

QGOG Constellation S.A. Reports Third Quarter 2013 Results

Luxembourg, November 29, 2013– QGOG Constellation S.A. (“QGOG Constellation” or the “Company”), a market leading Brazilian-controlled provider of offshore and onshore oil and gas contract drilling and FPSO services in Brazil, today reported results for the three-month and nine-month period ended September 30, 2013.

HIGHLIGHTS

- Net operating revenue increased 34.7% year-over-year to US\$268.2 million in 3Q13.
- Revenues from ultra-deepwater (UDW) rigs represented 61.3% of total net revenues in 3Q13, up from 49.6% in 3Q12.
- EBITDA increased to US\$150.8 million, with EBITDA margin at 56.2% in 3Q13.
- Net income increased 26.4% year-over-year to US\$58.0 million in 3Q13.
- Average uptime of the UDW rigs was 94% in 3Q13.
- The total backlog as of September 30, 2013 was US\$10.1 billion, 4.2 times net debt.
- In July, the Company signed two contracts for charter and service agreements for two new FPSOs, Cidade de Maricá and Cidade de Saquarema, for the Consortium BM-S-11 operated by Petrobras.
- On September 5, QGOG Constellation announced the conclusion of a US\$ 300 million equity raise, consisting of US\$250 million from CIPEF and US\$50 million from the Queiroz Galvão family. The proceeds will be used to fund existing and new investments, held directly or indirectly by QGOG Constellation, including Brava Star, a state-of-the-art UDW drillship under construction by SHI (Samsung Heavy Industries).

RECENT DEVELOPMENTS

- In October, the Company made, through one of its subsidiaries, a second milestone payment of US\$119.6 million for Brava Star, the new UDW drillship under construction at SHI.
- On September 30, the Company completed its contract with Shell for land rig QG-I in the São Francisco Basin, Minas Gerais State. The services achieved the highest operational and safety standards required by Shell. The rig was demobilized and the Company is in discussion with potential new clients.
- In November, our deepwater rig, Olinda Star, was awarded the first certificate of local content issued by the Brazil’s National Petroleum Agency (ANP), achieving 38.6% of local content in this unit.

THIRD QUARTER 2013 RESULTS

Net operating revenue increased 34.7%, or US\$69.0 million, to US\$268.2 million in the 3Q13 when compared to the same period of 2012. This increase mainly reflects the commencement of operations of Amaralina Star and Laguna Star on September 19 and November 20, 2012, respectively, which contributed US\$71.5 million to the increase in 3Q13 revenue. Average uptime of the UDW rigs decreased to 94% in 3Q13 from 98% in 3Q12. Deepwater rig uptime decreased to 96% in 3Q13 from 98% in 3Q12. Average uptime of the midwater rigs increased to 99% in 3Q13 compared to 94% in 3Q12. Onshore rig uptime was stable year-over-year at 99% in 3Q13. As a result of the commencement of new rigs in 2012, the Company's total offshore utilization days increased by 172 to 736 days in 3Q13, when compared to the same period of 2012.

Operating costs increased 42.3%, or US\$46.4 million, to US\$155.9 million in 3Q13 when compared to 3Q12. Contract drilling expenses (operating costs excluding depreciation and amortization) rose 56.2%, or US\$39.1 million, to US\$108.8 million. The increase in operating costs primarily reflects the commencement of operations of Amaralina Star and Laguna Star. Payroll, charges and benefits increased US\$15.0 million, mainly due to the expansion of the Company's fleet. For the same reason, depreciation, materials and maintenance rose US\$7.2 million, US\$15.1 million and US\$5.7 million, respectively, in the same period.

General and administrative expenses increased to US\$12.5 million in 3Q13 from US\$10.4 million in 3Q12, primarily due to an increase in payroll, charges and benefits following an increase in administrative headcount to support the expansion of the Company's operations.

EBITDA increased to US\$150.8 million and EBITDA margin reduced to 56.2% in 3Q13, from US\$121.4 million and 60.9%, respectively, in 3Q12. The improvement in EBITDA was mainly driven by the expansion of the Company's UDW operations. The reduction in EBITDA margin is primarily explained by higher year-over-year costs due to the expansion of the Company's fleet and the lower uptime compared to the high level achieved in 3Q12. The run rate for third quarter EBITDA and EBITDA margin is consistent with year to date results, excluding the one-off gain of US\$32.6 million on FPSO Cidade de Paraty in 2Q13.

