Constellation Oil Services Holding S.A. Reports Full-year 2023 Results

Luxembourg, March 25h, 2024 – Constellation Oil Services Holding S.A. ("Constellation" or the "Company") a market leading provider of offshore and onshore oil and gas contract drilling services, today reported the full-year 2023.

2023 HIGHLIGHTS

- Revenues increased 35.9% year-over-year to US$ 551.8 million in 2023;
- Average uptime of the fleet in 2023 was higher year-over-year at 94%, compared to 92% in 2022;
- Contract drilling expenses increased 21.1% year-over-year to US$ 340.1 million in 2023;
- Adjusted Net Loss was US$ (69.4) million in 2023, up from US$ (172.3) million in 2022;
- In 2023, the Company recognized a net impairment reversal in the aggregate amount of US$ 54.7 million in non-cash adjustments;
- Adjusted EBITDA[1] totaled US$ 185.5 million and the adjusted EBITDA margin was 33.6% in 2023, compared to US$ 67.2 million and 16.5 % in 2022;
- The total contract backlog was $1.5 billion as of December 31, 2023;
- Outstanding cash of US$ 89.7 million as of December 31, 2023, up from US$ 61.3 in December 31, 2022; and
- Debt quarterly interest was paid in cash in 3Q23 and 4Q24 instead of payment in kind as in prior quarters.

RECENT DEVELOPMENTS

- As of December 31, 2023, the Group has made a provision for onerous contract in the total amount of US$ (29.6) million. The onerous contract provision is linked to our legacy contracts. The provision was mainly triggered by the recognition of a higher depreciation projection as consequence of the impairment and an increased OPEX forecast impacted by the inflationary pressures facing our sector.

- In December 2023, considering the strategic decision to focus on offshore drilling, the Company has taken the decision to sell its onshore drilling assets. The sale agreement

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[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.
[2] Adjusted net income/(loss) is a non-GAAP measure prepared by us and consist of some specified noncash adjustments. Adjusted.
[3] 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 19 of the financial statements.

of such assets was signed in January 2024 and it is expected to be completed during the second quarter of 2024.

- On February 20, 2024, the Group amended Brava Star current contract with Petrobras to provide an innovative operation in shallow water depths of 285 meters for at least 100 days, using technology that has never been seen before in Brazil. The operation is expected to take place in the fourth quarter of 2024.

MANAGEMENT COMMENTARY

2023 was a year of remarkable achievements for Constellation. A year in which the Group was able to deliver results that exceeded the targets set in our Business Plan for the period.

One of the key drivers behind our success was the high level of utilization of the fleet during the year. Alpha Star started a new contract with 3R Petroleum in direct continuation to the contract with Enauta, which finished in the end of the 3rd quarter, and Olinda Star extended the works with ONGC until early 2024. These results helped to increase the utilization of the offshore fleet in additional 517 days (18.3% year over year).

Furthermore, the contract transition of Brava Star to the new contract with Petrobras was performed in only 61 days. This is an outstanding result considering we moved the rig to sheltered waters for overhaul, adequacy works and the whole process of acceptance imposed by Petrobras before the start of new project. All these in 61 days, counted from the conclusion of the last well from the previous contract to the arrival of the rig in the field to start the work for the new contract. We are very proud of our engineering and maintenance teams.

On the operational side of the offshore fleet, we delivered an improvement on the average uptime, from 92% in 2022 to 94% in 2023. This is absolute uptime without any downtime allowances or time between wells for planned maintenance. We are very pleased to a continuous performance improvement in the fleet throughout the four quarters of 2023.

Looking to the future, we hold a strong sense of optimism regarding the favorable conditions currently prevailing in our industry, especially in Brazil. Benefiting from a lower cost of supply, Pre Salt oil production features a carbon emission rate which is half of the emissions from post-salt production. This dual resilience of cost-effectiveness and lower environmental impact leaves Brazil very well positioned in the oil and gas industry.

This promising outlook for the ultra-deepwater drilling market in Brazil is pushing all operators in the country to secure its rigs supply sooner rather than later. Therefore, we maintain the view that most of our fleet will be able to commit to new contracts of about 3 years tenor. We reaffirm our view that rig utilization rate in the country will remain close to

100% level for a long period. We believe this scenario will push dayrates for semis and drillships to above the level of recent fixtures.

