Constellation Oil Services Holding S.A. Reports First Quarter 2023 Results

Luxembourg, May 30th, 2023 – Constellation Oil Services Holding S.A. ("Constellation" or the "Company") a market leading provider of offshore and onshore oil and gas contract drilling services, today for the first quarter ended March 31, 2023.

FIRST QUARTER HIGHLIGHTS

- Revenues increased 60.8% year-over-year to US$ 140.3 million in 1Q23;
- Revenues from UDW units, which represents 76.6% of the revenues in 1Q23, increased 50.6% year-over-year;
- Net loss was US$ (7.6) million in 1Q23, up from a net loss of US$ (72.2) million in 1Q22;
- Adjusted EBITDA[1] totaled US$ 56.2 million and the adjusted EBITDA margin was 40.1% in 1Q23, compared to US$ (1.2) million and (1.4) % in 1Q22, respectively;
- The total backlog as of March 31, 2023 was $1.2 billion;
- Average uptime for the UDW fleet was higher year-over-year at 92.8% in 1Q23, compared to 90.4% in 1Q22;
- Outstanding cash of US$ 61.3 million as of March 31, 2023 remained unchanged if compared to December 31, 2022.

RECENT DEVELOPMENTS

Management Incentive Plan (MIP)

- The company has implemented 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.

[1] Adjusted EBITDA is a non-GAAP measure prepared by us and consists of: net income, plus net financial expenses taxes, depreciation and some specified non cash adjustments.

- 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

Incorporation of Serviços de Petróleo Onshore Constellation Ltda.

- On May 12, 2023 the process of the incorporation of the company Serviços de Petróleo Onshore Constellation Ltda. thru Serviços de Petróleo Constellation S.A. was completed.

FIRST QUARTER 2023 RESULTS

The 1Q22 results used to compare 1Q23 results already restates the figures published last year to reflect the effects of the new accounting policy for rig inventory components in place since 4Q22.

In 1Q23, net operating revenue increased 60.8%, or US$ 53.1 million, to US$ 140.3 million when compared to 1Q22. Most of the revenue increase is explained by the start of new contracts with better economics than their legacy commitments and higher utilization. Laguna Star and Olinda Star were in contract transition during 1Q2022, with new contracts starting in March/22 and May/22, respectively. Gold contract ended beginning of March/2022 and new contract started in August/2022.

From the total US$ 53.1 million revenue increase, US$ 48.4 million was generated by Olinda, Laguna, Gold Star and Alpha Star mostly explained by the increase in utilization by the commencement of new contracts with better economics. The remaining offshore rigs Brava, Atlantic, Lone and Amaralina respond for US$ 6.4 million year-over-year revenue increase due to operational performance improvement, which more than offset the absence of onshore revenues in 1Q23.

In 1Q23, contract drilling expenses (operating costs excluding depreciation) increased 9.6% year-over-year to US$ 77.8 million, compared with US$ 70.9 million in 1Q22. The year-over-year increase was mainly driven by higher personnel (US$ 6.0 million), mainly driven by the collective agreement with employees and maintenance costs (US$ 4.8 million) in connection to the start of the new contracts. This cost increase was partially offset by US$ 1.7 million, US$ 0.3 million and US$ 1.9 million cost reduction in materials, insurance and other items, respectively.

General and administrative expenses decreased US$ 10.4 million, or (59.2) % year-over-year to US$ 17.6 million in 1Q23 if compared to 1Q22. Although there was a Personnel cost increase of US$ 1.7 million in the period, it was more than offset by US$ 12.2 million decrease in other costs, of which US$ 11.1 million due to the non-recurring cost with financial and legal advisors related to our Judicial Restructuring borne in the 1Q22.

In 1Q23 adjusted EBITDA was US$ 56.2 million and the adjusted EBITDA margin was 40.1%, compared to US$ (1.2) million and (1.4) %, respectively, in 1Q22. The increase in adjusted EBITDA was mainly due to the utilization of 100% of the offshore fleet in 1Q23 if compared to 75% in 1Q22.

