

Constellation Oil Services Holding S.A.

Report on consolidated interim financial information No. 245HE-027-EN

March 31, 2024



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Independent auditor's report on review of consolidated interim financial information

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To the Board of directors and shareholders of
Constellation Oil Services Holding S.A.
Rio de Janeiro – RJ

Introduction

We have reviewed the accompanying consolidated interim financial information of Constellation Oil Services Holding S.A. (the Group), which comprise the statement of financial position as of March 31, 2024 and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period of three months then ended, and a summary of material accounting policy information and other explanatory information.

Management's responsibility for the consolidated interim financial information

Management is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standard Board and for such internal control as management determines is necessary to enable the preparation of the consolidated interim financial information that are free from material misstatement, whether due to fraud or error.

Independent auditor's responsibility

Our responsibility is to express a conclusion on the accompanying consolidated interim financial information. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial information, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The independent auditor performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on this consolidated interim financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that this consolidated interim financial information does not present fairly, in all material respects, the financial position of Constellation Oil Services Holding S.A. as of March 31, 2024 and its financial performance and cash flows for the period of three months then ended, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Rio de Janeiro, May 24, 2024

Grant Thornton Auditores Independentes Ltda.
CRC 2SP-025.583/F-2



Octavio Zampirolo Neto
Accountant CRC 1SP-289.095/O-3

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF MARCH 31, 2024
AND DECEMBER 31, 2023

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

<u>ASSETS</u>	<u>Note</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>
CURRENT ASSETS			
Cash and cash equivalents	3	94,841	87,943
Short-term investments		45	45
Trade and other receivables	5	95,106	125,016
Recoverable taxes	15.a	24,713	21,541
Deferred mobilization costs		9,347	8,072
Assets held for sale	7.a	3,101	3,200
Other current assets		11,266	11,388
Total current assets		<u>238,419</u>	<u>257,205</u>
NON-CURRENT ASSETS			
Restricted cash	4	1,733	1,733
Deferred tax assets	15.c	23,020	20,312
Deferred mobilization costs		3,008	4,380
Other non-current assets		4,972	4,423
Property, plant and equipment, net	7	<u>2,392,150</u>	<u>2,416,098</u>
Total non-current assets		<u>2,424,883</u>	<u>2,446,946</u>
TOTAL ASSETS		<u>2,663,302</u>	<u>2,704,151</u>

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF MARCH 31, 2024
AND DECEMBER 31, 2023

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

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Note	March 31, 2024	December 31, 2023
CURRENT LIABILITIES			
Loans and financings	8	40,560	33,696
Payroll and related charges		20,152	28,655
Trade and other payables		42,913	57,178
Taxes payables	15. b	4,252	4,784
Deferred revenues		16,936	17,184
Provisions	9	16,862	21,405
Other current liabilities		10,751	6,532
Total current liabilities		<u>152,426</u>	<u>169,434</u>
NON-CURRENT LIABILITIES			
Loans and financings	8	918,667	930,520
Derivatives	17	26,352	26,352
Deferred revenues		15,399	17,824
Provisions	9	10,697	15,710
Total non-current liabilities		<u>971,115</u>	<u>990,406</u>
TOTAL LIABILITIES		<u>1,123,541</u>	<u>1,159,840</u>
SHAREHOLDERS' EQUITY			
Share capital	10. a	4,933	4,933
Warrants	10. a	1,733	1,733
Share premium	10. d	1,567,897	1,567,897
Reserves	10. b/c	(139,227)	(137,000)
Accumulated profit		104,425	106,748
TOTAL SHAREHOLDERS' EQUITY		<u>1,539,761</u>	<u>1,544,311</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>2,663,302</u>	<u>2,704,151</u>

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF OPERATIONS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024 AND 2023

(Amounts expressed in thousands of U.S. dollars - US\$'000, except per share amounts)

	Note	Three-month period ended March 31,	
		2024	2023
NET OPERATING REVENUE	11	143,862	140,302
COST OF SERVICES	12	<u>(135,825)</u>	<u>(123,665)</u>
GROSS PROFIT		8,037	16,637
General and administrative expenses	12	(6,919)	(7,184)
Other income	13	8,313	918
Other expenses	13	<u>(19)</u>	<u>(108)</u>
OPERATING PROFIT		9,412	10,263
Financial income	14	1,204	357
Financial expenses	14	(16,155)	(16,796)
Foreign exchange variation income/(expense), net	14	<u>(162)</u>	<u>69</u>
FINANCIAL EXPENSES, NET		(15,113)	(16,370)
LOSS BEFORE TAXES		(5,701)	(6,107)
Taxes	15.d	<u>3,378</u>	<u>(1,507)</u>
LOSS FOR THE PERIOD		<u><u>(2,323)</u></u>	<u><u>(7,614)</u></u>

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE
INCOME (LOSS) FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024 AND 2023

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

	Note	Three-month period ended March 31,	
		2024	2023
PROFIT/(LOSS) FOR THE PERIOD		(2,323)	(7,614)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments	10.c	<u>(2,227)</u>	<u>1,628</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		<u>(4,550)</u>	<u>(5,986)</u>
Comprehensive income attributable to:			
Controlling interests		(4,550)	(5,986)

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024 AND 2023
(Amounts expressed in thousands of U.S. dollars - US\$'000)

Note	Share capital	Warrant	Share Premium	Legal	Share of investments' other comprehensive income / (loss)	Reserves					Total shareholders' equity
						Acquisition of non-controlling interest in subsidiaries	Foreign currency translation adjustments	Total reserves	Accumulated profit	Total	
BALANCE AS OF DECEMBER 31, 2022	4,933	1,733	1,567,897	5,683	(2,436)	(85,555)	(59,900)	(142,208)	137,655	1,570,010	
Loss for the period	-	-	-	-	-	-	-	-	(7,614)	(7,614)	
Other comprehensive income for the period	-	-	-	-	-	-	1,628	1,628	-	1,628	
Total comprehensive loss for the period	-	-	-	-	-	-	1,628	1,628	(7,614)	(5,986)	
BALANCE AS OF MARCH 31, 2023	4,933	1,733	1,567,897	5,683	(2,436)	(85,555)	(58,272)	(140,580)	130,041	1,564,024	
BALANCE AS OF DECEMBER 31, 2023	4,933	1,733	1,567,897	5,683	(2,436)	(85,555)	(54,692)	(137,000)	106,748	1,544,311	
Loss for the period	-	-	-	-	-	-	-	-	(2,323)	(2,323)	
Other comprehensive income for the period	-	-	-	-	-	-	(2,227)	(2,227)	-	(2,227)	
Total comprehensive profit for the period	-	-	-	-	-	-	(2,227)	(2,227)	(2,323)	(4,550)	
BALANCE AS OF MARCH 31, 2024	4,933	1,733	1,567,897	5,683	(2,436)	(85,555)	(56,919)	(139,227)	104,425	1,539,761	

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024 AND 2023
(Amounts expressed in thousands of U.S. dollars - US\$'000)

	Note	Three-month period ended March 31,	
		2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		(2,323)	(7,614)
Adjustments to reconcile profit/(loss) for the period to net cash provided by operating activities:			
Depreciation of property, plant and equipment	7/12	49,982	45,953
Loss (gain) on disposal of property, plant and equipment, net	7	126	-
Recognition of deferred mobilization costs		2,372	4,022
Recognition of deferred revenues, net of taxes levied		(4,699)	(5,963)
Financial expenses on loans and financings	8.a/14	15,561	16,264
Provision/ (reversal) of onerous contract, net	13	(8,269)	-
Other financial expenses (income), net	14	(448)	106
Recognition (reversal) of provisions		828	21
Recognition (reversal) of provisions for lawsuits, net	9.c	910	168
Taxes	15.d	(3,378)	1,507
Decrease/(increase) in assets:			
Trade and other receivables		29,910	(14,976)
Recoverable taxes		(3,172)	(3,228)
Deferred taxes		(2,708)	(627)
Deferred mobilization costs		(2,275)	-
Other assets		(650)	(7,158)
Increase/(decrease) in liabilities:			
Payroll and related charges		(8,503)	4,376
Trade and other payables		(14,265)	(22,272)
Taxes payables		5,300	998
Deferred revenues		2,026	120
Other liabilities		655	4,078
Cash used in operating activities		56,980	15,775
Income tax and social contribution paid		(2,454)	(2,233)
Adjusted cash (used in) / provided by operating activities		54,526	13,542
CASH FLOWS FROM INVESTING ACTIVITIES			
Short-term investments		-	(1)
Acquisition of property, plant and equipment	7	(26,300)	(11,632)
Net cash (used in) / provided by investing activities		(26,300)	(11,633)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid on loans and financings	8.a	(15,558)	(2,684)
Repayment of loans and financings	8.a	(4,992)	(834)
Net cash (used in)/provided by financing activities		(20,550)	(3,518)
Increase/(Decrease) in cash and cash equivalents		7,676	(1,609)
Cash and cash equivalents at the beginning of the period	3	87,943	59,479
Effects of exchange rate changes on the balance of cash held in foreign currencies		(779)	1,628
Cash and cash equivalents at the end of the period	3	94,841	59,498

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONSTELLATION OIL SERVICES HOLDING S.A.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION AS OF MARCH 31, 2024 AND FOR THE THREE-MONTH PERIOD THEN ENDED

(Amounts expressed in thousands of U.S. dollars - US\$ '000, unless otherwise stated)

1. GENERAL INFORMATION

Constellation Oil Services Holding S.A. (the “Company”, or together with its subsidiaries, the “Group”) was incorporated in Luxembourg on August 30, 2011, as a “*société anonyme*” (i.e., public company limited by shares). The Company has its registered address at 8-10, Avenue de la Gare, L-1610 Luxembourg.

