

Constellation Oil Services Holding S.A.

Report on consolidated interim financial information n° 238M1-029-EN

On June 30, 2023



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Independent auditor's report on review of consolidated interim financial information

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To the Board of directors and shareholders of
Constellation Oil Services Holding S.A.
Rio de Janeiro – RJ

Introduction

We have reviewed the accompanying consolidated interim financial information of Constellation Oil Services Holding S.A. (the Group), which comprise the statement of financial position as of June 30, 2023 and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period of six months then ended, and a summary of significant account policies and other explanatory information.

Management's responsibility for the consolidated interim financial information

Management is responsible for the preparation of this consolidated interim financial information in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standard Board and for such internal control as management determines is necessary to enable the preparation of the consolidated interim financial information that are free from material misstatement, whether due to fraud or error.

Independent auditor's responsibility

Our responsibility is to express a conclusion on the accompanying consolidated interim financial information. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410 (Revised), *Review of International Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial information, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 (Revised) is a limited assurance engagement. The independent auditor performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on this consolidated interim financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that this consolidated interim financial information does not present fairly, in all material respects, the financial position of Constellation Oil Services Holding S.A. as of June 30, 2023 and its financial performance and cash flows for the period of six months then ended, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Emphasis of matter

Financial restructuring aspects

We draw attention to Notes No 1.I, 9 and 12 to the consolidated interim financial information, which informs that a Plan Support Agreement, a Restructuring Term-Sheet and other relevant documents were signed by the Group and its creditors on March 24, 2022 and June 10, 2022 (mainly related to amended and restated credit agreements and new arrangements that involved the conversion of part of the Group's debt held by some creditors into share capital of the mother Company), resulting in the dilution of equity interest of the original shareholders (the "Restructuring Documents"). Our conclusion is not modified with respect to this matter.

Restatement of the corresponding consolidated interim financial information

In accordance with Note No 2.1 to the consolidated interim financial information, during 2022 fiscal year the Group reviewed its accounting policy for rig inventory components considering new accounting policies. The consolidated interim financial information for the period of six months ended June 30, 2022, presented for comparison purposes, was previously reviewed by us, which unqualified review report, dated August 10, 2022, included an emphasis of matter paragraph equivalent to the one mentioned in the section "Financial restructuring aspects" of this report. That consolidated interim financial information is being restated in accordance with IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*. Our conclusion is not modified with respect to this matter.

Rio de Janeiro, August 28, 2023

Grant Thornton Auditores Independentes Ltda.

CRC SP-025.583/F-2



Octavio Zampirolo Neto

Accountant CRC 1SP-289.095/O-3

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2023 AND DECEMBER 31, 2022

(Amounts expressed in thousands of U.S. dollars - US\$'000)

<u>ASSETS</u>	<u>Notes</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>
CURRENT ASSETS			
Cash and cash equivalents	3	77,032	59,479
Short-term investments	4	45	52
Trade and other receivables	6	94,104	76,314
Recoverable taxes	17.a	29,603	22,946
Deferred mobilization costs		8,152	12,765
Other current assets		24,980	16,041
Total current assets		<u>233,916</u>	<u>187,597</u>
NON-CURRENT ASSETS			
Restricted cash	5	1,733	1,733
Recoverable taxes	17.a	43	-
Deferred tax assets	17.c	20,215	17,823
Deferred mobilization costs		4,587	7,760
Other non-current assets		3,142	1,977
Property, plant and equipment, net	8	<u>2,408,413</u>	<u>2,470,296</u>
Total non-current assets		<u>2,438,133</u>	<u>2,499,589</u>
TOTAL ASSETS		<u><u>2,672,049</u></u>	<u><u>2,687,186</u></u>

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF JUNE 30,
2023 AND DECEMBER 31, 2022

(Amounts expressed in thousands of U.S. dollars - US\$'000)

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Note</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>
CURRENT LIABILITIES			
Loans and financings	9	14,976	4,992
Payroll and related charges		22,666	13,190
Trade and other payables		40,615	65,265
Taxes payables	17.b	4,169	4,434
Provisions	10	859	795
Deferred revenues		13,378	18,129
Contractual Penalties		-	6,712
Other current liabilities		6,497	7,351
Total current liabilities		<u>103,160</u>	<u>120,868</u>
NON-CURRENT LIABILITIES			
Loans and financings	9	954,226	937,200
Derivatives	19	20,077	44,044
Deferred revenues		5,175	11,453
Other non-current liabilities		5,835	3,611
Total non-current liabilities		<u>985,313</u>	<u>996,308</u>
TOTAL LIABILITIES		<u>1,088,473</u>	<u>1,117,176</u>
SHAREHOLDERS' EQUITY			
Share capital	12.a	4,933	4,933
Warrants	12.a	1,733	1,733
Share premium		1,567,897	1,567,897
Reserves	12.b/c	(135,928)	(142,208)
Accumulated profit		144,941	137,655
TOTAL SHAREHOLDERS' EQUITY		<u>1,583,576</u>	<u>1,570,010</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>2,672,049</u>	<u>2,687,186</u>

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF OPERATIONS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023 AND 2022
(Amounts expressed in thousands of U.S. dollars - US\$'000, except per share amounts)

	Note	Three-month period ended June 30,		Six-month period ended June 30,	
		2023	2022 (as restated)	2023	2022 (as restated)
NET OPERATING REVENUE	13	140,671	92,123	280,973	179,350
COST OF SERVICES	14	<u>(125,059)</u>	<u>(107,129)</u>	<u>(248,724)</u>	<u>(215,878)</u>
GROSS PROFIT / (LOSS)		15,612	(15,006)	32,249	(36,528)
General and administrative expenses	14	(7,748)	(18,684)	(14,932)	(36,301)
Other income	15	67	513,277	830	513,378
Other expenses	15	<u>(186)</u>	<u>(34)</u>	<u>(139)</u>	<u>(34)</u>
OPERATING PROFIT		7,745	479,553	18,008	440,515
Financial income	16	24,416	257	24,773	596
Financial expenses	16	(17,458)	(29,353)	(34,254)	(62,277)
Foreign exchange variation income, net	16	<u>(156)</u>	<u>162</u>	<u>(87)</u>	<u>(216)</u>
FINANCIAL EXPENSES, NET		6,802	(28,934)	(9,568)	(61,897)
PROFIT BEFORE TAXES		14,547	450,619	8,440	378,618
Taxes	17.d	<u>353</u>	<u>3,019</u>	<u>(1,154)</u>	<u>2,816</u>
PROFIT FOR THE PERIOD		<u>14,900</u>	<u>453,638</u>	<u>7,286</u>	<u>381,434</u>

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE
INCOME FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023 AND 2022
(Amounts expressed in thousands of U.S. dollars - US\$'000)

	Note	Three-month period ended June 30,		Six-month period ended June 30,	
		2023	2022	2023	2022 (as restated)
PROFIT FOR THE PERIOD		14,900	453,638	7,286	381,434
OTHER COMPREHENSIVE INCOME / (LOSS)					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustments	12.c	4,652	(8,260)	6,280	2,465
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>19,552</u>	<u>445,378</u>	<u>13,566</u>	<u>383,899</u>
Comprehensive income attributable to:					
Controlling interests		19,552	445,378	13,566	383,899

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023 AND 2022
(Amounts expressed in thousands of U.S. dollars - US\$'000)

Note	Share capital	Warrant	Share Premium	Legal	Share of investments' other comprehensive income / (loss)	Reserves					Total shareholders' equity
						Acquisition of non-controlling interest in subsidiaries	Foreign currency translation adjustments	Total reserves	Accumulated losses		
BALANCE AS OF DECEMBER 31, 2021	981,200	-	(9,721)	5,683	(2,436)	(85,555)	(62,779)	(145,087)	(721,630)	104,762	
Profit for the period	-	-	-	-	-	-	-	-	-	381,434	
Other comprehensive income for the period	-	-	-	-	-	-	2,465	2,465	-	2,465	
Total comprehensive profit for the period	-	-	-	-	-	-	2,465	2,465	-	383,899	
Restructuring events:											
Capital decrease	(981,200)	-	981,200	-	-	-	-	-	-	-	
Capital increase	4,933	-	(4,933)	-	-	-	-	-	-	-	
Advance for future capital increase	-	1,733	(1,733)	-	-	-	-	-	-	-	
Share premium arising from debt restructuring	-	-	603,084	-	-	-	-	-	-	603,084	
BALANCE AS OF JUNE 30, 2022 - as restated	4,933	1,733	1,567,897	5,683	(2,436)	(85,555)	(60,314)	(142,622)	(340,196)	1,091,745	
BALANCE AS OF DECEMBER 31, 2022	4,933	1,733	1,567,897	5,683	(2,436)	(85,555)	(59,900)	(142,208)	137,655	1,570,010	
Profit for the period	-	-	-	-	-	-	-	-	7,286	7,286	
Other comprehensive income for the period	-	-	-	-	-	-	6,280	6,280	-	6,280	
Total comprehensive profit for the period	-	-	-	-	-	-	6,280	6,280	7,286	13,566	
BALANCE AS OF JUNE 30, 2023	4,933	1,733	1,567,897	5,683	(2,436)	(85,555)	(53,620)	(135,928)	144,941	1,583,576	

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023 AND 2022
(Amounts expressed in thousands of U.S. dollars - US\$'000)

	Note	Six-month period ended June 30,	
		2023	2022 (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		7,286	381,434
Adjustments to reconcile profit for the period to net cash provided by operating activities:			
Depreciation of property, plant and equipment	8/14	90,885	74,585
Loss (gain) on disposal of property, plant and equipment, net	8	92	34
Reversal of impairment recognised on property, plant and equipment, net	8	-	-
Recognition of deferred mobilization costs		7,785	4,076
Recognition of deferred revenues, net of taxes levied		(11,260)	(6,251)
Financial expenses on loans and financings	9.a/16	33,243	58,656
Debt restructuring	18	-	(513,226)
Other financial expenses (income), net	16	299	3,242
Recognition (reversal) of provisions		64	47
Recognition (reversal) of provisions for lawsuits, net	11	1,173	-
Derivatives	22	(23,967)	-
Taxes	17.d	1,154	(2,816)
Decrease/(increase) in assets:			
Trade and other receivables		(15,648)	(10,427)
Receivables from related parties		-	-
Inventories		-	-
Recoverable taxes		(5,053)	(9,376)
Deferred taxes		(872)	(4,579)
Deferred mobilization costs		1	(10,344)
Other assets		(7,441)	(9,717)
Increase/(decrease) in liabilities:			
Payroll and related charges		8,093	2,836
Trade and other payables		(26,386)	1,301
Payables to related parties		-	(193)
Taxes payables		3,398	8,385
Deferred revenues		202	16,792
Other liabilities		(6,978)	1,755
Cash used in operating activities		56,069	(13,786)
Income tax and social contribution paid		(4,938)	(3,445)
Adjusted cash (used in) / provided by operating activities		51,131	(17,231)
CASH FLOWS FROM INVESTING ACTIVITIES			
Short-term investments		7	4,663
Restricted cash		-	15,730
Acquisition of property, plant and equipment	8	(28,687)	(54,408)
Proceeds from disposal of property, plant and equipment	8	-	5
Net cash (used in) / provided by investing activities		(28,680)	(34,010)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid on loans and financings	9.a	(5,393)	(585)
Proceeds from loans and financings	9.a	-	62,400
Advance for future capital increase	9.a	-	1,733
Repayment of loans and financings	9.a	(840)	(17,618)
Net cash used in financing activities		(6,233)	45,930
Increase/(Decrease) in cash and cash equivalents			
		16,218	(5,311)
Cash and cash equivalents at the beginning of the period	3	59,479	76,306
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,335	2,432
Cash and cash equivalents at the end of the period	3	77,032	73,427

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONSTELLATION OIL SERVICES HOLDING S.A.NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION AS OF JUNE 30, 2023 AND FOR THE SIX-MONTH PERIOD THEN ENDED (Amounts expressed in thousands of U.S. dollars - US\$ '000, unless otherwise stated)

1. GENERAL INFORMATION

Constellation Oil Services Holding S.A. (the “Company”, or together with its subsidiaries, the “Group”) was incorporated in Luxembourg on August 30, 2011, as a “*société anonyme*” (i.e., public company limited by shares). The Company has its registered address at 8-10, Avenue de la Gare, L-1610 Luxembourg.

