Constellation Oil Services Holding S.A. Reports Third Quarter 2022 Results

Luxembourg, November 29, 2022 – Constellation Oil Services Holding S.A. ("Constellation" or the "Company"), a market leading provider of offshore and onshore oil and gas contract drilling, today reported unaudited results for the third quarter ended September 30, 2022.

THIRD QUARTER HIGHLIGHTS

- Net operating revenue decreased 10.2% year-over-year to US$ 96.1 million in 3Q22.
- Revenues from ultra-deepwater (UDW) units represented 69.4% of total net revenues in 3Q22, down from 78.5% in 3Q21.
- Adjusted EBITDA[1] totaled US$ 6.4 million and the Adjusted EBITDA margin was 6.7% in 3Q22, down from an adjusted EBITDA of US$ 33.5 million and an Adjusted EBITDA margin of 31.3% in 3Q21.
- Net loss during the period was US$ 33.5 million, up from a net loss of US$ 37.6 million year-over-year.
- The total backlog as of September 30, 2022, was US$ 1,007.9 million.
- Average uptime for the UDW fleet was higher year-over-year at 95% in 3Q22, compared with 92% in 3Q21.

RECENT DEVELOPMENTS

- In the context of liquidating non-operational companies to reduce direct and indirect costs associated with the Company's structure, on October 03, 2022, and October 06, 2022, the Group was notified that the process of liquidation of the companies Manisa Serviços de Petroleo Ltda. and Tarsus Serviços de Petroleo Ltda. was completed, respectively.

- On October 06, 2022, the Group was notified that the process of liquidation of the companies Palase C.V. and Podocarpus C.V. was completed.

- On November 16, 2022, the Group was notified that the process of liquidation of the company Eiffel Ridge Group C.V. was completed.

[1] Adjusted 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.

THIRD QUARTER 2022 RESULTS

Net operating revenue decreased 10.2%, or US$ 10.9 million, year-over-year to US$ 96.1 million in 3Q22, mainly due to the end of Gold Star, Lone Star, Amaralina Star and Alpha Star contracts with Petrobras in March/22, April/22, July/22, and September/22, respectively. Additionally, we recorded unplanned downtime during the quarter, mainly related to the Atlantic, Olinda, Laguna and Brava rigs, impacting our 3Q22 revenues. The decrease was partially offset by the start of new contracts with better economics than their legacy commitments, which are Laguna Star's contract with Petrobras and Olinda Star's commitment with ONGC. Also, operations under Gold Star and Lone Star's new contract with Petrobras commenced in August/22 and September/22, respectively, generating revenue for the Company in 3Q22.

Average uptime of the UDW units increased to 95% in 3Q22 from 92% in 3Q21. The Company's offshore fleet utilization decreased to 552 days in 3Q22 from 748 days in 3Q21, mainly due to the contract transitions of Gold Star, Lone Star, Amaralina Star and Alpha Star during 3Q22.

Contract drilling expenses (operating costs excluding depreciation) increased 21.5%, or US$ 13.6 million, to US$ 76.8 million in 3Q22. The year-over-year increase was mainly driven by higher maintenance costs in connection to the adequacy of certain rigs to start new contracts. Also, the Company registered an insurance reimbursement related to the Olinda Star rig in 2021, which had a positive impact of US$ 2.5 million in 3Q21.

General and administrative expenses decreased US$ 2.9 million, or 27.4%, year-over-year to US$ 7.8 million in 3Q22 versus US$ 10.7 million in 3Q21. The decrease was mostly due to costs with financial and legal advisors occurred in 3Q21 related to our Judicial Restructuring, which was finalized on June 10, 2022.

Adjusted EBITDA totaled US$ 6.4 million, and the Adjusted EBITDA margin was 6.7% in 3Q22, compared with US$ 33.5 million and 31.3%, respectively, in 3Q21. The decrease in 3Q22 Adjusted EBITDA was mainly due to the lower offshore fleet utilization, unplanned downtime, and higher contract drilling expenses in the quarter, partially offset by the start of Laguna Star, Gold Star and Lone Star's contracts with Petrobras in March/22, August/22 and September/22, respectively, and by the Olinda Star's contract with ONGC, which commenced in May/22.

Net financial expenses were lower year-over-year, totaling US$ 11.8 million in 3Q22, from US$ 31.4 million in 3Q21. The reduction is mainly due to the debt reduction following the closing of our financial restructuring in June 2022.

