QGOG Constellation S.A. Reports Second Quarter 2017 Results

Luxembourg, August 25, 2017 – 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, 2017.

HIGHLIGHTS

- Net operating revenue decreased 13.7% year-over-year to US$ 249.4 million in 2Q17;
- Revenues from ultra-deepwater (UDW) rigs represented 88% of total net revenues in 2Q17, up from 77.9% in 2Q16;
- Adjusted EBITDA totaled US$174.3 million and the Adjusted EBITDA margin was 69.9% in 2Q17. The result compares with Adjusted EBITDA of US$211.5 million and an Adjusted EBITDA margin of 73.2% in 2Q16;
- Net income decreased 26.1% year-over-year to US$ 89.6 million in 2Q17;
- The total backlog as of June 30, 2017 was US$2.7 billion of which US$1.1 billion relates to the Company's offshore drilling fleet;
- Average uptime for the offshore fleet was lower year-over-year at 90% in 2Q17, compared with 97% in 2Q16.

RECENT DEVELOPMENTS

- On July 27, 2017, the Company issued $604.6 million aggregate principal amount of 9.000% Cash / 0.500% PIK Senior Secured Notes due 2024 (the "New Notes") in exchange for an equal aggregate principal amount of its outstanding 6.250% Senior Notes due 2019 (the "Existing Notes"). Concurrently with the exchange offer, the Company obtained the required consent of holders of Existing Notes to implement certain amendments with respect to the indenture governing the Existing Notes. The terms and conditions of the exchange offer were set forth in the Company's exchange offer memorandum and consent solicitation statement, dated April 3, 2017 (as supplemented on June 28, 2017).

- On December 21, 2015, the Company signed an agreement with Karoon Petróleo e Gás Ltda. ("Karron") to charter and render drilling services in two oil wells, with an extension option for two additional oil wells. On April 25, 2017, the Company announced that Olinda Star has been awarded a three-year contract with Oil and Natural Gas Corporation ("ONGC"), an Indian state-owned oil and gas exploration and production company, for operations within an offshore area in India. The contract is expected to be signed in September 2017, pending agreement on certain conditions, and commence by October 2017. In connection with this announcement, the Company is currently discussing the terms of its existing agreement with Karoon.

- On July 8, 2017, the Alpha Star offshore drilling charter and service rendering agreements with Petrobras expired. In accordance with the terms and conditions of the Alpha Star financing, QGOG Constellation paid down all of the outstanding debt on the Alpha Star facility at maturity. In addition, the company decided to maintain the Alpha rig under preservation at Rio de Janeiro.

MANAGEMENT COMMENTARY

The conclusion of the exchange offer and participation by a substantial proportion of bondholders represents a key milestone for QGOG, providing the company with the flexibility to navigate industry headwinds and facilitate the refinancing of outstanding debt. Strong support by bondholders underscores our credibility among lenders and creditors, together with our competitive positioning as industry conditions recover.

We are also pleased with the recent three-year contract award of the Olinda Star with ONGC for operations within the Krishna-Godavari Basin, which represents an important milestone in our efforts to internationalize our operations and will further diversify our revenue base in the future. Being awarded a contract with one of the largest oil and gas exploration and production companies in India affirms QGOG Constellation's international reputation for delivering quality drilling operations to our clients. This three-year contract will assist in our efforts to extend our runway and enhance our ability to operate under the challenging industry environment.

SECOND QUARTER 2017 RESULTS

Net operating revenue decreased 13.7%, or US$ 39.6 million, year-over-year to US$ 249.4 million in 2Q17, primarily due to the expiration of the Alaskan Star contract in mid-November in addition to lower operating performance of our UDW fleet.

Average uptime of the UDW rigs decreased to 88% in 2Q17 from 96% in 2Q16 mainly due to an equipment failure on the Lone Star in May, which was later repaired. In addition, operation of the Amaralina Star was temporarily suspended following an inspection by the Ouro Negro project. The rig received permission to resume operations on June 26.

Average uptime of the midwater fleet was 100% in 2Q17 compared with 99% in the second quarter of 2016.

The Company's offshore utilization decreased to 637 days in 2Q17 from 717 days in 2Q16. The reduction was due to the Alaskan Star's contract expiration in November 2016. Onshore fleet utilization decreased to 89 days in 2Q17 from 100 days in 2Q16, following the contract termination of three onshore rigs in 2Q16.

Contract drilling expenses (operating costs excluding depreciation) decreased 3.3%, or US$ 2.6 million, to US$ 75.9 million in 2Q17. The decrease in operating costs was mostly due to an 8.8% year-over-year decline in payroll, charges and benefits, reflecting primarily the decrease in the number of employees in the offshore business following the expiration of the Alaskan Star contract, in addition to a decrease in the number of employees in the onshore business.