The Company’s objectives are: (i) to hold investments in Luxembourg or foreign countries; (ii) to acquire any securities and rights through participation, contribution, underwriting firm purchase or option, negotiation or in any other way and namely to acquire patents and licenses, and other property, rights and interest in property as deemed necessary, and generally to hold, manage, develop, sell or dispose of the same, in whole or in part, for such consideration as deemed necessary, and in particular for shares or securities of any entity purchasing the same; (iii) to enter into, assist or participate in financial, commercial and other transactions, and to grant to any holding entity, subsidiary, or fellow subsidiary, or any other entity associated in any way with the Company, or the said holding entity, subsidiary or fellow subsidiary, in which the Company has a direct or indirect financial interest, any assistance, loans, advances or guarantees; (iv) to borrow and raise funds in any manner and to secure the repayment of any funds borrowed; and (v) to perform any operation that is directly or indirectly related to its purpose. The Company’s financial year is from January 1 to December 31.

The Company holds investments in subsidiaries that own, charter and operate onshore and offshore drilling rigs for exploration and production companies, most of them operating in Brazil. The Group currently charters its drilling rigs to multinational companies, such as *Petróleo Brasileiro S.A. (“Petrobras”)*, *Oil and National Gas Corporation (“ONGC”)*, an Indian oil and gas exploration and and *Enauta Energia SA (“Enauta”)*.

a) Fleet of offshore and onshore drilling rigs

Offshore drilling units

<u>Drilling units</u>	<u>Type</u>	<u>Start of operations</u>	<u>Contract expected expiration date (current or future)</u>	<u>Customer (current or future)</u>
Atlantic Star	Semi-submersible	1997	January 2024 (Note 1.h)	Petrobras
Olinda Star	Semi-submersible	2009	September 2023 (Note 1.i)	ONGC
Gold Star	Semi-submersible	2010	August 2025 (Note 1.f)	Petrobras
Lone Star	Semi-submersible	2011	September 2025 (Note 1.g)	Petrobras
Alpha Star	Semi-submersible	2011	February 2025 (Note 1.e)	3R Petroleum
Amaralina Star	Drillship	2012	October 2024 (Notes 1.b)	Petrobras
Laguna Star	Drillship	2012	March 2025 (Note 1.d)	Petrobras
Brava Star	Drillship	2015	End 2026 (Note 1.c)	Petrobras

Onshore drilling units

<u>Drilling units</u>	<u>Type</u>	<u>Start of operations</u>	<u>Contract expected expiration date (current or previous)</u>	<u>Customer (current or previous)</u>
QG-I ⁽²⁾	Onshore drilling rig	1981	June 2018	Zeus ÖL S.A.
QG-II ⁽¹⁾	Onshore drilling rig	1981	August 2018	Ouro Preto Óleo e Gás S.A.
QG-IV ⁽¹⁾	Onshore drilling rig	1996	June 2015	Petrobras
QG-V ⁽¹⁾	Onshore drilling rig	2011	April 2015	Petrobras
QG-VI ⁽¹⁾	Onshore drilling rig	2008	May 2016	Petrobras
QG-VII ⁽¹⁾	Onshore drilling rig	2008	July 2015	Petrobras
QG-VIII ⁽¹⁾	Onshore drilling rig	2011	July 2022	Eneva
QG-IX ⁽¹⁾	Onshore drilling rig	2011	June 2014	HRT O&G Exploração e Produção de Petróleo Ltda.

- (1) As of December 31, 2022, these onshore drilling rigs were not hired under charter and service-rendering agreements. The Group is continuously seeking for new customers.
- (2) On January 06, 2023, a share purchase agreement was signed between Serviços de Petróleo Constellation Participações S.A., Serviços de Petróleo Constellation S.A. and Serviços de Petróleo Onshore Constellation S.A. Ltda. and President Energy Investments (Paraguay) where 100% of the shares from Domenica S.A. were sold, including the onshore rig QG-I. On February 02, 2023 the transfer was concluded, amounting to USD 1,039 and the other installment of USD 1,000 is to be paid on February 02, 2024.

b) Amaralina Star offshore drilling rig charter and service-rendering agreements

On January 2, 2020, the Group announced that the Amaralina Star drillship had been awarded a contract with the consortiums of BM-S-11, BM-S-11A and Unitization Agreement (*Acordo de Individualização de Produção - AIP*) of Lula field, operated by Petrobras. The contract had an estimated duration of 730 days. Operations started on April 15, 2020 and have been performed offshore the Brazilian coast, in the Santos Basin.

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 91 days of backlog, being the new total duration of the contract 840 days. The contract ended on July 28, 2022.

On December 29, 2021, the Company announced a new contract with Petrobras for the drillship Amaralina Star. The contract has a total duration of up to three years, being two years firm and one optional, with operations in water depths of up to 2,400m, including a package of integrated services. The operations for this campaign in the Roncador field, in the Campos Basin, have started on October 18, 2022.

c) Brava Star drillship charter and service-rendering agreements

On January 6, 2021, the Group announced that the Brava Star drillship had been awarded a contract with Petrobras. The contract was signed on December 9, 2020, and has an estimated duration of 810 days (including a clause of termination for convenience after 180 days subject to a demobilization fee, which has not been exercised). The work scope is in water depths of up to 3,048m, and includes a full integrated package of services plus Managed Pressure Drilling (“MPD”). The work is being performed offshore Brazil and operations have started on March 30, 2021. The rig is expected to operate under this contract until September, 30 2023.

On December 13, 2022, the Group announced that the Brava Star drillship had been awarded a contract with Petrobras. This new contract was signed on December 8, 2022, and the operations are expected to begin until November 2023, with an execution period of 1.095 days. The work scope is in water depths of up to 2,400m and includes several integrated services.

d) Laguna Star offshore drilling rig charter and service-rendering agreements

On July 4, 2019, the Group announced that the Laguna Star drillship had been awarded a contract with the consortiums of BM-S-11, BM-S-11A and Production Individualization Agreement (*Acordo de Individualização de Produção - AIP*) of Lula field, operated by Petrobras. The contract had a 2-year estimated duration. Operations started on October 30, 2019, and were performed offshore the Brazilian coast, at the Santos Basin. The contract ended on November 7, 2021.

On July 6, 2021, the Group announced that the Laguna Star drillship was awarded a contract with Petrobras. The contract has a 3-year estimated duration and its operation started on March 01, 2022 on the Brazilian coast, including integrated services, as well as the use of the MPD system.

e) Alpha Star offshore drilling rig charter and service-rendering agreements

On July 22, 2019, the Group announced that the Alpha Star offshore drilling rig had been awarded a new contract with Petrobras for a 2-year period. The drilling activities were performed offshore the Brazilian coast, in the Campos Basin and operations started on August 16, 2020. The contract ended on September 14, 2022.

As of December 31, 2022, the Group reversed a provision for onerous contract in the total amount of US\$1,671 (US\$1,671 as of December 31, 2021), due to the end of the aforementioned contract.

On February 9, 2022, the Group announced that the Alpha Star offshore drilling rig had been awarded a contract with Enauta initially for drilling 1 well, which had a firm term of 60 days, plus an option for 2 additional wells and 1 subsea intervention which added 150 firm days for additional scope. On February 22nd, 2022, options were exercised by Enauta and the total firm period became 210 days. The campaign is taking place at the Atlanta field and the operations have started on October 27, 2022. The rig is expected to operate under this contract until September, 2023.

On June 13, 2023 the Group announced that Alpha Star offshore drilling rig has been awarded a new contract with 3R Petroleum (“3R”). The work will be performed in Papa-Terra and Malombe fields, located in Campos and Espírito Santo basins in Brazil, respectively. The contract has a firm duration of 14 months. The scope of work includes drilling, completion and workover of wells in water depths of up to 1,600 meters, and operations will commence in the 3rd quarter of 2023, immediately after the rig is released by its current client.

f) Gold Star offshore drilling rig charter and service-rendering agreements

On July 22, 2019, the Group announced that the Gold Star offshore drilling rig had been awarded a new contract with Petrobras for a 2-year period. Operations started on February 11, 2020, and the drilling activities were performed offshore the Brazilian coast. The contract ended on March 4, 2022.

On January 5, 2022 the Group announced the achievement of a new contract for the operation of the semi-submersible rig to Petrobras. The contract has a total duration of 3-years (firm) and can be extended for additional 2-years (optional, subject to mutual agreement), providing for operations in ultra-deep waters, in up to 2,400 meters. The campaigns will be carried out in the Brazilian offshore basins and the operations have started on August 9, 2022.

g) Lone Star offshore drilling rig charter and service-rendering agreements

On July 22, 2019, the Group announced that the Lone Star offshore drilling rig had been awarded a new contract with Petrobras for a 2-year period. The drilling activities were performed offshore the Brazilian coast and having started on April 24, 2020. The contract ended on April 23, 2022.

On January 5, 2022 the company announced the achievement of a new contract for the operation of the semi-submersible rig to Petrobras. The contract has a total duration of 3-years (firm) and can be extended for additional 2-years (optional, subject to mutual agreement), providing for operations in ultra-deep waters, in up to 2,400 meters. The campaigns will be carried out in the Brazilian offshore basins and its operations have started on September 14, 2022.

h) Atlantic Star drilling rig charter and service-rendering agreements

On February 5, 2020, the Group announced that the Atlantic Star offshore anchor-moored drilling rig had been awarded a contract with Petrobras. The contract has a total duration of 3-years (firm) and can be extended for additional 2-years (optional, subject to mutual agreement). Operations are being performed in the Campos Basin, located offshore the Brazilian coast, and started on January 06, 2021.

i) Olinda Star drilling rig charter and service-rendering agreements

On February 27, 2021, the contract with ONGC was amended for an additional period of 191 days. In July, 2021 it was amended for an additional period of 38 days. Once again, on November 22, 2021 it was amended for an additional period of 39 days until December 31, 2021, due to zero rate and Force Majeure days occurred during the original contract term. This final extension is due to rig waiting for improvement of weather conditions to be demobilized to Kakinada, when rig will then be de-hired. All other terms and conditions remain unchanged.

