarter.

Total debt decreased US$62.0 million to US$2.3 billion as of September 30, 2016, reflecting amortization in the third quarter of 2016.

Net debt decreased US$150.8 million to US$1.9 billion as of September 30, 2016 compared to June 30, 2016, mainly reflecting cash generation in the period.

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

Statement of Operations Data:	For the three–month period ended September 30, 2016	2015	For the nine-month period ended September 30, 2016	2015
	(in millions of $, except per share data)			
Net operating revenue	291.9	263.1	859.9	771.7
Operating Costs	(143.7)	(131.5)	(410.3)	(402.6)
Gross profit	148.2	131.7	449.6	369.1
General and administrative expenses	(11.3)	(8.5)	(32.5)	(27.2)
Other operating income (expenses), net	(238.6)	(0.2)	(229.3)	(0.7)
Operating profit	(101.8)	122.9	187.7	341.2
Financial expenses, net	(30.0)	(29.3)	(91.6)	(78.2)
Share of results of investments	4.7	5.2	(1.4)	18.0
Profit before taxes	(127.0)	98.8	94.7	281.1
Taxes	(3.4)	(3.3)	(11.6)	(15.8)
Profit for the period	(130.4)	95.5	83.1	265.3
Profit per share:				
Basic	(0.72)	0.48	0.34	1.31
Diluted	(0.72)	0.48	0.34	1.31
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

Other Financial Information:	For the three–month period ended September 30, (unaudited) 2016	2015	For the nine-month period ended September 30, (unaudited) 2016	2015
	(in millions of $)			
Profit for the period/year (net loss)	(130.4)	95.5	83.1	265.3
(+) Financial expenses, net	30.0	29.3	91.6	78.2
(+) Taxes	3.4	3.3	11.6	15.8
(+) Depreciation	59.8	52.3	177.9	148.1
(+) Non cash adjustments (3)	247.1	-	259.9	-
EBITDA (1)	209.8	180.4	624.1	507.4
EBITDA margin (%) (2)	71.9%	68.5%	72.6%	65.7%

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

(3) Non cash adjustments considers the impairment charges and inventory's write-off amounting to US$237.2 million and US$9.9 million, respectively in the 3Q16. During 1Q16, the Company recognized a non-cash loss of US$12.8 million from asset impairments related to the share of results from its investments in the Sete Brasil project whose shareholders agreed to file for judicial recovery procedure on April 20.

Statement of Financial Position:	As of September 30, 2016	As of December 31, 2015	As of December 31, 2014
	(in millions of $)		
Cash and cash equivalents	380.6	154.8	147.1
Short-term investments	47.5	246.9	83.5
Restricted cash	42.7	21.7	37.8
Total assets	5,350.0	5,672.2	5,614.9
Total loans and financings	2,345.5	2,621.4	2,434.7
Total liabilities	2,922.4	3,223.8	3,386.8
Shareholders' equity	2,427.6	2,448.4	2,228.1
Net Debt	1,874.6	2,197.9	2,166.3

Statement of Cash Flows:	For the nine-month period ended September 30, 2016	For the nine-month period ended September 30, 2015	For the year ended December 31, 2015	For the year ended December 31, 2014
	(in millions of $)			
Cash flows provided/used in operating activities:				
Profit for the period	83.1	265.3	316.9	348.6
Adjustments to reconcile net income to net cash used in operating activities	508.8	236.1	387.2	282.2
Net income after adjustments to reconcile net income to net cash used in operating activities	591.9	501.5	704.1	630.8
Decrease (increase) in working capital related to operating activities	187.1	(239.4)	(196.6)	143.6
Cash flows provided by operating activities	779.0	262.1	507.5	774.5
Cash flows used in investing activities	(56.2)	(438.7)	(483.8)	(117.2)
Cash flows provided by (used in) financing activities	(497.8)	220.2	(16.5)	(727.5)
Increase (decrease) in cash and cash equivalents	224.9	43.6	7.2	(70.3)

Non-GAAP Adjusted Cash Flows:	For the nine-month period ended September 30, 2016	For the nine-month period ended September 30, 2015	For the year ended December 31, 2015	For the year ended December 31, 2014
	(in millions of $)			
Cash flows provided/used in operating activities	779.0	262.1	507.5	774.5
Impact of short-term investments	203.6	(224.3)	(172.1)	195.8
Adjusted cash flows provided by operating activities	575.4	486.4	679.6	578.7

