IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) A PERSON WHO IS A "QUALIFIED INSTITUTIONAL BUYER" ("QIB") (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")), PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB AS TO WHICH THE PURCHASER EXERCISES SOLE INVESTMENT DISCRETION, IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A, OR (2) A NON-U.S. PERSON AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT PURCHASING OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION THAT MEETS THE REQUIREMENTS OF REGULATION S.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this page (the "Offering Memorandum") and you are advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS. THE SECURITIES DESCRIBED IN THE OFFERING MEMORANDUM ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA ("EEA"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, "EU MIFID II"); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (AS AMENDED, THE "INSURANCE DISTRIBUTION DIRECTIVE"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF EU MIFID II, OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (AS AMENDED, THE "PROSPECTUS REGULATION"). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED, THE "PRIIPS REGULATION") FOR OFFERING OR SELLING THE SECURITIES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE SECURITIES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

PROHIBITION OF SALES TO UK RETAIL INVESTORS. THE SECURITIES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE UNITED KINGDOM ("UK"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) NO 2017/565 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 ("EUWA"); OR (II) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE FSMA AND ANY RULES OR REGULATIONS MADE UNDER THE FSMA WHICH WERE RELIED ON IMMEDIATELY BEFORE EXIT DAY TO IMPLEMENT DIRECTIVE (EU) 2016/97, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO 600/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN ARTICLE 2 OF REGULATION (EU) 2017/1129 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (THE "UK PRIIPS REGULATION") FOR OFFERING OR SELLING THE SECURITIES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE UK HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE SECURITIES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE UK MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

IN ADDITION, IN THE UK, THE OFFERING MEMORANDUM AND ANY OTHER MATERIAL RELATING TO THE SECURITIES DESCRIBED HEREIN ARE ONLY BEING DISTRIBUTED TO, AND ARE DIRECTED ONLY AT, (I) PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "ORDER"), OR (II) PERSONS WHO FALL WITHIN ARTICLE 43(2)(B) OF THE ORDER, OR (III) HIGH NET WORTH ENTITIES FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER, OR (IV) PERSONS TO WHOM IT WOULD OTHERWISE BE LAWFUL TO DISTRIBUTE THEM (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THE SECURITIES ARE ONLY AVAILABLE TO, AND ANY INVITATION, OFFER OR AGREEMENT TO SUBSCRIBE, PURCHASE OR OTHERWISE ACQUIRE THE SECURITIES WILL BE ENGAGED IN ONLY WITH, RELEVANT PERSONS. THE OFFERING MEMORANDUM AND ITS CONTENTS ARE CONFIDENTIAL AND SHOULD NOT BE DISTRIBUTED, PUBLISHED OR REPRODUCED (IN WHOLE OR IN PART) OR DISCLOSED BY ANY RECIPIENTS TO ANY OTHER PERSON IN THE UK ANY PERSON IN THE UK THAT IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THE OFFERING MEMORANDUM OR ITS CONTENTS THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of Your Representation: In order to be eligible to view the Offering Memorandum or make an investment decision with respect to the securities, investors must be either (i) QIBs or (ii) non-U.S. persons (within the meaning of Regulation S under the Securities Act) outside the United States. This Offering Memorandum is being sent at your request and by accepting the e-mail and accessing the Offering Memorandum you shall be deemed to have represented to us that (i) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons (within the meaning of Regulation S under the Securities Act) outside the United States; and (ii) you consent to delivery of the Offering Memorandum by electronic transmission.

You are reminded that the Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Offering Memorandum, electronically or otherwise, to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

The Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and, consequently, neither the initial purchasers, nor any person who controls them nor any of their directors, officers, employees nor any of their agents nor any affiliate of any such person, accept any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic form and the hard copy version available to you on request from the initial purchasers.

$650,000,000.00

NewCo Holding USD 20 S.à r.l.
to be merged with and into
Constellation Oil Services Holding S.A.
9.375% Senior Secured Notes due 2029

NewCo Holding USD 20 S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés, Luxembourg*) under number B289565 (the "Escrow Issuer"), is offering (the "offering") $650,000,000.00 in aggregate principal amount of its 9.375% Senior Secured Notes due 2029 (the "notes").

Principal on the notes will be payable annually on each November 7 of each year, commencing on November 7, 2026, in an amount equal to $75,000,000 per annum, and the balance will be payable on November 7, 2029 (the "Maturity Date").

Interest on the notes will accrue at a rate of 9.375% per annum, and will be payable semi-annually in arrears on each May 7 and November 7, commencing on May 7, 2025.

This offering is part of the financing for the proposed merger of the Escrow Issuer with Constellation Oil Services Holding S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg, and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés, Luxembourg*) under number B163424, pursuant to a merger proposal (the "Merger Proposal"). Under the terms of the Merger Proposal, the Escrow Issuer will merge with and into Constellation (as defined herein) with Constellation continuing as the surviving entity and assuming all the obligations of the Escrow Issuer under the notes and the related indenture (the "Indenture") (the "Merger"). Unless otherwise indicated or the context otherwise requires, "we," "us," "our," "Constellation Group" and "the Company" refer to Constellation Oil Services Holding S.A. and its consolidated subsidiaries, prior to giving effect to the Merger, and "Constellation" refers to Constellation Oil Services Holding S.A. but not its consolidated subsidiaries, prior to giving effect to the Merger.

This offering will be completed before the consummation of the Merger. The Escrow Issuer will enter into a Proceeds Management Escrow and Agreement with respect to the notes (as amended, supplemented or otherwise modified from time to time in accordance with the terms of the Indenture, the "Escrow Agreement") among the Escrow Issuer, Constellation, the Trustee and JPMorgan Chase Bank, N.A., as escrow agent (in such capacity, together with its successors, the "Escrow Agent"), pursuant to which, on the Closing Date, an amount equal to the gross proceeds from this offering of the notes will be deposited into an escrow account (the "Escrow Account"). By its acceptance of the notes, each holder shall be deemed to authorize and direct the Trustee to execute, deliver and perform its obligations under the Escrow Agreement. The initial funds deposited in the Escrow Account for the notes, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account for the notes (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "Escrow Property" for the notes. The Escrow Property will be controlled by the Escrow Agent, on behalf of the Trustee and the holders of the notes. See "Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption."

The Escrow Issuer will be entitled to cause the Escrow Agent to release the Escrow Property (in which case the Escrow Property will be paid to, or as directed by, the Escrow Issuer) (the "Escrow Release") upon delivery to the Escrow Agent and the Trustee, on or prior to the ninetieth (90th) day after the Closing Date (the "Escrow Outside Date"). The release of the Escrow Property to the Escrow Issuer will be subject to the satisfaction of certain conditions (the "Release Conditions"), and the Escrow Property will be used to repay our existing indebtedness. The consummation of the Merger is subject to customary closing conditions, including the absence of certain legal impediments. In the event that the Merger is not consummated on or prior to the Escrow Outside Date, the Escrow Issuer will redeem the notes (the "Special Mandatory Redemption") at a price (the "Special Mandatory Redemption Price") equal to 101% of the aggregate outstanding principal amount of the notes, plus accrued and unpaid interest on the notes, subject to the right of holders of record on the relevant record date to receive interest due on the relevant Scheduled Payment Date. By its acceptance of the notes, each holder acknowledges that it (i) consents to the Merger in its capacity as a holder of such notes and (ii) shall be deemed to authorize and direct the Trustee to execute in its name and on its behalf any further such consents in this respect as may be required pursuant to the Luxembourg law of August 10, 1915, on commercial companies, as amended.

The notes will be redeemable, in whole or in part, at any time on or after November 7, 2026 at the redemption prices specified under "Description of the Notes—Optional Redemption," *plus* accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. We may redeem some or all of the notes before November 7, 2026 at a redemption price of 100% of the principal amount thereof, *plus* accrued and unpaid interest, if any, to, but excluding, the applicable redemption date, *plus* a "make whole" premium, as described under "Description of the Notes—Optional Redemption." We may redeem up to 40% of the notes before November 7, 2026 with an amount equal to or less than the net cash proceeds from certain equity offerings, *plus* accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. In addition, until November 7, 2026, we may redeem up to 10% of the notes per annum at a redemption price equal to 103% of the principal amount thereof, *plus* accrued and unpaid interest, if any, to, but excluding, the applicable redemption date.

We may be required to make an offer to purchase the notes upon the sale of certain assets, subject to certain exceptions, and upon a change of control of Constellation. See “Description of the Notes.”

Prior to the consummation of the Merger and pending the release of the Escrow Property (if applicable) the notes will be: (i) solely obligations of the Escrow Issuer and will not be guaranteed and will not otherwise be the beneficiary of any credit support from Constellation or any of its subsidiaries, and (ii) secured by a first priority security interest in the applicable Escrow Account and its corresponding Escrow Property.

From and after the consummation of the Merger and following the release of the Escrow Property (if applicable), the obligations under the notes will be assumed by the Company and guaranteed (each guarantee a “Note Guarantee,” and, collectively, the “Note Guarantees”), jointly and severally, and concurrently with the granting of Note Guarantees in favor of the Constellation’s new revolving credit facility (the “Revolving Credit Facility”), by all of Constellation’s subsidiaries (other than any Excluded Subsidiary, as defined under “Description of the Notes”). Subject to certain exceptions described under “Description of the Notes,” on the date that is ten business days after the Merger and satisfaction of the Escrow Release Conditions (the “Completion Date”), the notes and related Note Guarantees and the Revolving Credit Facility, subject to the terms of an intercreditor agreement (the “Priority Lien Intercreditor Agreement”), will be secured on a first-priority basis by the Collateral (as defined herein). See “Description of the Notes—Collateral” and “Description of Certain Financing Arrangements.”

On and following the Completion Date, the notes and the related Note Guarantees will be: (i) Constellation’s and the Guarantors’ senior secured obligations and will rank *pari passu* in right of payment with any existing and future senior indebtedness of Constellation and the Guarantors and senior in right of payment to any future subordinated indebtedness of Constellation and the Guarantors and (ii) be effectively senior to all unsecured indebtedness of Constellation and the Guarantors to the extent of the value of the Collateral securing the notes. In addition, the notes and the Note Guarantees will be structurally subordinated to the existing and future indebtedness, claims of holders of preferred stock and other liabilities of any subsidiary of Constellation that is not a guarantor of the notes. The notes will be subordinated to collateral to any super priority debt over the collateral.

Investing in the notes involves a high degree of risk. See “Risk Factors” beginning on page 24.
Offering Price of Notes: 9.375% plus accrued interest, if any, from November 7, 2024.

Application will be made for the listing of the notes on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). There can be no assurance that the listing will be obtained. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle for the listing of the notes and admission of the notes to the official list of the SGX-ST are not to be taken as an indication of the merits of the Escrow Issuer, the Guarantors or any of their associated companies or the notes.

The notes and the Note Guarantees have not been and will not be registered under the Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any other jurisdiction. The notes may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the Securities Act (“Regulation S”), except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered and sold only to: (1) persons that are qualified institutional buyers (as defined in Rule 144A under the Securities Act (“Rule 144A”)) and (2) outside the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S. Prospective purchasers that are qualified institutional buyers are hereby notified that the sellers of the notes may be relying on the exemption from Section 5 of the Securities Act pursuant to Rule 144A. For a description of certain information about eligible offerees and restrictions on transfers of the notes, see “Transfer Restrictions” and “Plan of Distribution.”

The notes are expected to be delivered to investors only in book-entry form through the facilities of The Depository Trust Company (“DTC”) for the benefit of its participants, including Euroclear Bank, SA/NV and Clearstream Banking S.A., on or about November 7, 2024 (the “Closing Date”). See “Book Entry, Delivery and Form” and “Plan of Distribution.”

Global Coordinators and Joint Bookrunners

J.P. Morgan
Lead-Left

Clarksons Securities

Joint Bookrunner

Jefferies

Offering Memorandum dated October 24, 2024

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None of the Escrow Issuer, prior to the consummation of the Merger, or Constellation and the Guarantors, upon consummation of the Merger, or the initial purchasers have authorized anyone to provide you with any information other than that contained in this offering memorandum. None of the Escrow Issuer, prior to the consummation of the Merger, or Constellation and the Guarantors, upon consummation of the Merger, takes any responsibility for, and can provide no assurance as to the reliability of, any information that others may give you.

The Escrow Issuer and the initial purchasers are offering to sell the notes only in jurisdictions where offers and sales are permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front cover of this offering memorandum. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of this offering memorandum.

NOTICE TO INVESTORS

This offering memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the notes may not be offered or sold, directly or indirectly, and this offering memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws that apply to you in any place in which you buy, offer or sell any notes or possess this offering memorandum. You must also obtain any consents or approvals that you need in order to purchase any notes. Neither we nor the initial purchasers are responsible for your compliance with these legal requirements. See also "Transfer Restrictions" and "Plan of Distribution."

You should read this offering memorandum before making a decision whether to purchase any notes. Neither we nor the initial purchasers have authorized anyone to provide you with any information or represent anything about us, our financial results or this offering that is not contained in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by the initial purchasers or us. Neither we nor the initial purchasers are making an offer to sell these notes in any jurisdiction where the offer or sale is not permitted. The information contained in this offering memorandum may only be accurate on the date of this document.

This offering is being made in the United States in reliance upon an exemption from registration under the Securities Act for an offer and sale of the notes which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under the caption "Transfer Restrictions."

This offering memorandum is a confidential document that we are providing only to prospective purchasers of the notes. This offering memorandum is being provided (1) to a limited number of United States investors that the Escrow Issuer reasonably believes to be "qualified institutional buyers" under Rule 144A under the Securities Act for informational use solely in connection with their consideration of the purchase of the notes and (2) to investors outside the United States who are not U.S. persons in connection with offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the initial purchasers of the notes may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. You agree that you will hold the information contained in this offering memorandum and the transactions contemplated hereby in confidence. You must not use this offering memorandum for any other purpose, make copies of any part of this offering memorandum or give a copy of it to any other person. You also agree that you will not disclose any information in this offering memorandum or distribute this offering memorandum to any other person, other than persons retained to advise you in connection with the purchase of the notes.

Prohibition of sales to EEA retail investors: The notes (and the related Note Guarantees) described in this offering memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II")); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes (and the related Note Guarantees) or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes (and the related Note Guarantees) or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

This offering memorandum has been prepared on the basis that any offer of the notes (and the related Note Guarantees) referred to therein in any member state of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the notes (and the related Note Guarantees) referred to therein. Accordingly, any person making or intending to make an offer in a Member State of securities which are the subject of the offering contemplated in the offering memorandum may only do so in circumstances in which no obligation arises for the Escrow Issuer or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, in each case, in relation to such offer. Neither the Escrow Issuer nor any of the initial purchasers have authorized, nor do they authorize, the making of any offer of securities in circumstances in which an obligation arises for the Escrow Issuer or any of the initial purchasers to publish a prospectus for such offer.

The information set out in relation to sections of this offering memorandum describing clearing and settlement arrangements, including the section entitled "Book Entry, Delivery and Form," is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC. We will not, nor will any of our agents, have responsibility for the performance of the obligations of DTC or its participants under the rules and procedures governing its operations, nor will we or our agents have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to these book-entry interests. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures.

The Escrow Issuer is offering the notes and the Guarantors are issuing the Note Guarantees, in reliance on an exemption from registration under the Securities Act for an offer and sale of securities that do not involve a public offering. Accordingly, the notes and the Note Guarantees have not been and will not be registered under the Securities Act or the securities laws of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The notes are subject to restrictions on transferability and resale, which are described under "Plan of Distribution" and "Transfer Restrictions." By possessing this offering memorandum or purchasing any note, you will be deemed to have represented and agreed to all of the provisions contained in those sections of this offering memorandum. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

We reserve the right to withdraw this offering at any time. We are making this offering subject to the terms described in this offering memorandum. We and the initial purchasers may reject or cancel any offer to purchase the notes in whole or in part and to allot to any prospective purchaser less than the amount of the notes sought by it. The initial purchasers and certain of their related entities may acquire, for their own accounts, a portion of the notes.

You are advised to consult your own tax advisors as to the consequences of purchasing, holding and disposing of the notes, including, without limitation, the application of U.S. federal tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction, and the consequences of purchasing the notes at a price other than the initial issue price. See "Certain United States Federal Income Tax Considerations."

We have prepared this offering memorandum and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the notes. You may contact us if you need any additional information. By purchasing any notes, you will be deemed to have acknowledged that:

- you have reviewed this offering memorandum;
- you have had an opportunity to request any additional information that you need from us;
- the initial purchasers are not responsible for, and are not making any representation to you concerning, our future performance or the accuracy or completeness of this offering memorandum; and
- we are not making any representation to you concerning our future performance.

We are not providing you with any legal, business, tax or any other advice in this offering memorandum.

You should consult with your own advisors as needed to assist you in making your investment decision and to advise you of whether you are legally permitted to purchase notes.

If you are in any doubt about the contents of this offering memorandum you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

THE NOTES DESCRIBED IN THIS OFFERING MEMORANDUM HAVE NOT BEEN REGISTERED WITH, RECOMMENDED BY OR APPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAS THE SEC, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY SUCH SECURITIES COMMISSION OR AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

We expect to deliver the notes against payment for the notes on or about the date specified on the cover page of this offering memorandum, which will be the tenth business day following the date of confirmation of orders with respect to the notes (this settlement cycle being referred to as "T+10"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in one business day, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes hereunder more than one business day prior to the scheduled closing date for this offering will be required, by virtue of the fact that the notes initially will settle T+10, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes before their delivery should consult their own advisor.

TRADEMARKS AND SERVICE MARKS

We own or have rights to trademarks and service marks that we use in connection with the operation of our business, including our corporate names, tag-lines, logos and website names. All trademarks or service marks appearing in this offering memorandum that are not identified as marks owned by us are the property of their respective owners and our use or display of such trademarks or service marks is not intended and does not imply a relationship with, or endorsement or sponsorship of us, by the trademark or service mark owners. Solely for convenience, the trademarks, service marks and trade names referred to in this offering memorandum are listed without the ®, ℠ and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks and trade names.

NO REVIEW BY THE SEC; NO REGISTRATION RIGHTS

This offering memorandum, as well as any other documents in connection with this offering, will not be reviewed by the SEC. There are no registration rights associated with the notes or the Note Guarantees and we have no present intention to offer to exchange the notes and the Note Guarantees for notes and Note Guarantees registered under the Securities Act or to file a registration statement with respect to the notes. The Indenture that will govern the notes will not be qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum contains "forward-looking statements." Forward-looking statements may be identified by their use of terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will" and other similar terms (or the negative of such terms) and include statements regarding the use of proceeds of the notes.

Forward-looking statements include, but are not limited to, statements concerning the following subjects and related risks:

- the use of proceeds from this offering and the timing thereof;
- the timing and availability of borrowings;
- our target leverage, liquidity, shareholder returns and our capital allocation framework;
- our results of operations, cash flow, revenue efficiency, rig-based spending optimization and other performance indicators;

- debt levels, including interest rates, credit ratings and capital structure management;
- the offshore drilling market dynamics, including the effects of variations in oil and gas prices, supply and demand, utilization rates, dayrates, and customer drilling programs;
- impacts arising from accidents/incidents and other safety hazards;
- impact of additional rigs on the market, regulatory changes, and global market conditions;
- our inability to secure or renew customer drilling contracts on favorable terms, including considerations of backlog, force majeure, contract awards, and term conditions;
- market effects of renewable energy alternatives and greenhouse gas reduction commitments;
- liquidity status, including available credit facilities, cash flows and adequacy;
- legal and regulatory matters, including legal proceedings, governmental audits, assessments, and investigations, and environmental concerns;
- insurance adequacy, renewal and proceeds;
- effects of accounting changes and tax matters;
- fluctuations in inflation, interest rates and exchange rates in Brazil;
- changes in applicable laws and regulations, as well as the enactment of new laws and regulations, including those relating to environmental, tax and employment matters in Brazil;
- investment in recruitment, retention and personnel development initiatives, the timing of, and other matters concerning, severance payments and benefit payments;
- impacts on business strategy execution;
- the effects of public health threats, pandemics and epidemics;
- changes in political, social and economic conditions;
- losses on impairment of long-lived assets;
- competition from other companies;
- general economic, political and business conditions in Brazil and globally;
- geopolitical events and risks including Russia's invasion of Ukraine, including related sanctions, and impacts of the ongoing conflicts along Israel's border with the Gaza Strip and elsewhere in the Middle East;
- the effect of disputes and actions by, among, or between major oil and gas producing countries, including members of the Organization of Petroleum Exporting Countries and other oil and natural gas producers, with respect to production levels, pricing, and any impact on operations and markets; and
- risks described under "Risk Factors" in this offering memorandum and in the documents incorporated by reference herein.

These statements may include words such as "assumes," "projects," "forecasts," "estimates," "expects," "anticipates," "believes," "plans," "intends," "may," "might," "will," "would," "can," "could," "should" or, in each case, their negative, or other variations or comparable terminology in connection with any discussion of the timing or nature of future operating or financial performance or other events.

Forward-looking statements are subject to a number of risks and uncertainties that could cause our actual results to materially differ from those described in or implied by the forward-looking statements. The reader should not place significant weight on forward-looking statements. Such statements are made as of the date of this offering memorandum, and we undertake no obligation to update such statements. Risks and uncertainties that could cause our actual results to differ materially from those described in or implied by forward-looking statements include those discussed in this offering memorandum under the heading "Risk Factors," and elsewhere in this offering memorandum.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The notes (and the related Note Guarantees) described in this offering memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II;

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a "qualified investor" as defined in Article 2(e) of the Prospectus Regulation.

For these purposes, the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes so as to enable an investor to decide to purchase or subscribe for the notes.

Consequently, no key information document required by the PRIIPs Regulation, for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. This offering memorandum has been prepared on the basis that any offer of notes in any member state of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of notes.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

The notes (and the related Note Guarantees) described in this offering memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK For these purposes, a retail investor means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of assimilated law in the UK by virtue of the European Union (Withdrawal) Act 2018 (as amended, including by the Retained EU Law (Revocation and Reform) Act 2023, the "EUWA");

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of assimilated law in the UK by virtue of the EUWA; or

(iii) not a "qualified investor" as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of assimilated law in the UK by virtue of the EUWA (the "UK Prospectus Regulation").

For these purposes, the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes so as to enable an investor to decide to purchase or subscribe for the notes.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended) as it forms part of assimilated law in the UK by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

The above selling restrictions are in addition to any other selling restrictions set forth in this offering memorandum.

NOTICE TO INVESTORS IN BRAZIL

THE NOTES (AND THE RELATED NOTE GUARANTEES) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (*COMISSÃO DE VALORES MOBILIÁRIOS*) (THE "CVM"), AND MAY NOT BE PLACED, DISTRIBUTED, OFFERED OR SOLD IN BRAZILIAN CAPITAL MARKETS, EXCEPT IN CIRCUMSTANCES THAT DO NOT CONSTITUTE A PUBLIC OFFERING, PLACEMENT OR UNAUTHORIZED DISTRIBUTION OF SECURITIES IN THE BRAZILIAN CAPITAL MARKETS, UNDER LAW NO. 6,385, OF DECEMBER 7, 1976, AS AMENDED, OR UNDER RESOLUTION NO. 160, ISSUED BY THE CVM ON JULY 13,2022, AS AMENDED. DOCUMENTS RELATING TO THE OFFERING OF THE NOTES, AS WELL AS INFORMATION CONTAINED THEREIN, MAY NOT BE DISTRIBUTED TO THE PUBLIC IN BRAZIL, NOR BE USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF THE NOTES TO THE PUBLIC IN BRAZIL. PERSONS WISHING TO OFFER OR ACQUIRE THE NOTES WITHIN BRAZIL SHOULD CONSULT WITH THEIR OWN COUNSEL AS TO THE APPLICABILITY OF REGISTRATION REQUIREMENTS OR ANY EXEMPTION THEREFROM.

NOTICE TO PROSPECTIVE INVESTORS IN LUXEMBOURG

THIS OFFERING MEMORANDUM HAS NOT BEEN APPROVED BY AND WILL NOT BE SUBMITTED FOR APPROVAL TO THE LUXEMBOURG FINANCIAL SERVICES AUTHORITY (*COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER*) FOR PURPOSES OF A PUBLIC OFFERING OR SALE IN LUXEMBOURG. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD TO THE PUBLIC IN LUXEMBOURG, DIRECTLY OR INDIRECTLY, AND NEITHER THIS OFFERING MEMORANDUM NOR ANY OTHER OFFERING MEMORANDUM, FORM OF APPLICATION, ADVERTISEMENT OR OTHER MATERIAL RELATED TO SUCH NOTES MAY BE DISTRIBUTED, OR OTHERWISE BE MADE AVAILABLE IN OR FROM, OR PUBLISHED IN, LUXEMBOURG EXCEPT IN CIRCUMSTANCES WHERE THE OFFER BENEFITS FROM AN EXEMPTION TO OR CONSTITUTES A TRANSACTION NOT SUBJECT TO THE REQUIREMENT TO PUBLISH A PROSPECTUS, IN ACCORDANCE WITH THE PROSPECTUS REGULATION AND THE LUXEMBOURG LAW OF 16 JULY 2019, ON PROSPECTUSES FOR SECURITIES.

AVAILABLE INFORMATION

While any notes remain outstanding, we will make available, upon request, to any holder and any prospective purchaser of notes the information required pursuant to Rule 144A(d)(4)(i), during any period in which we are not subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, or exempt under Rule 12g3-2(b) of the Exchange Act.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated or the context otherwise requires, in this section, "Constellation Group," the "Company," "we," "us," and "our" refers to Constellation Oil Services Holding S.A. and its consolidated subsidiaries, prior to giving effect to the Merger.

General

We are a holding company organized as a public limited liability company (*société anonyme*) under the laws of the Grand Duchy of Luxembourg.

Financial Information

For the purpose of this offering memorandum, we have included the following financial statements (included elsewhere in this offering memorandum):

- our unaudited consolidated interim financial information as of June 30, 2024 and for the six-month periods ended June 30, 2024 and 2023; and
- our audited consolidated financial statements as of and for the years ended December 31, 2023 and 2022.

Our financial statements have been prepared in accordance with IFRS, as issued by IASB. The functional currency of the Company and most of its subsidiaries is the U.S. dollar. Our consolidated financial statements as of and for the years ended December 31, 2023 and 2022 have been audited by our independent auditors in accordance with International Standards on Audit, as set forth in their reports included elsewhere in this offering memorandum.

All references herein to (1) "U.S. dollars," "dollars" or "$" are to U.S. dollars and (2) the "*real*," "*reais*" or "R$" are to the Brazilian *real*, the official currency of Brazil.

Special Note Regarding Non-IFRS Measures

The financial statements included in this offering memorandum have been prepared in accordance with International Financial Reporting Standards IFRS, as issued by the International Accounting Standards Board ("IASB"), with the exception of the presentation of certain non-IFRS measures ("non-IFRS Measures") which are presented as a supplement to our results presented in accordance with IFRS.

A non-IFRS Measure is generally defined as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable measure under generally accepted accounting principles.

These non-IFRS Measures, as well as other statistical measures, including EBITDA, LTM EBITDA, EBITDA Margin, LTM EBITDA Margin, Adjusted EBITDA, LTM Adjusted EBITDA, Adjusted EBITDA Margin, LTM Adjusted EBITDA Margin and Net Debt are presented because our management believes these measures provide additional information regarding the Company's ability to service debt, and because we believe they are useful to investors in evaluating operating performance compared to that of other companies in our industry.

In addition, management believes that these measures are useful to assess the Company's operating performance trends because they exclude certain material non-cash items, unusual or non-recurring items that are not expected to continue in the future, and certain other items. The non-IFRS Measures are not presented in accordance with IFRS, and the Company's computation of these non-IFRS Measures may vary from those used by other companies.

All non-IFRS Measures, including, EBITDA, LTM EBITDA, EBITDA Margin, LTM EBITDA Margin, Adjusted EBITDA, LTM Adjusted EBITDA, Adjusted EBITDA Margin, LTM Adjusted EBITDA Margin and Net Debt have limitations as analytical tools, and potential investors should not rely on them in isolation or as a substitute or alternative to net income (loss), cash flows or any other financial measures of operating performance, liquidity, indebtedness or otherwise derived in accordance with IFRS. We compensate for the limitations of non-IFRS Measures by relying primarily on our financial measures derived in accordance with IFRS and using the non-IFRS Measures only for supplemental purposes. The presentation of these non-IFRS Measures should not be construed as an inference that future results will be unaffected by unusual or nonrecurring items.

The non-IFRS Measures presented in this offering memorandum may not comply with the SEC rules governing the presentation of non-IFRS Measures and have not been reviewed, audited, compiled or otherwise examined by our independent auditors.

For more information about our EBITDA, LTM EBITDA, EBITDA Margin, LTM EBITDA Margin, Adjusted EBITDA, LTM Adjusted EBITDA, Adjusted EBITDA Margin, LTM Adjusted EBITDA Margin and Net Debt, a description of how these measures are calculated and a reconciliation to the most directly comparable IFRS measure, see “Selected Financial and Other Data—Other Financial Information.”

EBITDA, LTM EBITDA, EBITDA Margin, LTM EBITDA Margin, Adjusted EBITDA, LTM Adjusted EBITDA, Adjusted EBITDA Margin and LTM Adjusted EBITDA Margin

We calculate EBITDA as net income *plus* net financial expenses, taxes and depreciation.

We calculate LTM EBITDA for the last twelve-month period ended June 30, 2024 as EBITDA for the year ended December 31, 2023 plus EBITDA for the six-month period ended June 30, 2024 minus EBITDA for the six-month period ended June 30, 2023.

We calculate EBITDA Margin as EBITDA *divided by* net operating revenue for the applicable period.

We calculate LTM EBITDA Margin for the last twelve-month period ended June 30, 2024 as EBITDA for the last twelve-month period ended June 30, 2024 *divided by* net operating revenue for the last twelve-month period ended June 30, 2024.

We calculate Adjusted EBITDA as EBITDA *plus* certain specified non-cash adjustments. For more information on these adjustments, see “Selected Financial and Other Data―Reconciliation of EBITDA, LTM EBITDA, EBITDA Margin, LTM EBITDA Margin, Adjusted EBITDA, LTM Adjusted EBITDA, Adjusted EBITDA Margin and LTM Adjusted EBITDA Margin.”

We calculate LTM Adjusted EBITDA for the last twelve-month period ended June 30, 2024 as Adjusted EBITDA for the year ended December 31, 2023 *plus* Adjusted EBITDA for the six-month period ended June 30, 2024 *minus* Adjusted EBITDA for the six-month period ended June 30, 2023.

We calculate Adjusted EBITDA Margin as Adjusted EBITDA *divided by* net operating revenue for the applicable period.

We calculate LTM Adjusted EBITDA Margin for the last twelve-month period ended June 30, 2024 as Adjusted EBITDA for the last twelve-month period ended June 30, 2024 divided by net operating revenue for the last twelve-month period ended June 30, 2024.

For a reconciliation of EBITDA, LTM EBITDA, EBITDA Margin, LTM EBITDA Margin, Adjusted EBITDA, LTM Adjusted EBITDA, Adjusted EBITDA Margin and LTM Adjusted EBITDA Margin, please see “Selected Financial Information— Other Financial Information—Reconciliation of EBITDA, EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA Margin.”

Net Debt

We calculate Net Debt as total loans and financings, *less* cash and cash and equivalents *plus* short-term investments, *plus* restricted cash.

For a calculation of Net Debt, please see “Selected Financial Information— Other Financial Information—Calculation of Net Debt.”

Valuation Reports

We present in this offering memorandum the estimated fair market values of each of our Atlantic-Star rig, Alpha Star rig, Gold Star rig, Lone Star rig, Amaralina Star rig, Laguna Star rig and Brava Star rig (collectively, the "rigs"), based on the valuation reports prepared by independent firms Clarkson Valuations Limited ("CVL"), dated October 17, 2024, and Arctic Offshore Rig AS ("Arctic"), dated October 14, 2024 (collectively, the "Valuation"). For full Valuation reports, see "Annex A – CVL Valuation" and "Annex B – Artic Valuation" and for more information on our valuation reports, see "Valuation Reports Summary."

CVL Valuation

As of October 17, 2024, CVL prepared the estimated fair market valuation of each of the Atlantic-Star rig, Alpha Star rig, Gold Star rig, Lone Star rig, Amaralina Star rig, Laguna Star rig and the Brava Star rig (collectively, the "CVL Valuation"). The CVL Valuation was proposed by CVL in good faith and reflects CVL's opinion of the approximate market value of the units as at October 17. The CVL Valuation is based on the assumption of prompt charter free delivery, as between a willing seller and a willing buyer, subject to certain conditions and other assumptions as described below and as detailed within the CVL Valuation report.

CVL estimated the fair market value of our rigs by (i) collating shipbrokers' price estimates and/or ideas and market knowledge; and (ii) then seeking to validate such price estimates and/or ideas, where possible and appropriate, with details held in CVL's database, information in relevant works of reference in CVL's possession and particulars given to CVL for the preparation of the CVL Valuation. The CVL Valuation is based on the assumption that each rig is in good and seaworthy condition and would be delivered free from all debts, registered encumbrances and maritime liens. Furthermore, the CVL Valuation is based on prompt charter free delivery between a willing seller and a willing buyer for cash payment under normal commercial terms. The CVL Valuation represents CVL's opinion based on the approximate market value applying the methodology described above and as detailed within the Valuation report as at October 17, 2024 only and should not be taken to apply to any other date. No assurance or representation is given that the Valuation given will be sustained or that it would be realizable in any actual transaction. Furthermore, there can be no assurance that other estimates would have employed the same methodology or that other methodologies would have produced the same or similar estimated values.

The Company and the initial purchasers make no warranty, express or implied, or assume any liability with respect to any information or statement relating to the CVL Valuation. You should not, and are not entitled to, rely upon the CVL Valuation included herein for the purposes of making, or refraining from making, any investment decision. Nothing with respect to the CVL Valuation constitutes any representation or warranty as to condition, value or any other fact or matter, and no one is entitled to rely on any statement or matter relating to the CVL Valuation as a representation or warranty made by the Company or the initial purchasers. All persons are cautioned to conduct such independent investigation as they may deem necessary to determine the accuracy of any statements, matters or opinions with respect to the CVL Valuation.

Neither our independent auditors, Grant Thornton Auditores Independentes Ltda., nor any other independent accountants, have compiled, reviewed, examined or performed any other assurance procedures, or expressed any form of assurance, with respect to the financial estimates and projections used to prepare the CVL Valuation. Our independent auditors have not expressed their opinions on, or made any statement about, such information and do not accept any responsibility for, or association with, such financial estimates or projections, or any responsibility for, or association with, the CVL Valuation.

The CVL Valuation and the estimates therein are subject to a number of uncertainties and risks, including those discussed in "Risk Factors—Risks Related to the Collateral—We cannot assure you that the estimates or assumptions used or made, or procedures followed for purposes of the Valuations are correct, accurate or complete."

CVL is an affiliate of Clarksons Securities AS, which is acting as a Global Coordinator and Joint Bookrunner for this offering.

Arctic Valuation

As of October 14, 2024, Arctic prepared the valuation of each of the Atlantic-Star rig, the Alpha Star rig, the Gold Star rig, the Lone Star rig, the Amaralina Star rig, the Laguna Star rig and the Brava Star rig (collectively, the "Arctic Valuation"). The Arctic Valuation is given in good faith and reflects Arctic's opinion of the fair market value and the current market conditions for the sale and purchase price of each rig, subject to certain conditions and assumptions.

The Arctic Valuation is solely a statement of Arctic's opinion of the fair and reasonable market value of each rig on the basis of a willing buyer and willing seller for prompt charter free (unless otherwise noted) delivery at the location specified (if any) at the date noted. Arctic Valuation is based on the sale and purchase price prevailing at the date mentioned. Arctic Valuation has assumed that each rig is in sound and operational condition for a unit of the size, type and age. Each amount in the Arctic Valuation relates to the value at the date given and should not be taken to apply to any other date. No assurance can be given that the Arctic Valuation can be sustained or is realizable in an actual transaction. Where the rig is valued with employment, no assessment has been made of the validity of the charter parties or the financial standing of the charterers. The Arctic Valuation has assumed in all respects the accuracy of the information concerning the characteristics and condition of the subject unit set forth in this letter. All conclusions with respect to the Arctic Valuation are estimates upon facts, methodologies, and assumptions as of the date of the Arctic Valuation. Any changes in the factors upon which the relevant review was based could affect the reported conclusions, and therefore the fair market value of our fleet on any other date may vary. Furthermore, there can be no assurance that other estimates would have employed the same methodology or that other methodologies would have produced the same or similar estimated values.

Neither the Company nor Arctic nor the initial purchasers make any warranty, express or implied, or assume any liability with respect to any information or statement relating to the Arctic Valuation. You should not, and are not entitled to, rely upon the Arctic Valuation included herein for the purposes of making, or refraining from making, any investment decision. Nothing with respect to the Arctic Valuation constitutes any representation or warranty as to condition, value or any other fact or matter, and no one is entitled to rely on any statement or matter relating to the Arctic Valuation as a representation or warranty made by the Company or Arctic or the initial purchasers. All persons are cautioned to conduct such independent investigation as they may deem necessary to determine the accuracy of any statements, matters or opinions with respect to the Arctic Valuation.

Neither our independent auditors, Grant Thornton Auditores Independentes Ltda., nor any other independent accountants, have compiled, reviewed, examined or performed any other assurance procedures, or expressed any form of assurance, with respect to the financial estimates and projections used to prepare the Arctic Valuation. Our independent auditors have not expressed their opinions on, or made any statement about, such information and do not accept any responsibility for, or association with, such financial estimates or projections, or any responsibility for, or association with, the Arctic Valuation.

The Arctic Valuation and the estimates therein are subject to a number of uncertainties and risks, including those discussed in "Risk Factors—Risks Related to the Collateral—We cannot assure you that the estimates or assumptions used or made, or procedures followed for purposes of the Valuations are correct, accurate or complete."

Market Share and Other Information

The information on the market and the competitive position in our operating market used throughout this offering memorandum, including market forecasts, was obtained from market research, publicly available information and industry publications. We have made these statements on the basis of information from third-party sources that we believe are reliable, such as the following:

- the Brazilian National Agency of Water Transport (*Agência Nacional de Transportes Aquaviários*) ("ANTAQ");
- the Central Bank of Brazil (*Banco Central do Brasil*) (the "Central Bank");
- Organization of the Petroleum Exporting Countries ("OPEC");

- the Brazilian National Agency for Oil and Gas (*Agência Nacional de Petróleo, Gás Natural, e Biocombustíveis*) (“ANP”);
- Petróleo Brasileiro S.A.—Petrobras (“Petrobras”);
- Brazilian Port and Coast Directory (*Diretoria de Portos e Costas*) (“DPC”);
- Brazilian Institute of Environment and Renewable Resources (*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*) (“IBAMA”);
- the Brazilian National Environment Council (*Conselho Nacional do Meio Ambiente*) (“CONAMA”);
- the BP Statistical Review of World Energy;
- the World Bank;
- Clarksons Research Services Ltd. (“Clarksons Research”);
- LSEG Data & Analytics;
- Rystad Energy; and
- RigLogix.

The industry publications and surveys and forecasts from which we have derived this information generally state that the information contained therein has been obtained from sources believed to be reliable, and we are not aware of any misstatements regarding our market, industry or similar data presented herein. However, we have not independently verified such third-party information. In addition, some data is also based on our good faith estimates and our management’s understanding of industry conditions. This data involves risks and uncertainties and is subject to change based on various factors, including those discussed under the headings “Disclosure Regarding Forward-Looking Statements” and “Risk Factors” in this offering memorandum.

Backlog

Contract drilling backlog is calculated by multiplying the contracted operating dayrate by the firm contract period and adding any potential performance bonuses, which we have assumed will be paid to the maximum extent provided for in the respective contracts. Our calculation also assumes 100% uptime of our drilling rigs for the contract period; however, the amount of actual revenue earned and the actual periods during which revenues are earned may be different from the amounts and periods presented in this offering memorandum 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. All of our contracts are subject to renewal through negotiation among the parties.

For more information on our backlog, see “Business—Backlog and Drilling Contracts,” and for more information on risks related to our backlog, see “Risk Factors—Risks Related to the Company—We can provide no assurance that our drilling contracts will not be terminated early or that our current backlog of contract drilling revenue ultimately will be realized.”

Rounding

We have made rounding adjustments to certain figures and percentages included in this offering memorandum. Accordingly, numerical figures presented as totals in some tables may not be an exact arithmetic aggregation of the figures that precede them.

Financial Presentation of the Escrow Issuer

No separate financial information has been provided in this offering memorandum for the Escrow Issuer because: (1) the Escrow Issuer does not conduct any operations; (2) the Escrow Issuer has no material assets; and (3) promptly following the consummation of the Merger, Constellation will assume all of the Escrow Issuer's obligations under the notes as a result of Escrow Issuer merging with and into Constellation and Constellation continuing as the surviving entity.

Certain Definitions and Conventions

Unless the context otherwise requires, in this offering memorandum references to:

- "2050 Notes" means the indenture, dated June 10, 2022, as amended, supplemented, waived or otherwise modified, between Constellation Oil Services Holding S.A., as issuer, Constellation Overseas Ltd., as subsidiary guarantor, and Wilmington Trust, National Association, as trustee, transfer agent, paying agent and registrar, related to the issuance of 0.25% PIK Unsecured Notes due 2050;
- "ALB L/C Debt" means the Credit Agreement, dated June 10, 2022, as amended, supplemented, waived or otherwise modified, between Constellation Oil Services Holding S.A., as borrower, Constellation Overseas Ltd., as obligor, various financial institutions, as lenders, various subsidiaries, as guarantors, and Vistra USA, LLC as administrative and collateral agent, scheduled to mature in December 2026;
- "bbl" are to barrels of oil;
- "boe" are to barrels of oil equivalent; one million boe is equivalent to approximately 5.35 billion cubic feet of natural gas, according to the conversion table from The Energy Institute;
- "boepd" are to barrels of oil equivalent per day;
- "bpd" are to barrels per day;
- "Bradesco Debt" means the Credit Agreement, dated June 10, 2022, as amended, supplemented, waived or otherwise modified, between Constellation Oil Services Holding S.A., as borrower, Constellation Overseas Ltd., as guarantor among with other subsidiaries, the lenders thereto, and Banco Bradesco S.A., Grand Cayman Branch, as administrative agent, scheduled to mature in December 2026;
- "Brava Energia" are to Brava Energia S.A., a company resulting from the merger of 3R Petroleum Óleo e Gás S.A. and Enauta Participações S.A., which was consummated in August 2024;
- "Business Day" are to any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in New York City, New York, Luxembourg or São Paulo or Rio de Janeiro, Brazil;
- "charters" are to the various contractual arrangements for the hiring of a drilling rig covering both the rental of the rig itself, as provided under a charter contract, and the services required to operate the vessel, which are usually agreed upon under a separate service agreement;
- "dayrates" are to daily fees earned by a unit, including, among others, the charter fees earned under a charter contract and the service fees earned under a service agreement;
- "deepwater" are to water depths of approximately 3,000 feet to 7,499 feet;
- "delivery date" are to (1) the date our offshore rig commenced or is expected to commence operations for the customer or (2) the date on which we acquired the offshore rig operating under an existing contract;
- "drilling contracts" are to charter and service agreements entered into with customers;

- “downtime” are to periods in which we do not earn a dayrate because there has been an interruption in activity due to, among other reasons, an operational mistake or equipment malfunction;
- “DP” are to dynamically-positioned;
- “E&P” are to exploration and production of hydrocarbons;
- “First Lien Notes” means the indenture, dated June 10, 2022, as amended, supplemented, waived or otherwise modified, between Constellation Oil Services Holding S.A., as issuer, and Wilmington Trust, National Association, as trustee, paying agent, transfer agent and registrar, related to the issuance of 3.00%/4.00% Cash/PIK Toggle Senior Secured Notes due 2026;
- “FPSO” are to floating production storage and offloading units;
- “learning curve” are to the period during which an operator becomes more familiar with the equipment and progressively reduces downtime until a point is reached when there is no significant improvement;
- “midwater” are to water depths up to and including approximately 2,999 feet;
- “pre-salt” are to areas more than 13,120 feet below the seabed, under layers of rock and salt;
- “Priority Lien Notes” means the indenture, dated as of June 8, 2022, as amended, supplemented, waived or otherwise modified, between Constellation Oil Services Holding S.A., as issuer, and Wilmington Trust, National Association, as Trustee, paying agent, transfer agent and registrar, related to the issuance of 13.50% Senior Secured Notes due 2025;
- “Restructured ALB Debt” are between Constellation Oil Services Holding S.A., as borrower, Amaralina Star LTD., Laguna Star LTD, Brava Star LTDA, Brava Drilling B.V., Palase Management B.V., and Positive Investment Management B.V., as guarantors, and the lenders for the debt financing due 2026;
- “SS” are to semi-submersible, a specialized rig design;
- “Second Lien Notes” means the indenture, dated June 10, 2022, as amended, supplemented, waived or otherwise modified, between Constellation Oil Services Holding S.A., as issuer, and Wilmington Trust, National Association, as Trustee, paying agent, transfer agent and registrar, related to the issuance of 0.25% PIK Senior Secured Second Lien Notes Due 2050;
- “stacking” are to maintaining an offshore rig in a yard, shipyard or sheltered waters until it is awarded a new assignment; “warm” or “hot” stacking refers to idle but readily deployable rigs, whereas “cold” stacking refers to shuttered rigs that are currently in storage and not immediately ready for deployment;
- “Tidal Action rig” refers to a third-party owned ultra deepwater rig constructed by the Hanwha Ocean shipyard in South Korea, which will be managed and operated by us under a management fleet agreement in connection with charter and service agreements with Petrobras for the duration of two and a half years and potentially renewable by mutual agreement for up to two and a half years. The Tidal Action rig represents one of the last high-specification units constructed in the previous rig-building cycle. The rig is designed to operate at water depths up to 3,600 m;
- “ultra-deepwater” are to water depths of approximately 7,500 feet or more; and
- “uptime” are to periods in which we earn a dayrate.

SUMMARY

This summary highlights selected information regarding us and the offering and should be read as an introduction to the more detailed information contained in this offering memorandum. This summary does not contain all the information you should consider before investing in the notes. You should read the entire offering memorandum, including the consolidated financial statements and the sections entitled "Risk Factors" and "Disclosure Regarding Forward-Looking Statements" included elsewhere in this offering memorandum. See Liquidity Event," "—The Offering" and "Description of the Notes" for more information regarding the terms of the notes and our other indebtedness following the Merger.

Unless otherwise indicated or the context otherwise requires, "we," "us," "our," "Constellation Group," and "the Company" mean Constellation Oil Services Holding S.A. and its consolidated subsidiaries, prior to giving effect to the Merger. When the context so requires, we use the terms "we," "us" and "our" to refer to the historical businesses of Constellation.

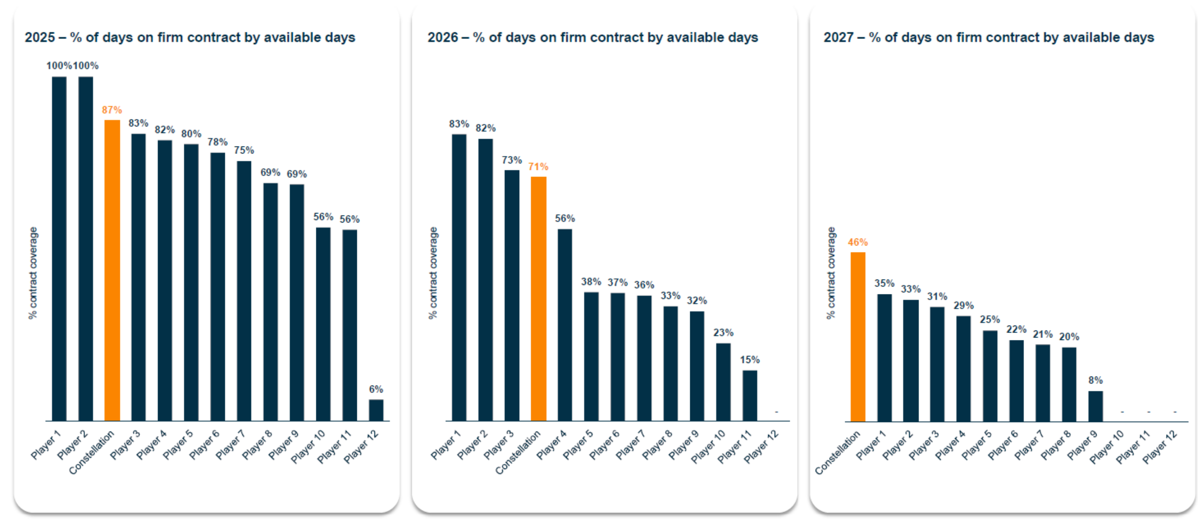
Overview

We are a market-leading provider of offshore oil and gas drilling services in Brazil, and our operations represent 22% of the offshore drilling rigs operating in the country, according to the RigLogix database. We believe that our scale, with 1,800 employees, and our more than 44 years of continuous operating experience in this industry provide us with a competitive advantage in the global oil and gas market. In particular, we believe that we are well positioned to continue to benefit from ultra-deepwater drilling activity in Brazil, a market segment driven primarily by the discoveries of vast potential oil and gas reserves in the pre-salt layer offshore Brazil. We own and operate a fleet of seven offshore rigs, including six modern ultra-deepwater dynamically positioned rigs in operation, all under contracts that expire between 2025 and 2028. Additionally, on September 23, 2024, we announced that commencing in the third quarter of 2025 we will manage and operate the Tidal Action rig. For more information on the new agreement with Petrobras, see "**—**Recent Developments."