Net loss was US$ 33.5 million in 3Q22, compared to a net loss of US$ 37.6 million in 3Q21. The improvement was mainly due to the closing of our Judicial Reorganization, which led to lower financial expenses and reduced costs with advisors, and due to lower taxes in 3Q22, partially offset by the EBITDA reduction.

CASH FLOW & BALANCE SHEET HIGHLIGHTS

Cash flow provided by operating activities totaled negative US$ 9.4 million during 9M22, compared to US$ 50.1 million in 9M21. The decrease was mainly due to lower offshore fleet utilization and adequacy costs incurred during 9M22.

Net cash used in investing activities totaled US$ 56.3 million in 9M22, compared to US$ 20.3 million in 9M21.

Total cash (which includes cash and cash equivalents, short-term investments and restricted cash) decreased to US$ 55.0 million as of September 30, 2022, compared to US$ 95.9 million as of September 30, 2021. Available cash, free of liens, was US$ 53.3 million at the end of the third quarter of 2022.

As a result of our financial restructuring, our total debt decreased by US$ 971.7 million to US$ 930.2 million as of September 30, 2022, compared to September 30, 2021. Net debt decreased by US$ 930.8 million to US$ 875.2 million as of September 30, 2022, compared to September 30, 2021.

ABOUT CONSTELLATION OIL SERVICES HOLDING S.A.

Constellation is a market leading provider of offshore and onshore oil and gas contract drilling 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.

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

	For the three–month period ended September 30, (unaudited)		For the nine-month period ended September 30, (unaudited)	
	2022	2021	2022	2021
Statement of Operations Data:	*(in millions of $, except per share data)*			
Net operating revenue	96.1	107.0	275.4	287.7
Operating Costs	(113.0)	(101.5)	(328.1)	(297.4)
Gross profit	(16.9)	5.5	(52.7)	(9.7)
General and administrative expenses	(7.8)	(10.7)	(44.1)	(33.7)
Other operating income (expenses), net	(3.5)	0.2	509.9	4.3
Operating profit	(28.2)	(5.0)	413.1	(39.2)
Financial expenses, net	(11.8)	(31.4)	(73.7)	(92.3)
Share of results of investments	-	-	-	-
Profit/ (Loss) before taxes	(40.0)	(36.4)	339.4	(131.5)
Taxes	6.4	(1.2)	9.2	(7.1)
Profit/ (Loss) for the period	(33.5)	(37.6)	348.7	(138.7)
Profit per share:				
Basic	(0.01)	(0.01)	0.13	(0.05)
Diluted	(0.01)	(0.01)	0.13	(0.05)
Weighted average common shares outstanding (thousands of common shares):				
Basic	2,899,227	2,899,227	2,899,227	2,899,227
Diluted	2,899,227	2,899,227	2,899,227	2,899,227

	For the three–month period ended September 30, (unaudited)		For the nine-month period ended September 30, (unaudited)	
	2022	2021	2022	2021
Other Financial Information:	*(in millions of $)*			
Profit/ (Loss) for the period/year	(33.5)	(37.6)	348.7	(138.7)
(+) Financial expenses, net	11.8	31.4	73.7	92.3
(+) Taxes	(6.4)	1.2	(9.2)	7.1
(+) Depreciation	36.2	38.3	110.3	112.2
EBITDA [1]	8.1	33.3	523.4	73.0
EBITDA margin (%) [2]	8.4%	31.1%	190.0%	25.4%
Non-cash adjustments [3]				
Onerous contract provision,net	(1.7)	(0.8)	(1.7)	(1.2)
Impairment	-	0.9	-	1.0
Debt Restructuring	-	-	(513.2)	-
Adjusted EBITDA [1]	6.4	33.5	8.5	72.8
Adjusted EBITDA margin (%) [2]	6.7%	31.3%	3.1%	25.3%