The Company’s objectives are: (i) to hold investments in Luxembourg or foreign countries; (ii) to acquire any securities and rights through participation, contribution, underwriting firm purchase or option, negotiation or in any other way and namely to acquire patents and licenses, and other property, rights and interest in property as deemed necessary, and generally to hold, manage, develop, sell or dispose of the same, in whole or in part, for such consideration as deemed necessary, and in particular for shares or securities of any entity purchasing the same; (iii) to enter into, assist or participate in financial, commercial and other transactions, and to grant to any holding entity, subsidiary, or fellow subsidiary, or any other entity associated in any way with the Company, or the said holding entity, subsidiary or fellow subsidiary, in which the Company has a direct or indirect financial interest, any assistance, loans, advances or guarantees; (iv) to borrow and raise funds in any manner and to secure the repayment of any funds borrowed; and (v) to perform any operation that is directly or indirectly related to its purpose. The Company’s financial year is from January 1 to December 31.

The Company holds investments in subsidiaries that own, charter and operate offshore drilling rigs for exploration and production companies, most of them operating in Brazil. The Group currently charters its drilling rigs to multinational companies, such as *Petróleo Brasileiro S.A.* (“Petrobras”), Oil and National Gas Corporation (“ONGC”), an Indian oil and gas exploration and 3R Petroleum (“3R”).

a) Fleet of offshore drilling rigs

Offshore drilling units

<u>Drilling units</u>	<u>Type</u>	<u>Start of operations</u>	<u>Contract expected expiration date (current or future)</u>	<u>Customer (current or future)</u>
Atlantic Star	Semi-submersible	1997	January 2025 (Note 1.h)	Petrobras
Olinda Star	Semi-submersible	2009	January 2024 (Note 1.i)	ONGC
Gold Star	Semi-submersible	2010	August 2025 (Note 1.f)	Petrobras
Lone Star	Semi-submersible	2011	September 2025 (Note 1.g)	Petrobras
Alpha Star	Semi-submersible	2011	End 2027 (Note 1.e)	Petrobras
Amaralina Star	Drillship	2012	October 2025 (Notes 1.b)	Petrobras
Laguna Star	Drillship	2012	March 2025 (Note 1.d)	Petrobras
Brava Star	Drillship	2015	End 2026 (Note 1.c)	Petrobras

b) Amaralina Star offshore drilling rig charter and service-rendering agreements

On December 29, 2021, the Company announced a new contract with Petrobras for the drillship Amaralina Star. The contract has a total duration of up to three years, being two years firm and one optional, with operations in water depths of up to 2,400m, including a package of integrated services. The operations for this campaign in the Roncador field, in the Campos Basin, have started on October 18, 2022. In October 2023, Petrobras has exercised its 365 days unilateral option to extend contract duration, keeping the rig under contract up to October 2025.

As of March 31, 2024, the Group has a provision for onerous contract in the total amount of US\$2,214 (US\$2,722 as of December 31, 2023), related to the aforementioned contract.

c) Brava Star drillship charter and service-rendering agreements

On January 6, 2021, the Group announced that the Brava Star drillship had been awarded a contract with Petrobras. The contract was signed on December 9, 2020, and has an estimated duration of 810 days (including a clause of termination for convenience after 180 days subject to a demobilization fee, which has not been exercised). The work scope is in water depths of up to 3,048m, and includes a full integrated package of services plus Managed Pressure Drilling (“MPD”). The work was performed offshore Brazil from March, 2021 to October 2023.

On December 13, 2022, the Group announced that the Brava Star drillship had been awarded a contract with Petrobras. This new contract was signed on December 8, 2022, and the operations started on December 19, 2023, with an execution period of 1.095 days. The work scope is in water depths of up to 2,400m and includes several integrated services.

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

d) Laguna Star offshore drilling rig charter and service-rendering agreements

On July 6, 2021, the Group announced that the Laguna Star drillship was awarded a contract with Petrobras. The contract has a 3-year estimated duration and its operation started on March 01, 2022 on the Brazilian coast, including integrated services, as well as the use of the MPD system.

As of March 31, 2024, the Group has a provision for onerous contract in the total amount of US\$3,192 (US\$9,378 as of December 31, 2023), related to the aforementioned contract.

e) Alpha Star offshore drilling rig charter and service-rendering agreements

On February 9, 2022, the Group announced that the Alpha Star offshore drilling rig had been awarded a contract with Enauta initially for drilling 1 well, which had a firm term of 60 days, plus an option for 2 additional wells and 1 subsea intervention which added 150 firm days for additional scope. On February 22nd, 2022, options were exercised by Enauta and the total firm period became 210 days. The campaign is taking place at the Atlanta field and the operations have started on October 27, 2022. The contract ended on September 17, 2023.

On June 13, 2023 the Group announced that Alpha Star offshore drilling rig has been awarded a new contract with 3R Petroleum (“3R”). The work will be performed in Papa-Terra and Malombe fields, located in Campos and Espírito Santo basins in Brazil, respectively. The contract has a firm duration of 14 months. The scope of work includes drilling, completion and workover of wells in water depths of up to 1,600 meters. The contract has started on September 17, 2023, immediately after the rig was released by their prior client.

On September 16, 2023 the Group announced that Alpha Star offshore drilling rig had been awarded a new contract with Petrobras for a 3-year period. The scope included drilling, completion and workover activities will be performed in water depths up to 2,400 meters, and operations are expected to commence after the rig is released by 3R Petroleum in its current contract.

f) Gold Star offshore drilling rig charter and service-rendering agreements

On January 5, 2022 the Group announced the achievement of a new contract for the operation of the semi-submersible rig to Petrobras. The contract has a total duration of 3-years (firm) and can be extended for additional 2-years (optional, subject to mutual agreement), providing for operations in ultra-deep waters, in up to 2,400 meters. The campaigns will be carried out in the Brazilian offshore basins and the operations have started on August 9, 2022.

As of March 31, 2024, the Group has a provision for onerous contract in the total amount of US\$11,082 (US\$11,082 as of December 31, 2023), related to the aforementioned contract.

g) Lone Star offshore drilling rig charter and service-rendering agreements

On January 5, 2022 the company announced the achievement of a new contract for the operation of the semi-submersible rig to Petrobras. The contract has a total duration of 3-years (firm) and can be extended for additional 2-years (optional, subject to mutual agreement), providing for operations in ultra-deep waters, in up to 2,400 meters. The campaigns will be carried out in the Brazilian offshore basins and its operations have started on September 14, 2022.

As of March 31, 2024, the Group has a provision for onerous contract in the total amount of US\$4,874 (US\$6,448 as of December 31, 2023), related to the aforementioned contract.

h) Atlantic Star drilling rig charter and service-rendering agreements

On February 5, 2020, the Group announced that the Atlantic Star offshore anchor-moored drilling rig had been awarded a contract with Petrobras. The contract has a total duration of 3-years (firm) and can be extended for additional 2-years (optional, subject to mutual agreement). Operations are being performed in the Campos Basin, located offshore the Brazilian coast, and started on January 06, 2021.

On November 2023, Petrobras and the Group exercised their mutual option to extend the contract in 389 days, keeping the rig busy up to January 2025. This addendum to the current contract includes new additional services and revised daily rates.

i) Olinda Star drilling rig charter and service-rendering agreements

On January 7, 2022, the Group announced that the Olinda Star was awarded a new contract with ONGC with a duration of 502 days. The Company started its operations on May 4, 2022 and ended its operations on January 14, 2024.

On May 2, 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 6, 2024. The remaining balance was settled on May 15, 2024 and the transfer of title occurred on May 16, 2024.

j) Onshore drilling rigs charter and service-rendering agreements

With the strategic objective of enhancing the Group's global competitiveness, the company opted for a divestment process in its onshore operations, resulting in the sale of its onshore drilling rigs.

k) Going concern considerations

Market fundamentals point to a multi-year recovery in our segment. During last years' downturn, Exploration & Productions companies limited their investments in production, prioritizing deleveraging balance sheets and shareholder return, which resulted in reduced oil inventories. This scenario, jointly with increasing demand post pandemic and geopolitical issues, led to a substantial increase in oil prices, which have been traded above \$ 100 per barrel. Besides, over the past few years, low demand for offshore projects boosted rigs' scrapping and brought consolidation to a market with structural problems of oversupply. Going forward, Management believes that rig utilization and day rates will continue their upward progression.

On the Commercial side, we continued to develop our contract backlog, which was at US\$1.3 billion as of March 31, 2024, from US\$1.5 billion as of December 31, 2023. Note 1 discloses several events related to charter contracts and operating services for offshore drilling rigs that corroborate the above information.

l) Commitments

As of March 31, 2024, the Group had the following commitments which it is contractually obligated to fulfill:

- The Group, through its subsidiary Serviços de Petróleo Constellation S.A., has committed to comply with certain governance and compliance policies including keeping and maintaining a robust integrity program. Failure to comply with these commitments may ultimately result in fines limited to a maximum of 20% of the monthly revenue of each services contract with Petrobras. On March 26, 2024, this commitment was cancelled, thus extinguishing any obligation that could have led to the aforementioned consequences.
- The Group, in its service contracts, has commercial, operational, safety and environmental commitments. Non-compliance with these commitments may result in fines levied at the total estimated value of each contract. Non-compliance or irregular compliance with part of the contractual object may result in a compensatory fine of 20% of the daily rate.