In the six-month period ended June 30, 2024 and in the year ended December 31, 2023, we recorded net operating revenue of $288.1 million and $551.8 million, respectively, a net loss of $3.8 million and $30.9 million, respectively, Adjusted EBITDA of $108.8 million and $185.5 million, respectively, and an Adjusted EBITDA margin of 37.8% and 33.6%, respectively. We have successfully capitalized on our market-leading position and industry expertise to accumulate an aggregate contract backlog of $1.6 billion, $1.1 billion and $1.5 billion as of September 30, 2024, June 30, 2024 and December 31, 2023, respectively.

As of June 30, 2024 and December 31, 2023, we had total net debt of $866.8 million and $874.5 million, respectively, equivalent to 33.0% and 32.3% of the total book value of our assets as of those dates, respectively. In addition, as of June 30, 2024 and December 31, 2023, we had shareholder's equity of $1.5 billion, equivalent to 57.1% and 58.1% of our total assets as of those dates, respectively. We are continuing to pursue an international footprint in key markets, through ongoing business development initiatives focused on creating a global presence. We have offices based in Houston, Texas, USA, Amstelveen, The Netherlands, Panama and Luxembourg for business development, supply chain support and administrative purposes.

As of October 18, 2024, RigLogix data indicates that we are positioned among the leading competitors in the offshore drilling industry regarding contract coverage (defined as the percentage of days under firm contract relative to available days) for the years 2025 and 2026. Furthermore, we hold the leading position for 2027.



Note: Company adjustments for Constellation: Extension periods for Petrobras counted as firm, Amaralina Star counted as firm (365 days in 2026 and 2027), Lone Star CLOA counted as firm (365 days in 2026, 90 days in 2027). Marketed and total supply days reduced by 240 expected days in 2025 as a result of non-available days in relation to contract rolls on the Amaralina Star, Laguna Star, Lone Star and Alpha Star.

Our Offshore Drilling Rigs

We own and operate seven drilling rigs and commencing in the third quarter of 2025 we will manage and operate the Tidal Action rig. Six of our drilling rigs will have existing contracts expiring in 2025, some are already committed to new contracts and others are under negotiation with clients, giving us the opportunity to reprice and secure backlog for these rigs.

The following table describes the main characteristics of our offshore drilling rigs, all of which we own fully, except for the Tidal Action rig:

Rig	Contracting party	Type	Water Depth (ft)	Drilling Depth (ft)	Delivery Date[2]	Contract Expiration Date
Alpha Star	Brava Energia[1]	DP; SS	9,000	30,000	July 2011	February 2028
Amaralina Star	Petrobras	DP drillship	10,000	40,000	September 2012	October 2025
Brava Star	Petrobras	DP Drillship	12,000	40,000	August 2015	December 2026
Gold Star	Petrobras	DP; SS	9,000	30,000	February 2010	August 2025
Laguna Star	Petrobras[3]	DP drillship	10,000	40,000	November 2012	April 2028
Lone Star	Petrobras	DP; SS	7,900	30,000	April 2010	September 2025
Atlantic-Star	Petrobras	Moored; SS	2,000	21,320	February 2011	January 2025
Tidal Action rig[4]	Petrobras	DP3 Kongsberg	12,000	34,400	March 2025	April 2028

(1) Alpha Star is currently contracted with Brava Energia. The existing contract with Brava Energia will be replaced by a new contract with Petrobras, starting in the first quarter of 2025. The expiration date refers to this Petrobras contract.
(2) The "Delivery Date" are to (1) the date our offshore rig commenced or is expected to commence operations for the customer or (2) the date on which we acquired the offshore rig operating under an existing contract.
(3) Laguna Star will start a new agreement with Petrobras in the third quarter of 2025.
(4) On September 23, 2024, we announced that Laguna Star rig and the Tidal Action rig were selected in a tender for two opportunities with Petrobras for the operation of two ultra-deepwater rigs. The Tidal Action rig bareboat charter and management agreement were signed on September 21, 2024, and the related Petrobras agreements were signed on September 23, 2024. Both Petrobras opportunities have a total firm duration of approximately two and a half years, with possible extension by mutual agreement for up to two and a half years, commencing in the third quarter of 2025. The contracts were awarded at current market conditions day rates.

On May 2, 2024, Olinda Star Limited and Super Shining Shipping Corporation signed a memorandum of agreement for the sale of scrap from the drilling unit Olinda Star. The agreed selling price was $8.1 million. Super Shining Shipping Corporation is responsible for recycling the scrap in accordance with green recycling principles and standards. We received a 25% deposit on May 6, 2024, with the remaining balance paid on May 15, 2024. We transferred the title on May 16, 2024. Thereafter, the Olinda Star ceased to form a part of our asset base. Olinda Star ceased operating on January 14, 2024. For more information on Olinda Star, see "Business—Our Fleet and Investments—Offshore Drilling Rigs—Olinda Star."

Brazilian Oil Industry Highlights

Brazil: world-class oil production. Brazil is the largest oil producer in Latin America and the world's eleventh largest oil producer, with crude oil production of over 1,242 million barrels in 2023, according to the ANP Oil, Natural Gas and Biofuels Statistical Yearbook 2024.

According to the ANP Oil, Natural Gas and Biofuels Statistical Yearbooks 2023 and 2024, Brazil's oil and gas reserves are among the fastest growing in the world, mainly due to its offshore pre-salt reserves. Proven oil reserves in Brazil have grown from 15,544 billion bbl at the end of 2013 to 15,894 billion bbl at the end of 2023. During the same period, proven natural gas reserves in Brazil grew from approximately 457,960 trillion cubic feet to 517,077 trillion cubic feet.

According to its 2024-2028 strategic plan ending December 31, 2028, published in November 2023, Petrobras plans to increase its capital expenditure spending for the five years ending December 31, 2028, by 31% to an aggregate $102.0 billion, of which $73.0 billion is expected to be allocated to upstream exploration and production investments, particularly in offshore pre-salt fields. Petrobras' strategic plan further indicated that it aims to grow its oil production to 3.2 million barrels of oil per day in 2028.

The main blocks and fields for the offshore exploration and production of oil and gas in Brazil are located along the southeastern coast of the country and encompass the Campos, Espírito Santo and Santos Basins. The Santos Basin is where the pre-salt reserves, with their incredible potential, are embedded. Since its discovery, in the 2000's, the development of these pre-salt fields has attracted interest not only from Petrobras, but also from several other relevant industry players, including Shell, Chevron, Equinor, Galp, QatarEnergy and TotalEnergies, who have been partnering with Petrobras on numerous projects.

The Santos Basin covers an area of approximately 350,000 km^2 and is the most prolific oil and gas basin in Brazil. In 2023, the Santos Basin accounted for 78% of Brazil's total offshore oil production, largely ahead of the two other main basins (Campos and Espírito Santo). While the Tupi Field (formerly known as the Lula Field) has reached its mid-life after 13 years of the first oil withdrawal, and is now prone to production enhancement activities, many other significant discoveries succeeded Tupi, namely: Buzios, Mero, Atapu, Sépia, Sururu, Bacalhau, Sapinhoá, Itapu, Lapa and, most recently, Aram. Aram is still subject to reserve appraisal studies by Petrobras and its partners.

Pre-salt fields are deemed to be one of the most efficient exploratory basins in the world, based on information from the ANP. The average oil production of a typical pre-salt well is estimated by the ANP to be ten times higher than that of the average conventional offshore well. According to the ANP, the average oil production for a pre-salt oil well is 22,636 boe per day, which is well above average offshore production worldwide. In Brazil, a conventional offshore field produces 2,443 boe per day on average, according to the ANP. Brazil has a dominant position in the ultra-deepwater segment with the majority of the discovered pre-salt projects in the near- and mid-term horizon viable from $21 to $25 per barrel (bbl), according to Petrobras. Brazil's offshore oil also has one of the lowest average breakeven oil prices for new crude supply in the long-term, after the Middle East, according to IHS Markit. In addition, due to the overall quality and the low-sulfur content of crude oil extracted from the pre-salt oil reserves, Brazilian crude oil has shown increased demand, particularly from the Asian market, according to IHS Markit. Further, the exploration and production of offshore pre-salt fields presents reduced emission of greenhouse gases in the production process.

Unique opportunity for the Brazilian offshore drilling industry. Of the total amount of $73.0 billion that Petrobras intends to invest in E&P over the five years ending December 31, 2028, approximately 67% is expected to be allocated to pre-salt fields. Petrobras estimates that pre-salt production will represent approximately 79% of their total oil production at the end of this five-year period ending in 2028. We believe that the expected growth in offshore oil production presents a unique market opportunity for the offshore drilling industry, including us. Petrobras has already announced that it will add at least 14 new offshore production units (FPSOs) by 2028, ten of which are already contracted, which will require ultra-deepwater drilling rigs for the extraction process. Currently, all ultra-deepwater drilling units in operation in Brazil are being fully utilized and there is limited availability of ultra-deepwater floaters worldwide that could be mobilized to Brazil and meet the standards required by Petrobras. In addition, the combination of these factors, together with the diversification of other players in the Brazilian market in recent years, has created incremental demand for drilling rigs from independent exploration and production companies (E&P) and international oil companies (IOCs) operating in Brazil.

As one of the main operators of offshore drilling rigs in Brazil and a service provider to Petrobras, we believe we are well-positioned to realize the benefits of the attractive Brazilian oil industry dynamics, including through transitioning of existing contracts and repricing of current dayrates.

Our Competitive Strengths

We believe the following strengths have contributed to our success and distinguish us from our competitors:

Leadership position in a key market with high barriers to entry. According to the RigLogix database, we are the largest drilling company in Brazil, with 22% of the offshore drilling rigs contracted for operations in the country and the seventh largest drilling company worldwide, based upon the number of offshore drilling rigs in operation as of October 2024. We have a long track record of 44 years operating drilling rigs for the exploration and development of oil and gas reserves, mainly in Brazil. Brazil is the fastest growing market for ultra-deepwater rigs worldwide and has high barriers to entry given Petrobras' specific technical requirements and compliance standards. Ultra-deepwater drilling is inherently more complex and operationally challenging than drilling in shallower water depths. We are one of a small number of Brazilian drillers with commercial scale and demonstrated ultra-deepwater drilling know-how, having achieved a pre-salt drilling record. In 2022, the Brava Star, working for Petrobras, drilled the then-deepest offshore well in Brazil. Additionally, we are currently in the first quartile and own and operate the top two highest ranked drilling units among the fleet contracted by Petrobras, based on safety, integrity, operational efficiency and other criteria. In addition, rig demand in Brazil is outpacing supply: while 35% of active rigs (excluding harsh units) are currently in Brazil as of August 2024, Brazil represents only 21% of the total estimated uncontracted rig demand through 2030, according to Rystad Cube, indicating that Brazil is expected to remain among the world's most significant offshore markets for the foreseeable future.

Our deep and longstanding experience as a leading provider of offshore oil and gas drilling services in Brazil, particularly to Petrobras, places us in a privileged position to continue capturing opportunities in the Brazilian market.

Fleet capable of addressing growing market demand. We believe we have the largest portfolio of offshore drilling rigs in Brazil, consisting of a modern and high-quality fleet of seven drilling rigs constructed by the world's leading shipyards, including Samsung and Keppel FELS, with an average fleet age of 14.3 years, taking into consideration its renovation in 1997. Our fleet is substantially composed of modern ultra-deepwater dynamically positioned rigs and is capable of servicing the full-cycle of drilling, from exploration to production and decommissioning. Drilling has historically been the main source of our fleet activity with Petrobras; however, rigs' current demand outlook shows an increase in intervention and Plugging & Abandonment work demand, which we believe that we are well positioned to service.

Strong economy of scale with top-tier industry profitability. Our dedicated fleet of drilling rigs to the Brazilian oil and gas market provides us with focus and experience in a single hub and, thus, a superior economy of scale, which enables us to have a lower cost structure in the industry relative to regional and global peers and top-tier industry profitability. We believe our EBITDA margin stands as one of the highest in the industry, according to publicly available information from peer companies for 2023. Our ultra-deepwater contract drilling operations have maintained solid historical uptime, achieving 96%, 94% and 92% average uptime in the first half of 2024 and the full years of 2023 and 2022, respectively. We believe this demonstrates our ability to improve our fleet efficiency (i.e., by 200 bps for the six months ended June 30, 2024, equivalent to $11.0 million of extra revenues as compared to 2023), while also delivering among the best performing deepwater rigs in Brazil with improvement in time and cost for our clients. In addition, our fleet had a 66% reduction on average in contract transition days in the 18 months ended December 31, 2023. These time-efficient transitions lead to cost reductions and improved cash flow.

Best-in-class contract pricing power with strategic optionality. We strive to maintain and expand our strong relationship with Petrobras, for which we have performed drilling services since 1981, and other key customers. With our sound operation and minimal idle time, we believe we are able to maintain a stable and higher asset utilization than our peers, while we leverage our strong strategic position as a core service provider to Petrobras, which we believe will give us the opportunity to reprice our new contracts for longer tenors and may in the future provide significant EBITDA upside. Considering the current market outlook and recently priced contracts, and assuming recent historical utilization and efficiency data, the current market day rates would impact our Adjusted EBITDA from $184.0 million for the twelve-month period ended June 30, 2024, to $447.1 million. We seek to diversify our customer base for increased negotiating power with independent oil and gas E&P companies and take advantage of gap filling and shorter-term opportunities.

Highly experienced management and board. Our management team and board of directors are comprised of senior executives, some of whom have more than 30 years of experience in the Brazilian and global oil and gas sector. Our executives and board members have in-depth knowledge of drilling, including project bidding, procurement, overseeing construction, upgrades of drilling rigs and the operation of our assets with the highest safety standards. Moreover, while many of our key executives have a long history within Constellation, others have worked at other international oil and gas companies, as well as leading global services companies.

Focus on excellence, sustainability and innovation. In addition to our focus on operational performance and drilling efficiency, we strive to operate with the highest safety, environment and industry standards. We have several programs in place to help ensure the integrity of our safety measures and the awareness of onboard crews regarding the risks related to the performance of their jobs. We believe that we are on track to comply with our 2030 ESG targets, including a proposed 59% reduction in greenhouse gas emissions and maintaining our zero leaks threshold. While upholding strict standards, we look forward to developing new tools and systems, including 3D scanning of drilling rigs, augmented reality, and automation and robotization of core process. We believe that these innovations will enhance both our operational and support processes.

Our Business Strategies

We intend to pursue the following strategies:

Expand our fleet and the types of services we provide. We believe that our solid track record in ultra-deepwater drilling will enable us to operate rigs from other companies and groups and/or other types of offshore vessels for our clients, such as accommodation units, well intervention vessels, lift boats and jackups, which are niche services with potential for premium rates. To this end, we intend to expand our fleet and the types of services we provide to our clients by entering into agency or other contractual arrangements, such as joint ventures and bareboat charter agreements.

Capitalize on our market-leading position in Brazilian ultra-deepwater drilling to opportunistically expand to key international offshore markets and segments. As a recognized Brazilian market leader, we intend to capitalize on our strong market position in Brazil. We believe that our leading ultra-deepwater presence in Brazil, premium drilling fleet, high safety standards and strong track record position us well to seek new opportunities in the key international offshore markets. We intend to position ourselves in markets with potential for deepwater growth, such as West Africa, the western Gulf of Mexico and Southeast Asia.

Continue refining and enhancing our fleet. We are focused on using and investing in new and proven fleet safeguards and technologies that support sustainable growth and have the potential to maximize efficiency, reduce environmental impact and enhance safety. Our technical team, with the largest engineering team in Brazil for a drilling company among Seadrill, Valaris, Foresea and Transocean, proactively monitors industry innovations and is aligned with the newest technical specifications required by operators, positioning us to secure premium contracts and attract top-tier customers. We also leverage new and cutting-edge technology to improve operational efficiency, safety, innovation and the environment. As such, we have implemented real-time operations monitoring to provide certain parameters and key performance indicators of our offshore drilling units in real-time, 24 hours per day and 3D scanning of drilling rigs to improve troubleshooting and provide better training. Operations support processes optimization, such as asset management and supply chain management, also address safety, asset integrity, tripping performance, financial efficiency, human capital and client requirements.

Disciplined approach to capital allocation. We focus on maintaining strong, recurring cash flow streams through market cycles. We intend to continue to maximize our cash flows by optimizing our capital expenditures through condition-based maintenance of our assets, which can further extend the lifespan of our equipment while allocating capital more efficiently than performing major overhauls every five years. We also prioritize fostering long-term partnerships with key suppliers, generally enabling us to secure favorable terms and access critical materials even in tight market conditions.

In addition, given the volatility in our industry, our long-term business plan aims to achieve indebtedness levels that we believe are conservative and help to safeguard our Company, preserve our financial flexibility and minimize risk across all market conditions. Finally, we focus on building and preserving our financial reserves during peak cycles to help protect our Company during downturns, enabling strategic investments and stability when opportunities arise.

Promote operational excellence, sustainability, and safety. We intend to maintain our strong focus on the continued high-quality performance and safety of our operations. Our management team is dedicated to the superior performance of our assets by hiring, training and retaining highly skilled employees. We maintain high QHSE standards by maintaining our certifications in ISO 9001:2015, ISO14001:2015, ISO 45001:2018 and API Spec Q2 Standards. On May, 2024, we have received the API Spec Q2 certification, a quality management system designed specifically for drilling services providers. In addition, we are committed to continuing to provide safety and technical training to maintain the high quality and safe services that our clients expect from us, including relatively low downtime for our rigs.

Become the preferred drilling partner for operators committed to decarbonizing their operations. We intend to become the preferred drilling partner for operators in Brazil for research and development projects associated with the decarbonization of their operations. To this end, we created a department focused on researching and developing technological alternatives for carrying out well construction services with lower fuel consumption, while maintaining the same levels of operational safety. In 2023, we approved our first R&D project in partnership with Petrobras and the University of São Paulo (*Universidade de São Paulo*), one of the most renowned universities in Latin America, to develop a solution focused on reducing fuel consumption while operating rigs in offshore fields. This initiative consists of an artificial intelligence platform that will support the measurement and optimization of energy management on board. One of the technologies being evaluated is the use of hydraulic accumulators to reduce the number of electric motors needed to operate the rig's drilling system. We carried out initial tests of this technology on Brava Star and achieved preliminary reductions in absolute diesel consumption. We are developing other energy efficiency projects in the areas of digital solutions, main engines, combustion, generation and auxiliary systems.

Recent Developments

Lone Star Agreement

We are in advanced stage of negotiations with an independent oil company for a charter agreement and a services agreement at current market conditions day rates for the Lone Star rig. The term of duration of the agreements would be of at least 400 days, commencing in the fourth quarter of 2025, following the end of the current contracts with Petrobras. On October 16, 2024, we have agreed to an exclusivity period until November 1, 2024 and to enter into definitive documents by this date, subject to certain conditions. After November 1, 2024, we will no longer have the obligation to continue the negotiations and execute definitive documents.

Alpha Star and Shell Agreement

On August 20, 2024, we entered into a short-term contract with Shell Brasil Petróleo Ltd., a subsidiary of Shell plc, for its use of the Alpha Star rig on a field located at the Campos Basin for a 30-day period, starting on August 30, 2024. This contract aimed to enhance well productivity by intervening on four pump-boosting modules, which led to increased production.

Laguna Star and Tidal Action Rig Announcement related to Petrobras Roncador basin

On September 23, 2024, we announced that Laguna Star rig and the Tidal Action rig were selected in a tender for two opportunities with Petrobras for the operation of two ultra-deepwater rigs. The Tidal Action rig bareboat charter and management agreement were signed on September 21, 2024, and the related Petrobras agreements were signed on September 23, 2024. Both Petrobras opportunities have a firm duration of approximately two and a half years, extendable by mutual agreement for up to two and a half years, commencing in the third quarter of 2025. The contracts were awarded at current market conditions day rates.

Amaralina Star and Petrobras Agreement

On October 16, 2024, we have successfully ranked in a position to be awarded, according to Petrobras criteria, of a tender process with them for a new long-term agreement of Amaralina Star rig. The term of duration is of 1,095 days, extendable by mutual agreement. The contract covers operations in ultra-deep waters and includes a range of specialized services, such as cementing units, drilling rigs, solid control, remotely operated vehicles, and H2S services. This framework supports effective collaboration and operational efficiency.

Expected Lone Star and Amaralina Star Contracts Backlog

Taking into account the new Laguna Star and Tidal Action contracts, our backlog in years represents 16 years, and adding the two new expected contracts for Amaralina Star and Lone Star, our backlog in years would represent approximately 20 years.

Equity Raise

On October 16, 2024, as part of a comprehensive recapitalization plan, we announced the closing of a private placement of stapled exchangeable notes and common equity that were subscribed by third party investors in an aggregate amount of US$75 million. The exchangeable notes and common equity will be exchangeable for common shares of approximately 12.1% of Constellation Oil Services Holding S.A. upon the consummation of the Liquidity Event. The equity raise is part of a larger recapitalization involving this offering of senior secured notes, a cash redemption of certain existing debt and equity holders and current financial debt converted into equity or repaid. For further information, see "Liquidity Event."

We expect that certain shareholders will subscribe for a material portion of our senior secured notes offered hereby.

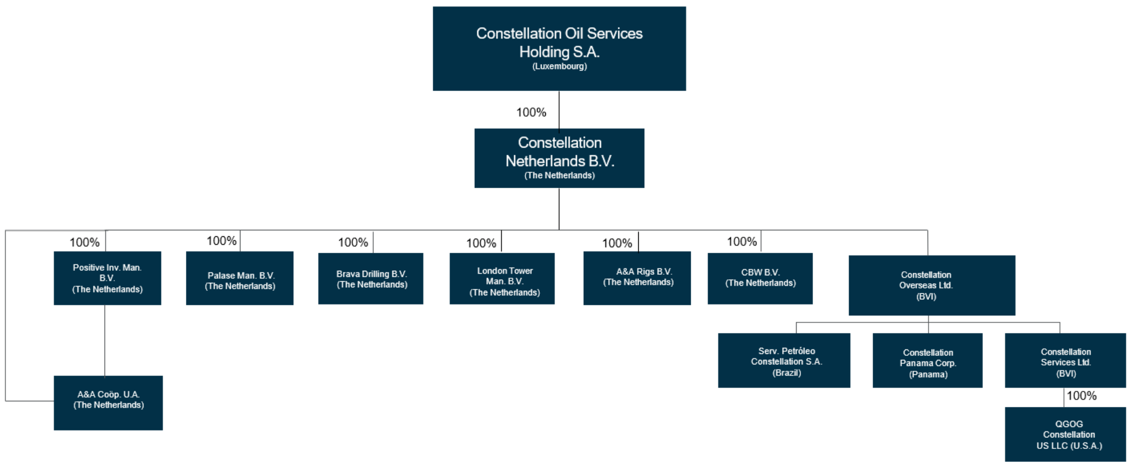
The equity private placement is conditioned upon certain events, including the closing of this offering, and is expected to close on or about the closing of this offering. Therefore, there can be no assurance that the equity private placement will be consummated.

Corporate Information

Prior to the consummation of the Merger, the Escrow Issuer, a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, will be the issuer of the notes offered hereby. Following the consummation of the Merger, Constellation Oil Services Holding S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, will be the issuer of the notes offered hereby.

Our Corporate Structure

The following chart summarizes our corporate structure before the consummation of the Merger and shows the owners of each of our rigs. This chart is for illustrative purposes only and does not represent all legal entities of the Company. See "—The Offering," "Description of Certain Other Indebtedness" and "Description of the Notes" for more information regarding the terms of the notes offered hereby.



Note: Constellation Overseas Ltd. is expected to be merged into Constellation Services Ltd. in the near term.

LIQUIDITY EVENT

Constellation is engaging in a comprehensive recapitalization involving all of its current shareholders and debt holders (the “Recapitalization”) that will be implemented through an indirect acquisition of the Escrow Issuer by certain new private third-party investors via NewCo (as defined below), immediately prior to the Escrow Issuer merging into Constellation.

The Recapitalization consists of the following key components:

(i) $618.5 million of junior capital issued by Constellation Holdco S.A. (“NewCo”) and Constellation, of which $75 million will be sourced from third party investors through a private placement offered by NewCo (the “New Equity Transaction”) and the remaining part is contributed from reinvesting debt and equity holders in Constellation. The capital is intended to be raised by issuing common shares and exchangeable notes in NewCo and common shares in Constellation.

(ii) $650.0 million of new debt in the form of senior secured notes.

(iii) Up to $593.0 million cash redemption of certain existing debt and Constellation common shares and the repayment of $77.6 million of indebtedness that became due upon consummation of the Recapitalization.

The Recapitalization will constitute a Qualifying Liquidity Event in accordance with Constellation’s Articles and the terms of all of Constellation’s outstanding indebtedness and will result in approximately $871.6 million of indebtedness as of September 30, 2024 being converted into common shares of Constellation. The converted debt consists of approximately:

(i) $45 million of the amended and restated credit agreement in connection with the Bradesco Debt (as amended, the “Bradesco Loan Agreement”);

(ii) $536.4 million of the third amended and restated credit agreement in connection with the Restructured ALB Debt (as amended, the “ALB Loan Agreement”); and

(iii) $290.2 million of the First Lien Notes, the Second Lien Notes and the 2050 Notes (jointly, the “Outstanding Notes,” and together with the Bradesco Loan Agreement, the ALB Loan Agreement and the ALB L/C Loan Agreement, the “Convertible Debt Documents”).

Constellation will use approximately $590.0 million of the proceeds from the issuance of the notes and the New Equity Transaction to purchase a portion of its currently outstanding common shares and the common shares issued upon conversion of the debt listed above. In addition, Constellation will use $67.0 million from the issuance of the notes and the New Equity Transaction to repay all of its Priority Lien Notes and the ALB L/C Debt.

The net result of these transactions will be a deleveraging of $299.8 million.

The Recapitalization has significant support from a majority of the stakeholders. Necessary amount of Constellation’s debt and equity holders have agreed to support the transactions constituting the Recapitalization, see “—Liquidity Event Procedures.”

The Liquidity Event is being funded by $1,268.5 million of capital, consisting of the $650.0 million proceeds of this offering plus equity of $618.5 million based on the sale price of the recently committed equity raise, as described below in “—Concurrent Transactions—New Equity Transaction.”

Concurrent Transactions

New Equity Transaction

On October 20, 2024, we entered into a Framework and Subscription Agreement (the “Framework and Subscription Agreement”) with certain equity investors (the “Equity Investors”), pursuant to which the Equity

Investors agreed to (i) subscribe for and purchase common shares in NewCo (the "NewCo Shares") and to purchase from NewCo certain subordinated notes (the "NewCo Subordinated Exchangeable Notes," and together with the NewCo Shares, the "Stapled Securities") exchangeable into ordinary shares of Constellation, for an aggregate purchase price of $10.0 (the "New Equity Consideration") and (ii) cause Escrow Issuer to merge with and into Constellation (with Constellation surviving that merger). The New Equity Consideration will represent directly or indirectly 12.1% of the common shares of Constellation.

The following table sets forth our total capitalization as of June 30, 2024, on an actual basis; on an adjusted basis to give effect to the issuance of the New Equity; on a further adjusted basis to give effect to the repayment of debt with the proceeds of the New Equity and the Notes; on further adjusted basis to give effect to the conversion of the Convertible Debt into common shares in connection with the Liquidity Event; and as further adjusted to give effect to issuance of the Notes.

	As of June 30, 2024					
	Actual	**New Equity**	**As Adjusted(1)**	**Debt Repaid(2)**	**Debt to Equity Conversion**	**As Further Adjusted(3)(4)**
	(in millions of $)					
Loans and Financings:						
Priority Lien Notes	47.4	—	47.4	(47.4)	—	—
First Lien Notes	285.5	—	285.5	—	(285.5)	—
Second Lien Notes	1.9	—	1.9	—	(1.9)	—
2050 Notes	3.1	—	3.1	—	(3.1)	—
Bradesco Debt	45.0	—	45.0	—	(45.0)	—
Restructured ALB Debt	536.7	—	536.7	—	(536.7)	—
ALB L/C Debt	30.2	—	30.2	(30.2)	—	—
Notes offered hereby	—	—	—	—	—	650.0
Loans and Financings	**949.8**	**—**	**949.8**	**(77.6)**	**(872.2)**	**650.0**
Shareholders' equity(5)	**1,528.2**	**75**	**1,603.2**	—	**872.2**	**2,475.4**
Total capitalization(6)	**2,478.1**	—	**2,553.0**	—	—	**3,125.4**

(1) As adjusted to reflect the new equity.
(2) The actual debt amortization reflects the repayment associated with the Priority Lien Notes and ALB L/C Debt.
(3) On a further adjusted basis considers (i) a mandatory conversion for all creditors, and (ii) the Liquidity Event prior to Cash-Out Consideration. This adjustment also disregards any adjustments, premiums, discounts, or accrued interest on the outstanding liability in relation to the balance presented as of June 30, 2024. This information has been presented for illustrative purposes only and is not necessarily indicative of the financial position of the Company as it depends on the consummation of the Liquidity Event. For more information, see "Liquidity Event."
(4) Does not include the effects of the repurchase of common shares pursuant to the Cash-Out Consideration in connection with the Liquidity Event. If the Liquidity Event is not completed, we will be obligated to repurchase notes at a redemption price of 101%, and the New Equity will be canceled. In this event, following such repurchase and cancellation of the New Equity, our capitalization table would reflect the data in the 'actual' column.
(5) Shareholders' equity considers the New Equity Transaction. For more information, see "Liquidity Event."
(6) Total capitalization is Loans and Financings plus shareholders' equity.

We present favorable asset coverage and conservative loan to value when comparing the debt component of our proposed recapitalization, which includes $650.0 million of the new first lien senior secured notes and a super priority Revolving Credit Facility. The Adjusted EBITDA backlog calculated with the twelve-month period ended June 30, 2024, on a pro forma basis to consider announced and expected contract opportunities (as described in "Summary—Recent Developments"), after applying our Adjusted EBITDA margin of approximately 33.0% for the same period, results in a coverage of 1.0x to 1.1x of the debt commitments, underscoring the value of our contracts. Additionally, based on the average valuation of our rigs as set forth in CVL and Arctic Valuation reports as of October 2024, we have a loan to value ratio of 48%-52%.

Liquidity Event Procedures

Within 30 days of the approval of a Liquidity Event by Constellation's board of directors, Constellation is required to deliver notice of the occurrence of a Liquidity Event to its lenders and bondholders under the Convertible Debt Documents, requesting such creditors' approval. Upon the approval of the Liquidity Event by (i) both (a) a majority of the aggregate outstanding amount under the loans disbursed under the ALB Loan Agreement, and (b) at least three lenders under the ALB Loan Agreement and (ii) a majority of (a) the aggregate outstanding amount of the First Lien Notes and (b) the aggregate outstanding amount of the loans disbursed under the Bradesco Loan Agreement, voting together, the Liquidity Event will constitute a "Qualifying Liquidity Event," triggering the automatic conversion of all amounts outstanding under the Convertible Debt Documents into Class C shares of Constellation. The Qualifying Liquidity Event will also trigger the automatic conversion of certain warrants issued by Constellation into shares of Constellation (the "Brava Warrants" and such automatic conversion, together with the automatic conversion of all amounts outstanding under the Convertible Debt Documents into Class C shares of Constellation, the "Debt Conversion"). In addition, certain warrants that would expire upon the closing of the Liquidity Event will be amended such that they will not expire.

Holders of over a majority of the aggregate amount outstanding under the loans disbursed under the ALB Loan Agreement have agreed to vote in favor of the Liquidity Event and Holders of a majority of the aggregate outstanding amount of First Lien Notes and the Bradesco Loan Agreement have agreed to vote in favor of the Liquidity Event.

Additionally, pursuant to the Shareholders Agreement of Constellation, dated as of June 10, 2022, entered into by and among Constellation and the shareholders of Constellation signatory thereto, as amended from time to time (the "Shareholders Agreement"), Constellation shareholders are required to vote in favor of a Qualifying Liquidity Event to the extent it is approved by the requisite lenders above.

In accordance with the terms of the Framework and Subscription Agreement, the Equity Investors will be required to deposit the New Equity Consideration no later than 10 business days prior to closing of the Recapitalization into a deposit account. On the closing date of the New Equity Transaction, the NewCo Shares shall be automatically issued by NewCo to the Equity Investors immediately upon release of the portion of the New Equity Consideration corresponding to the NewCo Shares from the escrow account to NewCo.

Simultaneously with the preceding step, NewCo will cause the portion of the New Equity Consideration corresponding to the NewCo Shares to be transferred to an escrow account of Escrow Issuer, as a contribution to Escrow Issuer's capital without a share issuance.

Immediately following the consummation of the Debt Conversion, each Equity Investor, NewCo and the Escrow Issuer will take all necessary steps for the Merger to be consummated in accordance with the Merger Proposal and with the relevant provisions of the Luxembourg Companies Act, including but not limited to the approval of the Merger in an Extraordinary Shareholders' Meeting of each of Escrow Issuer and Constellation.

In accordance with Luxembourg Law, Constellation will provide notice to its shareholders at least eight days prior to the first call of its Extraordinary Shareholders' Meeting (the "EGM First Call"), for purposes of approving the Merger. Should a quorum not be present during the EGM First Call, Constellation and the Escrow Issuer shall each convene a second call for their applicable Extraordinary Shareholders' Meeting, whereupon any decision shall be made with a majority of at least two thirds of votes cast at such meeting and no minimum quorum, such voting majority must be satisfied for each affected share class.

Upon consummation of the Merger, the New Equity Consideration corresponding to the NewCo Shares, and immediately following the Merger, the remaining New Equity Consideration and the NewCo Subordinated Exchangeable Notes, will be automatically released from escrow to Constellation (the "Equity Escrow Release"). The NewCo Subordinated Exchangeable Notes will be stapled to the corresponding NewCo Shares.

Immediately following the Merger and the Equity Escrow Release, all post-Merger shareholders of Constellation who have elected to participate in the exchange for Stapled Securities shall contribute and transfer to NewCo their shares in Constellation in exchange for Stapled Securities, with such contribution in kind being subject to the issue by Luxembourg independent statutory auditors – *réviseurs d'entreprise agréés* – of a report certifying that the contribution is at least equal to the value of the shares and convertible bonds issued, and the conditions for the Qualifying Liquidity Event will have been satisfied, including: (i) the successful placement of the notes, (ii) the successful completion of Constellation's comprehensive recapitalization, (iii) the execution and delivery of that certain Framework and Subscription Agreement, (iv) the absence of required or pending regulatory approvals, and (v) the satisfaction of all conditions to the Merger.

Upon receipt of the Escrow Property, Constellation shall use the proceeds of the Equity Escrow Release and the Escrow Property to distribute ((i) and (ii) below, the "Cash-Out Consideration"):

(i) in the case of indebtedness owing under the Convertible Debt Documents or the Brava Warrants, 95% of the principal amount of such indebtedness plus 100% of the accrued and unpaid interest through but not including the date of payment; and

(ii) in the case of each Class A shares and Class B shares of Constellation, an amount equal to the pro rata share of the remaining Net Liquidity Proceeds to which such share is entitled pursuant to Constellation's Articles, to those Constellation shareholders and debtholders that elect to receive the Cash-Out Consideration in exchange for their Stapled Securities.

Pursuant to Constellation's Articles, "Net Liquidity Proceeds" means the remaining Liquidity Event Proceeds following (a) first, the repayment in cash in full of the Priority Lien Notes, if any, at the applicable call price and pursuant to the terms thereof, (b) second, the repayment in cash in full of any Priority Capex Debt (as defined in Constellation's Articles), if any, pursuant to the terms thereof and (c) third, the repayment in cash in full of all obligations of the Company and the other "Loan Parties" of the New ALB L/C Loan Agreement.

THE OFFERING

The following summary contains basic information about the Notes and is not intended to be complete. For a more complete understanding of the notes, please refer to the section entitled "Description of the Notes" in this Offering Memorandum.

Escrow Issuer	NewCo Holding USD 20 S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés, Luxembourg*) under number B289565.
Subsidiary Guarantors	Initially, Constellation Netherlands B.V., Constellation Services Ltd., Serviços de Petróleo Constellation S.A., Alaskan & Atlantic Rigs B.V., London Tower Management B.V., Brava Drilling B.V., Palase Management B.V. and Positive Investment Management B.V.
Notes Offered	$650,000,000 aggregate principal amount of 9.375% senior secured notes due 2029.
Issue Date	November 7, 2024 (the "Issue Date")
Amortization	Principal on the notes will be payable annually on the Scheduled Payment Date (as defined below) occurring on each November 7 of each year, commencing on November 7, 2026, in an amount equal to $75,000,000 per annum.
Maturity Date	November 7, 2029 (the "Maturity Date").
Interest Rate	9.375% per annum.
Scheduled Payment Dates	May 7 and November 7 of each year (each a "Scheduled Payment Date"), commencing on May 7, 2025.
Escrow of Proceeds; Special Mandatory Redemption	The Escrow Issuer and Constellation will enter into the Escrow Agreement, pursuant to which an amount equal to the gross proceeds from this offering will be deposited into the Escrow Account. By its acceptance of the notes, each holder shall be deemed to authorize and direct the Trustee to execute, deliver and perform its obligations under the Escrow Agreement. See "Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption." In the event that (i) the Escrow Outside Date (as defined in "Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption") occurs and the Escrow Agent shall not have received the Escrow Release Officer's Certificate (as defined in "Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption") or (ii) the Escrow Issuer informs the Escrow Agent that the Merger will not occur on or prior to the Escrow Outside Date, the Escrow Issuer will

redeem the notes at a price equal to 101% of the aggregate outstanding principal amount of the notes, plus accrued and unpaid interest on the notes. See "Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption." Pursuant to the Escrow Agreement, Constellation will covenant that, in the event that the Escrow Property is insufficient to pay the Special Mandatory Redemption Price on the Special Mandatory Redemption Date, plus fees and expenses of the Trustee and the Escrow Agent, Constellation will deposit any shortfall with the paying agent on or prior to the Special Mandatory Redemption Date.

After the consummation of the Merger, the Company will use approximately $635.9 million of the net proceeds from this offering to pay the debt refinancing. See "Use of Proceeds."

Additional Amounts	All payments in respect of the notes and the Note Guarantees will be made without any withholding or deduction for any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) imposed or levied by or on behalf of a Relevant Taxing Jurisdiction (as defined in "Description of the Notes—Additional Amounts"), unless the withholding or deduction of such Taxes is then required by law or the interpretation or administration thereof. In such case, the relevant Payor (as defined in "Description of the Notes—Additional Amounts"), will pay to the holders of the notes such Additional Amounts (as defined in "Description of the Notes—Additional Amounts") as may be necessary in order that the net amounts in respect of such payments received by each holder, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received by each holder in respect of such payments in the absence of such withholding or deduction, subject to certain exceptions. See "Description of the Notes—Additional Amounts."
Optional Redemption	At any time prior to November 7, 2026 (the "Initial Call Date"), the Company will have the right, at its option, to redeem any of the notes, in whole or in part, at a redemption price equal to the greater of: (1) 100% of the principal amount of such notes, and (2) (a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming the notes matured on the Initial Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in "Description of the Notes—Optional Redemption") plus 50 basis points *less* (b) interest accrued to the date of redemption,

plus, in either case, accrued and unpaid interest thereon to the redemption date.

At any time, or from time to time, on or after the Initial Call Date, the Company may redeem the notes, at its option, in whole or in part, at the following redemption prices, expressed as percentages of the principal amount on the redemption date, plus any accrued and unpaid interest to, but excluding, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period commencing on or after November 7 of any year set forth below:

Year	Percentage
2026	104.688%
2027	102.344%
2028	100.000%

Any redemption of notes by the Company will be subject to either (i) there being at least $200.0 million in aggregate principal amount of notes outstanding after such redemption or (ii) the Company redeeming all of the then outstanding principal amount of the notes. See "Description of the Notes—Optional Redemption."

In addition, until November 7, 2026, the Company may, at its option, on one or more occasions redeem up to 10% of the aggregate principal amount of notes per annum from the Closing Date (including additional notes of the same series) issued under the Indenture at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest thereon, if any, to, but excluding, the applicable redemption date.

Additionally, at any time, or from time to time, on or after November 7, 2026, the Company may redeem the notes, at its option, in whole or in part, at the redemption prices set forth under "Description of the Notes—Optional Redemption."

Optional Redemption upon Eligible Equity Offerings.. At any time, on or prior to November 7, 2026, the Company may use an amount not to exceed the net cash proceeds of one or more Eligible Equity Offerings (as defined in "Description of the Notes—Optional Redemption—Optional Redemption Upon Eligible Equity Offerings") to redeem up to 40% of the aggregate principal amount of the outstanding notes at a redemption price equal to 109.375% of the principal amount of the notes to be redeemed, plus any accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date. After giving effect to any such redemption, at least 60% of the aggregate principal amount of the notes issued under the Indenture shall remain outstanding. Such redemption must be made

	within 90 days after the date of the closing of such Eligible Equity Offering.
Optional Redemption for Changes in Withholding Taxes	If, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) or treaties of a Relevant Taxing Jurisdiction, or any amendment to or change in an official written interpretation or application of such laws, rules or regulations (including a holding by a court of competent jurisdiction), which amendment to or change of such laws, treaties, rules or regulations becomes effective on or after the date on which the notes are issued, (or on or after the date a successor Payor assumes the obligations under the notes, in the case of a successor with a different Relevant Taxing Jurisdiction than the Company), a Payor would be obligated, after taking all reasonable measures to avoid this requirement, to pay Additional Amounts (but, in the case of a Subsidiary Guarantor, only if the payment giving rise to such requirement cannot be made by the Company or another Subsidiary Guarantor who can make such payment without the obligation to pay Additional Amounts), then, at the Payor's option, all, but not less than all, of the notes may be redeemed at any time on giving not less than 30 or more than 60 days' notice, at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest and any Additional Amounts due thereon up to, but excluding, the date of redemption; *provided*, *however*, that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which the Payor would be obligated to pay these Additional Amounts if a payment on the notes were then due, and (2) at the time such notice of redemption is given such obligation to pay such Additional Amounts remains in effect. The foregoing provisions shall apply to a Subsidiary Guarantor only after such time as such Subsidiary Guarantor is obligated to make at least one payment on the notes. See "Description of the Notes—Optional Redemption—Optional Redemption for Changes in Withholding Taxes."
Change of Control	Upon the occurrence of a Change of Control Triggering Event (as defined under "Description of the Notes—Change of Control"), each holder will have the right to require that the Company purchase all or a portion (in integral multiples of $1,000; provided, that the remaining principal amount of such holder's note will not be less than $200,000) of the holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon to, but excluding, the date of purchase. See "Description of the Notes—Change of Control."
Collateral	The Collateral will consist of:

(a) each Collateral Drilling Rig (as defined in "Description of the Notes—Certain Definitions"), pursuant to a mortgage;

(b) all rights, title, interest and benefits (including, without limitation, receivables) in all Offshore Agreements (as defined in "Description of the Notes—Certain Definitions") related to any Collateral Drilling Rig;

(c) other than as described in "Description of the Notes—Collateral" with respect to certain existing accounts, all rights, title, interest and benefits in all deposit accounts and securities accounts with respect to (b) above;

(d) all rights, title, interest and benefits in all insurance policies relating to each Collateral Drilling Rig, including, all rights to receive payments with respect to any claim under each such insurance policies; and

(e) the Equity Interests (as defined in "Description of the Notes—Certain Definitions") of each Subsidiary Guarantor (as defined in "Description of the Notes—Certain Definitions") and each Excluded Bareboat Charterer Subsidiary (as defined in "Description of the Notes—Certain Definitions"), subject to certain exceptions described in "Description of the Notes—Collateral."

For more information, see "Description of the Notes—Collateral."

Ranking of the notes.. From and after the consummation of the Merger, following the release of the Escrow Property and as further described below under "Description of the Notes—Collateral)," the notes will:

- be senior secured obligations of Constellation;
- be secured on a first-lien basis, equally and ratably with all existing and future First Lien Obligations, by Liens on the Collateral, subject to the Liens securing Constellation's obligations under any existing and future Priority Lien Obligations (including the Revolving Credit Facility) and other Permitted Liens;
- be effectively junior, to the extent of the value of the Collateral to Constellation's obligations under any existing and future Priority Lien Obligations (including the Revolving Credit Facility), which will be secured on a priority basis by the same Collateral that secures the notes;
- rank *pari passu* in right of payment with any existing and future senior Indebtedness of Constellation;
- rank senior in right of payment to any future

Subordinated Indebtedness of Constellation, if any;

- be effectively senior to all unsecured Indebtedness of Constellation, to the extent of the value of the Collateral securing the notes;
- be effectively subordinated to any existing and future Indebtedness of Constellation secured by assets not constituting the Collateral, to the extent of the value of the assets securing such Indebtedness;
- be structurally subordinated to all existing and future Indebtedness, claims of holders of preferred stock and other liabilities (including trade payables) of Constellation's Subsidiaries (other than the Subsidiary Guarantors); and
- be guaranteed by the Subsidiary Guarantors (for more information on the description of the notes, see "Description of the Notes—General").

Note Guarantees .... From and after the Completion Date (as defined herein), the obligations of the Company pursuant to the notes will be fully and unconditionally guaranteed jointly and severally, by the Note Guarantees of (i) Constellation Netherlands B.V., Serviços de Petróleo Constellation S.A., Alaskan & Atlantic Rigs B.V., London Tower Management B.V., Brava Drilling B.V., Palase Management B.V. and Positive Investment Management B.V. and thereafter, and (ii) each other Restricted Subsidiary of the Company (x) that guarantees the Company's obligations under the Revolving Credit Facility or (y) that is not an Excluded Subsidiary (as defined herein).

Ranking of the Note Guarantees.................................... From and after the consummation of the Merger, following the release of the Escrow Property and as further described below under "Description of the Notes —Collateral)," the Note Guarantee of each Subsidiary Guarantor will:

- be senior secured obligations of such Subsidiary Guarantor;
- be secured on a first-lien basis, equally and ratably with all existing and future First Lien Obligations, by Liens on the Collateral held by such Subsidiary Guarantor, subject to the Liens securing the Subsidiary Guarantor's obligations under any existing and future Priority Lien Obligations (including the Revolving Credit Facility) and other Permitted Liens;
- be effectively junior, to the extent of the value of the Collateral held by such Subsidiary Guarantor to such Subsidiary Guarantor's obligations under any existing and future Priority Lien Obligations (including the Revolving Credit Facility), which

will be secured on a priority basis by the same Collateral that secures the notes;

- rank *pari passu* in right of payment with any existing and future senior Indebtedness of such Subsidiary Guarantor;
- rank senior in right of payment to any future Subordinated Indebtedness of such Subsidiary Guarantor, if any;
- be effectively senior to all unsecured Indebtedness of such Subsidiary Guarantor, to the extent of the value of the Collateral securing the notes; and
- be effectively subordinated to any existing and future Indebtedness of such Subsidiary Guarantor secured by assets not constituting the Collateral, to the extent of the value of the assets securing such Indebtedness.

Priority Lien Intercreditor Agreement.......................... On or prior to the Completion Date, the Company, the Subsidiary Guarantors (as defined in "Description of the Notes—Certain Definitions"), the Trustee, the Collateral Agent, GLAS Trust Company LLC, as administrative agent under the Revolving Credit Facility Agreement (as defined in "Description of the Notes—Certain Definitions"), and, from time to time, any other representative or agent of each class of the Secured Parties (as defined in "Description of the Notes—Certain Definitions"), will enter into an intercreditor agreement. See "Description of the Notes—Priority Lien Intercreditor Agreement."

