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

Luxembourg, July 30, 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 first quarter ended March 31, 2019.

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FIRST QUARTER HIGHLIGHTS

- Net operating revenue decreased 81.7% year-over-year to US$ 31.9 million in 1Q19;
- Revenues from ultra-deepwater (UDW) units represented 50.0% of total net revenues in 1Q19, down from 79.8% in 1Q18;
- Adjusted EBITDA totaled negative US$ 11.4 million and the Adjusted EBITDA margin was negative 35.6% in 1Q19. The result compares with Adjusted EBITDA of US$ 108.3 million and an Adjusted EBITDA margin of 62.2% in 1Q18;
- Net loss was US$ 80.6 million in 1Q19, compared to a net income of US$ 38.3 million in 1Q18;
- The total backlog as of March 31, 2019 was US$ 1.5 billion of which US$ 106 million relates to the Company's operational offshore drilling fleet;
- Average uptime for the UDW fleet was higher year-over-year at 99% in 1Q19, compared with 80% in 1Q18;
- Total cash decreased to US$ 164.6 million compared to 2018 year-end.

RECENT DEVELOPMENTS

- 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 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.

<u>FIRST QUARTER 2019 RESULTS</u>

Net operating revenue decreased 81.7%, or US$ 142.3 million, year-over-year to US$ 31.9 million in 1Q19, mainly due to the expiration of Gold Star, Lone Star, Brava Star, Amaralina Star, Laguna Star and Atlantic Star contracts with Petrobras in February/18, March/18, 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 and Amaralina Star for Enauta and Total, respectively, in February/19, and Brava Star for Shell in March/19.

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Average uptime of the UDW units increased to 99% in 1Q19 from 80% in 1Q18, reflecting operational efficiency after an equipment failure on the Lone Star and Brava Star in the first quarter of 2018.

The Company's fleet utilization decreased to 201 days in 1Q19 from 661 days in 1Q18. The reduction was due to the expiration of the abovementioned contracts, partially offset by the previously mentioned start of operations of Laguna Star, Amaralina Star and Brava Star.

Contract drilling expenses (operating costs excluding depreciation) decreased 26.6%, or US$ 14.0 million, to US$ 38.7 million in 1Q19. The year-over-year decrease was driven mainly by the expiration of contract of the abovementioned rigs.

General and administrative expenses increased US$ 4.1 million, or 60.1%, year-over-year to US$ 10.8 million in 1Q19 versus 1Q18. The increase in general and administrative expenses was mostly due to costs in connection with the financial restructuring discussions and ongoing proceedings.

Adjusted EBITDA decreased to negative US$ 11.4 million and the Adjusted EBITDA margin was negative 35.6%, compared with US$ 108.3 million and 62.2%, respectively in 1Q18. The reduction in 1Q19 Adjusted EBITDA was mainly due to lower offshore fleet utilization following the expiration of the six previously mentioned rigs contracts, which was partially offset by the start of operations of Laguna Star and Amaralina Star in February/18, and Brava Star in March/19.

Net financial expenses were broadly stable year-over-year, totaling US$ 28.3 million in 1Q19 from US$ 28.6 million in 1Q18.

Net loss was US$ 80.6 million in 1Q19, down from a net income of US$ 38.3 million in 1Q18, mainly related to the expiration of Gold Star, Lone Star, 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$ 16.2 million during 1Q19, compared to US$ 79.7 million in 1Q18. The reduction is mainly due to lower Adjusted EBITDA.

Net cash used in investing activities (acquisition of property, plant and equipment) totaled US$ 0.1 million in 1Q19, compared to US$ 10.8 million in 1Q18.

Total cash (which includes cash and cash equivalents, short-term investments and restricted cash) decreased to US$ 164.6 million as of March 31, 2019, compared to US$ 178.0 million as of December 31, 2018. Available cash, free of liens, was US$ 116.3 million at the end of the first quarter of 2019.

Total debt increased US$ 28.6 million to US$ 1.5 billion as of March 31, 2019, compared to December 31, 2018.

Net debt increased US$ 42.0 million to US$ 1.3 billion as of March 31, 2019, compared to December 31, 2018.

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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.

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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

Statement of Operations Data:	For the three–month period ended March 31, (unaudited)	
	2019	2018
	(in millions of $, except per share data)	
Net operating revenue	31.9	174.2
Operating Costs	(86.7)	(94.2)
Gross profit	(54.7)	80.0
General and administrative expenses	(10.8)	(6.8)
Other operating income (expenses), net	8.0	1.4
Operating profit	(57.5)	74.7
Financial expenses, net	(28.3)	(28.6)
Share of results of investments	5.6	(7.0)
Profit before taxes	(80.2)	39.1
Taxes	(0.4)	(0.8)
Profit for the period	(80.6)	38.3
Profit per share:		
Basic	(0.43)	0.18
Diluted	(0.43)	0.18
Weighted average common shares outstanding (thousands of common shares):		
Basic	189,227	189,227
Diluted	189,227	189,227

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Other Financial Information:	For the three–month period ended March 31, (unaudited)	
	2019	2018
	(in millions of $)	
Profit for the period/year	(80.6)	38.3
(+) Financial expenses, net	28.3	28.6
(+) Taxes	0.4	0.8
(+) Depreciation	48.1	41.6
EBITDA [1]	(3.8)	109.3
EBITDA margin (%) [2]	(11.9%)	62.7%
Non-cash adjustment [3]		
Onerous contract provision, net	(8.8)	(0.9)
Impairment on FPSO	1.3	-
Adjusted EBITDA	(11.4)	108.3
Adjusted EBITDA margin (%) [2]	(35.6%)	62.2%

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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 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$ 0.2 million due to an onerous contract provision related to the contract between Amaralina Star and Total, recognized as "Other Expenses". Also in 1Q19, the Company recorded an impairment loss of US$ 1.3 million on investment in FPSO. In 1Q18, the Company recognized US$ 0.9 million in non-cash adjustments 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.