As of March 31, 2024 and until the date of the issuance of these interim financial information of the Group complies with the aforementioned covenants.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information have been prepared in accordance with International Accounting Standards 34 Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”), on a basis consistent with the significant accounting policies and critical accounting estimates disclose in Notes 3 and 4, respectively, to the annual consolidated financial statements as of December 31, 2023 and for the year then ended.

IAS 34 requires the use of certain accounting estimates by the Company’s Management. The unaudited condensed consolidated interim financial information were prepared based on historical cost, except for certain financial assets and liabilities that are measured at fair value (Note 16.a).

The unaudited condensed consolidated interim financial information do not include all the information and disclosure items required in the annual consolidated financial statements. Therefore, they must be read together with the Company’s annual consolidated financial statements related to the year ended December 31, 2023, which were prepared according to accounting policies, as described above. There were no changes in the accounting policies and critical accounting estimates adopted on March 31, 2024 compared to December 31, 2023.

The unaudited condensed consolidated interim financial information incorporates the Company and its subsidiaries. There were no changes in the consolidated entities and investments disclosed in Note 5 to the annual consolidated financial statements as of December 31, 2023 and for the year then ended.

Continuity as a going concern

The Group’s unaudited condensed consolidated interim financial information were prepared on the going concern basis of accounting. Management assessed the Company’s ability to continue as a going concern in light of the assumptions disclosed in Note 1k.

2.1. New and amended IFRS that are mandatorily effective for the current year

During the year, the Group has adopted a number of new and amended IFRS Standards issued by the International Accounting Standards Board (IASB), which are mandatorily effective for an accounting period that begins on or after January 1, 2024. The following amendments have been applied by the Group, but had no significant impact on its consolidated financial statements:

Standard or interpretation	Description	Effective date
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	January 1, 2024
Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants	The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).	January 1, 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements	The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.	January 1, 2024
Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback	The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.	January 1, 2024

2.2. New and revised IFRS standards issued but not yet effective

At the date of approval of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New or revised standards and interpretations

Standard or interpretation	Description	Effective date
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.	The effective date of the amendments has yet to be set by the IASB
IFRS 18 — Presentation and Disclosure in Financial Statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. IFRS 18 will replace IAS 1 and aims to improve financial reporting by: requiring additional defined subtotals in the statement of profit or loss; requiring disclosures about management-defined performance measures; and adding new principles for grouping (aggregation and disaggregation) of information.	January 1, 2027

The Group's Management has conducted an analysis of the impacts arising from the adoption of these new or revised and amended IFRS on its consolidated interim financial information. Based on the analysis carried out, the Group's Management has concluded that the adoption of these new or revised and amended IFRS will not significantly impact its consolidated interim financial information and/or annual financial statements.

2.3. Brazilian Tax Reform

In December 2023, Constitutional Amendment No. 132/2023 was promulgated by the National Congress, amending the National Tax System. The text that gave rise to this amendment was based on Proposed Constitutional Amendment No. 45/2019, which, in its final version, was approved by the Chamber of Deputies in the same month.

The primary objective is the simplification of the current tax system. The text establishes a ceiling to maintain a consistent tax burden on consumption, with the main effect being the unification of five taxes (ICMS, ISS, IPI, PIS, and COFINS) into charges that will be divided between two levels: i) federal (CBS: Contribution on Goods and Services and IS: Selective Tax) and ii) state (IBS: Tax on Goods and Services). Additionally, the creation of funds for the restoration of fiscal incentives and regional development, as well as the reallocation of taxes such as ITCMD and IPVA, has been proposed.

The transition period to the new tax model will occur gradually and in distinct stages until its completion. For the year 2024, the Company will monitor the publications of Complementary and Ordinary Laws to adapt to the proposed new regulations and assess their impact on its operations.

2.4. Luxembourg Tax Reform

On 20 December 2023, the Luxembourg Parliament adopted the bill of law relating to the European Directive on global minimum taxation rules ("Pillar Two") based on OECD recommendations. The impact of this tax regulation will apply in the fiscal years after December 31, 2023. The Group is still analyzing the impact of this new regulations and expect to finalize its assessment during 2024.

3. CASH AND CASH EQUIVALENTS

	March 31, 2024	December 31, 2023
Cash and bank deposits	41,213	64,376
Time deposits (*)	53,628	23,567
Total	<u>94,841</u>	<u>87,943</u>

(*) Time deposits are comprised as follows:

Financial institution	Currency	Average interest rate (per annum)	March 31, 2024	December 31, 2023
Banco Bradesco S.A.	Brazilian real	20%	8,420	7,074
Banco do Brasil S.A.	Brazilian real	90,44% of CDI ⁽ⁱ⁾	15,126	16,493
JP Morgan	U.S. dollar	3,50%	30,082	-
Total			<u>53,628</u>	<u>23,567</u>

(i) Brazilian Interbank Deposit Certificate (Certificado de Depósito Interbancário - CDI), average remuneration during the three-month period ended March 31, 2024 and December 31, 2023 was 11.28% p.a. and 13.26% p.a. respectively.

4. RESTRICTED CASH

As part of the restructuring during 2022, the Company issued certain warrants and entered into a warrant exercise agreement, pursuant to which an amount equal to US\$ 1,733 as of March 31, 2024 and December 31, 2023 is held in an account of the Company for the benefit of the warrant holders. Such amount may only be released by the warrant holder for payment of the exercise price of the warrants.

The amounts in these accounts are comprised by time and bank deposits, as follows:

Financial institution	Type	Average interest rate (per annum)	March 31 2024	December 31 2023
Signature Bank ⁽ⁱ⁾	Bank deposits	-	1,733	1,733
Total			<u>1,733</u>	<u>1,733</u>

(i) On March 12, 2023, Signature Bank was the subject of an intervention by the New York State Department of Financial Services, which appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. In that connection, the FDIC transferred all the deposits and substantially all of the assets of Signature Bank to Signature Bridge Bank, N.A. This means that all deposits, regardless of dollar amount, were transferred to Signature Bridge Bank, N.A. and the total balance in the accounts will be available for transactions. All obligations of the bridge banks are backed by the FDIC and the full faith and credit of the U.S. government. This event does not affect our financial position, results of operations, or cash flows for the current reporting period. On March 20, 2023 FDIC announced that has entered into a purchase and assumption agreement for substantially all deposits and certain loan portfolios of Signature Bridge Bank, National Association, by Flagstar Bank, National Association, Hicksville, New York, a wholly owned subsidiary of New York Community Bancorp, Inc., Westbury, New York.

5. TRADE AND OTHER RECEIVABLES

Trade receivables are related to receivables for charter and service-rendering agreements relating to the drilling units used in the oil and gas exploration in Brazil and India. Historically, there have been no defaults on receivables or delays in collections. The average collection period is of approximately 60 days (82 days on December 31, 2023). Details of financial risk management related to credit risk are disclosed in Note 16.b.

As of the year ended on December 31, 2022, the Group decided to recognize a provision for loss of receivables in the amount of US\$ 442 related to deductions imposed to Olinda Star due to activities that occurred during 2020. During March 2024, the provision written off.

As of March 31, 2024 the Group does not maintain an impairment loss provision for trade and other receivables since historically, there have been no defaults on receivables or delays in collections.

6. RELATED PARTY TRANSACTIONS

Balances as of March 31, 2024 and December 31, 2023 (and for the periods of three months ended March 31, 2024 and 2023) there were no outstanding balances and transactions between the Company and its subsidiaries, that are part of the Group, as the transactions have been eliminated for consolidation purposes.

Key management personnel (i) remuneration for the Three-month period ended March 31, 2024 and 2023, is as follows:

	<u>Three-month period ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Short-term benefits ⁽ⁱⁱ⁾	1,567	1,472

(i) Key management is defined as the statutory officers and directors of the Group.

(ii) Short-term benefits mainly refers to salaries, social security contributions, annual leave, short-term incentive (payable within twelve months from the year-end date). This amount is currently recorded within the group of Payroll and related charges.

Management Incentive Plan (MIP)

The company implemented a Management Incentive Plan (MIP) in May 2023 to reward and retain key personnel while supporting long-term performance goals as it is disclosed on note 19.b.

Severance Plan

The Group's Employment Contracts (the "Contract") with some of its Executive members provides that if the contract is terminated at the Group's initiative, the member will be entitled to an Exit Fee. A minimum monthly base salary is guaranteed as an Exit Fee, which will only be applied if the Contract is terminated by the Group's initiative to 12 months from the date of an eventual change of control of the Group. The guaranteed minimum monthly base salary will not be applied following 12 months after the change of control of the Group. In this case, the member will be entitled to an upper case corresponding to a monthly base salary, multiplied for each year of employment by the Group.