On January 7, 2022, the Group announced that the Olinda Star was awarded a new contract with ONGC with a duration of 502 days. The Company started its operations on May 4, 2022.

j) QG-VIII onshore drilling rig charter and service-rendering agreements

On July 26, 2021, the Group announced that the onshore drilling rig QG-VIII had been awarded a contract with Azulão Geração de Energia S.A. (Eneva). On September 15, 2021, the onshore drilling rig QG-VIII started its operations for Eneva S.A for an exploratory campaign in the field of Azulão in Amazonas. The contract ended on July 15, 2022.

k) COVID-19 impacts in the Group's operations forecast and further going concern considerations

Although 2020 started with recovery signs for the offshore drilling segment, the global economy has faced an unprecedented crisis with the fast-spreading new coronavirus (COVID-19), which is negatively impacting supply chains, travels, and in particular, the financial and oil and gas markets. The Group is not immune to the effects of this global crisis and is taking all necessary precautions and measures, both in operational and administrative areas.

Actions taken by governmental authorities, non-governmental organizations, businesses and individuals around the world aiming at slowing the COVID-19 pandemic curve and associated consumer behavior have negatively influenced forecasted global economic activity, thereby resulting in lower demand for crude oil. This scenario has created a current and forecasted oversupply, precipitating the recent steep decline in oil prices and an increase in oil price volatility. As a result, the current main customer of the Group (Petrobras) has adopted during 2020 resilience measures comprising reduction of oil production, postponement of cash disbursement and cost restraint measures. These measures directly affected the Group, and after a short negotiations period, the original terms of certain contracts signed during 2019 and 2020 have been subject to changes. The main changes were: (i) delay in the start-up of Alpha Star commencement of operations to August 2020; (ii) deferral of Alpha Star and Atlantic Star first months' charter fee payment to January and February 2021; (iii) deferral of Atlantic Star mobilization payment to January 2021; and (iv) deferral of contractual penalties payments for delay in mobilizing Lone Star and Alpha Star offshore drilling units, if due, for early 2021.

In India, regarding Olinda Star contract, ONGC invoked the Force Majeure clause based on COVID-19 crisis. Force Majeure period was from May 10, 2020 to June 25, 2020. On June 24, 2020, the Group received a notice from ONGC confirming the conditions for resuming the operational activities of the Olinda Star drilling unit. The Group sent a formal acknowledgement to ONGC on June 25, 2020 and the contract was formally amended.

As a result of the items described above and its impacts in the Company's cash flow assessment for the years ended December 31, 2020 and 2021, the Company approached its financial creditors to negotiate certain terms and conditions of the Second Amended and Restated Plan Support Agreement ("PSA"), RJ Plan ("Plan Amendment") and credit agreements. The main new conditions agreed with creditors with respect to the implementation of certain obligations provided in that agreements were the following: (i) payments of cash interest due from April to December 2020 to be made out of restricted cash in connection with Amaralina, Laguna and Brava project finance agreements and (ii) the requirement to maintain certain Unrestricted Cash levels was reduced to US\$25 million in 2020, US\$60 million in 2021 and US\$75 million from 2022 onwards.

Market fundamentals point to a multi-year recovery in our segment. During last years' downturn, Exploration & Productions companies limited their investments in production, prioritizing deleveraging balance sheets and shareholder return, which resulted in reduced oil inventories. This scenario, jointly with increasing demand post pandemic and geopolitical issues, led to a substantial increase in oil prices, which have been traded above \$ 100 per barrel. Besides, over the past few years, low demand for offshore projects boosted rigs' scrapping and brought consolidation to a market with structural problems of oversupply. Going forward, Management believes that rig utilization and day rates will continue their upward progression.

On the Commercial side, we continued to develop our contract backlog, which was at US\$1.2 billion as of June 30, 2023, from US\$1.3 billion as of December 31, 2022. Note 1 discloses several events related to charter contracts and operating services for the onshore and offshore drilling rigs that corroborate the above information.

l) Liquidity and financial restructuring aspects

On December 18, 2019, the Group entered into amended and restated credit agreements as well as new credit agreements with its financial creditors and issued new senior secured and senior unsecured notes, pursuant to new indentures (the "RJ Closing").

The Group has resumed discussions with its creditors on ways to achieve a sustainable capital structure in line with its operating business in the industry's current economic environment.

In the context of such negotiations with its creditors, on July 6, 2021, the Group filed a first version of the Amendment to the RJ Plan ("Plan Amendment").

A Plan Support Agreement, a Restructuring Term-Sheet and other relevant documents were signed on March 24, 2022. On the same day, the General Creditors Meeting approved the Plan Amendment, which was confirmed by the RJ Court on March 28, 2022 and, subsequently, on May 3, 2022 the New York Court granted the full force and relief to the RJ Plan.

On June 10, 2022, the Group has 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 "Restructuring Documents").

Under the Restructuring Documents, the creditors gave a haircut over the \$1,990,128 outstanding debt, which was reinstated to \$826,000 of convertible debt, with an additional \$92,600 comprised of \$62,400 in new funds raised in cash through the restructuring and \$30,200 in non-convertible debt. See note 9a)

Additionally, a portion of the debt, owing to a group of key financial creditors, were extinguish by issuing equity instruments of the company, as follows:

<i>Amounts in USD millions</i>	Pre-restructuring	Restructured Debt	
	Outstanding Debt	Convertible Debt	Non-convertible Debt
Total	1,990.1	826.0	92.6

As per the Closing, the debt was converted into the Company's equity interests as follows:

Type of share	Number of shares	Nomination rights
Class A shares	180,000,000	Have no rights to appoint Board members until the shares are sold to an Acceptable Buyer. Right to appoint a Board Observer
Class B shares	313,333,333	Majority of B Shares (B-1 + B-2) have right to appoint members of the Board
Class B-2 Warrants	173,333,333	Majority of B Shares (B-1 + B-2) have right to appoint members of the Board

The Restructuring Documents also provide that upon a future liquidity event, consisting of a sale of a majority of the Company's equity interest (or other similar transactions such as merger, consolidation, sale of all or substantially all assets and other business combination in which there is an acquisition of more than 50% of the voting stock, as described in the Restructuring Documents), the convertible debt will be converted into shares of the Company, and the receivable from this liquidity event will be distributed according to the new equity distribution.

The debt in exchange for the Company's own equity instruments on June 10, 2022 has resulted in a gain of US\$ 513,226 for the group recognized in the 2nd quarter of 2022. Based on a valuation of the equity interests transferred of US\$ 603,084 (gross of US\$ 1,733 originated by the advance of future capital increase), and an extinguished debt of US\$ 1,116,311. See note 9a).

The breakdown of the share premium amounting to US\$ 603,084 is as follows:

- (a) B1-shares: US\$ 388,287.
- (b) B2-shares: US\$ 214,797.

On September 2, 2022, the 1st Business Court of the State of Rio de Janeiro determined the termination of the Judicial Reorganization process of Serviços de Petróleo Constellation S.A. and other companies of the Constellation Group, considering that all the obligations of the Judicial Reorganization Plan have been complied with.

The Rio de Janeiro Court of Appeals has ruled that Olinda Star Ltd. (Olinda) should be removed from the Judicial Reorganization and therefore on July 18, 2022 Olinda filed with the BVI Courts to restructure its debts pursuant to a scheme of arrangement. The scheme of arrangement was approved at a creditor's meeting on September 13, 2022 and sanctioned by the BVI Court on October 19, 2022. The scheme of arrangement has since been filed at the BVI Registry of Corporate Affairs and is now effective, resulting in Olinda's adherence to the new indenture.

m) Commitments

As of June 30, 2023, the Group had the following commitments which it is contractually obligated to fulfill:

- The Group, through its subsidiary Serviços de Petróleo Constellation S.A., has committed to comply with certain governance and compliance policies including keeping and maintaining a robust integrity program. Failure to comply with these commitments may ultimately result in fines limited to a maximum of 20% of the monthly revenue of each services contract with Petrobras.
- The Group, in its service contracts, has commercial, operational, safety and environmental commitments. Non-compliance with these commitments may result in fines levied at the total estimated value of each contract. Non-compliance or irregular compliance with part of the contractual object may result in a compensatory fine of 20% of the daily rate.

Until the date of the issuance of this interim financial information of the Group complies with its covenants.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information have been prepared in accordance with International Accounting Standards 34 Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”), on a basis consistent with the significant accounting policies and critical accounting estimates disclose in Notes 3 and 4, respectively, to the annual consolidated financial statements as of December 31, 2022 and for the year then ended.

IAS 34 requires the use of certain accounting estimates by the Company’s Management. The unaudited condensed consolidated interim financial information were prepared based on historical cost, except for certain financial assets and liabilities that are measured at fair value (Note 18.a).

The unaudited condensed consolidated interim financial information do not include all the information and disclosure items required in the annual consolidated financial statements. Therefore, they must be read together with the Company’s annual consolidated financial statements related to the year ended December 31, 2022, which were prepared according to accounting policies, as described above. There were no changes in the accounting policies and critical accounting estimates adopted on June 30, 2023 compared to December 31, 2022.

The unaudited condensed consolidated interim financial information incorporates the Company and its subsidiaries. There were no changes in the consolidated entities and investments disclosed in Note 5 to the annual consolidated financial statements as of December 31, 2022 and for the year then ended.

Continuity as a going concern

The Group's unaudited condensed consolidated interim financial information were prepared on the going concern basis of accounting. Management assessed the Company's ability to continue as a going concern in light of the assumptions disclosed in Note 1k.

2.1. Change in accounting policy

During 2022, the Group reassessed its accounting policy for rig inventory components and in order to align with the accounting policies of peers in the industry. As a consequence of those activities, the previous policy has been changed to no longer recognized such items as inventories. In accordance with the new policy, items that are considered as (i) "spare parts" were classified as Property, Plant and Equipment and (ii) "consumables" were expensed when purchased, unless if it is acquired to fulfill a specific agreement and is considered significant in an aggregate basis (which are classified as Property Plant and Equipment as well and are depreciated over the duration of the agreement).

The impact of this accounting policy change affected prior years and can be summarized as follows:

a) Consolidated statement of operations

	Six-month period ended June 30, 2022		
	As issued	Adjustment	As restated
Net Operating Revenue	179,350	-	179,350
Cost of Services	(215,093)	(785)	(215,878)
General and administrative expenses	(36,301)	-	(36,301)
Other income/expenses	513,344	-	513,344
Financial expenses, net	(61,897)	-	(61,897)
Taxes	2,816	-	2,816
Loss for the period	382,219	(785)	381,434

b) Consolidated statements of changes in shareholder's equity

	June 30, 2022		
	As Issued	Adjustment	As Restated
Share capital	4,933	-	4,933
Advance for future capital increase	1,733	-	1,733
Share premium	1,567,897	-	1,567,897
Reserves	(142,645)	23	(142,622)
Accumulated losses	(168,780)	(171,416)	(340,196)
Total shareholder's equity	1,263,138	(171,393)	1,091,745

c) Consolidated statement of cash flows

	Six-month period ended June 30, 2022		
	As issued	Adjustment	As restated
Loss for the period	382,219	(785)	381,434
Net cash used in operating activities*	(403,755)	5,090	(398,665)
Net cash used in investing activities	(29,705)	(4,305)	(34,010)
Net cash provided by investing activities	45,930	-	45,930
Decrease in cash and cash equivalents	(5,311)	-	(5,311)
Cash and cash equivalents and the end of the period	73,427	-	73,427

*Operating activities exclude profit/(loss) before tax.