Net financial expenses increased 17.5% year-over-year, or US\$6.1 million, to US\$41.3 million in 3Q13. This increase reflects higher interest expense related to the US\$700 million corporate bond issued in November 2012 and the financing of the Amaralina Star and Laguna Star rigs, as the interest expense was capitalized prior to the commencement of operation of these units. These factors were partially offset by lower interest expense on other project financings, due to the amortization of these facilities over the year, and lower derivative expenses.

Net income increased 26.4% year-over-year to US\$58.0 million in 3Q13 compared to US\$45.9 million in 3Q12.

CASH FLOW & BALANCE SHEET HIGHLIGHTS

Adjusted cash flow provided by operating activities, excluding the impact of increased short-term investment and reduced restricted cash, totaled US\$146.1 million in 3Q13, compared to adjusted cash flow of US\$65.2 million in the same period of 2012.

Adjusted cash flow provided by operating activities totaled US\$428.9 million during 9M13, compared to adjusted cash flow of US\$242.6 million in the same period of 2012. The increase mainly reflects rigs commencing operations in 2H2012, increased EBITDA and the positive impact of decreased trade and other receivables as a consequence of contract based VAT reimbursements during 1Q13.

Capital expenditures recorded as cash flow used in investing activities totaled US\$11.5 million in 9M13, compared to US\$938.2 million in 9M12. The decrease is explained by the milestone payment in connection with the delivery of Amaralina and Laguna amounting to US\$930.6 million in 2Q12.

Total cash (which includes cash and cash equivalents, short-term investments and restricted cash) increased to US\$733.2 million as of September 30, 2013 compared to US\$458.3 million as of December 31, 2012. This increase mainly reflects the equity contribution totaling US\$300 million concluded in September 2013.

As of September 30, 2013, total debt was US\$3.2 billion, consisting of US\$632.8 million of short-term debt and US\$2.5 billion of long-term debt. Total debt decreased US\$63.5 million and US\$264.0 million in the last three and nine-month periods, respectively, reflecting the amortization in the period. As a result, net debt decreased to US\$2.4 billion as of September 30, 2013.

ABOUT QGOG CONSTELLATION S.A.

QGOG Constellation is a market leading Brazilian-controlled 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 service for onshore and offshore drilling, 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 September 30,		For the nine-month period ended September 30,	
	2013	2012	2013	2012
<i>(in millions of \$, except per share data)</i>				
Statement of Operations Data:				
Net operating revenue	268.2	199.1	800.7	575.9
Operating Costs	(155.9)	(109.5)	(459.1)	(342.5)
Gross profit	112.3	89.6	341.6	233.5
General and administrative expenses	(12.5)	(10.4)	(38.5)	(31.5)
Other operating expenses, net	0.5	1.4	(0.5)	1.8
Operating profit.....	100.3	80.6	302.6	203.8
Financial expenses, net	(41.3)	(35.2)	(120.7)	(94.2)
Share of results of investments	3.1	0.6	38.7	2.4
Profit (loss) before taxes	62.1	46.1	220.6	112.0
Taxes.....	(4.2)	(0.2)	(5.8)	(0.7)
Profit (loss) for the period.....	58.0	45.9	214.8	111.3
Profit (loss) per share:				
Basic.....	0.31	0.27	1.24	0.66
Diluted.....	0.31	0.27	1.24	0.66
Weighted average common shares outstanding (thousands of common shares):				
Basic.....	175,776	170,477	172,263	170,477
Diluted.....	175,776	170,477	172,263	170,477

	For the three-month period ended September 30, (unaudited)		For the nine-month period ended September 30, (unaudited)	
	2013	2012	2013	2012
Other Financial Information:	(in millions of \$)			
Profit (loss) for the period/year	58.0	45.9	214.8	111.3
(+) Financial expenses, net	41.3	35.2	120.7	94.2
(+) Taxes	4.2	0.2	5.8	0.7
(+) Depreciation	47.3	40.1	144.2	119.4
EBITDA(1)(2).....	150.8	121.4	485.5	325.6
EBITDA margin (%) (3).....	56.2%	60.9%	60.6%	56.5%