7. PROPERTY, PLANT AND EQUIPMENT

	Drillships					Offshore drilling rigs					Onshore drilling rigs, equipment and bases (b)	Corporate	Total	
	Brava Star	Amaralina Star	Laguna Star	Atlantic Star	Alpha Star	Gold Star	Lone Star	Olinda Star (c)						
<u>Cost</u>														
Balance as of December 31, 2022	730,901	756,402	752,379	378,146	774,942	628,426	765,427	588,394	123,053	20,400	5,518,470			
Additions	25,198	10,108	6,530	2,527	14,329	11,684	8,145	172	-	243	78,936			
Disposals / write off	(27)	(151)	(57)	-	(88)	-	(65)	-	(394)	(14)	(796)			
Reclass to Assets held for sale	-	-	-	-	-	-	-	-	(32,189)	-	(32,189)			
Currency translation adjustments	-	-	-	-	-	-	-	-	4,995	3,479	8,474			
Balance as of December 31, 2023	756,072	766,359	758,852	380,673	789,183	640,110	773,507	588,566	95,465	24,108	5,572,895			
Additions	9,180	1,366	6,674	2,436	2,524	2,194	1,926	-	-	-	26,300			
Disposals / write off	(76)	(25)	(50)	-	(26)	-	(15)	-	45	-	(147)			
Currency translation adjustments	-	-	-	-	-	-	-	-	(607)	(257)	(864)			
Balance as of March 31, 2024	765,176	767,700	765,476	383,109	791,681	642,304	775,418	588,566	94,903	23,851	5,598,184			
<u>Accumulated depreciation and impairment</u>														
Balance as of December 31, 2022	(272,880)	(341,532)	(311,242)	(254,594)	(423,740)	(326,134)	(428,878)	(569,314)	(100,844)	(19,016)	(3,048,174)			
Depreciation	(27,051)	(30,888)	(40,366)	(12,862)	(20,164)	(24,005)	(25,418)	(1,624)	(2,274)	(1,072)	(185,724)			
Impairment	41,961	13,550	-	15,665	16,879	4,276	(5,993)	(17,628)	(14,036)	-	54,674			
Reclass to Assets held for sale	-	-	-	-	-	-	-	-	28,988	-	28,988			
Disposals / write off	14	115	17	-	45	-	-	-	19	14	224			
Currency translation adjustments	-	-	-	-	-	-	-	-	(4,030)	(2,755)	(6,785)			
Balance as of December 31, 2023	(257,956)	(358,755)	(351,591)	(251,791)	(426,980)	(345,863)	(460,289)	(588,566)	(92,177)	(22,829)	(3,156,797)			
Depreciation	(8,377)	(9,439)	(9,626)	(3,690)	(5,423)	(4,949)	(8,368)	-	(89)	(21)	(49,982)			
Impairment	-	-	-	-	-	-	-	-	-	-	-			
Reclass to Assets held for sale	-	-	-	-	-	-	-	-	-	-	-			
Disposals / write off	18	1	2	-	-	-	-	-	-	-	21			
Currency translation adjustments	-	-	-	-	-	-	-	-	495	229	724			
Balance as of March 31, 2024	(266,315)	(368,193)	(361,215)	(255,481)	(432,403)	(350,812)	(468,657)	(588,566)	(91,771)	(22,621)	(3,206,034)			
Property, plant and equipment, net (a)														
December 31, 2023	498,116	407,604	407,261	128,882	362,202	294,247	313,218	-	3,289	1,279	2,416,098			
March 31, 2024	498,861	399,507	404,261	127,628	359,278	291,492	306,761	-	3,132	1,230	2,392,150			
Useful life range (years)	1 - 35	1 - 35	1 - 35	1 - 35	1 - 35	1 - 35	1 - 35	1 - 35	1 - 25	1 - 25				

Property, plant and equipment, net (a)

December 31, 2023

March 31, 2024

Useful life range (years)

- (a) The Group's assets that are pledged as security for financing agreements are disclosed in Note 8.
 (b) As of March 31, 2024 the amounts of US\$0 (US\$0 as of December 31, 2023) refers to the onshore drilling rigs.
 (c) On May 2, 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 6, 2024. The remaining balance was settled on May 15, 2024.

Impairment

During the years ended December 31, 2023 and 2022, the Group identified indicators that part of the impairment loss recognized in prior periods of its offshore asset groups may have decreased. Such indicators included recovery in commodity prices and projected day rates. No impairment indicators was identified by management as of March 31, 2024 that would require a new test for the period of three months then ended.

(a) Onshore drilling rigs

As of December 31, 2022 the Group estimated the recoverable amount of its onshore drilling rigs based on the revaluated historical cost. In calculating the recoverable amount of these drilling units no impairment was recognized.

During 2023 company Management approved the sale of onshore drilling rigs and started an active program to locate a buyer. Negotiations for the sale started during 2023, and the sale was completed on January 19, 2024. Accordingly, Onshore drilling rigs were reclassified to assets held for sale as of December 31, 2023 in the amount of US\$ 3,200. The assets held for sale are measured at fair value less costs to sell, therefore an impairment loss of US\$ 14,036 was also recognized (resulting in the amount of assets held for sale of US\$3,101 and US\$ 3,200 as of March 31, 2024 and December 31, 2023, respectively).

Drilling units	Type	Start of operations	Contract expected expiration date (current or previous)	Customer (current or previous)
QG-I ^(c)	Onshore drilling rig	1981	June 2018	Zeus ÓL S.A. Ouro Preto
QG-II ⁽¹⁾	Onshore drilling rig	1981	August 2018	Óleo e Gás S.A.
QG-IV ⁽¹⁾	Onshore drilling rig	1996	June 2015	Petrobras
QG-V ⁽¹⁾	Onshore drilling rig	2011	April 2015	Petrobras
QG-VI ⁽¹⁾	Onshore drilling rig	2008	May 2016	Petrobras
QG-VII ⁽¹⁾	Onshore drilling rig	2008	July 2015	Petrobras
QG-VIII ⁽¹⁾	Onshore drilling rig	2011	July 2022	Eneva
QG-IX ⁽¹⁾	Onshore drilling rig	2011	June 2014	HRT O&G Exploração e Produção de Petróleo Ltda.

- (1) As of March 31, 2024, these onshore drilling rigs were not hired under charter and service-rendering agreements. The Group made the strategic choice to sell its remaining onshore drilling rigs as part of the divestment process to become even more competitive on the global stage.

- (2) On January 06, 2023, a share purchase agreement was signed between Serviços de Petróleo Constellation Participações S.A., Serviços de Petróleo Constellation S.A. and Serviços de Petróleo Onshore Constellation S.A. Ltda. and President Energy Investments (Paraguay) where 100% of the shares from Domenica S.A. were sold, including the onshore rig QG-I. On February 02, 2023 the transfer was concluded, amounting to USD 1,039 and the other installment of USD 1,000 is to be paid on February 02, 2024.
- (3) On January 17, 2024, a share purchase agreement was signed between Serviços de Petróleo Constellation S.A. and Empresa Brasileira de Serviços e Perfuração Ltda. where onshore rigs QG-II, QG-IV, QG-V, QG-VI, QG-VII, QG-VIII and QG-IX were sold.

(b) Offshore drilling rigs and drillships

The Group estimated the recoverable amount of each one of its offshore drilling rigs and drillships based on a value in use calculation, which uses a discounted projected net cash flow analysis over the remaining economic useful life of each drilling unit, considering a 11.11% discount rate for all rigs except Atlantic and Olinda that considers 10.86% (12.05% for all rigs except Atlantic and Olinda that considers 11.83% in 2022). The rates reflect 10 and 20 years T.Bonds respectively according to the rig's lifespan. Our estimates required us to use significant unobservable inputs including assumptions related to the future performance of our contract drilling services, such as projected demand for our services, rig efficiency and day rates. As of December 31, 2023, the Group reversed an impairment for Alpha, Amaralina, Atlantic, Brava and Gold in the amount of US\$ 92,331 and accrued an impairment for Lone and Olinda in the amount of US\$ 23,621 with a net impact reversal of US\$ 68,710 (US\$ 560,756 for December 31, 2022) in all offshore drilling rigs and drillships.

8. LOANS AND FINANCING

Financial institution/ Creditor	Funding type	Description	Objective	Beginning period	Maturity	Contractual interest rate (per annum)	Effective interest rate (per annum)	Currency	March 31 2024	December 31, 2023
Bondholders	Senior Secured Notes ("Priority Lien Notes")	Corporate Bond	Debt Restructuring	Jun/2022	Jun/2025	13.50%	13.50%	U.S. dollar	52,416	57,408
Bondholders	Senior Secured Notes ("First Lien Notes") ⁽¹⁾⁽⁷⁾	Corporate Bond	Debt Restructuring	Jun/2022	Dec/2026	3.00% (cash) or 4.00% (PIK)	3.00% (cash) or 4.00% (PIK)	U.S. dollar	289,59	289,509
Bondholders	Senior Secured Notes ("Second Lien Notes") ⁽²⁾	Corporate Bond	Debt Restructuring	Jun/2022	Dec/2050	0.25%	0.25%	U.S. dollar	1,896	1,895
Bondholders	Senior Unsecured Notes ("2050 Notes") ⁽³⁾	Corporate Bond	Debt Restructuring	Jun/2022	Dec/2050	0.25%	0.25%	U.S. dollar	3,126	3,124
Banco Bradesco S.A.	Loan ("Bradesco Debt") ⁽⁴⁾⁽⁷⁾	Working Capital	Debt restructuring	Jun/2022	Dec/2026	SOFOR + 2.00% (cash) or 3.00% (PIK)	Subtotal – fixed interest rate loans SOFOR + 2.00% (cash) or 3.00% (PIK)	U.S. dollar	346,947	351,926
Certain Lenders	Financing ("Restructured ALB Debt") ⁽⁵⁾⁽⁷⁾	ALB	Debt restructuring	Jun/2022	Dec/2026	SOFOR + 2.00% (cash) or 3.00% (PIK)	Subtotal – variable interest rate loans SOFOR + 2.00% (cash) or 3.00% (PIK)	U.S. dollar	45,642	45,642
Certain Lenders	Financing ("ALB L/C Debt") ⁽⁶⁾	ALB L/C Debt	Debt restructuring	Jun/2022	Dec/2026	SOFOR + 3.00%	Subtotal – variable interest rate financings	U.S. dollar	30,200	30,200
							Total		959,227	964,216
							Current		40,560	33,696
							Non-current		918,667	930,520

(1) Excess cash sweep obligation, prepayment option without penalty and conversion obligatory to variable number of C-2 shares of the Company in case of a Liquidity Event.