2.2. New and amended IFRS that are mandatorily effective for the current year

During 2022 year, the Group applied a number of new and amended IFRS Standards issued by the International Accounting Standards Board (IASB), which are mandatorily effective for an accounting period that begins on or after January 1, 2022. The following amendments have been applied by the Group, but had no significant impact on its consolidated financial statements:

Standard or interpretation	Description	Effective date
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	January 1, 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.	January 1, 2022
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 1, 2022
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract)	January 1, 2022
Annual Improvements to IFRS Standards 2018–2020	Makes amendments to the following standards: IFRS 1, IFRS 9, IFRS 16, IAS 41	January 1, 2022

2.3. New and revised IFRS in issue but not yet effective

At the date of approval of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New or revised standards and interpretations

Standard or interpretation	Description	Effective date
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.	The effective date of the amendments has yet to be set by the IASB
Amendments to IAS 12 <i>Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease. Following the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.	January 1, 2023
Amendments to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2 <i>Making Materiality Judgements</i>	Disclosure of Accounting Policies	January 1, 2023
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	January 1, 2023

The Group's Management has conducted an analysis of the impacts arising from the adoption of these new or revised and amended IFRS on its consolidated interim financial information. Based on the analysis carried out, the Group's Management has concluded that the adoption of these new or revised and amended IFRS will not significantly impact its consolidated interim financial information and/or annual financial statements.

3. CASH AND CASH EQUIVALENTS

	June 30, 2023	December 31, 2022
Cash and bank deposits	29,970	20,515
Time deposits (*)	47,062	38,964
Total	<u>77,032</u>	<u>59,479</u>

(*) Time deposits are comprised as follows:

Financial institution	Currency	Average interest rate (per annum)	June 30, 2023	December 31, 2022
Itaú BBA Nassau	U.S. dollar	0.15%	24,082	24,668
Citibank	U.S. dollar	SOFR - 0.15% bps	1,623	124
Banco Bradesco S.A.	Brazilian real	20% of CDI ⁽ⁱ⁾	1,787	6,771
Banco do Brasil S.A.	Brazilian real	94.46% of CDI ⁽ⁱ⁾	19,570	7,401
Total			<u>47,062</u>	<u>38,964</u>

(i) Brazilian Interbank Deposit Certificate (Certificado de Depósito Interbancário - CDI), average remuneration during the Six-month period ended June 30, 2023 and December 31, 2022 was 13.65 %p.a. and 12.45% p.a. respectively.

4. SHORT-TERM INVESTMENTS

Financial institution	Type	Currency	Average interest rate (per annum)	June 30 2023	December 31, 2022
Banco Lafise Panamá	Time deposits ⁽ⁱ⁾	U.S. dollar	2.75%	45	52
Total				<u>45</u>	<u>52</u>

(i) These investments have original maturities of more than three months, or with no fixed time for redemption.

5. RESTRICTED CASH

As part of the restructuring, the Company issued certain warrants and entered into a warrant exercise agreement, pursuant to which an amount equal to US\$1,733 is held in an account of the Company for the benefit of the warrant holders. Such amount may only be released by the warrant holder for payment of the exercise price of the warrants.

As part of the restructuring, the balances in the debt service reserve accounts were used to repay ALB loans. The Company made payments of principal for Amaralina Star and Brava Star financing in amount of US\$17,618 as of June 30, 2022 (Note 9.a).

The amounts in these accounts are comprised by time and bank deposits, as follows:

Financial institution	Type	Average interest rate (per annum)	June 30 2023	December 31, 2022
Signature Bank ⁽ⁱ⁾	Bank deposits	-	1,733	1,733
Total			<u>1,733</u>	<u>1,733</u>

(i) On March 12, 2023, Signature Bank was the subject of an intervention by the New York State Department of Financial Services, which appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. In that connection, the FDIC transferred all the deposits and substantially all of the assets of Signature Bank to Signature Bridge Bank, N.A. This means that all deposits, regardless of dollar amount, were transferred to Signature Bridge Bank, N.A. and the total balance in the accounts will be available for transactions. All obligations of the bridge banks are backed by the FDIC and the full faith and credit of the U.S. government. This event does not affect our financial position, results of operations, or cash flows for the current reporting period. On March 20, 2023 FDIC announced that has entered into a purchase and assumption agreement for substantially all deposits and certain loan portfolios of Signature Bridge Bank, National Association, by Flagstar Bank, National Association, Hicksville, New York, a wholly owned subsidiary of New York Community Bancorp, Inc., Westbury, New York.

6. TRADE AND OTHER RECEIVABLES

Trade receivables are related to receivables for charter and service-rendering agreements relating to the drilling units used in the oil and gas exploration in Brazil and India. Historically, there have been no defaults on receivables or delays in collections. The average collection period is of approximately 61 days (68 days on December 31, 2022). This increase in the average collection is mainly due to the longer terms of receipt established in new contracts. Details of financial risk management related to credit risk are disclosed in Note 18.b.

As of the year ended on December 31, 2022, the Group decided to recognize a provision for loss of receivables in the amount of US\$ 442 related to deductions imposed to Olinda Star due to activities occurred during 2020. No provision for loss recognized for the period of six-month ended June 30, 2023.

7. RELATED PARTY TRANSACTIONS

Balances as of June 30, 2023 and December 31, 2022 (and for the periods of six-month ended June 30, 2023 and 2022), there are no balances and transactions between the Company and its subsidiaries, that are part of the Group, as the transactions have been eliminated for consolidation purposes and are not disclosed on this note.

Key management personnel (i) remuneration for the six-month period ended June 30, 2023 and June 30 2022, is as follows:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2023	2022	2023	2022
Short-term benefits ⁽ⁱⁱ⁾	1,830	3,416	3,301	4,139

(i) Key management is defined as the statutory officers and directors of the Group.

(ii) Short-term benefits mainly refers to salaries, social security contributions, annual leave and profit sharing (payable within twelve months from the year-end date).

Severance Plan

The Group's Employment Contracts (the "Contract") with some of its Executive members provides that if the contract is terminated at the Group's initiative, the member will be entitled to an Exit Fee. A minimum monthly base salary is guaranteed as an Exit Fee, which will only be applied if the Contract is terminated by the Group's initiative to 12 months from the date of an eventual change of control of the Group. The guaranteed minimum monthly base salary will not be applied after 12 months from the change of control of the Group. In this case, the member will be entitled to an exit fee corresponding to a monthly base salary, multiplied for each year of employment by the Group.

8. PROPERTY, PLANT AND EQUIPMENT

Cost	Drillships						Offshore drilling rigs						Onshore drilling rigs,	
	Drillships						Offshore drilling rigs						Onshore drilling rigs,	
	Brava Star	Amaralina Star	Laguna Star	Atlantic Star	Alpha Star	Gold Star	Lone Star	Olinda Star	equipment and bases ^(b)	Corporate	Total	equipment and bases ^(b)	Corporate	Total
Balance as of December 31, 2021	728,687	724,725	719,555	376,780	772,885	605,239	740,160	585,632	120,803	19,912	5,394,378	120,803	19,912	5,394,378
Additions	2,214	31,677	33,204	1,405	2,057	23,363	25,379	2,762	905	3	122,969	905	3	122,969
Disposals / write off	-	-	(380)	(39)	-	(176)	(112)	-	(1,805)	-	(2,512)	(1,805)	-	(2,512)
Currency translation adjustments	=	=	=	=	=	=	=	=	3,150	485	3,635	3,150	485	3,635
Balance as of December 31, 2022	730,901	756,402	752,379	378,146	774,942	628,426	765,427	588,394	123,053	20,400	5,518,470	123,053	20,400	5,518,470
Additions	7,475	6,601	2,631	1,022	2,477	4,748	3,226	356	24,722	82	53,340	24,722	82	53,340
Disposals / write off	(28)	(140)	-	-	(88)	-	-	-	(1)	-	(257)	(1)	-	(257)
Transfers	-	-	-	-	-	-	-	-	(24,653)	-	(24,653)	(24,653)	-	(24,653)
Currency translation adjustments	=	=	=	=	=	=	=	=	3,527	3,520	7,047	3,527	3,520	7,047
-Balance as of June 30, 2023	738,348	762,863	755,010	379,158	777,331	633,174	768,653	588,750	126,648	24,002	5,553,947	126,648	24,002	5,553,947
Accumulated depreciation and impairment														
Balance as of December 31, 2021	(327,181)	(437,048)	(415,790)	(229,902)	(474,142)	(378,003)	(515,239)	(566,790)	(98,219)	(18,503)	(3,460,817)	(98,219)	(18,503)	(3,460,817)
Depreciation	(23,198)	(25,653)	(26,063)	(19,486)	(18,089)	(15,540)	(15,723)	(1,595)	(3,479)	(116)	(148,942)	(3,479)	(116)	(148,942)
Impairment	77,499	121,169	130,427	(5,223)	68,491	67,316	102,006	(929)	-	-	560,756	-	-	560,756
Disposals / write off	-	-	184	17	-	93	78	-	994	-	1,366	994	-	1,366
Currency translation adjustments	=	=	=	=	=	=	=	=	(140)	(397)	(537)	(140)	(397)	(537)
Balance as of December 31, 2022	(272,880)	(341,532)	(311,242)	(254,594)	(423,740)	(326,134)	(428,878)	(569,314)	(100,844)	(19,016)	(3,048,174)	(100,844)	(19,016)	(3,048,174)
Depreciation	(14,060)	(14,026)	(21,263)	(6,559)	(10,292)	(11,073)	(11,140)	(812)	(631)	(1,029)	(90,885)	(631)	(1,029)	(90,885)
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals / write off	14	106	-	-	45	-	-	-	(4,057)	-	165	(4,057)	-	165
Currency translation adjustments	=	=	=	=	=	=	=	=	(105,532)	(22,628)	(6,640)	(105,532)	(22,628)	(6,640)
Balance as of June 30, 2023	(286,926)	(355,452)	(332,505)	(261,153)	(433,987)	(337,207)	(440,018)	(570,126)	(105,532)	(22,628)	(3,145,534)	(105,532)	(22,628)	(3,145,534)
Property, plant and equipment, net ^(a)														
December 31, 2022	458,021	414,870	441,137	123,552	351,202	302,292	336,549	19,080	22,209	1,384	2,470,296	22,209	1,384	2,470,296
June 30, 2023	451,422	407,411	422,505	118,015	343,344	295,967	328,635	18,624	21,115	1,375	2,408,413	21,115	1,375	2,408,413
Useful life range (years)	1 - 35	1 - 35	1 - 35	1 - 35	1 - 35	1 - 35	1 - 35	1 - 35	1 - 25	1 - 25	1 - 25	1 - 25	1 - 25	1 - 25

(a) The Group's assets that are pledged as security for financing agreements are disclosed in Note 9.

