Constellation Oil Services Holding S.A.

Consolidated interim financial information together with the report on review

As of June 30, 2022

Contents

Report on review of consolidated interim financial information

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To the
Shareholders, Directors and Management of
Constellation Oil Services Holding S.A.
Luxembourg

Introduction

We have reviewed the accompanying consolidated balance sheet of Constellation Oil Services Holding S.A. ("Company") as of June 30, 2022, and the related statements of income, comprehensive income, changes in equity and cash flows for the six-month period ended in this date, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these consolidated interim financial information in accordance with International Accounting Standards 34 Interim Financial Reporting ("IAS 34"), issued by the International Accounting Standards Board ("IASB"). Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS).

Emphasis of matter

Financial restructuring aspects

We draw attention to Note 1.l and 13 to the consolidated interim financial information, which informs that, a Plan Support Agreement, a Restructuring Term-Sheet and other relevant documents were signed on March 24, 2022 and on June 10, 2022, the Group, of which the Company is part, has entered into Amended and Restated Credit Agreements and also into new arrangements with its creditors that involved a conversion of part of the debt held by some creditors into the share capital of the mother Company, with the dilution of original shareholders (the “Restructuring Documents”). Our conclusion is not qualified in respect of this matter.

Rio de Janeiro, September 26, 2022

Marcio Romulo Pereira
Partner

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2022
(Amounts expressed in thousands of U.S. dollars - US$'000)

ASSETS	Note	June 30, 2022	December 31, 2021
CURRENT ASSETS			
Cash and cash equivalents	3	73,427	76,306
Short-term investments	4	52	4,715
Restricted cash	5	1,735	19,198
Trade and other receivables	6	56,093	45,666
Inventories	7	40,253	36,840
Recoverable taxes	18.a	23,849	14,516
Deferred mobilization costs		8,021	4,175
Other current assets		17,955	12,230
Total current assets		221,385	213,646
NON-CURRENT ASSETS			
Inventories	7	134,907	133,801
Recoverable taxes	18.a	43	-
Deferred tax assets	18.c	20,994	16,415
Deferred mobilization costs		3,969	1,547
Other non-current assets		7,468	6,689
Property, plant and equipment, net	9	1,909,104	1,933,561
Total non-current assets		2,076,485	2,092,013
TOTAL ASSETS		2,297,870	2,305,659

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, 2022
(Amounts expressed in thousands of U.S. dollars - US$'000)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	June 30, 2022	December 31, 2021
CURRENT LIABILITIES			
Loans and financings	10	-	117,113
Payroll and related charges		19,011	16,175
Trade and other payables		55,945	54,644
Payables to related parties	8	-	193
Taxes payables	18.b	3,910	1,786
Provisions	11	792	745
Deferred revenues		10,979	6,963
Provision for onerous contract		1,671	1,671
Other current liabilities		7,175	7,007
Total current liabilities		99,483	206,297
NON-CURRENT LIABILITIES			
Loans and financings	10	920,485	1,816,830
Deferred revenues		10,829	4,304
Other non-current liabilities		3,935	2,825
Total non-current liabilities		935,249	1,823,959
TOTAL LIABILITIES		1,034,732	2,030,256
SHAREHOLDERS' EQUITY			
Share capital	13.a	4,933	981,200
Advance for future capital increase	13.a	1,733	-
Share premium		1,567,897	(9,721)
Reserves	13.b/c	(142,645)	(145,077)
Accumulated losses		(168,780)	(550,999)
TOTAL SHAREHOLDERS' EQUITY		1,263,138	275,403
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,297,870	2,305,659

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 THREE AND SIX-MONTH PERIOD ENDED JUNE 30, 2022
(Amounts expressed in thousands of U.S. dollars - US$'000)

		Three-month period ended June 30,		Six-month period ended June 30,	
	Note	2022	2021	2022	2021
NET OPERATING REVENUE	14	92,123	103,107	179,350	180,719
COST OF SERVICES	15	(113,743)	(102,921)	(215,093)	(195,934)
GROSS PROFIT / (LOSS)		(21,620)	186	(35,743)	(15,215)
General and administrative expenses	15	(18,684)	(14,227)	(36,301)	(23,023)
Other income	16	513,277	872	513,378	4,998
Other expenses	16	(34)	(109)	(34)	(921)
OPERATING PROFIT / (LOSS)		472,939	(13,278)	441,300	(34,161)
Financial income	17	257	295	596	639
Financial expenses	17	(29,353)	(30,928)	(62,277)	(61,266)
Foreign exchange variation income, net	17	162	(276)	(216)	(340)
FINANCIAL EXPENSES, NET		(28,934)	(30,909)	(61,897)	(60,967)
PROFIT / (LOSS) BEFORE TAXES		444,005	(44,187)	379,403	(95,128)
Taxes	18.d	3,019	(3,119)	2,816	(5,936)
PROFIT / (LOSS) FOR THE PERIOD		447,024	(47,306)	382,219	(101,064)
Profit (Loss) per share (in U.S. dollars - US$)					
Basic		0.17	(0.02)	0.15	(0.03)
Diluted		0.17	(0.02)	0.15	(0.03)

