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

Luxembourg, September 30, 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 second quarter ended June 30, 2022.

SECOND QUARTER HIGHLIGHTS

- Net operating revenue decreased 10.7% year-over-year to US$ 92.1 million in 2Q22;
- Revenues from ultra-deepwater (UDW) units represented 72.6% of total net revenues in 2Q22, down from 79.7% in 2Q21;
- Adjusted EBITDA[1] totaled negative US$ 3.8 million and the Adjusted EBITDA margin was negative 4.1% in 2Q22, compared to US$ 23.4 million and 22.7% in 2Q21, respectively;
- Net profit was US$ 447.0 million in 2Q22, up from a net loss of US$ 47.3 million in 2Q21;
- The total backlog as of June 30, 2022, was US$ 1,116.0 million;
- Average uptime for the UDW fleet was lower year-over-year at 89% in 2Q22, compared with 94% in 2Q21;
- Total cash decreased to US$ 75.2 million in 2Q22 compared to US$ 82.9 million in 1Q22.

RECENT DEVELOPMENTS

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

- 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.

- 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

[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.

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

- On September 14, 2022, the Alpha Star rig ended its contract with Petrobras. The vessel is currently undergoing preparations for its 210 days contract with Enauta, estimated to begin in the 4th quarter of 2022.

- On September 14, 2022, Lone Star started its new contract 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.

SECOND QUARTER 2022 RESULTS

Net operating revenue decreased 10.7%, or US$ 11.0 million, year-over-year to US$ 92.1 million in 2Q22, mainly due to the end of Gold Star and Lone Star contracts with Petrobras in March/22 and April/22, respectively. The decrease was partially offset by the start of Laguna Star's contract with Petrobras and Olinda Star's commitment with ONGC, which commenced in March/22 and May/22, respectively.

Average uptime of the UDW units decreased to 89% in 2Q22, from 94% in 2Q21. The Company's offshore fleet utilization decreased to 535 days in 2Q22 from 629 days in 2Q21, mainly due to the end Gold Star and Lone Star contracts in March/22 and April/22, respectively.

Contract drilling expenses (operating costs excluding depreciation) increased 17.3% or US$ 11.4 million in 2Q22, totaling US$ 77.3 million, compared to US$ 65.9 million in 2Q21. The year-over-year increase was driven mainly by a collective agreement with employees, and an exchange rate effect in connection with the appreciation of the Brazilian currency, which led to higher expenses with payroll, charges and benefits. In addition, we recorded higher maintenance and materials costs in connection to the adequacy of certain rigs to start new contracts.

General and administrative expenses increased 31.3% or US$ 4.5 million, totaling US$ 18.7 million in 2Q22 from US$ 14.2 million in 2Q21. 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 negative US$ 3.8 million, and the Adjusted EBITDA margin was negative 4.1% in 2Q22, compared with US$ 23.4 million and 22.7%, respectively, in 2Q21. The decrease in 2Q22 Adjusted EBITDA was mainly due to the lower offshore fleet utilization in the quarter, higher contract drilling expenses and the costs related to our financial restructuring. The decrease was partially offset by the start of Laguna Star's contract with Petrobras in March/22 and Olinda Star's commitment with ONGC in May/22, both with better economics than their preview commitments.

Net financial expenses were lower year-over-year, totaling US$ 28.9 million in 2Q22 from US$ 30.9 million in 2Q21.

Net profit totaled US$ 447.0 million in 2Q22, up from a net loss of US$ 47.3 million in 2Q21. The result is mainly related to the US$ 513.2 million gain on debt restructuring, which was recognized in the 2nd quarter of 2022.

CASH FLOW & BALANCE SHEET HIGHLIGHTS

Adjusted cash flow provided by operating activities totaled negative US$ 8.6 million during 2Q22, compared to US$ 3.5 million in 2Q21. The decrease was mainly due to adequacy costs incurred in 2Q22.

Net cash used in investing activities totaled US$ 19.3 million in 2Q22, compared to US$ 6.8 million in 2Q21.