Net financial expenses decreased 50.3% to US$ 16.4 million in 1Q23, compared to US$ 33.0 million in 1Q22. The reduction is mainly due to the debt reduction following the closing of our financial restructuring in June 2022 which led to lower financial expenses.

Net income in 1Q23 was a loss of US$ (7.6) million, compared to a net loss of US$ (72.2) million in 1Q22. The improvement Year over Year was mainly due the increase in operating profit and the reduction in net financial expenses due to the conclusion of the Judicial Reorganization.

CASH FLOW & BALANCE SHEET HIGHLIGHTS

Cash flow provided by operating activities totaled US$ 15.8 million in 1Q23, compared to US$ (7.4) million in 1Q22. The US$ 23.2 million increase is mainly due to utilization increase and better economics compared to their legacy contract commitments.

Net cash after investing activities totaled US$ 1.9 million in 1Q23, compared to US$ (23.4) million in 1Q22.

Net cash after financing activities totaled US$ (3.5) million in 1Q23, compared to US$ (23.4) million in 1Q22.

Outstanding cash (which includes cash and cash equivalents, short-term investments and restricted cash) remained unchanged in US$ 61.3 million as of March 31, 2023, compared to December 31, 2022.

Total debt increased by US$ 12.8 million to US$ 954.9 million as of March 31, 2023, compared to US$ 942.2 million as of December 31, 2022, which is the amount of interest capitalized in the period that will be repaid upon maturity of the loans and financings.

Net debt also increased by US$ 12.8 million to US$ 893.7 million as of March 31, 2023, considering outstanding cash balance remained unchanged.

ABOUT CONSTELLATION OIL SERVICES HOLDING S.A.

Constellation is a market leading provider of offshore and onshore oil and gas contract drilling services through its subsidiary Serviços de Petróleo Constellation S.A. ("Serviços de Petróleo Constellation"). With continuous operations since 1981, Serviços de Petróleo Constellation has built an unmatched reputation for excellence in offshore and onshore drilling services, obtaining ISO 9001, ISO 14001, ISO 45001, and API Spec Q2 certifications for its quality management, environmental and safety records and systems.

FORWARD LOOKING STATEMENTS

Matters discussed in this release may constitute forward-looking statements. Forward-looking statements relate to Constellation's expectations, beliefs, intentions or strategies regarding the future. These statements may be identified by the use of words like "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project," "should," "seek," and similar expressions. Forward-looking statements reflect Constellation's current views and assumptions with respect to future events and are subject to risks and uncertainties.

The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in Constellation's records and other data available from third parties. Although Constellation believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond Constellation's control, Constellation cannot assure you that it will achieve or accomplish these expectations, beliefs or projections described in the forward-looking statements contained herein. Actual and future results and trends could differ materially from those set forth in such statements.

Important factors that could cause actual results to differ materially from those discussed in the forward-looking statements include (i) factors related to the offshore drilling market, including supply and demand, utilization and day rates; (ii) hazards inherent in the drilling industry causing personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties or customers and suspension of operations; (iii) changes in laws and governmental regulations, particularly with respect to environmental or tax matters; (iv) the availability of competing offshore drilling rigs; (v) the performance of our drilling units; (vi) our ability to procure or have access to financing and comply with our loans and financings covenants; (vii) our ability to successfully employ our drilling units; (viii) our capital expenditures, including the timing and cost of completion of capital projects; and (ix) our revenues and expenses. Due to such uncertainties and risks, investors are cautioned not to place undue reliance upon such forward-looking statements.