(b) As of June 30, 2023 the amounts of US\$18,866 (US\$18,593 as of December 31, 2022) refers to the onshore drilling rigs.

Impairment

During the years ended December 31, 2022 and 2021, the Group identified indicators that part of the impairment loss recognized in prior periods of its offshore asset groups may have decreased. Such indicators included recovery in commodity prices and projected day rates. No impairment indicators was identified by management as of June 30, 2023 that would require a new test for the period of three months then ended.

(a) Onshore drilling rigs

The Group estimated the recoverable amount of its onshore drilling rigs based on the revaluated historical cost. In calculating the recoverable amount of these drilling units as of December 31, 2022 and December 31, 2021 no impairment was recognized.

(b) Offshore drilling rigs and drillships

The Group estimated the recoverable amount of each one of its offshore drilling rigs and drillships based on a value in use calculation, which uses a discounted projected net cash flow analysis over the remaining economic useful life of each drilling unit, considering a 12.05% discount rate for all rigs except Atlantic and Olinda that considers 11.83% (10.92% for all rigs except Atlantic and Olinda that considers 10.90% in 2021). The rates reflect 10 and 20 years T.Bonds respectively according to the rig's lifespan. Our estimates required us to use significant unobservable inputs including assumptions related to the future performance of our contract drilling services, such as projected demand for our services, rig efficiency and day rates. As of December 31, 2022, the Group reversed an impairment in amount of US\$560,756 (US\$ 180,120 – as restated for December 31, 2021) in all offshore drilling rigs and drillships.

During 2022, the Company has assessed its accounting policy for rig inventory components, considering the current strategic plans from the new management and carried out comparisons with its peers in the industry. As a consequence of those activities, the previous policy has been changed to treat such items no longer as inventories. In accordance with the new policy, items that are considered as (i) “spare parts” will be classified as Property, Plant and Equipment and (ii) “consumables” will be expensed when consumed, unless if it is acquired to fulfill a specific agreement and is considered significant in an aggregate basis (which will be classified as Property Plant and Equipment as well and will be depreciated over the duration of the agreement - Note 2.1).

9. LOANS AND FINANCING

Financial institution/ Creditor	Funding type	Description	Objective	Beginning period	Maturity	Contractual interest rate (per annum)	Effective interest rate (per annum)	Currency	June 30 2023	December 31, 2022
Bondholders	Senior Secured Notes ("Priority Lien Notes")	Corporate Bond	Debt Restructuring	Jun/2022	Jun/2025	13.50%	13.50%	U.S, dollar	62,400	62,400
Bondholders	Senior Secured Notes ("First Lien Notes") ⁽¹⁾⁽⁷⁾	Corporate Bond	Debt Restructuring	Jun/2022	Dec/2026	3.00% (cash) or 4.00% (PIK)	3.00% (cash) or 4.00% (PIK)	U.S, dollar	289,509	284,518
Bondholders	Senior Secured Notes ("Second Lien Notes") ⁽²⁾	Bond	Restructuring	Jun/2022	Dec/2050	0.25%	0.25%	U.S, dollar	1,893	1,892
Bondholders	Senior Unsecured Notes ("2050 Notes") ⁽³⁾	Corporate Bond	Debt Restructuring	Jun/2022	Dec/2050	0.25%	0.25%	U.S, dollar	3,120	3,116
							Subtotal – fixed interest rate loans		356,922	351,926
Banco Bradesco S.A.	Loan ("Bradesco Debt") ⁽⁴⁾⁽⁷⁾	Working Capital	Debt restructuring	Jun/2022	Dec/2026	SOFR + 2.00% (cash) or 3.00% (PIK)	SOFR + 2.00% (cash) or 3.00% (PIK)	U.S, dollar	45,642	44,017
							Subtotal – variable interest rate loans		45,642	44,017
Certain Lenders	Financing ("Restructured ALB Debt") ⁽⁵⁾⁽⁷⁾	ALB	Debt restructuring	Jun/2022	Dec/2026	SOFR + 2.00% (cash) or 3.00% (PIK)	SOFR + 2.00% (cash) or 3.00% (PIK)	U.S, dollar	536,438	516,049
Certain Lenders	Financing ("ALB L/C Debt") ⁽⁶⁾	ALB L/C Debt	Debt restructuring	Jun/2022	Dec/2026	SOFR + 3.00%	SOFR + 3.00%	U.S, dollar	30,200	30,200
							Subtotal – variable interest rate financings		566,638	546,249
							Total		969,202	942,192
							Current		14,976	4,992
							Non-current		954,226	937,200

(1) Excess cash sweep obligation, prepayment option without penalty and conversion obligatory to variable number of C-2 shares of the Company in case of a Liquidity Event.

(2) Prepayment option without penalty and conversion obligatory to variable number of C-4 shares of the Company in case of a Liquidity Event.

(3) Prepayment option without penalty and conversion obligatory to variable number of C-4 shares of the Company in case of a Liquidity Event.

(4) Excess cash sweep obligation, prepayment option without penalty and conversion obligatory to variable number of C-3 shares of the Company in case of a Liquidity Event.

(5) Excess cash sweep obligation, prepayment option without penalty and conversion obligatory to variable number of C-1 shares of the Company in case of a Liquidity Event.

(6) Prepayment option without penalty.

(7) Excess cash sweep obligation means the repayment of the debt which ALB Lenders, Bradesco and the holders of the First Lien Notes are entitled to in case the adjusted unrestricted cash is higher than USD 100mm as of the end of each quarter on or after June 30, 2023.

a) Changes in loans and financing

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Balance as of January 1	942,192	1,933,943
Additions	-	62,400
Principal repayment	(839)	(17,618)
Interest payment	(5,394)	(5,687)
Total payments	<u>(6,233)</u>	<u>(23,305)</u>
Interest charged through profit and loss	33,243	85,465
Financial expenses on loans and financing (Note 16)	<u>33,243</u>	<u>86,465</u>
Debt restructuring	-	(1,116,311)
Balance as of June 30	<u><u>969,202</u></u>	<u><u>942,192</u></u>

Working capital

On June 10, 2022, the Group: amended and restated its working capital loan agreements with Bradesco to reflect the terms agreed to in the debt restructuring plan, with a final maturity date on December 31, 2026.

Notes

Priority Lien Notes – The Company issued new Senior Secured Notes bearing interest at 13.50% p.a. (the “Priority Lien Notes”), in an aggregate principal amount of payable quarterly in cash, aggregate principal amount of US\$62,400. Interest on the Priority Lien Notes is payable in cash on a quarterly basis. The Priority Lien Notes mature on June 30, 2025. The New Priority Lien Notes Indenture (2022) includes a prepayment option at premium as well as a mandatory redemption at the liquidity event with the same conditions of the optional prepayment. If exercised, the prepayment cost will be based on a interest rate at: (i) 113.5% after December 31, 2023 and until June 30, 2024; (ii) 106.75% after June 30, 2024 and until and including December 31, 2024; and (iii) thereafter 103.375%.

First Lien Notes – The Company issued Senior Secured Notes bearing interest at either 3.00% p.a. (if the Company elects to pay the interest in cash) or 4.00% p.a. (if the Company elects to capitalize the interest), in an aggregate principal amount of US\$278,300. The First Lien Notes mature on December 31, 2026.

Second Lien Notes – The Company issued Senior Secured Notes bearing interest at 0.25% p.a. (the “Second Lien Notes”), payable quarterly as capitalized interest, in an aggregate principal amount of US\$1,889. The Second Lien Notes mature on December 31, 2050.

2050 Notes – The Company issued Senior Unsecured Notes bearing interest at 0.25% p.a. (the “2050 Notes”), payable quarterly as capitalized interest, in an aggregate principal amount of US\$3,112. The 2050 Notes mature on December 31, 2050.

b) Loans and financing long term amortization schedule

For the Six-month period ended June 30	Net amount	PIK (*)	Gross amount
2024	23,712	15,316	39,028
2025	23,712	3,724	27,436
2026	901,789	241,640	1,143,429
After 2027	5,013	356	5,369
Total	954,226	261,036	1,215,262

(*) Interest capitalized that will be repaid upon maturity of the loans and financing.

c) Covenants

Financial covenants

The loans and certain of the Notes contain a financial covenant (pursuant to which the Company must maintain a minimum liquidity of US\$25 million as of the end of each quarter until March 2023 and from then on US\$35 million) and is secured by collateral provided to the creditors. As per the financing documentation, liquidity means unrestricted cash plus any undrawn, fully committed revolver availability. Non-compliance with such financial covenants could limit the ability of the Company to make certain payments to related parties and/or lead to an event of default. The Company is currently in compliance with its financial covenants.

d) Guarantees and Collateral

Each of the Priority Lien Notes, First Lien Notes, Second Lien Notes, Bradesco Debt and Restructured ALB Debt benefiting from a customary security package that includes, guarantees such as assignment of the charter receivables (to the extent third-party consent for such assignment is obtained), mortgages over the drilling rigs and drillships, pledges over the shares of the drilling rigs and drillships owners, charges over the relevant bank accounts held at the facility agents, including accounts into which the amounts payable under charter and service-rendering agreements are required to be paid and assignment of the relevant insurances, corporate guarantees. The Priority Lien Notes also benefit from assets that cross-collateralize the ALB Debt and assets that cross-collateralize the First Lien Notes, the Second Lien Notes and the Bradesco Debt.

In addition, the terms of some of these debt financing instruments restricts the ability of the Company and its subsidiaries to pay dividends, incur additional debt, grant additional liens, sell or dispose assets and enter into certain acquisitions, mergers and consolidations, except as already established in such debt financing instruments.

10. PROVISIONS

In the normal course of its business activities, the Group engages in agreements with third parties that convey contractual obligations. The Group recognizes provisions for contractual fines (delay in beginning of operations) that are more likely than not to be payable with respect to certain of its agreements, for which the Group's Management does not expect the payable amount to materially differ from the estimated amount.

	June 30, 2023	December 31, 2022
Balance as of January 1	795	745
(Reversal of) Penalty for delay (Alpha Star, Gold Star, Lone Star and Amaralina Star)	-	-
Foreign exchange rate variations	64	50
Balance as of March 31	<u>859</u>	<u>795</u>

11. CONTINGENCIES AND PROVISIONS FOR LAWSUITS

a) Liabilities assessed as probable losses

During the normal course of its business activities, the Group is exposed to labor, civil and tax claims. Regarding each claim or exposure, Management has assessed the probability that the matter resolution would ultimately result in a financial loss for the Group. As of June 30, 2023, provisions to cover probable losses included in "other non-current liabilities" are mainly related to labor (hardship and retirement) and civil claims.