Fleet summary report

Offshore Rig	% Interest	Type	Water Depth (ft)	Delivery Date	Dayrate[4] ($/day) September 30, 2016	Contract Expiration Date
Ultra-deepwater						
Alpha Star	100%	DP; SS	9,000	July 2011	432,745	July 2017
Lone Star	100%	DP; SS	7,900	April 2011	398,715	March 2018
Gold Star	100%	DP; SS	9,000	February 2010	483,732	February 2018
Amaralina Star [1]	55%	DP drillship	10,000	September 2012	423,778	September 2018
Laguna Star [1]	55%	DP drillship	10,000	November 2012	423,778	November 2018
Brava Star	100%	DP drillship	12,000	August 2015	578,695	August 2018
Deepwater						
Olinda Star[3]	100%	Moored; SS	3,600	August 2009 [2]	-	-
Midwater						
Alaskan Star	100%	Moored; SS	1,700	December 2010 [2]	301,582	November 2016
Atlantic Star	100%	Moored; SS	2,000	February 2011 [2]	289,983	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 December 29, 2015, the Company signed a contract for the deepwater rig Olinda Star with Karoon Petróleo e Gás Ltda for two firm wells plus two option wells and they are expected to begin in the first half of 2017.
(4) The dayrates reflect 100% of the charter and corresponding service contract dayrates and include the applicable performance bonus under each offshore charter and corresponding service contract.
(5) The Alaskan Star completed the contract it was working under in November 13, 2016.

Onshore Rig [1]	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	Heli-portable; 1600HP	14,800	-	-
QG-IX	Heli-portable; 1600HP	14,800	-	-

(1) The onshore fleet was uncontracted during 3Q16. On October 3, the Company signed an agreement to charter and render onshore drilling services for ROSNEFT BRASIL E&P LTDA. The commencement date is scheduled for January 9th, 2017. The agreement is for the drilling a well in Solimões Basin, using the onshore drilling rig QG-VIII for a minimum 170 day term. The agreement can be extended by two periods of one year provided both parties are in agreement.

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
P-63 (Papa Terra) (2)	Operating	—	140,000	2,200,000	June 2013	November 2016	89.1
Cidade de Maricá	Operating	5%	150,000	1,600,000	February 2016	February 2036	5,348.0
Cidade de Saquarema	Construction	5%	150,000	1,600,000	July 2016	July 2036	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. The contract ended in November 2016.

Backlog(1)

	2016	2017	2018	2019	2020–2036	Total	%
Ultra-deepwater	252.2	924.9	436.7	-	-	1.613.8	46.5%
Deepwater	4.1	19.7	-	-	-	23.8	0.7%
Midwater	39.9	105.8	58.6	-	-	204.4	5.9%
FPSOs	26.9	106.4	106.4	106.4	1,273.5	1,619.6	46.7%
Onshore	-	9.0	-	-	-	9.0	0.3%
Total	**323.2**	**1,165.8**	**601.7**	**106.4**	**1,273.5**	**3,470.6**	**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, QGOG 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
	2016	2015	2016/ 2015	2016	2015	2016/ 2015
Net revenue per asset type:	*(in millions of $)*			*(in millions of $)*		
Ultra-deepwater............................	236.0	195.3	20.8%	684.9	534.0	28.3%
Deepwater	4.2	6.1	-31.5%	8.2	44.3	-81.4%
Midwater	50.9	51.2	-0.6%	150.2	142.3	5.5%
Onshore rigs	0.1	8.2	-99.0%	12.9	39.5	-67.4%
Other	0.7	2.4	-70.0%	3.7	11.7	-68.9%
Total	291.9	263.1	10.9%	859.9	771.7	11.4%

Operating Statistics

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2016	2015	2016	2015
Uptime by asset type (1):	*(%)*		*(%)*	
Ultra-deepwater	96	96	96	96
Deepwater...............................	-	51	-	82
Midwater	97	99	98	93
Onshore rigs	-	100	99	99

	For the three-month period ended September 30,		Change	For the nine-month period ended September 30,		Change
	2016	2015	2016/ 2015	2016	2015	2016/ 2015
Utilization days (2):	*(in days)*			*(in days)*		
Ultra-deepwater	552	503	49	1,633	1,395	238
Deepwater...............................	-	59	(59)	-	207	(207)
Midwater	184	184	-	548	546	2
Onshore rigs	-	276	(276)	282	1,214	(932)
Total....................................	736	1,022	(286)	2,463	3,362	(899)

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