Constellation Oil Services Holding S.A. Reports Third Quarter 2024 Results

Luxembourg, November 25th, 2024 – Constellation Oil Services Holding S.A. ("Constellation" or the "Company") a market leading provider of offshore oil and gas contract drilling services, today reported results for the third quarter ended September 30, 2024.

THIRD QUARTER HIGHLIGHTS

- Average uptime increased to 98% in 3Q24, compared to 93% in 3Q23.
- Contract drilling expenses decreased by US$16.0 million to US$ 72.5 million in 3Q24 from US$ 88.5 million in 3Q23;
- Adjusted EBITDA[1] of US$ 61.9 million and the adjusted EBITDA margin of 45.7% in 3Q24, US$ 12.1 million above the US$ 49.8 million (35.1% margin) posted in 3Q23;
- Net Profit of US$ 2.5 million in 3Q24, up from a Net Loss of US$ (12.0) million in 3Q23;
- Total backlog as of September 30, 2024, of $1.6 billion, including WIP extensions;
- Debt quarterly interest of US$ 15.5 million paid in cash in 3Q24; and
- Net debt decreased by US$ 19.8 million since December 31, 2023 to US$ 854.7 million as of September 30, 2024.

RECENT DEVELOPMENTS

- On August 20, 2024, the Group entered into a short-term contract for Alpha Star with Shell Brasil Petroleo Ltda. for a 28-day period between August 30th and September 27th. This contract was executed at the same day rates as the ongoing contract with 3R Petroleum and the 28 days contract period with Shell have been reduced from the total remaining period with 3R Petroleum (rebranded as Brava Energia as of August 30, 2024). On October 30, 2024, the Group and 3R Petroleum signed the Early Termination of the Contract, anticipating its end date in 30 days, from December 14 to November 14, 2024. Constellation holds the right for an Early Termination Fee of US$ 1,500 plus the remuneration for the anticipated period, which will be paid to Constellation as of April 2025 as a consequence, Alpha Star will begin the preparations for its upcoming Contract with Petrobras which is due to commence by February 2025.

- On September 23, 2024, the Group announced that the Laguna Star drillship had been awarded a new contract with Petrobras. The contract has a 2.5-year

[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.

estimated duration and its operation is expected to start in the third quarter of 2025

- On September 23, 2024, the Group announced that the Company was awarded a new contract with Petrobras for the deployment of an ultra-deepwater (UDW) rig –Tidal Action, a newbuild rig constructed at the Hanwha Ocean shipyard in South Korea, to work on the Roncador Field in the Campos Basin. Tidal Action, previously known as West Libra, represents one of the last high-specification units constructed in the previous rig-building cycle. This will be the first instance where Constellation operates a third-party owned UDW unit, demonstrating the company's adaptability and technical prowess. The contract has a 2.5-year estimated duration and its operation is expected to start in the third quarter of 2025.

- On November 1, 2024, the Group signed a new contract for Lone Star with Brava Energia, which has a minimum execution period of 400 days, in which 40 days are estimated for hull cleaning and maintenance, and 360 days comprising the primary period of the Drilling Program. This period can be extended by Brava Energia for up to 60 days. The operations are expected to commence in direct continuation after the conclusion of the current contract with Petrobras.

Recapitalization process

On October 16, 2024, Constellation Holdco S.A., a public limited liability company (société anonyme) constituted to serve as a new holding company for Constellation, has priced a private placement of approximately US$75 million (the "Private Placement") of stapled exchangeable notes and common equity. The US$75 million of exchangeable notes and common equity will be exchangeable for common shares of Constellation representing 12.1% of the equity in Constellation upon the consummation of the qualified liquidity event. Completion of the Private Placement is subject to certain conditions including, but not limited to, the consummation of the Merger (as defined below) and the successful completion of Constellation's comprehensive recapitalization.

