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

Luxembourg, August 12, 2022 – Constellation Oil Services Holding S.A. ("Constellation" or the "Company"), a market leading provider of offshore and onshore oil and gas contract drilling, today reported unaudited results for the first quarter ended March 31, 2022.

FIRST QUARTER HIGHLIGHTS

- Net operating revenue increased 12.4% year-over-year to US$ 87.2 million in 1Q22;
- Revenues from ultra-deepwater (UDW) units represented 81.8% of total net revenues in 1Q22, up from 74.0% in 1Q21;
- Adjusted EBITDA[1] totaled US$ 5.9 million and the Adjusted EBITDA margin was 6.8% in 1Q22, compared to US$ 15.9 million and 20.5% in 1Q21, respectively;
- Net loss was US$ 64.8 million in 1Q22, compared to a net loss of US$ 53.8 million in 1Q21;
- The total backlog as of March 31, 2022 was US$ 1.3 billion;
- Average uptime for the UDW fleet was lower year-over-year at 90% in 1Q22, compared with 93% in 1Q21;
- Total cash decreased to US$ 82.9 million in 1Q22, compared with US$ 100.2 million in 2021 year-end.

RECENT DEVELOPMENTS

- Amaralina Star contract with Petrobras ended on July 28, 2022. The total duration of the contract was 834 days. On December 29, 2021, the Company announced a new contract with Petrobras for the drillship Amaralina Star. The contract will have a total duration of up to three years, being two years and one optional, with operations in water depths of up to 2,400m, and includes a package of integrated services. The campaign will be carried out in the Roncador field, in the Campos Basin, with operations expected to start in October 2022.

- On January 5, 2022, the company announced the achievement of a new contract for the operation of two of its semi-submersible rigs, Gold Star and Lone Star, recently signed with Petrobras. The contracts have a total duration of three years and provide for operation in ultra-deep waters, up to 2,400 meters. The campaigns will be carried

[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.

out in the Brazilian offshore basins. Gold Star operation started on August 9, 2022, while Lone Star operation is expected to start in August 2022.

- On January 7, 2022, Constellation was awarded a new contract in India for Olinda Star, with duration of 502 days. The company started its operations on May 4, 2022.

- 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, with a term of approximately 60 days, and the possibility of extending it for another 150 days for additional wells. On February 22nd, 2022, options were exercised by Enauta and the total firm period became 210 days. The campaign will be held at the Atlanta field, estimated to begin in the 4th quarter of 2022.

- On June 2, 2022, the merger of companies Snover International Inc., Alaskan Star Ltd., Hopelake Services Ltd., Amaralina Star Holdco 1 Ltd., Amaralina Star Holdco 2 Ltd., Laguna Star Holdco 1 Ltd., Laguna Star Holdco 2 Ltd., Brava Star Holdco 1 Ltd., Brava Star Holdco 2 Ltd., Snover International Inc. and Lancaster Projects Holdco 1 Ltd. Into Constellation Overseas was completed and the aforementioned companies should be disregarded from the corporate structure of the Group.

- In connection with its Brazilian restructuring plan commenced by the Brazilian court on December 6, 2018, and confirmed on July 1, 2019, the Group entered into amended and restated credit agreements and new credit agreements with its financial lenders and issued new senior secured and senior unsecured notes pursuant to new indentures on December 18, 2019 (the “2019 RJ Closing”). In March 2020, the Group commenced discussions with its creditors from the 2019 RJ Closing on ways to achieve a sustainable capital structure in line with its operating business given the industry’s then-current economic environment. In the context of such negotiations, 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 certain new and restructured credit agreements, issued new senior secured and senior unsecured notes, and entered into new arrangements with its creditors, including the conversion of certain of its existing debt into the share capital of the Company, with the dilution of original shareholders (the “Restructuring Documents”). Under the Restructuring Documents, the creditors were given a haircut on the USD 1,990 million of outstanding debt, which was reinstated to $826 million of convertible debt, with an additional USD 92.6 million of non-convertible debt, including USD 62.4 million in new funds raised through the restructuring.

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

Additionally, a portion of the debt, owing to a group of key financial creditors, were converted into the Company's equity interest, 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 described in the Restructuring Documents), the convertible debt will be converted into equity of the Company, and the proceeds from this liquidity event will be distributed according to the new equity distribution. The extinguishment of debt in exchange for the Company's own shares on June 10, 2022 has resulted in an estimated gain of USD 468.4 million for the group to be recognized in the 2nd quarter of 2022. This gain was calculated in accordance with IFRIC 19, based on an estimated valuation of the equity interests transferred of USD 603.1 million, and an extinguished debt of USD 1,071.6 million.

- On July 05, 2022, the Group was notified that the process of liquidation of the company QGOG Constellation UK was completed.

FIRST QUARTER 2022 RESULTS

Net operating revenue increased 12.4%, or US$ 9.6 million, year-over-year to US$ 87.2 million in 1Q22. The result was mainly due to the start of operations of Brava Star for Petrobras in March/21, and also due to a better performance of Amaralina Star, Alpha Star and Lone Star rigs in 1Q22 when compared with 1Q21. On the other hand, the result was partially offset by the end of Laguna Star, Olinda Star and Gold Star contracts in November/21, December/21 and March/22, respectively.