Substitution of Issuer... The Company may, without the consent of any holder of the notes, be substituted by any (i) wholly-owned subsidiary of the Company or (ii) direct or indirect parent of the Company, of which the Company is a wholly-owned subsidiary; provided that certain conditions are satisfied. See "Description of the Notes—Substitution of the Issuer."

Certain Covenants .... The covenants in the Indenture will generally not apply to Constellation and its Restricted Subsidiaries (as defined under "Description of the Notes—Certain Definitions") until the Completion Date (as defined under "Description of the Notes— Escrow of Proceeds; Special Mandatory Redemption"). However, on and after the Completion Date, all restrictive covenants will be deemed to have been applicable to Constellation and its Restricted Subsidiaries beginning on the Closing Date. For more details, see "Description of the Notes—Certain Covenants."

Notwithstanding anything to the contrary, the Escrow Issuer shall not:

(a) conduct, transact or otherwise engage in any business or operations other than (i) as is necessary to consummate the Merger, (ii) the maintenance of its legal existence, including the ability to incur fees, costs and expenses relating to such maintenance, (iii) the performance of its obligations under and in connection with the notes, the Indenture and the Escrow Agreement, and (iv) activities incidental to the businesses or activities described in clauses (i) to (iv) hereof;

(b) own or acquire any material assets (other than the Escrow Property, which shall be subject to the Escrow Agreement);

(c) incur any liabilities other than the notes; nor

(d) permit to exist any Lien on the Escrow Property other than as provided in the Escrow Agreement or to secure the notes.

For more details, see "Description of the Notes—Certain Covenants."

Events of Default	For a description of certain events of default that may permit acceleration of the principal amount of the notes, see "Description of the Notes—Events of Default."
Covenant Suspension	If on any date following the Closing Date (a) the notes have an Investment Grade Rating (as defined in "Description of the Notes—Certain Definitions") from any two Rating Agencies (as defined in "Description of the Notes—Certain Definitions"), and (b) no Default (as defined in "Description of the Notes—Certain Definitions") or Event of Default (as in "Description of the Notes—Events of Default") has occurred and is continuing, the Company and its Restricted Subsidiaries will not be subject to the certain covenants. See "Description of the Notes—Covenant Suspension."
Minimum Denominations and Form	The notes will be issued in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof. The notes will be denominated in U.S. Dollars and all payments of principal and interest thereon will be paid in U.S. Dollars. The notes will initially be issued in the form of one or more global notes without interest coupons, registered in the name of DTC, or its nominee.
Trading and Listing	The Company will make an application to the SGX-ST for permission to list the notes on the SGX-ST, but the Company cannot provide any assurance that this application will be accepted, and if accepted, such listing maintained. The Company will not be required to, nor does the Company currently intend to, offer to exchange the notes for notes registered under the U.S. Securities Act or otherwise register or qualify by prospectus the notes for resale under the U.S. Securities Act. The Indenture is not qualified under the Trust Indenture Act, or subject to the terms of the Trust Indenture Act. Consequently, holders of the notes generally will not be entitled to the protections provided under the Trust Indenture Act of holders of debt securities issued under

	a qualified indenture; accordingly, the terms of the notes include only those stated in the Indenture.
Absence of Public Market for the notes	The notes are a new issue of securities and there is currently no established trading market for the notes. Accordingly, there can be no assurance as to the development or liquidity of any market for the notes. See "Risk Factors—Risks Related to the notes and this Offering—An active trading market for the notes may not develop."
Transfer Restrictions	The notes have not been and will not be registered under the Securities Act or the securities laws of any state in the United States and are subject to certain restrictions on transfer and resale. See "Transfer Restrictions."
Governing Law	The Indenture, the notes and the Note Guarantees will be governed by, and construed in accordance with, the law of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby. The application of articles 470-1 to 470-19 (inclusive) of the Luxembourg law of 10 august 1915 on commercial companies, as amended, pertaining to, among others, the holding of a register of debt securities in registered form and the representation of holders of debt securities, is expressly excluded. Pursuant to the Indenture, the Company and the Subsidiary Guarantors will consent to the non-exclusive jurisdiction of the Federal and State courts located in The City of New York, Borough of Manhattan and will appoint an agent for service of process with respect to any actions brought in these courts arising out of or based on the Indenture, the notes or the Note Guarantees.
Trustee, Collateral Agent, paying agent and registrar regarding the notes	GLAS Trust Company LLC
Intercreditor Agent	GLAS Trust Company LLC
Risk Factors	Investing in the notes involves substantial risks and uncertainties. See "Risk Factors" and other information included in this Offering Memorandum for a discussion of factors you should carefully consider before deciding to purchase any notes.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth our summary financial and other data. You should read the following summary historical consolidated financial information of Constellation and other data in conjunction with "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations of Constellation" and our financial statements and related notes included elsewhere in this offering memorandum. Historical results are not indicative of the results to be expected in the future. Our financial statements have been prepared in accordance with IFRS as issued by the IASB. The summary statement of operations for the six-month periods ended June 30, 2024 and 2023 and for the years ended December 31, 2023 and 2022 and the summary statement of financial position data as of June 30, 2024 and December 31, 2023 and 2022, are derived from:

- our unaudited consolidated interim financial information as of June 30, 2024 and for the six-month periods ended June 30, 2024 and 2023; and
- our audited consolidated financial statements as of and for the years ended December 31, 2023 and 2022.

Our results for the six-month periods ended June 30, 2024 and 2023 are not necessarily indicative of the results to be expected for the year ending December 31, 2024.

	For the six–month period ended June 30,		**For the year ended December 31,**	
	2024	**2023**	**2023**	**2022**
	(in millions of $)			
Statement of Operations Data:				
Net operating revenue	288.1	281.0	551.8	406.1
Cost of services	(276.2)	(248.7)	(525.7)	(429.7)
Gross profit / (loss)	11.9	32.2	26.1	(23.5)
General and administrative expenses	(14.9)	(14.9)	(30.6)	(52.7)
Other income	22.7	0.8	55.6	1,077.1
Other expenses	(0.2)	(0.1)	(30.6)	(7.0)
Operating profit	19.4	18.0	20.5	993.9
Financial income	2.4	24.8	3.2	2.2
Financial expenses	(32.6)	(34.3)	(49.4)	(134.6)
Foreign exchange variation income / (expense), net	(0.3)	(0.1)	(0.4)	(0.1)
Financial expenses, net	(30.5)	(9.6)	(46.6)	(132.5)
Profit / (loss) before taxes	(11.1)	8.4	(26.0)	861.4
Taxes	7.4	(1.2)	(4.9)	(2.1)
Profit / (loss) for the period / year	**(3.8)**	**7.3**	**(30.9)**	**859.3**

	As of June 30,	As of December 31,	
	2024	2023	2022
		(in millions of $)	
Statement of Financial Position:			
Assets			
Current assets			
Cash and cash equivalents	63.0	87.9	59.5
Short-term investments	18.3	0.0	0.1
Trade and other receivables	100.0	125.0	76.3
Recoverable taxes	25.9	21.5	22.9
Deferred mobilization costs	8.2	8.1	12.8
Assets held for sale	2.8	3.2	–
Other current assets	11.5	11.4	16.0
Total current assets	**229.7**	**257.2**	**187.6**
Non-current assets			
Restricted cash	1.7	1.7	1.7
Recoverable taxes	0.0	–	–
Deferred tax assets	24.6	20.3	17.8
Deferred mobilization costs	1.8	4.4	7.8
Other non-current assets	5.0	4.4	2.0
Property, plant and equipment, net	2,364.8	2,416.1	2,470.3
Total non-current assets	**2,398.0**	**2,446.9**	**2,499.6**
Total assets	**2,627.7**	**2,704.2**	**2,687.2**
Liabilities and shareholders' equity			
Current liabilities			
Loans and financings	47.7	33.7	5.0
Payroll and related charges	24.0	28.7	13.2
Trade and other payables	37.9	57.2	65.3
Taxes payables	4.0	4.8	4.4
Deferred revenues	14.5	17.2	18.1
Provisions	15.6	21.4	7.5
Other current liabilities	10.0	6.5	7.4
Total current liabilities	**153.7**	**169.4**	**120.9**
Non-current liabilities			
Loans and financings	902.2	930.5	937.2
Derivatives	26.4	26.4	44.0
Deferred revenues	12.6	17.8	11.5
Provisions	4.6	15.7	3.6
Total non-current liabilities	**945.7**	**990.4**	**996.3**
Total liabilities	**1,099.4**	**1,159.8**	**1,117.2**
Shareholders' equity			
Share capital	4.9	4.9	4.9
Warrants	1.7	1.7	1.7
Share premium	1,567.9	1,567.9	1,567.9
Reserves	(149.3)	(137.0)	(142.2)
Accumulated profit	103.0	106.7	137.7
Total shareholders' equity	**1,528.2**	**1,544.3**	**1,570.0**
Total liabilities and shareholders' equity	**2,627.7**	**2,704.2**	**2,687.2**

RISK FACTORS

An investment in the notes involves a high degree of risk. You should carefully consider the risks and uncertainties described below and the other information contained in this offering memorandum before making any investment in our notes. The risks described below are not the only ones we face or to which investments in Brazil are subject. Our business, financial position, results of operations, cash flow, liquidity and reputation may be materially adversely affected by any of the risk factors described below. The trading price of our notes could be negatively affected as a result of any of these and/or other risk factors, in which case you may lose part or even all of your investment. We may be adversely and materially affected by any of these risks. Additional risks that are not currently known to us, or which we currently consider to be immaterial, may also affect our business. This offering memorandum also contains estimates and other disclosures that involve risks and uncertainties. Our results may differ significantly from those previously projected as a result of certain factors, including the risks faced by us, as described below and in other sections of this offering memorandum.

For purposes of this "Risk Factors" section, unless otherwise expressly indicated or if the context so requires, references to a risk or uncertainty that could cause or would cause, or could or would have, a "material adverse effect," "material adverse impact" or "negative effect," or similar expressions, mean that such risk or uncertainty could or would have a material adverse effect on our business, operations, reputation, financial condition, results of operations, cash flow and/or liquidity, as well as on the trading price of our notes.

Risks Related to the Company

We have a limited number of potential customers and, currently, we derive nearly all of our revenue from Petrobras. The loss of Petrobras as our customer, or a reduction of our revenue from Petrobras, could have a material adverse effect on us.

Petrobras is a significant dominant customer, and the number of other oil and gas E&P companies in the market is limited. In addition, mergers among oil and gas E&P companies have reduced and may, from time to time, further reduce the number of available customers. A reduced number of potential customers could increase the ability of remaining potential customers to achieve favorable pricing terms, which would adversely materially affect us.

For each of the six-month period ended June 30, 2024 and the year ended December 31, 2023 our gross revenue from Petrobras represented approximately 74% and 81%, respectively, of our total gross revenue. Each of our offshore drilling assets is currently contracted exclusively to Petrobras, except for the Alpha Star rig, which is currently contracted with Brava Energia and will be replaced by a new contract with Petrobras in the first quarter of 2025. Our results of operations would be materially adversely affected if Petrobras were to terminate its contracts with us, fail to renew its existing contracts with us or refuse to award new contracts to us, as there are only a limited number of potential customers that are available to replace Petrobras. Petrobras is the largest E&P company in Brazil and holds the largest drilling rigs fleet worldwide, so if it were to take any of these actions, we may be unable to enter into new charter agreements for our rigs and drillships on similar terms or on a timely basis, if at all, which would have a material adverse effect on us. Additionally, any material non-payment or non-performance by Petrobras could adversely affect our financial position, operating results and cash flows.

If we are unable to renew or obtain new and favorable contracts to replace contracts for rigs that expire or are terminated, our revenue and profitability would be materially adversely affected.

Our existing drilling contracts are scheduled to expire between 2025 and 2028, with five of our existing drilling contracts expiring by the end of 2025. Our ability to renew or obtain new contracts, including services agreements and bareboat charter agreements, and the terms of any such contracts, will depend on various factors, including market conditions and E&P companies rig demand in the future. Given the historically cyclical and highly competitive nature of our industry, we may not be able to renew or replace the contracts or we may be required to renew or replace expiring contracts or obtain new contracts at dayrates below the current market projections, or that have terms that are less favorable to us, including shorter durations than our existing contracts, which could materially adversely affect us. Moreover, we may be unable to secure contracts for these rigs. Failure to secure contracts for a rig may result in a decision to warm or cold stack the rig, which puts the rig at risk for impairment and may competitively disadvantage the rig as many customers have expressed a preference for ready or warm-stacked rigs over cold-stacked rigs. If a decision is made to cold stack a rig, our operating costs for the rig are typically reduced; however, we will incur additional costs associated with cold stacking the rig (particularly if we cold stack a newer rig, such as a drillship, for which cold-stacking costs are typically substantially higher). In addition, the costs to reactivate a cold-stacked rig may be substantial.

We can provide no assurance that our drilling contracts will not be terminated early or that our current backlog of contract drilling revenue ultimately will be realized.

Our contracts with our customers permit them to terminate or impose penalties, under certain circumstances, such as (1) delays in delivering a contracted rig, (2) the destruction or loss of a drilling rig, (3) any failure of a contracted rig to pass customer acceptance testing within the period specified in the contract, (4) downtime for repairs or operational problems that exceed permissible levels under our contracts, (5) specified safety-related issues, or (6) any failure to comply with minimum performance criteria or other obligations set forth in such contracts, among other events that are beyond our control. The damages we suffer and the expenses we may incur from any of these events are not always fully payable or reimbursable. Any downturn in the oil and gas market might affect not only the dayrates, but also the standard terms and conditions of contracts we enter into the future. These future contracts may include a termination clause related to convenience, and such clauses may contemplate a termination fee payable to the contractor, while others may include a payment for those services already rendered. Although we negotiate these terms and conditions by including minimum contract durations and exceptions and other carve-outs, we may not always succeed. Termination of our contracts as a result of these clauses may cause us to incur significant costs and expenses that may not be fully reimbursable. If our existing drilling contracts are terminated before the maturity of the notes or the Revolving Credit Facility, the collateral on the receivables arising from those contracts would be affected if we do not renew or obtain new contracts.

As of September 30, 2024 and June 30, 2024, we maintained a backlog of $1.6 billion and $1.1 billion, respectively, for contract drilling.

In addition, our ongoing drilling contracts only allow customers to terminate the contract in case of breach of some fundamental clauses. During depressed market conditions, certain customers have utilized, and may in the future utilize, such contract clauses to seek to renegotiate or terminate a drilling contract or claim that we have breached provisions of our drilling contracts in order to avoid their obligations to us under circumstances where we believe we are in compliance with the contracts. Additionally, because of depressed commodity prices, tight credit markets, economic downturns, changes in priorities, strategy or government regulations, customer consolidation or other factors beyond our control, a customer may no longer want or need a rig that is currently under contract or may be able to obtain a comparable rig at a lower dayrate. For these reasons, customers have sought and may in the future seek to renegotiate the terms of our existing drilling contracts, terminate our contracts without justification or repudiate or otherwise fail to perform their obligations under our contracts. As a result of such contract renegotiations or terminations, our contract backlog has been and may in the future be adversely impacted. Although unlawful termination will give rise to the right to damages, judicial measures may take time and may not fully compensate us for the loss of the contract and we may be required to idle one or more rigs for an extended period of time. These results in some cases in the past have had, and may in the future have, a material adverse effect on our financial condition, results of operations and cash flows.

We pursue long-term dayrate contracts with our customers. Increases in our operating costs, which fluctuate, including based on certain events outside our control, could materially adversely affect our profitability.

In periods of rising demand for rigs, drilling contractors generally prefer to enter into well-to-well or other shorter-term contracts that allow the contractor to profit from increasing dayrates, while customers with established long term drilling programs typically prefer longer term contracts in order to maintain dayrates at a consistent level. Conversely, in periods of decreasing demand for offshore drilling rigs, drilling contractors generally prefer longer term contracts to preserve dayrates and avoid idle periods, while customers generally prefer well-to-well or shorter-term contracts that allow the customers to benefit from the decreasing dayrates. We expect, based on our contracted backlog, that the great majority of our revenues for the foreseeable future will come from long-term contracts, so we may be unable to fully benefit from increasing dayrates in an improving market, which could materially adversely affect our profitability.

In general, our operating costs increase as the business environment for drilling services improves and demand for oilfield equipment and skilled labor increases. In addition, the costs of materials, parts and equipment maintenance fluctuate depending on the type of activity and the age and condition of the equipment. While certain of our existing contracts include escalation provisions that allow us to increase the dayrate based on the consumer price index as published by the United States Bureau of Labor Statistics and by the Brazilian Institute of Geography and Statistics — IBGE (*Instituto Brasileiro de Geografia e Estatística*) and the Getúlio Vargas Foundation — FGV (*Fundação Getúlio Vargas*), the timing and amount we earn from these higher dayrates may differ or be delayed from our actual higher operating costs. Additionally, we may incur expenses relating to preparation for drilling operations under a new contract. If our rigs are idle between assignments, the opportunity to reduce the size of our crews on these rigs may be limited as our crews may be engaged in preparing the rig for a new assignment. When a rig faces longer idle periods, reductions in operating costs also may take time as our crew may be required to prepare the idle rig for stacking and for maintenance in the stacking period. Our increased operating costs and financial expenses may result in our operating at a net loss in the future. Given our high percentage of long-term dayrate contracts with limited cost escalation provisions, we may not be able to recoup increased operating costs, which may adversely affect our margins and profitability. Additionally, prolonged periods of low utilization and dayrates have in the past resulted in, and may in the future result in, the recognition of further impairment charges on certain of our drilling rigs if future cash flow estimates, based upon information available to management at the time, indicate that the carrying value of these rigs may not be recoverable. For more information on our financial condition, see "—Risks Related to Financial and Tax Matters—We may incur additional asset impairments and/or rig retirements as a result of reduced demand for certain offshore drilling rigs."

An increase in costs necessary to enter into new agreements could adversely affect our operations, and we may be required to make capital expenditures to maintain our fleet and to comply with laws and regulations and standards of governmental authorities and organizations, or to enter into new agreements, each of which could have a material adverse impact on our available cash resources and results of operations.

As of the date of this offering memorandum, we own a total fleet of seven offshore rigs, including six modern ultra-deepwater dynamically positioned rigs in operation. Additionally, commencing in the third quarter of 2025 we will manage and operate the Tidal Action rig. We are currently seeking new customers as well as new opportunities in the international market, and we may experience additional or unexpected costs related to the entering into of new agreements and face new risks related to operating in new markets, including costs related to our learning curve in the new market and our operations, which could be different and higher than originally estimated. Any additional costs may adversely affect our capital and operating expenditures. These expenditures could increase as a result of changes in the following:

- customer requirements;
- failure or delay of third-party equipment vendors or service providers;
- unforeseen increases in the cost of equipment, labor and raw materials, particularly steel;
- length of drilling contracts;
- shortage of shipyard capacity globally and in Brazil;
- shipyard availability or disputes with shipyards;
- financial and other difficulties at shipyards and other suppliers;
- work stoppages; and
- impact of new governmental regulations, among others.

If in the future we enter into contracts for construction or refurbishment, significant cost overruns or delays for these or other reasons could materially adversely affect our financial condition and results of operations. The damages we suffer and the expenses we incur from any of these events are not always fully reimbursable by the shipyards constructing the units. Additionally, our actual capital expenditures for rig upgrade, refurbishment and construction projects as well as in connection with adapting our rigs for international tenders could materially exceed our budgeted capital expenditures. Delays in commencing operations due to upgrades or refurbishments may also incur penalties or provide termination rights to the operator, which now are common terms and conditions of tenders.

As part of our business strategy, we have in the past and may in the future pursue business opportunities that include acquisitions of businesses or drilling rigs, mergers or joint ventures or other investments, and such transactions would present various risks and uncertainties.

The drilling industry has experienced consolidation and may experience additional consolidation, which could create additional large companies that we would need to compete with. We have in the past considered merger opportunities and may in the future pursue transactions that involve the acquisition of businesses or assets, mergers or joint ventures or other investments that we believe can enable us to further expand to compete with such large companies or enhance our business. Any such transaction would be evaluated on a case-by-case basis, and its consummation would depend upon numerous factors, including identifying suitable targets or assets that align with our business strategy, reaching agreement with the potential counterparties on acceptable terms, the receipt of any applicable regulatory and other approvals, and other conditions. Any such transactions would involve various risks including, among others, the following:

- difficulties related to integrating or managing applicable parts of an acquired business or joint venture and unanticipated changes in customer and other third-party relationships subsequent to closing;
- diversion of management's attention from day-to-day operations;
- failure to realize anticipated benefits, such as cost savings, revenue enhancements or business synergies;
- the potential for substantial transaction expenses; and
- potential accounting impairment or actual diminution or loss of value of our investment if future market, business or other conditions ultimately differ from our assumptions at the time any such transaction is consummated.

Certain of our partnerships may not succeed.

Our strategy includes growth, including through partnerships and co-investments with various entities. The risks related to our partnerships include, among others: (1) difficulty in maintaining a positive relationship with our partners; (2) financial, operational, regulatory or reputational difficulties of our partners, which difficulties may result in delay or cancellation of projects or additional investments; and (3) divergence of financial, commercial or strategic interests between us and our partners. The occurrence of these risks may adversely affect the estimated results of our partnerships, may reduce our expected backlog, or may result in the need for additional investments or the loss of investments we have made (or may make in the future) in these partnerships.

Our failure to comply with trade compliance, economic sanctions laws and regulations of the United States and applicable international jurisdictions, and anti-corruption laws and regulations could materially adversely affect results of operations and any alleged violation of such laws and regulations could materially adversely affect our reputation.

Our business must be conducted in compliance with applicable economic and trade sanctions laws and regulations, such as those administered and enforced by the U.S. Department of Treasury's ("U.S. Treasury") Office of Foreign Assets Control, the U.S. Department of State, the U.S. Department of Commerce, the United Nations Security Council and other relevant sanctions authorities. Additionally, we and our subsidiaries are subject to a number of anti-corruption laws, including Law No. 12,486/2013 and Law No. 8,429/1992, and various other anti-corruption and anti-bribery laws of other jurisdictions. Furthermore, the Brazilian anticorruption law states that the controlling, controlled or affiliated companies of the wrongdoer are jointly liable for the payment of fines and full restitution of the damage caused by the illegal acts. If we, or our subsidiaries, fail to comply with any of these laws, we could be subject to civil or administrative penalties, other remedial measures and legal and other expenses, which could materially adversely affect our business, reputation, results of operations and financial condition. Despite our compliance efforts and activities, we cannot assure compliance by our employees or representatives for which we may be held responsible, and any such violation could materially adversely affect our reputation, business, financial condition and results of operations.

Our global operations expose us to the risk of violating, or being accused of violating, economic and trade sanctions laws and regulations. Our failure to comply with these laws and regulations may expose us to reputational harm as well as significant penalties, including criminal fines, imprisonment, civil fines, disgorgement of profits, injunctions and debarment from government contracts, as well as other remedial measures. Investigations of alleged violations can also be expensive and disruptive.

We depend on a limited number of key suppliers and vendors to provide equipment that we need to operate our business, and any failure by our key suppliers and vendors to supply necessary equipment on a timely basis or at all, could materially adversely affect us.

We depend upon a limited number of key suppliers and vendors to provide us with equipment and other services necessary for the construction, maintenance and operation of our rigs. Although we contract with most of our suppliers and vendors at fixed prices and require them to pay delivery delay penalties, our suppliers may, among other things, extend delivery times, raise contract prices and limit supply due to their own shortages and business requirements. If our suppliers or vendors were to fail to provide equipment or service to us on a timely basis, we could experience disruptions in our operations, which could have a material adverse effect on our revenue and results of operations, and we may be unable to satisfy the requirements contained in our drilling contracts, which could subject us to fines or cancellation of these agreements.

Consolidation among key suppliers and vendors could limit our ability to obtain equipment and services on terms favorable to us. In the last decade, the overall number of suppliers and vendors in this sector has decreased, resulting in fewer alternatives to obtain important equipment and services. Increases in costs or lack of availability of equipment could result in our inability to enter into new contracts for new rigs, or the stoppage of certain of our rigs for a prolonged period of time, which could have a material adverse effect on us.

Failure to employ or retain a sufficient number of highly skilled workers or an increase in labor costs could hurt our operations and materially adversely affect us.

The uptime level of our rigs and our market position depend on maintaining low turnover rates among the crew and key officers of our rigs. We require highly skilled personnel to operate and provide technical services to, and support for, our rigs. The increase of the oil and gas sector in Brazil and the growth of the Brazilian economy generally, resulted in more rigs operating, and under construction in the same area in which we operate. Therefore, we expect increased competition for qualified crew and other personnel. There is no assurance that we will be able to recruit and retain enough skilled professionals to meet our service demands and support our business growth, considering that our rigs may lose personnel due to competition for skilled labor from other drilling rig operators.

Shortages of skilled personnel to operate our rigs or our inability to attract and retain qualified personnel could also materially adversely affect the quality and timeliness of our rigs operations. Competition for skilled personnel could materially impact our business by limiting or affecting the quality and safety of our operations or increasing our operating costs, which may have a material adverse effect on us. In addition, the unexpected loss of members of management, qualified personnel, or a significant number of employees due to disease, disability or death, could have a material adverse effect on us.

The market value of our drilling units may decrease.

If the offshore drilling industry suffers adverse developments in the future, the fair market value of our drilling units may decrease. The fair market value of the drilling units that we currently own, or may acquire in the future, may decrease depending on a number of factors, including:

- the types, sizes and ages of drilling units;
- the supply and demand for drilling units;

- the costs of newbuild drilling units;
- the prevailing level of drilling services contract dayrates;
- governmental or other regulations; and
- technological advances.

If drilling unit market values fall significantly, we may have to record an impairment adjustment in our consolidated financial statements, which could adversely affect our financial results and condition.

Risks Related to Our Industry

A substantial or extended decline in expenditures by oil and gas companies due to a decline or volatility in oil and gas prices may reduce long-term demand for our services.

Oil and gas prices and market expectations regarding potential changes in these prices significantly affect the level of exploration, development and production activity by oil and gas companies. Oil and gas are commodities, and therefore, their prices are subject to wide fluctuations in response to changes in supply and demand. Oil and natural gas prices have historically been volatile, with Brent crude oil prices ("Brent") averaging $88 per barrel from January 2022 to October 2024. This lengthy decrease in oil prices has in turn caused a sustained decline in the demand for offshore drilling services. Operators have implemented significant declines in capital spending in their budgets, including the cancellation or deferral of existing programs, and are expected to maintain reduced budgets in 2024. These markets will likely continue to be volatile in the future.

The prices that oil and gas producers receive for their production and the levels of their production depend on numerous factors beyond their control, including, but not limited to:

- political and economic conditions, including embargoes, wars, uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities, insurrection or other crises in the Middle East, Africa, South America or other geographic areas or acts of terrorism in the United States, or elsewhere;
- the global demand for oil and gas;
- the cost of exploring for, developing, producing and delivering oil and gas;
- the policies of the Brazilian government regarding exploration and development of their oil and gas reserves;
- advances in exploration, development and production technology;
- Brazilian tax and royalty policies; and
- the development and availability of alternative fuels.

Any prolonged reduction in oil and gas prices may reduce the levels of exploration, development and production activity. Moreover, even during periods of high commodity prices, our customers may cancel or curtail their drilling programs, or reduce their levels of capital expenditures for E&P for a variety of reasons, including their lack of success in exploration efforts. Additionally, in the past multiple rigs have completed their contracts prior to signing new ones for continued work, leading to an oversupply of drilling rigs. These developments have exerted pricing pressure on our market. We cannot accurately predict the future level of demand for our services or future conditions in the oil and gas industry. If these or other factors were to reduce the level of exploration, production and development of oil and gas, it could cause our revenue and margins to decline, decrease dayrates and reduce utilization of our rigs and limit our future growth prospects. A significant decrease in dayrates or the utilization of our rigs could materially reduce our revenue and profitability.

Global ultra-deepwater rig demand is highly dependent on Petrobras' development plan for offshore drilling in Brazil.

In November 2023, Petrobras disclosed its 2024-2028 strategic plan, which provides for an aggregate of $102 billion in capital expenditure, representing a 31% increase from an aggregate of $78 billion in capital expenditures in its 2023-2027 strategic plan. Approximately $73 billion (or 72%) of these capital expenditures are budgeted for E&P projects, which may lead to a slight increase in demand for our services. Petrobras expects to reach a total production of oil and gas, in Brazil and abroad, of 3.2 million boepd in 2028. However, Petrobras may not spend the sums outlined in its business plan within the next years. Additionally, the efficiency of drilling operations in offshore Brazilian waters has increased significantly, reducing the time needed to drill a pre-salt well from an average of 246 days in 2010 to an average of 70 days by 2024. This time reduction tendency may result in oversupply of drilling rigs (given that rigs on average remain active shorter periods) and longer periods of stacking.

This is particularly relevant to us as an oil and gas contract drilling company, because we make significant investments in and incur significant amounts of indebtedness related to our operating units, and therefore, we depend on the efficient utilization of these assets. In addition, the extraction of oil and gas from the Brazilian oil fields may be more costly than currently estimated, and the volume and quality of oil and gas reserves may be lower than estimated. Furthermore, Petrobras may not be able to obtain the necessary financing for its E&P program due to budget pressures, higher interest rates, adverse credit or equity markets and other factors. Lower oil prices or lower-than-expected production may also prompt Petrobras to curtail its drilling program. Any substantial reduction in Petrobras' proposed offshore drilling program would reduce demand for offshore drilling services worldwide, which may materially erode dayrates and/or utilization rates for our semi-submersible rigs and drillships, which could have a material adverse effect on us.

Our industry is highly competitive and cyclical, with potential intense price competition and oversupply of drilling equipment.

The contract drilling industry is highly competitive with numerous international and domestic industry participants. Drilling contracts are generally awarded on a competitive bid basis. Intense price competition is often the primary factor in the bidding process, although technical specifications, safety records, competency, rig availability and location are also considered in determining which qualified contractor is awarded a contract. Demand for contract drilling and related services is influenced by a number of factors, including current and expected prices of oil and gas and expenditures of oil and gas companies for E&P activities. In addition, demand for drilling services remains dependent on a variety of political and economic factors beyond our control, including the level of costs for Brazilian offshore oilfield and construction services, the discovery of new oil and gas reserves in Brazil, and Brazilian regulatory restrictions on offshore drilling. Our competition includes international companies and Brazilian-controlled companies. Certain of our competitors have premium assets on their fleets and may have greater financial resources than we do, which may enable them to compete more effectively on the basis of price and have more capacity to adapt their current rigs to required specifications, reactivate cold stacked rigs or acquire existing rigs.

In addition, the contract drilling business is subject to cyclical variations. In particular, the offshore service industry perceives mimics and amplifies the general swings observed on the oil & gas sector, with periods of high demand, limited rig supply and high dayrates, that can be followed by periods of low demand, excess rig supply and low dayrates. Periods of low demand and excess rig supply intensify the competition in the industry and often result in rigs, particularly lower specification rigs, being idle for long periods of time or being scrapped. Prolonged periods of low utilization and reduced dayrates could result on us having to recognize impairment charges on certain of our rigs if future cash flow estimates, based upon information available to our management at any time, indicates that we may be unable to recover the carrying value of these rigs. If we are unable to compete successfully for future drilling contracts or adequately manage the cyclical nature of our business, there would be a material adverse effect on our margins and our results of operations.

Moreover, demand and contract prices customers are willing to pay for our rigs are affected by the total supply of comparable rigs available for service in Brazil. During prior periods of high utilization and dayrates, industry participants have increased the supply of rigs by ordering the construction of new rigs. Historically, this has created an oversupply of drilling rigs and has caused a decline in utilization and dayrates when these rigs enter the market, sometimes for extended periods of time until such rigs have been absorbed into the active fleet. The entry into new agreements, as well as changes in our competitors' drilling rig fleets, could require us to make material additional capital investments to keep our rig fleet competitive.

The outbreak and spread of a pandemic and other large-scale public health events could have a material adverse effect on our business, financial condition and results of operations.

Economic conditions in the countries where we operate may be adversely affected by an outbreak of a contagious disease, such as COVID-19, which may develop into a regional or global pandemic and other large scale public health events. The measures taken by governments, regulators and businesses to respond to any such pandemic or event may lead to slower or negative economic growth, supply disruptions, inflationary pressures and significant increases in public debt. Such measures could also impact the business and operations of third parties that provide critical services to us.

If the outbreak of a new pandemic or another large-scale public health event were to occur in the future, we may experience an adverse impact, which may be material, on our business, financial condition and results of operations, including as a result of the exacerbation of any of the other risks described in this section.

Unionization efforts and labor regulations in certain countries in which we operate could materially increase our labor costs or limit our flexibility in how we manage our personnel.

In Brazil, substantially all our employees are subject to collective bargaining agreements that require periodic salary negotiations and the granting of other benefits, which usually result in higher personnel costs and other benefits. In addition, we may be subjected to strikes, work stoppages, or threats thereof, and other labor disruptions in certain countries where we operate.

Additional unionization efforts, new collective bargaining agreements, or work stoppages could increase our workforce costs, reduce our revenues, interrupt our operations, or limit our flexibility in managing our personnel, which could materially adversely affect us. Legal obligations in the countries in which we operate require us to contribute certain amounts to retirement funds or other benefit plans and restrict our ability to dismiss employees. Future regulations or court interpretations in these countries could increase our costs and have a material adverse effect on our business, financial condition, results of operations, or cash flows.

Inflation may adversely affect our operating results and increase working capital investments required to operate our business.

Inflationary factors such as increases in labor costs, material costs and overhead costs have adversely affected, and may continue to adversely affect, our operating results. Inflationary pressures may also increase other costs to operate or reactivate our drilling rigs. Our contracts for our drilling rigs generally provide for the payment of an agreed dayrate per rig operating day. Although some contracts do provide for a limited escalation in dayrate due to increased operating costs we incur on the project, we may not be able to fully recover increased costs due to inflation from our customers. If we are unable to recoup such increased costs, our operating margins will decline. Continuing or worsening inflation could significantly increase our operating expenses and capital expenditures, which could in turn have a material adverse effect on our business, financial condition, results of operations or cash flows.

We must make substantial capital and operating expenditures to reactivate, build, maintain and upgrade our drilling fleet.

Our business is highly capital intensive and dependent on having sufficient cash flow and/or available sources of financing in order to fund our capital expenditure requirements. Our expenditures could increase as a result of changes in offshore drilling technology; the cost of labor and materials; customer requirements; the cost of replacement parts for existing drilling rigs; the geographic location of the rigs; and industry standards. Changes in offshore drilling technology, customer requirements for new or upgraded equipment and competition within our industry may require us to make significant capital expenditures in order to maintain our competitiveness. In addition, changes in governmental regulations, safety or other equipment standards, including those relating to the COVID-19 pandemic, as well as compliance with standards imposed by maritime self-regulatory organizations, may require us to make additional unforeseen capital expenditures. As a result, we may be required to take our rigs out of service for extended periods of time, with corresponding losses of revenues, in order to make such alterations or to add such equipment. Depending on the length of time that a rig has been cold stacked, we may incur significant costs to restore the rig to drilling capability, which may also include capital expenditures due to the possible technological obsolescence of the rig. Market conditions, such as during an industry downturn, may not justify these expenditures or enable us to operate our older rigs profitably during the remainder of their economic lives. We can provide no assurance that we will have access to adequate or economical sources of capital to fund our capital and operating expenditures.

Our operations are inherently hazardous and subject to high operational risks.

Our business is subject to a range of operating hazardous risks inherent in the oil and gas sector, including:

- fires, explosions, blow-outs and surface cratering;
- uncontrollable flows of gas, oil, fluids or formation water;
- natural disasters, such as storms and other adverse weather conditions;
- gas pipelines, cement, or oil pipelines failures;
- casing collapses;
- mechanical and electrical problems, such as the loss or failure of equipment and tools;
- abnormally pressured formations;
- environmental hazards, such as gas leaks, oil spills, oil pipeline ruptures and discharges of harmful gases, or underground water and soil contamination from site operations and storage;
- compliance with licensing requirements and maintenance of all necessary licenses and permits from governmental agencies; and
- unsatisfactory performance by subcontracted suppliers in drilling wells and in performing other services safely.

The occurrence of any of these types of events could result in the suspension of our drilling operations, damage to or destruction of the equipment involved and injury or death to rig personnel and damage to producing or potentially productive oil and gas formations, oil spillage, oil leaks, well blowouts and extensive uncontrolled fires, any of which could cause significant environmental damage. In addition, offshore drilling operations are subject to marine hazards, including capsizing, grounding, collision and loss or damage from severe weather. Operations also may be suspended because of machinery breakdowns, abnormal drilling conditions, failure of suppliers or subcontractors to perform or supply goods or services or personnel shortages. Any of the foregoing events could result in significant damage or loss to our properties and assets or the properties and assets of others, injury or death to rig personnel or others, significant loss of revenues and significant damage claims against us, including damage claims by our clients, federal, state or municipal governmental entities and authorities in Brazil, and affected third parties.

Moreover, our drilling contracts with our customers provide for varying levels of indemnity and allocation of liabilities between our customers and us with respect to the hazards and risks inherent in, and damages or losses arising out of, our operations, and we may not be fully protected. Our contracts are individually negotiated, and the levels of indemnity and allocation of liabilities in them can vary from contract to contract depending on market conditions, particular customer requirements and other factors existing at the time a contract is negotiated. We may incur liability for significant losses or damages under such provisions.

Additionally, we could be held liable for substantial losses or damages and for fines and penalties imposed by governmental regulatory authorities. There can be no assurance that our contracts with our customers, suppliers and subcontractors will fully protect us against all hazards and risks inherent in our operations. There can also be no assurance that those parties with contractual obligations to indemnify us will be financially able to do so or will otherwise honor their contractual obligations.

Our industry has inherent operational risks that may not be adequately covered by our insurance.

Drilling rig operations are inherently risky. There can be no assurance that the insurance policies purchased by us from time to time will be suitable or sufficient in all circumstances or against all risks. The occurrence of a significant loss that is not insured or indemnified, in full or in part, may have a material adverse effect on our business, results of operations or financial condition. Even when we have obtained insurance coverage for risks, the amounts of such insurance may not be sufficient to cover the related losses after accounting for deductibles. Furthermore, there can be no assurance that we will be able to purchase or renew insurance policies at commercial rates and on reasonable and acceptable terms in the future, and that all of the risks arising from our operations will be insured or are insurable.

In addition, certain risks and contingencies related to pollution, reservoir damage and environmental risks are generally not fully insurable. If an accident or other event occurs that exceeds our insurance coverage limits or is not an insurable event under our insurance policies, or is not fully covered by contractual indemnity, it could result in a significant loss to us and could have a material adverse effect on our financial condition, results of operations and cash flows. For more information on our insurance, see "Business—Insurance."

Any significant cyber-attack or other interruption in network security or the operation of critical information technology systems could materially disrupt our operations and adversely affect our business.

Our business has become increasingly dependent upon information technologies, computer systems and networks, including those maintained by us and those maintained and provided to us by third parties (for example, "software-as-a-service" and cloud solutions), to conduct day-to-day operations, and we are placing greater reliance on information technology to help support our operations and increase efficiency in our business functions. We are dependent upon our information technology and infrastructure, including operational and financial computer systems, to process the data necessary to conduct almost all aspects of our business. Computer, telecommunications and other business facilities and systems could become unavailable or impaired from a variety of causes including, among others, storms and other natural disasters, terrorist attacks, utility outages, theft, design defects, human error or complications encountered as existing systems are maintained, repaired, replaced or upgraded. It has been reported that known or unknown entities or groups have mounted so-called "cyber-attacks" on businesses and other organizations solely to disable or disrupt computer systems, disrupt operations and, in some cases, steal data. In addition, the U.S. government has issued public warnings that indicate that energy assets might be specific targets of cybersecurity threats. Cybersecurity risks and threats continue to grow and may be difficult to anticipate, prevent, discover or mitigate. A breach, failure or circumvention of our computer systems or networks, or those of our customers, vendors or others with whom we do business, including by ransomware or other attacks, could materially disrupt our business operations and our customers' operations and could result in the alteration, loss, theft or corruption of data, and unauthorized release of, unauthorized access to, or our loss of access to confidential, proprietary, sensitive or other critical data or systems concerning our company, business activities, employees, customers or vendors. As of the date of this offering memorandum, many of our non-operational employees, including employees at our corporate headquarters, have a hybrid work arrangement, working both in the office and remotely, which increases various logistical challenges, inefficiencies and operational risks. Working remotely has significantly increased the use of remote networking and online conferencing services that enable employees to work outside of our corporate infrastructure and, in some cases, use their own personal devices. This "remote work" model has resulted in increased demand for information technology resources and may expose us to risk of security breaches or other cyber-incidents or attacks, loss of data, fraud and other disruptions as a consequence of more employees accessing sensitive and critical information from remote locations. Any such breach, failure or circumvention could result in loss of customers, financial losses, regulatory fines, substantial damage to property, bodily injury or loss of life, or misuse or corruption of critical data and proprietary information, could subject us to significant liabilities and could have a material adverse effect on our operations, financial condition, business or reputation. Further, as cyber incidents continue to evolve, we may be required to incur additional costs to continue to modify or enhance our protective measures or to investigate or remediate the effects of cyber incidents.

Acts of terrorism, piracy and political and social unrest could affect the markets for drilling services, which may have a material adverse effect on our results of operations.

Acts of terrorism and social unrest, brought about by world political events or otherwise, have caused instability in the world's financial and insurance markets in the past and may occur in the future. Such acts could be directed against companies such as ours. In addition, acts of terrorism, piracy and social unrest could lead to increased volatility in prices for crude oil and natural gas and could adversely affect the market for offshore drilling services. Insurance premiums could increase and coverage may be unavailable in the future. Government regulations may effectively preclude us from engaging in business activities in certain countries. These regulations could be amended to cover countries where we currently operate or where we may wish to operate in the future.

We rely on third-party suppliers, manufacturers and service providers to secure and service equipment, components and parts used in rig operations, conversions, upgrades and construction.

Our reliance on third-party suppliers, manufacturers and service providers to provide equipment and services exposes us to volatility in the quality, price and availability of such items. Certain components, parts and equipment that we use in our operations may be available only from a small number of suppliers, manufacturers or service providers. The failure of one or more third-party suppliers, manufacturers or service providers to provide equipment, components, parts or services, whether due to capacity constraints, production or delivery disruptions, price increases, quality control issues, recalls or other decreased availability of parts and equipment, is beyond our control and could materially disrupt our operations or result in the delay, renegotiation or cancellation of drilling contracts, thereby causing a loss of contract drilling backlog and/or revenue to us, as well as an increase in operating costs and an increased risk of additional asset impairments.

We may be adversely affected by illegal practices by our suppliers or outsourced service providers.

We cannot guarantee that our suppliers will not (i) have labor or environmental liabilities, (ii) irregularly process personal data, (iii) outsource the provision of their services, or the production chain, (iv) use improper security conditions, or (v) carry out irregularities to lower the cost of their products or services.

Pursuant to Brazilian law, strict and joint civil liability for repairing environmental damages applies to all parties involved in the activity that resulted in the environmental damage. Furthermore, parties that were indirectly involved may also be held jointly and strictly liable if they are being deemed as parties who benefited from the polluting activity. Contracting third parties to provide any type of services relating to our facilities or activities, such as managing contaminated areas, clearing vegetation, buildings, or the management and final disposal of solid waste, does not exempt us from liability for any environmental damage caused by the contracted party. We may be held liable for any damage caused by our service providers or suppliers, which could adversely and materially affect us. In general, the party holding greater financial resources may be required to repair the environmental damage, with right of recourse against the other parties.

Additionally, under certain circumstances, we may be held jointly and severally liable for practices adopted by our suppliers and service providers that process personal data on our behalf, such as in the event of breach of applicable laws or security breach incidents of our suppliers and service providers affecting the personal data of individuals or entities that are associated with us, which may adversely and materially affect us.

Furthermore, if our suppliers or service providers engage in improper or illegal practices particularly those relating to labor standards, Brazilian labor courts may impose liability on us for any improper practices conducted by our suppliers and service providers, and, therefore, our business operations, financial results and reputation could suffer significant adverse effects.

We may be held liable for the labor and social security obligations of our outsourced service providers.

Pursuant to Brazilian law, if outsourced service providers fail to meet their obligations pursuant to labor and social security laws, we may be held secondarily liable for the tax, labor and social security debts related to outsourced employees, for the period in which they provided services to us, regardless of our right of recourse against the outsourced service provider. This liability is inherent to contracting outsourced service providers as it is a result of our position as beneficiary of the services provided to us by their employees. We cannot predict nor quantify the liabilities associated with outsourced service providers. If these liabilities materialize, we could be adversely and materially affected.

Furthermore, if the elements indicative of an employment relationship are established, particularly those evidencing personal dependency and subordination between the outsourced employees and us, Brazilian labor courts may deem us to be the direct employer of these outsourced employees. In this case, we could be held jointly and severally liable with the outsourced service provider for the fulfillment of labor and social security obligations arising during the period in which the employees performed work for us.

Economic downturns have had, and in the future could have, a material adverse effect on our revenue, profitability and financial position.

We depend on our customers' willingness and ability to fund operating and capital expenditures to explore, develop and produce oil and gas, and to purchase drilling and related equipment. There has historically been a strong link between the development of the world economy and the demand for energy, including oil and gas. The world economy has recently faced and is currently facing a number of challenges. These include, for example, inflation, volatile energy prices, geopolitical instability and conflicts, such as the ongoing conflict between Russia and Ukraine, rising interest rates, irregular functioning of global manufacturing and supply chains (particularly in the segments of engineering and manufacturing of components for the oil and gas industry), irregular volatility in exchange rates, the impact of climate change and extreme weather events, the impact of international trade disputes and labor shortages. Worldwide economic conditions have in the past impacted, and could in the future impact, lenders willingness to provide credit facilities to our customers, causing them to fail to meet their obligations to us. In addition, adverse developments in the global economic outlook, or market perceptions concerning these issues, could reduce the overall demand for oil and natural gas and for our services, affect our costs to provide those services, and thereby impact our financial position, operating results and cash available for distribution.

In addition, our charter and service agreements are long-term contracts, subject to renewal upon our and our counterparty's consent. As a result, the long-term profitability of our operations and our ability to successfully negotiate the renewal terms of our drilling contracts depends upon long-term conditions in the oil and gas industry and, specifically, the level of exploration, development and production activity by oil and gas E&P companies. This is particularly relevant to us as an oil and gas contract drilling company, because we make significant investments in and incur significant amounts of indebtedness related to our operating units, and we therefore depend on the efficient utilization of these assets.

Moreover, any reductions in drilling activity by our customers may not be uniform across different geographic regions. Locations where costs of drilling and production are relatively higher, such as harsh environment or deepwater locations, like the areas where we operate, may be subject to greater reductions in activity. Such reductions in high-cost regions may lead to the relocation of drilling units, concentrating drilling units in regions with relatively fewer reductions in activity leading to greater competition.

To the extent we do not generate sufficient cash from operations, we may need to raise additional funds through public or private debt or equity offerings to fund our capital expenditures. Our ability to access the capital markets and react to changing economic and business conditions may be limited not only by the terms of our debt instruments and financial condition at the time, but also by adverse changes in worldwide financial and economic conditions.

An extended period of deterioration in outlook for the world economy could cause a prolonged reduction in the overall demand for our services or reduction in the level of exploration, development and production activity of oil and gas, which may adversely affect our ability to successfully negotiate the renewal terms of our charter and service contracts over the long-term or enter into new charter or service contracts upon termination of our contracts, resulting in a significant decrease in the utilization of our rigs and materially reducing our revenue and profitability. Our ability to obtain financing on terms acceptable to us or at all could also be adversely affected, which could negatively impact our operating results and cash flows beyond what might be offset by the simultaneous impact of possibly higher oil and gas prices.

If our lenders and other debt holders are not confident that we are able to employ our assets, we may be unable to secure replacement or additional financing, or amendments to our existing debt instruments, on terms acceptable to us or at all, all of which would cause a material adverse effect on us.

Risks Related to Financial and Tax Matters

We may incur additional asset impairments and/or rig retirements as a result of reduced demand for certain offshore drilling rigs.