On November 7, 2024, NewCo Holding USD 20 S.à r.l., a private limited liability company (société à responsabilité limitée), which is set to merge into Constellation Oil Services Holding S.A. (the "Merger"), successfully settled its offering of 93/8% Senior Secured Notes due 2029 (the "Notes") in an aggregate principal amount of US$ 650 million. Principal on the notes will be payable annually, commencing on November 7, 2026, in an amount equal to US$75 million per annum, with the remaining balance payable in full on November 7, 2029. Proceeds from this issuance are currently held in an escrow account and will be released upon the satisfaction of certain conditions, including, but not limited to, the substantially concurrent consummation of the Merger. If the Liquidity Event is not consummated on or before February 5, 2025, the Notes will be subject to special mandatory redemption, requiring the group to repurchase the Notes at a redemption price of 101% of their aggregate principal amount, plus accrued and unpaid interest through the redemption date, and the New Equity will be canceled and any proceeds held in escrow from the Private Placement will be returned to the applicable investors.

Upon approval by all necessary stakeholders, the Recapitalization (including the Merger) will constitute a qualifying liquidity event, in accordance with Constellation's Articles and the terms of Constellation's outstanding indebtedness and will result in Constellation's outstanding indebtedness (other than its Priority Lien Notes and the ALB L/C Debt.) being converted into common shares of Constellation. The Recapitalization has significant support from a majority of Constellation's stakeholders, and Constellation has entered into support agreements with certain of its debt and equity holders that have agreed to approve the Recapitalization. The qualifying liquidity event is expected to be consummated on or around mid-December 2024.

Once the conditions for the release of proceeds from the Notes and the Private Placement escrow accounts are satisfied, the Private Placement proceeds will be contributed by Constellation Holdco S.A. to Constellation, and thereafter the aggregate proceeds will be used to redeem certain of Constellation's outstanding indebtedness and to redeem Constellation shares to be issued as payment of Constellation's convertible debt instruments upon consummation of the Merger to those holders who elect to receive cash in lieu of such shares. Pursuant to the terms of the indenture governing the Notes, upon consummation of the Merger and assumption of their obligations thereunder, Constellation and its subsidiaries shall be subject to customary covenants, including, but not limited to: limitations on the incurrence of additional indebtedness, asset sales, dividend and other payment restrictions affecting Constellation and its restricted subsidiaries, liens, and restrictions on mergers, consolidations, among others.

This transaction previously described, and the subsequent merger, does not qualify as a business combination under the scope of IFRS 3 (revised) - Business Combination.

After the settlement of the qualified liquidity event, the net result of these transactions will be a deleveraging to $650 million of Constellation's gross debt.

Potential impacts on the Management Incentive Program (MIP) tied to the liquidity event are currently being assessed prospectively.

THIRD QUARTER 2024 RESULTS

Year to date revenues stable year-over-year, from US$ 422.7 million in 9M23 to US$ 423.5 million in 9M24. In 3Q24, net operating revenue decreased 4.5%, or US$ 6.4 million, to US$ US$ 135.4 million from 141.7 in 3Q23, mainly due to Gold Star's programmed maintenance stop to service its thrusters, which took 49 days, and the scrap of Olinda Star in 2nd quarter of 2024.

In 3Q24, contract drilling expenses (operating costs excluding depreciation) significantly decreased by 18.0% year-over-year to US$ 72.5 million, compared with US$ 88.5 million in 3Q23. The decrease was primarily driven by lower materials costs (US$ 5.5 million), settlement of covid insurance claim (US$3.6 million), personnel costs (US$3.0 million), and US$ 1.9 million contingencies recognized in 3Q23.

General and administrative expenses had a 57.4% decrease year-over-year, from US$ 5.1 million in 3Q23 to US$ 2.2 million in 3Q24, mainly driven by the reversion of commercial agent provision booked in previous years.

Other operating income increased from US$ 0.1 million in 3Q23 to US$ 4.3 million in 3Q24, mainly due to Gold's onerous contract provision reversion.

In 3Q24, adjusted EBITDA was US$ 61.9 million and adjusted EBITDA margin was 45.7%, compared to US$ 49.8 million and 35.1%, respectively, in 3Q23. The increase is mostly due to the reduction in contract drilling expenses and SG&A, partially offset by revenue reduction linked to Gold Star programmed maintenance and Olinda Star scrapping. In the nine-month-aggregate, Adjusted EBITDA increased to US$ 170.7 million in 2024 compared to US$159.7 million posted in 2023.