To conclude, early in January 2024 the company closed the sale of its onshore assets. This is aligned with company strategy to focus on offshore market. The net proceeds of this transaction will be used to repay company's debt as foreseen in the indenture. This move underscores our commitment to optimizing our portfolio and efforts in businesses that generates more value for our investors and stakeholders.

We are very proud of the financials achieved last year. These results demonstrate to our shareholders and creditors that Constellation is strategically positioned to capitalize on the current favorable trends in our industry. We strongly believe that we have the necessary tools and a capable team to deliver our 5-year business plan.

2023 RESULTS

The 2022 results used to compare 2023 results already restates the figures published last year to reflect the effects of the new accounting policy for rig inventory components in place since 4Q22.

In 2023, net operating revenue increased 35.9%, or US$ 145.7 million, to US$ 551.8 million when compared to 2022. Except from Brava Star and Atlantic Star, the remaining five rigs from the fleet had gone through contract transition during 2022. In 2023, these five units had an utilization of 100%, increasing the overall fleet utilization to 2,823 days from 2,306 days in 2022.

It's been a solid performance of the fleet in 2023, delivering an average uptime of 94%, which is an improvement if compared to last year when we delivered an uptime of 92%.

From the total US$ 145.7 million revenue increase, US$ 80.4 million was generated by the semis, US$ 38.3 million by drillships and US$30.8 million by the moored rigs, mostly explained by the increase in utilization by the commencement of new contracts with better economics. Highlight to Brava Star that even with its contract transition with a stop for overhaul and adequacy of 61 days maintained its revenues at the same level as in 2022 when its utilization was 100%.

In 2023, contract drilling expenses (operating costs excluding depreciation) increased US$ 59.3 million (21.1%) year-over-year to US$ 340.0 million, compared with US$ 280.7 million in 2022 mainly due to a higher utilization of the fleet. The year-over-year increase was mainly driven by higher personnel (US$ 37.8 million), impacted by (i) union agreement and salary adjustment, Short Term Incentive accrual to be paid in 2024 in connection with 2023 excellent results, and (ii) materials (US$ 23.9 million), due to higher utilization in 2023 vs. 2022. Both costs were also significantly impacted by the 5 contracts transitions in 2022.

$21mm of the total costs of 2022 were related to the mobilization of the new contracts and, therefore, were deferred to be recognized on a monthly basis throughout the term of each contract. The increase was partially offset by reductions in maintenance costs (US$ 6.3 million).

General and administrative expenses reduced US$ 22.1 million, or (41.9) % year-over-year to US$ 30.6 million in 2023 if compared to 2022. The year-over-year decrease was mainly driven by the reduction of US$ 25.0 million in others, related to non-recurring Judicial Restructuring costs borne in 2022, which was partially offset by the increase of US$ 3.5 million in personnel mostly related to collective agreement, Short Term Incentive and Management Incentive Plan.

In 2023 adjusted EBITDA[1] was US$ 185.5 million and the adjusted EBITDA margin was 33.6%, compared to US$ 67.2 million and 16.5 %, respectively, in 2022. Current adjusted EBITDA reflects the utilization of 97% of the offshore fleet in 2023 if compared to 79% in 2022.

Adjusted Net financial expenses were US$ (64.3) million in 2023, compared to US$ (88.4) million in 2022. The decrease is mainly due to the debt restructuring finalized in June 2022. Despite the year over year SOFR increase which impacts the ALB loans, the reduction of the outstanding total debt by half as consequence of the financial restructuring and the election to pay quarterly interest in cash in the last two quarters of 2023, more than offset such increase.

Adjusted Net loss in 2023 was US$ (69.4) million, compared to US$ (172.3) million in 2022.

CASH FLOW & BALANCE SHEET HIGHLIGHTS

Cash flow provided by operating activities totaled US$ 147.9 million in 2023, compared to US$ 41.9 million in 2022. The US$ 106.1 million increase is mainly due to higher utilization and better economics compared to legacy contract commitments.

Net cash after investing activities totaled US$ 69.7 million in 2023, compared to US$ (60.5) million year over year.

Net cash after financing activities totaled US$ 27.1 million in 2023, compared to US$ (19.7) million year over year.