(2) Prepayment option without penalty and conversion obligatory to variable number of C-4 shares of the Company in case of a Liquidity Event.

(3) Prepayment option without penalty and conversion obligatory to variable number of C-4 shares of the Company in case of a Liquidity Event.

(4) Excess cash sweep obligation, prepayment option without penalty and conversion obligatory to variable number of C-3 shares of the Company in case of a Liquidity Event.

(5) Excess cash sweep obligation, prepayment option without penalty and conversion obligatory to variable number of C-1 shares of the Company in case of a Liquidity Event.

(6) Prepayment option without penalty.

(7) Excess cash sweep obligation means the repayment of the debt which ALB Lenders, Bradesco and the holders of the First Lien Notes are entitled to in case the adjusted unrestricted cash is higher than USD 100mm as of the end of each quarter on or after March 31, 2023.

a) Changes in loans and financing

	Three-month period ended March 31,	
	2024	2023
Balance as of January 1	964,216	942,192
Principal repayment	(4,992)	(834)
Interest payment	(15,558)	(2,684)
Total payments	<u>(20,550)</u>	<u>(3,518)</u>
Interest charged through profit and loss	<u>15,561</u>	<u>16,264</u>
Financial expenses on loans and financing (Note 14)	<u>15,561</u>	<u>16,264</u>
Debt restructuring	-	-
Balance as of March 31,	<u><u>959,227</u></u>	<u><u>954,938</u></u>

Working capital

On June 10, 2022, the Group: amended and restated its working capital loan agreements with Bradesco to reflect the terms agreed to in the debt restructuring plan, with a final maturity date on December 31, 2026.

Notes

Priority Lien Notes – The Company issued new Senior Secured Notes bearing interest at 13.50% p.a. (the “Priority Lien Notes”), in an aggregate principal amount of payable quarterly in cash, aggregate principal amount of US\$62,400. Interest on the Priority Lien Notes is payable in cash on a quarterly basis. The Priority Lien Notes mature on June 30, 2025. The New Priority Lien Notes Indenture (2022) includes a prepayment option at premium as well as a mandatory redemption at the liquidity event with the same conditions of the optional prepayment. If exercised, the prepayment cost will be based on a interest rate at: (i)113.5% after December 31, 2023 and until September 30, 2024; (ii) 106.75% after September 30, 2024 and until and including December 31, 2024; and (iii) thereafter 103.375%.

First Lien Notes – The Company issued Senior Secured Notes bearing interest at either 3.00% p.a. (if the Company elects to pay the interest in cash) or 4.00% p.a. (if the Company elects to capitalize the interest), in an aggregate principal amount of US\$278,300. The First Lien Notes mature on December 31, 2026.

Second Lien Notes – The Company issued Senior Secured Notes bearing interest at 0.25% p.a. (the “Second Lien Notes”), payable quarterly as capitalized interest, in an aggregate principal amount of US\$1,889. The Second Lien Notes mature on December 31, 2050.

2050 Notes – The Company issued Senior Unsecured Notes bearing interest at 0.25% p.a. (the “2050 Notes”), payable quarterly as capitalized interest, in an aggregate principal amount of US\$3,112. The 2050 Notes mature on December 31, 2050.

b) Loans and financing long term amortization schedule

For the three-month period ended March 31,	Net amount	PIK (*)	Gross amount
2025	11,856	3,742	15,598
2026	901,789	186,081	1,087,870
After 2027	5,022	348	5,370
Total	918,667	190,171	1,108,838

(*) Interest capitalized that will be repaid upon maturity of the loans and financing.

c) Covenants

Financial covenants

The loans and certain of the Notes contain a financial covenant (pursuant to which the Company must maintain a minimum liquidity of US\$25 million as of the end of each quarter until March 2023 and from then on US\$35 million) and is secured by collateral provided to the creditors. As per the financing documentation, liquidity means unrestricted cash plus any undrawn, fully committed revolver availability. Non-compliance with such financial covenants could limit the ability of the Company to make certain payments to related parties and/or lead to an event of default. The Company is currently in compliance with its financial covenants.

d) Guarantees and Collateral

Each of the Priority Lien Notes, First Lien Notes, Second Lien Notes, Bradesco Debt and Restructured ALB Debt benefiting from a customary security package that includes, guarantees such as assignment of the charter receivables (to the extent third-party consent for such assignment is obtained), mortgages over the drilling rigs and drillships, pledges over the shares of the drilling rigs and drillships owners, charges over the relevant bank accounts held at the facility agents, including accounts into which the amounts payable under charter and service-rendering agreements are required to be paid and assignment of the relevant insurances, corporate guarantees. The Priority Lien Notes also benefit from assets that cross-collateralize the ALB Debt and assets the cross-collateralize the First Lien Notes, the Second Lien Notes and the Bradesco Debt.

In addition, the terms of some of these debt financing instruments restricts the ability of the Company and its subsidiaries to pay dividends, incur additional debt, grant additional liens, sell or dispose assets and enter into certain acquisitions, mergers and consolidations, except as already established in such debt financing instruments.

9. PROVISIONS

	<u>March 31, 2024</u>		<u>December 31, 2023</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Provision for Onerous Contract ^(a)	16,151	5,211	19,857	9,773
Contractual Penalties ^(b)	711	-	1,548	-
Contingencies and provisions for lawsuits ^(c)	-	2,558	-	3,570
MIP Retention (Note 19.b)	-	2,620	-	1,949
Others	-	308	-	418
Total	<u>16,862</u>	<u>10,697</u>	<u>21,405</u>	<u>15,710</u>

(a) Provision for Onerous Contract

As of March 31 2024, the expected costs of meeting the obligations of the current contracts of the following rigs exceeded their expected revenue, and a provision for onerous contract has been recorded: Laguna (US\$ 3,192), Lone (US\$ 4,874), Gold (US\$ 11,082) and Amaralina (US\$ 2,214).

As of December 31, 2023 a provision for onerous contract has been recorded: Laguna (US\$ 9,378), Lone (US\$ 6,448), Gold (US\$ 11,082) and Amaralina (US\$ 2,722).

(b) Contractual Penalties

In the normal course of its business activities, the Group engages in agreements with third parties that convey contractual obligations. The Group recognizes provisions for contractual fines (delay in beginning of operations) that are more likely than not to be payable with respect to certain of its agreements, for which the Group's Management does not expect the payable amount to materially differ from the estimated amount.

	<u>Three-month period ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Balance as of January 1	1,548	795
Contractual Penalties accrual/(reversal)	(808)	-
Foreign exchange rate variations	(29)	21
Balance as of March 31,	<u>711</u>	<u>816</u>

(c) Contingencies and provisions for lawsuits

1. Liabilities assessed as probable losses

During the normal course of its business activities, the Group is exposed to labor, civil and tax claims. Regarding each claim or exposure, Management has assessed the probability that the matter resolution would ultimately result in a financial loss for the Group. As of March 31, 2024, provisions to cover probable losses included in "other non-current liabilities" are mainly related to labor (hardship and retirement) and civil claims.

Changes in loss provision for labor and civil claims are as follows:

	March 31, 2024	December 31, 2023
Balance as of January 1	3,570	2,797
Additions	199	3,202
Reversals	(1,109)	(2,664)
Foreign exchange rate variations	(102)	235
Total	<u>2,558</u>	<u>3,570</u>

2. Contingent liabilities assessed as possible losses

Based on the Group's in-house legal counsel and external legal advisors' opinions, these claims are not accrued in the consolidated financial information and consist of labor lawsuits (mainly comprised by compensation due to work related accidents, overtime and occupational diseases) in the amount of US\$19,534 as of March 31, 2024 (US\$21,001 as of December 31, 2023), tax lawsuits in the amount of US\$46,419 as of March 31, 2024 (US\$46,790 as of December 31, 2023) and civil lawsuits in the amount of US\$673 as of March 31, 2024 (US\$694 as of December 31, 2023).

The main tax lawsuits assessed as possible losses are as follows:

- i. On September 15, 2010, Serviços de Petróleo received a Notice of Violation issued by the tax authorities due to the nonpayment of Services Tax ("*Imposto sobre Serviços de Qualquer Natureza - ISS*") in the city of Rio de Janeiro. Serviços de Petróleo argues, on appeal, that the operations were carried out in other municipalities and the taxes were collected under their tax jurisdictions (ISS due to the site of the service provider). As of March 31, 2024, the estimated amount involved is US\$9,605 (US\$9,394 as of December 31, 2023).