General and administrative expenses decreased 31.6%, or US$ 3.6 million, year-over-year to US$ 7.9 million in 2Q17 versus 2Q16, reflecting the Company's efforts to reduce expenses.

Adjusted EBITDA decreased to US$174.3 million and the Adjusted EBITDA margin was 69.9%, compared with US$ 211.5 million and 73.2%, respectively in 2Q16. The reduction in 2Q17 Adjusted EBITDA was mainly due to lower fleet utilization following the expiration of the Alaskan Star contract, combined with lower operating performance for our UDW fleet.

Net financial expenses decreased 10.9% year-over-year, or US$ 3.3 million, to US$ 27.4 million in 2Q17, primarily due to a US$ 2.1 million decrease in financial expenses on loans and financings reflecting lower year-over-year debt outstanding.

Net income decreased 26.1% to US$ 89.6 million in 2Q17.

CASH FLOW & BALANCE SHEET HIGHLIGHTS

Adjusted cash flow provided by operating activities, which excludes the impact of decreased short-term investments, totaled US$ 157.4 million during 2Q17, compared to US$ 189.1 million in 2Q16. The reduction is mainly due to lower Adjusted EBITDA.

Net cash used in investing activities (acquisition of property, plant and equipment) totaled US$ 32.1 million in 2Q17, compared to US$ 30.3 million in 2Q16.

Total cash (which includes cash and cash equivalents, short-term investments and restricted cash) decreased to US$ 420.4 million as of June 30, 2017, compared to US$

462.6 million as of March 31, 2017, reflecting the amortization of debt in the second quarter of 2017. Available cash, free of liens, was US$ 319.0 million at the end of the second quarter.

Total debt decreased US$ 158.4 million to US$ 1.9 billion as of June 30, 2017, compared to March 31, 2017, reflecting the debt amortization.

Net debt decreased US$ 116.1 million to US$ 1.5 billion as of June 30, 2017, compared to March 31, 2017.

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, (unaudited)		For the six-month period ended June 30, (unaudited)	
	2017	**2016**	**2017**	**2016**
Statement of Operations Data:	*(in millions of $, except per share data)*			
Net operating revenue	249.4	289.0	507.2	568.0
Operating Costs	(133.1)	(137.9)	(264.3)	(266.5)
Gross profit	116.3	151.1	242.9	301.4
General and administrative expenses	(7.9)	(11.5)	(15.7)	(21.2)
Other operating income (expenses), net	(1.8)	9.3	(1.4)	9.3
Operating profit	106.6	148.8	225.8	289.5
Financial expenses, net	(27.4)	(30.7)	(54.5)	(61.6)
Share of results of investments	10.3	3.0	12.9	(6.1)
Profit before taxes	89.5	121.2	184.2	221.7
Taxes	-	-	(2.0)	(8.2)
Profit for the period	89.6	121.2	182.2	213.5
Profit per share:				
Basic	0.44	0.60	0.93	1.06
Diluted	0.44	0.60	0.93	1.06
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)	
	2017	**2016**	**2017**	**2016**
Other Financial Information:	*(in millions of $)*			
Profit for the period/year	89.6	121.2	182.2	213.5
(+) Financial expenses, net	27.4	30.7	54.5	61.6
(+) Taxes	-	-	2.0	8.2
(+) Depreciation	57.4	59.6	114.8	118.1
EBITDA [(1)(4)]	174.3	211.5	353.5	401.5
EBITDA margin (%) [(2)(4)]	69.9%	73.2%	69.7%	70.7%
(+) Non-cash adjustments [(3)(4)]	-	-	-	12.8
Adjusted EBITDA [(1)(4)]	174.3	211.5	353.5	414.3
Adjusted EBITDA margin (%) [(2)(4)]	69.9%	73.2%	69.7%	72.9%

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(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 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.

	As of June 30, (unaudited)	**As of December 31,** (audited)	
	2017	**2016**	**2015**
Statement of Financial Position:		*(in millions of $)*	
Cash and cash equivalents	208.9	293.2	154.8
Short-term investments	173.7	113.9	246.9
Restricted cash	37.7	43.2	21.7
Total assets	5,177.1	5,280.5	5,672.2
Total loans and financings	1,942.1	2,195.7	2,621.4
Total liabilities	2,466.8	2,752.3	3,223.8
Shareholders' equity	2,710.3	2,528.1	2,448.4
Net Debt	1,521.7	1,745.4	2,197.9