Changes in loss provision for labor and civil claims are as follows:

	June 30 2023	December 31, 2022
Balance as of January 1	2,797	1,540
Additions	2,045	1,992
Reversals	(872)	(830)
Foreign exchange rate variations	293	95
Total	<u>4,263</u>	<u>2,797</u>

b) Contingent liabilities assessed as possible losses

Based on the Group's in-house legal counsel and external legal advisors' opinions, these claims are not accrued in the consolidated financial information and consist of labor lawsuits (mainly comprised by compensation due to work related accidents, overtime and occupational diseases) in the amount of US\$21,033 as of June 30, 2023 (US\$18,979 as of December 31, 2022), tax lawsuits in the amount of US\$45,759 as of June 30, 2023 (US\$35,225 as of December 31, 2022) and civil lawsuits in the amount of US\$597 as of June 30, 2023 (US\$644 as of December 31, 2022).

The main tax lawsuits assessed as possible losses are as follows:

- i. On September 15, 2010, Serviços de Petróleo received a Notice of Violation issued by the tax authorities due to the nonpayment of Services Tax (“*Imposto sobre Serviços de Qualquer Natureza - ISS*”) in the city of Rio de Janeiro. Serviços de Petróleo argues, on appeal, that the operations were carried out in other municipalities and the taxes were collected under their tax jurisdictions (ISS due to the site of the service provider). As of June 30, 2023, the estimated amount involved is US\$9,317 (US\$7,233 as of December 31, 2022).

On January 22, 2015, Serviços de Petróleo received a Notice of Violation issued by the Brazilian Internal Revenue Service (*Receita Federal do Brasil - RFB*) related to Social Integration Program (“*Programa de Integração Social - PIS*”) and Social Investment Program (“*Contribuição para o Financiamento da Seguridade Social - COFINS*”) collected in the years 2010 and 2011. The RFB initiated a Tax Administrative Process, whereby it requires Serviços de Petróleo to make tax payments, due to the fact that the RFB considered that Serviços de Petróleo made use of improper tax credits aiming to reduce its PIS and COFINS obligations. On February 23, 2015, Serviços de Petróleo argued, on appeal, in order to contest RFB’s tax assessment. As of June 30, 2023, the estimated amount involved is US\$21,458 (US\$19,157 as of December 31, 2022).

On December 18, 2020, Serviços de Petróleo received a Notice of Violation issued by the Brazilian Internal Revenue Service (Receita Federal do Brasil - RFB) related to Social Integration Program (“Programa de Integração Social - PIS”) and Social Investment Program (“Contribuição para o Financiamento da Seguridade Social - COFINS”) collected in the year 2016. The RFB initiated a Tax Administrative Process, whereby it requires Serviços de Petróleo to make tax payments, due to the fact that the RFB considered that Serviços de Petróleo made use of improper tax credits aiming to reduce its PIS and COFINS obligations. On January 19, 2021, Serviços de Petróleo argued, on appeal, in order to contest RFB’s tax assessment. As of June 30, 2023 the estimated amount involved is US\$4,169 (US\$3,850 as of December 31, 2022).

- ii. In November 2018, Transocean Offshore Deepwater Drilling Inc. and Transocean Brasil Ltda. (hereinafter together referred to as “Transocean”) filed a claim against Serviços de Petróleo and Brava, accusing both entities of infringing its dual-activity drilling technology patent. On November 19, 2018, all preliminary injunctions requested by Transocean were rejected by the Third Business Court of Rio de Janeiro. Transocean appealed solely to carry on an inspection on Brava Star drillship limited to the examination of some pre-determined items related to the dual-activity drilling technology patent and the injunction was granted in this regard. The inspection occurred on January 18, 2019, and on March 20, 2019, the Appellate Court issued its final decision on Transocean’s appeal, confirming the injunction previously granted. On April 1, 2019, a mediation and conciliation hearing occurred, but the parties did not reach an agreement. On March 25, 2019, Serviços de Petróleo and Brava filed their responses to Transocean claims, and on October 14, 2019, Transocean filed its rejoinder. On June 4, 2020, Constellation filed a motion requesting the suspension of the process until a judgment is reached in the nullity action proposed by Constellation against Transocean’s patent. The Judge has granted such suspension on September 11, 2020. Transocean filed an appeal against the decision that granted the suspension, which has been dismissed by the Appellate Court on December 09, 2020. On September 20, 2021 Transocean requested that the suspension of the process be lifted, as one year had passed. On September 28, 2021 Constellation replied Transocean’s request.

On July 27, 2022 the Third Business Court issued a decision maintaining the suspension of the process until a judgment is reached in the nullity action proposed by Constellation against Transocean's patent. On December 12, 2022, Transocean requested again that the suspension of the process be lifted and also, based on the initial expert report in the nullity action, the granting of an injunction to compel Constellation to retain and deposit 5% of the profits arising from Brava Star's operation into the Court's escrow account. Constellation spontaneously filed its response on February 1st, after Court Holidays. On April 5, 2023, once again, the Third Business Court of Rio de Janeiro rejected Transocean's requests maintaining the suspension of the process. Transocean appealed against this decision. On June 6, 2023 Constellation filed its response before the Appellate Court. The Appellate Court has not yet ruled Transocean's appeal.

In January 2020, Transocean filed a compensation claim against Serviços de Petróleo and Brava regarding the patent infringement alleged in its 2018 claim. Serviços de Petróleo and Brava Star responses were filed on March 1, 2021. On July 27, 2022 the Third Business Court issued a decision maintaining the suspension of the process until a judgment is reached in the nullity action proposed by Constellation against Transocean's patent.

As of the date of issuance of these consolidated financial statements, the Group's Management cannot reliably estimate the amount involved, and their external legal advisor classifies the chances of winning such claim as possible.

c) Tax, labor and social security matters

The Group enters into transactions and operations that may be interpreted by third parties subjectively and/or contrary to its position. Nevertheless, the Group's actions are supported by its in-house legal counsel and external legal advisors' opinion.

d) Other matters

Petrobras withholding taxes

In July 2014, the Group received letters from Petrobras informing that the RFB issued Notices of Violation against Petrobras regarding the absence of withholding income taxes collection from charter agreements remittances in 2008 and 2009, related to the Atlantic Star and Alaskan Star offshore drilling rigs. Petrobras indicated that is currently contesting such Notices of Violation, but if the losses on ongoing appeals are confirmed, Petrobras will seek recoverability of such losses from its contractors, including the Group, plus any penalties, interest and fees that would be required to settle the debt with the RFB. Petrobras has informed that the amount involved related to the work performed by the Group amounts to R\$152 million (US\$68 million translated at historical rates as of June 30, 2014), excluding penalties, interest and fees. The Group has contested Petrobras' allegations in a response letter stating that Petrobras "has no legal or commercial grounds to seek recoverability of such losses from the Group" and that "will not accept any withholding or deduction of the amounts to be received under the charter agreements". Should Petrobras fail on its appeals and, consequently, the Group receives any future charges aiming at the reimbursement of Petrobras' losses, the Group will contest such charges.

12. SHAREHOLDERS' EQUITY

As disclosed on note 1 l), on June 10, 2022, the Group entered into Amended and Restated Credit Agreements with ALBs Creditors and Bradesco, as well as New 2026 First Lien Notes, New 2050 Second Lien Notes, New Unsecured Notes and New Priority Lien Notes, pursuant to new indentures, and held General Shareholders Meeting to approve the conversion of part of the debt held by such creditors into the share capital of the Company, with the dilution of original shareholders (the "Restructuring Documents"). Under the Restructuring Documents, the creditors have given a haircut over the US\$1,990,128 outstanding debt, which was reinstated to \$826,000 of convertible debt, with an additional \$92,600 comprised of \$62,400 in new funds raised through the restructuring and \$30,200 in non-convertible debt.

Additionally, a portion of the debt, owing to a group of key financial creditors, were converted into the Company's equity interest, as follows:

<i>Amounts in USD thousands</i>	Pre-restructuring	Restructured Debt		
	Outstanding Debt	Convertible Debt	Non-convertible Debt	Equity % (*)
ALB Lenders	811,788	500,000	30,200	26%
Former 2024 Participating Notes	823,427	278,300	-	47%
Bradesco	167,071	42,700	-	-
Former 2024 Fourth Lien Notes	72,781	1,888	-	-
Former 2030 Unsecured Notes	115,061	3,112	-	-
New Money	-	-	62,400 ^[1]	-
Incumbent Shareholders ("Legacy shareholders")	-	-	-	27%
Total	1,990,128	826,000	92,600	100%

The debt to equity conversion resulted in a new shareholder composition, as indicated in the table above. The ALB lenders' group consist of international banks that participated in the second amended and restated senior syndicated credit facility agreements dated December 18, 2019 (as amended, restated, supplemented or otherwise modified from time to time), by and among Amaralina Star and Laguna Star as borrowers and by and among Brava Star as borrower. Part of ALB Lenders' 26% equity stake were issued through warrants, which, prior to its exercise, will not represent Company's shares. Therefore, until such warrants are exercised, the Company's shareholders shall be strictly the Incumbent Shareholders and holders of former 2024 Participating Notes. The new shareholding composition resulted in a new Board of Directors, effective on the restructuring Closing Date. The Restructuring Documents also foresee a future liquidity event, consisting of a sale of a majority of the Company's equity interest (or other similar transactions described in the restructuring documents).

^[1] Includes backstop fee of \$2.4M

In this event, the Convertible Debt will be converted into equity, and the proceeds from this liquidity event will be distributed according to the new equity distribution.

The proceeds in a Liquidity Event must be distributed in accordance with the Payment Waterfall, which is as follows:

- a. the repayment of the New Money
- b. Any Priority Capex Debt (*);
- c. ALB Lenders Letter of Credit (Non-convertible debt);
- d. All convertible debt (which will be converted into C-1, C-2, C-3 and C-4 shares);
- e. D Shares, which will be entitled to 12% of what exceeds USD 1,350,000 of enterprise value at the liquidity event

The remaining net proceeds will then be paid to the shareholders (A, B-1, and B-2 shares).

The amount of all convertible debt (ALB, 1L Notes, Bradesco, 2L and Unsecured) to be used is the lesser between: (i) the outstanding amount of all convertible debt and (ii) 87% of the Net Proceeds.

When compared to the extinguished debt, as detailed in note 1 this transaction resulted in a total gain for Constellation of US\$ 513.2 million. This transaction also resulted in an increase of US\$ 1,577,618 of share premium, which is the difference between the total equity increase of the restructuring, the share capital reduction and the warrants.

(*) Indebtedness of the Company incurred to make capital expenditures (including any maintenance, upgrade or overhaul, but excluding any acquisition of drilling rigs) on the rigs and not to exceed USD 30,000 in the aggregate.

a) Share capital

On June 10, 2022 there was a decrease on the share capital of the Company by the amount of USD 981,200 represented by 2,852,293,996 class A shares in registered form without nominal value and 36,933,368 class B shares in registered form without nominal value to 0 by cancellation of all classes A and B existing shares. This amount was transferred to share premium. On the same date there was a capital increase, from share premium, in the amount of USD 4,933 by the issuance of 180,000,000 new classes A share each with a nominal value of one cent (USD 0.01) and 313,333,333 new class B-1 shares, each with a nominal value of one cent (USD 0.01).