In the past, oversupply of drilling rigs in the offshore drilling market has resulted in numerous rigs being idled and, in some cases, retired and/or scrapped over the past several years. We evaluate our property and equipment for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We have incurred impairment charges in the past, and may incur additional impairment charges in the future related to the carrying value of our drilling rigs. Impairment write-offs could result if, for example, any of our rigs become obsolete or commercially less desirable due to changes in technology, market demand or market expectations or their carrying values become excessive due to the condition of the rig, cold stacking the rig, the expectation of cold stacking the rig in the near future, a decision to retire or scrap the rig, or spending in excess of budget on a newbuild, construction project, reactivation or major rig upgrade. Asset impairment evaluations are, by their nature, highly subjective. The use of different estimates and assumptions could result in materially different carrying values of our assets, which could impact the need to record an impairment charge and the amount of any charge taken. From 2015 through 2024, we retired and sold two offshore drilling rigs and all onshore drilling rigs, and recorded net impairment losses aggregating $971 million. Historically, the longer a drilling rig remains cold stacked, the higher the cost of reactivation and, depending on the age, technological obsolescence and condition of the rig, the lower the likelihood that the rig will be reactivated at a future date. When there is an oversupply of rigs in our industry, there has usually been a heightened risk of rig impairments.

We can provide no assurance that our assumptions and estimates used in our asset impairment evaluations will ultimately be realized or that the current carrying value of our property and equipment will ultimately be realized.

Changes in tax laws and policies, effective income tax rates or adverse outcomes resulting from examination of our tax returns could adversely affect our financial results.

Tax laws and regulations are highly complex and subject to interpretation and disputes. We may conduct our worldwide operations through various subsidiaries in a number of countries throughout the world. As a result, we are subject to highly complex tax laws, regulations and income tax treaties within and between the countries in which we may operate as well as countries in which we may be resident, which may change and are subject to interpretation.

As a result, we determine our income tax expense based on our interpretation of the applicable tax laws and regulations in effect in each jurisdiction for the period during which we operate and earn income. Our overall effective tax rate could be adversely affected by lower than anticipated earnings in countries where we have lower statutory rates and higher than anticipated earnings in countries where we have higher statutory rates, by changes in the valuation of our deferred tax assets and liabilities or by changes in tax laws, tax treaties, regulations, accounting principles or interpretations thereof in one or more countries in which we operate. In addition, changes in laws, treaties and regulations and the interpretation of such laws, treaties and regulations may put us at risk for future tax assessments and liabilities which could be substantial.

Our income tax returns are subject to review and examination. We recognize the benefit of income tax positions we believe are more likely than not to be sustained on their merit should they be challenged by a tax authority. If any tax authority successfully challenges any tax position taken or any of our intercompany transfer pricing policies, or if the terms of certain income tax treaties are interpreted in a manner that is adverse to us or our operations, or if we lose a material tax dispute in any country, our effective tax rate on our worldwide earnings could increase substantially.

We may be adversely affected by changes in Brazilian tax law and unfavorable outcomes related to tax contingencies.

The Brazilian government regularly implements changes in tax laws, including adjustments to tax rates and introductions of temporary taxes, which may increase our total tax obligations and, in turn, adversely affect us.

Additionally, certain tax laws may be subject to restrictive interpretations by tax authorities. If tax authorities have an interpretation of tax laws that differs from ours, we may be adversely affected and be required to pay the full amount of the relevant taxes, plus charges and penalties. Besides that, the effects of these changes and any other changes that result from the enactment of additional tax reforms or changes in the way current tax laws are applied cannot be quantified, and there can be no assurance that these changes will not have an adverse effect on our business.

Changes in Brazilian tax legislation and increases in tax rates during periods of economic instability are frequent. In December 2023, the Brazilian Congress approved a comprehensive tax reform, which, among other things, aims to simplify the taxes charged on consumption by unifying five taxes applied at the federal, state and municipal levels to two taxes applied at the federal (contribution on goods and services) and state levels. The implementation of the new tax regime will occur gradually and in different stages (the effects shall be in force as of 2027 and 2033). We have been in the process of analyzing the impact of the new tax reform on our results of operation and financial condition. As of the date of this offering memorandum, we cannot foresee what the impacts could be.

In addition, at the end of 2023, the house of representatives also approved the bill to convert a provisional measure into law, establishing a new system for the tax treatment of revenues arising from governmental subsidies at the federal level. According to the new law, the revenues arising from governmental subsidies will be subject to corporate income tax and social contribution on net income payment.

Moreover, there have been recent changes to the tax system for the deduction of expenses with the payment of interest on net equity, by altering certain aspects of the formula for calculating such expenses and making it more restrictive than the previous rules. This has brought a relevant impact to taxpayers who benefit from subsidies for investment and funding.

We are also subject to inspections by federal, state and municipal tax authorities. As a result of these inspections, the tax authorities may question our tax positions. We cannot provide assurances that the provisions for such proceedings, if any, will be appropriate, that there will not be additional tax exposure, and that it will not be necessary to create additional tax reserves for any tax exposure. Any increase in the amount of taxes due because of challenges to our tax positions may adversely affect us.

Furthermore, Brazilian tax authorities have recently increased the number of inspections. There are several tax issues that are of concern to the Brazilian authorities and in relation to which the Brazilian authorities regularly inspect companies, including inventory control, goodwill amortization expenses, corporate restructuring and tax planning, among others. Any legal and administrative proceedings related to tax matters, in which we are involved, including those before the Administrative Council for Tax Appeals (*Conselho Administrativo de Recursos Fiscais*) and state and municipal administrative courts, may adversely affect us.

Our consolidated effective income tax rate may vary substantially from one reporting period to another.

Our consolidated effective income tax rate is impacted by the mix between our domestic and international pre-tax earnings or losses, as well as the mix of the international tax jurisdictions in which we operate. We cannot provide any assurance as to what our consolidated effective income tax rate will be in the future due to, among other factors, uncertainty regarding the nature and extent of our business activities in any particular jurisdiction in the future and the tax laws of such jurisdictions, as well as potential changes in U.S. and foreign tax laws, regulations or treaties or the interpretation or enforcement thereof, changes in the administrative practices and precedents of tax authorities or any reclassification or other matter (such as changes in applicable accounting rules) that increases the amounts we have provided for income taxes or deferred tax assets and liabilities in our consolidated financial statements. This variability may cause our consolidated effective income tax rate to vary substantially from one reporting period to another.

Changes to, the revocation of, adverse interpretation of, or exclusion from Brazilian tax regimes and international treaties to which we and our clients are currently subject may negatively impact us.

Amounts paid to us by Petrobras and our other clients in Brazil for chartering our offshore units are currently exempt from Brazilian withholding income tax. Due to the controversies around the contractual split model adopted by the oil and gas industry, Law No. 9,481 was amended in 2017 by Law no. 13,586 ("Law No. 9,481") to establish new requirements to benefit from the zero percent withholding income tax. According to the Law No. 9,481, whenever the charter or lease agreement is executed simultaneously with the services agreement, both in relation to the prospecting and exploration of oil and natural gas and signed between related parties, the amount of the charter or lease cannot exceed the following percentages, otherwise the excess will not benefit from the zero rate but rather be subject to the regular withholding income tax rates (15% or 25% if the beneficiary of the payment is resident in a low tax jurisdiction or subject to a privileged tax regime):

- 70% (seventy percent), for vessels with floating production systems and/or storage and discharge (floating production systems – FPS);
- 65% (sixty-five per cent), for vessels with a drilling rig, completion rig, workover/wellwork system (drillships); and
- 50% (fifty per cent) for other types of vessels.

In addition, our results of operations are directly affected by the special customs regime for exportation and importation of goods related to the exploration and production of oil and gas (*Regime Aduaneiro Especial de Exportação e Importação de bens destinados à exploração e à produção de petróleo e gás natural*) ("REPETRO" and "REPETRO SPED"), Brazilian tax incentive programs that allow the use of a special customs arrangement on the import and export of goods and equipment for the term of any concession agreement if they are intended to be used in the research and development of petroleum and natural gas. REPETRO is ruled by a federal decree which provides that REPETRO-SPED will remain in force until 2040. For a more detailed description of the REPETRO-SPED regime, see "Business—Brazilian Regulatory Framework—REPETRO." Any termination or modification of this tax incentive program could, in the future, have a material adverse effect on us.

Risks Related to Environmental, Social and Governance Matters

Regulations relating to greenhouse gases and climate change could have a material adverse effect on our business.

Governments around the world are increasingly considering and adopting laws and regulations to address climate change issues. Lawmakers and regulators in the U.S. and other jurisdictions where we operate have focused increasingly on restricting the emission of carbon dioxide, methane and other "greenhouse" gases and have proposed or enacted regulations requiring reporting of greenhouse gas emissions and restricting such emissions, including increased fuel efficiency standards, carbon taxes or cap and trade systems, restrictive permitting, and incentives for renewable energy. For example, the SEC recently adopted climate-related disclosure rules which are expected to materially increase the amount of time, monitoring and reporting costs related to these matters. These and other new environmental regulations may unfavorably impact us, our suppliers and our customers.

In addition to potential impacts on our business resulting from climate-change legislation or regulations, our business also could be materially adversely affected by climate-change related physical changes or changes in weather patterns. An increase in severe weather patterns could result in damages to or loss of our drilling rigs, impact our ability to conduct our operations and/or result in a disruption of our customers' operations. Moreover, there is increased focus, including by governmental and non-governmental organizations, investors and other stakeholders on these and other sustainability matters. Increasing attention to the risks of climate change has resulted in an increased possibility of lawsuits or investigations brought by public and private entities against oil and natural gas companies in connection with their greenhouse gas emissions.

In addition, efforts have been made and continue to be made in the international community toward the adoption of international treaties or protocols that would address global climate change issues and impose reductions of hydrocarbon-based fuels. Laws or regulations incentivizing or mandating the use of alternative energy sources such as wind power and solar energy have been enacted in some jurisdictions. Additionally, numerous large cities globally and several countries have adopted programs to mandate or incentivize the conversion from internal combustion engine powered vehicles to electric-powered vehicles, which may reduce demand for oil and natural gas and our drilling services.

Such policies or other laws, regulations, treaties and international agreements related to greenhouse gases, climate change, carbon emissions or energy use may negatively impact the price of oil relative to other energy sources, reduce demand for hydrocarbons and thereby reduce demand for our drilling services, limit drilling in the offshore oil and natural gas industry, require additional permits and licenses, additional equipment, systems and operational management, or otherwise unfavorably impact our business, our suppliers and our customers, and result in increased compliance costs and additional operating restrictions, all of which could materially adversely affect our business, operations, financial condition, operating results or cash flows.

Consumer preference and increasing demand for alternative fuels, energy sources and electric-powered vehicles may lead to reduced demand for contract drilling services.

The increasing penetration of renewable energy into the energy supply mix, and consumer preference and increasing demand for alternative fuels, energy sources and electric-powered vehicles may adversely impact the demand for oil and natural gas and, consequently, our contract drilling services. The evolving shift of the global energy system from fossil-based and other non-renewable energy sources to more renewable energy sources, commonly referred to as the energy transition, could have a material adverse impact on our results of operations, financial position and cash flows. As a result of changes in consumer preferences and uncertainty regarding the pace of the energy transition and expected impacts on oil and natural gas demand, some customers are transitioning their businesses to renewable energy projects and away from oil and natural gas exploration and production, which could result in reduced capital spending on oil and natural gas projects and in turn reduced demand for contract drilling services.

Increased focus on climate change, the environmental and social impacts of fossil fuel extraction and use, and other ESG matters could result in additional costs or risks and adversely impact our business and reputation and our access to capital and ability to refinance our debt.

Stakeholders, such as investors, customers, regulators and the lending community, have increased their focus on environmental, social and governance matters, including practices related to greenhouse gas emissions and climate change. Additionally, an increasing percentage of the investment community considers sustainability factors in making investment decisions, and an increasing number of entities are considering sustainability factors in awarding business. If we are unable to meet our commitments and targets and appropriately address sustainability enhancement, we may lose customers or business partners, and our reputation may be negatively affected. It may be more difficult for us to compete effectively, all of which could have a material adverse effect on our business, reputation, financial condition, results of operations, cash flows (including negative cash flows) and prospects.

Moreover, in recent years some leading asset managers have expressed a commitment to divest from investments in fossil fuels due to concerns over climate change, and some pension and endowment funds and other investors have begun to divest fossil fuel equities and pressure lenders to limit funding to companies engaged in the extraction of fossil fuels. In addition, the increased focus by the investment community on ESG-related practices and disclosures, including emission rates and overall impacts to global climate, has created, and will create for the foreseeable future, increased pressure regarding enhancement and modification of the disclosure and governance practices in our industry. The initiatives aimed at limiting climate change and reducing air pollution and the emission of greenhouse gases, including divestment from the oil and gas industry, could significantly interfere with our operations and business activities and restrict our ability to access the capital markets and refinance our debt.

Global energy supply may shift from our industry's basis, hydrocarbons, to non-hydrocarbon sources, including wind, solar, nuclear and hydroelectric, which, in turn, may adversely affect demand for our services.

Currently our business involves the extraction of hydrocarbons or fossil fuels from the seabed. The Brazilian Ministry of Mines and Energy and the Company for Energy Research also anticipate that oil and gas production in Brazil will increase over 40% until 2030, and the U.S. Energy Information Administration anticipates that oil and natural gas will continue to account for a significant portion of energy fuel mix both in the U.S. and globally through 2040. However, driven by concerns over the risks of climate change, a number of countries have adopted or are considering the adoption of regulatory frameworks to reduce greenhouse gas emissions, including emissions from the production and use of oil and gas and their product, with an ultimate goal of the abolishment of coal and other non-renewable energy sources such as oil and gas. Energy transition, or the shift to sustainable economies by means of renewable energy, has become more prevalent due to the negative effects of climate change. Our operations could be affected by the impacts of energy transition, which could require adapting our fleet and business to potentially changes in government requirements, customer preferences and our customer base. If the energy rebalancing landscape changes faster than anticipated or in a manner that we do not anticipate, demand for our services could be adversely affected. As our customers become more fully committed to energy transition, demand for our services may decrease. A decrease in demand for our services could have a material adverse effect on our financial condition, results of operations and cash flows. Furthermore, if we fail to, or are perceived not to, effectively implement an energy transition strategy, or if investors or financial institutions further shift funding away from companies in fossil fuel-related industries, our access to capital or the market for our securities could be negatively impacted.

Complex and stringent environmental laws and regulations may increase our exposure to environmental and other liabilities, may increase our operating costs and adversely affect the operation of our rigs.

Our business is affected by laws and regulations relating to the energy industry and the environment and safety, including international conventions and treaties, and regional, national, state, and local laws and regulations. The operation of our rigs in Brazil is subject to international conventions, treaties, Brazilian environmental laws, regulations and standards at the federal, state and local levels, as well as market standards and clients' standards and requirements. Compliance with these laws, regulations and standards may require installation of additional costly equipment, increased staffing, and higher operating expenses. Violation of these laws, regulations and standards may result in administrative, civil and/or criminal liability and penalties for us and our directors and officers, such as fines, suspension or interruption of our operations, and prohibitions or restrictions on participation in future charter bids sponsored by government-controlled entities, among other sanctions, in addition to civil liability related to the obligation to repair any environmental damage. As Brazilian environmental laws impose strict, joint and unlimited civil liability for remediation or compensation of damages to the environment and to jeopardized third parties, including those in connection with spills and releases of oil and hazardous substances, we could be subject to liability even if we were not negligent or at fault or for the conduct of, or conditions caused by others, including charterers or third-party agents. The payment of any environmental liabilities or penalties or the costs that we may incur to remedy environmental pollution could have a material adverse effect on our operations and financial condition. The obligation to repair environmental damage is not subject to statutes of limitation and the corporate veil of an entity could be pierced if it is deemed an obstacle to repairing the environmental damage.

The laws, regulations and technical requirements governing maritime and drilling operations in Brazil have become increasingly complex, more stringently enforced and more expensive to comply with, and this trend is likely to continue. Amendments to existing laws and regulations or changes in the application or the creation of new laws, regulations and technical standards may be highly restrictive and impose significantly increased costs on the operation of our business, or otherwise materially adversely affect our operating results or future prospects. For more information relating to Brazilian law, see "Business—Brazilian Regulatory Framework."

Risks Related to Legal and Regulatory Matters

We are subject to extensive Brazilian and international laws and regulations that could significantly limit our business activities and revenues and increase our costs.

Our operations are subject to numerous local, state and federal laws and regulations in the countries where we operate and in foreign jurisdictions concerning the containment and disposal of hazardous materials, the remediation of contaminated properties and the protection of the environment. Laws and regulations protecting the environment have become increasingly stringent, and may in some cases impose "strict liability," rendering a person liable for environmental damage without regard to negligence or fault on the part of that person. We may be required to make significant expenditures for additional capital equipment or inspection and recertification thereof to comply with existing or new governmental laws and regulations. It is also possible that these laws and regulations may in the future add significant costs to our operations or result in a substantial reduction in revenues associated with downtime required to install such equipment or may otherwise significantly limit drilling activity. In addition, legislative and regulatory developments may occur that could substantially increase our exposure to liabilities that might arise in connection with our operations.

Moreover, the offshore drilling industry is dependent on demand for services from the oil and gas exploration industry and, accordingly, can be affected by changes in tax and other laws relating to the energy business generally. Furthermore, the energy sector could be negatively impacted by executive orders and suspensions, as government administrations worldwide focus on the impact of climate change and target a fully clean energy economy and net-zero emissions.

Governments in some countries are increasingly active in regulating and controlling the ownership of concessions, the exploration for oil and gas and other aspects of the oil and gas industry. The modification of existing laws or regulations or the adoption of new laws or regulations curtailing exploratory or developmental drilling for oil and gas for economic, environmental or other reasons could limit drilling opportunities.

U.S. federal, state, foreign and international laws and regulations address oil spill prevention and control and impose a variety of obligations on us related to the prevention of oil spills and fines, penalties and liability for remediation, restoration or compensation costs for environmental or natural resource damages, as well as third-party damages resulting from such spills. Some of these laws and regulations have significantly expanded liability exposure across all segments of the oil and gas industry. For example, the United States Oil Pollution Act of 1990 imposes strict and, with limited exceptions, joint and several liability upon each responsible party for oil removal costs and a variety of public and private damages.

Failure to comply with laws and regulations could subject us to civil or criminal enforcement action, for which we may not receive contractual indemnification or contractual indemnification provisions in our drilling contracts are not enforceable or otherwise sufficient. Additionally, we may have no or insufficient insurance coverage. Competent authorities and courts may issue injunctions restricting some or all of our activities in the affected areas.

Changes in local content policies may materially adversely affect our business.

Many governments favor or effectively require the awarding of drilling contracts to local contractors or require nonlocal contractors to employ citizens of, or purchase supplies from, a particular jurisdiction or require use of a local agent. These practices may adversely affect our ability to compete in those regions. It is difficult to predict what government regulations may be enacted in the future that could adversely affect the international drilling industry.

The local content policy in Brazil has historically required that, for E&P companies in Brazil, a certain percentage of their investments in capital goods and services must be contracted with local service providers and producers. Compliance with minimum local content requirements was initially a criterion in assessing bids for exploration blocks at ANP auctions. From the seventh ANP bidding round for concessions of oil and gas blocks onwards, ANP has been including minimum local content requirements for a list of items both during the exploration and development activities within the production phase. Since 2007, compliance with minimum local content requirements is required to be verified by means of a certification system.

The discoveries of oil and gas in the pre-salt area have led to debates among governmental authorities, investors, the press and the Brazilian public about the need to make changes to the regulatory framework of the oil and gas sector. The National Energy Policy Council (*Conselho Nacional de Política Energética*) ("CNPE") determined the reduction of the minimum percentages of local content requirements. In 2023, the mandatory local content percentages applicable to offshore exploratory blocks were adjusted by CNPE, as follows:

- 30% in the exploration phase; and
- 30% for well construction, 40% for the collection and offloading system and 25% for the stationary production unit, in the development phase.

Further to governmental local content policies, our business significantly depends on the local content policies adopted by participants in the oil and gas sectors, especially Petrobras. Changes in these policies may cause a material adverse effect on our business.

Our failure to maintain or renew all necessary authorizations and certifications required for the operation of our rigs, and changes in current licensing regimes may have a material adverse effect on our operations.

Our business is affected by laws and regulations relating to the energy industry and the environment and safety, including international conventions and treaties, and regional, national, state, and local laws and regulations.

The operation of our rigs in Brazil requires several authorizations from Brazilian government entities, including IBAMA, DPC, port captaincies, ANP, the Brazilian Health Surveillance Agency (*Agência Nacional de Vigilância Sanitária*) ("ANVISA"), the Brazilian Revenue Service (*Receita Federal do Brasil*), as well as the Department of Immigration, for crew and foreign personnel visas. Moreover, if and as we include additional services or equipment to our rigs, we may need to obtain and maintain additional permits. Obtaining and maintaining necessary authorizations and certifications is a complex, time-consuming process. Our failure to timely obtain, maintain or renew any such required authorizations or any disputes in connection with any such authorizations, or our failure to comply with the terms and requirements of our permits and authorizations, could result in the suspension or termination of the operation of certain of our rigs or the imposition of material fines, penalties or other liabilities, which could have a material adverse effect on our results of operations. In addition, as a result of a decision by the regulators, Petrobras or any other charterer of our rigs may require that we maintain additional quality and safety certifications, or meet certain additional quality and safety targets, during the term of a relevant charter agreement. Our failure to obtain and maintain these certifications or to otherwise meet these targets may result in the early termination of the affected charter agreements or in our failure to be eligible to enter into additional charters, which could have a material adverse effect on our revenues and results of operations.

In addition, certain of our drilling contracts require that we comply with applicable international conventions, rules, regulations and self-regulatory standards, including the International Maritime Organization's Code for the Construction and Equipment of Mobile Offshore Drilling Units. We and our drilling rigs are also subject to laws and regulations applicable in accordance with their flag and place of operation, as well as the technical requirements of third parties, including classification societies and insurers. These laws, regulations and technical requirements include provisions for the protection of the environment, natural resources and human health and safety and also require the payment of fees, taxes, the maintenance of classifications, and the maintenance of various permits and licenses. These laws, regulations and technical requirements may require us to incur significant expenditures, and breaches may result in fines and penalties, including suspension of operation, which may be material. We will be responsible for bearing any increased costs required to maintain compliance with any such laws, regulations or other requirements.

Our international operations are subject to various risks.

We may operate in various regions throughout the world. As a result of our international operations, we may be exposed to political and other uncertainties, particularly in less developed jurisdictions, including risks of:

- terrorist acts, armed hostilities, war and civil disturbances, including, for example, the ongoing conflict between Russia and Ukraine;
- acts of piracy, which have historically affected ocean-going vessels;
- abduction, kidnapping and hostage situations;
- significant governmental influence over many aspects of local economies;
- the seizure, nationalization or expropriation of property or equipment;
- uncertainty of outcome in foreign court proceedings;
- the repudiation, nullification, modification or renegotiation of contracts;
- limitations on insurance coverage, such as war risk coverage, in certain areas;
- political unrest;
- foreign and U.S. monetary policy and foreign currency fluctuations and devaluations;
- the inability to repatriate income or capital;
- complications associated with repairing and replacing equipment in remote locations;
- import-export quotas, wage and price controls, and the imposition of trade barriers;
- U.S., UK, European Union (the "EU") and foreign sanctions or trade embargoes;
- receiving a request to participate in an unsanctioned foreign boycott under U.S. law;

- compliance with various jurisdictional regulatory or financial requirements;
- compliance with and changes to taxation, including any resulting tax disputes;
- interacting and contracting with government-controlled organizations;
- other forms of government regulation and economic conditions that are beyond our control;
- legal and economic systems that are not as mature or predictable as those in more developed countries, which may lead to greater uncertainty in legal and economic matters; and
- government corruption.

In addition, international contract drilling operations are subject to various laws and regulations of the countries in which we may operate, including laws and regulations relating to:

- the equipping and operation of drilling units;
- exchange rates or exchange controls;
- the repatriation of foreign earnings;
- oil and gas exploration and development;
- the taxation of offshore earnings and the earnings of expatriate personnel;
- the use and compensation of local employees and suppliers by foreign contractors; and
- the actions of foreign governments, including initiatives by OPEC, may adversely affect our ability to compete.

If any of the aforementioned risks materializes, we may suffer a material adverse effect.

In addition, we may not have insurance coverage for these risks, or we may not be able to obtain adequate coverage for such events at reasonable rates. Our operations could be restricted, disrupted or prohibited in any country where these risks occur, which may adversely affect us.

Mobilization and relocating rig activities may adversely affect us.

The offshore drilling industry is a global market requiring flexibility for rigs, depending on their technical capability, to relocate and operate in various environments, moving from one area to another. The mobilization of rigs is expensive and time-consuming and can be impacted by several factors including, but not limited to, governmental regulation and customs practices, availability of tugs and tow vessels, weather, currents, political instability, civil unrest, and military actions, such as the conflict between Russia and Ukraine, and rigs may as a result become stranded. Some jurisdictions enforce strict technical requirements on the rigs requiring substantial physical modification to the rigs before they can be utilized. Such modifications may require significant capital expenditures, and as a result, may limit the use of the rigs in those jurisdictions in the future. In addition, mobilization carries the risk of damage to the rig. Failure to mobilize a rig in accordance with the deadlines set by a specific customer contract could result in a loss of compensation, liquidated damages or the cancellation or termination of the contract. In some cases, we may not be paid for the time that a rig is out of service during mobilization. In addition, in the hope of securing future contracts, we may choose to mobilize a rig to another geographic market without a customer contract in place. If no customer contracts are obtained, we would be required to absorb these costs. Mobilization and relocating activities could therefore potentially materially adversely affect our business, financial condition, and results of operations.

We may be subject to litigation and disputes that could have a material adverse effect on us.

We are, from time to time, involved in litigation and disputes. These matters may include, among other things, contract disputes, environmental claims or proceedings, employment and tax matters, claims of infringement of patent and other intellectual property rights, and other litigation that arises in the ordinary course of our business. We cannot predict with certainty the outcome or effect of any dispute, claim or other litigation matter, and there can be no assurance as to the ultimate outcome of any litigation. We may not have insurance for litigation or claims that may arise, or if we do have insurance coverage it may not be sufficient, insurers may not remain solvent, other claims may exhaust some or all of the insurance available to us or insurers may interpret our insurance policies such that they do not cover losses for which we make claims or may otherwise dispute claims made. Litigation may have a material adverse effect on us because of potential adverse outcomes, defense costs, the diversion of our management's resources and other risk factors inherent in litigation or relating to the claims that may arise.

Furthermore, oil and gas operations involve a high degree of risk, including fire hazards, explosions, accidental releases of oil, natural gas, or well fluids, oil and gas contamination, structural failures, and other incidents that could negatively impact our operations. If any of these events occur, they could result in environmental damage, injuries to people, loss of life, and/or other consequences that could lead to litigation and disputes, as well as significant adverse impacts on our reputation, business, operations, and financial condition. For more information on operating hazards risks, see "—Our operations are inherently hazardous and subject to high operational risks."

Unfavorable decisions in administrative, judicial, or arbitration proceedings involving us, our subsidiaries, our directors, executives, or shareholders may have a material adverse effect on our business, financial performance, and reputation. We may not have recorded sufficient provisions for any liabilities arising from such proceedings and our business, operating results, financial condition, and reputation may be negatively impacted by such unfavorable decisions.

We cannot guarantee that the use of our drilling units will not infringe the intellectual property rights of others.

Certain of the intellectual property rights relating to our drilling units and related equipment are owned by our suppliers. In the event that one of our suppliers becomes involved in a dispute over an infringement of intellectual property rights relating to equipment owned by us, we may lose access to repair services or replacement parts or could be required to cease using some equipment. In addition, our competitors may assert claims for infringement of intellectual property rights related to certain equipment on our drilling units and we may be required to stop using such equipment and/or pay damages and royalties for the use of such equipment. The consequences of these technology disputes involving our suppliers or competitors could adversely affect our financial results and operations. We have indemnity provisions in some of our supply contracts to give us some protection from the supplier against intellectual property lawsuits. However, we cannot make any assurances that these suppliers will have sufficient financial standing to honor their indemnity obligations or guarantee that the indemnities will fully protect us from the adverse consequences of such technology disputes. We also have provisions in some of our client contracts to require the client to share some of these risks on a limited basis, but we cannot provide assurance that these provisions will fully protect us from the adverse consequences of such technology disputes. For information relating to legal proceedings on intellectual property rights, see "Business—Legal Proceedings —Other Matters."

Risks Related to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This influence, as well as Brazilian political and economic conditions, may materially adversely affect our business, results of operations and financial condition.

Substantially all of our operations and customers are located in Brazil. Accordingly, our financial condition and results of operations are substantially dependent on Brazil's economy. The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policies and regulations influencing the Brazilian economy. The Brazilian government's actions to control inflation and other regulations and policies have in the past involved, among other measures, interventions in interest rates and in the foreign exchange market, changes in tax policies, price controls, capital controls, limits on imports and other actions. We have no control over, and cannot predict the measures or policies that the Brazilian government may adopt in the future.

Our business, results of operations and financial condition may be adversely affected by changes in public policies at the federal, state and municipal levels, related to taxes, currency exchange control, as well as other factors, such as:

- applicable regulations and increase in fines for any violations of law applied by the Brazilian government, including through ANP, as well as state and local governments;

- oil and gas prices in Brazil and abroad;
- interest rates;
- foreign exchange controls and restrictions on remittances abroad;
- monetary policy;
- exchange rate fluctuations;
- changes in labor and regulatory rules;
- inflation;
- liquidity in Brazilian financial and capital markets;
- expansion or contraction of the Brazilian economy;
- tax policies and changes in tax laws;
- import and export controls;
- increased unemployment;
- economic, social and political instability;
- public health, including as a result of epidemics and pandemics;
- energy shortages; and
- other political, diplomatic, social, environmental, climate and economic developments in or affecting Brazil.

Uncertainty over whether the Brazilian government will implement changes in policy or regulations affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and in the securities of Brazilian companies, including the notes.

Political instability may adversely affect us.

The Brazilian economy has been and continues to be affected by political events in Brazil, which have also affected the confidence of investors and the public in general, adversely affecting the performance of the Brazilian economy and causing heightened volatility of securities issued by Brazilian companies.

Brazilian markets experienced heightened volatility in the last decade due to uncertainties deriving from the *Lava Jato* and other investigations that have materially impacted the Brazilian economy and political environment. Numerous members of the Brazilian government and of the legislative branch, as well as senior officers of large state-owned and private companies have been convicted of political corruption of officials accepting bribes by means of kickbacks on contracts granted by the government to several infrastructure, oil and gas, and construction companies, among others.

The ultimate outcome of these investigations is uncertain, but they had an adverse impact on the image and reputation of the implicated companies, and on the general market perception of the Brazilian economy. The development of those unethical conduct cases has and may continue to adversely affect us.

Relatedly, in the aftermath of the 2022 election results, there were mass protests and demonstrations throughout Brazil, and it is unclear whether this heightened state of political and social tension will intensify and lead to further political uncertainty. We cannot predict the scope, nature and impact of political conflicts, nor that of any policy changes or reforms, or reversals thereof, that the current administration will implement, including the effect that such conflicts, changes or reforms may have on our business, financial condition, results of operations or on the Brazilian economy as a whole.

Any of the above factors may create additional political uncertainty, which could have a material impact on the Brazilian economy and on our business, financial condition and results of operations.

Inflation and any efforts by the Brazilian government to curb inflation may have an adverse effect on us.

Brazil has experienced high rates of inflation in the past. Inflation and certain governmental actions to curb inflation, together with the speculation about governmental measures to be adopted, have materially and adversely affected the Brazilian economy and contributed to economic uncertainty in Brazil, heightening volatility in the Brazilian capital markets, which could adversely affect us.

Brazil's General Price Index (*Índice Geral de Preços – Mercado*) index, recorded inflation of 1.1% in the six months ended June 31, 2024, inflation of (3.2)% in 2023 and inflation of 5.5% in 2022 and 17.8% in 2021. Measures adopted by the Brazilian government to control inflation have historically included the maintenance of a restrictive monetary policy with high interest rates, thereby limiting the availability of credit and reducing economic growth. The Monetary Policy Committee (*Comitê de Política Monetária*) ("COPOM") frequently adjusts the official base interest rates in situations of economic uncertainty to meet the economic goals established by the Brazilian government. During recent years there has been significant volatility in the official Brazilian base interest rate (*Sistema Especial de Liquidação e Custódia*) ("SELIC rate"), set by the COPOM, which ranged from 2.00%, on December 31, 2020 to 11.75% as of December 31, 2023. As of the date of this offering memorandum, the SELIC rate is 10.5%.

Any future measures taken by the Brazilian government, including changes in interest rates, intervention in the exchange market and the implementation of mechanisms to adjust or defend the value of the *real* may trigger inflation, adversely affecting the overall performance of the Brazilian economy. If Brazil experiences high inflation in the future, there could be a significant increase in our operating expenses, negatively impacting our financial condition.

Exchange rate instability may adversely affect the Brazilian economy and, as a result, us.

The *real* has suffered significant depreciations and appreciations in relation to the U.S. dollar and other strong foreign currencies in the last four decades. During this period, the Brazilian government implemented a number of economic plans and exchange rate policies, including sudden devaluations, periodic mini-devaluations, exchange controls, dual exchange rate markets and a floating exchange rate system. Since 1999, Brazil has adopted a floating exchange rate system with interventions by the Central Bank, in buying or selling foreign currency. We cannot assure you these measures will not be taken by the Brazilian government in the future or that we will not be adversely affected by a depreciation or appreciation of the *real* against the U.S. dollar and other currencies.

In 2021, the Brazilian *real* depreciated by 7.4% against the U.S. dollar and on December 31, 2021, the *real*/U.S. dollar selling exchange rate was R$5.5805 per $1.00. In 2022, the Brazilian *real* appreciated by 7.0% against the U.S. dollar and on December 31, 2022, the *real*/U.S. dollar selling exchange rate was R$5.2177 per $1.00. As of December 31, 2023, the *real*/U.S. dollar selling exchange rate was R$4.8413, as reported by the Central Bank, representing a 7.2% appreciation of the *real* in 2023. As of June 30, 2024, the *real*/U.S. dollar selling exchange rate was R$5.5589, as reported by the Central Bank, representing a 14.8% appreciation of the *real* in the first semester of 2024.

We cannot assure you that the *real* will not significantly appreciate or depreciate in relation to the U.S. dollar. Depreciation of the *real* may create additional inflationary pressures in Brazil and cause increases in interest rates, which may negatively affect the overall Brazilian economy and, consequently, us, due to decreased consumption and increased costs. In addition, as prices of oil and gas are calculated based on the U.S. dollar, fluctuations in the *real*/U.S. dollar exchange rate have a direct impact on our source of revenue. We have no control over and cannot predict the Brazilian foreign exchange policy. We may be adversely affected by changes in foreign exchange policies.

Developments and the perception of risk in other countries, particularly in the United States, European countries and emerging markets, including China, adversely affect the Brazilian economy and the market price of Brazilian securities, including our notes.

The market value of securities of Brazilian issuers is affected to varying degrees by economic and market conditions in other countries, including the United States, China, European countries and other Latin American and emerging market countries. Although economic conditions in the United States and European countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these countries may adversely affect the market value of securities of Brazilian issuers, including the notes. Moreover, crises or significant developments in other countries and capital markets may diminish investors' interest in securities of issuers with significant operations in Brazil, including the notes, and their trading price, limiting or preventing our access to capital markets and to funds to finance our future operations at acceptable terms.

Additionally, the financial crisis and political instability in the United States, the trade war between the United States and China, crises in Europe and other countries, as well as the consequences of Brexit affected the global economy, producing a number of effects that directly or indirectly affected the whole of the Brazilian capital markets and economy, including fluctuations in the price of securities of listed companies, reduced availability of credit, deterioration of the global economy, fluctuation in exchange rates and inflation, among others, which may adversely affect us.

We are also subject to impacts arising from the political tension between the United States, Iran and Iraq, the conflict between Russia and Ukraine, as well as other conflicts in the Middle East and East Asia, including the conflict between Israel and Hamas, and Yemeni rebels' hijackings and assaults on ships crossing the Red Sea, where a significant part of the world's seaborne crude oil flows through. The sanctions imposed by various countries against Russia, including regarding the purchase of oil and gas from Russia, has affected the price of oil and gas worldwide, including in Brazil. If these sanctions continue to be imposed or if there is an escalation in tensions and sanctions between the United States, Iran, Iraq, Russia, and possibly other European countries, the price of oil could fluctuate further, continuing to affect the commodities and energy market in Brazil and in the world, which could affect our operating costs, revenues and consumer expenses and, therefore, adversely affect us.

Any further downgrading of Brazil's credit rating may adversely affect us.

Credit ratings affect investors' perceptions of risk and, as a result, the yields required on debt issuances in the financial markets. Rating agencies regularly evaluate Brazil and its sovereign ratings, taking into account a number of factors including macroeconomic trends, fiscal and budgetary conditions, indebtedness and the prospect of change in these factors.

As of the date of this offering memorandum, Brazil's sovereign credit ratings were BB with a stable outlook, Ba1 with a stable outlook and BB with a stable outlook as reported by Fitch, Moody's and S&P, respectively, which in all cases is below investment grade. We cannot assure you that rating agencies will maintain Brazil's sovereign credit ratings.

Any downgrading in Brazil's sovereign credit ratings may increase the perception of risk of investors and, as a result, adversely affect the price of securities issued by Brazilian companies, including us, adversely affecting our rating and, consequently, the trading price of our notes.

Risks Related to the Merger and Escrow Proceeds

If the conditions to the escrow are not satisfied, the Escrow Issuer will be required to redeem the notes, which means that you may not obtain the return you expect on the notes.

The gross proceeds from this offering of the notes will be deposited into the Escrow Account. The release of initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions, earnings and other property and payments credited to the Escrow Account in connection with the notes (less any property and/or funds paid in accordance with the Escrow Agreement) to the Escrow Issuer to consummate the Merger will be subject to the satisfaction of certain conditions, including the closing of the Merger substantially concurrently with or promptly following the release of such Escrow Property. The consummation of the Merger is subject to certain closing conditions. If the Merger is not consummated on or prior to the Escrow Outside Date, or upon the occurrence of certain other events, the Escrow Property will not be released to the Escrow Issuer to consummate the Merger but instead will be released to the Trustee under the Indenture that will govern the notes for the purpose of redeeming the notes pursuant to a special mandatory redemption described in this offering memorandum and you may not obtain the return you expect to receive on the notes.

The special mandatory redemption price will be a price equal to 101.0% of the initial issue price of the notes *plus* accrued and unpaid interest from the Closing Date to, but excluding, the special mandatory redemption date. Additional cash in respect of interest that would accrue on the notes from and after the Closing Date of 1% of principal will not be pre-funded into the Escrow Account on the Closing Date, but Constellation will commit on or prior to the date of the consummation of this offering to, in the event of a special mandatory redemption, fund the difference between the amounts in the Escrow Account that are available to be applied to redeem the notes pursuant to the special mandatory redemption and the special mandatory redemption price, *plus* fees and expenses of the Trustee, the Collateral Agent. There can be no assurance that the Escrow Issuer will have sufficient funds necessary to pay any shortfall required to fund a special mandatory redemption.

Upon a special mandatory redemption, you may not be able to reinvest the proceeds from the redemption in an investment that yields comparable returns. In addition, if you purchase the notes at a price greater than the price at which the notes are redeemed, you may suffer a loss on your investment. Although the Trustee under the Indenture that will govern the notes, for the benefit of the holders of the notes, will be granted a first-priority lien on the funds in escrow, the ability of holders of the notes to realize such funds would generally be subject to certain bankruptcy and insolvency law limitations in the event of the bankruptcy or insolvency of the Escrow Issuer.

The consummation of the Merger could be delayed.

The Merger is subject to a number of closing conditions that must be satisfied prior to the consummation of the Merger. It is possible that the consummation of the Merger could be delayed or the Merger could fail to close. If the Merger is not consummated on or prior to the Escrow Outside Date, or upon the occurrence of certain other events, the Escrow Property will not be released to Constellation to consummate the Merger but instead will be released to the Trustee under the Indenture that will govern the notes for the purpose of redeeming the notes pursuant to a special mandatory redemption in accordance with the procedures set forth therein.

The notes will be obligations solely of the Escrow Issuer until satisfaction of the Release Conditions.

Prior to the satisfaction of the Release Conditions, holders of the notes will not have any recourse to Constellation, the Guarantors or any of their respective subsidiaries, and the notes will be the obligations solely of the Escrow Issuer. The Escrow Issuer is a limited purpose entity and does not hold or otherwise have any interest in any material assets other than the Escrow Account. As a result, the sole recourse of the holders prior to the consummation of the Merger will be to the funds deposited in the Escrow Account.

In a bankruptcy proceeding, the holders of notes might not be able to apply the Escrow Property to repay the notes without bankruptcy court approval.

If Constellation commences a bankruptcy or reorganization case, or one is commenced against Constellation, while the Escrow Account remains funded, bankruptcy law may prevent the Trustee under the Indenture that will govern the notes from using the Escrow Property to pay the special mandatory redemption. The court adjudicating that case might find that the Escrow Account and the Escrow Property are the property of the bankruptcy estate. Although the amounts in the Escrow Account will be pledged as security for the notes during the term of the escrow, the automatic stay provisions of the federal bankruptcy laws generally prohibit (or at a minimum delay) secured creditors from foreclosing upon or disposing of a debtor’s property without prior bankruptcy court approval (which may not be given under the facts and circumstances). As a result, holders of the notes may not be able to have the funds in the Escrow Account applied at the time or in the manner contemplated by the Indenture that will govern the notes and could suffer a loss as a result. If the court adjudicating that case finds that the Escrow Account and Escrow Property are the property of the bankruptcy estate, the court could authorize the use of such funds by the bankruptcy estate or the bankruptcy trustee, if one is appointed, with or without restrictions. As a result, the holders of the notes could become unsecured creditors of the bankruptcy estate. In such event, the only remedy available to the holders of the notes would be to sue for payment on the notes.

Risks Related to the Notes and this Offering

Constellation is a holding company with no independent operations or assets and it is dependent on cash flow and dividend distributions generated by its operating subsidiaries.

Constellation is a holding company, and all of its assets are held by its direct and indirect subsidiaries. Repayment of our indebtedness, including the notes, is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. The ability of our subsidiaries to make dividend or other payments to us is affected by, among other factors, the obligations of these subsidiaries to their creditors, requirements of the relevant corporate and other laws in the jurisdiction in which each subsidiary operates, and restrictions contained in agreements entered into by or relating to these entities.

While the Indenture governing the notes limits the ability of our restricted subsidiaries to incur consensual restrictions on their ability to pay dividends or make intercompany payments to us, these limitations are subject to certain qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required payments on our indebtedness, including the notes.

The assets of any non-guarantor subsidiaries may not be available to make payments on the notes.

Our subsidiaries (other than the Subsidiary Guarantors), may in the future include one or more special purpose vehicles established to finance a project for the acquisition, construction, upgrade or development of any drillship, drilling rig, floating production, storage and offloading vessel or other related vessel or facility, and any of our subsidiaries that are prevented by contract, law or applicable regulations from guaranteeing the notes will not be required to guarantee the notes. For more information on the guarantees of the notes, see "Description of the Notes—Certain Covenants—Additional Note Guarantees."

In the event that any of our non-guarantor restricted subsidiaries becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, holders of their debt, and their trade creditors generally, will be entitled to payment on their claims from the assets of that subsidiary before any of those assets are made available to us or any Guarantor. Consequently, your claims in respect of the notes will be effectively subordinated to all of the liabilities of our subsidiaries (other than the Subsidiary Guarantors), including trade payables. In addition, the Indenture will, subject to certain limitations, permit these subsidiaries to incur additional indebtedness and will not contain any limitation on the amount of other liabilities, such as trade payables, that these subsidiaries may incur.

Not all of our subsidiaries will be Guarantors and therefore the notes will be structurally subordinated to all indebtedness of our subsidiaries that do not become Guarantors.

Not all of our subsidiaries will become Guarantors after the consummation of the Merger and the release of the Escrow Property. Consequently, you will not have any claim as a creditor against any of our subsidiaries that do not become Guarantors. The Indenture that will govern the notes will, subject to some limitations, permit these subsidiaries to incur additional indebtedness. Debt and other liabilities, including trade payables, whether secured or unsecured, of those subsidiaries will be effectively senior to your claims against those subsidiaries. The notes will not be secured by any of the assets of non-guarantor subsidiaries.

The Indenture governing the notes will permit the incurrence of additional debt, some of which may be secured debt.

As of June 30, 2024, our total consolidated indebtedness amounted to $949.9 million, $946.8 million of which was secured indebtedness. We and our subsidiaries may be able to incur substantial additional indebtedness, including secured indebtedness, or provide guarantees in the future. The terms of the Indenture will restrict, but will not completely prohibit us, our subsidiaries and the Guarantors from doing so but do not limit the ability of any Project Finance Subsidiaries to incur additional indebtedness. The Indenture will also allow us to issue additional notes under certain circumstances, which will also be guaranteed by the Guarantors. In addition, the Indenture will not prevent us from incurring other liabilities that do not constitute indebtedness. For more information on the definition of indebtedness, see "Description of the Notes."

An active trading market for the notes may not develop.

The notes constitute a new issue of securities, for which there is no existing market. We intend to apply to list the notes on SGX-ST. We cannot assure investors that the listing will be obtained. We are not under any obligation to make a market with respect to the notes, and we cannot assure you that trading markets will develop or be maintained, that holders of the notes will be able to sell their notes, or the price at which such holders may be able to sell their notes. If an active trading market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition, prospects for other companies in our industry, political and economic developments in and affecting Brazil, the risk associated with Brazilian issuers of similar securities and the market for similar securities. Even if an active trading market for the notes does develop, there is no guarantee that it will continue. Historically, the market for non-investment grade debt has been subject to severe disruptions that have caused substantial volatility in the prices of securities similar to the notes. The market, if any, for the notes may experience similar disruptions, and any such disruptions may adversely affect the liquidity in that market or the prices at which you may sell your notes. In addition, subsequent to their initial issuance, the notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our performance and other factors.

We may be unable to purchase the notes upon a specified change of control event, which would result in defaults under the Indenture governing the notes.

The terms of the notes will require us to make an offer to repurchase the notes upon the occurrence of a specified change of control event that results in a ratings decline at a purchase price equal to 101% of the principal amount of the notes, *plus* accrued interest to the date of the purchase. Any financing arrangements we may enter may require repayment of amounts outstanding upon the occurrence of a change of control event and limit our ability to fund the repurchase of your notes in certain circumstances. It is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of notes or that restrictions in our credit facilities and other financing arrangements will not allow the repurchases. For more information on the definition of change of control, see “Description of the Notes—Change of Control.”

We may enter into transactions that would not constitute a change of control that could affect our ability to satisfy our obligations under the notes.

Legal uncertainty regarding what constitutes a change of control and the provisions of the Indenture that will govern the notes may allow us to enter into transactions, such as recapitalizations, reorganizations and other highly leveraged transactions that would not constitute a change of control but may increase our outstanding indebtedness or otherwise affect our ability to satisfy our obligations under the notes. The definition of change of control for purposes of the notes includes a phrase relating to the transfer of “*all or substantially all*” of our assets taken as a whole. Although there is a limited body of case law interpreting the phrase “*substantially all,*” there is no precise established definition of the phrase under applicable law. Accordingly, your ability to require us to repurchase notes as a result of a transfer of less than all of our assets to another person may be uncertain.

We are a leveraged company and may be unable to reduce our leverage ratios over time.

We have a substantial amount of indebtedness in relation to our equity. As of June 30, 2024, we had a consolidated indebtedness of $949.9 million. Assuming that the notes were issued on that date and the use of proceeds thereof and upon the consummation of the liquidity event, we would have had $650 million of consolidated indebtedness. Our indebtedness could adversely affect our ability to repay the notes.

Our level of indebtedness could have important adverse consequences to you, including the risks that:

- our ability to obtain additional financing for working capital, capital expenditures, strategic investments and/or acquisitions or general corporate purposes may be impaired in the future;
- we may not be able to refinance our existing indebtedness and renew, extend or replace our letters of credit on terms that are favorable to us or at all;

- a substantial portion of our cash flows from operations must be dedicated to the payment of principal and interest on our indebtedness, decreasing the amount of cash available for other purposes;
- our level of indebtedness may prevent us from raising the funds necessary to repurchase all of the notes tendered to us upon the occurrence of a change of control; and
- our failure to comply with the restrictive covenants contained in the instruments governing our indebtedness, which, among other things, may require us to maintain certain financial ratios and limit our ability to incur debt and sell assets, could result in an event of default that, if not cured or waived, could have a material adverse effect on our business or our prospects.