Adjusted net financial expenses decreased 6.8% to US$ (14.4) million in 3Q24, compared to US$ (15.4) million in 3Q23. Most of the improvement is related to higher financial income on cash balance.

Net income in 3Q24 was US$ 2.5 million, compared to a loss of US$ (12.0) million in 3Q23.

CASH FLOW & BALANCE SHEET HIGHLIGHTS

Cash flow provided by operating activities totaled US$ 151.6 million in 9M24, compared to US$ 95.1 million in 9M23. The US$ 56.5 million increase was mainly driven by the Brava Star mobilization fee of US$25.7 million received earlier this year, a reduction of US$ 12.7 million in trade and other payables, and the anticipation of receivables made in 4Q22 which reduced receivables collected in 9M23.

Investments activities in Capex increased by US$ 40 million in the first nine months of 2024 compared to the same period in 2023, reaching a total of US$ 83.2 million year to date.

The increase was driven by four main factors: Gold Star's thruster overhaul, Laguna Star's thruster overhaul, initial Alpha Star investments linked to its contract transition scheduled for the fourth quarter of this year, and Brava Star's final costs from previous year docking.

Cash flow used in financing activities increased year over year, from US$ 21.8 million in 9M23 to US$ 73.2 million in 9M24. The US$ 51.4 million increase is primarily due to our decision to continue paying interest in cash since 3Q23, as well as the start of amortization of the Priority Lien Notes.

Outstanding cash (which includes cash and cash equivalents, and restricted cash) and short term investments decreased US$ 7.1 million from December 31, 2023, to US$ 82.7 million as of September 30, 2024.

Total debt decreased by US$ 26.8 million to US$ 937.4 million as of September 30, 2024, compared to US$ 964.2 million as of December 31, 2023. Net debt also decreased by US$ 19.8 million to US$ 854.7 million as of September 30, 2024.

ABOUT CONSTELLATION OIL SERVICES HOLDING S.A.

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

FORWARD LOOKING STATEMENTS

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

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

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

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Constellation– Financial and Operating Highlights

	For the three–month period ended September 30, (unaudited)		For the nine-month period ended September 30, (unaudited)	
	2024	**2023**	**2024**	**2023**
Statement of Operations Data:	*(in millions of $)*		*(in millions of $)*	
Net operating revenue	135.4	141.7	423.5	422.7
Operating Costs	(123.1)	(136.8)	(399.3)	(385.6)
Gross profit	12.3	4.9	24.2	37.1
General and administrative expenses	(2.2)	(5.1)	(17.1)	(20.1)
Other operating income (expenses). net	4.3	0.1	26.8	0.8
Operating profit	14.4	(0.2)	33.8	17.8
Financial expenses. net	(14.4)	(15.4)	(44.9)	(24.9)
Profit before taxes	0.0	(15.5)	(11.1)	(7.1)
Taxes	2.4	3.5	9.8	2.3
Profit for the period	2.5	(12.0)	(1.3)	(4.8)

	For the three–month period ended September 30, (unaudited)		For the nine-month period ended September 30, (unaudited)	
	2024	**2023**	**2024**	**2023**
Other Financial Information:				
Profit for the period/year……	2.5	(12.0)	(1.3)	(4.8)
(+) Financial expenses. net ……	14.4	15.4	44.9	24.9
(+) Taxes ……	(2.4)	(3.5)	(9.8)	(2.3)
(+) Depreciation ……	50.6	48.3	150.5	139.2
EBITDA (1) ……	65.0	48.2	184.3	157.1
EBITDA margin (%) (2) ……	48.0%	34.0%	43.5%	37.2%
Non-cash adjustment ……				
EBITDA (1) ……	65.0	48.2	184.3	157.1
Onerous contract provision. net (3)……	(4.4)	-	(16.8)	-
Management Incentive Plan ……	0.2	1.1	1.3	2.1
Other Extraordinary Expenses (4)……	1.1	0.4	1.9	0.5
Adjusted EBITDA (1) ……	61.9	49.8	170.7	159.7
Adjusted EBITDA margin (%) (2) ……	45.7%	35.1%	40.3%	37.8%
Derivative ……	-	-	-	(24.0)
Adjusted net financial expenses (5) ……	(14.4)	(15.4)	(44.9)	(48.9)
Adjusted net income (6) ……	(0.6)	(10.5)	(14.9)	(26.1)