Outstanding cash (which includes cash and cash equivalents, short-term investments and restricted cash) increased to US$ 89.7 million as of December 31, 2023, compared to US$ 61.3 million in December 31, 2022. Cash balance was favored by a positive fx rate effect of US$ 1.3 million in the 12 months of 2023.

Total debt increased by US$ 22.0 million to US$ 964.2 million as of December 31, 2023, compared to US$ 942.2 million as of December 31, 2022. Net debt was reduced by US$ (6.4) million to US$ 874.5 million as of December 31, 2023.

ABOUT CONSTELLATION OIL SERVICES HOLDING S.A.

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

FORWARD LOOKING STATEMENTS

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

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

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

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Constellation– Financial and Operating Highlights

	For the year ended December 31, (audited) *(In million of $)*	
	2023	**2022**
Statement of Operations Data:		
Net operating revenue……	551.8	406.1
Operating Costs……	(525.7)	(429.7)
Gross profit……	26.1	(23.5)
General and administrative expenses……	(30.6)	(52.7)
Other operating income (expenses). net……	25.0	1.070.1
Operating profit……	20.5	993.9
Financial expenses. net……	(46.6)	(132.5)
Profit before taxes……	(26.0)	861.4
Taxes……	(4.9)	(2.1)
Profit for the period……	(30.9)	859.3

	For the year ended December 31, (non-GAAP measure and not audited)	
	2023	**2022**
Other Financial Information:		
Profit for the period/year ……	(30.9)	859.3

	For the year ended December 31, (non-GAAP measure and not audited)	
	2023	**2022**
Other Financial Information:		
(+) Financial expenses. net	46.6	132.5
(+) Taxes	4.9	2.1
(+) Depreciation	185.7	148.9
EBITDA [(1)]	206.2	1.142.8
EBITDA margin (%) [(2)]	37.4%	281.4%
Non-cash adjustment		
EBITDA [(1)]	206.2	1.142.8
Impairment [(3)]	(54.7)	(560.8)
Onerous contract provision. Net [(4)]	29.6	(1.7)
Management Incentive Plan (MIP)	1.9	-
Debt Restructuring [(5)]	-	(513.2)
Other Extraordinary Expenses [(8)] [(7)]	2.4	-
Adjusted EBITDA [(1)]	185.5	67.2
Adjusted EBITDA margin (%) [(2)]	33.6%	16.5%
Derivative	17.0	(44.0)
Adjusted net financial expenses [(6)]	(64.3)	(88.4)
Adjusted net income [(7)]	(69.4)	(172.3)

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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 2022 and 2023 the Group identified indicators that part of the impairment loss recognized in prior periods of its offshore asset groups may have decreased. Such indicators included recovery in commodity prices and projected day rates. As a result. the Company recognized an impairment reversal of US$ 560.8 million in 2022 and US$ 54.7 million in 2023. Within the impairment of 2023, there are US$(13.9) million linked to the transaction costs/sale of the onshore assets, therefore the impairment related to the offshore asset totals US$ 68.6 million.

(4) In 2022 the Group reversed a provision for onerous contract in the total amount of US$ 1.7 million due to the end of Alpha Star's last contract with Petrobras. which ended on September 14. 2022. In 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.

(5) On June 10. 2022. the Group entered into Amended and Restated Credit Agreements and also into new arrangements with its creditors that propose to convert part of the debt held by some creditors into the share capital of the Company. with the dilution of original shareholders. The extinguishment of debt in exchange for the Company's own equity instruments on June 10. 2022. has resulted in an estimated gain of USD 513.2 million for the group recognized in the 2nd quarter of 2022.

(6) 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.

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

(8) Costs related to restructuring of charter legal entities and other strategic initiatives requested by the Board.

