QGOG Constellation S.A. Reports First Quarter 2015 Results

Luxembourg, May 29, 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 first quarter ended March 31, 2015.

HIGHLIGHTS

- Net operating revenue was broadly stable year-over-year at US$261.1 million in 1Q15.
- Revenues from ultra-deepwater (UDW) rigs represented 65.8% of total net revenues in 1Q15, up from 61.4% in 1Q14.
- EBITDA increased to US$166.1 million and EBITDA margin expanded to 63.6% in 1Q15, from US$155.7 million and 59.3%, respectively, in 1Q14.
- Net income increased 4.6% to US$83.9 million in 1Q15.
- The total backlog as of March 31, 2015 was US$8.9 billion.
- Average uptime for the UDW fleet increased to 97% in 1Q15 from 95% in 1Q14.

RECENT DEVELOPMENTS

- The Gold Star concluded its scheduled 5-year survey in the first week of May on schedule and on budget. The rig resumed operations for Petrobras on May 8, 2015.

- On May 29, QGOG Constellation has taken delivery of its newest drillship, the Brava Star. The ultra-deepwater drillship is scheduled to start tomorrow mobilization to Brazil. There it will commence 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. The rig should commence operations by mid-August, 2015. On May 26, 2015, QGOG Constellation disbursed US$475 million in limited recourse project financing. The funds were connected to milestone payments based upon the delivery of the unit by Samsung Heavy Industries (SHI). The five-year loan was provided by a group of international commercial banks and export credit agencies to finance construction of the Brava Star drillship and bears interest at an annual rate of Libor plus 200bps.

- On May 28, 2015 Karoon Petróleo e Gás Ltda (Karoon) concluded its contract with Olinda Star rig. The rig commenced operations for Karoon in October 2014, and in March, 2015 Karoon executed its extension option for one additional well. The rig will start its scheduled 5-year survey. The unit is expected to resume operations for Petrobras by August 1, 2015 under a five-month contract.

- On May 6, 2015 the Company issued a press release clarifying that the Brazilian Administrative Counsel of Economic Defense (CADE), the Brazilian antitrust regulator, corrected the leniency agreement that it had entered into with Setal Engenharia e Construções, SOG Óleo e Gás and certain affiliated individuals, together with related legal documentation, due to a material error, in order to exclude any and all references to Queiroz Galvão Óleo e Gás S.A. in all such documents.

FIRST QUARTER 2015 RESULTS

Net operating revenue was broadly stable year-over-year at US$261.1 million in 1Q15, versus US$262.4 million in 1Q14. Average uptime of the UDW rigs improved to 97% in 1Q15 from 95% in 1Q14, while deepwater rig uptime decreased to 90% in 1Q15 from 97% in 1Q14. Midwater rig uptime decreased to 88% in 1Q15 from 100% in the 1Q14, mainly due to equipment failure on the Atlantic Star in February, in addition to the temporary suspension of the Alaskan Star following an inspection by the Ouro Negro project. Average uptime of the onshore rigs decreased slightly to 98% in the first quarter of 2015. Net operating revenue was impacted by the 21.3% year-over-year appreciation of the average U.S dollar exchange rate versus the Brazilian Real during the first quarter of 2015, which resulted in a 4% decrease in net revenues or US$10.6 million. The Company's offshore fleet was fully utilized, operating 450 days during 1Q15, which is in line with 1Q14.

Operating costs decreased 4.4%, or US$6.3 million, to US$137.5 million in 1Q15 when compared to 1Q14. Contract drilling expenses (operating costs excluding depreciation and amortization) decreased 6.9%, or US$6.7 million, to US$89.7 million. The decrease in operating costs was mostly due to a US$4.4 million decline in payroll, charges and benefits, reflecting primarily the year-over-year appreciation of the average U.S dollar exchange rate versus the Brazilian Real.

General and administrative expenses decreased US$3.6 million to US$8.3 million in 1Q15 versus 1Q14, mainly reflecting the positive currency impact when compared with 1Q14.

EBITDA increased to US$166.1 million and EBITDA margin rose to 63.6% in 1Q15, from US$155.7 million and 59.3%, respectively, in 1Q14. The increase in 1Q15 EBITDA was mainly due to the positive exchange rate impact of 3.7%, or US$5.8 million, improved operational performance of the UDW units and the increase in the share of results of investments mainly due to FPSO Ilhabela which started its operation in November/2014 and contributed US$2.3million in 1Q15.

Net financial expenses decreased 10.2% year-over-year, or US$2.9 million, to US$25.3 million in 1Q15, primarily due to a US$3.2 million decrease in financial charges on loans and financings. This decline mainly reflects the reduction in total debt in the period.

Net income increased to US$83.9 million in 1Q15, compared with US$80.2 million in 1Q14.