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

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

(3) In 2023 the Company provisioned US$ 29.6 million in onerous contract provision triggered by the recognition of a higher depreciation projection as consequence of the impairment and an increased OPEX forecasts impacted by the inflationary pressures facing our sector.

(4) Costs related to restructuring of charter legal entities, extraordinary one-off costs, and other strategic initiatives requested by the Board.

(5) Adjusted net financial expenses is a non-GAAP measure prepared by us and consist of some specified noncash adjustments such as the exclusion of the derivative effect as per note 20 of the financial statements.

(6) Adjusted net income/(loss) is a non-GAAP measure prepared by us and consist of some specified non cash adjustments.

	For the nine-month period ended September 30, (unaudited)	As of December 31,
	2024	**2023**
Consolidated Statement of Financial Position:		
Cash and cash equivalents	61.8	87.9
Short-term investments	19.1	0.0
Restricted cash	1.7	1.7
Total assets	2,612.1	2,704.2
Total loans and financings	937.4	964.2
Total liabilities	1,079.4	1,159.8
Shareholders' equity	1,532.7	1,544.3
Net Debt	854.7	874.5

(1) Net Debt is a non-GAAP measure prepared by us and consists of: Total Loans and Financings, net of Cash, Cash and equivalents and Short-term investments

	For the nine-month period ended September 30,	
	2024	**2023**
Consolidated Statement of Cash Flows:		
Cash flows provided by operating activities:		
Profit for the period	(1.3)	(4.8)
Adjustments to reconcile net income to net cash used in operating activities	159.4	153.4
Net income after adjustments to reconcile net income to net cash used in operating activities	158.1	148.6
Increase (decrease) in working capital related to operating activities	(6.5)	(53.5)
Cash flows provided by operating activities	151.6	95.1
Short-term investments	(19.1)	0.0
Acquisition of property, plant and equipment	(83.2)	(43.5)
Cash flows after investing activities	**49.3**	**51.7**
Cash flows used in financing activities	(73.2)	(21.8)
Increase (decrease) in cash and cash equivalents	(23.9)	29.9
Effects of exchange rate changes on the balance of cash held in foreign currencies	(2.2)	0.6
Cash and cash equivalents at the beginning of the period	87.9	59.5
Cash and cash equivalents at the end of the period	61.8	89.9

Fleet summary report

Offshore Rig	% Interest	Type	Water Depth (ft)	Delivery Date	Customer	Contract Start	Contract End	New Contract Start	New Contract End
Own Fleet									
Alpha Star (4)	100%	DP; SS	9,800	July 2011	Brava Energia	September 2023	November 2024	February 2025	February 2028
Amaralina Star (5)	100%	DP drillship	10,000	September 2012	Petrobras	October 2022	October 2025		
Brava Star (1)	100%	DP Drillship	12,000	August 2015	Petrobras	December 2023	December 2026		
Gold Star (3)	100%	DP; SS	9,000	February 2010	Petrobras	August 2022	August 2025		
Laguna Star (2)	100%	DP drillship	10,000	November 2012	Petrobras	March 2022	June 2025	September 2025	July 2028
Lone Star (3)	100%	DP; SS	7,900	April 2011	Petrobras	September 2022	September 2025	September 2025	October 2026
Atlantic Star (6)	100%	Moored; SS	2,000	February 2011	Petrobras	January 2021	January 2025		
Third Party Fleet									
Tidal Action (7)	0%	DP3 Kongsberg	12,000	2025	Petrobras			July 2025	April 2028

(1) On December 08. 2022. the Company announced a contract for the Brava Star drillship with Petrobras. The job has a total duration of 1095 days. plus a mutually agreed option to extend it till the same period. The operations started on December 19th 2023.