On January 22, 2015, Serviços de Petróleo received a Notice of Violation issued by the Brazilian Internal Revenue Service (*Receita Federal do Brasil - RFB*) related to Social Integration Program ("*Programa de Integração Social - PIS*") and Social Investment Program ("*Contribuição para o Financiamento da Seguridade Social - COFINS*") collected in the years 2010 and 2011. The RFB initiated a Tax Administrative Process, whereby it requires Serviços de Petróleo to make tax payments, due to the fact that the RFB considered that Serviços de Petróleo made use of improper tax credits aiming to reduce its PIS and COFINS obligations. On February 23, 2015, Serviços de Petróleo argued, on appeal, in order to contest RFB's tax assessment. As of March 31, 2024, the estimated amount involved is US\$21,657 (US\$22,052 as of December 31, 2023).

On December 18, 2020, Serviços de Petróleo received a Notice of Violation issued by the Brazilian Internal Revenue Service (*Receita Federal do Brasil - RFB*) related to Social Integration Program ("*Programa de Integração Social - PIS*") and Social Investment Program ("*Contribuição para o Financiamento da Seguridade Social - COFINS*") collected in the year 2016. The RFB initiated a Tax Administrative Process, whereby it requires Serviços de Petróleo to make tax payments, due to the fact that the RFB considered that Serviços de Petróleo made use of improper tax credits aiming to reduce its PIS and COFINS obligations. On January 19, 2021, Serviços de Petróleo argued, on appeal, in order to contest RFB's tax assessment. As of March 31, 2024 the estimated amount involved is US\$3,731 (US\$4,150 as of December 31, 2023).

- ii. In November 2018, Transocean Offshore Deepwater Drilling Inc. and Transocean Brasil Ltda. (hereinafter together referred to as “Transocean”) filed a claim against Serviços de Petróleo Constellation S.A. and Brava Star Ltd., accusing both entities of infringing its dual-activity drilling technology patent. In January 2020, Transocean filed a compensation claim against Serviços de Petróleo Constellation S.A. and Brava Star Ltd. regarding the patent infringement alleged in its 2018 claim.

On June 4, 2020, Constellation filed a motion requesting the suspension of the process until a judgment is reached in the nullity action proposed by Constellation against Transocean’s patent. The Judge has granted such suspension on September 11, 2020. Transocean tried to revert such decision, but suspension was maintained again by the Appellate Court in October 2023 until a judgment is reached in the nullity action proposed by Constellation against Transocean’s patent. On December 13, 2023, the Appellate Court rejected Transocean’s request. Therefore, on February 7, 2024, Transocean filed a special appeal. Constellation filed its response to the Special Appeal on March 19, 2024, arguing that Transocean’s appeal should not be admitted, which is currently pending consideration by the Court of Appeal, which should be soon.

3. Tax, labor and social security matters

The Group enters into transactions and operations that may be interpreted by third parties subjectively and/or contrary to its position. Nevertheless, the Group’s actions are supported by its in-house legal counsel and external legal advisors’ opinion.

4. Other matters

Petrobras withholding taxes

In July 2014, the Group received letters from Petrobras informing that the RFB issued Notices of Violation against Petrobras regarding the absence of withholding income taxes collection from charter agreements remittances in 2008 and 2009, related to the Atlantic Star and Alaskan Star offshore drilling rigs. Petrobras indicated that is currently contesting such Notices of Violation, but if the losses on ongoing appeals are confirmed, Petrobras will seek recoverability of such losses from its contractors, including the Group, plus any penalties, interest and fees that would be required to settle the debt with the RFB. Petrobras has informed that the amount involved related to the work performed by the Group amounts to R\$152 million (US\$68 million translated at historical rates as of June 30, 2014), excluding penalties, interest and fees. The Group has contested Petrobras’ allegations in a response letter stating that Petrobras “has no legal or commercial grounds to seek recoverability of such losses from the Group” and that “will not accept any withholding or deduction of the amounts to be received under the charter agreements”. Should Petrobras fail on its appeals and, consequently, the Group receives any future charges aiming at the reimbursement of Petrobras’ losses, the Group will contest such charges.

10. SHAREHOLDERS' EQUITY

On June 10, 2022, the Group entered into Amended and Restated Credit Agreements with ALBs Creditors and Bradesco, as well as New 2026 First Lien Notes, New 2050 Second Lien Notes, New Unsecured Notes and New Priority Lien Notes, pursuant to new indentures, and held General Shareholders Meeting to approve the conversion of part of the debt held by such creditors into the share capital of the Company, with the dilution of original shareholders (the "Restructuring Documents"). Under the Restructuring Documents, the creditors agreed to a haircut on the US\$1,990,128 outstanding debt, resulting in to \$826,000 of convertible debt, with an additional \$92,600 comprised of \$62,400 in new funds raised through the restructuring and \$30,200 in non-convertible debt, for a total debt of 918,600.

Additionally, a portion of the debt, owing to a group of key financial creditors, was converted into the Company's equity, as follows:

Additionally, a portion of the debt, owing to a group of key financial creditors, were converted into the Company's equity interest, as follows:

Pre-restructuring		Restructured Debt		
<i>Amounts in USD thousands</i>	Outstanding Debt	Convertible Debt	Non-convertible Debt	Equity % (*)
ALB Lenders	811,788	500,000	30,200	26%
Former 2024 Participating Notes	823,427	278,300	-	47%
Bradesco	167,071	42,700	-	-
Former 2024 Fourth Lien Notes	72,781	1,888	-	-
Former 2030 Unsecured Notes	115,061	3,112	-	-
New Money	-	-	62,400 ^[1]	-
Incumbent Shareholders ("Legacy shareholders")	-	-	-	27%
Total	1,990,128	826,000	92,600	100%

The debt-to-equity conversion resulted in a new shareholder composition, as indicated in the table above. The ALB lenders' group consists of international banks that participated in the second amended and restated senior syndicated credit facility agreements dated December 18, 2019 (as amended, restated, supplemented or otherwise modified from time to time), by and among Amaralina Star and Laguna Star as borrowers and by and among Brava Star as borrower. Part of the ALB Lenders' 26% equity stake was issued through warrants, which, prior to their exercise, will not represent Company's shares. Therefore, until such warrants are exercised, the Company's shareholders are limited to the Incumbent Shareholders and holders of former 2024 Participating Notes. The new shareholding composition resulted in a new Board of Directors, effective on the restructuring Closing Date. The Restructuring Documents also contemplate a future liquidity event, consisting of a sale of a majority of the Company's equity interest (or other similar transactions described in the restructuring documents). In this event, the Convertible Debt will be converted into equity, and the proceeds from this liquidity event will be distributed according to the new equity payment waterfall.

^[1] Includes backstop fee of \$2.4M

The proceeds in a Liquidity Event must be distributed in accordance with the Payment Waterfall, which is as follows:

- a. the repayment of the New Money
- b. Any Priority Capex Debt (*)
- c. ALB Lenders Letter of Credit (Non-convertible debt)
- d. All convertible debt (which will be converted into C-1, C-2, C-3 and C-4 shares)
- e. D Shares, which will be entitled to 12% of what exceeds USD 1,350,000 of enterprise value at the liquidity event

The remaining net proceeds will then be paid to the shareholders (A, B-1, and B-2 shares).

The amount of all convertible debt (ALB, 1L Notes, Bradesco, 2L and Unsecured) to be used is the lesser between: (i) the outstanding amount of all convertible debt and (ii) 87% of the Net Proceeds, during 2022.

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

(*) Indebtedness of the Company incurred to make capital expenditures (including any maintenance, upgrade or overhaul, but excluding any acquisition of drilling rigs) on the rigs and not to exceed USD 30,000 in the aggregate.

a) Share capital

On June 10, 2022 there was a decrease on the share capital of the Company by the amount of USD 981,200 represented by 2,852,293,996 class A shares in registered form without nominal value and 36,933,368 class B shares in registered form without nominal value to 0 by cancellation of all classes A and B existing shares. This amount was transferred to share premium. On the same date there was a capital increase, from share premium, in the amount of USD 4,933 by the issuance of 180,000,000 new classes A share each with a nominal value of one cent (USD 0.01) and 313,333,333 new class B-1 shares, each with a nominal value of one cents (USD 0.01).

As of March 31, 2024, and December 31, 2023, the Company's share capital amounts to US\$4,933, comprised by 493,333,333 ordinary shares, of one cent per share and with no par value.

Advance for future capital increase/Warrant

As part of the restructuring, in June 2022, the Company received an advance for future capital increase in the total amount of US\$1,733, representing 173,333,333 of Class B-2 Warrants, convertible at any time into 173,333,333 of shares.

b) Legal reserve

In accordance with Luxembourg Corporate Law, the Company must allocate 5% of its annual profit of its stand-alone financial information, after deducting of any losses brought forward from previous years, to the minimum legal reserve.

The aforementioned requirement will only cease when the legal reserve reaches an amount equivalent to 10% of the Company's issued share capital. Additionally, this reserve may not be distributed.

c) Other Comprehensive Items (OCI)

Foreign currency translation adjustments reserve

The foreign currency translation adjustments reserve is used to record exchange adjustments arising from the translation of foreign subsidiaries' financial information.

d) Share Premium

Share premium represents the difference between the nominal value of the Company's share versus the total amount that was received for the issued share. As of March 31, 2024 and December 31, 2023 the Share Premium is 1,567,897.

11. NET OPERATING REVENUE

The Group's operating revenue is mainly derived from charter and service-rendering agreements. As of March 31, 2024 and 2023, Petrobras has accounted for 79% and 73%, respectively, of total revenues.