- (1) Excluding FPSO Cidade de Paraty one-off gain of US\$ 32.6 million in 2Q13, EBITDA would have reached US\$453.0 million (56.6% EBITDA margin) in the 9M13
- (2) 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.
- (3) 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 September 30, 2013	As of December 31, 2012	2011
	(in millions of \$)		
Statement of Financial Position:			
Cash and cash equivalents.....	353.8	219.6	188.9
Short-term investments	335.6	213.2	138.7
Restricted cash.....	43.8	25.5	26.3
Total assets	5,630.7	5,309.2	4,734.1
Total loans and financings.....	3,151.6	3,415.5	2,440.5
Total liabilities	3,798.2	4,026.5	3,611.7
Shareholders' equity	1,832.4	1,282.7	1,122.4
Net Debt.....	2,418.4	2,957.2	2,086.6

	For the nine-month period ended September 30,		For the year ended December 31,	
Statement of Cash Flows:	2013	2012	2012	2011
	(in millions of \$)			
Cash flows provided/used in operating activities:				
Net income (loss) for the period	214.8	111.3	131.2	(43.5)
Adjustments to reconcile net income (loss) to net cash used in operating activities.....	248.1	207.3	297.1	260.7
Net income after adjustments to reconcile net income (loss) to net cash used in operating activities.....	462.9	318.7	428.4	217.2
Increase in working capital related to operating activities.....	(157.9)	(41.0)	(125.2)	(99.3)
Cash flows provided by operating activities	305.0	277.7	303.2	117.9
Cash flows used in investing activities	(54.2)	(1,006.9)	(1,136.3)	(277.8)
Cash flows provided by (used in) financing activities.....	(115.0)	816.1	864.0	262.4
Increase (decrease) in cash and cash equivalents	135.8	86.8	30.8	102.4

	For the nine-month period ended September 30,		For the year ended December 31,	
Non-GAAP Adjusted Cash Flows:	2013	2012	2012	2011
	(in millions of \$)			
Cash flows provided/used in operating activities ..	305.0	277.7	303.2	117.9
Impact of short-term investments	(123.9)	20.8	(75.9)	(131.8)
Impact of restricted cash	—	14.2	14.2	3.3
Adjusted cash flows provided by operating activities.....	428.9	242.6	364.8	246.4

Fleet summary report

Offshore Rig	% Interest	Type	Water Depth (ft)	Delivery Date	Dayrate (\$/day) September 30, 2013 (3)	Contract Expiration Date
Ultra-deepwater						
Alpha Star	100%	DP; SS	9,000	July 2011	430,362	July 2017
Lone Star	100%	DP; SS	7,900	April 2011	345,611	March 2018
Gold Star	100%	DP; SS	9,000	February 2010	353,749	February 2015
Amaralina Star ⁽¹⁾	55%	DP drillship	10,000	September 2012	421,445	September 2018
Laguna Star ⁽¹⁾	55%	DP drillship	10,000	November 2012	421,445	November 2018
Urca	15%	DP; SS	10,000	July 2016	535,754	July 2031
Bracuhy	15%	DP; SS	10,000	January 2018	539,864	January 2033
Mangaratiba	15%	DP; SS	10,000	May 2019	543,982	May 2034
Brava Star	100%	DP drillship	12,000	January 2015	No Contract	No Contract
Deepwater						
Olinda Star	100%	Moored; SS	3,600	August 2009	291,641	August 2014
Midwater						
Alaskan Star	100%	Moored; SS	1,700	December 2010 ⁽²⁾	305,485	November 2016
Atlantic Star	100%	Moored; SS	2,000	February 2011 ⁽²⁾	293,736	July 2018

- (1) We hold a 55% interest in these drillships through a strategic partnership with Alpertron Capital Ltd., or Alpertron. We will receive 100% of the charter and services revenues from these drillships until the repayment in full of loans we have made to Alpertron (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) Dayrates reflect 100% of the charter and corresponding service contract dayrates and include the applicable performance bonus under each contract. We are eligible for (i) an up to 10% performance bonus with respect to each of our Alpha Star, Amaralina Star, Laguna Star and Olinda Star units, (ii) an up to 15% performance bonus with respect to each of our Urca, Bracuhy, Mangaratiba, Lone Star, Alaskan Star and Atlantic Star units and (iii) no performance bonus with respect to our Gold Star rig.