(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 3Q22, the Group reversed a provision for onerous contract in the total amount of US$ 1.7 million, due to the end of Alpha Star's last contract with Petrobras, which ended on September 14, 2022. On June 10, 2022, the Group entered into Amended and Restated Credit Agreements and also into new arrangements with its creditors that propose to convert part of the debt held by some creditors into the share capital of the Company, with the dilution of original shareholders. The extinguishment of debt in exchange for the Company's own equity instruments on June 10, 2022, has resulted in an estimated gain of USD 513.2 million for the group recognized in the 2nd quarter of 2022. In 3Q21 the Company recognized US$ 0.8 million in non-cash adjustments due to the onerous contract provision reversal related to Alpha Star's contract with Petrobras. In addition, Constellation also recognized an impairment in the aggregate amount of US$ 0.9 million in non-cash adjustments related to Laguna Star, Gold Star, Lone Star, Alpha Star, Amaralina Star, Brava Star, Olinda Star and Atlantic Star. In 1H21 the Company recognized an impairment in the aggregate amount of US$ 0.1 million in non-cash adjustments related to Laguna Star, Gold Star, Lone Star, Alpha Star, Amaralina Star, Brava Star, Olinda Star and Atlantic Star rigs. The Company also recognized US$ 0.5 million in non-cash adjustments due to the onerous contract provision reversal related to Alpha Star's contract with Petrobras.

	As of September 30, (unaudited)	**As of December 31,** (audited)	
	2022	**2021**	**2020**
Statement of Financial Position:	*(in millions of $)*		
Cash and cash equivalents	53.2	76.3	34.9
Short-term investments	0.1	4.7	18.0
Restricted cash	1.7	19.2	22.7
Total assets	2,282.3	2,305.7	2,195.9
Total loans and financings	930.2	1,933.9	1,809.1
Total liabilities	1,055.9	2,030.3	1,917.2
Shareholders' equity	1,226.4	275.4	278.6
Net debt	875.2	1,833.7	1,733.5

	For the nine-month period ended September 30, (unaudited)	
Statement of Cash Flows:	**2022**	**2021**
	(in millions of $)	
Cash flows provided by operating activities:		
Profit/ (Loss) for the period	348.7	(138.7)
Adjustments to reconcile net income to net cash used in operating activities	(341.5)	208.0
Net income after adjustments to reconcile net income to net cash used in operating activities	7.2	69.3
Decrease (increase) in working capital related to operating activities	(16.6)	(19.2)
Cash flows provided by operating activities	(9.4)	50.1
Cash flows used in investing activities	(56.3)	(20.3)
Cash flows used in financing activities	43.4	-
Increase (decrease) in cash and cash equivalents	(22.3)	29.8

Fleet summary report

Offshore Rig	% Interest	Type	Water Depth (ft)	Delivery Date	Customer	Contract Start	Contract End
Ultra-deepwater							
Alpha Star [2] [3]	100%	DP; SS	9,000	July 2011	Enauta	October 2022	May 2023
Lone Star [2]	100%	DP; SS	7,900	April 2011	Petrobras	September 2022	September 2025
Gold Star [2]	100%	DP; SS	9,000	February 2010	Petrobras	August 2022	August 2025
Amaralina Star [4]	100%	DP drillship	10,000	September 2012	Petrobras	October 2022	October 2024
Laguna Star [5]	100%	DP drillship	10,000	November 2012	Petrobras	March 2022	March 2025
Brava Star [6]	100%	DP drillship	12,000	August 2015	Petrobras	March 2021	June 2023
Deepwater							
Olinda Star [7]	100%	Moored; SS	3,600	August 2009 [1]	ONGC	May 2022	September 2023
Midwater							
Atlantic Star [8]	100%	Moored; SS	2,000	February 2011 [1]	Petrobras	January 2021	January 2024

(1) Delivery date corresponds to the date the upgrade of these rigs was concluded.

(2) On July 22, 2019, the Company announced that Alpha Star, Gold Star, and Lone Star were awarded new firm contracts with Petrobras for two years. The operations under Gold Star's, Lone Star's and Alpha Star's contract commenced on February 18, 2020, April 24, 2020 and August 17, 2020, respectively. The Gold Star, Lone Star and Alpha Star's contract ended on March 04, 2022, April 23, 2022 and September 14, 2022, respectively. On January 03, 2022, the Company announced that the Gold and Lone Star rigs had been awarded contracts with Petrobras S.A. ("Petrobras"). Each contract has a total duration of 1095 days and includes a termination for convenience after 365 days subject to a demobilization fee. The jobs are being performed offshore Brazil. The operations under Gold Star contract started on August 09, 2022, while Lone Star's operations commenced on September 14, 2022.

(3) On February 09, 2022, the Company announced that the Alpha Star rig was awarded a contract with Enauta for a campaign at the Atlanta field. The agreement has a firm period of 210 days (3 wells), and operations under the contract commenced on October 27, 2022.