(2) 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 the use of the MPD system. The operations commenced on March 01. 2022 and are expected to end by June 2025, considering a priced option of additional 111 days which Petrobras has already notified us. On September 23rd. 2024. the company announced the award of a new contracts with Petrobras on the Roncador Field, Campos Basin. The contract has 931 days, with a priced option of additional 95 days, or a mutually agreed option to extend it for the same firm period (931 days). The operations are expected to commence in September 2025

(3) On January 03. 2022. the Company announced that the Gold and Lone Star rigs have been awarded contracts with Petrobras S.A. ("Petrobras"). The operations of Gold Star contract started on August 09. 2022. while Lone Star's operations commenced on September 14. 2022. Each contract has a duration of 1095 days and has the option to be extended by mutual agreement in up 17 months. On November 25th, 2024 we announced that the Lone Star has been awarded a new contract with Brava Energia, for a firm term of 400 days plus a 60-days priced option. The operations are expected to commence in direct continuation to its current contract.

(4) On September 17. 2023 the company started a new contract of 464 days with Brava Energia. From August 30th. 2024 the Company operated for 29 days for Shell (sublet), at the same terms of its agreement with Brava Energia. On September 20. 2023. the group announced that the Alpha Star was awarded a new contract with Petrobras. The contract has a firm duration of 1095 days plus a mutually agreed option to extend it for the same period. The operations are expected to commence in in 1Q2025.

(5) 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 at Petrobras discretion. The operations commenced on October 18. 2022.

(6) On February 05. 2020. the Company announced that the Atlantic Star was awarded a contract with Petrobras. The contract has a firm duration of 1095 days and has the option to be extended by mutual agreement in 389 days. The operations commenced on January 06. 2021. In the agreement the parties added another extension option by mutual agreement of additional 11 months.

(7) On September 23, 2024, the company announced the award of a new contract with Petrobras to operate with Tidal Action on the Roncador Field, Campos Basin. Tidal Action is a third-party rig owned by the Hanwha Ocean, which will be managed and operated by us under a management fee agreement in connection with charter and service agreements with Petrobras. The contract has 931 days, with a priced option of additional 95 days, and a mutually agreed option to extend it for the same firm period (931 days). The operations are expected to commence in July 2025.

Backlog [(1)]

	2024	2025	2026	2027	2028	Total	%
	(in millions of $)						
Ultra-deepwater………..	131.3	572.7	417.1	287.8	111.6	1,520.5	**98%**
Midwater……………………..	18.5	11.9	-	-	-	30.4	**2%**
Total……………………..	**149.8**	**584.6**	**417.1**	**287.8**	**111.6**	**1,550.9**	**100%**

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

Revenue per asset type (unaudited)

	For the three-month period ended September 30,		**% Change**	**For the nine-month period ended September 30,**		**% Change**
	2024	**2023**	**2024/ 2023**	**2024**	**2023**	**2024/ 2023**
Net revenue per asset type:	*(in millions of $)*			*(in millions of $)*		
Ultra-deepwater	118.1	108.4	9.0%	370.3	327.1	13.2%
Deepwater......................................	0.0	17.9	N.A	2.5	52.3	-95.3%
Midwater	17.3	15.	11.9%	50.8	43.4	17.0%
Total	135.4	141.7	-4.5%	423.5	422.7	0.2%

Operating Statistics (unaudited)

	For the three-month period ended September 30.		For the nine-month period ended September 30.	
	2024	2023	2024	2023
Uptime [1]:	*(%)*		*(%)*	
Total Offshore	98	93	97	93

	For the three-month period ended September 30.		Change	For the nine-month period ended September 30.		Change
	2024	2023	2024/ 2023	2024	2023	2024/ 2023
Utilization days [2]:	*(in days)*			*(in days)*		
Ultra-deepwater[3]	552	545	7	1,650	1,637	13
Deepwater	-	92	(92)	14	273	(259)
Midwater	92	92	-	275	274	1
Total	644	729	(85)	1,939	2,184	(246)

(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.