The Company's offshore fleet utilization decreased to 542 days in 1Q22 from 624 days in 1Q21. The decrease was mainly due to the end of Laguna Star, Olinda Star and Gold Star contracts in November/21, December/21 and March/22, respectively, and it was partially offset by start of operations of Atlantic Star and Brava Star, both for Petrobras, on January 06, 2021 and on March 30, 2021, respectively.

Contract drilling expenses (operating costs excluding depreciation) were higher, increasing 13.5% or US$ 7.6 million, to US$ 63.8 million in 1Q22. The year-over-year increase was driven mainly by reactivation costs in the quarter, which led to higher expenses with payroll, charges, benefits, maintenance, and insurance.

General and administrative expenses increased US$ 8.8 million, or 100.3% year-over-year to US$ 17.6 million in 1Q22 versus 1Q21. The increase in general and administrative expenses was mostly due costs with financial and legal advisors related to our Judicial Restructuring, which was finalized on June 10, 2022.

Adjusted EBITDA decreased to US$ 5.9 million and the Adjusted EBITDA margin was 6.8% in 1Q22, compared with US$ 15.9 million and 20.5%, respectively, in 1Q21. The decreased in 1Q22 Adjusted EBITDA was mainly due to higher contract drilling expenses and the costs related to our financial restructuring, jointly with the previous mentioned end of Laguna Star, Olinda Star and Gold Star contracts in November/21, December/21 and March/22, respectively. The decrease was partially offset by the start of operations of Brava Star for Petrobras in March/21, and also due to a better performance of Amaralina Star, Alpha Star and Lone Star rigs in 1Q22 when compared with 1Q21.

Net financial expenses were higher year-over-year, totaling US$ 33.0 million in 1Q22 from US$ 30.1 million in 1Q21.

Net loss was US$ 64.8 million in 1Q22, up from a net loss of US$ 53.8 million in 1Q21, mainly related to the same factors that explained the decrease in Adjusted EBITDA.

CASH FLOW & BALANCE SHEET HIGHLIGHTS

Adjusted cash flow provided by operating activities totaled negative US$ 13.0 million during 1Q22, compared to US$ 20.8 million in 1Q21. The decrease was mainly due to reactivation costs incurred in 1Q22.

Net cash used in investing activities totaled US$ 10.4 million in 1Q22, compared to US$ 5.0 million in 1Q21.

Total cash (which includes cash and cash equivalents, short-term investments and restricted cash) decreased to US$ 82.9 million as of March 31, 2022, compared to US$ 100.2 million as of December 31, 2021.

Total debt increased US$ 32.8 million to US$ 2.0 billion as of March 31, 2022, compared to December 31, 2021. It is important to mention that by 1Q22 end our financial restructuring was not completed.

Net debt increased US$ 50.1 million to US$ 1.9 billion as of March 31, 2022, compared to December 31, 2021.

ABOUT CONSTELLATION OIL SERVICES HOLDING S.A.

Constellation is a market leading provider of offshore and onshore oil and gas contract drilling through its subsidiary Serviços de Petróleo Constellation S.A. (“Serviços de Petróleo Constellation”). With continuous operations since 1981, Serviços de Petróleo Constellation has built an unmatched reputation for excellence in offshore and onshore drilling services, obtaining ISO 9001, ISO 14001, OHSAS 18001 and API Spec Q2 certifications for its quality management, environmental and safety records and systems.

FORWARD LOOKING STATEMENTS

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

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

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

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Constellation– Financial and Operating Highlights

	For the three–month period ended March 31, (unaudited)	
	2022	**2021**
Statement of Operations Data:		
	(in millions of $, except per share data)	
Net operating revenue	87.2	77.6
Operating Costs	(101.4)	(93.0)
Gross profit	(14.1)	(15.4)
General and administrative expenses	(17.6)	(8.8)
Other operating income (expenses), net	0.1	3.3
Operating profit	(31.6)	(20.9)
Financial expenses, net	(33.0)	(30.1)
Profit before taxes	(64.6)	(50.9)
Taxes	(0.2)	(2.8)
Profit for the period	(64.8)	(53.8)
Profit per share:		
Basic	(0.02)	(0.02)
Diluted	(0.02)	(0.02)
Weighted average common shares outstanding (thousands of common shares):		
Basic	189,227	189,227
Diluted	189,227	189,227

	For the three–month period ended March 31, (unaudited)	
	2022	**2021**
Other Financial Information:		
	(in millions of $)	
Profit for the period/year	(64.8)	(53.8)
(+) Financial expenses, net	33.0	30.1
(+) Taxes	0.2	2.8
(+) Depreciation	37.6	36.8
EBITDA (1)	5.9	15.9
EBITDA margin (%) (2)	6.8%	20.5%
Non-cash adjustment		
Onerous contract provision, net	-	-
Impairment	-	-
Adjusted EBITDA	5.9	15.9
Adjusted EBITDA margin (%) (2)	6.8%	20.5%

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(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.