As of June 30, 2023, and December 31, 2022, the Company's share capital amounts to US\$4,933, comprised by 493,333,333 ordinary shares, of one cent per share and with no par value.

Advance for future capital increase/Warrant

As part of the restructuring, in June 2022, the Company received an advance for future capital increase in the total amount of US\$1,733, representing 173,333,333 of Class B-2 Warrants, convertible at any time into 173,333,333 of shares.

b) Legal reserve

In accordance with Luxembourg Corporate Law, the Company must allocate 5% of its annual profit of its stand-alone financial information, after deducting of any losses brought forward from previous years, to the minimum legal reserve.

The aforementioned requirement will only cease when the legal reserve reaches an amount equivalent to 10% of the Company's issued share capital. Additionally, this reserve may not be distributed.

c) Other Comprehensive Items (OCI)

Foreign currency translation adjustments reserve

The foreign currency translation adjustments reserve is used to record exchange adjustments arising from the translation of foreign subsidiaries' financial information.

13. NET OPERATING REVENUE

The Group's operating revenue is mainly derived from charter and service-rendering agreements. As of June 30, 2023 and 2022, Petrobras has accounted for 74% and 91%, respectively, of total revenues.

Net operating revenue is presented after the following items:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2023	2022	2023	2022
Gross operating revenue	148,646	97,480	296,892	188,716
Taxes levied on revenue:				
Social Integration Program (PIS) ⁽ⁱ⁾	(845)	(577)	(1,649)	(1,152)
Social Investment Program (COFINS) ⁽ⁱ⁾	(3,890)	(2,659)	(7,594)	(5,308)
Services Tax (ISS) ⁽ⁱ⁾	(1,301)	(886)	(2,540)	(1,748)
Good and Service Tax (GST) ⁽ⁱⁱ⁾	(1,939)	(1,235)	(4,136)	(1,236)
Others	-	-	-	78
Net operating revenue	<u>140,671</u>	<u>92,123</u>	<u>280,973</u>	<u>179,350</u>

(i) Taxes levied on revenues are applicable only to the revenues generated by Serviços de Petróleo.

(ii) GST refers to the indirect tax in India.

14. COST OF SERVICES AND OPERATING EXPENSES

Costs and expenses by nature	Three-month period ended June 30,					
	2023			2022 – as restated		
	Cost of services	General and administrative expenses	Total	Cost of services	General and administrative expenses	Total
Payroll, related charges and benefits	(34,304)	(4,724)	(39,028)	(29,760)	(5,314)	(35,074)
Depreciation	(44,904)	(28)	(44,932)	(36,687)	(45)	(36,732)
Materials	(12,874)	-	(12,874)	(8,070)	-	(8,070)
Maintenance	(23,466)	(6)	(23,472)	(25,668)	(5)	(25,673)
Insurance	(1,303)	(167)	(1,470)	(1,248)	(375)	(1,623)
Other ⁽¹⁾⁽²⁾	(8,208)	(2,823)	(11,031)	(5,696)	(12,945)	(18,641)
Total	<u>(125,059)</u>	<u>(7,748)</u>	<u>(132,807)</u>	<u>(107,129)</u>	<u>(18,684)</u>	<u>(125,813)</u>

Costs and expenses by nature	Six-month period ended June 30,					
	2023			2022 – as restated		
	Cost of services	General and administrative expenses	Total	Cost of services	General and administrative expenses	Total
Payroll, related charges and benefits	(66,108)	(9,718)	(75,826)	(55,612)	(8,587)	(64,199)
Depreciation	(90,819)	(66)	(90,885)	(74,504)	(81)	(74,585)
Materials	(28,794)	-	(28,794)	(25,669)	-	(25,669)
Maintenance	(47,095)	(11)	(47,106)	(44,529)	(11)	(44,540)
Insurance	(2,151)	(396)	(2,547)	(2,371)	(773)	(3,144)
Other ⁽¹⁾⁽²⁾	(13,757)	(4,741)	(18,498)	(13,193)	(26,849)	(40,042)
Total	<u>(248,724)</u>	<u>(14,932)</u>	<u>(263,656)</u>	<u>(215,878)</u>	<u>(36,301)</u>	<u>(252,179)</u>

- (1) Other cost of services: mainly comprised by rig boarding transportation, lodging and meals, data transmission, among others.
- (2) Other general and administrative expenses are mainly comprised by transportation, information technology services, external legal advisors fees, independent auditor fees, advisory services fees, among others.

15. OTHER OPERATING INCOME (EXPENSES)

	Three-month period ended June 30,		Six-month period ended June 30,	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenue from sale of investment	-	-	664	-
Revenue from sales of PP&E	-	-	-	5
Property rental	44	50	86	84
Gain in restructuring	-	513,226	-	513,226
Other	<u>23</u>	<u>1</u>	<u>80</u>	<u>63</u>
Other income	<u>67</u>	<u>513,277</u>	<u>830</u>	<u>513,378</u>
Penalties	(163)	-	(9)	-
Cost of PP&E disposed	(23)	(34)	(130)	(34)
Other	-	-	-	-
Other expenses	<u>(186)</u>	<u>(34)</u>	<u>(139)</u>	<u>(34)</u>
Total other income, net	<u>(119)</u>	<u>513,243</u>	<u>691</u>	<u>513,344</u>

16. FINANCIAL EXPENSES, NET

	Three-month period ended June 30,		Six-month period ended June 30,	
	2023	2022	2023	2022
Interest on short-term investments	447	242	804	580
Derivative Expenses (reversal)	23,967	-	23,967	-
Other financial income	<u>2</u>	<u>15</u>	<u>2</u>	<u>16</u>
Financial income	<u>24,416</u>	<u>257</u>	<u>24,773</u>	<u>596</u>
Financial expenses on loans and financing (Note 10.a)	(16,972)	(25,893)	(33,237)	(58,656)
Other financial expenses	<u>(486)</u>	<u>(3,460)</u>	<u>(1,017)</u>	<u>(3,621)</u>
Financial expenses	<u>(17,458)</u>	<u>(29,353)</u>	<u>(34,254)</u>	<u>(62,277)</u>
Foreign exchange variation gain, net	<u>(156)</u>	<u>162</u>	<u>(87)</u>	<u>(216)</u>
Financial expenses, net	<u>6,802</u>	<u>(28,934)</u>	<u>(9,568)</u>	<u>(61,897)</u>

17. TAXES

Most of the Group's entities are located in jurisdictions that are exempt from corporate income tax, except for Serviços de Petróleo and its subsidiary Serviços de Petróleo India, QGOG Constellation UK and QGOG Constellation US, which operate in Brazil, India, UK and USA, respectively. Additionally, certain of the Group entities' operate in the Netherlands, Switzerland and Luxembourg, but none of these entities reported taxable income for the periods presented.

The related taxes and contributions are as follows:

a) Recoverable taxes

	June 30 2023	December 31, 2022
Taxes on revenue (PIS/COFINS)	16,595	16,061
Goods and Services Tax - GST ⁽ⁱ⁾	3,093	1,779
Income tax (IRPJ) and social contribution on net income (CSLL) ⁽ⁱⁱ⁾	5,786	1,914
Other	4,172	3,192
Total	<u>29,646</u>	<u>22,946</u>
Current	29,603	22,946
Non-current	43	-

(i) Refers to taxes on supply of goods and services in India. The recoverable GST amounts refer to credits on the acquisition of goods and services.

(ii) Mainly refers to withholding taxes on revenues that are compensated with other federal taxes.

b) Taxes payables

	June 30, 2023	December 31, 2022
Goods and Services Tax - GST ⁽ⁱ⁾	486	137
Income tax (IRPJ) and social contribution (CSLL)	2,368	2,787
Service Tax (ISS)	1,146	1,396
State VAT (ICMS)	169	114
Taxes on revenue (PIS/COFINS)	-	-
Total	<u>4,169</u>	<u>4,434</u>

(i) GST payables refer to taxes levied on services rendered in India.

c) Deferred tax assets

	June 30 2023	December 31, 2022
Income tax (IRPJ) and social contribution (CSLL) ^(*)	<u>20,215</u>	<u>17,823</u>

(*) Mainly refers to deferred income arising from taxes losses carryforward and provision for contingencies which are derived from Serviços de Petróleo operations aiming future compensation based on reliable taxable profit estimates. The expectation of compensation of these credits is until 2027. Tax losses do not expire and the compensation is limited to 30% of taxable income for each year.

d) Effect of income tax results

The tax rate used for the Six-month period ended June 30, 2023 and 2022 reconciliations below refers to the combined corporate nominal tax rate of 34% in accordance with Brazilian tax legislation, jurisdiction in which Serviços de Petróleo (Brazilian subsidiary) operates, the corporate nominal tax rate of 20% in accordance with British tax legislation, jurisdiction in which QGOG Constellation UK Ltd. Operates and the withholding income tax on Serviços de Petróleo India revenues of 4.326%, in accordance with Indian tax legislation, jurisdiction in which Serviços de Petróleo India operates.

The amounts reported as income tax expense in the consolidated statement of operations are reconciled from the nominal rate to the effective rate as follows:

	Three-month period ended June 30,		Six-month period ended June 30,	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Profit / (Loss) before taxes	14,547	450,619	8,440	378,618
Income tax and social contribution at nominal rate (*)	(4,257)	165	(10,753)	3,197
Adjustments to derive effective tax rate:				
Non-deductible expenses	(2,985)	(64)	(305)	(144)
Other	<u>7,595</u>	<u>2,918</u>	<u>9,904</u>	<u>(237)</u>
Income tax expense recognized in profit or loss	<u>353</u>	<u>3,019</u>	<u>(1,154)</u>	<u>2,816</u>
Current taxes	(330)	(778)	(1,974)	(780)
Deferred taxes	683	3,797	820	3,596

(1) Nominal tax rate applied on profits/ (loss) before taxes related to Serviços de Petróleo and on revenues related to Serviços de Petróleo Índia.

18. FINANCIAL INSTRUMENTS

a) General considerations

Details on the Group's debt restructuring plan and capital management are described in Note 1.

The Group's main financial instruments are as follows:

Category	June 30, 2023		December 31, 2022		
	Carrying amount	Fair value (*)	Carrying amount	Fair value	
<u>Financial assets</u>					
Cash and cash equivalents	FVTPL	77,033	77,033	59,479	59,479
Short-term investments	FVTPL	45	45	52	52
Restricted cash	FVTPL	1,733	1,733	1,733	1,733
Trade and other receivables	Amortized cost	94,104	94,104	76,314	76,314
Receivables from related parties	Amortized cost	-	-	-	-
<u>Financial liabilities</u>					
Loans and financing	Amortized cost	969,202	864,979	942,192	942,192
Trade and other payables	Amortized cost	40,615	40,615	65,265	65,265
Payables to related parties	Amortized cost	-	-	-	-
Embedded derivatives	FVTPL	20,077	20,077	44,044	44,044

(*) The Company estimates that the fair value of the outstanding loans and financing, as of December 31, 2022, is similar to its carrying amount as (i) the loans and financing has been recently restructured, (ii) the interest rates of significant portion are variable and (iii) the remaining portion that is fixed includes a closely related derivative that approximates the outstanding amount to the fair value.