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 THREE AND SIX-MONTH PERIOD ENDED JUNE 30, 2022

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

		Three-month period ended June 30,		Six-month period ended June 30,	
	Note	2022	2021	2022	2021
PROFIT / (LOSS) FOR THE PERIOD		447,024	(47,306)	382,219	(101,064)
OTHER COMPREHENSIVE INCOME / (LOSS)					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustments	13.c	(8,266)	12,328	2,432	4,193
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		438,758	(34,978)	384,651	(96,871)
Comprehensive income attributable to:					
Controlling interests		438,758	(34,978)	384,651	(96,871)

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, 2022
(Amounts expressed in thousands of U.S. dollars - US$'000)

					Reserves						
	Note	Share capital	Advance for future capital increase	Share Premium	Legal	Share of investments' other comprehensive income / (loss)	Acquisition of non-controlling interest in subsidiaries	Foreign currency translation adjustments	Total reserves	Accumulated losses	Total shareholders' equity
BALANCE AS OF DECEMBER 31, 2020		981,200	-	(9,721)	5,683	(2,436)	(85,555)	(56,819)	(139,127)	(553,731)	278,621
Loss for the period		-	-	-	-	-	-	-	-	(101,064)	(101,064)
Other comprehensive income for the period	13.c	-	-	-	-	-	-	4,193	4,193	-	4,193
Total comprehensive income / (loss) for the period		-	-	-	-	-	-	4,193	4,193	(101,064)	(96,871)
BALANCE AS OF JUNE 30, 2021		981,200	-	(9,721)	5,683	(2,436)	(85,555)	(52,626)	(134,934)	(654,795)	181,750
BALANCE AS OF DECEMBER 31, 2021		981,200	-	(9,721)	5,683	(2,436)	(85,555)	(62,769)	(145,077)	(550,999)	275,403
Profit for the period		-	-	-	-	-	-	-	-	382,219	382,219
Other comprehensive income for the period	13.c	-	-	-	-	-	-	2,432	2,432	-	2,432
Total comprehensive income for the period		-	-	-	-	-	-	2,432	2,432	382,219	384,651
Reestructuring events:											
Capital decrease	13.a	(981,200)	-	981,200	-	-	-	-	-	-	-
Capital increase	13.a	4,933		(4,933)							-
Advance for future capital increase	13.a		1,733	(1,733)							-
Share premium arising from debit restructuring				603,084	-	-	-	-	-	-	603,084
BALANCE AS OF JUNE 30, 2022		4,933	1,733	1,567,897	5,683	(2,436)	(85,555)	(60,337)	(142,645)	(168,780)	1,263,138

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, 2022
(Amounts expressed in thousands of U.S. dollars - US$'000)

	Note	Six-month period ended June 30, 2022	Six-month period ended June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) for the period		382.219	(101.064)
Adjustments to reconcile profit for the period to net cash provided by operating activities:			
Depreciation of property, plant and equipment	9/15	74.048	73.833
Loss (gain) on disposal of property, plant and equipment, net	16	34	(15)
Provision of impairment recognised on property, plant and equipment, net	16	-	109
Recognition of deferred mobilization costs		4.076	4.184
Recognition of deferred revenues, net of taxes levied		(6.251)	(5.846)
Financial expenses on loans and financings	10.a/17	58.656	60.972
Debt restructuring	16	(513.226)	-
Provision/ (Reversal) of onerous contract, net	16	-	(478)
Other financial expenses (income), net	16	3.242	(5)
Recognition (reversal) of provisions		47	(796)
Taxes	19.d	(2.816)	5.936
Decrease/(increase) in assets:			
Trade and other receivables		(10.427)	(13.567)
Receivables from related parties		-	5
Inventories		(4.519)	(4.944)
Recoverable taxes		(9.376)	(3.440)
Deferred taxes		(4.579)	-
Deferred mobilization costs		(10.344)	(5.819)
Other assets		(9.751)	(4.423)
Increase/(decrease) in liabilities:			
Payroll and related charges		2.836	3.170
Trade and other payables		1.301	7.742
Payables to related parties		(193)	14
Taxes payables		8.385	1.287
Deferred revenues		16.792	7.081
Other liabilities		1.755	6.367
Cash used in operating activities		(18.091)	30.304
Income tax and social contribution paid		(3.445)	(6.043)
Adjusted cash (used in) / provided by operating activities		(21.536)	24.261
CASH FLOWS FROM INVESTING ACTIVITIES			
Short-term investments		4.663	1.486
Restricted cash		15.730	3.498
Acquisition of property, plant and equipment	9	(50.103)	(16.712)
Proceeds from disposal of property, plant and equipment	16	5	3
Net cash (used in) / provided by investing activities		(29.705)	(11.725)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid on loans and financings	10.a	(585)	-
Proceeds from loans and financings	10.a	62.400	-
Advance for future capital increase	13.a	1.733	-
Repayment of loans and financings	10.a	(17.618)	-
Net cash used in financing activities		45.930	-
Increase/(Decrease) in cash and cash equivalents		(5.311)	12.536
Cash and cash equivalents at the beginning of the period	3	76.306	34.927
Effects of exchange rate changes on the balance of cash held in foreign currencies		2.432	133
Cash and cash equivalents at the end of the period	3	73.427	47.597