	As of March 31, (unaudited)	**As of December 31,** (audited)	
	2022	**2021**	**2020**
Statement of Financial Position:		*(in millions of $)*	
Cash and cash equivalents	63.6	76.3	34.9
Short-term investments	0.1	4.7	18.0
Restricted cash	19.2	19.2	22.7
Total assets	2,300.1	2,305.7	2,195.9
Total loans and financings	1,966.7	1,933.9	1,809.1
Total liabilities	2,078.8	2,030.3	1,917.2
Shareholders' equity	221.3	275.4	278.6
Net Debt	1,883.9	1,833.7	1,733.5

	For the three-month period ended March 31, (unaudited)	
Statement of Cash Flows:	**2022**	**2021**
	(in millions of $)	
Cash flows provided by operating activities:		
Profit for the period	(64.8)	(53.8)
Adjustments to reconcile net income to net cash used in operating activities	69.8	68.3
Net income after adjustments to reconcile net income to net cash used in operating activities	5.0	14.5
Increase (decrease) in working capital related to operating activities	(18.0)	6.3
Cash flows provided by operating activities	(13.0)	20.8
Cash flows used in investing activities	(10.4)	(5.0)
Cash flows used in financing activities	-	-
Increase (decrease) in cash and cash equivalents	(23.4)	15.8

Fleet summary report

Offshore Rig	% Interest	Type	Water Depth (ft)	Delivery Date	Customer	Current Contract Start	Current Contract End	New Contract Start	New Contract End
Ultra-deepwater									
Alpha Star (2) (3)	100%	DP; SS	9,000	July 2011	Petrobras/ Enauta	August 2020	August 2022	October 2022	May 2023
Lone Star (2)	100%	DP; SS	7,900	April 2011	Petrobras	April 2020	April 2022	August 2022	August 2025
Gold Star (2)	100%	DP; SS	9,000	February 2010	Petrobras	February 2020	March 2022	August 2022	August 2025
Amaralina Star (4)	100%	DP drillship	10,000	September 2012	Petrobras	April 2020	July 2022	October 2022	October 2024
Laguna Star (5)	100%	DP drillship	10,000	November 2012	Petrobras	March 2022	March 2025		
Brava Star (6)	100%	DP drillship	12,000	August 2015	Petrobras	March 2021	June 2023		
Deepwater									
Olinda Star (7)	100%	Moored; SS	3,600	August 2009 (1)	ONGC	May 2022	September 2023		
Midwater									
Atlantic Star (8)	100%	Moored; SS	2,000	February 2011 (1)	Petrobras	January 2021	January 2024		

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

(2) On July 22, 2019, the Company announced that Alpha Star, Gold Star, and Lone Star were awarded new firm contracts with Petrobras for two years. The operations under Gold Star's, Lone Star's and Alpha Star's contract commenced on February 18, 2020, April 24, 2020 and August 17, 2020, respectively. Gold Star's contract ended on March 04, 2022 and Lone Star's contract ended on April 23, 2022. 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 will be performed offshore Brazil. The operations under Gold Star contract started on August 09, 2022, while Lone Star's operations is expected to commence in August 2022.

(3) On February 09, 2022, the Company announced that the Alpha Star rig was awarded a contract with Enauta. The agreement has a firm period of 210 days (3 wells). The campaign will be held at the Atlanta field, estimated to begin in the 4th quarter of 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 will be performed offshore Brazil, and operations are expected to commence in October 2022.

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

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

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

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

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

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

Backlog (1)

(in millions of $)

	2022	2023	2024	2025	Total	%
Ultra-deepwater.............	311.5	370.6	276.4	98,5	1,057.0	82.7%
Deepwater.......................	54.0	52.7	-	-	106.7	8.4%
Midwater.........................	47.5	63.0	0.9	-	111.3	8.7%
Onshore...........................	2.5	-	-	-	2.5	0.2%
Total.........................	**415.4**	**486.2**	**277.3**	**98,5**	**1,277.5**	**100%**

(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

	For the three-month period ended March 31,		% Change
	2022	2021	2022/ 2021
Net revenue per asset type:	*(in millions of $)*		
Ultra-deepwater	71.4	57.6	24.3%
Deepwater	-	7.2	-
Midwater	14.2	12.8	9.9%
Onshore rigs	1.7	-	-
Other	-	-	-
Total	87.2	77.6	12.4%

Operating Statistics

	For the three-month period ended March 31,	
	2022	2021
Uptime by asset type (1):	*(%)*	
Ultra-deepwater	90	93
Deepwater	-	99
Midwater	100	99
Onshore rigs	100	-

	For the three-month period ended March 31,		Change
	2022	2021	2022/ 2021
Utilization days (2):	*(in days)*		
Ultra-deepwater	452	451	1
Deepwater	-	90	(90)
Midwater	90	83	7
Onshore rigs	90	-	90
Total	632	624	8

(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.