Total cash (which includes cash and cash equivalents, short-term investments and restricted cash) decreased to US$ 75.2 million as of June 30, 2022, compared to US$ 82.9 million as of March 31, 2022. Available cash, free of liens, was US$ 73.5 million at the end of the second quarter of 2022.

Total debt decreased US$ 1.0 billion to US$ 920.5 million as of June 30, 2022, compared to US$ 1,966.7 million as of March 31, 2022. The debt was reduced in connection with the closing of our financial restructuring.

Net debt decreased US$ 1.0 billion to US$ 845.3 million as of June 30, 2022, compared to US$ 1,883.9 million as of March 31, 2022.

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 June 30, (unaudited)		For the six-month period ended June 30, (unaudited)	
	2022	**2021**	**2022**	**2021**
Statement of Operations Data:	*(in millions of $, except per share data)*			
Net operating revenue	92.1	103.1	179.4	180.7
Operating Costs	(113.7)	(102.9)	(215.1)	(195.9)
Gross profit	(21.6)	0.2	(35.7)	(15.2)
General and administrative expenses	(18.7)	(14.2)	(36.3)	(23.0)
Other operating income (expenses), net	513.2	0.8	513.3	4.1
Operating profit	472.9	(13.3)	441.3	(34.2)
Financial expenses, net	(28.9)	(30.9)	(61.9)	(61.0)
Profit before taxes	444.0	(44.2)	379.4	(95.1)
Taxes	3.0	(3.1)	2.8	(5.9)
Profit for the period	447.0	(47.3)	382.2	(101.1)
Profit per share:				
Basic	0.17	(0.02)	0.15	(0.03)
Diluted	0.17	(0.02)	0.15	(0.03)
Weighted average common shares outstanding (thousands of common shares):				
Basic	189,227	189,227	189,227	189,227
Diluted	189,227	189,227	189,227	189,227

	For the three–month period ended June 30, (unaudited)		For the six-month period ended June 30, (unaudited)	
	2022	**2021**	**2022**	**2021**
Other Financial Information:	*(in millions of $)*			
Profit for the period/year	447.0	(47.3)	382.2	(101.1)
(+) Financial expenses, net	28.9	30.9	61.9	61.0
(+) Taxes	(3.0)	3.1	(2.8)	5.9
(+) Depreciation	36.5	37.0	74.0	73.8
EBITDA (1)	509.4	23.7	515.3	39.7
EBITDA margin (%) (2)	553.0%	23.0%	287.3%	22.0%
Non-cash adjustment (3)				
Impairment	-	0.1	-	0.1
Onerous contract provision, net	-	(0.5)	-	(0.5)
Debt Restructuring	(513.2)	-	(513.2)	-
Adjusted EBITDA (1)	(3.8)	23.4	2.1	39.3
Adjusted EBITDA margin (%) (2)	(4.1%)	22.7%	1.2%	21.7%

(1) EBITDA is a non-GAAP measure prepared by us and consists of: net income, plus net financial expenses taxes and depreciation. EBITDA is not a measure defined under IFRS, should not be considered in isolation, does not represent cash flow for the periods indicated and should not be regarded as an alternative to cash flow or net income, or as an indicator of operational performance or liquidity. EBITDA does not have a standardized meaning, and different companies may use different EBITDA definitions. Therefore, our definition of

EBITDA may not be comparable to the definitions used by other companies. We use EBITDA to analyze our operational and financial performance, as well as a basis for administrative decisions. The use of EBITDA as an indicator of our profitability has limitations because it does not account for certain costs in connection with our business, such as net financial expenses, taxes, depreciation, capital expenses and other related expenses. Adjusted EBITDA is also a non-GAAP measure prepared by us and consists of: net income, plus net financial expenses taxes, depreciation and some specified non cash adjustments.

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

(3) 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 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. In 1H21 the Company recognized an impairment in the aggregate amount of US$ 0.1 million in non-cash adjustments related to Laguna Star, Gold Star, Lone Star, Alpha Star, Amaralina Star, Brava Star, Olinda Star and Atlantic Star rigs. The Company also recognized US$ 0.5 million in non-cash adjustments due to the onerous contract provision reversal related to Alpha Star's contract with Petrobras.