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, 2022 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 production state-owned company and Azulão Geração de Energia S.A. ("Eneva").

a) Fleet of offshore and onshore drilling rigs

<u>Offshore drilling units</u>

Drilling units	Type	Start of operations	Contract expected expiration date (current or future)	Customer (current or future)
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	Mid 2023 (Note 1.e)	Enauta
Amaralina Star	Drillship	2012	Mid 2025 (Notes 1.b)	Petrobras
Laguna Star	Drillship	2012	March 2025 (Note 1.d)	Petrobras
Brava Star	Drillship	2015	Junho 2023 (Note 1.c)	Petrobras

Onshore drilling units

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

(*) As of June 30, 2022, these onshore drilling rigs were not hired under charter and service-rendering agreements. The Group is continuously seeking for new customers.

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 Production Individualization Agreement (*Acordo de Individualização de Produção* - AIP) of Lula field, operated by Petrobras. The contract has an estimated duration of 730 days. Operations started on April 15, 2020 and are being performed offshore the Brazilian coast, at 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 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.

c) Brava Star drillship charter and service-rendering agreements

On June 26, 2020, the Group announced that on June 19, 2020 Shell issued notices of termination for the Brava Star charter and service contracts (the “Contracts”). As advised by Shell, this termination is based on its decision to conclude its drilling program for 2020. The Contracts were in effect under a third extension option exercised by Shell.

On January 6, 2021, the Group announced that the Brava Star drillship has been awarded a contract with Petrobras. The contract was signed on December 9, 2020, 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 Managed Pressure Drilling (“MPD”). The work is being performed offshore Brazil and operations started on March 30, 2021.

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 has a 2-year estimated duration. Operations started on October 30, 2019, and was performed offshore the Brazilian coast, at the Santos Basin. The contract ended on November 7, 2021.

On July 6, 2021, the Group announced that 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, and includes 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 are being performed offshore the Brazilian coast, at the Campos Basin and operations started on August 16, 2020. The contract ended on September 14, 2022.

As of June 30, 2022, the Group has a provision for onerous contract in the total amount of US$1,671 (US$1,671 as of December 31, 2021), related to 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, shall have a term of 60 days, with the possibility of extending it for another 150 days for additional wells. The campaign will be held at the Atlanta field, estimated to begin in the 4th quarter of 2022. On February 22nd, 2022, options were exercised by Enauta and the total firm period became 210 days.

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 are being performed offshore the Brazilian coast. The contract ended on March 4, 2022.

On January 5, 2022 the company announced the achievement of a new contract for the operation of our semi-submersible rig Gold Star recently signed with Petrobras. The contract has a total duration of three years and provide for operation in ultra-deep waters, up to 2,400 meters. The campaigns will be carried out in the Brazilian offshore basins and the operation 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 are being performed offshore the Brazilian coast and operations 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 our semi-submersible rig Lone Star recently signed with Petrobras. The contract has a total duration of three years and provide for operation in ultra-deep waters, up to 2,400 meters. The campaigns will be carried out in the Brazilian offshore basins, and the contract 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 drilling rig had been awarded a contract with Petrobras. The contract has a 3-year estimated duration. Operations are being performed in the Campos Basin, located offshore the Brazilian coast, and operations 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. On July, 2021 was amended for an additional period of 38 days. Once again, on November 22, 2021 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, 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.

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 forcast 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 ending 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, E&P 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 grow our contract backlog, which was at US$1.1 billion as of June 30, 2022, from US$1.1 billion as of December 31, 2021. 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 was 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 have given a haircut over the $1,990M outstanding debt, which was reinstated to $826M of convertible debt, with an additional $92.6M comprised of $62.4M in new funds raised through the restructuring and $30.2M in non-convertible debt. Additionally, a portion of the debt, owing to a group of key financial creditors, were converted, as follows:

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

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). 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.

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 described in the Restructuring Documents), the convertible debt will be converted into shares 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 equity instruments on June 10, 2022 has resulted in an estimated gain of USD 513.2 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 1,116.3 million.

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. Currently, the Company is waiting for certain formalizations for the definitive closing of the process.

m) Commitments

As of June 30, 2022, the Group had the following commitments which it is contractually obligated to fulfill:

- The Group, through its subsidiary Serviços de Petróleo, 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.

Until the date of the issuance of these unaudited condensed consolidated 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, 2021 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 19.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, 2021, which were prepared according to accounting policies, as described above. There were no changes in the accounting policies and critical accounting estimates adopted on December 31, 2021 and June 30, 2022.

The unaudited condensed consolidated interim financial information incorporate the Company and its subsidiaries. There were no changes in the consolidated entities and investments to the annual consolidated financial statements as of December 31, 2021 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.New and amended IFRS that are mandatorily effective for the current year

During the year, the Group has 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, 2021. The following amendments have been applied by the Group, but had no significant impact on its Consolidated financial statements:

Standard	Description	Effective date
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition	January 1, 2021

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

At the date of approval of these financial information, 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 *Consolidated Financial Statements* and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	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
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 recognises 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

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 financial statements. 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 financial statements.