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Constellation– Financial and Operating Highlights

	For the three–month period ended March 31, (unaudited)	
	2023	**2022**
Consolidated Statement of Operations Data:	*(in millions of US$, except per share amounts)*	
Net operating revenue	140.3	87.3
Operating Costs	(123.7)	(108.8)
Gross profit	16.6	(21.5)
General and administrative expenses	(7.2)	(17.6)
Other operating income (expenses), net	0.8	0.1
Operating profit	10.3	(39.0)
Financial expenses, net	(16.4)	(33.0)
Share of results of investments	-	-
Profit before taxes	(6.1)	(72.0)
Taxes	(1.5)	(0.2)
Profit for the period/year	(7.6)	(72.2)

	For the three–month period ended December 31, (unaudited)	
	2023	**2022**
Other Financial Information:	*(in millions of US$)*	
Profit/ (loss) for the period/year	(7.6)	(72.2)

Other Financial Information:	For the three–month period ended December 31, (unaudited) 2023	2022
	(in millions of US$)	
(+) Financial expenses, net	16.4	33.0
(+) Taxes	1.5	0.2
(+) Depreciation	46.0	37.9
EBITDA [1]	56.2	(1.2)
EBITDA margin (%) [2]	40.1%	(1.4)%
Non-cash adjustments [3]		
Onerous contract provision,net	-	-
Impairment	-	-
Gain on Restructuring	-	-
Adjusted EBITDA [1]	56.2	(1.2)
Adjusted EBITDA margin (%) [2]	40.1%	(1.4)%

(1) EBITDA is a non-GAAP measure prepared by us and consists of: net income, plus net financial expenses taxes and depreciation. EBITDA is not a measure defined under IFRS, should not be considered in isolation, does not represent cash flow for the periods indicated and should not be regarded as an alternative to cash flow or net income, or as an indicator of operational performance or liquidity. EBITDA does not have a standardized meaning, and different companies may use different EBITDA definitions. Therefore, our definition of EBITDA may not be comparable to the definitions used by other companies. We use EBITDA to analyze our operational and financial performance, as well as a basis for administrative decisions. The use of EBITDA as an indicator of our profitability has limitations because it does not account for certain costs in connection with our business, such as net financial expenses, taxes, depreciation, capital expenses and other related expenses. Adjusted EBITDA is also a non-GAAP measure prepared by us and consists of: net income, plus net financial expenses taxes, depreciation and some specified non cash adjustments.

(2) EBITDA margin is a non-GAAP measure prepared by us. EBITDA margin is calculated by dividing EBITDA by net operating revenue for the applicable period. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by net operating revenue for the applicable period.

(3) In 2022, 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. As a result, the Company recognized an impairment reversal of US$ 560.8 million in 2022. On June 10, 2022, the Group entered into Amended and Restated Credit Agreements and also into new arrangements with its creditors that propose to convert part of the debt held by some creditors into the share capital of the Company, with the dilution of original shareholders. The extinguishment of debt in exchange for the Company's own equity instruments on June 10, 2022, has resulted in an estimated gain of USD 513.2 million for the group recognized in the 2nd quarter of 2022. In addition, the Group reversed a provision for onerous contract in the total amount of US$ 1.7 million due to the end of Alpha Star's last contract with Petrobras, which ended on September 14, 2022. In 2021, the Company recognized an impairment reversal in the aggregate amount of US$ 180.1 million in non-cash adjustments related to our offshore fleet. The Company also recognized US$ 2.1 million in non-cash adjustments due to the onerous contract provision reversal related to Alpha Star's contract with Petrobras in 2021.

Consolidated Statement of Financial Position:	As of March 31, (unaudited) 2023	As of December 31, (audited) 2022	2021
		(in millions of $)	
Cash and cash equivalents	59.5	59.5	76.3
Short-term investments	0.1	0.1	4.7
Restricted cash	1.7	1.7	19.2
Total assets	2,673.9	2,687.2	2,135.0
Total loans and financings	954.9	942.2	1,933.9
Total liabilities	1,109.9	1,117.2	2,030.3
Shareholders' equity	1,564.0	1,570.0	104.8
Net Debt	893.7	880.9	1,833.7

