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

Luxembourg, May 28th, 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 results for the first quarter ended March 31, 2024.

FIRST QUARTER HIGHLIGHTS

- Revenues increased 2.5% year-over-year to US$ 143.9 million in 1Q24;
- Revenues from UDW units, which represents 86.9% of the revenues in 1Q24, increased US$ 17.6 million year-over-year;
- Adjusted Net loss was US$ (9.7) million in 1Q24, compared to a net loss of US$ (7.6) million in 1Q23;
- Adjusted EBITDA[1] totaled US$ 52.1 million and the adjusted EBITDA margin was 36.2% in 1Q24, compared to US$ 56.2 million and 40.1% in 1Q23, respectively;
- The total backlog as of March 31, 2024 was $1.3 billion;
- Average uptime of the fleet was 94% in 1Q24, in line with 1Q23;
- Outstanding cash of US$ 96.6 million as of March 31, 2024 compared to US$ 89.7 million in December 31, 2023.

RECENT DEVELOPMENTS

- On May 02, 2024, a memorandum of agreement was signed between Olinda Star Limited and Super Shining Shipping Corporation for the sale of the drilling unit Olinda Star. The agreed selling price was USD$ 8,130 to green recycle. A deposit of 25% of the total amount was received on May 06, 2024. The remaining balance was settled on May 15, 2024 and the transfer of the title occurred on May 16, 2024.

FIRST QUARTER 2024 RESULTS

In 1Q24, net operating revenue increased 2.5%, or US$ 3.6 million, to US$ 143.9 million when compared to 1Q23, despite the reduction of one rig in the active fleet, after the end of Olinda Star contract on January 14th 2024. The new contracts of Alpha Star and Brava Star, with better dayrates than legacy contracts, contributed for a revenue increase, year over year, of US$ 15.6 million. Furthermore, Amaralina, Lone and Atlantic had an overall revenue increase of US$ 6.3 million, mostly explained by better operational performance.

[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.

These improvements were partially offset by revenue reduction of US$(15.8) million from Olinda Star, in connection to the end of its operations and the Laguna Star thruster replacement of US$ (2.5) million.

In 1Q24, contract drilling expenses (operating costs excluding depreciation) increased 10.4% year-over-year to US$ 85.9 million, compared with US$ 77.8 million in 1Q23. The year-over-year increase was mainly driven by higher personnel costs and related charges of US$ 5 million, due to the collective union agreement signed late last year, and higher short and long term incentive plans accrual in 1Q24.

General and administrative expenses - were flat year over year, at US$ 7 million..

In 1Q24 adjusted EBITDA was US$ 52.1 million and adjusted EBITDA margin was 36.2%, compared to US$ 56.2 million and 40.1%, respectively, in 1Q23.

Adjusted net financial expenses decreased 7.7% to US$ 15.1 million in 1Q24, compared to US$ 16.4 million in 1Q23. The US$1.3 million reduction is linked to higher financial income on cash balance and the reduction of 100bps per year on cost of debt triggered by the election to pay quarterly interest in cash.

Adjusted Net income in 1Q24 was a loss of US$ (9.7) million, compared to a loss of US$ (7.6) million in 1Q23. The year-over-year variation was mainly impacted by an increase of US$ 4 million in depreciation charges in the period, related to the reversal in PP&E impairment at the end of 2023.

CASH FLOW & BALANCE SHEET HIGHLIGHTS

Cash flow provided by operating activities totaled US$ 54.5 million in 1Q24, compared to US$ 13.5 million in 1Q23. The US$ 41.0 million increase is mainly due to a US$30.0 million variation in trade and receivable mostly linked to Brava Mobilization Fee received in January.

Investments increased US$ 14.7 million (126.1%) year over year, from US$ 11.6 million in 1Q23 to US$ 26.3 million in 1Q24 due to the tail spend of Brava contract transition and adequacy late last year and also the Laguna Thruster replacement early this year. Net cash after investing activities totaled US$ 28.2 million in 1Q24, compared to US$ 1.9 million in 1Q23.

Cash flow used in financing activities increased US$ 17.0 million (484,1%) year over year, from US$ 3.5 million in 1Q23 to US$ 20.6 million in 1Q24, mostly due to the start amortization of the $62mm New Money notesand to the election to pay interest in cash this quarter. Net cash after financing activities totaled US$ 7.7 million in 1Q24, compared to US$ (1.6) million in 1Q23.