Onshore Rig	Type	Drilling Depth Capacity (ft)	Customer	Charter Expiration Date
QG-I	1600HP	16,500	Shell	September 2013
QG-II	1600HP	16,500	Petrobras	January 2014
QG-III	Heli-portable; 1200HP	11,500	Petrobras	April 2014
QG-IV	Heli-portable; 550HP	9,800	Petrobras	April 2014
QG-V	Heli-portable; 1600HP	14,800	Petrobras	April 2015
QG-VI	2000HP	23,000	Petrobras	June 2016
QG-VII	2000HP	23,000	Petrobras	June 2014
QG-VIII	Heli-portable; 1600HP	14,800	HRT	April 2015
QG-IX	Heli-portable; 1600HP	14,800	HRT	April 2015

FPSO	Status	% Interest	Daily Production Capacity (bbl/day)	Storage Capacity (bbl)	Expected Delivery Date	Charter Expiration Date	Total Contract Amount (in millions of \$) ⁽³⁾
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	May 2013	April 2033	4,254.2
Cidade de Ilhabela	Construction	12.75% ⁽¹⁾	150,000	2,400,000	September 2014	August 2034	5,220.5
P-63 (Papa Terra) ⁽²⁾ ...	Operating	—	140,000	2,200,000	July 2013	June 2016	89.1
Cidade de Maricá ⁽⁴⁾	Construction	5%	150,000	1,600,000	December 2015	November 2035	5,348.0
Cidade de Saquarema ⁽⁴⁾	Construction	5%	150,000	1,600,000	January 2016	December 2035	5,273.0

(1) We currently own an equity interest of 12.75% with an option to increase our interest to 25.5% after first oil production.

(2) We own 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 and no charter agreement exists.

(3) 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.

(4) We currently own an equity interest of 5% with an option to increase our interest to 10% after first oil production.

Backlog⁽¹⁾

	2013	2014	2015	2016	2017–2034	Total	%
Ultra-deepwater	183.0	726.0	612.4	645.9	4,356.0	6,484.9	64.6%
Deepwater	26.8	62.4	0.0	0.0	0.0	89.2	0.9%
Midwater	55.1	218.7	218.7	204.3	166.3	863.2	8.5%
FPSOs	33.2	126.6	120.6	133.8	2,107.3	2,521.6	24.9%
Onshore	31.5	67.1	17.2	0.0	0.0	115.8	1.1%
Total	329.7	1,200.8	968.9	984.1	6,629.6	10,113.0	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 September 30,			For the nine-month period ended September 30,		
			% Change			% Change
	2013	2012	2013/2012	2013	2012	2013/2012
Net revenue per asset type:	<i>(in millions of \$)</i>			<i>(in millions of \$)</i>		
Ultra-deepwater	164.4	98.7	66.6	489.0	275.3	77.6
Deepwater	23.2	23.5	(1.3)	67.3	71.0	(5.2)
Midwater	53.3	49.5	7.7	158.5	140.7	12.7
Onshore rigs	26.0	27.3	(4.8)	78.4	87.0	(9.9)
Other	1.3	0.1	1200.0	7.5	1.9	294.7
Total	268.2	199.1	34.7	800.7	575.9	39.0

Operating Statistics

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2013	2012	2013	2012
Uptime by asset type:	(%)		(%)	
Ultra-deepwater	94	98	94	90
Deepwater	96	98	91	96
Midwater	99	94	99	91
Onshore rigs	99	99	99	99

	For the three- month period ended September 30			For the nine-month period ended September 30		
	2013	2012	Change	2013	2012	Change
Utilization days ⁽¹⁾:	(in days)		2013/ 2012	(in days)		2013/ 2012
Ultra-deepwater	460	288	172	1,365	834	531
Deepwater	92	92	-	273	274	(1)
Midwater	184	184	-	546	548	(2)
Onshore rigs	828	828	-	2,448	2,466	(18)
Total	1,564	1,392	172	4,632	4,122	510

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