	As of June 30, (unaudited)	**As of December 31,** (audited)	
	2022	**2021**	**2020**
Statement of Financial Position:		*(in millions of $)*	
Cash and cash equivalents	73.4	76.3	34.9
Short-term investments	0.1	4.7	18.0
Restricted cash	1.7	19.2	22.7
Total assets	2,297.9	2,305.7	2,195.9
Total loans and financings	920.5	1,933.9	1,809.1
Total liabilities	1,034.7	2,030.3	1,917.2
Shareholders' equity	1,263.1	275.4	278.6
Net debt	845.3	1,833.7	1,733.5

	For the six-month period ended June 30, (unaudited)	
Statement of Cash Flows:	**2022**	**2021**
	(in millions of $)	
Cash flows provided by operating activities:		
Profit for the period	382.2	(101.1)
Adjustments to reconcile net income to net cash used in operating activities	(382.2)	137.9
Net income after adjustments to reconcile net income to net cash used in operating activities	0.0	36.8
Decrease (increase) in working capital related to operating activities	(21.6)	(12.6)
Cash flows provided by operating activities	(21.5)	24.3
Cash flows used in investing activities	(29.7)	(11.7)
Cash flows used in financing activities	45.9	-
Increase (decrease) in cash and cash equivalents	(5.3)	12.5

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	September 2022	October 2022	May 2023
Lone Star (2)	100%	DP; SS	7,900	April 2011	Petrobras	April 2020	April 2022	September 2022	September 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. The Gold Star, Lone Star and Alpha Star's contract ended on March 04, 2022, April 23, 2022 and September 14, 2022, respectively. On January 03, 2022, the Company announced that the Gold and Lone Star rigs had been awarded contracts with Petrobras S.A. ("Petrobras"). Each contract has a total duration of 1095 days and includes a termination for convenience after 365 days subject to a demobilization fee. The jobs will be performed offshore Brazil. The operations under Gold Star contract started on August 09, 2022, while Lone Star's operations commenced on September 14, 2022.

(3) On February 09, 2022, the Company announced that the Alpha Star rig was awarded a contract with Enauta. 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.............	210.8	358.9	268.5	95.3	933.5	83.6%
Deepwater.......................	37.3	52.7	-	-	89.9	8.1%
Midwater.........................	30.6	60.6	0.8	-	92.0	8.2%
Onshore...........................	0.5	-	-	-	0.5	0.1%
Total.........................	**279.1**	**472.2**	**269.3**	**95.3**	**1,116.0**	**100%**

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

Revenue per asset type

	For the three-month period ended June 30,		% Change	For the six-month period ended June 30,		% Change
	2022	2021	2022/ 2021	2022	2021	2022/ 2021
Net revenue per asset type:	*(in millions of $)*			*(in millions of $)*		
Ultra-deepwater...............................	66.9	82.2	(18.6%)	138.3	139.7	(1.0%)
Deepwater	10.7	9.1	17.7%	10.7	16.4	(34.8%)
Midwater	12.8	11.8	8.5%	27.0	24.6	9.2%
Onshore rigs	1.7	-	-	3.4	-	-
Other	-	-	-	-	-	-
Total	92.1	103.1	(10.7%)	179.4	180.7	(0.8%)

Operating Statistics

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Uptime by asset type (1):	*(%)*		*(%)*	
Ultra-deepwater	89	94	89	93
Deepwater	96	97	96	98
Midwater	88	83	94	90
Onshore rigs	99	-	100	-

	For the three-month period ended June 30,		Change	For the six-month period ended June 30,		Change
	2022	2021	2022/ 2021	2022	2021	2022/ 2021
Utilization days (2):	*(in days)*			*(in days)*		
Ultra-deepwater	387	461	(74)	839	913	(73)
Deepwater	57	76	(19)	57	166	(109)
Midwater	91	91	-	181	174	7
Onshore rigs	91	-	91	181	-	181
Total	626	629	(3)	1.258	1.253	5

(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.