	As of March 31, (unaudited)	**As of December 31,** (audited)	
	2019	**2018**	**2017**
Statement of Financial Position:		*(in millions of $)*	
Cash and cash equivalents	107.9	109.4	216.3
Short-term investments	13.9	26.0	13.5
Restricted cash	42.8	42.6	39.0
Total assets	3,003.4	3,063.2	3,586.7
Total loans and financings	1,503.8	1,475.2	1,655.2
Total liabilities	1,666.6	1,643.7	2,197.9
Shareholders' equity	1,336.8	1,419.5	1,388.8
Net Debt	1,339.2	1,297.2	1,386.4

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	For the three-month period ended March 31, (unaudited)	
Statement of Cash Flows:	**2019**	**2018**
	(in millions of $)	
Cash flows provided by operating activities:		
Profit for the period	(80.6)	38.3
Adjustments to reconcile net income to net cash used in operating activities	63.3	65.1
Net income after adjustments to reconcile net income to net cash used in operating activities	(17.3)	103.4
Decrease (increase) in working capital related to operating activities	13.2	(66.4)
Cash flows provided by operating activities	(4.1)	37.0
Cash flows used in investing activities	1.1	(9.2)
Cash flows used in financing activities	(0.2)	(60.5)
Increase (decrease) in cash and cash equivalents	(3.2)	(32.7)

Non-GAAP Adjusted Cash Flows (1):	For the three-month period ended March 31, (unaudited) 2019	2018
	(in millions of $)	
Cash flows provided by operating activities	(4.1)	37.0
Impact of short-term investments	12.1	(42.7)
Adjusted cash flows provided by operating activities...	(16.2)	79.7

(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

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Offshore Rig	% Interest	Type	Water Depth (ft)	Delivery Date	Dayrate (3) ($/day) December 31, 2018	Customer	Contract Expiration Date
Ultra-deepwater							
Alpha Star (5) (12)	100%	DP; SS	9,000	July 2011	-	-	-
Lone Star (7) (12)	100%	DP; SS	7,900	April 2011	-	-	-
Gold Star (6) (12)	100%	DP; SS	9,000	February 2010	-	-	-
Amaralina Star (1) (10)	100%	DP drillship	10,000	September 2012	-	Total	April 2019
Laguna Star (1) (9)	100%	DP drillship	10,000	November 2012	-	Enauta	September 2019
Brava Star (8)	100%	DP drillship	12,000	August 2015	-	Shell	November 2019
Deepwater							
Olinda Star (4)	100%	Moored; SS	3,600	August 2009 (2)	116,300	ONGC	January 2021
Midwater							
Atlantic Star (11)	100%	Moored; SS	2,000	February 2011 (2)	293,678	Petrobras	January 2019

(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 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 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, 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 Ltd. 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) 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.

(4) 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.

(5) On July 8, 2017, the Alpha Star offshore drilling charter and service rendering agreements with Petrobras expired.

(6) On February 12, 2018, the Gold Star offshore drilling charter and service rendering agreements with Petrobras expired.

(7) On March 31, 2018, the Lone Star offshore drilling charter and service rendering agreements with Petrobras expired.

(8) 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.

(9) 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.

(10) On September 17, 2018, the Amaralina Star offshore drilling charter and service rendering agreements with Petrobras expired. On February 11, 2019, the Company announced that the ultra-deepwater drillship Amaralina Star has been awarded a contract with Total. The contract has an estimated maximum duration of 140 days. The operations will be performed offshore the Brazilian coast, at the Lapa field. The operations commenced on February 28, 2019, and the contract expired on April 14, 2019.

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

(12) 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.

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	-	-
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 mid-August 2019.

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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	30.6	-	-	-	30.6	2.1%
Deepwater.............	32.0	42.6	1.3	-	75.8	5.2%
Midwater	-	-	-	-	-	-
FPSOs...................	80.3	106.9	106.6	1,064.2	1,357.9	92.7%
Onshore	-	-	-	-	-	-
Total.....................	**142.9**	**149.4**	**107.9**	**1,064.2**	**1,464.3**	**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. 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.

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Revenue per asset type

	For the three-month period ended March 31,		% Change
	2019	**2018**	**2019/ 2018**
Net revenue per asset type:	*(in millions of $)*		
Ultra-deepwater	17.1	139.1	-87.7%
Deepwater	9.9	9.3	6.3%
Midwater	6.5	23.7	-72.6%
Onshore rigs	0.1	2.1	-94.8%
Other	-	-	-
Total	33.6	174.2	-80.7%

Operating Statistics

	For the three-month period ended March 31,	
	2019	**2018**
Uptime by asset type (1):	*(%)*	
Ultra-deepwater	99	80
Deepwater................................	95	95
Midwater	100	97
Onshore rigs	-	93

	For the three-month period ended March 31,		Change
	2019	2018	2019/2018
Utilization days (2):	*(in days)*		
Ultra-deepwater	96	403	(307)
Deepwater	82	78	4
Midwater	23	90	(67)
Onshore rigs	-	90	(90)
Total	201	661	(460)

(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.

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