In addition, our strategy to reduce our leverage over time may not be successful, which could further emphasize the risk described above.

Federal and state statutes may allow courts, under specific circumstances, to void the notes, Note Guarantees and related security interests and require noteholders to return payments received.

If the Escrow Issuer, Constellation or any Guarantor becomes a debtor in a case under the U.S. Bankruptcy Code or encounter other financial difficulty, under federal or state fraudulent conveyance and transfer law a court may avoid or otherwise decline to enforce the notes or the Note Guarantees and the related security interests, if any. A court might do so if it is found that when the Escrow Issuer issued the notes or the Guarantors entered into their respective Note Guarantees and, if applicable, granted related security interests, or in some states when payments became due under the notes or the Note Guarantees, the Escrow Issuer, Constellation or the Guarantors received less than reasonably equivalent value or fair consideration and:

- were insolvent or rendered insolvent by reason of such incurrence;
- were left with inadequate capital to conduct our business;
- believed or reasonably should have believed that we would incur debts beyond our ability to pay; or
- were a defendant in an action for money damages or had a judgment for money damages docketed against the Escrow Issuer, Constellation or any Guarantor if, in either case, the judgment is unsatisfied after final judgment.

The court might also avoid an issuance of notes or a guarantee or the related security interest, if any, without regard to the above factors, if the court found that the Escrow Issuer issued the notes or the applicable Guarantor entered into its guarantee and, if applicable, provided the related security interest with the actual intent to hinder, delay or defraud our creditors.

A court would likely find that the Escrow Issuer, Constellation or a Guarantor did not receive reasonably equivalent value or fair consideration for the notes or its guarantee or the related security interest, if any, if the Escrow Issuer, Constellation or such Guarantor did not substantially benefit directly or indirectly from the issuance of the notes. Thus, if the Note Guarantees were legally challenged, any guarantee could be subject to the claim that, since the guarantee was incurred for the Escrow Issuer’s or Constellation’s benefit, and only indirectly for the benefit of such Guarantor, the obligations of the applicable Guarantor were incurred for less than reasonably equivalent value or fair consideration. If a court were to avoid the issuance of the notes or any guarantee or the related security interest, if any, you would no longer have any claim against the Escrow Issuer, Constellation or the applicable Guarantor, or the right to enforce or otherwise benefit from the applicable security interest. Sufficient funds to repay the notes may not be available from other sources, including the remaining obligors, if any. In addition, the court might direct you to repay any amounts that you already received from the Escrow Issuer, Constellation or any Guarantor. In the event of a finding that a fraudulent conveyance or transfer occurred, you may not receive any repayment on the notes. Further, the avoidance of the notes could result in an event of default with respect to our and our subsidiaries’ other debt, which could result in acceleration of that debt.

The measures of insolvency for purposes of these fraudulent conveyance and transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent conveyance or transfer has occurred. Generally, however, a Guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

We cannot assure you what standard a court would apply in determining whether the Escrow Issuer, Constellation or the Guarantors were solvent at the relevant time or that a court would agree with our conclusions in this regard, or, regardless of the standard that a court uses, that it would not determine that the Escrow Issuer, the Company or a Guarantor were indeed insolvent on that date; that any payments to the holders of the notes (including under the Note Guarantees) did not constitute preferences, fraudulent conveyances or transfers on other grounds; or that the issuance of the notes and the Note Guarantees would not be subordinated to the Escrow Issuer's, Constellation's or any Guarantor's other debt.

Although each guarantee entered into by a Guarantor will contain a provision intended to limit that Guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its Note Guarantee to be a fraudulent conveyance or transfer, this provision may not be effective as a legal matter to protect those Note Guarantees from being avoided under fraudulent conveyance or transfer law, or may reduce that Guarantor's obligation to an amount that effectively makes its guarantee worthless.

In addition, any payment by the Escrow Issuer or Constellation pursuant to the notes or by a Guarantor under a guarantee made at a time the Escrow Issuer, Constellation or such Guarantor were found to be insolvent could be avoided and required to be returned to the Escrow Issuer, Constellation or such Guarantor or to a fund for the benefit of such Escrow Issuer's or such party's creditors if such payment is made to an "insider" within a one-year period prior to a bankruptcy filing or within 90 days for any other party, and such payment would give the recipient more than it would have received in a distribution under the U.S. Bankruptcy Code in a hypothetical Chapter 7 case.

Finally, as a court of equity, a bankruptcy court may subordinate the claims in respect of the notes or Note Guarantees to other claims against the Escrow Issuer, Constellation or the Guarantors, respectively, under the principle of "equitable subordination" if the court determines that (a) the holder of notes engaged in some type of inequitable conduct, (b) the inequitable conduct resulted in injury to our other creditors or conferred an unfair advantage upon the holders of notes and (c) equitable subordination is not inconsistent with the provisions of the U.S. Bankruptcy Code.

Because each Guarantor's liability under its Note Guarantees may be reduced to zero, voided or released under certain circumstances, the holders of the notes may not receive any payments from some or all of the Guarantors.

Holders of the notes have the benefit of the Note Guarantees of the Guarantors. However, the Note Guarantees by the Guarantors are limited to the maximum amount that the Guarantors are permitted to guarantee under applicable law. As a result, a Guarantor's liability under its guarantee could be reduced to zero, depending upon (among other things) the amount of other obligations of such Guarantor. Further, under the circumstances discussed more fully above, a court under federal or state fraudulent conveyance and fraudulent transfer statutes could void the obligations under a guarantee or further subordinate it to all other obligations of the Guarantors.

Despite our indebtedness level following this offering, we may still be able to incur substantially more debt. This could further exacerbate the risks associated with our substantial leverage.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of the Indenture that will govern the notes offered hereby will restrict, but will not in all circumstances prohibit, us from doing so. Under the instruments governing our debt, including the Indenture that will govern the notes offered hereby, we will be permitted to incur substantial additional debt that ranks equal with the notes or that constitutes secured debt. Any additional debt may be governed by agreements, indentures or other instruments containing covenants that could place restrictions on the operation of our business and the execution of our business strategy in addition to the restrictions on our business that will already be contained in the Indenture that will govern the notes. Because any decision to issue debt securities or enter into new debt facilities will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of any future debt financings and whether we may be required to accept unfavorable terms for any such financings. Further, the restrictions in the Indenture that will govern the notes will not prevent us from incurring obligations, such as trade payables, that do not constitute indebtedness as defined in such debt instruments.

The Indenture that will govern the notes offered hereby will impose significant operating and financial restrictions on Constellation and its restricted subsidiaries, which may adversely affect our ability to respond to changes in our business and to manage our operations.

The Indenture that will govern the notes offered hereby will, and any additional debt financing we may incur may, impose significant operating and financial restrictions on us. These restrictions will limit Constellation's ability and the ability of our restricted subsidiaries to, among other things: incur additional indebtedness; create liens on property; engage in mergers, consolidations and other fundamental changes; dispose of assets; make investments, loans or advances; make certain acquisitions; engage in certain transactions with affiliates; declare or pay dividends on, or repurchase, our stock; and change our lines of business or fiscal year.

Complying with these covenants could adversely affect our ability to respond to changes in our business and manage our operations. In addition, these covenants could affect our ability to invest capital in new businesses and fund capital expenditures for existing businesses. Our ability to comply with these covenants and any future credit facilities or debt instruments may be affected by changes in our operating and financial performance, changes in general business and economic conditions, adverse regulatory developments or other events beyond our control. A failure by us to comply with the restrictive covenants and any financial ratios or other financial condition tests contained in any future credit facilities or debt instruments could result in an event of default and, by reason of cross-default provisions, other indebtedness may then become immediately due and payable. Upon the occurrence of an event of default, the creditors could elect to declare all amounts outstanding to be due and payable and exercise other remedies as will be set forth in any future credit facilities or debt instruments. If the indebtedness under any future credit facilities or debt instruments were to be accelerated, it would have a material adverse effect on our future financial condition.

If our operating performance declines, we may in the future need to obtain waivers from other creditors to avoid being in default. We may not be able to obtain such waivers.

The Indenture that will govern the notes will not be qualified under the Trust Indenture Act and we will not be required to comply with the provisions of the Trust Indenture Act.

The Indenture that will govern the notes will not be qualified under the Trust Indenture Act and we will not be required to comply with the provisions of the Trust Indenture Act. Therefore, holders of the notes will not be entitled to the benefit of the provisions and protection of the Trust Indenture Act except to the extent there are similar provisions in the Indenture that will govern the notes.

The notes are subject to transfer restrictions.

The notes have not been registered under the Securities Act, any state securities laws or the laws of any other jurisdiction. As a result, the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemption includes offers and sales that occur outside the United States in compliance with Regulation S in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A. We do not intend to provide registration rights to holders of the notes and do not intend to file any registration statement with the SEC in respect of the notes. Due to these transfer restrictions, you may be required to bear the risk of your investment for an indefinite period of time. For more information on certain restrictions on resale and transfer, see "Transfer Restrictions" in this offering memorandum.

In the case of redemption of the notes, you may be unable to reinvest the proceeds at the same or a higher rate of return.

The Escrow Issuer may redeem the notes prior to their stated maturity pursuant to the optional redemption provision of the notes. In addition, in the event of certain changes in tax law of a taxing jurisdiction requiring the Escrow Issuer to pay Additional Amounts (as defined in "Description of the Notes"), the Escrow Issuer will have the right to redeem the notes prior to their stated maturity. For more information on the redemption of the notes, see "Description of the Notes–Optional Redemption." The Escrow Issuer may choose to redeem the notes at times when prevailing interest rates may be relatively low. Accordingly, you may not be able to reinvest the redemption proceeds in a comparable security with an effective interest rate as high as that of the notes.

Ratings of the notes may affect the market price and marketability of the notes.

The notes have been rated by S&P and Fitch. These ratings are limited in scope and do not address all material risks relating to an investment in the notes, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of such rating may be obtained from such rating agency. There is no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies if, in each rating agency's judgment, circumstances so warrant. It is also possible that such ratings may be lowered in connection with the application of the proceeds of this offering or in connection with future events, such as future acquisitions.

Holders of notes will have no recourse against us or any other parties in the event of a change in or suspension or withdrawal of such ratings. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price or marketability of the notes.

The Escrow Issuer will deposit the net proceeds received from this offering into an escrow account. The Escrow Issuer may not meet the conditions for the release of such proceeds from such escrow account. In addition, upon an early redemption, you may realize a lower return on your investment than if the notes had been held through maturity.

We will deposit the proceeds received from this offering into an escrow account and the funds may be released only after certain conditions are met, including the consummation of the Merger. There can be no assurance we will be able to fulfill such conditions. In case such conditions are not met, we may be required to redeem the notes offered hereby. Upon such redemption, you may not be able to reinvest the proceeds from the redemption in an investment that yields comparable returns. Additionally, you may suffer a loss on your investment if you purchase the notes at a price greater than the price at which they are redeemed. For further information, see "Description of the Notes—Escrow of Proceeds; Mandatory Redemption."

Risks Related to the Collateral

The notes will be secured only by the Collateral and will be effectively subordinated to the rights of our and the Guarantors' existing and future secured creditors to the extent of the value of any assets securing such other obligations and may be contractually subordinated to any Priority Lien Obligations.

The Indenture will permit Constellation to incur additional secured indebtedness, including, but not limited to, indebtedness under our credit facilities and future indebtedness to be used for capital expenditures; refinancings, restructurings and/or extensions of existing indebtedness; and general corporate purposes. The substantial majority of our debt has been and will continue to be secured debt used to purchase, maintain and upgrade drilling rigs and drilling vessels. Indebtedness under our credit facilities is secured by liens on all rigs owned by our rig and ship-owning subsidiaries. In addition, the Indenture and the Security Documents will permit Constellation to incur indebtedness that is secured by a priority lien on Collateral. If such Collateral is subject to any such priority lien, the notes will be contractually subordinated to the value of the assets securing such Priority Lien Obligations.

The fair market value of the Collateral (including the mortgaged Drilling Rigs Collateral) is subject to fluctuations, and there is no guarantee that the value of the Collateral (including the mortgaged Drilling Rigs) will be sufficient to satisfy in full amounts owed to holders of the notes, and to the extent such amounts are insufficient, the obligation of each Guarantor to repay amounts owed on the notes will be effectively subordinated to any other existing or future secured indebtedness of such Guarantor to the extent of the value of any assets securing such other obligations. If an event of default occurs under our credit facilities or under future secured indebtedness, the senior secured lenders will have a prior right to the assets mortgaged in their favor, to the exclusion of the holders of the notes, even if we are in default under the notes. In that event, our assets and the assets of the Guarantors (other than the Collateral) would first be used to repay in full all indebtedness and other obligations secured by them (including all amounts outstanding under our credit facilities), resulting in a portion of our assets being unavailable to satisfy the claims of the holders of the notes and other unsecured indebtedness. Therefore, in the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization, or other bankruptcy proceeding, subject to any preferential treatment afforded to resident creditors of any particular jurisdiction, holders of the notes, after receiving any distribution or payment in respect of the Collateral, will participate in our remaining assets ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as such notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor or other creditors who receive preferential treatment under applicable law. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the notes. As a result, holders of the notes may receive less, ratably, than holders of other secured indebtedness.

The proceeds of any sale or liquidation of the Collateral (including the mortgaged Drilling Rigs) following an event of default may not be sufficient to satisfy payments due on the notes.

The market value of the Collateral can be expected to fluctuate, depending upon general economic and market conditions affecting the oil and gas drilling services and competition from other drilling companies. Notwithstanding the current or future value of the Collateral, if an event of default with respect to the notes were to occur, our ability to realize such value upon the sale of the Collateral and to satisfy our obligations with respect to the notes will depend upon market and economic conditions, the physical condition of the Collateral, the availability of buyers with the ability and financial and regulatory capability to own and operate the Collateral and similar and other factors that may exist at the time of sale. Accordingly, there can be no assurance that the proceeds of any sale of the Collateral pursuant to the Indenture and the Security Documents following an event of default under the notes would be sufficient to satisfy payments due on the notes. Furthermore, in certain circumstances the extent to which the mortgages may be enforced and the extent to which the mortgages will have priority over the claims of other creditors is limited as certain creditors may be granted priority by operation of law over the rights of the Trustee and the noteholders arising under the mortgages and the other Collateral securing the notes.

Noteholders' rights in any proceeding against a mortgaged Drilling Rig may depend on the laws of the country where any proceeding is brought, and noteholders may have difficulty enforcing their rights in certain jurisdictions. For more information on noteholders' rights, see "—Noteholders' rights in any proceeding against a mortgaged Drilling Rig may depend on the laws of the country where any proceeding is brought, and noteholders may have difficulty enforcing their rights in certain jurisdictions."

In addition, there is no specific legal provision related to the imposition of withholding income tax on payments made by Brazilian sources to non-resident beneficiaries under guarantees or under the foreclosure of the security interest subject to the Collateral and no uniform decision from the Brazilian courts. Thus, there is a risk that tax authorities will take the position that, in the case the Guarantors are required to assume the obligation to pay amounts due under the Note Guarantees or that payments will be made with the amounts received through the foreclosure of the security interest subject to the Collateral, the funds remitted from Brazil to a non-resident holder of the notes may be subject to the imposition of withholding income tax at a general 15% rate, or at a 25% rate, if such non-resident holder is located in a tax haven jurisdiction.

If the proceeds from a sale of the mortgaged Drilling Rigs or other Collateral are not sufficient to satisfy payments due on the notes, the holders of the notes (to the extent not repaid from the proceeds of the sale of the mortgaged Drilling Rigs and other Collateral) will have only unsecured claims against the remaining assets of Constellation and the Guarantors. In addition, the Collateral securing the notes may be subject to Liens permitted under the terms of the Indenture governing the notes, whether arising before, on or after the date the notes are issued. By operation of law, certain of those Liens will have priority over the claims of the Collateral Agent and the noteholders in the Collateral securing the notes. The existence of any Permitted Liens could adversely affect the value of the Collateral as well as the ability of the Collateral Agent to realize or foreclose on such Collateral. Additionally, although Constellation and the Guarantors are obligated to take commercially reasonable efforts to cause the Collateral securing the notes to include assignments of rights to receive receivables, if an event of default with respect to the notes were to occur, the ability of the Collateral Agent and the noteholders to realize the value of such receivables may be limited in that, at such time, one or more defaults may also exist under such agreements which may entitle the charter agreement counterparty to terminate the agreement. Charter agreement counterparties may also fail to abide by the instructions of the Collateral Agent in terms of directing payments to it following an event of default which may further impair the ability of the noteholders to obtain the benefits of the contract receivables.

There also can be no assurance that the Collateral will be saleable or that there will be buyers with the financial and regulatory capability to acquire and operate the Collateral, and, even if saleable, the timing of its liquidation is uncertain. To the extent that Liens or other rights granted to third parties encumber the Collateral, such third parties have or may exercise rights and remedies with respect to the Collateral subject to such Liens that could adversely affect the value of the Collateral and the ability of the Collateral Agent to realize or foreclose on the Collateral. By its nature, some or all of the Collateral may be illiquid and may have no readily ascertainable market value. In the event that a bankruptcy case is commenced by or against us, if the value of the Collateral is less than the amount of principal and accrued and unpaid interest on the notes and all other senior secured obligations, interest may cease to accrue on the notes from and after the date the bankruptcy petition is filed. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, we cannot assure you that the proceeds from any sale or liquidation of the Collateral will be sufficient to pay the obligations due under the notes.

Before the creation and perfection of a security interest in the Collateral, the obligations under the notes and the Note Guarantees may not be fully secured.

Certain security interests in the Collateral will not be in place on the Closing Date or will not be perfected on the Closing Date pending certain filings and other actions (including, without limitation, certain consents and required registrations and records with the applicable notaries or registries) necessary for the creation and perfection of such security interests in favor of the Collateral Agent for the benefit of the notes and any other applicable Secured Party. Before the creation and perfection of a security interest in the Collateral, Constellation's obligations under the notes and the Guarantors' obligations under the Note Guarantees will not be fully secured.

Moreover, we need consent or authorization from third parties to perfect the Collateral, which may not be obtained within a reasonable time and may delay the perfection of the Collateral. Further, under certain Security Documents, we have agreed that the receivables subject to the lien shall be paid by the relevant counterparties in a blocked account controlled by a depositary bank. If we are not able to change such account with the relevant counterparties, or if we are not able to do so in a reasonable time, such receivables will be deposited in a free movement account, which is subject to third parties claims and judicial arrests.

Accordingly, in the event of a foreclosure, liquidation, bankruptcy, enforceable judicial decision or similar proceeding before a security interest in the Collateral in favor of the holder of the notes is created and perfected, Constellation's obligations under the notes and the Guarantors' obligations under the Note Guarantees will rank equally in right of payment to all of their respective unsecured unsubordinated indebtedness and the proceeds from any sale or liquidation of Collateral would not be required to be applied to the payment of Constellation's obligations under the notes and the Guarantors' obligations under the Note Guarantees.

The failure to properly perfect liens on the Collateral could materially adversely affect the Collateral Agent's ability to enforce their rights with respect to the Collateral for the benefit of the holders of the notes and any other applicable Secured Party. Accordingly, there exists the risk of a loss of the practical benefits of the liens thereon or of the priority of the liens securing the notes and the Note Guarantees.

In the event of a bankruptcy, holders of the notes may be deemed to have an unsecured claim to the extent that their obligations in respect of the notes exceed the fair market value of the Collateral.

In any bankruptcy proceeding with respect to Constellation or any of the Guarantors, it is possible that the bankruptcy trustee, the debtor-in-possession or competing creditors will assert that the fair market value of the Collateral with respect to the notes on the date of the bankruptcy filing was less than the then-current principal amount of the notes. Upon a finding by the bankruptcy court that the notes are under-secured, the claims in the bankruptcy proceeding with respect to the notes would be bifurcated between a secured claim and an unsecured claim, and the unsecured claim would not be entitled to the benefits of security in the Collateral. In such event, the secured claims of the holders of notes would be limited to the value of the Collateral. Other consequences of a finding that the notes are under-secured would be, among other things, a lack of entitlement on the part of the notes to receive post-petition interest and a lack of entitlement on the part of the unsecured portion of the notes to receive other "adequate protection" under the U.S. Bankruptcy Code. In addition, if any payments of post-petition interest had been made at the time of such finding that the notes are under-secured, those payments could be re-characterized by the bankruptcy court as a reduction of the principal amount of the secured claim with respect to the notes.

U.S. bankruptcy laws may limit your ability to realize value from the Collateral.

To the extent Constellation does become a debtor under U.S. bankruptcy laws, a secured creditor such as a holder of the notes would be prohibited from repossessing its security from a debtor in a bankruptcy case, or from disposing of security repossessed from such debtor, without bankruptcy court approval, which may not be given. Moreover, the U.S. Bankruptcy Code permits the debtor to continue to retain and use collateral even though the debtor is in default under the applicable debt instruments, provided that the secured creditor is given "adequate protection." The meaning of the term "adequate protection" under the U.S. Bankruptcy Code may vary according to circumstances, but it is generally intended to protect the value of the secured creditor's interest in the collateral as of the commencement of the bankruptcy case and may include cash payments or the granting of additional or replacement security if and at such times as the bankruptcy court in its discretion determines that the value of the secured creditor's interest in the collateral is declining during the pendency of the bankruptcy case. A bankruptcy court may determine that a secured creditor may not require compensation for a diminution in the value of its collateral if the value of the collateral exceeds the debt it secures.

In view of the lack of a precise definition of the term "adequate protection" under the U.S. Bankruptcy Code and the broad discretionary power of a bankruptcy court, it is impossible to predict:

- how long payments under the notes could be delayed following commencement of a U.S. bankruptcy case;
- whether or when the Collateral Agent could repossess or dispose of the Collateral;
- the value of the Collateral at the time of the bankruptcy petition; or
- whether or to what extent holders of the notes would be compensated for any delay in payment or loss of value of the Collateral through the requirement of "adequate protection."

In addition, although the Notes would be treated as a single class with all other debt secured by the Collateral on a *pari passu* basis (other than first-out obligations), including any undersecured portion of the Revolving Credit Facility, for voting purposes under U.S. federal bankruptcy laws, pursuant to the Priority Intercreditor Agreement, the Collateral Agent (as directed by the "Controlling Priority Lien Representative," which is initially controlled by the representative of the lenders under the Revolving Credit Facility Agreement subject to the terms of the Priority Intercreditor Agreement) initially controls all actions for the class with respect to the Collateral. As a result, the representative of the lenders under the Revolving Credit Facility Agreement may vote on behalf of the class in a way that is not in the best interests of holders of the Notes. Furthermore, under the Priority Intercreditor Agreement, the holders of the Notes may not object following the filing of a bankruptcy petition to any debtor-in-possession financing or to the use of any cash Collateral to secure that financing on the grounds of a failure to provide "adequate protection," subject to conditions and limited exceptions. After such a filing, the value of this Collateral could materially deteriorate, and holders of the Notes would be unable to raise an objection other than subject to the conditions and limited exceptions set forth in the Priority Intercreditor Agreement.

The international nature of our operations may make the jurisdiction and outcome of any bankruptcy proceedings difficult to predict and the insolvency laws of jurisdiction(s) may not be as favorable to holders of the notes as U.S. insolvency laws or those of other jurisdictions with which you may be familiar.

Constellation is incorporated in the laws of the Grand Duchy of Luxembourg, and the Constellation Group conducts most of its business from Brazil. Our Drilling Rig owning subsidiaries are organized under the laws of Brazil and certain other of our subsidiaries are incorporated under the laws of the Netherlands, Panama and the Grand Duchy of Luxembourg. Consequently, in the event of any bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceedings involving us or any of our subsidiaries, bankruptcy laws other than those of the United States could apply. We have limited operations in the United States. If we become a debtor under U.S. bankruptcy laws, bankruptcy courts in the United States may seek to assert jurisdiction over all of our assets, wherever located, including property situated in other countries. There can be no assurance, however, that we would become a debtor in the United States, or that a U.S. bankruptcy court would be entitled to, or accept, jurisdiction over such a bankruptcy case, or that courts in other countries that have jurisdiction over us, and our operations would recognize a U.S. bankruptcy court's jurisdiction if any other bankruptcy court determined that it had jurisdiction. Rather, in the event we do experience financial difficulty, it is not possible to predict with certainty in which jurisdiction insolvency proceedings would be commenced or the outcome of such proceedings, but it may include, among other jurisdictions, Brazil, where certain decisions of Constellation are made, certain members of the Company's management are located and the location of substantially all of the Company's business is conducted (and, therefore, from which substantially all of the operating revenues that may be available to service Constellation's obligations under the notes are currently derived). The insolvency laws of foreign jurisdictions may vary as to treatment of secured creditors, and such laws may be different from and/or not be as favorable to your interests as the laws of the U.S. or those of other jurisdictions with which you are familiar.

In Brazil, the right of the Collateral Agent to repossess and dispose of the Collateral securing the notes upon acceleration may be significantly impaired by applicable bankruptcy law if bankruptcy proceedings were commenced by or against Constellation or the Guarantors prior to or possibly even after the time that the Collateral Agent repossesses and disposes of the Collateral. In the event of a cross-border insolvency, Brazilian Federal Law No. 11,101/2005 (the "Brazilian Bankruptcy Law") provides for the recognition of foreign insolvency proceedings (such as a proceeding under chapter 11 of the US Bankruptcy Code), which could be recognized as a foreign main proceeding (*processo estrangeiro principal*) or a foreign non-main proceeding (*processo estrangeiro não principal*) based on the center of main interest of the debtor.

The recognition of a foreign main proceeding in Brazil will automatically (i) stay enforcement proceedings filed against the debtor, (ii) suspend the course of statute of limitations against the debtor and (iii) condition the transfer of permanent assets of the debtor on obtaining judicial authorization. In this scenario, Brazilian courts may impair the seizure of the Drilling Rigs located in Brazil, in order to protect the business activities in Brazil and/or ensure the payment of the relevant debt in accordance with Brazilian laws.

Even if an insolvency procedure is proposed under the U.S. Bankruptcy Code, its application in Brazil will depend on validation by a recognition procedure and must comply with the same parameters as the Brazilian Bankruptcy Law.

In addition, in case of judicial or extrajudicial reorganization or liquidation under Brazilian Bankruptcy Law, it is impossible to estimate the period that payments under the notes could be delayed following commencement of the proceedings. If the obligors file for judicial reorganization, the Collateral Agent may be prevented from enforcing the Collateral. The judicial reorganization proceeding binds all pre-filing unsecured (and certain secured) debts, even those not yet due, and they will be paid in accordance with the reorganization plan submitted by the debtor, which must be approved by the quorum provided for in Brazilian Bankruptcy Law in a creditors' meeting and, subsequently, ratified by the bankruptcy court. In certain circumstances, the Brazilian Bankruptcy Law also grants the debtor the possibility to judicially cram down the plan. The reorganization plan results in the replacement and renewal of all claims subject to the proceeding and is binding on the debtor and the relevant creditors.

In relation to a liquidation proceeding, the Collateral Agent is prohibited from repossessing or disposing of the Collateral securing the notes because all assets of the debtor, including the Collateral, will be sold in order to pay the creditors according to the priority order established in the Brazilian Bankruptcy Law. Secured claims have certain priority in the ranking, up to the amount of the Collateral. Any shortfall will be classified as "unsecured debt." For more information regarding the bankruptcy liquidation ranking, see "Certain Matters Related to Bankruptcy in Brazil."

Luxembourg bankruptcy laws may be less favorable to you than bankruptcy and insolvency laws in other jurisdictions.

The Escrow Issuer is a private limited liability company (*société à responsabilité limitée*) and Constellation is a public limited liability company (société anonyme), each organized and existing under the laws of Luxembourg, and as such any insolvency proceedings applicable to such companies would in principle be governed by Luxembourg law. The insolvency laws of Luxembourg may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar.

In addition, certain creditors of the Escrow Issuer and Constellation may hold security rights (*rights in rem*) over certain financial instruments (including negotiable instruments or other financial instruments), which upon the inception of insolvency proceedings may, subject to legal reservations, have priority in enforcement when compared to the rights of other creditors (including the holders of the notes).

Moreover, the Luxembourg law of 10 August 1915 on commercial companies, as amended (the "Luxembourg Companies Law") differs in some material respects from laws generally applicable to U.S. corporations and security holders, including the provisions relating to interested directors, mergers, amalgamations and acquisitions, takeovers, security holder lawsuits and indemnification of directors. Under Luxembourg law, the duties of directors of a company are generally owed to the company only. Security holders of Luxembourg companies generally do not have rights to take action against directors of the company, except in limited circumstances. Directors of a Luxembourg company must, in exercising their powers and performing their duties, act in good faith and in the interests of the company as a whole and must exercise due care, skill and diligence. Directors have a duty not to put themselves in a position in which their duties to the company and their personal interests may conflict and also are under a duty to disclose any personal interest in any contract or arrangement with the company or any of its subsidiaries. If a director of a Luxembourg company is found to have breached his or her duties to that company, he or she may be held personally liable to the company in respect of that breach of duty. A director may be jointly and severally liable with other directors implicated in the same breach of duty.

For more information on the Limitations on Enforcement of Note Guarantees and on Insolvency Proceedings in Luxembourg, see "Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Note Guarantees and Security Interests—Luxembourg—Limitations on Enforcement of Note Guarantees," and "Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Note Guarantees and Security Interests – Luxembourg – Insolvency Proceedings in Luxembourg."

Brazilian insolvency laws may be less favorable to investors than insolvency laws in other jurisdictions.

If Constellation or a Brazilian Guarantor is unable to pay when due its respective obligations under the notes and the Note Guarantees, the relevant obligor may become subject to reorganization or insolvency proceedings in Brazil. The claims related to the notes may be subject to such proceedings. The Brazilian Bankruptcy Law currently in effect contemplates 4 types of voluntary reorganization proceedings: (i) preliminary injunctive relief request, (ii) judicial reorganization, which has similarities with the corporate reorganization proceedings provided under the U.S. Bankruptcy Code's Chapter 11, (iii) extrajudicial reorganization, which is a form of "pre-pack" arrangement that is submitted to court confirmation to bind a dissenting or absenting minority of creditors and (iv) proceedings to recognize a foreign insolvency, which is akin to the US Bankruptcy Code Chapter 15 proceeding; and one-liquidation proceeding (*falência*), which may be either voluntary or involuntary). However, these proceedings may be less favorable to creditors than those of certain other jurisdictions, such as the United States. Technicalities may undermine the ability of the holders of the notes to directly participate or otherwise receive distributions in such insolvency proceedings. As a general rule, the claim related to the notes in any Brazilian insolvency proceedings will be listed on behalf of the Trustee (acting pursuant to the Indenture) or the Collateral Agent on behalf of and for the benefit of the holders. The holders of the notes wishing to participate directly in a Brazilian insolvency proceeding may need to retain a local counsel to separate their individual claims from those listed on behalf of the Trustee or the Collateral Agent. Also, the Trustee or the Collateral Agent may not be entitled to vote in any insolvency proceeding unless it provides written evidence that it has received proxies from the holders of the notes in accordance with the terms of the Indenture (if permitted by the Indenture). In case of liquidation, a court may order each holder of the notes to file an individual proof of claim (as opposed to a single claim filed by the Trustee for the benefit of the holders of the notes), for which holders of the notes may need to engage local counsel. In the latter scenario, the Trustee may be unable to remit distributions to the holders of the notes. For more information relating to bankruptcy law in Brazil, see "Business—Brazilian Regulatory Framework—Certain Matters Related to Bankruptcy in Brazil."

Noteholders' rights in any proceeding against a mortgaged drilling rig may depend on the laws of the country where the proceeding is brought, and noteholders may have difficulty enforcing their rights in certain jurisdictions.

The right of the Collateral Agent to repossess and dispose of the mortgaged drilling rigs upon acceleration or in case of bankruptcy may be significantly impaired by the need to take judicial action in the jurisdiction where the drilling rig is operating to enforce a possessory claim in respect of the mortgaged drilling rigs. Although the Atlantic-Star, Alpha Star, Gold Star, Lone Star, Amaralina Star, Laguna Star and Brava Star drilling rigs are owned by companies registered in the Netherlands and currently hoist Marshall Island flags, as the mortgaged drilling rigs will be operating within the territorial waters of Brazil, the arrest and seizure of a mortgaged drilling rig would require enforcement by a judicial order issued by a Brazilian court, as applicable. Brazil has not ratified the International Convention relating to the Arrest of Sea-Going Ships, 1952, nor the International Convention on Arrest of Ships, 1999. However, Brazil is part of the 1926 Brussels International Convention for the Unification of Certain Rules of Law Relating to Maritime Liens and Mortgages, which, despite not providing rules for the arrest of ships, establishes additional credits that will be admitted under Brazilian law to give rise to an arrest. Usually, arrests are requested in Brazil following the rules prescribed by the Brazilian Civil Procedural Code, which sets out the possibility to request injunctions to seize assets, such as an arrest of a vessel, subject to certain requirements, *e.g.*, proof of an element of urgency.

The issuance of such judicial order may be challenged by third parties claiming to have a possessory or other interest in the mortgaged drilling rigs. For example, Petrobras may resist any attempt to physically remove the drilling rigs from their then operating locations on the grounds that the charter agreements provide that Petrobras should be ensured the quiet enjoyment of the drilling rigs during their term. Furthermore, there may be third-party claims and/or maritime liens imposed on the drilling rigs. According to Brazilian Commercial Code and the Brussels Convention, are considered maritime liens amongst others: (1) ports dues and taxes; (2) seamen's wages; (3) salvage and general average; (4) repairs, supplies and necessaries contracted outside the mortgaged drilling rigs' home port; and (5) collision and tort liens. Some maritime liens may have priority over mortgage. For example, under Brazilian law, the filing of such a maritime lien by any third party could lead to the arrest and seizure of a mortgaged drilling rig in port. Any judicial proceedings in Brazil could be subject to lengthy delays resulting in increased custodial costs, and possibly a deterioration in the condition of the drilling rigs and a substantial reduction in the value of the mortgaged drilling rigs.

In 2018, the Superior Court of Justice of Brazil rendered a decision in a leading case recognizing the validity of foreign maritime mortgages. The final decision of the Superior Court reversed the prior decision rendered by the São Paulo State Court that did not recognize the mortgage and denied the mortgagee's rights of priority against a creditor that had arrested a Liberian flagged FPSO. The rationale for the decision was the fact that Liberia is not a party to the 1926 Convention or the Bustamante Code. The final decision by Superior Court expressly stated that mortgages over foreign vessels, duly registered with a competent registry, are valid and must be upheld by Brazilian courts.

If we were to default under the notes, the holders of a majority of the aggregate principal amount of the notes may direct the Trustee to instruct the Collateral Agent to foreclose on the Collateral. We cannot assure you that effective or favorable foreclosure procedures and lien priorities will be available in any relevant jurisdiction at that time. Any foreclosure proceedings could be subject to lengthy delays resulting in increased custodial costs, deterioration in the condition of the mortgaged drilling rigs and substantial reduction of the value of such Collateral.

Foreclosing on the mortgaged drilling rigs and other Collateral may be difficult and maritime liens may arise and take priority over the liens securing the notes.

The mortgaged drilling rigs are mobile and may be located in international waters outside the jurisdiction of any court. This may make it difficult for the Collateral Agent to bring a successful foreclosure action against the mortgaged drilling rigs because the applicable court may not grant the requested specific performance, summary proceeding or injunctive relief and because it may be difficult for the Collateral Agent or officials of the applicable government or agency to physically seize the drilling rigs and engage in a foreclosure sale.

In addition, the laws of certain other jurisdictions to which the mortgaged drilling rigs may be moved may result in the imposition of maritime liens which may take priority over the mortgage and other liens securing the notes and the Note Guarantees. These liens may arise in support of, among other claims, claims by unpaid rig repairers remaining in possession of the mortgaged drilling rigs, claims for salvage, claims for damage caused by a collision, claims for seamen's wages and other employment benefits and claims for pilotage, as well as potentially claims for necessary goods and services supplied to the mortgaged drilling rigs and taxes. This list should not be regarded as definitive or exhaustive, as the categories of claims giving rise to maritime liens, and the ranking of such liens, may vary by jurisdiction. Maritime liens can attach without any court action, notice, registration or documentation and accordingly their existence cannot necessarily be identified.

We are subject to certain fraudulent transfer and conveyance statutes which may adversely affect holders of the notes.

Our obligations under the notes will be guaranteed by the Guarantors. The Indenture will limit the liability of each Guarantor on its guarantee to the maximum amount that such Guarantor can incur without risk that its guarantee will be subject to avoidance as a fraudulent transfer. We cannot assure you that this limitation will protect such Note Guarantees from fraudulent transfer challenges or, if it does, that the remaining amount due and collectible under the Note Guarantees would suffice, if necessary, to pay the notes in full when due. In a bankruptcy case in the United States which was reinstated by the United States Court of Appeals for the Eleventh Circuit on other grounds, this kind of provision was found to be ineffective to protect guarantees; we cannot provide any assurance that U.S. courts in other circuits or non-U.S. courts, including courts in Luxembourg or the Netherlands, would not adopt a similar position. The courts in Luxembourg or the Netherlands (as well as a U.S. court presiding over any bankruptcy proceeding) could apply general U.S. principles of fraudulent conveyance to restrict the enforceability of the Note Guarantees by the Guarantors. Under U.S. state fraudulent transfer or conveyance laws and comparable provisions of U.S. federal bankruptcy law, if any such law were deemed to apply, the notes or the Note Guarantees (or the Liens granted to secure the obligations thereunder) could be voided as a fraudulent transfer or conveyance if (i) we or either of the Guarantors, as applicable, issued the notes or incurred the Note Guarantees with the intent of hindering, delaying or defrauding creditors, or (ii) we or any of the Guarantors, as applicable, received less than reasonably equivalent value or fair consideration in return for either issuing the notes or incurring the Note Guarantees and, in the case of (ii) only, one of the following is also true at the time thereof:

- we or any of the Guarantors, as applicable, were insolvent or rendered insolvent by reason of the issuance of the notes or the incurrence of the Note Guarantees;
- the issuance of the notes or the Note Guarantees left us or any of the Guarantors, as applicable, with an unreasonably small amount of capital to carry on the business;
- we or any of the Guarantors intended to, or believed that we or such Guarantor would, incur debts beyond our or such Guarantor's ability to pay as they mature; or
- we or any of the Guarantors was a defendant in an action for money damages, or had a judgment for money damages docketed against us or such Guarantor if, in either case, after final judgment, the judgment is unsatisfied.

If a court were to find that the issuance of the notes or the Note Guarantees was a fraudulent transfer or conveyance, the court could void the payment obligations under the notes or such Note Guarantee, avoid the Liens granted to secure the obligations under the notes or the Note Guarantees, or further subordinate the notes or such Note Guarantee to presently existing and future indebtedness of ours or of the related Guarantor, or require the holders of the notes to repay any amounts received with respect to such Note Guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any repayment of the notes. Further, the voidance of the notes could result in an event of default with respect to our other debt that could result in acceleration of such debt.

As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or an antecedent debt is secured or satisfied. A debtor will generally not be considered to have received value in connection with a debt offering if the debtor uses the proceeds of that offering to make a dividend payment or otherwise retire or redeem equity securities issued by the debtor. In addition, a bankruptcy court may find that a Guarantor received less than fair consideration or reasonably equivalent value for its guarantee or Lien to the extent that it did not receive a direct or indirect benefit from the issuance of the notes.

As courts in different jurisdictions measure insolvency differently, we cannot be certain as to the standards a court would use to determine whether or not we or the Guarantors were solvent or rendered insolvent at the relevant time or, regardless of the standard that a court uses, that the issuance of the Note Guarantees would not be further subordinated to our or any of the Guarantors' other debt. Generally, however, an entity would be considered insolvent if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

You may have difficulty enforcing your rights against us and our directors and officers.

We are a Luxembourg company with principal executive offices located in London, and all of our directors, executive officers and other key management reside outside of the United States. In addition, a majority of our subsidiaries, a majority of our assets and the source of the majority of our cash flow are located outside the United States. The Guarantors are incorporated in Brazil and the Netherlands. As a result, it may not be possible for you to (i) effect service of process within the United States upon these persons, us, the Guarantors or any of their subsidiaries, (ii) enforce, in U.S. courts or in courts outside the United States, judgments obtained against these persons, us, the Guarantors or any of their subsidiaries, particularly judgments obtained in U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States or (iii) realize in the United States upon judgments against such persons obtained in such courts predicated upon civil liabilities of such persons, including any judgments predicated upon U.S. federal securities laws, to the extent such judgments exceed such person's U.S. assets.

With respect to the enforcement of civil liabilities in Luxembourg, Netherlands and Brazil please see "Service of Process and Enforcement of Judgments."

The rights of holders of notes to the Collateral may be adversely affected by the failure to perfect security interests in the Collateral and other issues generally associated with the realization of security interests in Collateral.

Applicable law requires that a security interest in certain tangible and intangible assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party. The Liens on the Collateral securing the notes may not be perfected with respect to the claims of notes if the Collateral Agent is not able to take the actions necessary to perfect any of these Liens on or prior to the date of the issuance of the notes. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified and additional steps to perfect such property and rights are taken. There can be no assurance that the Collateral Agent will monitor, or that we will inform the Collateral Agent of, the future acquisition of property and rights that constitute Collateral, and that the necessary action will be taken to properly perfect the security interest in such after-acquired Collateral.

Neither the Collateral Agent has any obligation to monitor the acquisition of additional property or rights that constitute Collateral or the perfection of any security interest. Such failure may result in the loss of the security interest in the Collateral or the priority of the security interest in favor of notes against third parties. In addition, the security interest of the Collateral Agent will be subject to practical challenges generally associated with the realization of security interests in Collateral. For example, the Collateral Agent may need to obtain the consent of third parties and make additional filings. If the Collateral Agent is unable to obtain these consents, after Constellation and the Guarantors having used commercially reasonable efforts to obtain such consents, or make these filings, the security interests may be invalid and the holders of notes will not be entitled to the Collateral or any recovery with respect thereto. We cannot assure you that the Collateral Agent will be able to obtain any such consent. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets.

Additionally, the ability of the Collateral Agent to realize upon the Collateral under the assignments of the right to receivables and the assignments of insurance relating to the drilling rigs, will most likely require the Collateral Agent to bring enforcement actions in the jurisdictions under which such charter agreements and insurance contracts are governed in order to pursue remedies. Depending on the relevant jurisdiction, the Collateral Agent's ability to exercise remedies and realize any recovery on such items of Collateral may be severely limited or may not be possible depending on the facts and circumstances relating to such claim and the foreign jurisdiction in which such claim is being pursued. Accordingly, the Collateral Agent may not have the ability to foreclose upon those assets and the value of the Collateral may significantly decrease.

To the extent that mortgages on all of the mortgaged drilling rigs or other related Collateral are not in place at the time of the issuance of the notes, the value of the Collateral may be impacted. Delivery of such mortgages and other Collateral after the Closing Date of the notes increases the risk that the Liens granted by those mortgages and other Collateral could be avoided.

The mortgages on, and other Collateral relating to, all of the mortgaged drilling rigs and the associated property and contract rights may not be in place at the time of the issuance of the notes. One or more of these mortgages or other items of Collateral may constitute a significant portion of the value of the Collateral. We will use our commercially reasonable efforts to promptly complete all filings and other similar actions required in connection with the perfection of security interests in the intended Collateral. If we are unable to provide a perfected security interest in one or more items intended to be Collateral, the overall value of the Collateral securing the notes will be reduced. If we were to become subject to a bankruptcy proceeding after the Closing Date of the notes, any Collateral delivered after the Closing Date of the notes would face a greater risk of being invalidated than if we had delivered it at the Closing Date. If an item of Collateral is delivered after the Closing Date, it may be treated under bankruptcy law as if it were delivered to secure previously existing debt, which may make it more likely to be avoided as a preference by the bankruptcy court than if the item of Collateral were delivered and promptly recorded on the Closing Date of the notes. To the extent that the grant of a security interest in such Collateral is avoided as a preference, holders of the notes would lose the benefit of the property encumbered by that item of Collateral that was intended to constitute security for the notes.

There are circumstances other than repayment or discharge of the notes under which the Collateral will be released automatically, without your consent or the consent of the Trustee.

Under various circumstances, all or a portion of the Collateral may be released, including:

- pursuant to the priority lien intercreditor agreement in connection with the exercise of remedies by the instructing creditors in respect of the Collateral during the continuation of an event of default under the Indenture or related Security Documents;
- to enable the sale, transfer or other disposal of such Collateral in a transaction not prohibited under the Indenture including the sale of any entity in its entirety that owns or holds such Collateral; and
- in connection with an amendment to the Indenture or the related Security Documents that has received the required consent.

In addition, the guarantee of a Guarantor will be released in connection with a sale of such Guarantor in a transaction not prohibited by the Indenture. The Indenture will also permit us, under certain circumstances, to designate one or more of our restricted subsidiaries that is a guarantor of the notes as an unrestricted subsidiary. If we designate a Guarantor as an unrestricted subsidiary as permitted by the Indenture, all of the Liens on any Collateral owned by such subsidiary or any of its subsidiaries and any Note Guarantees of the notes by such subsidiary or any of its subsidiaries will be released under the Indenture. Designation of an unrestricted subsidiary will reduce the aggregate value of the Collateral to the extent that Liens on the assets of the unrestricted subsidiary and its subsidiaries are released. In addition, the creditors of the unrestricted subsidiary and its subsidiaries will have a structurally senior claim on the assets of such unrestricted subsidiary and its subsidiaries. For more information on the release of the Collateral, see "Description of the Notes."

We cannot assure you that the estimates or assumptions used or made, or procedures followed for purposes of the Valuations are correct, accurate or complete.

The Valuations are based on the opinion of CVL and Arctic as to the current market conditions for the sale and purchase price of the rigs on an "as-is-where-is" basis, subject to conditions and assumptions. The Valuations are based in part on such information as is published in standard reference works or obtained from such other sources as deemed appropriate by the Company, CVL and Arctic. The information available in published reference works used by CVL or Arctic may be inaccurate or out-of-date.

The Valuations make no warranty, express or implied, or assumes any liability with respect to any information or statement included herein in connection with the Valuations. You should not, and are not entitled to, rely upon the Valuations included herein for the purposes of making, or refraining from making, any investment decision. Nothing relating to the Valuations constitutes any representation or warranty as to condition, value or any other fact or matter, and no one is entitled to rely on any statement or matter relating to the Valuations as a representation or warranty made by the Company or the initial purchasers. All persons are cautioned to conduct such independent investigation as they may deem necessary to determine the accuracy of any statements, matters or opinions set forth in this certificate.

Other independent appraisers may reach different valuations of our fleet. Moreover, the Valuations could be significantly higher than the amount that would be obtained from the actual sale of the relevant rigs, especially in a distressed or liquidation scenario. Accordingly, the Valuations should not be considered a representation of the actual present or future value of such rigs. The realizable value of our rigs at any given time will depend on various factors, including:

- market, economic and industry conditions, including the demand and capacity for our services;
- the intended use of the relevant rigs by the buyer;
- the availability of buyers;
- the availability of financing;
- the time period in which the rigs are to be sold;
- the availability of similar rigs;
- the condition of the rigs; and
- other operational risks.

In addition to not being a measure of the value of the rigs, the Valuations do not reflect that the liens on the Collateral securing the notes and the notes guarantees will be secured by the collateral on a "second out" basis pursuant to the terms of the intercreditor agreement and will have the right to receive payments, including the proceeds of any enforcement of the Collateral, or any guarantees of secured debt (including the notes guarantees), on a "second out" basis after the payment of amounts due and payable in respect of the first priority obligations in accordance with the terms of the intercreditor agreement. We anticipate that the appraised value of our fleet will change over time, and it may change materially. After the issuance of the notes, neither we nor any third parties will provide the holders of notes with revised valuations and we expressly disclaim any duty to update such valuations under any circumstances.

For more information, see the full text of the Valuations attached to this offering memorandum as Annex A – CVL Valuation and Annex B – Artic Valuation.

The Valuations are not, and should not be, relied upon as a measure of the value of the rigs or as a measure of the current value of the rigs.

The CVL Valuation and Arctic Valuation attached to this offering memorandum are not intended to measure the actual value of the rigs, and no assurance or representation is given that the Valuations given will be sustained or that they would be realizable in any actual transaction.