The carrying amounts of the remaining financial instruments do not significantly differ from their fair value.

Fair value hierarchy

IFRS 13 – *Fair Value Measurement* defines fair value as the value or price that would be received to sell an asset or paid to transfer a liability in a transaction between participants in an ordinary market on the measurement date.

The fair value hierarchy gives greater weight to available market information (i.e., observable data) and less weight to information related to data without transparency (i.e., unobservable data). Additionally, it requires the entity to consider all aspects of non-performance risk, including the entity's own credit to measure the fair value of a liability.

IFRS 13 also establishes a 3-levels hierarchy to be used in order to measure and disclose the fair value. A categorization tool in the fair value hierarchy is based on the lowest level of "inputs" significant for its measurement. A description of the 3 hierarchical levels is as follows:

Level 1 - The "inputs" are determined based on prices in an active market for identical assets or liabilities at the measurement date. Additionally, the entity must be able to trade in an active market and the price cannot be adjusted by the entity.

Level 2 - The "inputs" are other than prices as determined by Level 1 that are observable for the asset or liability, directly or indirectly. The "inputs" level includes two prices in an active market for similar assets or liabilities, prices in an inactive market for identical assets or liabilities, or "inputs" that are observable or can corroborate the observation of market data by correlation or other means for substantially every part of the asset or liability.

Level 3 - The "inputs" are those unobservable from minor or no market activity. These "inputs" represent Management's best estimates as market participants could assign value or price for these assets or liabilities. Generally, the assets and liabilities are measured using Level 3 pricing models, discounted cash flow or similar methods that require significant judgments or estimates, such as the inputs considered in the impairment test of long-lived assets.

The Group measures its short-term investments and restricted cash at fair value through profit or loss. Short-term investments and restricted cash are classified as Level 1, due to the fact that they are measured using market prices for identical instruments. Loans and financing are classified as Level 2, due to the fact that they are measured using similar financial instruments. Derivatives are classified as Level 3, as the fair value is based on a pricing model.

b) Financial risk management

The Group is exposed to liquidity, credit and market risks. Management believes that the Group's main market risk refers to its exposure to interest rate risk, as discussed below.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built a liquidity risk management framework for managing the Group's short and long-term funding and liquidity management requirements. The Group manages the liquidity risk by combining and maintaining adequate banking and capital markets facilities (Note 9) and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group maintains relationships with specific lenders and constantly monitors its funding needs together with such lenders. The Group manages the majority of its long-term financing on a project-by-project basis. Such financing are arranged as required to support the Group's operations and growth plans. The Group's liquidity position has been enhanced further to the restructuring in June 2022.

The following table details the Group's liquidity analysis for its financial liabilities. The table has been drawn up based on the undiscounted contractual cash inflows and outflows for the financial instruments.

June 30, 2023

Period	Trade and other payables	Loans and financing	Total
2023	40,615	26,097	66,712
2024	-	39,028	39,028
2025	-	27,436	27,436
2026	-	1,143,429	1,143,429
After 2027	-	5,370	5,370
Total	40,615	1,241,360	1,281,975

December 31, 2022

Period	Trade and other payables	Loans and financing	Total
2023	65,265	21,425	86,690
2024	-	42,531	42,531
2025	-	27,233	27,233
2026	-	1,125,721	1,125,721
After 2027	-	5,370	5,370
Total	65,265	1,222,280	1,287,545

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations, thus resulting in financial losses to the Group. Financial instruments that potentially subject the Group to concentrations of credit risk are primarily cash and cash equivalents, short-term investments, restricted cash and trade and other receivables. The maximum exposure amounts of such financial instruments are those disclosed in Notes 3, 4, 5 and 9, respectively. Petrobras is the main client, and no significant credit risk was identified.

It is the Group's practice to place its cash and cash equivalents in time deposits at financial institutions with high credit ratings or at mutual funds, which invest exclusively in high quality money market instruments. The Group limits the exposure amount to each financial institution individually aiming at minimizing its credit risk exposure.

Market Risk (interest rate risk)

The Group is exposed to interest rate risk due to the fact that its entities borrow funds at both fixed and variable interest rates. The Group manages such risk by maintaining an appropriate mix between fixed and variable rate borrowings and by using interest rate swap instruments, when due necessary. The Group is exposed to fluctuations in US\$ LIBOR/SOFR interest rates charged on its loans and financing (Note 9).

Due to the debt restructuring plan, the Group and its creditors agreed to unwind the previous existing swaps due to the new debt structure and new contract terms and conditions. The Group will conduct an effective monitoring of any interest rate exposure, reassessing the respective risks based on the new terms and conditions agreed post debt restructuring.

Currency exchange rate risk

Customer contracts are structured to provide payments both in US Dollars and in local currency (mostly BRL). Revenue received in local currency is substantially used to pay for costs, goods or employees in local currency. Transactions denominated in other currencies other than US Dollar or Brazilian Real are limited, so there is no material exposure related to currency exchange rate risk in the Group.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the end of the reporting period and considers the effects of an increase or decrease of outstanding loans and financing further to the effects of either an increase or a decrease of 2% in the interest curve (LIBOR) at the balance sheet date. For variable rate liabilities (US\$ LIBOR plus spread), the analysis is prepared assuming that the liability amount outstanding at the end of the reporting period was outstanding for the entire period. A 2% increase or decrease in US\$ LIBOR is used when reporting interest rate risk internally to key management personnel and represents Management's assessment of the reasonably possible change in interest rates.

Risk: interest rate variation	June 30, 2023	Scenario I ⁽ⁱ⁾	Scenario II ⁽ⁱⁱ⁾
	Increase/ (decrease) in P&L		
Variable interest rate loans	45,642	(913)	913
Variable interest rate financing	<u>566,638</u>	<u>(11,333)</u>	<u>11,333</u>
Total	<u>612,280</u>	<u>(12,246)</u>	<u>12,246</u>

(i) Decrease of 2% in interest rate.

(ii) Increase of 2% in interest rate.

c) Capital management

The Group manages its capital structure, consisting of the relation between equity/debt mix in accordance with best market practices, as follows:

	June 30, 2023	December 31, 2022
Loans and financing ^(a)	969,202	942,192
Cash transactions ^(b)	<u>(78,811)</u>	<u>(61,264)</u>
Net debt ^(c)	<u>890,391</u>	<u>880,928</u>
Shareholders' equity ^(d)	<u>1,583,577</u>	<u>1,570,010</u>
Net debt on shareholders' equity plus net debt ^[(c) ÷ ((c) + (d))]	<u>36%</u>	<u>36%</u>

(a) Consider all loans and financing balances.

(b) Includes cash and cash equivalents, short-term investments and restricted cash balances.

(c) Loans and financing net of cash transactions.

(d) Includes all shareholders' equity accounts.

19. DERIVATIVES

The derivative expense, recognized on December 31, 2022, amounting to US\$44,0 million is related to 1,200 Class D warrants issued by the Company and distributed to some Shareholders and Lenders. These warrants could only be exercisable in a liquidity event when the total enterprise value is above a specific threshold, giving them 12% of any value in excess of this threshold. This derivative is measured at fair value, and the related expense and liability was estimated using a Black & Scholes valuation modelling.

As of June 20, 2023 the Group performed a revaluation of the fair value and identified indicators that required an expense reversal of the derivative for the period of three-month then ended, amounting to US\$ 23,9 million.

20. INSURANCE (Unaudited)

As of June 30, 2023 and December 31, 2022, major assets or interests covered by insurance policies and their respective coverage amounts are summarized below:

	June 30, 2023	December 31, 2022
Civil liability	1,952,000	1,760,500
Operating risks	1,860,759	1,524,796
Operational headquarter and others	13,988	13,722
Total	3,826,747	3,299,018

The Group's practice in relation to its insurance policies is to hire solid insurance companies in the insurance market.

21. PENSION AND RETENTION PLANS

The total amount paid by Constellation Oil Services Holding S.A to the Board of Directors as of June 30, 2023 was US\$ 250 (US\$ 445 as of December 31, 2022) and no payments were made such as advances and loans to the Board of Directors.

a) Pension Plan

The subsidiary Serviços de Petróleo, offers a private defined contribution pension plan to all employees, including key management personnel. On the Pension plan, employees can elect to contribute from 1% to 12% of the monthly gross salary and Serviços de Petróleo matches the contribution up to 4% of the monthly gross salary to employees and up to 6,5% to executives. Serviços de Petróleo's only obligation to the Pension Plan is to make its specified contributions.

For the Six-month period ended June 30, 2023, contributions payable by Serviços de Petróleo at the rates specified by the plan rules amounts to US\$ 484 (US\$ 672 as of December 31, 2022).

b) Retention Plan

The Group has offered a retention agreement as of December 17, 2020 (the "Agreement") for the benefit of eligible employees of the Group in connection with the start of a new phase of renegotiation of its indebtedness. The purpose of the Agreement is to provide a retention bonus for those employees that stay 12 months after the completion of the new debt restructuring of the Group. The new debt restructuring was considered concluded with the judicial homologation ("homologação judicial") of the approval of the Amendment to the Judicial Recovery Plan. The amount of US\$1,536 has been paid in January 2021, US\$480 was paid in May 2021 and after the completion of the restructuring, the remaining amount of US\$ 2,769 was paid in June 2022.

c) Management Incentive Plan (MIP)

The company has concluded the implementation of a Management Incentive Plan (MIP) in May 2023 with the objective of rewarding and retaining key personnel, as well as supporting long-term performance. The MIP comprises three components intended to incentivize offshore employees, key personnel, management, and the Board of Directors to continue their affiliation with the company and contribute to its long-term objectives.

The first component involves a Retention pool, totaling USD 2.0 million, which has been allocated to offshore employees. This amount will be payable on the second anniversary of the restructuring closing. Additionally, a separate allocation of USD 2.5 million has been designated for key positions, with payment to be made on the third anniversary of the restructuring closing.

The second component consists of a Performance Unit Pool, comprising 1 million units, which is made available to management and key positions. The distribution of these units is contingent upon the realization of the Total Enterprise Value ("TEV") and will be paid out in cash upon the consummation of a Qualifying Liquidity Event.

The third component of the MIP pertains to the Performance Pool, which is specifically allocated to members of the Board of Directors. Similar to the Performance Unit Pool, the allocation under this component is subject to the realization of the TEV and will be paid out in cash upon the consummation of a Qualifying Liquidity Event.

For the six-month period ended June 30, 2023, the Group made accruals as specified by the plan rules that amounts to US\$ 975 (US\$ 0 as of December 31, 2022).

22. OPERATING LEASE RECEIVABLES

Below the undiscounted amounts to be received on an annual basis for the period of the current contracts of the Group's fleet (contract rates).

Amounts receivable under operating leases	June 30, 2023	December 31, 2022
2023	309,270	547,327
2024	506,078	411,909
2025	236,996	234,350
2026	127,356	100,667
Total	1,179,700	1,294,253

23. SUBSEQUENT EVENTS

We have no subsequent events that should be disclosed for the period.

24. APPROVAL OF THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Consolidated financial statements were approved by the Company's Board of Directors and authorized for issuance on August 28, 2023.