Consolidated Statement of Cash Flows:	For the three-month period ended March 31, (unaudited) 2023	2022
	(in millions of $)	
Cash flows provided by operating activities:		
Profit for the period	(7.6)	(72.2)
Adjustments to reconcile net income to net cash used in operating activities	59.8	68.2
Net income after adjustments to reconcile net income to net cash used in operating activities	52.2	(4.0)
Increase (decrease) in working capital related to operating activities	(38.7)	(5.3)
Cash flows provided by operating activities	13.5	(9.3)
Cash flows used in investing activities	(11.6)	(14.1)
Cash flows used in financing activities	(3.5)	-
Increase (decrease) in cash and cash equivalents	(1.6)	(23.4)
Effects of exchange rate changes on the balance of cash held in foreign currencies	1.6	10.7

Fleet summary report

Offshore Rig	% Interest	Type	Water Depth (ft)	Delivery Date	Customer	Contract Start	Contract End	New Contract Start	New Contract End
Ultra-deepwater									
Alpha Star [2] [3]	100%	DP; SS	9,000	July 2011	Enauta	October 2022	August 2023		
Lone Star [2]	100%	DP; SS	7,900	April 2011	Petrobras	September 2022	September 2025		
Gold Star [2]	100%	DP; SS	9,000	February 2010	Petrobras	August 2022	August 2025		
Amaralina Star [4]	100%	DP drillship	10,000	September 2012	Petrobras	October 2022	October 2024		
Laguna Star [5]	100%	DP drillship	10,000	November 2012	Petrobras	March 2022	March 2025		
Brava Star [6]	100%	DP drillship	12,000	August 2015	Petrobras	March 2021	June 2023	September 2023	September 2026
Deepwater									
Olinda Star [7]	100%	Moored; SS	3,600	August 2009 [1]	ONGC	May 2022	September 2023		
Midwater									
Atlantic Star [8]	100%	Moored; SS	2,000	February 2011 [1]	Petrobras	January 2021	January 2024		

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

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

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

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

drillship with Petrobras. The job has a total duration of 1095 days, consisting of 730 days of a firm scope plus options to extend the contract in up to 365 days. The work is being performed offshore Brazil, and operations commenced on October 18, 2022.

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

(6) On January 06, 2021, the Company announced that Brava Star was awarded a contract with Petrobras S.A. ("Petrobras"). The contract has an estimated duration of 810 days and includes a termination for convenience after 180 days subject to a demobilization fee. Work scope is in water depths up to 3,048m, and includes a full integrated package of services plus MPD. The work is being performed offshore Brazil and operations under the contract commenced on March 30, 2021. On December 09, 2022, the Company announced that the Brava Star drillship was awarded a new contract with Petrobras S.A.. The contract has a firm duration of 1095 days plus a mutually agreed option to extend it till the same period, and it is subjected to a mobilization fee. The work scope includes additional integrated services, without MPD, and will be performed in water depths up to 2,400 meters offshore Brazil, with a mobilization window that goes from January 2023 until November 2023.

(7) On January 7, 2022, Olinda Star was awarded a 502 days contract with Oil and Natural Gas Corporation ("ONGC"), an Indian state-owned oil and gas exploration and production company, for operations within an offshore area in India. The operations commenced on May 04, 2022.

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

Onshore Rig [1]	**Type**	**Drilling Depth Capacity (ft)**	**Customer**	**Charter Expiration Date**
QG-II	1600HP	16,500	-	-
QG-IV	Heli-portable; 550HP	9,800	-	-
QG-V	Heli-portable; 1600HP	14,800	-	-
QG-VI	2000HP	23,000	-	-
QG-VII	2000HP	23,000	-	-
QG-VIII [2]	Heli-portable; 1600HP	14,800	-	-
QG-IX	Heli-portable; 1600HP	14,800	-	-