The Valuations are only an estimate of value. The Valuations do not, and future valuations will not, indicate whether, or the price at which, any or all of the rigs may be purchased or sold in the market. In general, a valuation represents the analysis and opinion of qualified appraisers, and one appraiser may reach a different conclusion than that of a different institution with respect to the same assets. Valuations are not guarantees of present or future value and should not be relied on as a measure of realizable value of any of the rigs. The proceeds realized on a disposition of any or all of the rigs, if such disposition is possible, may be significantly less than the value of the Valuation.

The CVL Valuation and the Arctic Valuation are, and any future valuations will be, subject to a number of significant assumptions, limitations and risks, and were prepared based on certain specified methodologies described therein. Valuations that are subject to different assumptions, limitations and risks, and/or are based on other methodologies may result in valuations that are materially different from those contained in the CVL Valuation and the Arctic Valuation and any future valuations.

You should carefully consider the assumptions reflected in each of the Valuations attached to this offering memorandum. Accordingly, the Valuations, and any future valuations, may not accurately reflect the market value of the rigs. For the foregoing reasons, among others, the proceeds, if any, realized on an actual market transaction with respect to the rigs may not be equal to the value assigned to the rigs in the CVL Valuation and the Arctic Valuation or any future valuation.

None of our independent auditors or any other independent accountants or the initial purchasers have compiled, reviewed, examined or performed any other assurance procedures, or expressed any form of assurance, with respect to Valuations annexed to this offering memorandum. Our independent auditors, as well as the initial purchasers, have not expressed its opinions on, or made any statement about, such information and do not accept any responsibility for, or association with, such financial estimates or projections, or any responsibility for, or association with, the Valuations.

For more information, see the full text of the Valuations attached to this offering memorandum as Annex A – CVL Valuation and Annex B – Artic Valuation.

Non-compliance with Brazilian tax regimes rules may negatively impact us.

Our results of operations are directly affected by special regimes, including the REPETRO-SPED, a Brazilian tax incentive program that allows the use of a special customs arrangement for the import and export of goods and equipment for the term of any concession agreement if they are intended to be used in the research and development of petroleum and natural gas.

Considering that the drilling rigs have been imported to Brazil under the REPETRO-SPED, any action related to the right of the Collateral Agent to repossess and dispose must be in compliance with the requirements set forth in the applicable legislation, in order to avoid the levy of any penalties by Brazilian tax authorities and charge of the taxes and duties due on the importation that are currently suspended. Therefore, the importer of the drilling rigs, as beneficiary of REPETRO-SPED, will need to collaborate with the Collateral Agent on any related matter to avoid such consequences.

The Collateral is subject to casualty risks that may not be fully insured.

Although we maintain insurance policies to insure against losses, there are certain losses that may either be uninsurable or not economically insurable, in whole or in part. As a result, it is possible that the insurance proceeds will not compensate us fully for our losses in the event of a catastrophic loss. We cannot assure you that any insurance proceeds received by us upon the total or partial loss of the Collateral securing the notes and Note Guarantees will be sufficient to satisfy all of our secured obligations, including the notes and Note Guarantees.

Any future pledge of Collateral or guarantee provided after the notes are issued might be avoided by a trustee in a future bankruptcy.

The Indenture and the related security documents will require us to grant liens on certain assets that we acquire after the notes are issued. Any future guarantee or additional lien in favor of the Collateral Agent for the benefit of the holders of the notes might be avoidable by the grantor (as debtor-in possession) or by its trustee in a future bankruptcy or other third parties if certain events or circumstances exist or occur. For instance, if the entity granting a future guarantee or additional lien was insolvent at the time of the grant and if such grant was made within 90 days before that entity commenced a bankruptcy proceeding (or one year before commencement of a bankruptcy proceeding if the creditor that benefited from the guarantee or lien is an "insider" under the Bankruptcy Code), and the granting of the future guarantee or additional lien enabled the holders of the notes to receive more than they would if the grantor were liquidated under Chapter 7 of the Bankruptcy Code, then such guarantee or lien could be avoided as a preferential transfer. Liens recorded or perfected after the closing of this offering may be treated under bankruptcy law as if they were delivered to secure previously existing indebtedness. In bankruptcy proceedings commenced within 90 days of lien perfection, a lien given to secure previously existing indebtedness is materially more likely to be avoided as a preference by the bankruptcy court than if delivered and promptly recorded upon the closing of this offering. Accordingly, if we or any Guarantor were to file for bankruptcy protection in the future and certain liens had been perfected less than 90 days before the commencement of such bankruptcy proceeding, such liens securing the notes may be particularly subject to challenge as a result of having been delivered after the closing of this offering. To the extent that such challenge succeeded, the holders of the notes would lose the benefit of the security that the Collateral was intended to provide.

The collateral rigs may suffer damage and may face unexpected drydocking costs, which could affect our cash flows and financial condition and our ability to pay amounts due on the notes.

If a collateral rig suffers damage, it may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and may be substantial. We may have to pay drydocking costs that our insurance does not cover. The loss of earnings while such rigs are being repaired and reconditioned, as well as the actual cost of these repairs, could decrease our earnings. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. We may be unable to find space at a suitable drydocking facility or a drilling rig may be forced to travel to a drydocking facility that is not conveniently located. The loss of earnings and any costs incurred while drilling rigs are forced to wait for space or to travel to more distant drydocking facilities could decrease our earnings and negatively affect our cash flows and financial condition and our ability to pay amounts due on the notes.

Maritime claimants could arrest or attach the collateral rigs, which would have a negative effect on our cash flows and financial condition and our ability to pay amounts due on the notes.

In many jurisdictions, a maritime lien holder may enforce its lien by arresting or attaching a vessel through foreclosure proceedings. In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel which is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert "sister ship" liability against the collateral rigs for claims relating to another of our ships. The arrest or attachment of the collateral rigs could interrupt our business or require us to pay large sums of money to have the arrest lifted, which would have a negative effect on our cash flows and financial condition and our ability to pay amounts due on the notes.

Governments could requisition the collateral rigs during a period of war or emergency, which may negatively impact our business, financial condition, results of operations, and cashflows.

A government could requisition the collateral rigs for title or hire. Requisition for title occurs when a government takes control of a vessel and becomes the owner. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of the collateral rigs may negatively impact our business, financial condition, results of operations, and cash flows and may negatively impact the Collateral Agent's ability to foreclose on such collateral rigs.

Rights of the holders of the notes in the Collateral may be adversely affected by the failure to perfect liens on certain Collateral.

Applicable law requires that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. The Trustee or the Collateral

Agent may not monitor, or we may not inform the Trustee or the Collateral Agent of, the future acquisitions of property and rights that constitute Collateral, and necessary action may not be taken to properly perfect the security interest in such after acquired Collateral. Neither the Trustee nor the Collateral Agent has any obligation to monitor the acquisition of additional property or rights that constitute Collateral or monitor the perfection of or make any filings to perfect or maintain or the perfection of any security interest in favor of the notes against third parties. A failure to do so may result in the loss of the security interest therein or the priority of the security interest in favor of the notes against third parties.

Moreover, security interests in certain types of assets, including certain assets to the extent the grant of a security interest in such assets would result in material adverse tax consequences to us and certain other assets to the extent the grant of a lien on such assets is prohibited or restricted by applicable contract law, rule or regulation, will not be obtained or perfected. We cannot assure you that we will be able to obtain or perfect any such security interests and in certain cases neither we nor the other grantors are contractually obligated to grant or perfect such security interests. In addition, as described further herein, even if the liens on Collateral acquired in the future are properly obtained or perfected, such liens may potentially be avoidable as a preference in any bankruptcy proceeding under certain circumstances.

Holders of the notes will not control decisions regarding Collateral.

The Priority Intercreditor Agreement provides that any actions that may be taken with respect to the Collateral by the Collateral Agent under the Security Documents, including the ability to cause the commencement of enforcement proceedings against any Collateral (or to refrain from commencing such proceedings), to control such proceedings and to release liens on such Collateral in connection with an enforcement proceeding, will be at the direction of the Controlling Priority Lien Representative until the earlier of (1) the date on which the Company's obligations under the Revolving Credit Facility Agreement (or refinancings thereof) are discharged and paid in full and (2) the end of the standstill period as described in the Priority Intercreditor Agreement and in "Description of the Notes—Priority Intercreditor Agreement—Standstill Period," unless the Collateral Agent (as directed by the Controlling Priority Lien Representative) has commenced and is diligently pursuing any enforcement with respect to any or all of the Collateral, or at any time the grantor which has granted a security interest in any Collateral (whether we or the applicable subsidiary guarantor) is then a debtor in any insolvency or liquidation proceeding. To the extent we incur additional indebtedness that is secured on a *pari passu* basis with the notes, the voting interest of the holders of the notes in an instructing group will be diluted commensurately with the amount of indebtedness we incur.

The creditors under our other indebtedness may have interests that are different from the interests of holders of the notes and they may, subject to the terms of the Priority Intercreditor Agreement, elect to pursue their remedies in respect of the Collateral at a time when it would be disadvantageous for the holders of the notes to do so. For more information on Collateral control, see "Description of Certain Financing Arrangements— Priority Lien Intercreditor Agreement" and "Description of the Notes."

Your right to receive proceeds from the sale of Collateral will rank pari passu with the claims of lenders and counterparties under the Revolving Credit Facility Agreement and potentially certain other future indebtedness, but subject to a super priority payment interest in the proceeds from the sale of Collateral in favor of the lenders under the Revolving Credit Facility, and may be difficult to realize the value of the Collateral remaining to repay the Notes in an enforcement.

Pursuant to the Priority Intercreditor Agreement, the Collateral will not only secure our obligations under the notes but will also secure our obligations under the Revolving Credit Facility, each secured on a *pari passu* basis, but subject to a super priority payment interest in the Collateral in favor of the lenders under the Revolving Credit Facility Agreement. Noteholders will not control certain decisions regarding the Collateral since the Collateral will secure on an equal and ratable first-priority and *pari passu* basis the notes and the Revolving Credit Facility in accordance with the provisions of the Priority Intercreditor Agreement, the Indenture and the Revolving Credit Facility. As a result, in the event of enforcement of the Collateral pursuant to the Security Documents, lenders under the Revolving Credit Facility and any other first-out indebtedness permitted under the Priority Intercreditor Agreement, Indenture and the Security Documents (as defined in the "Description of Notes") will be entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes. As such, in the event of an enforcement of the Collateral, holders of the Notes may not be able to recover on any Collateral if the then outstanding claims under the

Revolving Credit Facility and certain future first-out indebtedness permitted under the Priority Intercreditor Agreement, Indenture and the Security Documents, if any, are greater than the proceeds realized. Any proceeds from an enforcement sale of the Collateral will, after all obligations under the Revolving Credit Facility and certain future first-out indebtedness permitted under the Priority Intercreditor Agreement. Indenture and the Security Documents, if any, have been discharged from such recoveries, be applied *pro rata* in repayment of the Notes and any other obligations secured by the Collateral that are permitted to rank *pari passu* and are secured on a *pari passu* basis with the Notes. As a result, proceeds from the sale of Collateral in connection with any enforcement action may be insufficient to pay claims under the Notes and it may be difficult to realize the value of the Collateral remaining to repay the Notes in an enforcement.

For more information on Collateral control, see "Description of Certain Financing Arrangements— Priority Intercreditor Agreement" and "Description of the Notes."

Enforcement of the Collateral across multiple jurisdictions may be difficult.

The Collateral will be governed by the laws of multiple jurisdictions. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions. The rights under the Collateral will thus be subject to the laws of the respective jurisdiction, and it may be difficult to effectively enforce such rights in multiple bankruptcies, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect the ability to enforce the security and to realize any recovery under the notes and the guarantees.

For more information on insolvency proceedings, see "Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Note Guarantees and Security Interests."

VALUATION REPORTS SUMMARY

We present in this offering memorandum the estimated fair market values of each of our Atlantic-Star rig, Alpha Star rig, Gold Star rig, Lone Star rig, Amaralina Star rig, Laguna Star rig and Brava Star rig, based on the valuation reports prepared by independent firms Clarkson Valuations Limited, dated October 17, 2024, and Arctic Offshore Rig AS, dated October 14, 2024.

According to the Valuation, the fair market value was given in good faith and reflects CVL and Arctic's opinion of the current market conditions for the sale and purchase price of the units subject to certain conditions and assumptions.

CVL and Arctic make no warranty, express or implied, and assumes no liability with respect to any information or statement included in the Valuation. You should not, and are not entitled to, rely upon the valuation taken from the Valuation and included in this offering memorandum for the purposes of making, or refraining from making, any investment decision. Nothing contained in the Valuation constitutes any representation or warranty as to condition, value or any other fact or matter, and no one is entitled to rely on any statement or matter contained in the Valuation as a representation or warranty made by CVL and Arctic. All persons are cautioned to conduct such independent investigation as they may deem necessary in order to determine the accuracy of any statements, matters or opinions set forth in the Valuation.

All conclusions presented in the Valuation reports are estimates based on the application the Valuation reports' respective methodologies as of the date of the relevant report. Any changes in the factors upon which the relevant review was based could affect the reported conclusions, and therefore the fair market value of our fleet on any other date may vary. Furthermore, there can be no assurance that other estimates would have employed the same methodology or that other methodologies would have produced the same or similar estimated values.

Conditions and Assumptions of the Valuation

The Valuation reports are based on the assumptions that (i) there is a willing buyer and seller for cash payment under normal commercial terms; (ii) the units are in sound and operational condition appropriate for their type, size, and age; (iii) the information provided about the units' characteristics and condition, sourced from standard references and other deemed appropriate sources, is accurate; (iv) the units will be delivered free from debts, registered encumbrances, and maritime liens; and (v) each rig will be sold individually.

The Valuation reports also note that (i) there has been no physical inspection of the units or their internal records; (ii) offshore drilling rigs are particularly challenging to value, given the subjective nature of such valuations; and (iii) while each rig was valued individually, there is no guarantee that the total of individual valuations will equal the combined market sales if sold simultaneously.

Valuation

According to CVL Valuation, the approximate market values of the below mentioned rigs, as of October 17, 2024, on the bases of the assumptions described in Annex A, are:

Drillship

Rig name	Built	Valuation Low	Valuation High
		(in millions of US$)	
Laguna Star	2012	175	225
Amaralina Star	2012	175	225
Brava Star	2015	250	350
Total		**600**	**800**

Semi-submersible Drilling Rig

Rig name	Built	Valuation Low	Valuation High
		(in millions of US$)	
Alpha Star	2011	100	150

Semi-submersible Drilling Rig

Rig name	Built	Valuation	
		Low	**High**
		(in millions of US$)	
Lone Star	2010	100	150
Gold Star	2009	100	150
Atlantic-Star	1976	10	30
Total...		**310**	**480**

According to Arctic Valuation, the approximate market values of the below mentioned rigs, as of October 14, 2024, on the bases of the assumptions described in Annex B, are:

Drillship

Rig name	Built	Valuation	
		Low	**High**
		(in millions of US$)	
Laguna Star...............................	2012	290	340
Amaralina Star..........................	2012	275	325
Brava Star	2015	365	415
Total...		**930**	**1,080**

Semi-submersible Drilling Rig

Rig name	Built	Valuation	
		Low	**High**
		(in millions of US$)	
Alpha Star.................................	2011	175	225
Lone Star	2010	160	200
Gold Star	2009	175	225
Atlantic-Star	1976	10	30
Total...		**520**	**680**

For full Valuation reports, see “Annex A – CVL Valuation” and “Annex B – Artic Valuation.”

USE OF PROCEEDS

The net proceeds to the Escrow Issuer from the sale of the notes are estimated to be approximately $635.9 million, after deducting offering discounts and estimated expenses. We intend to use the net proceeds from this offering to pay the debt refinancing.

For information on our recapitalization, merger and Liquidity Event, see "Liquidity Event."

CAPITALIZATION

The following table sets forth our total capitalization as of June 30, 2024, as follows:

- on an actual basis;
- on an adjusted basis to give effect to the issuance of the New Equity;
- on a further adjusted basis to give effect to the repayment of debt with the proceeds of the New Equity and the Notes;
- on further adjusted basis to give effect to the conversion of the Convertible Debt into common shares in connection with the Liquidity Event; and
- as further adjusted to give effect to issuance of the Notes.

You should read this information in conjunction with the "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and other financial information contained in this offering memorandum.

	As of June 30, 2024					
	Actual	**New Equity**	**As Adjusted[(1)]**	**Debt Repaid[(2)]**	**Debt to Equity Conversion**	**As Further Adjusted[(3)(4)]**
	(in millions of $)					
Loans and Financings:						
Priority Lien Notes	47.4	—	47.4	(47.4)	—	—
First Lien Notes	285.5	—	285.5	—	(285.5)	—
Second Lien Notes	1.9	—	1.9	—	(1.9)	—
2050 Notes	3.1	—	3.1	—	(3.1)	—
Bradesco Debt	45.0	—	45.0	—	(45.0)	—
Restructured ALB Debt	536.7	—	536.7	—	(536.7)	—
ALB L/C Debt	30.2	—	30.2	(30.2)	—	—
Notes offered hereby	—	—	—	—	—	650.0
Loans and Financings	**949.8**	**—**	**949.8**	**(77.6)**	**(872.2)**	**650.0**
Shareholders' equity[(5)]	**1,528.2**	**75**	**1,603.2**	—	**872.2**	**2,475.4**
Total capitalization[(6)]	**2,478.1**	—	**2,553.0**	—	—	**3,125.4**

(1) As adjusted to reflect the new equity.
(2) The actual debt amortization reflects the repayment associated with the Priority Lien Notes and ALB L/C Debt.
(3) On a further adjusted basis considers (i) a mandatory conversion for all creditors, and (ii) the Liquidity Event prior to Cash-Out Consideration. This adjustment also disregards any adjustments, premiums, discounts, or accrued interest on the outstanding liability in relation to the balance presented as of June 30, 2024. This information has been presented for illustrative purposes only and is not necessarily indicative of the financial position of the Company as it depends on the consummation of the Liquidity Event. For more information, see "Liquidity Event."
(4) Does not include the effects of the repurchase of common shares pursuant to the Cash-Out Consideration in connection with the Liquidity Event. If the Liquidity Event is not completed, we will be obligated to repurchase notes at a redemption price of 101%, and the New Equity will be canceled. In this event, following such repurchase and cancellation of the New Equity, our capitalization table would reflect the data in the 'actual' column.
(5) Shareholders' equity considers the New Equity Transaction. For more information, see "Liquidity Event."
(6) Total capitalization is Loans and Financings plus shareholders' equity.

Other than as described above, there have been no material changes to our total capitalization since June 30, 2024.

SELECTED FINANCIAL AND OTHER DATA

The following tables set forth our selected financial and other data. You should read the following selected financial and other data in conjunction with "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations of Constellation" and our financial statements and related notes included elsewhere in this offering memorandum. Historical results are not indicative of the results to be expected in the future. Our financial statements have been prepared in accordance with IFRS as issued by the IASB. The summary statement of operations for the six-month periods ended June 30, 2024 and 2023 and for the years ended December 31, 2023 and 2022 and the summary statement of financial position data as of June 30, 2024 and December 31, 2023 and 2022, are derived from:

- our unaudited consolidated interim financial information as of June 30, 2024 and for the six-month periods ended June 30, 2024 and 2023; and
- our audited consolidated financial statements as of and for the years ended December 31, 2023 and 2022.

Our results for the six-month periods ended June 30, 2024 and 2023 are not necessarily indicative of the results to be expected for the year ending December 31, 2024.

	For the six–month period ended June 30,		For the year ended December 31,	
	2024	**2023**	**2023**	**2022**
	(in millions of $)			
Statement of Operations Data:				
Net operating revenue	288.1	281.0	551.8	406.1
Cost of services	(276.2)	(248.7)	(525.7)	(429.7)
Gross profit / (loss)	11.9	32.2	26.1	(23.5)
General and administrative expenses	(14.9)	(14.9)	(30.6)	(52.7)
Other income	22.7	0.8	55.6	1,077.1
Other expenses	(0.2)	(0.1)	(30.6)	(7.0)
Operating profit	19.4	18.0	20.5	993.9
Financial income	2.4	24.8	3.2	2.2
Financial expenses	(32.6)	(34.3)	(49.4)	(134.6)
Foreign exchange variation income / (expense), net	(0.3)	(0.1)	(0.4)	(0.1)
Financial expenses, net	(30.5)	(9.6)	(46.6)	(132.5)
Profit / (loss) before taxes	(11.1)	8.4	(26.0)	861.4
Taxes	7.4	(1.2)	(4.9)	(2.1)
Profit / (loss) for the period / year	**(3.8)**	**7.3**	**(30.9)**	**859.3**

	As of June 30,	As of December 31,	
	2024	2023	2022
		(in millions of $)	
Statement of Financial Position:			
Assets			
Current assets			
Cash and cash equivalents	63.0	87.9	59.5
Short-term investments	18.3	0.0	0.1
Trade and other receivables	100.0	125.0	76.3
Recoverable taxes	25.9	21.5	22.9
Deferred mobilization costs	8.2	8.1	12.8
Assets held for sale	2.8	3.2	–
Other current assets	11.5	11.4	16.0
Total current assets	**229.7**	**257.2**	**187.6**
Non-current assets			
Restricted cash	1.7	1.7	1.7
Recoverable taxes	0.0	–	–
Deferred tax assets	24.6	20.3	17.8
Deferred mobilization costs	1.8	4.4	7.8
Other non-current assets	5.0	4.4	2.0
Property, plant and equipment, net	2,364.8	2,416.1	2,470.3
Total non-current assets	**2,398.0**	**2,446.9**	**2,499.6**
Total assets	**2,627.7**	**2,704.2**	**2,687.2**
Liabilities and shareholders' equity			
Current liabilities			
Loans and financings	47.7	33.7	5.0
Payroll and related charges	24.0	28.7	13.2
Trade and other payables	37.9	57.2	65.3
Taxes payables	4.0	4.8	4.4
Deferred revenues	14.5	17.2	18.1
Provisions	15.6	21.4	7.5
Other current liabilities	10.0	6.5	7.4
Total current liabilities	**153.7**	**169.4**	**120.9**
Non-current liabilities			
Loans and financings	902.2	930.5	937.2
Derivatives	26.4	26.4	44.0
Deferred revenues	12.6	17.8	11.5
Provisions	4.6	15.7	3.6
Total non-current liabilities	**945.7**	**990.4**	**996.3**
Total liabilities	**1,099.4**	**1,159.8**	**1,117.2**
Shareholders' equity			
Share capital	4.9	4.9	4.9
Warrants	1.7	1.7	1.7
Share premium	1,567.9	1,567.9	1,567.9
Reserves	(149.3)	(137.0)	(142.2)
Accumulated profit	103.0	106.7	137.7
Total shareholders' equity	**1,528.2**	**1,544.3**	**1,570.0**
Total liabilities and shareholders' equity	**2,627.7**	**2,704.2**	**2,687.2**

Other Financial Information

Reconciliation of EBITDA, LTM EBITDA, EBITDA Margin, LTM EBITDA Margin, Adjusted EBITDA, LTM Adjusted EBITDA, Adjusted EBITDA Margin and LTM Adjusted EBITDA Margin

The following table sets forth a reconciliation of our EBITDA, LTM EBITDA, EBITDA Margin, LTM EBITDA Margin, Adjusted EBITDA, LTM Adjusted EBITDA, Adjusted EBITDA Margin and LTM Adjusted EBITDA Margin to profit (loss) for each of the periods and years presented:

	Last twelve-month period ended June 30,	For the six–month period ended June 30,		For the year ended December 31,	
	2024	**2024**	**2023**	**2023**	**2022**
			(in millions of $)		
Other Financial Information:					
Profit / (loss) for the period / year	(41.9)	(3.8)	7.3	(30.9)	859.3
(+) Financial expenses, net	67.5	30.5	9.6	46.6	132.5
(+) Taxes	(3.7)	(7.4)	1.2	4.9	2.1
(+) Depreciation	194.8	100.0	90.9	185.7	148.9
EBITDA[(1)(2)]	216.7	119.3	108.9	206.2	1,142.8
Adjustment for non-recurring events	(32.3)	(10.5)[(4)]	1.0	(20.8)[(4)]	(1,075.7)[(3)]
Adjusted EBITDA[(5)(6)]	184.4	108.8	109.9	185.5	67.2
Net operating revenue	558.9	288.1	281.0	551.8	406.1
EBITDA margin (%)[(7)]	38.8%	41.4%	38.8%	37.4%	281.4%
Adjusted EBITDA margin (%)[(8)(9)]	33.0%	38.7%	33.1%	33.6%	16.5%

(1) EBITDA is a non-IFRS Measure prepared by us. EBITDA consists of: profit (loss) for the period, *plus* financial expenses, net, 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 calculation of EBITDA may not be comparable to the calculations 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 financial expenses, net, taxes, depreciation, capital expenses and other related expenses.

(2) We calculate LTM EBITDA for the last twelve-month period ended June 30, 2024 as EBITDA for the year ended December 31, 2023 *plus* EBITDA for the six-month period ended June 30, 2024 *minus* EBITDA for the six-month period ended June 30, 2023.

(3) The adjustments for non-recurring events that occurred during the year ended December 31, 2022 consist of: (i) reversal of impairment provision, net in the amount of R$560.8 million and gain in restructuring of R$513.2 million, both of which are recorded in the line item "other operating income (expenses)" of our statement of income for the year ended December 31, 2022, and (ii) reversal of a provision for onerous contract in the total amount of $1.7 million due to the end of Alpha Star's last contract with Petrobras in September, 2022. For more information on the reversal of impairment provision, net and the gain in restructuring, see notes 8 and 14 to our unaudited consolidated interim financial statements and notes 10 and 15 to our audited consolidated financial statements, included elsewhere in this offering memorandum;

(4) The adjustments for non-recurring events that occurred during the year ended December 31, 2023 consist of: reversal of impairment in the amount of $54.7 million, net of (a) the recording of a provision for onerous contract in the total amount of $29.6 million due to the recognition of a higher depreciation projection as a result of the reversal of impairment and an increased operating expenditures forecasts impacted by the inflationary pressures in our sector and (b) costs related to restructuring of charter legal entities and other strategic initiatives requested by our board. The adjustments for non-recurring events that occurred during the six-month period ended June 30, 2024 consist of: reversal of onerous contract in the amount of $12.4 million, net of costs related to restructuring of charter legal entities and other strategic initiatives requested by our board. For more information on adjustment for non-recurring events, see note 8 to our unaudited consolidated interim financial statements and notes 10 and 1(l) to our audited consolidated financial statements, included elsewhere in this offering memorandum.

(5) Adjusted EBITDA is a non-IFRS Measure prepared by us and refers to our EBITDA, adjusted by the aforementioned non-recurring events that occurred in 2022.

(6) We calculate LTM Adjusted EBITDA for the last twelve-month period ended June 30, 2024 as Adjusted EBITDA for the year ended December 31, 2023 *plus* Adjusted EBITDA for the six-month period ended June 30, 2024 *minus* Adjusted EBITDA for the six-month period ended June 30, 2023.

(7) EBITDA Margin is a non-IFRS Measure prepared by us, which is calculated by dividing EBITDA *by* net operating revenue for the applicable period. We calculate LTM EBITDA Margin for the last twelve-month period ended June 30, 2024 as LTM EBITDA for the last twelve-month period ended June 30, 2024 *divided by* net operating revenue for the last twelve-month period ended June 30, 2024.

(8) Adjusted EBITDA Margin is a non-IFRS Measure prepared by us, which is calculated by dividing Adjusted EBITDA *by* net operating revenue for the applicable period. We calculate LTM Adjusted EBITDA Margin for the last twelve-month period ended June 30, 2024 as LTM Adjusted EBITDA for the last twelve-month period ended June 30, 2024 *divided by* net operating revenue for the last twelve-month period ended June 30, 2024.

(9) We calculate LTM Adjusted EBITDA for the last twelve-month period ended June 30, 2024 as Adjusted EBITDA for the year ended December 31, 2023 *plus* Adjusted EBITDA for the six-month period ended June 30, 2024 *minus* Adjusted EBITDA for the six-month period ended June 30, 2023.

Calculation of Net Debt

The following table sets forth the calculation of our Net Debt for each of the dates presented:

	As of June 30,	As of December 31,	
	2024	**2023**	**2022**
		(in millions of $)	
Other Financial Information:			
Cash and cash equivalents	63.0	87.9	59.5
(+) Short-term investments	18.3	0.0	0.1
(+) Restricted cash	1.7	1.7	1.7
(-) Total loans and financings	949.9	964.2	942.2
Net Debt (1)	**866.8**	**874.5**	**880.9**

(1) Net Debt is a non-IFRS Measure prepared by us. Net Debt consists of cash and cash and equivalents *plus* short-term investments, *plus* restricted cash, *less* total loans and financings.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF CONSTELLATION

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited consolidated interim financial information as of June 30, 2024 and for the six-month periods ended June 30, 2024 and 2023, and our audited consolidated financial statements as of and for the years ended December 31, 2023 and 2022, included in this offering memorandum, as well as with the information presented under "Presentation of Financial and Other Information" and "Selected Financial and Other Data."

Unless otherwise stated or the context otherwise requires, in this section, "Constellation Group," the "Company," "we," "us," and "our" refers to Constellation Oil Services Holding S.A. and its consolidated subsidiaries, in each case, prior to giving effect to the Merger.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in these estimates and forward-looking statements as a result of various factors, including, without limitation, those set forth in "Disclosure Regarding Forward-Looking Statements" and "Risk Factors." The following discussion and analysis cover periods prior to the consummation of the Merger. Accordingly, the discussion and analysis of historical periods does not reflect the impact of the Merger.

Overview

According to the RigLogix database, we are the largest drilling company in Brazil, with 22% of the offshore drilling rigs contracted for operations in the country and the seventh largest drilling company worldwide, based upon the number of offshore drilling rigs in operation as of October 2024. We believe that our scale, with 1,800 employees, and our more than 44 years of continuous operating experience in this industry provide us with a competitive advantage in the global oil and gas market. In particular, we believe that we are well positioned to continue to benefit from ultra-deepwater drilling activity in Brazil, a market segment driven primarily by the discoveries of vast potential oil and gas reserves in the pre-salt layer offshore Brazil. We own and operate a fleet of seven offshore rigs, including six modern ultra-deepwater dynamically positioned rigs in operation, all under contracts that expire between 2025 and 2028. Additionally, on September 23, 2024, we announced that commencing in the third quarter of 2025 we will manage and operate the Tidal Action rig. For more information on the new agreement with Petrobras, see "Summary—Recent Developments."

In the six-month period ended June 30, 2024 and in the year ended December 31, 2023, we recorded net operating revenue of $288.1 million and $551.8 million, respectively, a net loss of $3.8 million and $30.9 million, respectively, Adjusted EBITDA of $108.8 million and $185.5 million, respectively, and an Adjusted EBITDA margin of 37.8% and 33.6%, respectively. We have successfully capitalized on our market-leading position and industry expertise to accumulate an aggregate contract backlog of $1.6 billion, $1.1 billion and $1.5 billion as of September 30, 2024, June 30, 2024 and December 31, 2023, respectively. As of June 30, 2024 and December 31, 2023, we had total net debt of $866.8 million and $874.5 million, respectively, equivalent to 33.0% and 32.3% of the total book value of our assets as of those dates, respectively. In addition, as of June 30, 2024 and December 31, 2023, we had shareholder's equity of $1.5 billion, equivalent to 57.1% and 58.1% of our total assets as of those dates, respectively.

Our results of operations for the six-month periods ended June 30, 2024 and 2023 and the years ended December 31, 2023 and 2022 were influenced, and our results of operations will continue to be influenced, by a variety of factors, including:

- the contraction of the global fleet of offshore drilling rigs, which affects the supply of drilling rigs available for contract work and the prevailing dayrates that we are able to negotiate in our contracts;
- oil and natural gas prices, with Brent recently trading at an average of $88 per barrel from January 2022 to October 2024;
- the levels of exploration and development spending of Petrobras and other E&P players worldwide;

- additions to our fleet of drilling rigs, increasing our net operating revenue, operating expenses and financial expenses;
- upgrades to our fleet of drilling rigs;
- our ability to enter into long-term charter agreements for our drilling rigs, generating a backlog of committed net operating revenue for our company;
- the uptime, utilization and dayrates of our drilling rigs, which are the primary determinants of our net operating revenue; and
- the results of operations of those entities in which we have equity investments, a pro rata portion of which is included in our results of operations under the equity method.

Our financial condition and liquidity are influenced by a variety of factors, including:

- our ability to generate cash flows from our operations;
- our ability to borrow funds from financial institutions and to sell our debt securities in the international capital markets; and
- our capital expenditure requirements, primarily consisting of maintenance of our existing drilling rigs.

Financial Presentation and Accounting Policies

Presentation of Financial Statements

Constellation is a holding company organized under the laws of Luxembourg.

For the purpose of this offering memorandum, we have included the following financial statements (included elsewhere in this offering memorandum):

- our unaudited consolidated interim financial information as of June 30, 2024 and for the six-month periods ended June 30, 2024 and 2023; and
- our audited consolidated financial statements as of and for the years ended December 31, 2023 and 2022.

Our financial statements have been prepared in accordance with IFRS, as issued by IASB. The functional currency of the Company and most of its subsidiaries is the U.S. dollar. Our consolidated financial statements as of and for the years ended December 31, 2023 and 2022 have been audited by our independent auditors, as set forth in their reports included elsewhere in this offering memorandum.

Critical Accounting Policies and Estimates

The preparation of our financial statements and related disclosures in accordance with IFRS requires our management to make estimates, judgments and assumptions that affect the amounts reported in our financial statements and accompanying notes.

Our management must judge and develop estimates for the carrying values of assets and liabilities which are not easily obtainable from other sources. The estimates and associated assumptions are based on historical experience and other factors considered relevant. Actual results could differ from those estimates.

We continually review these estimates and underlying assumptions. The effects of revisions to accounting estimates are recognized prospectively.

For more information regarding our significant accounting policies, see note 2 to our unaudited consolidated interim financial statements and notes 3 and 4 to our audited consolidated financial statements.

Principal Factors Affecting Our Results of Operations

Additions and Upgrades to Our Fleet of Drilling Rigs

Offshore Drilling Rigs

Our business strategy focuses on maintaining our market-leading position in the Brazilian contract drilling industry.

We currently operate the Atlantic-Star rig, Alpha Star rig, Gold Star rig, Lone Star rig, Amaralina Star rig, Laguna Star rig and the Brava Star rig, and the average dayrates as of September 30, 2024 was $240,726.69, considering the exchange rate on such date of R$5.4481 to $1.00. Our drilling rigs are currently contracted exclusively to Petrobras, except for the Alpha Star rig, which is currently contracted with Brava Energia and will be replaced by a new contract with Petrobras in the first quarter of 2025.

Our existing drilling contracts are scheduled to expire between 2025 and 2028, and five of our existing drilling contracts will have fixed terms expiring in 2025. However, we have secured new contracts for Alpha Star and Laguna Star, which will start in 2025 and expire in 2028.

On May 2, 2024, Olinda Star Limited and Super Shining Shipping Corporation signed a memorandum of agreement for the sale of scrap from the drilling unit Olinda Star. The agreed selling price was $8.1 million. Super Shining Shipping Corporation is responsible for recycling the scrap in accordance with green recycling principles and standards. We received a 25% deposit on May 6, 2024, with the remaining balance paid on May 15, 2024. We transferred the title on May 16, 2024. Thereafter, the Olinda Star ceased to form a part of our asset base. Olinda Star ceased operating on January 14, 2024. For more information on Olinda Star, see "Business—Our Fleet and Investments—Offshore Drilling Rigs—Olinda Star."

There are contractual penalties, which may be applied to us by our customers if we deliver and commence operation of a drilling rig after its contracted delivery date. We expense penalties based on our best estimate of the date of delivery of the unit and considering the likelihood of the customer applying contractual penalties.

Our Backlog

As of June 30, 2024, December 31, 2023 and December 31, 2022, our backlog for contract drilling was $1.1 billion, $1.5 billion and $1.3 billion, respectively. As of September 30, 2024, our backlog for contract drilling was $1.6 billion and our average dayrate was $240,726.69, considering the selling rate as reported by the Central Bank, as of September 30, 2024, for *reais* into dollars of R$5.4481 to $1.00.

We calculate contract drilling backlog by multiplying the contracted operating dayrate by the firm contract period and adding any potential performance bonuses, which we have assumed we will earn and receive to the maximum extent provided for in the respective contracts. The performance bonuses are calculated based on our track record of receiving these bonuses. Our contract drilling backlog 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 uptime below 100% and resulting in lower than the full contractual operating dayrate. Contract drilling backlog includes revenues for mobilization and demobilization on a cash basis. All of our contracts are subject to renewal through negotiation among the parties.

The following table sets forth as of June 30, 2024 the amount of our contract drilling services backlog related to contracted existing and new projects for the years indicated:

	2024	%	2025	%	2026	%	2027	%	2028	Total	Total %
	(in millions of $, except for percentages)[(1)]										
Drilling rigs	299	27	420	38	247	22	123	11	20	1,109	100

(1) Amounts denominated in *reais* have been converted to U.S. dollars at the selling rate as reported by the Central Bank, as of June 30, 2024 for *reais* into U.S. dollars of R$5.5589 to $1.00.

Revenue per Asset, Utilization, Uptime and Dayrates of Our Drilling Rigs

The most significant variables affecting the net operating revenue from our drilling rigs in operation are utilization days, dayrates, uptime and performance bonus payments. Payments under our charter and service agreements are calculated by multiplying the applicable dayrate for each drilling rig by the uptime for the period for which such payment is being calculated. In addition, we are entitled to receive performance bonus payments.

A waiting and moving rate equal to 90% of the dayrate for any drilling rig is applied in situations of total stoppage of operations of any rig attributable to adverse weather or when we are awaiting orders or other action with respect to such rig from Petrobras or the applicable charterer of such rig. Our drilling rigs are subject to reduced dayrates in the event we are unable to operate due to *force majeure* events as defined in the applicable charter and service agreements. For more information on dayrates of drilling rigs, see “Business—Backlog and Drilling Contracts.”

Our offshore drilling contracts provide for additional remuneration through a bonus structure (which varies by contract) that rewards us for our efficient operation of our drilling rigs, which is measured by the availability of the respective rig. Bonuses are calculated as a percentage of dayrates and are assessed and paid monthly in arrears, are determined on an accrual basis, and are linked to uptime of our rigs. We are eligible for (1) an up to 2% performance bonus with respect to each of our Alpha Star, Lone Star, Gold Star, Laguna Star, Amaralina Star and Brava Star.

The following tables set forth the net revenue, utilization days, uptime and actual average daily revenue for our drilling fleet for the periods presented:

	For the six-month period ended June 30,		% Change	For the year ended December 31,		% Change
	2024	2023	2024/ 2023	2023	2022	2023/ 2022
	(in millions of $)			*(in millions of $)*		
Net revenue	288.1	281.0	2.5	551.8	406.1	35.9

	For the six-month period ended June 30,		Change	For the year ended December 31,		Change
	2024	2023	2024/ 2023	2023	2022	2023/ 2022
	(in days)			*(in days)*		
Utilization days [(1)]	1,295	1,455	(160)	2,823	2,501	321

(1) Utilization days are derived by multiplying the number of rigs by the days under contract, excluding upgrade periods. Except for our current short-term contract for Alpha Star, with Shell Brasil Petróleo Ltd., our rigs are currently under long-term contracts. On August 20, 2024, we entered into a short-term contract with Shell Brasil Petróleo Ltd., a subsidiary of Shell plc, for its use of the Alpha Star rig on a field located at the Campos Basin for a 30-day period, starting on August 30, 2024. This contract is already terminated and aimed to enhance well productivity by intervening on four pump-boosting modules, which led to increased production.

	For the six-month period ended June 30,		% Change	For the year ended December 31,		% Change
	2024	2023	2024/ 2023	2023	2022	2023/ 2022
	(in thousands of $)			*(in thousands of $)*		
Average daily revenue[(1)] (including performance bonus):						
Drilling rigs	222.5	193.1	15.2%	195.5	162.4	20.4%

(1) Average daily revenues have been calculated by dividing our net revenues by total utilization days.

	For the six-month period ended June 30,		For the year ended December 31,	
	2024	2023	2023	2022
	(%)		*(%)*	
Uptime [(1)]:				
Drilling rigs	96	93	94	92

(1) Uptime is derived by dividing (i) the number of days the rigs effectively earned a contractual dayrate by (ii) utilization days.

During the six-month period ended June 30, 2024, the combined average uptime of our rigs improved to 96% compared to 93% in the corresponding period in 2023. In addition, during 2023, the combined average uptime of our rigs improved to 94% compared to 92% in 2022, mainly due to our increased efficiency.

Global Demand for Oil and Effect of Oil Prices on Demand for Drilling Services

Demand for drilling rigs is directly related to the regional and global levels of offshore exploration and development spending by oil and gas companies. Offshore exploration and development spending may fluctuate substantially from year-to-year and from region-to-region. These spending fluctuations result from a variety of economic and political factors, including:

- worldwide demand for oil and gas;
- regional and global economic conditions;
- political, social and legislative environments in major oil-producing countries;
- the policies of various governments, including the Brazilian government, regarding access to their oil and gas reserves;
- the ability of OPEC to set and maintain production levels and pricing and the level of production of non-OPEC countries;
- the development of alternative sources of fuel and energy;
- geopolitical tension between nations;
- significant global events, such as pandemics;
- technological advancements that impact the methods for or cost of oil and gas exploration and development; and
- the impact that these and other events, whether caused by economic conditions, international or national climate change regulations or other factors, may have on the current and expected prices of oil and gas.

Historically, oil and gas prices and market expectations of potential changes in these prices have significantly affected the level of drilling activity worldwide. Generally, higher oil and gas prices, or our customers' expectations of higher prices, result in greater exploration and development spending by oil and gas companies, and lower oil and gas prices result in reduced exploration and development spending by oil and gas companies.

Brent crude oil prices averaged $88 per barrel from January 2022 to October 2024.

We expect 2025 to be a challenging year for drilling contractors, as some delays on projects run by large oil companies, primarily associated with supply-chain bottleneck and inflationary pressures, have resulted in the postponement of drilling programs. If oil prices fall below breakeven values for operators, a reduction in demand for our services and revenues may result in lower rig utilization and lower dayrates. We are already witnessing a market trend of operators trying to ensure availability for drilling programs in 2026 and beyond, with increased lead times (eventually longer than one year), which demonstrates that operators are generally seeking to secure the required resources for fulfilling their projects. Focusing on near-term rollovers will be crucial for operators with rigs coming off contract in 2025, like the Company which, in order to avoid idle time, may eventually accept softer dayrates.

We believe that the current market dynamics and Brent prices levels are favorable for a healthy drilling market. If a more relevant recovery in oil and gas prices is observed, this could trigger stranded projects and lead to increased rig utilization. Because many factors that affect the market for offshore exploration and development are beyond our control and because rig demand can change quickly, it is difficult for us to predict future industry conditions, demand trends or operating results. Periods of low rig demand often result in excess rig supply, which generally results in reductions in utilization and dayrates. Conversely, periods of high rig demand often result in a shortage of rigs, which generally results in increased utilization and dayrates.

Planned Investments in the Brazilian Offshore Oil and Gas Market

Although we have previously provided drilling services to various companies, including major oil companies, for the six-month period ended June 30, 2024 and the year ended December 31, 2023, Petrobras represented approximately 74% and 81% of our gross revenue, respectively. Each of our offshore drilling assets is currently contracted exclusively to Petrobras, except for the Alpha Star rig, which is currently contracted with Brava Energia and will be replaced by a new contract with Petrobras in the first quarter of 2025.

In November 2023, Petrobras disclosed its 2024-2028 strategic plan, which provides for an aggregate of $102 billion in proposed capital expenditures, representing a 31% increase from an aggregate of $78 billion in proposed capital expenditures in its 2023-2027 strategic plan. Approximately $73 billion (or 72%) of these capital expenditures are budgeted for E&P projects. These funds are intended to be used to manage Petrobras's E&P project portfolio in an integrated manner, prioritize the development of deep-water production with a focus on strategic partnerships, manage Petrobras's exploratory portfolio in order to maximize economic viability to ensure the sustainability of oil and gas production, improve productivity and cost reduction and strengthen reservoir management to maximize the value of Petrobras's E&P contracts, seeking opportunities to incorporate additional reserves. Additionally, in order to incentivize this development, Petrobras will seek to consolidate demand and conduct long-term contracting with additional local-content requirements, implement initiatives to increase the participation of domestic sub-contractors, encourage the development of innovative Brazilian companies, add suppliers outside the current supply chain and support supply-chain personnel training programs, which we believe may lead to a slight increase in demand for our services. Petrobras projects to reach a total production of oil and gas, in Brazil and abroad, of 3.2 million boepd in 2028.

Tax Benefits

We benefit from REPETRO-SPED, REPETRO at federal level in Brazil and a number of tax treaties in force in the jurisdictions in which we and our subsidiaries are incorporated. For more information on tax benefits, see "Risk Factors—Risks Related to Financial and Tax Matters—Changes to, the revocation of, adverse interpretation of, or exclusion from Brazilian tax regimes and international treaties to which we and our clients are currently subject may negatively impact us" and "Business—Brazilian Regulatory Framework—REPETRO."

Results of Operations

The following discussion of our results of operations is based on our financial statements prepared in accordance with IFRS as adopted by the IASB. In the following discussion, references to increases or decreases in any period are made by comparison with the corresponding prior period, except as the context otherwise indicates.

Principal Components of Our Results of Operations

Net Operating Revenue

Our net operating revenue is comprised of revenue from charter and service contracts and mobilization.

Our charter dayrates are denominated and payable in U.S. dollars. Our dayrates under the services agreements are denominated and payable in Brazilian *reais*, based on the exchange rate for U.S. dollars determined pursuant to the terms of the services agreements. In our offshore drilling contracts, our charter dayrates comprise approximately 65% of our total dayrate and our service dayrates comprise approximately 35% of our total dayrate.

Our charter and services agreements may permit increases in the dayrates based on a variety of factors, including inflation, machinery and equipment indexes, oil and gas industry indexes, and exchange rate variations.

Net operating revenue is measured at the fair value of the consideration received or receivable. In addition, net operating revenue is determined on an accrual basis according to the contracted dayrates, the uptime and the number of operating days during the financial period. The dayrates for our drilling rigs are set for the entire term of the charter and services agreements and payments are based on uptime; however, a waiting and moving rate of 90% of the applicable dayrate applies for certain periods when a drilling rig is available but not in operation.

For certain new offshore drilling contracts, there is often a learning curve period during which the unit is not fully available to the client. This learning curve typically requires periods of downtime to permit operational corrections and therefore, limits our ability to receive the maximum revenue (based upon the contracted dayrate) during the initial operating stage of the applicable contract.

Our net operating revenue from our service agreements is presented net of certain Brazilian federal and municipal taxes. Importantly, both the *Programa de Integração Social* (a federal value-added tax) ("PIS") and *Contribuição para o Financiamento da Seguridade Social* (a federal value-added tax) ("COFINS") are deducted from our gross revenue from our service agreements at rates of 1.65% and 7.6%, respectively, under the so-called non-cumulative regime.

In addition, an *Imposto sobre Serviços de Qualquer Natureza* (a municipal service tax) is assessed on our gross revenue from services at rates ranging from 2% to 5%. In addition, a Good and Service Tax, which refers to indirect taxes in India, is also deducted from our gross operating revenue in India. For more information on deductions from our gross revenue, see note 12 to our unaudited consolidated interim financial statements and note 14 to our audited consolidated financial statements.

Amounts paid to us by Petrobras and our other clients in Brazil for chartering our offshore units are currently exempt from Brazilian withholding income tax. According to Brazilian Law No. 9,481, whenever the charter or lease agreement is executed simultaneously with the services agreement, both in relation to the prospecting and exploration of oil and gas and between related parties, the amount of the charter or lease cannot exceed 65%, otherwise the excess will not benefit from the zero rate but rather be subject to the usual withholding income tax rate of 15%.

Cost of Services

Our cost of services consists primarily of: (1) salaries and payroll expenses of the rig crews and supervisors; (2) depreciation; (3) materials; (4) maintenance (including repair services); (5) insurance; and (6) other costs of services.