3. CASH AND CASH EQUIVALENTS

	June 30, 2022	December 31, 2021
Cash and bank deposits	16,345	11,046
Time deposits (*)	57,082	65,260
Total	73,427	76,306

(*) Time deposits are comprised as follows:

Financial institution	Currency	Average interest rate (per annum)	June 30, 2021	December 31, 2021
Itaú BBA Nassau	U.S. dollar	0.37%	50,287	49,124
Citibank	U.S. dollar	0.13%	75	218
Banco Bradesco S.A.	Brazilian real	41.06% of CDI (ii)	1,089	2,046
Banco do Brasil S.A.	Brazilian real	91.91% of CDI (ii)	5,631	13,872
Total			57,082	65,260

4. SHORT-TERM INVESTMENTS

Financial institution	Type	Currency	Average interest rate (per annum)	June 30, 2021	December 31, 2021
Banco Lafise Panamá	Time deposits (i)	U.S. dollar	2.75%	52	52
Banco do Brasil S.A.	Repurchase agreements (iii)	Brazilian real	98.00% of CDI (ii)	-	4,663
Total				52	4,715

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

(ii) Brazilian Interbank Deposit Certificate (*Certificado de Depósito Interbancário - CDI*), average remuneration during the six-month period ended June 30, 2022 and December 31, 2021 was 11.32%p.a. and 4.65% respectively.

(iii) Refers to agreements in which the financial institution commits to repurchase the asset back from the Group in the short-term (i.e., more than ninety days).

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.

The Company made principals payments for Amaralina Star and Brava Star financing in amount of US$17,618 (Note 10.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, 2022	December 31, 2021
Citibank N.A.	Time deposits	1.00%	2	2,535
HSBC	Time deposits	1.00%	-	15,063
HSBC	Bank deposits	-	-	1,600
Signature Bank	Bank deposits	-	1,733	-
Total			1,735	19,198

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 and, consequently, the Group has not recorded an impairment loss provision for trade and other receivables for the years presented. The average collection period is of approximately 56 days. Details of financial risk management related to credit risk are disclosed in Note 19.b.

7. INVENTORIES

Inventories consist of spare parts, materials and supplies to be applied in the drilling units operations. The amounts recognized in the consolidated statement of operations are accounted for as Cost of Services in the sub-account “Materials” (Note 15).

8. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, that are part of the Group, have been eliminated for consolidation purposes and are not disclosed in the table below.

The consolidated intercompany balances as of June 30, 2022 and December 31, 2021, and transactions for the six-month periods ended June 30, 2022 and 2021 are as follows:

	June 30, 2022		December 31, 2021		Three-month period ended June 30,		Six-month period ended June 30,	
					2022	2021	2022	2021
	Assets	Liabilities	Assets	Liabilities	Income/ (expenses)	Income/ (expenses)	Income/ (expenses)	Income/ (expenses)
Queiroz Galvão S.A. [a]	-	-	-	-	-	-	-	-
Queiroz Galvão International S.A. [a]	-	-	-	168	-	-	-	-
Enauta S.A.	-	-	-	25	-	-	-	-
Others	-	-	-	-	-	-	-	-
Total	-	-	-	193	-	-	-	-
Current	-	-	-	193				

(a) As of December 31, 2021 the payable amount referred to a fee charged by Queiroz Galvão S.A. for being the guarantor for importations under the REPETRO tax regime. On March 30, 2020 Constellation Overseas and Queiroz Galvão S.A. entered into a Termination and Release Agreement (“Agreement”) which releases the warrants and corporate guarantees provided by Queiroz Galvão S.A. Additionally the remaining financial rights were transferred from Queiroz Galvão S.A. to Queiroz Galvão International Ltd.

(b) Since June 10, 2022, Queiroz Galvão International S.A and Enauta S.A are no longer considered related parties of the Group.

Key management personnel (i) remuneration for the six-month period ended June 30, 2022 and June 30, 2021, is as follows:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2022	2021	2022	2021
Short-term benefits [ii]	3,416	1,521	4,139	3,572

(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.