<u>CASH FLOW & BALANCE SHEET HIGHLIGHTS</u>

Adjusted cash flow provided by operating activities, which excludes the impact of increased short-term investments, totaled US$166.1 million during 1Q15, compared to US$137.2 million in 1Q14. The improvement reflects an increase in deferred revenue and higher EBITDA. Deferred revenue increased due to client reimbursement of capital expenditures related to technical upgrades requested by the client on certain rigs, including MPD readiness, in the amount of US$22.6 million.

Net cash used in investing activities totaled US$28.3 million in 1Q15, compared to US$38.2 million in 1Q14. The decrease is primarily explained by the equity reimbursement related to the FPSO Cidade de Ilhabela project financing disbursement in 1Q14.

Total cash (which includes cash and cash equivalents, short-term investments and restricted cash) increased to US$400.2 million as of March 31, 2015, compared to US$268.4 million as of December 31, 2014. Cash available free of liens was US$255.2 million at the end of the first quarter.

Total debt increased US$35.1 million to US$2.5 billion as of March 31, 2015, reflecting new credit lines contracted in the first quarter of 2015, compared to 4Q14. In January, 2015 a new working capital credit line was contracted with Bradesco amounting to US$75 million. The two-year credit line will bear interest at an annual rate of LIBOR plus 4.85%. In addition, in January, 2015 the Company disbursed the remaining US$95 million of the US$150 million working capital credit line signed with Bradesco in May, 2014. In the same month, the Company paid down outstanding debt on the Gold Star project financing, through a gross balloon payment of US$75 million.

Net debt decreased US$96.8 million to US$2.1 billion as of March 31, 2015 compared to 4Q14, 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.

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

IR Team:

Andrea Azeredo	aazeredo@qgogconstellation.com
Bernardo Guttmann	bguttmann@qgogconstellation.com
Raquel Smolka	rsmolka@qgogconstellation.com

QGOG Constellation– Financial and Operating Highlights

Statement of Operations Data:	For the three–month period ended March 31, 2015	For the three–month period ended March 31, 2014	For the year ended December 31, 2014	For the year ended December 31, 2013
	(in millions of $, except per share data)			
Net operating revenue	261.1	262.4	1,101.7	1,079.3
Operating Costs	(137.5)	(143.8)	(628.0)	(623.9)
Gross profit	123.6	118.6	473.7	455.4
General and administrative expenses	(8.3)	(11.9)	(56.7)	(52.2)
Other operating income (expenses), net	(1.3)	0.1	7.9	0.2
Operating profit	114.0	106.8	424.8	403.4
Financial expenses, net	(25.3)	(28.2)	(106.7)	(125.8)
Share of results of investments	4.2	1.2	26.8	42.0
Profit before taxes	92.9	79.9	344.9	319.6
Taxes	(9.0)	0.3	3.7	(11.1)
Profit for the period	83.9	80.2	348.6	308.5
Profit per share:				
Basic	0.41	0.41	1.80	1.74
Diluted	0.41	0.41	1.80	1.74
Weighted average common shares outstanding (thousands of common shares):				
Basic	189,227	189,227	189,227	172,263
Diluted	189,227	189,227	189,227	172,263

Other Financial Information:	For the three–month period ended March 31, (unaudited) 2015	For the three–month period ended March 31, (unaudited) 2014	For the year ended December 31, 2014	For the year ended December 31, 2013
	(in millions of $)			
Profit for the period/year	83.9	80.2	348.6	308.5
(+) Financial expenses, net	25.3	28.2	106.7	125.8
(+) Taxes	9.0	(0.3)	(3.7)	11.1
(+) Depreciation	47.9	47.6	191.8	191.6
EBITDA(1)	166.1	155.7	643.4	637.0
EBITDA margin (%) (2)	63.6%	59.3%	58.4%	59.0%

(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 March 31,	As of December 31,	
	2015	2014	2013
Statement of Financial Position:	*(in millions of $)*		
Cash and cash equivalents	188.1	147.1	217.5
Short-term investments	200.2	83.5	283.4
Restricted cash	11.9	37.8	38.7
Total assets	5,703.3	5,614.9	5,497.2
Total loans and financings	2,469.8	2,434.7	3,003.3
Total liabilities	3,411.9	3,386.8	3,592.3
Shareholders' equity	2,291.4	2,228.1	1,904.9
Net Debt	2,069.6	2,166.3	2,463.7