The following table sets forth our cost of services for the six-month periods ended June 30, 2024 and 2023 and the years ended December 31, 2023 and 2022:

	For the six-month period ended June 30,				For the year ended December 31,			
	2024		2023		2023		2022	
	(in millions of $)	*(% of total)*	*(in millions of $)*	*(% of total)*	*(in millions of $)*	*(% of total)*	*(in millions of $)*	*(% of total)*
Payroll, related charges and benefits	74.6	27.0%	66.1	26.6%	141.6	26.9%	103.8	24.2%
Depreciation	99.9	36.2%	90.8	36.5%	185.6	35.3%	148.8	34.6%
Materials	41.3	15.0%	28.8	11.6%	62.5	11.9%	38.6	9.0%
Maintenance	42.6	15.4%	47.1	18.9%	99.9	19.0%	106.3	24.7%
Insurance	2.4	0.9%	2.2	0.9%	4.8	0.9%	5.4	1.3%
Other (1)	15.5	5.6%	13.8	5.5%	31.4	6.0%	26.9	6.3%
Total	**276.2**	**100.0%**	**248.7**	**100.0%**	**525.7**	**100.0%**	**429.7**	**100.0%**

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

Salaries and payroll expenses include expenses for the crew that operates a rig, supervisors that directly support the operation of the rig and salaries, charges, benefits and costs related to training. Most of our payroll expenses are payable in *reais*, matching the currency of payment required under our services agreements.

Depreciation costs are based on the costs of our drilling rigs, which are depreciated linearly over their respective useful economic lives, which range up to 35 years. See note 8 to our unaudited consolidated interim financial statements and note 10 to our audited consolidated financial statements for more information on the useful economic lives of our rigs. Drilling equipment is recorded at the lower of its acquisition cost or its market value. Our costs related to materials, maintenance and repair services include the costs of drilling equipment and supplies.

In addition to the above, we also analyze our contract drilling expenses, which are our total costs of services excluding depreciation.

When we commence operations of a rig, we typically have higher costs as a percent of our net operating revenue of the unit before we begin incurring full operating expenses. In contrast, our net operating revenue is driven by efficiency rates achieved during the learning curve period.

General and Administrative Expenses

Our general and administrative expenses consist of office expenses as well as the remuneration and compensation of directors and administrative employees, legal and auditing fees, rent expense related to office space and other miscellaneous expenses.

The following table sets forth our general and administrative expenses for the six-month periods ended June 30, 2024 and 2023 and the years ended December 31, 2023 and 2022:

	For the six-month period ended June 30,				For the year ended December 31,			
	2024		2023		2023		2022	
	(in millions of $)	*(% of total)*	*(in millions of $)*	*(% of total)*	*(in millions of $)*	*(% of total)*	*(in millions of $)*	*(% of total)*
Payroll, related charges and benefits	9.6	64.4%	9.7	65.1%	19.6	64.1%	16.0	30.4%
Depreciation	0.0	0.0%	0.1	0.7%	0.1	0.3%	0.1	0.2%
Insurance	0.3	2.0%	0.4	2.7%	0.8	2.6%	1.4	2.7%
Other [(1)]	4.9	32.9%	4.7	31.5%	10.1	33.0%	35.1	66.6%
Total	**14.9**	**100.0%**	**14.9**	**100.0%**	**30.6**	**100.0%**	**52.7**	**100.0%**

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

Financial Expenses, Net

Our financial expenses, net consists of interest on loans and financings, derivatives expenses, financial expenses with related parties, and other financial expenses, net of financial income, including, interest on short-term investments, financial income from related parties and other financial income.

Taxes

Constellation is organized in Luxembourg and has subsidiaries organized in Luxembourg, the Netherlands, Panama, the British Virgin Islands, and Brazil. In Luxembourg and the Netherlands, where tax on reportable income is imposed, none of Constellation or any of its subsidiaries reported taxable income during the years ended December 31, 2023 or 2022. Our subsidiaries organized in Panama and the British Virgin Islands are not subject to income tax. Our subsidiary in Brazil is subject to corporate income tax and social contribution tax at a rate of 34% and have recorded taxable income in the years ended December 31, 2023 and 2022.

Effects of Foreign Exchange Variations on Our Results of Operations

Although our net operating revenues are primarily driven by dayrates and the availability of our drilling rigs and mobilization, our net operating revenue is also affected by fluctuations in the *real*-U.S. dollar exchange rate to the extent that revenue under our service agreements is denominated in *reais*. In addition, our payroll, related charges and benefits expenses as well as certain general and administrative expenses are also affected by fluctuations in the *real*-U.S. dollar exchange rate to the extent that these expenses are denominated in *reais*.

We measure the effect of foreign exchange variations on our results of operations denominated in *reais* by assuming that the exchange rate in the prior period remains the same between periods of comparison and all other factors affecting our results of operations are also otherwise unaffected.

The slight 0.2% increase of the average exchange rate of the U.S. dollar against the *real*, as reported by the Central Bank, during the six-month period ended June 30, 2024 compared to the six-month period ended June 30, 2023 did not result in any significant exchange rate impact on our service contract revenues and costs denominated in *reais* as a result of:

- the 3.3% decrease in the average exchange rate of the U.S. dollar against the *real*, as reported by the Central Bank, during 2023 compared to 2022, resulted in:
- a 3.4% increase in revenue in U.S. dollars from Constellation's contracts denominated in *reais* that were in force during 2023 when compared to 2022; and
- a 3.4% increase in payroll, related charges and benefits costs and expenses in U.S. dollars during 2023 when compared to 2022.

Constellation's service revenues represented 31% and 31% of our net operating revenue for the years ended December 31, 2023 and 2022, respectively.

Revenue denominated in *reais* generated under our service agreements tends to provide a natural hedge against a portion of our payroll, related charges and benefits expenses and general and administrative expenses denominated in *reais*, but they do not fully match them. We do not enter into hedging arrangements with respect to our exposure to the residual foreign exchange rate risk, as we do not believe that this risk to our business is material. For more information on foreign exchange variations, see "—Quantitative and Qualitative Disclosures About Market Risk—Foreign Currency Exchange Rate Risk."

Six Months Ended June 30, 2024 Compared with Six Months Ended June 30, 2023

The following table sets forth unaudited consolidated interim financial information for the six-month periods ended June 30, 2024 and 2023:

	For the six-month period ended June 30,		
	2024	2023	% Change
	(in millions of $)		
Net operating revenue	288.1	281.0	2.5%
Cost of services	(276.2)	(248.7)	11.1%
Gross profit / (loss)	11.9	32.2	(63.0)%
General and administrative expenses	(14.9)	(14.9)	0.0%
Other operating income (expenses):			
Other income	22.7	0.8	2,737.5%
Other expenses	(0.2)	(0.1)	100.0%
Other operating income (expenses), net	22.5	0.7	3,114.3%
Operating profit	19.4	18.0	7.8%
Financial income	2.4	24.8	(90.3)%
Financial expenses	(32.6)	(34.3)	(5.0)%
Foreign exchange variation income / (expense), net	(0.3)	(0.1)	200.0%
Financial expenses, net	(30.5)	(9.6)	217.7%
Profit / (loss) before taxes	(11.1)	8.4	(232.1)%
Taxes	7.4	(1.2)	(716.7)%
Profit / (loss) for the period	**(3.8)**	**7.3**	(152.1)%

Net Operating Revenue

Net operating revenue increased by $7.1 million, or 2.5%, during the six-month period ended June 30, 2024 compared to the corresponding period in 2023, primarily as a result of improved contractual rates for the Brava Star rig and Alpha Star rig as between these periods, by 30% and 168%, respectively, which were partially offset by the end of the Olinda Star ending its operations on January 14, 2024.

Cost of Services

Cost of services increased by $27.5 million, or 11.1%, during the six-month period ended June 30, 2024 compared to the corresponding period in 2023. The following table sets forth the components of our cost of services for the six-month periods ended June 30, 2024 and 2023.

	For the six-month period ended June 30,		
	2024	2023	% Change
	(in millions of $)		
Payroll, related charges and benefits	(74.6)	(66.1)	12.9%
Depreciation	(99.9)	(90.8)	10.0%
Materials	(41.3)	(28.8)	43.4%
Maintenance	(42.6)	(47.1)	(9.6)%
Insurance	(2.4)	(2.2)	9.1%
Other (1)	(15.5)	(13.8)	12.3%
Total	**(276.2)**	**(248.7)**	11.1%

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

Our cost of services increased primarily as a result of:

- a 12.9% increase in payroll, related charges and benefits costs to $74.6 million during the six-month period ended June 30, 2024 from $66.1 million during the corresponding period in 2023, principally due to increases in compensation negotiated in collective bargaining agreements, short-term incentive plan accrual, a management incentive program retention plan and an increase in the number of our employees; and
- a 43.4% increase in materials to $41.3 million during the six-month period ended June 30, 2024 from $28.8 million during the same period in 2023, principally due to import taxes (freight forward) from backlog materials acquired in 2023.

The foregoing effects were partially offset by a 9.6% decrease in maintenance costs to $42.6 million during the six-month period ended June 30, 2024 from $47.1 million during the corresponding period in 2023, principally due to higher deferred mobilization costs during the year ended December 31, 2023 as a result of the preparation of our Olinda Star drilling unit for sale.

As a result, our gross profit decreased by $20.3 million, or 63.0%, during the six-month period ended June 30, 2024 compared to the corresponding period in 2023. Gross margin (gross profit as a percentage of net operating revenue) decreased to 4.1% during the six-month period ended June 30, 2024 from 11.5% during the corresponding period in 2023.

General and Administrative Expenses

General and administrative expenses remained stable at $14.9 million during the six-month periods ended June 30, 2024 and June 30, 2023. The following table sets forth the components of our general and administrative expenses for the six-month periods ended June 30, 2024 and 2023:

	For the six-month period ended June 30,		
	2024	2023	% Change
	(in millions of $)		
Payroll, related charges and benefits	(9.6)	(9.7)	(1.0)%
Depreciation	(0.0)	(0.1)	n.m.
Insurance	(0.3)	(0.4)	(25.0)%
Other (1)	(4.9)	(4.7)	4.3%
Total	**(14.9)**	**(14.9)**	0.0%

n.m.: not meaningful.
(1) Other general and administrative expenses: mainly comprised by transportation, information technology services, external legal advisors fees, independent auditor fees, advisory services fees, among others.

General and administrative expenses as a percentage of net operating revenue remained stable at 5.2% and 5.3% during the six-month periods ended June 30, 2024 and June 30, 2023, respectively.

Other Operating Income (Expenses), Net

We recorded other operating income, net, of $22.5 million during the six-month period ended June 30, 2024 compared to other operating income, net, of $0.7 million during the corresponding period in 2023, primarily due to: (i) the reversal of the provision of onerous contracts, which had been originally recorded during the year ended December 31, 2023, to reflect higher inflation, market adjustments, and changes in the U.S. dollar/Brazilian *real* exchange rate in 2023; and (ii) revenue from our sale of the Olinda Star drilling unit.

Operating Profit

As a result of the foregoing, our operating profit increased by 7.8% to $19.4 million during the six-month period ended June 30, 2024 compared to $18.0 million in the corresponding period in 2023. As a percentage of net operating revenue, our operating profit increased slightly to 6.7% during the six-month period ended June 30, 2024 from 6.4% in the corresponding period in 2023.

Financial Expenses, Net

Financial expenses, net increased by $20.9 million, or 217.7%, during the six-month period ended June 30, 2024 compared to the corresponding period in 2023, as a result of a 5.0% decrease in financial expenses to $32.6 million in the six-month period ended June 30, 2024 from $34.3 million during the corresponding period in 2023 and a 90.3% decrease in financial income to $2.4 million in the six-month period ended June 30, 2024 from $24.8 million during the corresponding period in 2023.

Financial Income

Financial income decreased to $2.4 million during the six-month period ended June 30, 2024 from $24.8 million during the corresponding period in 2023, primarily as a result of a reversal of a derivative provision ($24 million) during 2023. For more information, see note 19 to our unaudited consolidated interim financial statements and note 20 of our audited consolidated financial statements.

Financial Expenses

Financial expenses decreased by 5.0% to $32.6 million during the six-month period ended June 30, 2024 from $34.3 million during the corresponding period in 2023, primarily due to reduced interest expenses on loans and financing as a result of the amortization of principal amounts due under our debt instruments.

Taxes

We recorded a tax credit of $7.4 million during the six-month period ended June 30, 2024 compared to a tax expense of $1.2 million during the corresponding period in 2023.

Profit (Loss) for the Period

Our loss was $3.8 million, or 1.3% of our net operating revenue, during the six-month period ended June 30, 2024 compared to a profit of $7.3 million, or 2.6% of our net operating revenue, during the corresponding period in 2023.

Year Ended December 31, 2023 Compared with Year Ended December 31, 2022

The following table sets forth consolidated financial information for the years ended December 31, 2023 and 2022:

	For the year ended December 31,		
	2023	**2022**	**% Change**
	(in millions of $)		
Net operating revenue	551.8	406.1	35.9%

	For the year ended December 31,		
	2023	2022	% Change
	(in millions of $)		
Cost of services	(525.7)	(429.7)	22.3%
Gross profit / (loss)	26.1	(23.5)	(211.1)%
General and administrative expenses	(30.6)	(52.7)	(41.9)%
Other operating income (expenses):			
Other income	55.6	1,077.1	(94.8)%
Other expenses	(30.6)	(7.0)	337.1%
Other operating income (expenses), net	25.0	1,070.1	(97.7)%
Operating profit	20.5	993.9	(97.9)%
Financial income	3.2	2.2	45.5%
Financial expenses	(49.4)	(134.6)	(63.3)%
Foreign exchange variation income / (expense), net	(0.4)	(0.1)	300.0%
Financial expenses, net	(46.6)	(132.5)	(64.8)%
Profit / (loss) before taxes	(26.0)	861.4	(103.0)%
Taxes	(4.9)	(2.1)	133.3%
Profit / (loss) for the year	**(30.9)**	**859.3**	(103.6)%

Net Operating Revenue

Net operating revenue increased by $145.7 million, or 35.9%, during the year ended December 31, 2023, primarily as a result of a high level of utilization of our fleet. Except for the Brava Star and Atlantic-Star drilling units, the remaining five rigs in our fleet experienced underutilization in 2022 due to natural gaps between the end of one contract period and the start of another. However, in 2023, our offshore fleet utilization improved significantly, increasing to 2,823 days from 2,501 days in 2022, given that five rigs from our fleet transitioned into new contracts during 2022.

Cost of Services

Cost of services increased by $96.0 million, or 22.3%, during the year ended December 31, 2023. The following table sets forth the components of our cost of services for the years ended December 31, 2023 and 2022.

	For the year ended December 31,		
	2023	2022	% Change
		(in millions of $)	
Payroll, related charges and benefits	(141.6)	(103.8)	36.4%
Depreciation	(185.6)	(148.8)	24.7%
Materials	(62.5)	(38.6)	61.9%
Maintenance	(99.9)	(106.2)	(6.0)%
Insurance	(4.8)	(5.4)	(11.1)%
Other (1)	(31.4)	(26.9)	16.7%
Total	**(525.7)**	**(429.7)**	(22.3)%

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

Our cost of services increased primarily as a result of:

- a 36.4% increase in payroll, related charges and benefits costs to $141.6 million during the year ended December 31, 2023 from $103.8 million during the year ended December 31, 2022, principally due to short-term incentives, increases in compensation due to collective bargaining agreements, deferred mobilization costs caused by the gaps in fleet utilization which decreased payroll costs for the year ended December 31, 2022, and management incentive plan;
- a 24.7% increase in depreciation to $185.6 million during the year ended December 31, 2023 from $148.8 million during the year ended December 31, 2022, principally due to an impairment reversal recorded on December 31, 2022, which impacted depreciation charges from 2023 onwards; and
- a 61.9% increase in materials costs to $62.5 million during the year ended December 31, 2023 from $38.6 million during the year ended December 31, 2022, principally due to a higher utilization of

our fleet in 2023 when compared to 2022 when the contract transitions for five of our rigs took place.

The foregoing effects were partially offset by:

- a 6.0% decrease in maintenance costs to $99.9 million in 2023 from $106.3 million in 2022, primarily due to the five contract transitions in 2022, when the rigs were taken out of service to undergo overhauls and make adequacy investments for the new contracts before they took effect, and part of these maintenance costs were capitalized; and
- a 11.1% decrease in insurance costs to $4.8 million in 2023 from $5.4 million in 2022.

As a result, gross profit increased by $49.6 million, or 211.1%, during the year ended December 31, 2023, compared to 2022. Gross margin (gross profit as a percentage of net operating revenue) decreased to 4.7% during the year ended December 31, 2023 from 5.8% during the year ended December 31, 2022.

General and Administrative Expenses

General and administrative expenses decreased by $22.1 million, or 41.9%, during the year ended December 31, 2023, compared to 2022.

The following table sets forth the components of our general and administrative expenses for the years ended December 31, 2023 and 2022:

	For the year ended December 31,		
	2023	**2022**	**% Change**
	(in millions of $)		
Payroll, related charges and benefits	(19.6)	(16.0)	22.5%
Depreciation	(0.1)	(0.1)	0.0%
Materials	—	—	n.m.
Maintenance	—	(0.0)	n.m.
Insurance	(0.8)	(1.4)	(42.9)%
Other [(1)]	(10.1)	(35.1)	(71.2)%
Total	**(30.6)**	**(52.7)**	(41.9)%

n.m.: not meaningful.

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

Our general and administrative expenses decreased primarily as a result of the combined effect of:

- a 71.2% decrease in other expenses to $10.1 million during the year ended December 31, 2023 from $35.1 million during the year ended December 31, 2022, mainly due to non-recurring cost with financial and legal advisors incurred in connection with our debt restructuring in 2022; and
- a 22.5% increase in payroll, charges and benefits expenses to $19.6 million during the year ended December 31, 2023 from $16.0 million during the year ended December 31, 2022, mainly in short-term incentives, compensation increases due to collective bargaining agreements, and our management incentive program.

General and administrative expenses as a percentage of net operating revenue decreased to 5.5% during the year ended December 31, 2023 from 13.0% during the year ended December 31, 2022.

Other Operating Income (Expenses), Net

Other operating income, net, decreased by $1,021.5 million, or 94.8%, during the year ended December 31, 2023, primarily as a result of a decrease in other income to $55.6 million during the year ended December 31, 2023 from $1,077.1 million during the year ended December 31, 2022, principally due to the restructuring gain of $513.2 million and impairment reversal of $560.8 million during the year ended December 31, 2022, compared to an impairment reversal of $54.7 million during the year ended December 31, 2023. For more information on the restructuring gain and impairment reversal, see notes 8 and 15 to our unaudited consolidated interim financial statements and notes 10 and 16 to our audited consolidated financial statements.

Operating Profit

As a result of the foregoing, our operating profit decreased by 97.9% to $20.5 million during the year ended December 31, 2023 from $993.9 million in 2022. As a percentage of net operating revenue, operating profit decreased to 3.7% in 2023 from 244.7% in 2022.

Financial Expenses, Net

Financial expenses, net, decreased by $85.9 million, or 64.8%, during the year ended December 31, 2023, primarily as a result of a 63.3% decrease in financial expenses to $49.4 million in 2023 from $134.6 million in 2022, partially offset by a 43.6% increase in financial income to $3.2 million in 2023 from $2.2 million in 2022.

Financial Income

Financial income increased to $3.2 million during the year ended December 31, 2023 from $2.2 million during the year ended December 31, 2022, primarily as a result of higher interest on short-term investments.

Financial Expenses

Financial expenses decreased by 63.3% to $49.4 million during the year ended December 31, 2023 from $134.6 million during the year ended December 31, 2022, principally due to reduced interest expense in 2023 on loans and financings, compared to 2022, and the accrual of derivatives of $44.0 million during the year ended December 31, 2022 compared to a reversal of $17.9 million during the year ended December 31, 2023.

Taxes

Our tax expenses increased to $4.9 million during the year ended December 31, 2023 from $2.1 million during the year ended December 31, 2022.

Profit / (Loss) for the Year

We registered a loss of $30.9 million during the year ended December 31, 2023 from a profit of $859.3 million during the year ended December 31, 2022.

Liquidity and Capital Resources

We operate in a capital intensive industry. Our principal cash requirements consist of the following:

- capital expenditures related to investments in operations, construction or acquisition of new offshore rigs, and maintenance and upgrades of our existing drilling rigs;
- servicing our indebtedness; and
- working capital requirements.

Our principal sources of liquidity consist of the following:

- cash flows from operating activities;
- short-term and long-term loans and financings; and
- capital contributions.

During the years ended December 31, 2023 and 2022, we used our cash flow generated by operations primarily for investing activities. As of December 31, 2023 and 2022, we recorded consolidated cash and cash equivalents and short-term investments of $88.0 million and $59.5 million, respectively. We had cash flows provided by operating activities of $90.7 million and $147.9 million for the six-month period ended June 30, 2024 and the year ended December 31, 2023, respectively.

As the indirect parent company of our operating subsidiaries, we are not a direct party to any charter agreements and are therefore dependent on receiving dividend payments from our subsidiaries. Distribution of surplus cash held in our subsidiaries that own our drilling rigs and are borrowers under the financing agreements related thereto may be restricted under such financing agreements. We do not believe these restrictions will prevent us and any other non-borrowing subsidiaries from meeting our respective liquidity needs.

Based on our current business plan and following the Liquidity Event and this offering, we believe that our cash and cash equivalents on hand, our cash generated by operations and available under our existing credit facilities will be adequate to meet all of our capital expenditure requirements and liquidity needs in the near term. We may require additional capital to meet our longer term financing. We may require additional capital to meet our longer term financing and continue to explore other opportunities.

Cash Flows

The following table sets forth our cash flows for the periods presented below:

	For the sixth-month period ended June 30,		For the year ended December 31,	
	2024	2023	2023	2022
	(in millions of $)			
Cash flows provided used in operating activities:				
Profit (loss) for the period	(3.8)	7.3	(30.9)	859.3
Adjustments to reconcile profit to net cash used in operating activities	108.1	99.4	204.2	(793.8)
Profit after adjustments to reconcile net profit to net cash used in operating activities	104.4	106.6	173.3	65.5
Decrease (increase) in assets or increase (decrease) in liabilities related to operating activities	(13.6)	(55.5)	(25.4)	(23.6)
Cash flows provided by operating activities	90.7	51.1	147.9	41.9
Cash flows used in investing activities	(67.6)	(28.7)	(78.3)	(102.4)
Cash flows provided by (used in) financing activities	(45.5)	(6.2)	(42.6)	40.8
Increase (decrease) in cash and cash equivalents	(22.4)	16.2	27.1	(19.7)
Cash and cash equivalents at the beginning of the period	87.9	59.5	59.5	76.3
Effects of exchange rate changes on the balance of cash held in the foreign currencies	(2.5)	1.3	1.4	2.9
Cash and cash equivalents at the end of the period	**63.0**	**77.0**	**87.9**	**59.5**

Cash Flows Provided by Operating Activities

During the six-month periods ended June 30, 2024 and 2023 operating activities provided net cash of $90.7 million and $51.1 million, respectively. During the years ended December 31, 2023 and 2022, operating activities provided net cash of $147.9 million and $41.9 million, respectively.

Net cash provided by operating activities increased by $39.6 million during the six-month period ended June 30, 2024 compared to the six-month period ended June 30, 2023. During the six-month period ended June 30, 2024, our cash generated from profit after adjustments to reconcile profit to net cash used in operating activities was $104.4 million, a decrease of $2.3 million compared to the six-month period ended June 30, 2023, principally due to a decrease in the net result between periods. During the six-month period ended June 30, 2024, we recorded an increase in net assets and liabilities related to operating activities of $13.6 million compared to an increase of $55.5 million during the six-month period ended June 30, 2023. The main impact on working capital between periods was a higher realization of trade and other receivables when both periods are compared.

Net cash provided by operating activities increased by $106.0 million during the year ended December 31, 2023 compared to the year ended December 31, 2022. During the year ended December 31, 2023, our cash generated from profit after adjustments to reconcile profit to net cash used in operating activities was $173.3 million, an increase of $107.8 million compared to 2022. While during the year ended December 31, 2022 net result was $890.2 million higher than in 2023, there were significant adjustments recorded in other operating income (expenses), net in the year ended December 31, 2022, including the such as $560.8 million of adjustment related to the reversal of impairment, and $513.2 million of debt restructuring gain, which had no impact on cash and cash equivalents. In the year ended December 31, 2023, we recorded an increase in net assets and liabilities related to operating activities of $25.4 million compared to an increase of $23.6 million in the year ended December 31, 2022.

Cash Flows Used in Investing Activities

During the six-month periods ended June 30, 2024 and 2023 investing activities used net cash of $67.6 million and $28.7 million, respectively. During the years ended December 31, 2023 and 2022, investing activities used net cash of $78.3 million and $102.4 million, respectively.

During the six-month period ended June 30, 2024, investing activities for which we used cash primarily consisted of acquisition of property plant and equipment of $49.4 million.

During the six-month period ended June 30, 2023, investing activities for which we used cash primarily consisted of acquisition of property plant and equipment of $28.7 million.

During 2023, investing activities for which we used cash primarily consisted of acquisition of property plant and equipment of $78.9 million. These disbursements were partially offset by proceeds from disposal of property, plant and equipment of $0.6 million.

During 2022, investing activities for which we used cash primarily consisted of acquisition of property plant and equipment of $123.6 million. These disbursements were partially offset by a decrease in restricted cash of $15.7 million, a decrease in short term investments of $4.7 million, and by proceeds from disposal of property, plant and equipment of $0.7 million.

Cash Flows Provided by (Used in) Financing Activities

Financing activities used net cash of $45.5 million and $6.2 million during the six-month periods ended June 30, 2024 and 2023, respectively. Financing activities used net cash of $42.6 million and provided net cash of $40.8 million during the years ended December 31, 2023 and 2022, respectively.

During the six-month period ended June 30, 2024, we used cash to pay interest and repay loans and financing in an aggregate amount of $45.5 million. During the six-month period ended June 30, 2024, we did not incur any new loans and financing.

During the year ended December 31, 2023, we used cash to pay interest and repay loans and financing in an aggregate amount of $42.6 million. During the year ended December 31, 2023, we did not incur any new loans and financing.

During the year ended December 31, 2022, we raised $62.4 million from our issuance of a bond in connection with our financial restructuring, and repaid loans and financing in an aggregate amount of $23.4 million. During the year ended December 31, 2022, we incurred new loans and financing in an aggregate amount of $942.1 million.

Capital Expenditures

We incurred capital expenditures in the last three years in order to upgrade and maintain our rigs, including periodic surveys. For the six-month periods ended June 30, 2024 and 2023 and the years ended December 31, 2023 and 2022, we recorded capital expenditures of $49.4 million, $28.7 million, $78.9 million and $123.6 million, respectively, in connection with upgrade, maintenance and overhauls.

Our current capital expenditure projects are fully funded. Our budgeted capital expenditures for existing capital expenditure projects for the years ended December 31, 2024, 2025 and 2026 are $118.6 million, $128.1 million and $39.5 million, respectively.

The following table sets forth information on our capital expenditures per rig, as of the dates indicated:

	Drillships			Offshore drilling rigs							
	Brava Star	Amaralina Star	Laguna Star	Atlantic-Star	Alpha Star	Gold Star	Lone Star	Olinda Star(1)	Onshore drilling rigs, equipment and bases	Corporate	Total
						(in millions of $)					
As of December 31, 2022	2.2	31.7	33.2	1.4	2.1	23.4	25.4	2.8	0.9	0.0	123.0
As of December 31, 2023	25.2	10.1	6.5	2.5	14.3	11.7	8.1	0.2	–	0.2	78.9
As of June 30, 2024	14.2	2.0	14.7	4.9	4.7	4.2	3.7	–	–	1.0	49.4

(1) On May 2, 2024, Olinda Star Limited and Super Shining Shipping Corporation signed a memorandum of agreement for the sale of scrap from the drilling unit Olinda Star. The agreed selling price was $8.1 million. Super Shining Shipping Corporation is responsible for recycling the scrap in accordance with green recycling principles and standards. We received a 25% deposit on May 6, 2024, with the remaining balance paid on May 15, 2024. We transferred the title on May 16, 2024. Thereafter, the Olinda Star ceased to form a part of our asset base. Olinda Star ceased operating on January 14, 2024.

Contractual Obligations

The following table summarizes our significant contractual obligations and commitments as of June 30, 2024:

	As of June 30, 2024(1)		
Period	**Trade and other payables**	**Loans and financing**	**Total**
		(in millions of $)	
2024	37.9	124.3	162.3
2025	—	27.5	27.5
2026	—	1,046.9	1,046.9
After 2027	—	5.4	5.4
Total	**37.9**	**1,204.1**	**1,242.0**

(1) The table has been prepared using the undiscounted contractual cash inflows and outflows for the financial instruments.

Indebtedness

As of June 30, 2024, our total outstanding indebtedness was $949.9 million (which included $47.7 million of the current portion of long-term indebtedness). As of June 30, 2024, $946.8 million, or 99.7%, of our outstanding indebtedness (including indebtedness of our non-guarantor subsidiaries) was secured. As of June 30, 2024, the aggregate outstanding balance of our short-term indebtedness was $47.7 million and the aggregate outstanding balance of our long-term indebtedness was $902.2 million.

The following table sets forth selected information with respect to our main outstanding debt instruments as of June 30, 2024:

Instrument:	**Outstanding Amount as of June 30, 2024**	**Interest Rate**	**Final Maturity**
	(in millions of $)		
Priority Lien Notes	47.4	13.0%	Jun/2025
First Lien Notes	285.5	3.00% (cash) or 4.00% (PIK)	Dec/2026
Second Lien Notes	1.9	0.25%	Dec/2050
2050 Notes	3.1	0.25%	Dec/2050
Bradesco Debt	45.0	SOFR + 2.00% (cash) or 3.00% (PIK)	Dec/2026
Restructured ALB Debt	536.7	SOFR + 2.00% (cash) or 3.00% (PIK)	Dec/2026
ALB L/C Debt	30.2	SOFR + 3.00%	Dec/2026
Total	**949.9**		

For more information on our long-term indebtedness, see note 9 to our unaudited consolidated interim financial statements and note 11 to our audited consolidated financial statements.

Off-Balance Sheet Arrangements

We do not currently engage in off-balance sheet financing arrangements. In addition, we do not have any interests in entities referred to as special purpose entities, which includes special purposes entities and other structured finance entities.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks arising from the use of financial instruments in the ordinary course of business. These risks arise primarily as a result of potential changes in the fair market value of financial instruments that would result from adverse fluctuations in interest rates and foreign currency exchange rates as discussed below.

Liquidity Risk

Our Board of Directors has developed a liquidity risk management framework to oversee our short- and long-term funding and liquidity needs. We manage liquidity risk by maintaining banking and capital markets facilities that we deem adequate and by continuously monitoring both our forecasted and actual cash flows, in order to match the maturity profiles of our financial assets and liabilities.

We maintain relationships with specific lenders and constantly monitor our funding needs in collaboration with them. We manage most of our long-term financing on a project-by-project basis, as needed to support our operations and growth plans. Our liquidity position was further strengthened by our debt restructuring in June 2022, and we have maintained this improved liquidity position throughout 2023 and 2024.

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations, resulting in financial losses to us. Financial instruments that potentially subject us 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 for these financial instruments are disclosed in our statement of financial position for cash, short-term investments and trade and other receivables in the statement of financial position.

We have not identified a material credit risk as to Petrobras, our main client. We hold our cash and cash equivalents in time deposits at financial institutions with high credit ratings or in mutual funds that invest exclusively in high-quality money market instruments. We limit our exposure to each financial institution individually to minimize our credit risk exposure.

Market Risk (Interest Rate Risk)

We are exposed to interest rate risk because we borrow funds at both fixed and variable interest rates. We manage this risk by maintaining an appropriate mix between fixed and variable rate borrowings and by using interest rate swap instruments when deemed necessary. We are exposed to fluctuations in $ LIBOR/SOFR interest rates charged on our loans and financing.

In connection with our debt restructuring, we and our creditors agreed to unwind previously existing swaps to align with our restructured debt structure and contract terms and conditions. We monitor any interest rate exposure and reassessing the associated risks based on the new terms and conditions agreed upon post-debt restructuring.

Foreign Currency Exchange Rate Risk

The U.S. dollar is our functional currency because the substantial majority of our revenues and part of our expenses are denominated in U.S. dollars. Accordingly, our reporting currency is also the U.S. dollar. However, there is a risk that currency fluctuations could have an adverse effect on us as we also earn revenue and incur expenses in other currencies, mainly Brazilian *reais*. As a result of the payment structure of our customer contracts, we reduce our exposure to exchange rate fluctuations in connection with monetary assets, liabilities and cash flows denominated in certain foreign currencies. Due to various factors, including customer acceptance, domestic banking laws, other statutory requirements, local currency convertibility and the impact of inflation on local costs, our actual local currency needs may vary from those anticipated in our customer contracts, resulting in partial exposure to foreign exchange risk. Fluctuations in foreign currencies have not had a material impact on our overall operating results or financial condition. See "—Results of Operations—Principal Components of Our Results of Operations—Effects of Foreign Exchange Variations on Our Results of Operations" for more information.

We structure our customer contracts to provide payments in both U.S. dollars and local currency (primarily Brazilian *reais*). We used revenues received in local currency mainly to pay for costs, goods, or salaries in that same currency. Transactions denominated in currencies other than U.S. dollars or Brazilian *real* are limited, so accordingly, we currently have no material exposure to currency exchange rate risk.

For more information on market risks, see note 18 to our unaudited consolidated interim financial statements and note 19 to our audited consolidated financial statements.

BUSINESS

Unless otherwise stated or the context otherwise requires, in this section "Constellation Group" refers to Constellation Oil Services Holding S.A. and its consolidated subsidiaries, prior to giving effect to the Merger, and in this Business, the "Company," "we," "us," and "our" refers to Constellation Oil Services Holding S.A. and its consolidated subsidiaries, in each case, prior to giving effect to the Merger.

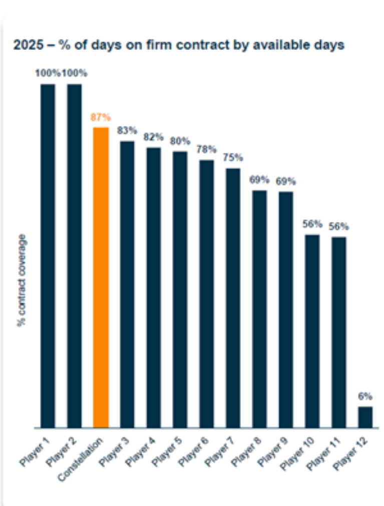
Overview

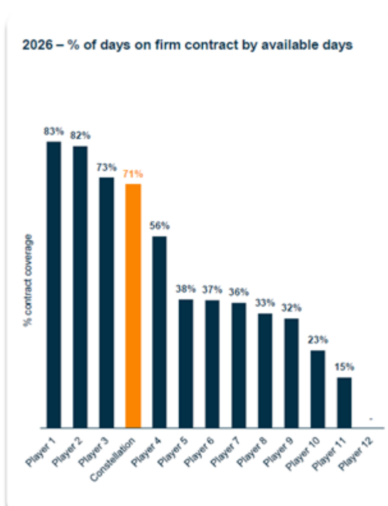
We are a market-leading provider of offshore oil and gas drilling services in Brazil, and our operations represent 22% of the offshore drilling rigs operating in the country, according to the RigLogix database. We believe that our scale, with 1,800 employees, and our more than 44 years of continuous operating experience in this industry provide us with a competitive advantage in the global oil and gas market. In particular, we believe that we are well positioned to continue to benefit from ultra-deepwater drilling activity in Brazil, a market segment driven primarily by the discoveries of vast potential oil and gas reserves in the pre-salt layer offshore Brazil. We own and operate a fleet of seven offshore rigs, including six modern ultra-deepwater dynamically positioned rigs in operation, all under contracts that expire between 2025 and 2028. Additionally, on September 23, 2024, we announced that commencing in the third quarter of 2025 we will manage and operate the Tidal Action rig. For more information on the new agreement with Petrobras, see "—Recent Developments."

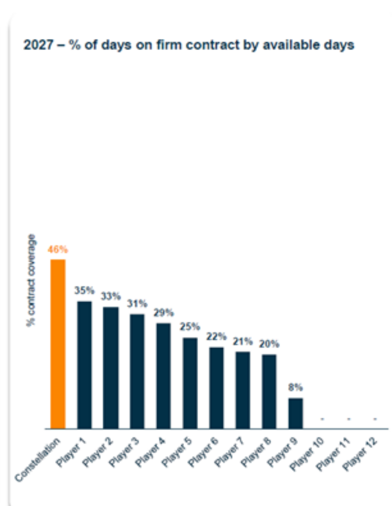
In the six-month period ended June 30, 2024 and in the year ended December 31, 2023, we recorded net operating revenue of $288.1 million and $551.8 million, respectively, a net loss of $3.8 million and $30.9 million, respectively, Adjusted EBITDA of $108.8 million and $185.5 million, respectively, and an Adjusted EBITDA margin of 37.8% and 33.6%, respectively. We have successfully capitalized on our market-leading position and industry expertise to accumulate an aggregate contract backlog of $1.6 billion, $1.1 billion and $1.5 billion as of September 30, 2024, June 30, 2024 and December 31, 2023, respectively. As of June 30, 2024 and December 31, 2023, we had total net debt of $866.8 million and $874.5 million, respectively, equivalent to 33.0% and 32.3% of the total book value of our assets as of those dates, respectively. In addition, as of June 30, 2024 and December 31, 2023, we had shareholder's equity of $1.5 billion, equivalent to 57.1% and 58.1% of our total assets as of those dates, respectively.

We are continuing to pursue an international footprint in key markets, through ongoing business development initiatives focused on creating a global presence. We have offices based in Houston, Texas, USA, Amstelveen, The Netherlands, Panama and Luxembourg for business development, supply chain support and administrative purposes.

As of October 18, 2024, RigLogix data indicates that we are positioned among the leading competitors in the offshore drilling industry regarding contract coverage (defined as the percentage of days under firm contract relative to available days) for the years 2025 and 2026. Furthermore, we hold the leading position for 2027.







Note: Company adjustments for Constellation: Extension periods for Petrobras counted as firm, Amaralina Star counted as firm (365 days in 2026 and 2027), Lone Star CLOA counted as firm (365 days in 2026, 90 days in 2027). Marketed and total supply days reduced by 240 expected days in 2025 as a result of non-available days in relation to contract rolls on the Amaralina Star, Laguna Star, Lone Star and Alpha Star.

Brazilian Oil Industry Highlights

Brazil: world-class oil production. Brazil is the largest oil producer in Latin America and the world's eleventh largest oil producer, with crude oil production of over 1,242 million barrels in 2023, according to the ANP Oil, Natural Gas and Biofuels Statistical Yearbook 2024.

According to the ANP Oil, Natural Gas and Biofuels Statistical Yearbooks 2023 and 2024, Brazil's oil and gas reserves are among the fastest growing in the world, mainly due to its offshore pre-salt reserves. Proven oil reserves in Brazil have grown from 15,544 billion bbl at the end of 2013 to 15,894 billion bbl at the end of 2023. During the same period, proven natural gas reserves in Brazil grew from approximately 457,960 trillion cubic feet to 517,077 trillion cubic feet.

According to its 2024-2028 strategic plan ending December 31, 2028, published in November 2023, Petrobras plans to increase its capital expenditure spending for the five years ending December 31, 2028, by 31% to an aggregate $102.0 billion, of which $73.0 billion is expected to be allocated to upstream exploration and production investments, particularly in offshore pre-salt fields. Petrobras' strategic plan further indicated that it aims to grow its oil production to 3.2 million barrels of oil per day in 2028.

The main blocks and fields for the offshore exploration and production of oil and gas in Brazil are located along the southeastern coast of the country and encompass the Campos, Espírito Santo and Santos Basins. The Santos Basin is where the pre-salt reserves, with their incredible potential, are embedded. Since its discovery, in the 2000's, the development of these pre-salt fields has attracted interest not only from Petrobras, but also from several other relevant industry players, including Shell, Chevron, Equinor, Galp, QatarEnergy and TotalEnergies, who have been partnering with Petrobras on numerous projects.

The Santos Basin covers an area of approximately 350,000 km^2 and is the most prolific oil and gas basin in Brazil. In 2023, the Santos Basin accounted for 78% of Brazil's total offshore oil production, largely ahead of the two other main basins (Campos and Espírito Santo). While the Tupi Field (formerly known as the Lula Field) has reached its mid-life after 13 years of the first oil withdrawal, and is now prone to production enhancement activities, many other significant discoveries succeeded Tupi, namely: Buzios, Mero, Atapu, Sépia, Sururu, Bacalhau, Sapinhoá, Itapu, Lapa and, most recently, Aram. Aram is still subject to reserve appraisal studies by Petrobras and its partners.

Pre-salt fields are deemed to be one of the most efficient exploratory basins in the world, based on information from the ANP. The average oil production of a typical pre-salt well is estimated by the ANP to be ten times higher than that of the average conventional offshore well. According to the ANP, the average oil production for a pre-salt oil well is 22,636 boe per day, which is well above average offshore production worldwide. In Brazil, a conventional offshore field produces 2,443 boe per day on average, according to the ANP. Brazil has a dominant position in the ultra-deepwater segment with the majority of the discovered pre-salt projects in the near- and mid-term horizon viable from $21 to $25 per barrel (bbl), according to Petrobras. Brazil's offshore oil also has one of the lowest average breakeven oil prices for new crude supply in the long-term, after the Middle East, according to IHS Markit. In addition, due to the overall quality and the low-sulfur content of crude oil extracted from the pre-salt oil reserves, Brazilian crude oil has shown increased demand, particularly from the Asian market, according to IHS Markit. Further, the exploration and production of offshore pre-salt fields presents reduced emission of greenhouse gases in the production process.

Unique opportunity for the Brazilian offshore drilling industry. Of the total amount of $73.0 billion that Petrobras intends to invest in E&P over the five years ending December 31, 2028, approximately 67% is expected to be allocated to pre-salt fields. Petrobras estimates that pre-salt production will represent approximately 79% of their total oil production at the end of this five-year period ending in 2028. We believe that the expected growth in offshore oil production presents a unique market opportunity for the offshore drilling industry, including us. Petrobras has already announced that it will add at least 14 new offshore production units (FPSOs) by 2028, ten of which are already contracted, which will require ultra-deepwater drilling rigs for the extraction process. Currently, all ultra-deepwater drilling units in operation in Brazil are being fully utilized and there is limited availability of ultra-deepwater floaters worldwide that could be mobilized to Brazil and meet the standards required by Petrobras. In addition, the combination of these factors, together with the diversification of other players in the Brazilian market in recent years, has created incremental demand for drilling rigs from independent exploration and production companies (E&P) and international oil companies (IOCs) operating in Brazil.

As one of the main operators of offshore drilling rigs in Brazil and a service provider to Petrobras, we believe we are well-positioned to realize the benefits of the attractive Brazilian oil industry dynamics, including through transitioning of existing contracts and repricing of current dayrates.

Our Competitive Strengths

We believe the following strengths have contributed to our success and distinguish us from our competitors:

Leadership position in a key market with high barriers to entry. According to the RigLogix database, we are the largest drilling company in Brazil, with 22% of the offshore drilling rigs contracted for operations in the country and the seventh largest drilling company worldwide, based upon the number of offshore drilling rigs in operation as of October 2024. We have a long track record of 44 years operating drilling rigs for the exploration and development of oil and gas reserves, mainly in Brazil. Brazil is the fastest growing market for ultra-deepwater rigs worldwide and has high barriers to entry given Petrobras' specific technical requirements and compliance standards. Ultra-deepwater drilling is inherently more complex and operationally challenging than drilling in shallower water depths. We are one of a small number of Brazilian drillers with commercial scale and demonstrated ultra-deepwater drilling know-how, having achieved a pre-salt drilling record. In 2022, the Brava Star, working for Petrobras, drilled the then-deepest offshore well in Brazil. Additionally, we are currently in the first quartile and own and operate the top two highest ranked drilling units among the fleet contracted by Petrobras, based on safety, integrity, operational efficiency and other criteria. In addition, rig demand in Brazil is outpacing supply: while 35% of active rigs (excluding harsh units) are currently in Brazil as of August 2024, Brazil represents only 21% of the total estimated uncontracted rig demand through 2030, according to Rystad Cube, indicating that Brazil is expected to remain among the world's most significant offshore markets for the foreseeable future.

Our deep and longstanding experience as a leading provider of offshore oil and gas drilling services in Brazil, particularly to Petrobras, places us in a privileged position to continue capturing opportunities in the Brazilian market.

Fleet capable of addressing growing market demand. We believe we have the largest portfolio of offshore drilling rigs in Brazil, consisting of a modern and high-quality fleet of seven drilling rigs constructed by the world's leading shipyards, including Samsung and Keppel FELS, with an average fleet age of 14.3 years, taking into consideration its renovation in 1997. Our fleet is substantially composed of modern ultra-deepwater dynamically positioned rigs and is capable of servicing the full-cycle of drilling, from exploration to production and decommissioning. Drilling has historically been the main source of our fleet activity with Petrobras; however, rigs' current demand outlook shows an increase in intervention and Plugging & Abandonment work demand, which we believe that we are well positioned to service.

Strong economy of scale with top-tier industry profitability. Our dedicated fleet of drilling rigs to the Brazilian oil and gas market provides us with focus and experience in a single hub and, thus, a superior economy of scale, which enables us to have a lower cost structure in the industry relative to regional and global peers and top-tier industry profitability. We believe our EBITDA margin stands as one of the highest in the industry, according to publicly available information from peer companies for 2023. Our ultra-deepwater contract drilling operations have maintained solid historical uptime, achieving 96%, 94% and 92% average uptime in the first half of 2024 and the full years of 2023 and 2022, respectively. We believe this demonstrates our ability to improve our fleet efficiency (i.e., by 200 bps for the six months ended June 30, 2024, equivalent to $11.0 million of extra revenues as compared to 2023), while also delivering among the best performing deepwater rigs in Brazil with improvement in time and cost for our clients. In addition, our fleet had a 66% reduction on average in contract transition days in the 18 months ended December 31, 2023. These time-efficient transitions lead to cost reductions and improved cash flow.

Best-in-class contract pricing power with strategic optionality. We strive to maintain and expand our strong relationship with Petrobras, for which we have performed drilling services since 1981, and other key customers. With our sound operation and minimal idle time, we believe we are able to maintain a stable and higher asset utilization than our peers, while we leverage our strong strategic position as a core service provider to Petrobras, which we believe will give us the opportunity to reprice our new contracts for longer tenors and may in the future provide significant EBITDA upside. Considering the current market outlook and recently priced contracts, and assuming approximate recent historical utilization and efficiency data, the current market day rates would impact our Adjusted EBITDA from $184.0 million for the twelve-month period ended June 30, 2024, to $447.1 million. We seek to diversify our customer base for increased negotiating power with independent oil and gas E&P companies and take advantage of gap filling and shorter-term opportunities.

Highly experienced management and board. Our management team and board of directors are comprised of senior executives, some of whom have more than 30 years of experience in the Brazilian and global oil and gas sector. Our executives and board members have in-depth knowledge of drilling, including project bidding, procurement, overseeing construction, upgrades of drilling rigs and the operation of our assets with the highest safety standards. Moreover, while many of our key executives have a long history within Constellation, others have worked at other international oil and gas companies, as well as leading global services companies.

Focus on excellence, sustainability and innovation. In addition to our focus on operational performance and drilling efficiency, we strive to operate with the highest safety, environment and industry standards. We have several programs in place to help ensure the integrity of our safety measures and the awareness of onboard crews regarding the risks related to the performance of their jobs. We believe that we are on track to comply with our 2030 ESG targets, including a proposed 59% reduction in greenhouse gas emissions and maintaining our zero leaks threshold. While upholding strict standards, we look forward to developing new tools and systems, including 3D scanning of drilling rigs, augmented reality, and automation and robotization of core process. We believe that these innovations will enhance both our operational and support processes.

Our Business Strategies

We intend to pursue the following strategies:

Expand our fleet and the types of services we provide. We believe that our solid track record in ultra-deepwater drilling will enable us to operate rigs from other companies and groups and/or other types of offshore vessels for our clients, such as accommodation units, well intervention vessels, lift boats and jackups, which are niche services with potential for premium rates. To this end, we intend to expand our fleet and the types of services we provide to our clients by entering into agency or other contractual arrangements, such as joint ventures and bareboat charter agreements.

Capitalize on our market-leading position in Brazilian ultra-deepwater drilling to opportunistically expand to key international offshore markets and segments. As a recognized Brazilian market leader, we intend to capitalize on our strong market position in Brazil. We believe that our leading ultra-deepwater presence in Brazil, premium drilling fleet, high safety standards and strong track record position us well to seek new opportunities in the key international offshore markets. We intend to position ourselves in markets with potential for deepwater growth, such as West Africa, the western Gulf of Mexico and Southeast Asia.