9. PROPERTY, PLANT AND EQUIPMENT

	Drillships			Offshore drilling rigs					Onshore drilling rigs, equipment and bases (b)	Corporate	Total
	Brava Star	Amaralina Star	Laguna Star	Atlantic Star	Alpha Star	Gold Star	Lone Star	Olinda Star			
Cost											
Balance as of December 31, 2020	707,051	717,917	707,634	373,247	767,673	599,818	732,415	580,353	124,862	19,831	5,330,801
Additions	13,229	1,755	8,584	895	1,941	1,724	3,732	1,018	57	137	33,072
Disposals / write off	(127)	(73)	(1)	(179)	-	(197)	(20)	-	-	(25)	(622)
Currency translation adjustments	-	-	-	-	-	-	-	-	(4,706)	2,371	(2,325)
Balance as of December 31, 2021	720,153	719,599	716,217	373,963	769,614	601,345	736,127	581,371	120,213	22,314	5,360,916
Additions	993	3,569	22,494	799	126	12,358	8,712	797	251	4	50,103
Disposals / write off	-	-	-	-	-	-	(112)	-	(2)	-	(114)
Currency translation adjustments	-	-	-	-	-	-	-	-	244	456	700
Balance as of June 30, 2022	721,146	723,168	738,711	374,762	769,740	613,703	744,727	582,168	120,706	22,774	5,411,605
Accumulated depreciation and Impairment											
Balance as of December 31, 2020	(356,098)	(421,095)	(409,741)	(199,876)	(507,193)	(362,755)	(510,031)	(580,353)	(96,897)	(18,357)	(3,462,396)
Depreciation	(19,393)	(27,544)	(26,229)	(18,854)	(18,746)	(16,074)	(18,980)	-	(3,431)	(190)	(149,441)
Impairment (provision)/reversal	56,799	16,707	23,518	(8,426)	55,068	4,720	17,805	17,826	-	-	184,017
Disposals / write off	45	10	-	69	-		1	-	-	25	150
Currency translation adjustments	-	-	-	-	-	-	-	-	2,674	(2,359)	315
Balance as of December 31, 2021	(318,647)	(431,922)	(412,452)	(227,087)	(470,871)	(374,109)	(511,205)	(562,527)	(97,654)	(20,881)	(3,427,355)
Depreciation	(11,436)	(13,052)	(12,021)	(9,664)	(9,393)	(7,690)	(8,194)	(734)	(1,791)	(73)	(74,048)
Disposals / write off	-	-	-	-	-	-	78	-	2	-	80
Currency translation adjustments	-	-	-	-	-	-	-	-	(674)	(504)	(1,178)
Balance as of June 30, 2022	(330,083)	(444,974)	(424,473)	(236,751)	(480,264)	(381,799)	(519,321)	(563,261)	(100,117)	(21,458)	(3,502,501)
Property, plant and equipment, net (a)											
December 31, 2021	401,506	287,677	303,765	146,876	298,743	227,236	224,922	18,844	22,559	1,433	1,933,561
June 30, 2022	391,063	278,194	314,238	138,011	289,476	231,904	225,406	18,907	20,589	1,316	1,909,104
Useful life range (years)	5 – 35	5 - 35	5 - 35	5 - 35	5 - 35	5 - 35	5 - 35	5 - 35	5 – 25	5 – 25	

(a) The Group's assets that are pledged as security for financing agreements are disclosed in Note 10.

(b) As of June 30, 2022 the amounts of US$20,860 (US$20,906 as of December 31, 2021) refers to the onshore drilling rigs.

Impairment

During the year ended December 31, 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 relevant events occurred during the six-month period ended June 30, 2022 that may have affected the recoverable amounts of the Group's onshore and offshore drilling rigs as of June 30, 2022.

(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 June 30, 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 10.92% discount rate for all rigs except Atlantic and Olinda that considers 10.90% (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, 2021, the Group reversed an impairment in amount of US$184,017 in all offshore drilling rigs and drillships.

10. 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, 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
Bondholders	Senior Secured Notes (“First Lien Notes”)	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	278,918
Bondholders	Senior Secured Notes (“Second Lien Notes”)	Corporate Bond	Debt Restructuring	Jun/2022	Dec/2050	0.25%	0.25%	U,S, dollar	1,889
Bondholders	Senior Unsecured Notes (“2050 Notes”)	Corporate Bond	Debt Restructuring	Jun/2022	Dec/2050	0.25%	0.25%	U,S, dollar	3,112
							Subtotal – fixed interest rate loans		346,319
Banco Bradesco S.A.	Loan (“Bradesco Debt”)	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	42,800
Certain Lenders	Financing (“Restructured ALB Debt”)	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	501,166
Certain Lenders	Financing (“ALB L/C Debt”	ALB L/C Debt	Debt restructuring	Jun/2022	Dec/2026	SOFR + 3.00%	SOFR + 3.00%	U,S, dollar	30,200
							Subtotal – variable interest rate loans		574,166
								Total	920,485
								Current	-
								Non-current	920,485