	For the three-month period ended March 31,		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	83.9	80.2	348.6	308.5
Adjustments to reconcile net income to net cash used in operating activities	80.4	77.2	282.2	307.9
Net income after adjustments to reconcile net income to net cash used in operating activities	164.3	157.4	630.8	616.4
Decrease (increase) in working capital related to operating activities	(119.9)	(31.2)	143.6	(106.7)
Cash flows provided by operating activities	44.4	126.2	774.5	509.7
Cash flows used in investing activities	(28.3)	(38.2)	(117.2)	(216.0)
Cash flows provided by (used in) financing activities	24.6	(115.5)	(727.5)	(294.0)
Increase (decrease) in cash and cash equivalents	40.8	(27.5)	(70.3)	(0.2)

	For the three-month period ended March 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	44.4	126.2	774.5	509.7
Impact of short-term investments	(121.6)	(11.0)	195.8	(73.4)
Adjusted cash flows provided by operating activities	166.1	137.2	578.7	583.1

Fleet summary report

Offshore Rig	% Interest	Type	Water Depth (ft)	Delivery Date	Dayrate ($/day) March 31, 2015	Contract Expiration Date
Ultra-deepwater [5]						
Alpha Star	100%	DP; SS	9,000	July 2011	424,093	July 2017
Lone Star [6]	100%	DP; SS	7,900	April 2011	344,961	March 2018
Gold Star [4]	100%	DP; SS	9,000	February 2010	470,776	February 2018
Amaralina Star [1]	55%	DP drillship	10,000	September 2012	415,305	September 2018
Laguna Star [1]	55%	DP drillship	10,000	November 2012	415,305	November 2018
Urca	15%	DP; SS	10,000	July 2016	568,087	July 2031
Bracuhy	15%	DP; SS	10,000	January 2018	566,789	January 2033
Mangaratiba	15%	DP; SS	10,000	May 2019	571,220	May 2034
Brava Star	100%	DP drillship	12,000	August 2015	540,789	August 2018
Deepwater						
Olinda Star[3]	100%	Moored; SS	3,600	August 2009	283,244	December 2015
Midwater						
Alaskan Star	100%	Moored; SS	1,700	December 2010 [2]	298,081	November 2016
Atlantic Star	100%	Moored; SS	2,000	February 2011 [2]	286,616	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 ($304k/day as of September 30, 2014). The new contract commenced on October 22, 2014. 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 ($251k/day as of September 30, 2014). The contract expiration date on the table refers to the Petrobras extended agreement.
(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.

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

(1) Contract reached its expiration date on April 14, 2015 and the Company is currently seeking new clients.

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	December 2015	November 2035	5,348.0
Cidade de Saquarema[3]	Construction	5%	150,000	1,600,000	January 2016	December 2035	5,273.0

(1) Except in the case of P-63, for which the total contract amout refers to 100% of the amouts to be paid under the service contract, total contract amout refers to 100% of the amounts to be paid under boththe 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	758.7	1,003.6	957.9	532.4	2,799.0	6,051.6	68.2%
Deepwater.............	44.3	-	-	-	-	44.3	0.5%
Midwater	160.8	199.7	104.6	57.9	-	523.0	5.9%
FPSOs...................	87.2	126.1	126.1	126.1	1,751.4	2,217.0	25.0%
Onshore	30.3	10.9	-	-	-	41.2	0.4%
Total....................	**1,081.3**	**1,340.3**	**1,188.7**	**716.4**	**4,550.4**	**8,877.1**	**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 March 31,		% Change	For the year ended December 31,		% Change
	2015	2014	2015/ 2014	2014	2013	2014/ 2013
Net revenue per asset type:	*(in millions of $)*			*(in millions of $)*		
Ultra-deepwater	171.7	161.0	6.7	688.2	663.7	3.7
Deepwater	23.3	23.0	1.6	90.9	92.8	(2.1)
Midwater	43.3	52.0	(16.7)	210.2	210.6	(0.2)
Onshore rigs	18.8	22.0	(14.8)	93.8	102.3	(8.3)
Other	4.0	4.4	(11.0)	18.7	9.9	88.4
Total	261.1	262.4	(0.5)	1,101.7	1,079.3	2.1

Operating Statistics

	For the three-month period ended March 31,		For the year ended December 31,	
	2015	**2014**	**2014**	**2013**
Uptime by asset type:	*(%)*		*(%)*	
Ultra-deepwater	97	95	96	94
Deepwater	90	97	92	94
Midwater	88	100	99	99
Onshore rigs	98	99	99	99

	For the three-month period ended March 31		Change	For the year ended December 31,		Change
	2015	**2014**	**2015/ 2014**	**2014**	**2013**	**2014/ 2013**
Utilization days [1]:	*(in days)*			*(in days)*		
Ultra-deepwater	450	450	-	1,825	1,825	-
Deepwater	90	90	-	365	365	-
Midwater	180	180	-	730	730	-
Onshore rigs	540	720	(180)	2,680	3,184	(504)
Total	1,249	1,440	(81)	5,600	6,104	(504)

(1) 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.