(1) On January 09, 2023, the Group announced that it had agreed to sell the onshore rig "QG-I" for an aggregate purchase price of U.S.$2,000,000. Pursuant to the terms of a share purchase agreement, dated January 6, 2023 (the "SPA"), the Company's wholly-owned subsidiaries, Serviços de Petróleo Constellation S.A., Serviços de Petróleo Constellation Participações S.A., Serviços de Petróleo Onshore Constellation Ltda. (collectively the "Sellers"), will sell to certain third parties 100% of the Seller's interests in the Company's indirect, wholly-owned subsidiary, Domenica S.A., whose sole asset is the onshore rig "QG-I" and related inventory. In accordance with the terms of the SPA, the Purchaser shall pay the Seller, as consideration for the Asset Sale: (i) U.S.$1,000,000 in cash on the closing date of the Asset Sale and (ii) U.S.$1,000,000 in cash on the one-year anniversary of the closing date of the Asset Sale. The consummation of the Asset Sale remains subject to customary conditions precedent, and there is no guarantee that all such conditions will be satisfied. The Company has received consent from the requisite amount of holders of the Company's debt in order to consummate the Asset Sale and the receipt of the related consideration as described above. The Company shall apply the net cash proceeds from the consummation of the Asset Sale following receipt thereof in accordance with the terms of its debt documents.

(2) On July 26, 2021, the Group announced that the onshore drilling rig QG-VIII was awarded a contract with Eneva S.A. This contract for an exploratory campaign in the field of Azulão in Amazonas, commenced on September 15, 2021, and ended on July 12, 2022.

Backlog [(1)]

	(in millions of $)					
	2023	**2024**	**2025**	**2026**	**Total**	**%**
Ultra-deepwater…………..	317.8	417.1	237.0	101.7	1.073.6	92.8%
Deepwater……………………	34.4	-	-	-	34.4	3.0%
Midwater……………………..	47.7	0.9	-	-	48.5	4.2%
Onshore………………………	-	-	-	-	-	-
Total……………………..	**399.9**	**418.0**	**237.0**	**101.7**	**1.156.5**	100.0%

(1) Contract drilling backlog is calculated by multiplying the contracted operating dayrate by the firm contract period. Our calculation also assumes 100% uptime of our drilling rigs for the contract period; however, the amount of actual revenue earned and the actual periods during which revenues are earned may be different from the amounts and periods shown in the tables below due to various factors, including, but not limited to, stoppages for maintenance or upgrades, unplanned downtime, the learning curve related to commencement of operations of additional drilling units, weather conditions and other factors that may result in applicable dayrates lower than the full contractual operating dayrate. Contract drilling backlog includes revenues for mobilization and demobilization on a cash basis and assumes no contract extensions.

Revenue per asset type (unaudited)

	For the three-month period ended March 31,		**% Change**
	2023	**2022**	**2023/ 2022**
Net revenue per asset type:	*(in millions of US$)*		
Ultra-deepwater...	107.5	71.4	50.6%
Deepwater	18.3	-	-
Midwater..	14.6	14.2	2.9%
Onshore rigs..	-	1.7	-
Other	-	-	-
Total	140.3	87.2	60.8%

Operating Statistics (unaudited)

Uptime by asset type [(1)]:	For the three-month period ended March 31, 2023	2022
	(%)	
Ultra-deepwater	93	90
Deepwater	98	-
Midwater	100	100
Onshore rigs	-	100

Utilization days [(2)]:	For the three-month period ended March 31, 2023	2022	Change 2023/ 2022
	(in days)		
Ultra-deepwater [(3)]	501	410	91
Deepwater	88	-	88
Midwater	90	90	-
Onshore rigs	-	90	90
Total	679	589	89

(1) Uptime is derived by dividing (i) the number of days the rigs effectively earned a contractual dayrate by (ii) utilization days. Uptime adjusts for planned downtime, such as rig upgrades and surveys.

(2) Utilization days consider the impact of scheduled maintenance, reflecting the days without revenue related to planned upgrades and surveys.