Outstanding cash (which includes cash and cash equivalents, short-term investment and restricted cash) increased US$ 6.9 million from December 31, 2023, to US$ 96.6 million as of March 31, 2024.

Total debt decreased by US$ 5.0 million to US$ 959.2 million as of March 31, 2024, compared to US$ 964.2 million as of December 31, 2023. Net debt also decreased by US$ 11.9 million to US$ 862.6 million as of March 31, 2024.

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 three–month period ended March 31, (unaudited)	
	2024	**2023**
Consolidated Statement of Operations Data:	*(in millions of US$, except per share amounts)*	
Net operating revenue	143.9	140.3
Operating Costs	(135.8)	(123.7)
Gross profit	8.0	16.6
General and administrative expenses	(6.9)	(7.2)
Other operating income (expenses). net	8.3	0.8
Operating profit	9.4	10.3
Financial expenses. net	(15.1)	(16.4)
Profit before taxes	(5.7)	(6.1)
Taxes	3.4	(1.5)
Profit for the period/year	(2.3)	(7.6)

	For the three–month period ended March 31, (non-GAAP measure and not audited)	
	2024	**2023**
Other Financial Information:		
Profit for the period/year	(2.3)	(7.6)
(+) Financial expenses. net	15.1	16.4
(+) Taxes	(3.4)	1.5
(+) Depreciation	50.0	46.0
EBITDA [1]	59.4	56.2
EBITDA margin (%) [2]	41.3%	40.1%
Non-cash adjustment		
EBITDA [1]	59.4	56.2
Impairment [3]	-	-
Onerous contract provision. Net [4]	(8.3)	-
Management Incentive Plan (MIP)	0.7	-
Debt Restructuring [5]	-	-
Other Extraordinary Expenses [8]	0.2	-
Adjusted EBITDA [1]	52.1	56.2
Adjusted EBITDA margin (%) [2]	36.2%	40.1%
Derivative	-	-
Adjusted net financial expenses [6]	(15.1)	(16.4)
Adjusted net income [7]	(9.7)	(7.6)

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 March 31. (unaudited)	**As of December 31.** (audited)
	2024	**2023**
Consolidated Statement of Financial Position:		*(in millions of $)*
Cash and cash equivalents	94.8	87.9
Short-term investments...	0.0	0.0
Restricted cash..	1.7	1.7
Total assets	2.663.3	2,704.2
Total loans and financings......................................	959.2	964.2
Total liabilities	1,123.5	1,159.8
Shareholders' equity	1,539.8	1,544.3
Net Debt..	862.6	874.5

Consolidated Statement of Cash Flows:	For the three-month period ended March 31. (unaudited) 2024	2023
	(in millions of $)	
Cash flows provided by operating activities:		
Profit for the period..	(2.3)	(7.6)
Adjustments to reconcile net income to net cash used in operating activities..	50.6	59.8
Net income after adjustments to reconcile net income to net cash used in operating activities...	48.2	52.2
Increase (decrease) in working capital related to operating activities	6.3	(38.7)
Cash flows provided by operating activities	54.5	13.5
Cash flows used in investing activities	(26.3)	(11.6)
Cash flows used in financing activities	(20.6)	(3.5)
Increase (decrease) in cash and cash equivalents	7.7	(1.6)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(0.8)	1.6

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…………..							
Deepwater……………………	436.8	425.9	252.4	122.9	19.9	1.257.9	**95.3%**
Midwater……………………..	55.6	5.9	-	-	-	61.4	**4.7%**
Onshore……………………….							
Total……………………..	**492.3**	**431.8**	**252.4**	**122.9**	**19.9**	**1.319.3**	**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 March 31.		**% Change**
	2024	**2023**	**2024/ 2023**
Net revenue per asset type:	*(in millions of US$)*		
Ultra-deepwater...	125.0	107.5	16.4%
Deepwater	2.5	18.3	-86.5%
Midwater...	16.4	14.6	2.9%
Other	(4)	(4)	-
Total	143.9	140.3	2.5%

Operating Statistics (unaudited)

	For the three-month period ended March 31.	
	2024	**2023**
Uptime [(1)]:	*(%)*	
Total Offshore	94	94

	For the three-month period ended March 31.		Change
	2024	**2023**	**2024/ 2023**
Utilization days [(2)]:	*(in days)*		
Ultra-deepwater [(3)]..........................	546	540	6
Deepwater	14	90	(76)
Midwater	91	90	1
Total	651	720	69

(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.