	For the six-month period ended June 30, (unaudited)		**For the year ended December 31,** (audited)	
Statement of Cash Flows:	**2017**	**2016**	**2016**	**2015**
		(in millions of $)		
Cash flows provided/used in operating activities:				
Profit for the period	182.2	213.5	159.6	316.9
Adjustments to reconcile net income to net cash used in operating activities	135.0	182.0	594.5	387.2
Net income after adjustments to reconcile net income to net cash used in operating activities	317.2	395.5	754.1	704.1
Decrease (increase) in working capital related to operating activities	(63.0)	109.1	136.8	(196.6)
Cash flows provided by operating activities	254.2	504.6	890.9	507.5
Cash flows used in investing activities	(24.4)	(46.0)	(71.9)	(483.8)
Cash flows provided by (used in) financing activities	(313.7)	(401.6)	(681.0)	(16.5)
Increase (decrease) in cash and cash equivalents	(83.8)	57.0	138.0	7.2

Non-GAAP Adjusted Cash Flows:	For the six-month period ended June 30, (unaudited) 2017	2016	For the year ended December 31, (audited) 2016	2015
	(in millions of $)			
Cash flows provided/used in operating activities..	254.2	504.6	890.9	507.5
Impact of short-term investments	(60.4)	123.4	136.2	(172.1)
Adjusted cash flows provided by operating activities..	314.8	381.2	754.7	679.6

Fleet summary report

Offshore Rig	% Interest	Type	Water Depth (ft)	Delivery Date	Dayrate [4] ($/day) June 30, 2017	Contract Expiration Date
Ultra-deepwater						
Alpha Star	100%	DP; SS	9,000	July 2011	431,385	July 2017
Lone Star	100%	DP; SS	7,900	April 2011	393,534	March 2018
Gold Star	100%	DP; SS	9,000	February 2010	477,548	February 2018
Amaralina Star [1]	55%	DP drillship	10,000	September 2012	422,542	September 2018
Laguna Star [1]	55%	DP drillship	10,000	November 2012	422,358	November 2018
Brava Star	100%	DP drillship	12,000	August 2015	565,569	August 2018
Deepwater						
Olinda Star [3]	100%	Moored; SS	3,600	August 2009 [2]	-	October 2020
Midwater						
Atlantic Star	100%	Moored; SS	2,000	February 2011 [2]	293,152	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 April 25, 2017, the Company announced that its deepwater rig, Olinda Star, was awarded a three-year contract with Oil and Natural Gas Corporation, one of the largest oil and gas exploration and production companies in India, for operations within the Krishna-Godavari Basin, which is located offshore of India. Subject to certain conditions, QGOG expects that the contract will be signed in September 2017, with operations commencing by October 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.

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	Rosneft	June 2017
QG-IX	Heli-portable; 1600HP	14,800	-	-

(1) On October 3, 2016, the Company signed agreements to charter the onshore drilling rig QG-VIII and render drilling services for Rosneft Brasil E&P Ltda. ("Rosneft"). The purpose of the agreements was to drill one oil well in the Solimões Basin (Brazil), under a 170-days minimum term counting from January 9, 2017, the beginning of the mobilization. The charter and drilling services agreements expired on June 28, 2017 and thus the Company is currently seeking for new customer.

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)

	2017	2018	2019	2020	2021–2036	Total	%
Ultra-deepwater	423.7	432.2	-	-	-	855.9	32.3%
Deepwater.............	19.8	42.4	42.4	32.9	-	137.6	5.2%
Midwater	53.9	59.2	-	-	-	113.2	4.3%
FPSOs	53.9	106.9	106.9	107.2	1,171.4	1,546.3	58.3%
Onshore	-	-	-	-	-	-	-
Total....................	**551.3**	**640.7**	**149.4**	**140.1**	**1,171.4**	**2,652.9**	**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 June 30,		% Change	For the six-month period ended June 30,		% Change
	2017	2016	2017/ 2016	2017	2016	2017/ 2016
Net revenue per asset type:	*(in millions of $)*			*(in millions of $)*		
Ultra-deepwater...............................	219.4	225.1	-2.6%	447.7	448.9	-0.3%
Deepwater	-	4.1	-	-	4.1	-
Midwater	26.3	51.9	-49.4%	52.3	99.3	-47.3%
Onshore rigs	3.8	6.9	-44.9%	7.2	12.8	-43.3%
Other	-	1.1	-	-	2.9	-
Total	249.4	289.0	-13.7%	507.2	568.0	-10.7%

Operating Statistics

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2017	2016	2017	2016
Uptime by asset type (1):	*(%)*		*(%)*	
Ultra-deepwater	88	96	91	97
Deepwater................................	-	-	-	-
Midwater	100	99	100	98
Onshore rigs	100	98	99	99

	For the three-month period ended June 30,		Change	For the six-month period ended June 30,		Change
	2017	2016	2017/ 2016	2017	2016	2017/ 2016
Utilization days (2):	*(in days)*			*(in days)*		
Ultra-deepwater	546	535	11	1,086	1,081	5
Deepwater...............................	-	-	-	-	-	-
Midwater	91	182	(91)	181	364	(183)
Onshore rigs	89	100	(11)	136	282	(146)
Total	726	817	(91)	1,403	1,727	(324)

(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.