Financial institution/ Creditor	Funding type	Description	Objective	Beginning period	Maturity	Contractual interest rate (per annum)	Effective interest rate (per annum)	Currency	December 31 2021
Bondholders[(1)]	Senior Secured Notes (“Participating Notes”)	Corporate Bond	Debt Restructuring	Dec/2019	Nov/2024	10.00%	1.00%	U,S, dollar	748,135
Bondholders[(1)]	Senior Secured Notes (“Third Lien Notes”)	Corporate Bond	Debt Restructuring	Dec/2019	Nov/2024	10.00%	1.00%	U,S, dollar	42,596
Bondholders[(2)]	Senior Secured Notes (“Fourth Lien Notes”)	Corporate Bond	Debt Restructuring	Dec/2019	Nov/2024	10.00%	3.00%	U,S, dollar	69,890
Bondholders	Senior Unsecured Notes (“2030 Notes”)	Corporate Bond	Debt Restructuring	Dec/2019	Nov/2030	6.25%	6.25%	U,S, dollar	112,153
							Subtotal – fixed interest rate loans		972,774
Banco Bradesco S.A.[(3)]	Loan	Working Capital	Debt restructuring	Dec/2019	Nov/2025	Libor + 2.00%	4.17%	U,S, dollar	165,324
							Subtotal - variable interest rate loans		165,324
BNP, Citi, ING and DNB and Eksportkreditt Norge (“EKN”) [(4)]	Financing	ALB (Amaralina)	Debt restructuring	Dec/2019	Nov/2023	Libor + 3.12% (cash) + 1.50% (PIK)	4.79%	U,S, dollar	178,473
BNP, Citi, ING and DNB and Eksportkreditt Norge (“EKN”) [(4)]	Financing	ALB (Laguna)	Debt restructuring	Dec/2019	Nov/2023	Libor + 3.12% (cash) + 1.50% (PIK)	4.79%	U,S, dollar	185,199
BNP, Citi, ING and DNB and Eksportkreditt Norge (“EKN”) [(5)]	Financing	ALB (Brava)	Debt restructuring	Dec/2019	Nov/2023	Libor + 2.45% (cash) + 1.50% (PIK)	4.12%	U,S, dollar	432,173
							Subtotal – variable interest rate financing		795,845
								Total	1,933,943
								Current	117,113
								Non-current	1,816,830

(1) 10% Payment-in-Kind (“PIK”) from December 18, 2019 (the “Effective Date”) to, but excluding, November 9, 2021 and 9% cash + 1% PIK from November 9, 2021 until the maturity date.

(2) 10% PIK from the Effective Date to, but excluding, November 9, 2021 and 7% cash + 3% PIK from November 9, 2021 until the maturity date.

(3) Libor + 2.00% to be paid on Maturity Date until January 2021, from this date on 2.75% cash payment plus the difference between Libor + 2.00% minus 2.75%.

(4) 14% PIK from the Effective Date until December 2019 and Libor + 3.12% cash and 1.50% PIK from December 2019 until the Maturity Date

(5) 14% PIK from the Effective Date until December 2019 and Libor + 2.45% cash and 1.50% PIK from December 2019 until the Maturity Date.

a) Changes in loans and financing

	June 30, 2022	December 31, 2021
Balance as of January 1	1,933,943	1,809,143
Additions	62,400	-
Net proceeds from loans and financings	62,400	-
Principal repayment	(17,618)	-
Interest payment	(585)	-
Total payments	(18,203)	-
Debt restructuring	(1,116,311)	-
Interest charged through profit and loss	58,656	124,800
Financial expenses on loans and financings (Note 17)	58,656	124,800
Balance as of June 30,	920,485	1,933,943

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.

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 ended June 30,	Net amount	PIK (*)	Gross amount
2023	9,984	15,587	25,571
2024	40,560	7,004	47,564
2025	11,856	1,948	13,804
2026	853,084	196,525	1,049,609
After 2027	5,001	369	5,370
Total	920,485	221,433	1,141,918

(*) 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 financial covenants and are secured by collateral provided to the creditors. 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.

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 the 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.

11. 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, 2022	December 31, 2021
Balance as of January 1,	745	2.729
(Reversal of) Penalty for delay (Alpha, Lome, Gold and Amaralina)	47	(1.984)
Foreign exchange rate variations	-	-
Balance as of June 30,	792	745

12. 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, 2022, 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, 2022	December 31, 2021
Balance as of January 1	1,540	1,762
Additions	1,366	241
Reversals	(50)	(345)
Foreign exchange rate variations	60	(118)
Total	2,916	1,540

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$18,102 as of June 30, 2022 (US$22,410 as of December 31, 2021), tax lawsuits in the amount of US$34,056 as of June 30, 2022 (US$30,537 as of December 31, 2021) and civil lawsuits in the amount of US$642 as of June 30, 2022 (no civil lawsuits as of December 31, 2021).

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, 2022, the estimated amount involved is US$7,205 (US$6,755 as of December 31, 2021).

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, 2022, the estimated amount involved is US$18,427 (US$16,879 as of December 31, 2021).

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, 2022 the estimated amount involved is US$3,835 (US$3,352 as of December 31, 2021).

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.
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 filled 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 information, 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.

13. 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 $1,990M outstanding debt, which was reinstated to $826M of convertible debt, with an additional $92.6 comprised of $62.4M in new funds raised through the restructuring and $30.2M 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:

Pre-restructuring		Restructured Debt		
Amounts in USD millions	Outstanding Debt	Convertible Debt	Non-convertible Debt	Equity % (*)
ALB Lenders	811.8	500.0	30.2	26%
Former 2024 Participating Notes	823.4	278.3	-	47%
Bradesco	167.1	42.7	-	-
Former 2024 Fourth Lien Notes	72.7	1.89	-	-
Former 2030 Unsecured Notes	115.1	3.11	-	-
New Money	-	-	62.4[1]	-
Incumbent Shareholders[2]	-	-	-	27%
Total	**1,990.1**	**826.0**	**92.6**	**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). 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.