(4) On January 02, 2020, the Company announced that the Amaralina Star was awarded a contract with the consortiums of BM-S-11, BM-S-11A and AIP (Acordo de Individualização de Produção, or Production Individualization Agreement) of Lula, operated by Petrobras. The contract had a firm duration of 730 days. On February 22, 2022, the contract had its first amendment to add additional 19 days to its duration. It was amended again on April 20, 2022, with additional 85 days of backlog, being the new total duration of the contract 834 days. The work was performed in the Santos Basin, located offshore of Brazil, and operations commenced on April 15, 2020, and ended on July 28, 2022. On December 06, 2021, the Company announced a new contract for the Amaralina Star drillship with Petrobras. The job has a total duration of 1095 days, consisting of 730 days of a firm scope plus options to extend the contract in up to 365 days. The work is being performed offshore Brazil, and operations commenced on October 18, 2022.

(5) On July 6, 2021, the group announced that the Laguna Star drillship was awarded a new contract with Petrobras. The contract has a 3-year estimated duration, and includes integrated services, as well as the use of the MPD system. The operations commenced on March 01, 2022.

(6) On January 06, 2021, the Company announced that Brava Star was awarded a contract with Petrobras S.A. ("Petrobras"). The contract has an estimated duration of 810 days and includes a termination for convenience after 180 days subject to a demobilization fee. Work scope is in water depths up to 3,048m, and includes a full integrated package of services plus MPD. The work is being performed offshore Brazil and operations under the contract commenced on March 30, 2021.

(7) On January 7, 2022, Olinda Star was awarded a 502 days 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 operations commenced on May 04, 2022.

(8) On February 05, 2020, the Company announced that the Atlantic Star was awarded a contract with Petrobras S.A.. The contract has a firm duration of 1095 days. The work is being performed in the Campos Basin, located offshore Brazil. The operations commenced on January 06, 2021.

Onshore Rig	Type	Drilling Depth Capacity (ft)	Customer	Charter Expiration Date
QG-I	1600HP	16,500	-	-
QG-II	1600HP	16,500	-	-
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 26, 2021, the Group announced that the onshore drilling rig QG-VIII was awarded a contract with Eneva S.A. This contract for an exploratory campaign in the field of Azulão in Amazonas, commenced on September 15, 2021, and ended on July 12, 2022.

Backlog (1)

(in millions of $)

	2022	2023	2024	2025	Total	%
Ultra-deepwater.............	125.1	363.5	271.8	100.4	860.7	85.4%
Deepwater.......................	18.6	52.7	-	-	71.3	7.1%
Midwater........................	15.1	60.0	0.8	-	75.9	7.5%
Onshore...........................	-	-	-	-	-	-
Total.........................	**158.8**	**476.1**	**272.6**	**100.4**	**1,007.9**	**100%**

(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,		% Change	For the nine-month period ended September 30,		% Change
	2022	**2021**	**2022/ 2021**	**2022**	**2021**	**2022/ 2021**
Net revenue per asset type:	*(in millions of $)*			*(in millions of $)*		
Ultra-deepwater...............................	66.7	84.0	-20.6%	204.9	223.7	-8.4%
Deepwater	16.3	8.7	87.0%	27.0	25.1	7.6%
Midwater	12.7	13.8	-8.1%	39.7	38.5	3.0%
Onshore rigs	0.4	0.5	-21.5%	3.8	0.5	736.4%
Other	-	-	-	-	-	-
Total	96.1	107.0	-10.2%	275.4	287.7	-4.3%

Operating Statistics

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2022	2021	2022	2021
Uptime by asset type [(1)]:	*(%)*		*(%)*	
Ultra-deepwater	95	92	91	93
Deepwater	88	98	91	98
Midwater	88	100	92	94
Onshore rigs	99	82	100	82

	For the three-month period ended September 30,		Change	For the nine-month period ended September 30,		Change
	2022	2021	2022/ 2021	2022	2021	2022/ 2021
Utilization days [(2)]:	*(in days)*			*(in days)*		
Ultra-deepwater	354	552	(198)	1,193	1,465	(271)
Deepwater	92	92	-	149	258	(109)
Midwater	92	92	-	273	266	7
Onshore rigs	14	12	2	195	12	183
Total	552	748	(196)	1,810	2,001	(191)

(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.