Net operating revenue is presented after the following items:

	Three-month period ended March 31,	
	2024	2023
Gross operating revenue	150,626	148,246
Taxes levied on revenue:		
Social Integration Program (PIS) ⁽ⁱ⁾	(904)	(804)
Social Investment Program (COFINS) ⁽ⁱ⁾	(4,161)	(3,704)
Services Tax (ISS) ⁽ⁱ⁾	(1,384)	(1,239)
Good and Service Tax (GST) ⁽ⁱⁱ⁾	(315)	(2,197)
Net operating revenue	<u>143,862</u>	<u>140,302</u>

- (i) Taxes levied on revenues are applicable only to the revenues generated by Serviços de Petróleo.
(ii) GST refers to the indirect tax in India.

12. COST OF SERVICES AND OPERATING EXPENSES

Costs and expenses by nature	Three-month period ended March 31,					
	2024			2023		
	Cost of services	General and administrative expenses	Total	Cost of services	General and administrative expenses	Total
Payroll, related charges and benefits	(36,951)	(4,588)	(41,539)	(31,804)	(4,994)	(36,798)
Depreciation	(49,959)	(23)	(49,982)	(45,915)	(38)	(45,953)
Materials	(20,614)	-	(20,614)	(15,920)	-	(15,920)
Maintenance	(19,483)	(34)	(19,517)	(23,629)	(5)	(23,634)
Insurance	(1,170)	(106)	(1,276)	(848)	(229)	(1,077)
Other ⁽¹⁾⁽²⁾	<u>(7,648)</u>	<u>(2,168)</u>	<u>(9,816)</u>	<u>(5,549)</u>	<u>(1,918)</u>	<u>(7,467)</u>
Total	<u>(135,825)</u>	<u>(6,919)</u>	<u>(142,744)</u>	<u>(123,665)</u>	<u>(7,184)</u>	<u>(130,849)</u>

(1) Other cost of services: mainly comprised by rig boarding transportation, lodging and meals, data transmission, among others.

(2) Other general and administrative expenses: mainly comprised by transportation, information technology services, external legal advisors fees, independent auditor fees, advisory services fees, among others.

13. OTHER OPERATING INCOME (EXPENSES)

	Three-month period ended March 31,	
	2024	2023
Property Rental	44	42
Revenue from sale of investment	-	664
Reversal of provision for onerous contract	8,269	-
Other	-	212
Other income	<u>8,313</u>	<u>918</u>
Cost of PP&E disposed	<u>(19)</u>	<u>(108)</u>
Other expenses	<u>(19)</u>	<u>(108)</u>
Total other income, net	<u>8,294</u>	<u>810</u>

14. FINANCIAL EXPENSES, NET

	Three-month period ended March 31,	
	2024	2023
Interest on short-term investments	<u>1,204</u>	<u>357</u>
Financial income	<u>1,204</u>	<u>357</u>
Financial expenses on loans and financing (Note 8.a)	(15,561)	(16,264)
Other financial expenses	(594)	(532)
Financial expenses	<u>(16,155)</u>	<u>(16,796)</u>
Foreign exchange variation gain, net	<u>(162)</u>	<u>69</u>
Financial expenses, net	<u>(15,113)</u>	<u>(16,370)</u>

15. TAXES

Most of the Group's entities are located in jurisdictions that are exempt from corporate income tax, except for Serviços de Petróleo and its subsidiary Serviços de Petróleo India, QGOG Constellation UK and QGOG Constellation US, which operate in Brazil, India, UK and USA, respectively. Additionally, certain of the Group entities' operate in the Netherlands, Switzerland and Luxembourg, but none of these entities reported taxable income for the periods presented.

The related taxes and contributions are as follows:

a) Recoverable taxes

	March 31 2024	December 31, 2023
Taxes on revenue (PIS/Cofins)	15,866	16,262
Recoverable Taxes in India - GST ⁽ⁱ⁾ and WHT	5,344	3,533
Income tax (IRPJ) and social contribution on net income (CSLL) ⁽ⁱⁱ⁾	3,233	1,526
Other	270	220
Total	<u>24,713</u>	<u>21,541</u>
Current	24,713	21,541
Non-current	-	-

(i) GST - Goods and Services Tax: Refers to taxes on supply of goods and services in India. The recoverable GST amounts refer to credits on the acquisition of goods and services.

(ii) Mainly refers to withholding taxes on revenues that are compensated with other federal taxes. Social Contribution on net income is a part of the Brazilian Income Tax.

b) Taxes payables

	March 31 2024	December 31, 2023
Goods and Services Tax - GST ⁽ⁱ⁾	239	811
Income tax (IRPJ) and social contribution (CSLL)	2,698	2,722
Service Tax (ISS)	1,155	1,062
State VAT (ICMS)	160	189
Total	<u>4,252</u>	<u>4,784</u>

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

c) Deferred tax assets

i) Brazil

	March 31 2024	December 31, 2023
Income tax (IRPJ) and social contribution (CSLL) (*)	23,020	20,312

(*) Mainly refers to deferred income arising from taxes losses carryforward and provision for contingencies which are derived from Serviços de Petróleo operations aiming future compensation based on reliable taxable profit estimates. The expectation of compensation of these credits is until 2027. Tax losses do not expire and the compensation is limited to 30% of taxable income for each year.

ii) Luxembourg

Based on the 2023 CIT return, the Company avails of approximately US\$ 3,443,758 (3,443,758 as of December 31, 2023) of carry-forward losses for Luxembourg CIT purposes. Such carry-forward losses represent tax credits of US\$ 858,873 (US\$ 858,873 as of December 31, 2023) that has not been recognized in the balance sheet as they are not expected to be used in the future.

d) Effect of income tax results

The tax rate used for the nine-month period ended December 31, 2023 and 2022 reconciliations below refers to the combined corporate nominal tax rate of 34% in accordance with Brazilian tax legislation, jurisdiction in which Serviços de Petróleo (Brazilian subsidiary) operates, the corporate nominal tax rate of 20% in accordance with British tax legislation, jurisdiction in which QGOG Constellation UK Ltd. Operates and the withholding income tax on Serviços de Petróleo India revenues of 4.326%, in accordance with Indian tax legislation, jurisdiction in which Serviços de Petróleo India operates.

The amounts reported as income tax expense in the consolidated statement of operations are reconciled from the nominal rate to the effective rate as follows:

	Three-month period ended March 31,	
	<u>2024</u>	<u>2023</u>
Loss before taxes	(5,701)	(6,107)
Income tax and social contribution at nominal rate (*)	4,457	(6,496)
Adjustments to derive effective tax rate:		
Non-deductible expenses	(106)	2,680
Other	(973)	2,309
Income tax expense recognized in profit or loss	<u>3,378</u>	<u>(1,507)</u>
Current taxes	22	(1,644)
Deferred taxes	3,356	137

(1) Nominal tax rate applied on profits/ (loss) before taxes related to Serviços de Petróleo and on revenues related to Serviços de Petróleo India.

16. FINANCIAL INSTRUMENTS

a) General considerations

The Group's main financial instruments are as follows:

	Category	March 31, 2024		December 31, 2023	
		Carrying amount	Fair value	Carrying amount	Fair value
<u>Financial assets</u>					
Cash and cash equivalents	FVTPL	94,841	94,841	87,943	87,943
Short-term investments	FVTPL	45	45	45	45
Restricted cash	FVTPL	1,733	1,733	1,733	1,733
Trade and other receivables	Amortized cost	95,106	95,106	125,016	125,016
<u>Financial liabilities</u>					
Loans and financing	Amortized cost	959,227	902,570	964,216	885,122
Trade and other payables	Amortized cost	42,913	42,913	57,178	57,178
Embedded derivatives	FVTPL	26,352	26,352	26,352	26,352

The carrying amounts of the remaining financial instruments do not significantly differ from their fair value.

Fair value hierarchy

IFRS 13 – *Fair Value Measurement* defines fair value as the value or price that would be received to sell an asset or paid to transfer a liability in a transaction between participants in an ordinary market on the measurement date.

The fair value hierarchy gives greater weight to available market information (i.e., observable data) and less weight to information related to data without transparency (i.e., unobservable data). Additionally, it requires the entity to consider all aspects of non-performance risk, including the entity's own credit to measure the fair value of a liability.

IFRS 13 also establishes a 3-levels hierarchy to be used in order to measure and disclose the fair value. A categorization tool in the fair value hierarchy is based on the lowest level of "inputs" significant for its measurement. A description of the 3 hierarchical levels is as follows:

Level 1 - The "inputs" are determined based on prices in an active market for identical assets or liabilities at the measurement date. Additionally, the entity must be able to trade in an active market and the price cannot be adjusted by the entity.

Level 2 - The "inputs" are other than prices as determined by Level 1 that are observable for the asset or liability, directly or indirectly. The "inputs" level includes two prices in an active market for similar assets or liabilities, prices in an inactive market for identical assets or liabilities, or "inputs" that are observable or can corroborate the observation of market data by correlation or other means for substantially every part of the asset or liability.

Level 3 - The “inputs” are those unobservable from minor or no market activity. These “inputs” represent Management’s best estimates as market participants could assign value or price for these assets or liabilities. Generally, the assets and liabilities are measured using Level 3 pricing models, discounted cash flow or similar methods that require significant judgments or estimates, such as the inputs considered in the impairment test of long-lived assets.