	As of December 31. (audited)	
	2023	**2022**
Consolidated Statement of Financial Position:		
Cash and cash equivalents	87.9	59.5
Short-term investments	0.0	0.1
Restricted cash	1.7	1.7
Total assets	2,704.2	2,687.2
Total loans and financings	964.2	942.2
Total liabilities	1.159.8	1,117.2
Shareholders' equity	1,544.3	1,570.0
Net Debt	874.5	880.9

	For the year ended December 31, (audited)	
Consolidated Statement of Cash Flows:	**2023**	**2022**
	(in millions of $)	
Cash flows provided by operating activities:		
Profit for the period	(30.9)	859.3
Adjustments to reconcile net profit to net cash used in operating activities	204.3	(793.8)
Net income after adjustments to reconcile net income to net cash used in operating activities	173.4	65.5
Increase (decrease) in working capital related to operating activities	(25.5)	(23.6)
Cash flows provided by operating activities	147.9	41.9
Cash flows used in investing activities	(78.3)	(102.4)
Cash flows used in financing activities	(42.6)	40.8
Increase (decrease) in cash and cash equivalents	27.1	(19.7)
Effects of exchange rate changes on the balance of cash held in foreign currencies	1.3	2.9
Cash and cash equivalents at the beginning of the period	59.5	76.3
Cash and cash equivalents at the end of the period	87.9	59.5

Fleet summary report

Offshore Rig	% Interest	Type	Water Depth (ft)	Delivery Date	Customer	Contract Start	Contract End	New Contract Start	New Contract End
Ultra-deepwater									
Alpha Star (5)	100%	DP; SS	9,000	July 2011	3R/ Petrobras	September 2023	December 2024	March 2025	February 2028
Lone Star (4)	100%	DP; SS	7,900	April 2011	Petrobras	September 2022	September 2025		
Gold Star (4)	100%	DP; SS	9,000	February 2010	Petrobras	August 2022	August 2025		
Amaralina Star (6)	100%	DP drillship	10,000	September 2012	Petrobras	October 2022	October 2025		
Laguna Star (3)	100%	DP drillship	10,000	November 2012	Petrobras	March 2022	February 2025		
Brava Star (2)	100%	DP drillship	12,000	August 2015	Petrobras	December 2023	December 2026		
Deepwater									
Olinda Star (1)	100%	Moored; SS	3,600	August 2009 (1)	ONGC	May 2022	January 2024		
Midwater									
Atlantic Star (7)	100%	Moored; SS	2,000	February 2011 (1)	Petrobras	January 2021	January 2025		

(1) On January 7. 2022. Olinda Star was awarded a 502 day 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.The contract activities has been extended and was concluded January 14th 2024.

(2) 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.

(3) 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.

(4) 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. Contract includes a termination for convenience after 365 days subject to a demobilization fee.

(5) On September 17th. 2023 the company started a new contract of 464 days with 3R Petroleum in direct continuation to the end of the commitment with Enauta. 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 March. 2025.

(6) 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. In early November 2023 Petrobras has notified the Company that will exercise its option to extend the contract.

(7) 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 work will be performed in the Campos Basin. located offshore Brazil. The operations commenced on January 06. 2021. In November 2023. the parties agreed to exercise the extension option with the inclusion of additional integrated services. In the new agreement the parties added another extension option by mutual agreement of additional 11 months.

Backlog [1]

					(in millions of $)		
	2024	**2025**	**2026**	**2027**	**2028**	**Total**	**%**
Ultra-deepwater…………..	578.6	429.5	254.0	122.9	19.9	1.404.9	94.4%
Deepwater……………………	-	-	-	-	-	-	-
Midwater……………………..	77.0	5.9	-	-	-	83.0	5.6%
Total…………………….	**655.7**	**435.4**	**254.0**	**122.9**	**19.9**	**1.487.8**	**100.0%**

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

Revenue per asset type (unaudited)

	For the year ended December 31		**% Change**
	2023	**2022**	**2023/ 2022**
Net revenue per asset type:	*(in millions of $)*		
Ultra-deepwater	423,2	304,5	39,0%
Deepwater..................................	70,6	44,0	60,4%
Midwater	58,0	53,8	7,8%
Onshore rigs	(0,0)	3,8	-
Other	(0,0)	(0,0)	7,6%
Total	551,8	406,1	35,9%

Operating Statistics (unaudited)

	For the year ended December 31	
	2023	**2022**
Uptime [1]:	*(%)*	
Total offshore fleet............	**94**	**92**

	For the year ended December 31		Change
	2023	**2022**	**2023/ 2022**
Utilization days [2]:	*(in days)*		
Ultra-deepwater	2,093	1,700	393
Deepwater	365	241	124
Midwater	365	365	0
Onshore rigs	-	196	(196)
Total	2,823	2,501	321

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