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

[1] Includes backstop fee of $2.4M
[2] Includes the Shareholders, as previously defined, and the remaining incumbent shareholders

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 cents (USD 0.01).

As of June 30, 2022 and December 31 2021, the Company's share capital amounts to US$4,933 and US$981,200, comprised by 493,333,333 and 2,889,227,364 ordinary shares, of one cent per share and with no par value, respectively. The Class A Shares carry voting rights and are entitled to one (1) vote per Share at any general meeting of Shareholder. The Class B Shares are non-voting shares and are only recognized for purposes of voting in accordance with the requirements of the Law.

Advance for future capital increase

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.

14. NET OPERATING REVENUE

The Group's operating revenue is mainly derived from charter and service-rendering agreements. As of June 30, 2022 and 2021, Petrobras has accounted for 91% and 90%, 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,	
	2022	2021	2022	2021
Gross operating revenue	97,480	108,079	188,716	189,517
Taxes levied on revenue:				
Social Integration Program (PIS) (i)	(577)	(534)	(1,152)	(936)
Social Investment Program (COFINS) (i)	(2,659)	(2,459)	(5,308)	(4,310)
Services Tax (ISS) (i)	(886)	(810)	(1,748)	(1,454)
Good and Service Tax (GST) (ii)	(1,235)	(1,169)	(1,236)	(2,098)
Others	-	-	78	-
Net operating revenue	92,123	103,107	179,350	180,719

(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.

15. COST OF SERVICES AND OPERATING EXPENSES

Costs and expenses by nature	2022 Cost of services	2022 General and administrative expenses	2022 Total	2021 Cost of services	2021 General and administrative expenses	2021 Total
Payroll, related charges and benefits	(29,760)	(5,314)	(35,074)	(23,724)	(3,225)	(26,949)
Depreciation	(36,422)	(45)	(36,467)	(36,978)	(38)	(37,016)
Materials	(14,948)	-	(14,948)	(13,327)	-	(13,327)
Maintenance	(25,668)	6	(25,662)	(22,694)	(3)	(22,697)
Insurance	(1,248)	398	(850)	(1,189)	(327)	(1,516)
Other (1)/(2)	(5,697)	(13,729)	(19,426)	(5,009)	(10,634)	(15,643)
Total	(113,743)	(18,684)	(132,427)	(102,921)	(14,227)	(117,148)

Six-month period ended June 30,						
Costs and expenses by nature	2022 Cost of services	2022 General and administrative expenses	2022 Total	2021 Cost of services	2021 General and administrative expenses	2021 Total
Payroll, related charges and benefits	(55,612)	(8,587)	(64,199)	(44,207)	(6,397)	(50,604)
Depreciation	(73,967)	(81)	(74,048)	(73,752)	(81)	(73,833)
Materials	(25,420)	-	(25,420)	(26,333)	-	(26,333)
Maintenance	(44,529)	-	(44,529)	(37,934)	-	(37,934)
Insurance	(2,371)	-	(2,371)	(2,125)	-	(2,125)
Other (1)/(2)	(13,194)	(27,633)	(40,827)	(11,583)	(16,545)	(28,128)
Total	(215,093)	(36,301)	(251,394)	(195,934)	(23,023)	(218,957)

(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.

16. OTHER OPERATING INCOME (EXPENSES), NET

	Three-month period ended June 30,		Six-month period ended June 30,	
	2022	2021	2022	2021
Reversal of provision for onerous contract	-	478	-	478
Revenue from sales of PP&E	-	-	5	3
Gain in restructuring	513,226	-	513,226	-
Other	51	394	147	4,517
Other income	513,277	872	513,378	4,998
Provision for impairment (Note 9)	-	-	-	(109)
Cost of PP&E disposed	(34)	-	(34)	-
Other	-	(109)	-	(812)
Other expenses	(34)	(109)	(34)	(921)
Total other income, net	513,243	763	513,344	4,077

17. FINANCIAL EXPENSES, NET

	Three-month period ended June 30,		Six-month period ended June 30,	
	2022	2021	2022	2021
Interest on short-term investments	242	232	580	398
Other financial income	15	63	16	241
Financial income	257	295	596	639
Financial expenses on loans and financing (Note 10.a)	(25,893)	(30,681)	(58,656)	(60,972)
Other financial expenses	(3,460)	(247)	(3,621)	(294)
Financial expenses	(29,353)	(30,928)	(62,277)	(61,266)
Foreign exchange variation gain, net	162	(276)	(216)	(340)
Financial expenses, net	(28,934)	(30,909)	(61,897)	(60,967)

18. 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, 2022	December 31, 2021
Taxes on revenue (PIS/COFINS)	13,018	9,896
Goods and Services Tax - GST(i)	1,499	-
Income tax (IRPJ) and social contribution on net income (CSLL) (ii)	8,173	4,383
Other	1,202	237
Total	23,892	14,516
Current	23,849	14,516
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, 2022	December 31, 2021
Goods and Services Tax - GST(i)	1,847	138
Income tax (IRPJ) and social contribution (CSLL)	961	318
Service Tax (ISS)	950	1,120
State VAT (ICMS)	125	184
Taxes on revenue (PIS/COFINS)	27	26
Total	3,910	1,786