The Group measures its short-term investments and restricted cash at fair value through profit or loss. Short-term investments and restricted cash are classified as Level 1, due to the fact that they are measured using market prices for identical instruments. Loans and financing are classified as Level 2, due to the fact that they are measured using similar financial instruments. Derivatives are classified as Level 3, as the fair value is based on a pricing model.

b) Financial risk management

The Group is exposed to liquidity, credit and market risks. Management believes that the Group’s main market risk refers to its exposure to interest rate risk, as discussed below.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built a liquidity risk management framework for managing the Group’s short and long-term funding and liquidity management requirements. The Group manages the liquidity risk by combining and maintaining adequate banking and capital markets facilities (Note 8) and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group maintains relationships with specific lenders and constantly monitors its funding needs together with such lenders. The Group manages the majority of its long-term financing on a project-by-project basis. Such financing are arranged as required to support the Group’s operations and growth plans. The Group’s liquidity position has been enhanced further through the restructuring in June 2022. The Group kept its improved liquidity position during 2024, as shown on note 16 c).

The following table details the Group’s liquidity analysis for its financial liabilities. The table has been prepared using on the undiscounted contractual cash inflows and outflows for the financial instruments.

March 31, 2024

Period	Trade and other payables	Loans and financing	Total
2024	42,913	97,485	140,398
2025	-	27,454	27,454
2026	-	1,087,870	1,087,870
After 2027	-	5,370	5,370
Total	42,913	1,218,179	1,261,092

December 31, 2023

Period	Trade and other payables	Loans and financing	Total
2024	57,178	86,684	143,862
2025	-	27,469	27,469
2026	-	1,107,509	1,107,509
After 2027	-	5,370	5,370
Total	57,178	1,227,032	1,284,210

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations, thus resulting in financial losses to the Group. Financial instruments that potentially subject the Group to concentrations of credit risk are primarily cash and cash equivalents, short-term investments, restricted cash and trade and other receivables. The maximum exposure amounts of such financial instruments are those disclosed in Notes 3, 4 and 5, respectively. Petrobras is the main client, and no significant credit risk was identified.

It is the Group's practice to place its cash and cash equivalents in time deposits at financial institutions with high credit ratings or at mutual funds, which invest exclusively in high quality money market instruments. The Group limits the exposure amount to each financial institution individually aiming at minimizing its credit risk exposure.

Market Risk (interest rate risk)

The Group is exposed to interest rate risk due to the fact that its entities borrow funds at both fixed and variable interest rates. The Group manages such risk by maintaining an appropriate mix between fixed and variable rate borrowings and by using interest rate swap instruments, when due necessary. The Group is exposed to fluctuations in US\$ LIBOR/SOFR interest rates charged on its loans and financing (Note 8).

Due to the debt restructuring plan, the Group and its creditors agreed to unwind the previous existing swaps due to the new debt structure and new contract terms and conditions. The Group is conducting an effective monitoring of any interest rate exposure, reassessing the respective risks based on the new terms and conditions agreed post debt restructuring.

Currency exchange rate risk

Customer contracts are structured to provide payments both in US Dollars and in local currency (mostly BRL). Revenue received in local currency is substantially used to pay for costs, goods or employees in local currency. Transactions denominated in other currencies other than US Dollar or Brazilian Real are limited, so there is no material exposure related to currency exchange rate risk in the Group.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the end of the reporting period and considers the effects of an increase or decrease of outstanding loans and financing further to the effects of either an increase or a decrease of 2% in the interest curve (LIBOR) at the balance sheet date. For variable rate liabilities (US\$ LIBOR plus spread), the analysis is prepared assuming that the liability amount outstanding at the end of the reporting period was outstanding for the entire period. A 2% increase or decrease in US\$ LIBOR is used when reporting interest rate risk internally to key management personnel and represents Management's assessment of the reasonably possible change in interest rates.

Risk: interest rate variation	<u>March 31, 2024</u>	<u>Scenario I ⁽ⁱ⁾</u>	<u>Scenario II ⁽ⁱⁱ⁾</u>
		<u>Increase/ (decrease) in P&L</u>	
Variable interest rate loans	45,642	(913)	913
Variable interest rate financing	<u>566,638</u>	<u>(11,333)</u>	<u>11,333</u>
Total	<u>612,280</u>	<u>(12,246)</u>	<u>12,246</u>
(i) Decrease of 2% in interest rate.			
(ii) Increase of 2% in interest rate.			

c) Capital management

The Group manages its capital structure, consisting of the relation between equity/debt mix in accordance with best market practices, as follows:

	<u>March 31</u>	<u>December 31,</u>
	<u>2024</u>	<u>2023</u>
Loans and financing ^(a)	959,227	964,216
Cash transactions ^(b)	<u>(96,619)</u>	<u>(89,721)</u>
Net debt ^(c)	<u>862,608</u>	<u>874,495</u>
Shareholders' equity ^(d)	<u>1,539,762</u>	<u>1,544,311</u>
Net debt on shareholders' equity plus net debt ^[(c) ÷ (c) + (d)]	<u>36%</u>	<u>36%</u>

(a) Consider all loans and financing balances.

(b) Includes cash and cash equivalents, short-term investments and restricted cash balances.

(c) Loans and financing net of cash transactions.

(d) Includes all shareholders' equity accounts.

17. DERIVATIVES

The derivative expense, recognized on December 31, 2022, amounting to US\$44,0 million is related to 1,200 Class D warrants issued by the Company and distributed to some Shareholders and Lenders. These warrants could only be exercisable in a liquidity event when the total enterprise value is above a specific threshold, giving them 12% of any value in excess of this threshold. This derivative is measured at fair value, and the related expense and liability was estimated using a Black & Scholes valuation modelling.

No indicators were identified by management as of March 31, 2024 that would require an expense accrual or reversal of the derivative for the period of three months then ended.

18. INSURANCE (Unaudited)

As of March 31, 2024 and December 31, 2023, major assets or interests covered by insurance policies and their respective coverage amounts are summarized below:

	March 31, 2024	December 31, 2023
Civil liability	1,952,000	1,952,000
Operating risks	1,546,376	1,559,730
Loss of hire	311,234	300,000
Operational headquarter and others	14,345	14,452
Total	<u>3,823,955</u>	<u>3,826,182</u>

The Group's practice in relation to its insurance policies is to hire solid insurance companies in the insurance market.

19. PENSION AND MANAGEMENT INCENTIVE PLAN

The total amount paid by Constellation Oil Services Holding S.A to the Board of Directors as of March 31, 2024 was US\$ 125 (US\$ 498 as of December 31, 2023) and no payments were made such as advances and loans to the Board of Directors.

a) Pension Plan

The subsidiary Serviços de Petróleo, offers a private defined contribution pension plan to all employees, including key management personnel. On the Pension plan, employees can elect to contribute from 1% to 12% of the monthly gross salary and Serviços de Petróleo matches the contribution up to 4% of the monthly gross salary to employees and up to 6,5% to executives. Serviços de Petróleo's only obligation to the Pension Plan is to make its specified contributions.

For the three-month period ended March 31, 2024, contributions payable by Serviços de Petróleo at the rates specified by the plan rules amounts to US\$ 324 (US\$ 1,081 as of December 31, 2023).

b) Management Incentive Plan (MIP)

The company implemented a Management Incentive Plan (MIP) in May 2023 to reward and retain key personnel while supporting long-term performance goals. The MIP comprises three components aimed at incentivizing offshore employees, key personnel, management, and the Board of Directors to remain engaged with the company and contribute to its long-term objectives.

The first component involves a Retention Pool of USD 2.0 million allocated to offshore employees. This amount will be payable on the second anniversary of the restructuring closing. The restructuring closing was concluded in June, 2022. Additionally, USD 2.5 million has been allocated for key positions, with payment scheduled for the third anniversary of the restructuring closing.

The second component is a Performance Unit Pool available to management and certain key positions (“eligible employees”). The distribution is contingent upon the realization of the Total Enterprise Value (“TEV”) and will be paid out in cash upon the consummation of a Qualifying Liquidity Event. The payout value to the eligible employees varies depending on the TEV, ranging from zero to USD 29 million.

The third component, the Board Pool, is specifically allocated to members of the Board of Directors. Similar to the Performance Unit Pool, the allocation is contingent upon the realization of the TEV and will be paid out in cash upon the consummation of a Qualifying Liquidity Event. The payout value varies depending on the TEV, ranging from zero to USD 12.5 million.

As of March 31, 2024, the Group made accruals as specified by the MIP Retention plan rules amounting to US\$ 2,620 (compared to US\$ 1,949 as of December 31, 2023) related to the Retention Pool. No accruals have been recorded for the Performance Unit Pool and Board Pool.

20. OPERATING LEASE RECEIVABLES

Below the undiscounted amounts to be received on an annual basis for the period of the current contracts of the Group’s fleet (contract rates).

Amounts receivable under operating leases	March 31, 2024	December 31, 2023
2024	492,316	653,133
2025	431,764	435,435
2026	252,427	253,985
After 2027	142,761	142,761
Total	1,319,268	1,485,314

21. SUBSEQUENT EVENTS

Sale of Olinda Star

Note 1i) - On May 2, 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 6, 2024. The remaining balance was settled on May 15, 2024 and the transfer of title occurred on May 16, 2024.

22. APPROVAL OF THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Consolidated financial statements were approved by the Company’s Board of Directors and authorized for issuance on May 24, 2024.