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

c) Deferred tax assets

	June 30, 2022	December 31, 2021
Income tax (IRPJ) and social contribution (CSLL) (*)	20,994	16,415

(*) 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.

d) Effect of income tax results

The tax rate used for the six-month period June 30, 2022 and 2021 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,	
	2022	2021	2022	2021
Profit / (Loss) before taxes	399,224	(44,187)	334,622	(95,128)
Income tax and social contribution at nominal rate (*)	1,764	(3,006)	3,197	(4,825)
Adjustments to derive effective tax rate:				
Non-deductible expenses	(64)	(728)	(144)	(1,567)
Other	1,319	615	(237)	456
Income tax expense recognized in profit or loss	3,019	(3,119)	2,816	(5,936)
Current taxes	(778)	(2,099)	(780)	(3,311)
Deferred taxes	3,797	(1,020)	3,596	(2,625)

(*) Nominal tax rate applied on profits/ (loss) before taxes related to Serviços de Petróleo and QGOG Constellation UK Ltd. and on revenues related to Serviços de Petróleo India.

19. 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:

		June 30, 2022		December 31, 2021	
	Category	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	FVTPL	73,427	73,427	76,306	76,306
Short-term investments	FVTPL	52	52	4,715	4,715
Restricted cash	FVTPL	1,735	1,735	19,198	19,198
Trade and other receivables	Amortized cost	56,093	56,093	45,666	45,666
Receivables from related parties	Amortized cost	-	-	-	-
Financial liabilities					
Loans and financing	Amortized cost	920,485	920,485	1,933,942	1,312,359
Trade and other payables	Amortized cost	55,945	55,945	54,644	54,644
Payables to related parties	Amortized cost	-	-	193	193

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

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.

<u>Liquidity risk</u>

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 11) 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 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, 2022

Period	Trade and other payables	Loans and financing	Total
2022	55,945	-	55,945
2023	-	25,571	25,571
2024	-	47,564	47,564
2025	-	13,804	13,804
2026	-	1,049,609	1,049,609
After 2027	-	5,370	5,370
Total	55,945	1,141,918	1,197,863

December 31, 2021

Period	Trade and other payables	Loans and financing	Payables to related parties	Total
2022	54,644	182,185	193	237,022
2023	-	840,995	-	840,995
2024	-	946,392	-	946,392
2025	-	150,396	-	150,396
After 2026	-	193,402	-	193,402
Total	54,644	2,313,370	193	2,368,207

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, 6 and 8, respectively.

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 interest rates charged on its loans and financing (Note 10).

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 0.1% on outstanding loans and financing and the effects of either an increase or a decrease of 0.1% 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 0.1% 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, 2022	Scenario I (i)	Scenario II (ii)
		Increase/ (decrease) in P&L	
Variable interest rate loans	42,800	(43)	43
Variable interest rate financing	531,366	(531)	531
Total	574,166	(574)	574

(i) Decrease of 0.1% in interest rate.
(ii) Increase of 0.1% 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, 2022	December 31, 2021
Loans and financing [(a)]	920,485	1,933,943
Cash transactions [(b)]	(75,214)	(100,219)
Net debt [(c)]	845,271	1,833,724
Shareholders' equity [(d)]	1,263,138	275,403
Net debt on shareholders' equity plus net debt [[(c)] ÷ [(c) + (d)]]	40%	87%

(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.

20. INSURANCE (Unaudited)

As of June 30, 2022 and December 31, 2021, major assets or interests covered by insurance policies and their respective coverage amounts are summarized below:

	June 30, 2022	December 31, 2021
Civil liability	1,785,500	1,785,500
Operating risks	1,530,283	1,498,784
Operational headquarter and others	13,697	13,512
Total	3,329,480	3,297,796

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

a) Pension Plan

The Group, through its 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 the three-month period ended June 30, 2022 and 2021, contributions payable by Serviços de Petróleo at the rates specified by the plan rules amounts to US$162 and US$145, respectively.

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.

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, 2022	December 31, 2021
2022	279,144	437,549
2023	472,237	383,926
2024	269,281	243,871
2025	95,338	73,760
Total	1,116,000	1,139,106

23. SUBSEQUENT EVENTS

Updates of the offshore and onshore drilling rigs charter and service rendering agreements

Note 1 – General Information discloses several subsequent events related to charter contracts and the provision of operating services for the Alpha Star, Amaralina Star, Lone Star, Gold Star and Olinda Star rigs and the onshore rig QG-VIII as well as updated information on the restructuring process of the Group.

Merger BVI entity

On July 15, 2022 the merger of company Lancaster Projects Corp. into Constellation Overseas was completed and the aforementioned company should be disregarded from the corporate structure of the Group.

Liquidation QGOG Constellation UK

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

24. APPROVAL OF THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Consolidated financial information was approved by the Company´s Management and authorized for issuance on September 26, 2022.