Continue refining and enhancing our fleet. We are focused on using and investing in new and proven fleet safeguards and technologies that support sustainable growth and have the potential to maximize efficiency, reduce environmental impact and enhance safety. Our technical team, with the largest engineering team in Brazil for a drilling company among Seadrill, Valaris, Foresea and Transocean, proactively monitors industry innovations and is aligned with the newest technical specifications required by operators, positioning us to secure premium contracts and attract top-tier customers. We also leverage new and cutting-edge technology to improve operational efficiency, safety, innovation and the environment. As such, we have implemented real-time operations monitoring to provide certain parameters and key performance indicators of our offshore drilling units in real-time, 24 hours per day and 3D scanning of drilling rigs to improve troubleshooting and provide better training. Operations support processes optimization, such as asset management and supply chain management, also address safety, asset integrity, tripping performance, financial efficiency, human capital and client requirements.

Disciplined approach to capital allocation. We focus on maintaining strong, recurring cash flow streams through market cycles. We intend to continue to maximize our cash flows by optimizing our capital expenditures through condition-based maintenance of our assets, which can further extend the lifespan of our equipment while allocating capital more efficiently than performing major overhauls every five years. We also prioritize fostering long-term partnerships with key suppliers, generally enabling us to secure favorable terms and access critical materials even in tight market conditions.

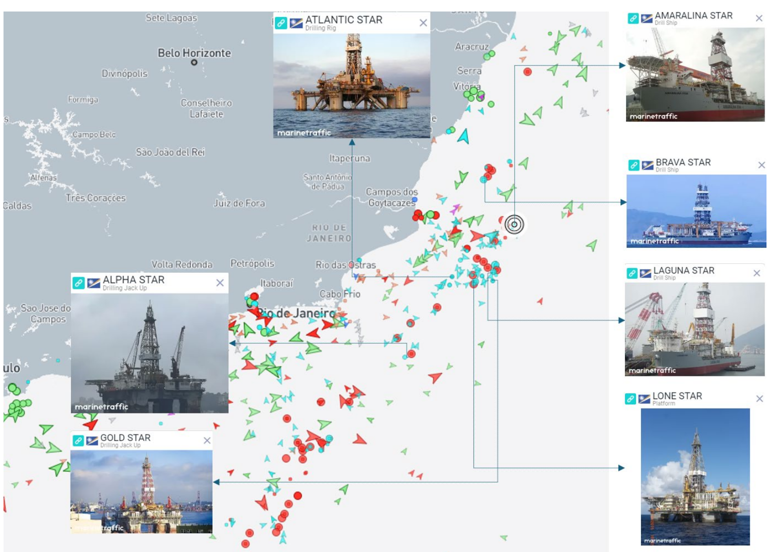
In addition, given the volatility in our industry, our long-term business plan aims to achieve indebtedness levels that we believe are conservative and help to safeguard our Company, preserve our financial flexibility and minimize risk across all market conditions. Finally, we focus on building and preserving our financial reserves during peak cycles to help protect our Company during downturns, enabling strategic investments and stability when opportunities arise.

Promote operational excellence, sustainability, and safety. We intend to maintain our strong focus on the continued high-quality performance and safety of our operations. Our management team is dedicated to the superior performance of our assets by hiring, training and retaining highly skilled employees. We maintain high QHSE standards by maintaining our certifications in ISO 9001:2015, ISO14001:2015, ISO 45001:2018 and API Spec Q2 Standards. On Mai, 2024, we have received the API Spec Q2 certification, a quality management system designed specifically for drilling services providers. In addition, we are committed to continuing to provide safety and technical training to maintain the high quality and safe services that our clients expect from us, including relatively low downtime for our rigs.

Become the preferred drilling partner for operators committed to decarbonizing their operations. We intend to become the preferred drilling partner for operators in Brazil for research and development projects associated with the decarbonization of their operations. To this end, we created a department focused on researching and developing technological alternatives for carrying out well construction services with lower fuel consumption, while maintaining the same levels of operational safety. In 2023, we approved our first R&D project in partnership with Petrobras and the University of São Paulo (*Universidade de São Paulo*), one of the most renowned universities in Latin America, to develop a solution focused on reducing fuel consumption while operating rigs in offshore fields. This initiative consists of an artificial intelligence platform that will support the measurement and optimization of energy management on board. One of the technologies being evaluated is the use of hydraulic accumulators to reduce the number of electric motors needed to operate the rig's drilling system. We carried out initial tests of this technology on Brava Star and achieved preliminary reductions in absolute diesel consumption. We are developing other energy efficiency projects in the areas of digital solutions, main engines, combustion, generation and auxiliary systems.

Our Operations

The map below sets forth the location of our offshore drilling fleet, as of October 3, 2024:



Source: https://www.marinetraffic.com/.

Our Fleet and Investments

Offshore Drilling Rigs

We commenced our offshore drilling operations in 1994 and since then, our portfolio of offshore rigs has grown to seven rigs currently in operation and under long-term charter contracts (*contratos de afretamento*), being six of them with Petrobras and one with Brava Energia, all governed by Brazilian law. Additionally, commencing in the third quarter of 2025 we will manage and operate the Tidal Action rig.

The following table describes the main characteristics of our offshore drilling rigs, all of which are fully owned, except for the Tidal Action rig:

Rig	Contracting party	Type	Water Depth (ft)	Drilling Depth (ft)	Delivery Date[(2)]	Contract Expiration Date
Alpha Star.............	Brava Energia[(1)].....	DP; SS	9,000	30,000	July 2011	February 2028
Amaralina Star	Petrobras...............	DP drillship	10,000	40,000	September 2012	October 2025
Brava Star.............	Petrobras...............	DP Drillship	12,000	40,000	August 2015	December 2026
Gold Star	Petrobras...............	DP; SS	9,000	30,000	February 2010	August 2025
Laguna Star	Petrobras[(3)]............	DP drillship	10,000	40,000	November 2012	April 2028
Lone Star..............	Petrobras...............	DP; SS	7,900	30,000	April 2010	September 2025
Atlantic-Star	Petrobras...............	Moored; SS	2,000	21,320	February 2011	January 2025
Tidal Action rig[(4)]..	Petrobras...............	DP3 Kongsberg	12,000	34,400	March 2025	April 2028

(1) Alpha Star is currently contracted with Brava Energia. The existing contract with Brava Energia will be replaced by a new contract with Petrobras, starting in the first quarter of 2025. The expiration date refers to this Petrobras contract.
(2) The "Delivery Date" are to (1) the date our offshore rig commenced or is expected to commence operations for the customer or (2) the date on which we acquired the offshore rig operating under an existing contract.
(3) Laguna Star will start a new agreement with Petrobras in the third quarter of 2025.
(4) On September 23, 2024, we announced that Laguna Star rig and the Tidal Action rig were selected in a tender for two opportunities with Petrobras for the operation of two ultra-deepwater rigs. The Tidal Action rig bareboat charter and management agreement were signed on September 21, 2024, and the related Petrobras agreements were signed on September 23, 2024. Both Petrobras opportunities have a total firm duration of approximately two and a half years, with possible extension by mutual agreement for up to two and a half years, commencing in the third quarter of 2025. The contracts were awarded at current market conditions day rates.

We rely on real-time data to monitor equipment conditions and predict when maintenance of our drilling is needed. Instead of following a fixed maintenance schedule, we use sensors and monitoring tools to track factors such as temperature, vibration, pressure, and wear, allowing maintenance to be performed only when necessary. However, for major interventions that require the rig to be stopped, such maintenance is scheduled during contract transitions, when the rig is moved to a shipyard or sheltered waters.

We had onshore operations and facilities located in Rio das Ostras and Macaé, in the State of Rio de Janeiro and Nova Mutum, in the State of Mato Grosso, which were sold in the beginning of the year and delivered by June 30. We still have a decommissioning onshore base in Manaus, in the State of Amazonas.

Alpha Star

Alpha Star is a semi-submersible drilling rig that commenced operations in July 2011. This drilling rig is capable of drilling in waters with depths of up to 9,000 feet and has a drilling depth capacity of up to 30,000 feet. Alpha Star is equipped to operate in pre-salt water depths and will be under charter with Petrobras until February 2028, with provision for further extension. It is a DSS 38 rig constructed by Keppel FELS.

On February 9, 2022, we announced that, after a request for proposal process, Alpha Star had been awarded a new agreement with Enauta Energia S.A. ("Enauta"), initially for drilling two wells. In addition, a third well was added to the scope, accounting for a total firm period of 210 days. The activities took place at the Atlanta field and the operations commenced on October 27, 2022. The agreement matured on September 17, 2023.

Brava Energia Agreement

On June 13, 2023, we announced that Alpha Star had been selected in a direct negotiation for a new agreement with Brava Energia for the operation of the semi-submersible rig. The work is being performed in the Papa-Terra field, located in the Campos Basin. The agreement has a firm duration of 14 months. The scope of work includes drilling, completion (which refers to the process of making a drilled well ready for production of oil or gas, or for injection of fluids into the well, and occurs after the well has been drilled to its target depth, involving several critical steps to ensure that the well can produce hydrocarbons safely and efficiently), and workover of wells in water depths of up to 5,249 feet. The term of the agreement commenced on September 17, 2023. The agreement will expire in December 2024.

Shell Agreement

On August 20, 2024, we entered into a short-term contract with Shell Brasil Petróleo Ltd., a subsidiary of Shell plc, for its use of the Alpha Star rig on a field located at the Campos Basin for a 30-day period, starting on August 30, 2024. This contract aimed to enhance well productivity by intervening on four pump-boosting modules, which led to increased production.

Petrobras Agreement

On September 16, 2023, we announced that Alpha Star had been selected in a public bidding for a new agreement with Petrobras for the operation of the semi-submersible rig. The agreement, which was entered into on September 16, 2023, has a total firm duration of three years and, subject to mutual agreement between the parties, can be extended for three more years. The scope of the agreement includes drilling, completion and workover activities, which will be performed in water depths up to 7,874 feet, and operations are expected to commence after the rig is released by Brava Energia in its current contract and going through a contract transition period of 70 days.

Lone Star

Lone Star is a semi-submersible drilling rig, that commenced operations in April 2011. It is capable of drilling in waters with depths of up to 7,900 feet and has a drilling depth capacity of up to 30,000 feet. Lone Star is equipped to operate in pre-saltwater depths and is under charter with Petrobras until September 2025, with a provision for contract extension subject to mutual agreement. It is a TDS 2000 Plus rig constructed by SBM Atlantia/GPC.

Petrobras Agreement

On January 5, 2022, we announced that Lone Star had been selected in a public bidding for a new agreement with Petrobras for the operation of the semi-submersible rig. The agreement, which was entered into on December 23, 2021, has a total firm duration of three years and, subject to mutual agreement between the parties, can be extended for two more years. It provides for operations in ultra-deep waters, in up to 7,874 feet. The activities will be carried out in Brazilian offshore basins and operations commenced on September 14, 2022.

As of June 30, 2024, we had a provision for onerous contract in the total amount of $4.9 million ($6.4 million as of December 31, 2023) with respect to this agreement.

Lone Star and Letter of Intention

We are in advanced stage of negotiations with an independent oil company for a charter agreement and a services agreement at current market conditions day rates for the Lone Star rig. The term of duration of the agreements would be of at least 400 days, commencing in the fourth quarter of 2025, following the end of the current contracts with Petrobras. On October 16, 2024, we have agreed to an exclusivity period until November 1, 2024 and to enter into definitive documents by this date, subject to certain conditions. After November 1, 2024, we will no longer have the obligation to continue the negotiations and execute definitive documents.

Gold Star

Gold Star is a semi-submersible drilling rig that commenced operations in February 2010. It is capable of drilling in waters with depths of up to 9,000 feet and has a drilling depth capacity of up to 30,000 feet. Gold Star is equipped to operate in pre-salt water depths and is under charter and service rendering agreements with Petrobras until

August 2025, with a provision for contract extension subject to mutual agreement. It is a DSS 38 rig constructed by Keppel FELS.

Petrobras Agreement

On January 5, 2022, we announced that Gold Star had been selected in a public bidding for a new agreement with Petrobras for the operation of the semi-submersible rig. The agreement, which was entered into on December 23, 2023, has a total firm duration of three years and, subject to mutual agreement between the parties, can be extended for two more years. It provides for operations in ultra-deep waters, in up to 7,874 feet. The activities will be carried out in the Brazilian offshore basins and the operations have commenced on August 9, 2022.

As of June 30, 2024, we had a provision for onerous contract in the total amount of $10.2 million ($11.1 million as of December 31, 2023) with respect to this agreement.

Amaralina Star

Amaralina Star is a drillship drilling rig, built at Samsung Heavy Industries shipyard in South Korea, that commenced operations in February 2010. It is capable of drilling in waters with depths of up to 10,000 feet and has a drilling depth capacity of up to 40,000 feet. It is equipped to operate in pre-salt water depths and has the ability to execute parallel activities.

Petrobras Agreement

On December 29, 2021, we announced a new agreement with Petrobras for Amaralina Star. The agreement, which was entered into on December 7, 2021, has a total firm duration of two years and, subject to Petrobras decision, can be extended for one more year, totaling a maximum contract period of three years. It provides for operations in ultra-deep waters, in up to 7,800 feet, including a number of specialized services, such as cementing unit, drilling cuttings dryers and remotely operated vehicles. The operations are taking place in the Roncador field, in the Campos Basin, and have commenced on October 18, 2022. In October 2023, Petrobras has exercised its unilateral option to extend the term of this agreement for 365 additional days, extending the expiration date of this agreement to October 16, 2025.

As of June 30, 2024, we had a provision for onerous contract in the total amount of $1.8 million ($2.7 million as of December 31, 2023) with respect to this agreement.

On October 16, 2024, we have successfully ranked in a position to be awarded, according to Petrobras criteria, of a tender process with them for a new long-term agreement of Amaralina Star rig. The term of duration is of 1,095 days, extendable by mutual agreement. The contract covers operations in ultra-deep waters and includes a range of specialized services, such as cementing units, drilling rigs, solid control, remotely operated vehicles, and H2S services. This framework supports effective collaboration and operational efficiency.

Laguna Star

Laguna Star is a drillship drilling rig, built at Samsung Heavy Industries shipyard in South Korea, that commenced operations in November 2012. It is capable of drilling in waters with depths of up to 10,000 feet and has a drilling depth capacity of up to 40,000 feet. It is equipped to operate in pre-salt water depths and has the ability to execute parallel activities.

Petrobras Agreement

On July 6, 2021, we announced that Laguna Star was selected in a public bidding for an agreement with Petrobras for the operation of the drillship rig. The agreement, which was entered into on July 2, 2021, has a total firm duration of three years and is not subject to extension periods. Operations commenced on March 1, 2022, on the Itapu Field, located on the Santos Basin, and also the Barracuda, Caratinga and Marlim Sul Fields, located on the Campos Basin. The agreement also includes specialized services such as cementing unit, drilling cuttings dryers, remotely operated vehicle and managed pressure drilling, which are contracted by Constellation with companies such as

Halliburton, SLB, Baker Hughes, Weatherford, Oceaneering, Fugro, and others. Following the completion of this contract, the Laguna Star rig will undergo necessary adjustments, class inspections, and hull cleaning before resuming operations.

On September 23, 2024, we announced that Laguna Star rig and the Tidal Action rig were selected in a tender for two opportunities with Petrobras for the operation of two ultra-deepwater rigs. The Tidal Action rig bareboat charter and management agreement were signed on September 21, 2024, and the related Petrobras agreements were signed on September 23, 2024. Both Petrobras opportunities have a total firm duration of approximately two and a half years, with possible extension by mutual agreement for up to two and a half years, commencing in the third quarter of 2025. The contracts were awarded at current market conditions day rates.

As of June 30, 2024, we had a provision for onerous contract in the total amount of $0.3 million ($0.3 million as of December 31, 2023) with respect to this agreement.

Brava Star

Brava Star is a dynamically positioned ultra-deepwater drillship, built at Samsung Heavy Industries shipyard in South Korea, that commenced operations in August 2015. It is capable of drilling in waters with depths of up to 12,000 feet and has a drilling depth capacity of up to 40,000 feet. It is equipped to operate in pre-salt water depths. It is a latest-technology full dual-activity drilling rig with enhanced features, such as a second blowout preventer and a heavy crane with compensated movement, capable of deploying and retrieving subsea equipment.

Petrobras Agreement

On January 6, 2021, we announced that the Brava Star drillship had been selected in a bidding for an agreement with Petrobras for the operation of the drillship rig. The agreement was executed on December 9, 2020, and had an estimated duration of 810 days (including a clause of termination for convenience after 180 days subject to a demobilization fee, which was not exercised). The agreement provided for operations in ultra-deep waters of up to 10,000 feet and included a full integrated package of services plus managed pressure drilling. The work was performed offshore Brazil from March 2021 to October 2023 and the agreement expired on October 18, 2023.

Additional Petrobras Agreement

On December 13, 2022, we announced that the Brava Star drillship had been selected in a public bidding for an agreement with Petrobras for the operation of the drillship rig. This new agreement was executed on December 9, 2022, and operations commenced on December 19, 2023, with an execution period of 1,095 days, and can be extended, subject to mutual agreement between the parties, for a maximum of 1,905 days. The agreement provides for operations in ultra-deep waters up to 7,800 feet and includes several integrated services. The firm term of the agreement expires on December 18, 2026.

On February 23, 2024, we and Petrobras entered into an amendment to the December 2022 agreement to provide an innovative technologies comprising technical upgrades on the blowout preventers and dynamic position systems of the unit, enabling operations in shallow water depths of 918 feet for at least 100 days. Operations are expected to commence in the fourth quarter of 2024.

Atlantic-Star

Atlantic-Star is an anchor-moored semi-submersible drilling rig originally constructed in 1976, that we acquired in 1997. The rig has been upgraded in 2007 and 2011, being suitable for drilling and completion operations with high performance. It is capable of drilling at water depths of up to 2,000 feet and has a drilling depth capacity of up to 21,320 feet. Atlantic-Star is currently under an agreement with Petrobras until January 2025. We completed an upgrade of Atlantic-Star in February 2011. In 2016, Atlantic-Star was certified by ANP to meet local content regulations.

Petrobras Agreement

On February 5, 2020, we announced that Atlantic-Star had been selected in a bidding for a new agreement with Petrobras for the operation of the semi-submersible rig. The agreement, which was entered into on January 31, 2020, has a total firm duration of three years and, subject to mutual agreement between the parties, can be extended for two more years. Operations are being performed in the Campos Basin, located offshore the Brazilian coast, and commenced on January 6, 2021.

In November 2023, Petrobras and we exercised our mutual option to extend the agreement for 389 additional days, and the agreement is set to expire in January 2025. This amendment to the current agreement included new additional services and revised daily rates.

Olinda Star

On January 7, 2022, we announced that Olinda Star was selected in a public bidding for a new contract with the Oil and Natural Gas Corporation ("ONGC") with a duration of 502 days. It began operations on May 4, 2022, and ended operations on January 14, 2024.

On May 2, 2024, Olinda Star Limited and Super Shining Shipping Corporation signed a memorandum of agreement for the sale of scrap from the drilling unit Olinda Star. The agreed selling price was $8.1 million. Super Shining Shipping Corporation is responsible for recycling the scrap in accordance with green recycling principles and standards. We received a 25% deposit on May 6, 2024, with the remaining balance paid on May 15, 2024. We transferred the title on May 16, 2024. Thereafter, the Olinda Star ceased to form a part of our asset base. Olinda Star ceased operating on January 14, 2024.

Backlog and Drilling Contracts

As of September 30, 2024, June 30, 2024, December 31, 2023 and December 31, 2022, our backlog for contract drilling was $1.6 billion, $1.1 billion, $1.5 billion and $1.3 billion, respectively. We expect approximately $299.0 million of our total backlog to be realized in 2024, $420.0 million in 2025 and $248.0 million in 2026.

Contract drilling backlog is calculated by multiplying the contracted operating dayrate by the firm contract period and adding any potential performance bonuses, which we have assumed will be paid to the maximum extent provided for in the respective contracts. Our calculation also assumes 100% uptime of our drilling rigs for the contract period; however, the amount of actual revenue earned and the actual periods during which revenues are earned may be different from the amounts and periods shown in the tables below due to various factors, including, but not limited to, stoppages for maintenance or upgrades, unplanned downtime, the learning curve related to commencement of operations of additional drilling units, weather conditions and other factors that may result in applicable dayrates lower than the full contractual operating dayrate. Contract drilling backlog includes revenues for mobilization and demobilization on a cash basis. All of our contracts are subject to renewal through negotiation among the parties.

The following table sets forth the amount of our contract drilling services backlog related to contracted existing and new projects for the periods indicated as of June 30, 2024:

	2024	%	2025	%	2026	%	2027	%	2028	Total	Total %
	(in millions of $, except for percentages)(1)										
Drilling rigs................................	299	27	420	38	247	22	123	11	20	1,109	100

(1) Amounts denominated in *reais* have been converted to U.S. dollars at the selling rate as reported by the Central Bank, as of June 30, 2024 for *reais* into U.S. dollars of R$5.5589 to $1.00.

The above backlog is based upon dayrates as of September 30, 2024 and on the assumption that we will obtain the full performance bonus under all of our charter and service contracts. In addition, the above excludes the effects of inflation.

Our contract terms and rates may vary depending on competitive conditions, the geographical area to be drilled, equipment and services to be supplied, on-site drilling conditions and anticipated duration of the work to be performed. Oil and gas drilling contracts are performed on a dayrate, footage or turnkey basis. Currently, all of our drilling services contracts are performed on a dayrate basis. In addition to negotiated dayrates, our drilling contracts provide additional remuneration through a performance bonus structure (which varies by contract) that rewards us for the efficient operation of our drilling rigs. For more information on the performance of our drilling rigs, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of Constellation—Principal Factors Affecting Our Results of Operations—Revenue per Asset, Utilization, Uptime and Dayrates of Our Drilling Rigs."

Contract Bidding

We contract our drilling rigs through (1) public biddings, (2) invitations for proposals or (3) direct negotiation with clients.

Our agreements to supply products and services to Petrobras are either subject to (i) public bidding processes, pursuant to Law 13,303/16 (the "State-Owned Companies Law"), or (ii) market inquiries, where the hiring company directly requests proposals from potential providers for the specific services needed, as provided by articles 28, 29 and 30 of Brazilian Law No. 13.303/16. Petrobras has a registration system for potential domestic and international suppliers and the CRC, as well as lists of pre-qualified bidders for certain services and activities, on which we update our financial, legal, HSE, Integrity and technical data annually in order to remain qualified. Petrobras may restrict its bidding opportunities to the list of pre-qualified bidders per activity or service. The Petrobras bids may follow a strict process provided under Law 13,303/16, or more flexible regulation if Petrobras is hiring the drilling unit in its capacity as operator of a consortium, which would allow to hiring through market inquiry and request for proposals, as per art. 1, paragraph 7 of Decree No. 9,355/18 and approval from Petrobras' board. During the bidding process, bidders may send questions and clarification requests regarding the bid. Petrobras is required to answer all questions posed before the bid due date, with all the questions and answers publicly available.

Other operators have similar systems by which suppliers present their proposals or register themselves as potential suppliers. In addition to using registration systems for suppliers, we have also completed several pre-qualification questionnaires to become qualified as a bidder for other identified opportunities.

When an operator or consortium of operators does not have specific systems to manage the bidding process, it is common for the operator or consortium of operators to use e-mail or other means for the distribution of documentation regarding the requirements and technical specifications of the project, to manage the question and answer process and to receive the proposal package.

Direct Negotiations

We may also contract our drilling rigs through direct negotiation with our customers. As mentioned above, Petrobras may enter into direct negotiations in some specific cases, including in consortium with other customers, as private entities are not bound to enter into public biddings. In direct negotiations, contractual and technical terms are negotiated by both parties to reach mutual agreement with respect to the customer's requirements. This direct negotiation process is generally used in situations where unique or urgent solutions are required. The direct negotiation process usually occurs between parties that have already worked together on previous projects.

Drilling Contracts

Term and Purpose

We and our subsidiaries establish offshore charter agreements to provide services to our clients. Our drilling contracts are split between a charter contract and the drilling services contract. The offshore charter agreements set forth the terms for the drilling, completion and workover of wells of oil and/or natural gas, while the corresponding offshore services agreements establish the terms under which we will provide services to our customers related to the operation of the chartered offshore drilling rigs. Except for our current short-term contract for Alpha Star, which will end at the end of 2024 and be replaced by a long-term contract that has already been executed, our offshore charter and service agreements can either be scope-based or time-based. Scope-based contracts provide for the execution of a certain scope of work (*e.g.*, drilling of two firm wells, plus two optional wells). Time-based contracts provide for a firm period, with the possibility of priced or mutually agreed extension options.

Most of our contracts are time-based and, in general, their firm terms vary from 730 to 1,095 days. However, in some cases, we may engage in shorter-term agreements, which are those with less than 730 days. As a general practice, contracts are subject to well-in-progress clauses, meaning that, if on the last day of the pre-defined contractual period the ongoing well still demands work from the rig, then the period will be automatically extended until the completion of the work. The contract term begins when the contractor issues a final acceptance certificate, after the equipment tests. The end of a contract is achieved when the rig arrives at the port after completing its drilling assignment. Most of our contracts have provisions for the extension of the contracts that could vary from 365 days up to 1,095 days.

Liability and Other Terms

Our drilling contracts generally include an assumption with respect to well control risks, damage to the well and the cost of bringing the well under control, fire, blow-out or any other uncontrolled flow from underground oil, gas, water or other substances and use of radioactive material.

All of our contracts follow knock-for-knock liability regime, except for the Atlantic-Star contracts, which are subject to a direct liability regime based on fault. The knock-for-knock regime provides that each party will be responsible for damages to its personnel and property regardless of cause, subject to limited exceptions (such as caused by willful misconduct and gross negligence of senior personnel). Further, such agreements provide, subject to some exceptions, for limitations of liability applicable to damages not covered by the knock-for-knock provisions and corresponding to a certain percentage of the total value of the contract (usually at 10%). There is also a limitation to direct damages, which excludes indirect and consequential losses, with certain exceptions. With respect to pollution, according to the knock-for-knock regime, our subsidiaries are also liable for damages and claims of third parties for pollution as long as they originate from our equipment. Some of our contracts provide certain limitations that states that we are only liable for pollution originating from our equipment located above the rotary table. Our customers usually indemnify such third parties for pollution resulting from their equipment, installations, wells, reservoirs and equipment below the rotary desk. Except for third party claims for pollution described above, for which there is no liability limitation, our subsidiaries' liability for third party claims is usually capped at between 10% and 20% of the contract value, or $10.0 million, depending on the agreement. Claims above such amounts are discussed directly with the relevant customer.

Contractual risk allocation and indemnities regarding other drilling contractors operating in the same area as us will be addressed differently and the contractor that caused the damages or committed the tort will be liable for it.

On the other hand, in contracts providing for liability based on fault, our customers are usually indemnified for all direct damages resulting from our subsidiaries' default, and liability is capped at a certain amount (usually 10% of the contract value or $20.0 million). Indirect and consequential losses are expressly excluded, subject to certain exceptions. Third party damages and pollution are usually subject to separate caps (respectively, 10% or $10.0 million and $25.0 million per event), and in cases of damages above such amounts, the customer will indemnify our subsidiaries for amounts paid to third parties. The limitation of liability does not apply in cases of willful misconduct and failure to comply with tax or labor obligations.

Although we may agree on limiting environmental liabilities; such contractual limitation does not affect the results of any public civil actions discussing environmental damages. Additionally, although we may also contractually allocate civil environmental liability, such contractual allocation does not affect liability towards public parties that are legally entitled to investigate environmental damages. Our customers are held harmless from any claims raised against them as a result of our actions or omissions. For more information on environmental liabilities, see "—Environmental and Other Regulatory Issues."

Our subsidiaries that are party to our charter agreements and corresponding services agreements are not liable for losses, damages or harms caused by kicks, blowouts, surges or formation tests.

In addition to any fines that may be imposed by law, our customers may impose penalties on us in certain cases, including, but not limited to, continuous poor performance. Under Petrobras' agreements, the providers of drilling services and the charter company are jointly liable for liabilities and/or payments.

Termination

Our customers may terminate our charter or services agreements (with no obligation to compensate or indemnify our subsidiaries for their termination) upon the occurrence of certain events, including, among others, (1) certain breaches by our subsidiaries with contractual clauses, specifications or timeframes, (2) bankruptcy, dissolution, or change of our subsidiaries' corporate purpose or structure, which at our customer's discretion may adversely affect the performance of the charter or service agreement, (3) exclusively in relation to the agreements executed with Petrobras, interruption of the charter without cause or prior notice to Petrobras, (4) repeated performance failure, such that the aggregate amount of default penalties has reached a certain percentage (depending on the contract) of the global contract amount, (5) suspension of the charter for a set number of consecutive days as determined by competent authorities, as a result of causes attributable to the chartering and servicing subsidiaries, or (6) the occurrence of a *force majeure* event hindering the performance of the agreements for period exceeding the contractually allocated period.

Well in Progress Provision

All of our contracts incorporate 'well in progress' provisions, which denote situations when, even by the time contract duration is concluded, a specific phase or aspect of the work that has already been initiated and is currently being executed. We are obligated to complete the work once it has commenced. Additionally, in certain agreements with Petrobras, if Petrobras experiences downtime along the contract execution, it retains the right to extend the contract by a period corresponding to the overall duration of the downtime.

Supply and Subcontractor Agreements

We are party to supply and subcontractor agreements that support our contractual obligations with our customers and our business activities, including engineering services, project design, evaluation of technical, economic and environmental viability, drilling and maintenance services. In the aggregate, these agreements are relevant to our business principally through the operation of our drilling units given that when a unit is operational, we are responsible for all of its operation and maintenance, while the customer bears the operating costs in respect to the logistics of people and equipment, including supply vessels, air transportation, fuel and other general supplies. Most of these subcontractor agreements are related to the operation of our drilling units, such as service providers associated with specialized services required by the client (*e.g.*, catering, telecommunications, cementing services, toxic gases prevention, etc.), or the maintenance and upgrade of the rigs equipment.

Insurance

In our drilling contracts, we generally seek to obtain indemnification from E&P operators for some of the risks relating to our drilling activities. To the extent that we are unable to transfer such risks by contract, we generally seek protection through insurance contracted with reputable insurers (and re-insurers). Our most relevant insurance policies against hazards inherent to our business consist of: (1) our hull & machinery policy covering physical damage, including removal of wrecks, wreckage or debris, general average losses, salvage and salvage charges, collision liabilities, sue and labor expenses and war and related risks; and (2) our P&I policy, covering liabilities relating to pollution (except for situations where E&P operators are responsible, as per charter and services agreements), third parties and crew, collisions not covered by our hull & machinery policy and removal of wrecks and debris in excess of the coverage by our hull & machinery policy. Under our hull & machinery policy we are insured for a total sum of \$955.0 million, while under our P&I policy we are insured for a total sum of \$1,700.0 million, as of August 2024. We also have a business interruption policy for the whole fleet. We believe that our insurance coverage is customary for the industry and adequate for our business.

Given our conservative risk management and high safety standards, we seek to reduce our insurance costs during each renewal period.

For more information, see “Risk Factors—Risks Related to Our Company—Our industry has inherent operational risks that may not be adequately covered by our insurance.”

Customers and Marketing

Offshore E&P is a capital-intensive industry. Operating in ultra-deepwater basins significantly increases the amount of capital required to effectively conduct such operations. As a result, a significant number of the most active participants in the deepwater segment of the offshore E&P industry are either state-owned oil and gas companies or well-capitalized large independent oil and gas companies. Our current portfolio of clients consists of Petrobras and Brava Energia. For the six-month period ended June 30, 2024 and for the year ended December 31, 2023, Petrobras accounted for approximately 81% and 74%, respectively, of our gross revenues. We expect that our future clients will continue to be well-capitalized companies, including state-owned oil and gas companies, major integrated oil and gas companies and large independent E&P companies.

Our marketing efforts are centered on strengthening our relationship with Petrobras and other key domestic and international players in the oil and gas drilling services industries, such as Shell, TotalEnergies, Equinor, Reliance, ONGC, Karoon, Trident Energy, PRIO, BW Energy, Brava Energia, ExxonMobil, Eni, Chevron, and others, in order to understand and correctly anticipate demand for our services and strategically position ourselves to participate in future opportunities to expand our business or extend current contracts in Brazil and internationally. Important achievements aligned with these efforts include our contracts with Brava Energia, Shell and Hanwha Drilling. An important result of our marketing and operational efforts is the recognition we receive from Petrobras and other industry players for the quality of service we provide.

Intellectual Property

We have registered the domain names constellationoverseas.com, qgogconstellation.com, qgog.com, dconstellation.com, theconstellation.com, theconstelation.com, constelation.org, theconstellation.services, theconstelation.uk, theconstellation.uk, theconstellation.in, constelation.services, theconstelation.net, consteilation.com.br, consteliation.com.br, qgog.com.br, theconsteilation.com.br, theconstelation.com.br, theconsteliation.com.br, theconstellation.com.br; and theconstellation.net.br, with the information nucleus and internet coordinator (*Núcleo de Informação e Coordenação do Ponto Br*). The website https://www.theconstellation.com is managed by a third party named Prisma RI. We do not own any other intellectual property the absence of which could materially adversely affect our business. For more information relating to legal proceedings on intellectual property rights, see “Business—Legal Proceedings —Other Matters.”

We have limitations in the U.S. territory due to the “Settlement and Co-Existence Agreement” among Exelon Corporation and QGOG Constellation S.A., in which Exelon has the registration of the trade name ‘Constellation’ and signed with Exelon in 2014. Under such agreement, the term Constellation can solely be used as part of a trade name in conjunction with QGOG or as Constellation Services Ltd. / Constellation Netherlands B.V. names.

Employees

Our human capital is a critical component of our business. Attracting, retaining, and motivating skilled employees are key factors in our ability to grow revenues and meet customer expectations. As of June 30, 2024, we employed 1,800 people across eight sites, and the remaining in the United States, Luxembourg, Panama, and the Netherlands. In 2023, 49% of our leadership positions across both offices and operational base were held by individuals from minority groups, and we achieved a 22% increase in the representation of women in offshore roles.

Our workforce consists of highly trained personnel who provide technical services and operational support for our drilling units. We benefit from low employee turnover, particularly among key personnel and rig crews, which enhances operational continuity and efficiency. This is a significant advantage, given the competitive labor market for skilled professionals, especially in Brazil. Moreover, all of our employees and high-risk third parties received comprehensive training, leading to a 60% reduction in lost time incidents and a 30% reduction in recordable incidents as compared to 2022.

We prioritize employee development through comprehensive training programs that emphasize safety and technical skills. These programs are integral to promoting internal mobility, allowing us to fill senior positions from within the organization.

In addition to our training initiatives, we offer a competitive benefits package that includes medical and dental coverage, life insurance, meal and transportation vouchers, and short-term incentives tied to company performance. Certain employees are also eligible for Retention and Management Incentive Plans.

To further strengthen our operations, we have implemented a retention plan for key operational positions, ensuring that critical roles are filled with experienced professionals and helping to maintain high levels of performance and reliability.

The following table sets forth the breakdown of our employees by location, excluding interns and apprentices:

	As of June 30,	As of December 31,	
	2024	2023	2022
Location			
Constellation – Brazil			
Rio de Janeiro	1,711	1,687	1,618
Amazonas	40	50	55
Mato Grosso	0	2	2
Constellation Services			
Brazil	8	8	8
Luxembourg	1	1	0
Panamá	21	21	20
Netherlands	3	4	2
Others	16	54	39
Total	**1,800**	**1,827**	**1,744**

The following table sets forth the breakdown of our employees by department:

	As of June 30,	As of December 31,	
	2024	2023	2022
Department			
Offshore Operations	1,599	1,622	1,542
Onshore Operations	40	53	57
Corporate	161	152	145
Total	**1,800**	**1,827**	**1,744**

We maintain strong relationships with the unions that represent our workforce. Over the past five years, we have not experienced any strikes, work stoppages, or operational disruptions.

In accordance with Brazilian labor laws, our facilities are subject to inspections by the Brazilian ministry of labor and employment and other governmental agencies. These inspections ensure compliance with health and safety regulations, and authorities have the power to suspend operations if unsafe conditions that pose risks to employees are identified.

As of June 30, 2024, 95% of our employees are represented by the Brazilian Offshore Workers Union (*Sindicato dos Trabalhadores Offshore do Brasil*).

Competition

The global oil and gas services industry is highly competitive. We currently face competition in offshore drilling from competitors such as Seadrill Ltd., Transocean Ltd, Noble Drilling, Inc., Valaris Limited, Foresea Holding S.A., Ventura Offshore Holding Ltd., Etesco Construções e Comércio Ltda., among others.

We believe in our competitive position and dominance in the Brazilian offshore market. We gather a unique number of competitive advantages compared to our peers, such as pricing strategy, operational performance and safety, quality and integrity of the fleet, and the availability of skilled personnel. In addition, industry-wide shortages of supplies, services, skilled personnel and equipment necessary to conduct our customers' businesses can occur.

Competition for offshore rigs is usually on a global basis, as these rigs are mobile and may be transported at a cost that can be substantial, from one region to another in response to demand. Our largest competitors in the drilling industry have more diverse fleets and may have greater financial resources than we do, which may better enable them to withstand periods of low utilization, compete more effectively on the basis of price, build new rigs or acquire existing rigs.

Brazilian Regulatory Framework

The Brazilian Oil and Gas Regulatory Framework

Brazilian Federal Law No. 2,004/1953 initially established the federal government's monopoly over all activities relating to the research, exploration, production, refining and transportation of oil and its subproducts. On November 9, 1995, the Brazilian Congress approved the reform of the oil and gas regulatory system by enacting the ninth Constitutional Amendment to allow the federal government to contract private or state-owned companies to carry out oil and gas upstream and downstream activities in Brazil.

The regulatory framework was defined by Law No. 9,478/97 (the "1997 Oil and Gas Law"), which established a concession regime and created ANP, responsible for the regulation of the oil and gas industry in Brazil. ANP's responsibilities include the granting of oil and gas exploration concessions, by means of a competitive bidding process. ANP has carried out over 20 bidding rounds for exploration blocks since 1999 under the concession regime.

In addition, the exploration of pre-salt reservoirs was specifically regulated in 2010 by Law No.12,351/10, which established a production sharing regime for E&P activities in the pre-salt areas and in other areas deemed strategic. This differs from the conventional concession regime, in which the concessionaire is granted ownership over the total output in exchange for royalty payments to the grantor of the concession, and other governmental participations. In a typical production sharing regime, private companies are contracted by the government to explore and produce hydrocarbons in exchange for a stake in the output, in addition to reimbursement for investments made and costs incurred in connection with such E&P.

Our customers hold E&P rights granted by ANP, and we are indirectly subject to the regulations that affect them. Certain requirements are established by ANP at the time the block is awarded, such as requirements that a minimum percentage of rig construction costs be allocated to Brazilian suppliers and that a minimum percentage of the rig crew is comprised of Brazilian citizens.

Minimum Local Content

The share of national industry participation in supplying goods and services for a specific project is called local content. Since 2003, the Brazilian federal government has been implementing a policy of requiring minimum local content levels in oil and gas projects in order to increase the participation of the national industry in supplying goods and services and, consequently, to increase employment and income in Brazil. Such requirements are set forth in ANP concession and production sharing agreements and are subject to numerous regulations issued by ANP, such as (i) Resolution No. 726/2018, regulating the criteria, requirements and procedures for exemption, surplus transfer and adjustments of local content obligations; (ii) Resolution No. 833/2020, regulating the application of local content commitments in case of unitization; and (iii) Resolution No. 19/2013, regulating the procedures for local content certification.

Local content percentage used to be one of the bid criteria used for evaluating bidding offers for E&P concession rights in Brazil until 2005 and is now a fixed percentage under both the concession and the production sharing regimes. The percentage offered by the companies is reflected in each concession contract or production sharing contract executed. We are indirectly subject to such local contract level requirements since our customers are holders of E&P rights.

Minimum local content requirements are also imposed (a) in connection with financing with the Brazilian state-owned development bank (*Banco Nacional de Desenvolvimento Econômico e Social*), and (b) in connection with bids solicited by Petrobras for the construction of offshore support vessels.

Petrobras also verifies local content as a requirement for registering service providers and suppliers in its database. Failure to comply with minimum local content requirements results in the imposition of certain contractual fines on such service providers or suppliers.

Regulation of the Offshore Sector

Our drilling rigs are subject to the regulations applicable to vessels navigating in open sea, including those issued by the Brazilian Navy, through DPC.

Our drilling rigs are registered under Marshall Islands flag.

Under the regulations of the Marshall Islands Registry, the crew hired to work on our rigs flagged in the Marshall Islands may be of any nationality. The Marshall Islands ratified the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers with respect to working conditions onboard vessels.

ANP sets forth the regulatory framework for safety of operations concerning E&P activities in Brazil. It established the Operational Safety Management System (*Sistema de Gerenciamento de Segurança Operacional*) of oil and gas drilling and production facilities. Accordingly, our customers generally require us to put in place risk management systems, as well as audit programs that meet ANP standards.

Violation of ANP regulations subjects offenders to the penalties described in Law No. 9,847/99 and ANP regulations, including fines, suspension of E&P activities, interdiction, seizure and termination of the relevant concession contract, as applicable. Sanctions of total and partial suspension of operations may also be enforced in specific cases. The termination of a concession contract or production sharing agreement may be imposed in case of failure to rectify the violations within the periods prescribed by ANP in notifications. Any sanctions imposed by ANP to the concessionaire or contractor are preceded by an administrative procedure, observing the due process and full defense principles.

We are subject to routine ANP inspections and our activities are supervised onboard our rigs, in the presence of Petrobras representatives, and we and Petrobras must demonstrate compliance with ANP regulations.

REPETRO

Our results of operations are directly affected by REPETRO-SPED. For more information, see "Risk Factors—Risks Related to Financial and Tax Matters—Changes to, the revocation of, adverse interpretation of, or exclusion from Brazilian tax regimes and international treaties to which we and our clients are currently subject may negatively impact us."

The purpose of the REPETRO-SPED regime is to reduce the tax burden on the investments for research and production in oil and gas fields, which is achieved through the total suspension of federal taxes due on the temporary importation of equipment chartered or leased from abroad. The REPETRO-SPED regime does not apply for importation or local purchase of assets or goods used in midstream/downstream operations. As a general rule, REPETRO-SPED applies only to operations related to the exploration, development and production of oil and gas. Current legislation provides that REPETRO-SPED shall be effective until 2040.

Furthermore, states in Brazil are allowed to exempt or reduce the value-added tax on goods and services (*Imposto Sobre Operações Relativas à Circulação de Mercadorias e Sobre Prestações de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação*) ("ICMS") applicable to the importation of assets under the REPETRO-SPED regime. In the state of Rio de Janeiro, for example, Law No. 8,890 exempts the ICMS on import transactions carried out without the transfer of ownership to the importer.

Certain Matters Related to Bankruptcy in Brazil

In the event that Constellation or a Brazilian Guarantor finds itself in a state of insolvency, wherein the legal remedy involves the use of one of the judicial restructuring procedures provided by Brazilian Bankruptcy Law, the fulfilment of obligations outlined in the notes and the Collateral may be affected. Brazilian insolvency procedures are regulated by Brazilian Bankruptcy Law, as amended, which contains five main procedures that may affect its creditors:

(i) judicial reorganization, also known as judicial restructuring; (ii) out-of-court reorganization, known as extrajudicial reorganization; (iii) preliminary injunctive relief request; (iv) liquidation; and (v) proceedings to recognize a foreign insolvency proceeding. Regardless of the procedure adopted, insolvency can only be declared by a judicial pronouncement, to be required by the debtor himself or Its creditors (depending on the specific legal procedure being addressed).

Judicial Reorganization

A judicial reorganization must be filed by the debtor (Brazilian Bankruptcy Law does not allow creditors to file or impose on the debtor a judicial reorganization) with the court jurisdiction where the debtor has its main establishment, which is usually considered to be the location of its main activities. A judicial reorganization is predicated on preserving the business activity undertaken by the debtor and, accordingly, the beneficial effects said activity generates (job creation, tax revenue etc.). Therefore, a judicial reorganization implies the intent of the debtor to keep its business alive and pay creditors since it is not a liquidation process that focus on paying its debts throughout the arrangement of the assets of the debtor.

After filing for judicial reorganization, debtors' shareholders and directors keep the control and management of the company, but a judicial administrator is appointed to monitor the procedure.

As a general rule, all existing claims prior to the filing of judicial reorganization proceeding are affected by the proceeding, even contingent claims. By statutory provision, certain claims are not subject to the judicial reorganization, including (a) secured by fiduciary assignment/lien (*cessão/alienacão fiduciária*) (up to the value of the collateral); (b) arising from an advance of foreign exchange agreements (*adiantamento de contrato de câmbio*), and (c) tax claims, in accordance with the current Brazilian Bankruptcy Law, but the ability to enforce the rights thereunder may be impaired by a filing. Mortgage or pledge creditors, although subject to the reorganization proceeding, cannot have their collateral sold without their prior approval.

The Brazilian Bankruptcy Law stipulates that, once the reorganization proceeding is accepted by the court, the debtor is protected by a compulsory standstill of 180 days for all creditors encompassed by the proceeding (the "Stay Period"), and specifically determines that the Stay Period may be extended for an equal period, once, exceptionally, provided that the debtor has not contributed to the surpassing of the temporal lapse; however, multiple judicial precedents have extended this period until approval and confirmation of the plan.

Creditors whose claims are submitted by the reorganization may not file any lawsuits or foreclosure proceedings against the debtor during the Stay Period, in which the debtor and their assets stays legally "protected" during the suspension time. Proceedings aiming the collection of claims not subject to judicial reorganization and proceedings where creditors seek payment of amounts not yet liquidated are not subject to the Stay Period. However, foreclosure of collateral in the form of capital goods, granted in the form of fiduciary assignment/lien, even though not subject to judicial reorganization, may be subject to certain restrictions. For instance, Brazilian Bankruptcy Law (a) restricts the foreclosure of assets that are deemed to be essential to conduct the debtor's activities and (b) establishes that any credit rights and receivables pledged on behalf of creditors shall be deposited into a judicial account and shall not be withdrawn during the Stay Period.

Once the reorganization proceeding is initiated, the debtor remains in possession of the company and in charge of its administration; all the board maintain their powers and prerogatives throughout the reorganization proceedings. Despite that, the Brazilian Bankruptcy Law also imposes certain legal limitations over the debtor, such as: (i) a judicial administrator shall be appointed by the judge to monitor the debtor's activities; (ii) certain assets of the debtor may not be disposed of or used to create liens without prior consent of the court or of the general meeting; and (iii) the debtor is also obliged to present such information as the judicial administrator or the creditors may require in court. Additionally, legal precedents from the Superior Court of Justice institute that the court presiding the reorganization proceeding is considered to have exclusive authority over all assets of the debtor, especially for the purpose of determining any constraints. In this context, any attachments and orders to remove or collect assets of any nature that belong to the debtor shall be subject to a prior approval from the reorganization court, even if such claims refer to assets/claims excluded from the judicial reorganization.

Claims subject to the reorganization proceeding shall only be paid in accordance with the reorganization plan to be proposed by the debtor and voted by all creditors in a general meeting of creditors.

The judicial reorganization plan submitted by the debtor must be approved by a majority of the following classes of creditors present (in attendance of) a creditors' meeting (or by certain adhesion forms): (i) labor claims (to be approved by a majority of voting creditors – headcount); (ii) secured claims (to be approved by a majority of creditors both by headcount and claim value present at the meeting); (iii) unsecured claims (to be approved by a majority of creditors both by headcount and claim value), which include all types of unsecured claims; (iv) claims held by small enterprises (to be approved by a majority of voting creditors – headcount). These thresholds consider the creditors/claims attending the general creditors' meeting. In addition, the plan may be court-approved by way of "cramdown" (pursuant to Article 58, §1 of Brazilian Bankruptcy Law) even though it was rejected pursuant to the general approval requirements if it: (i) was approved by creditors that represent more than 50% of the total claims present at the creditors' meeting, regardless of the class of creditors; (ii) was rejected by only one class of creditors; and (iii) within the rejecting class, it was accepted by more than one third of the claims and/or headcount, as applicable (thresholds according to general rule for approval). Claims denominated in foreign currency are listed in the relevant currency and are only converted into Brazilian *reais* on the eve of the general creditors' meeting (for voting purpose).

After the approval of the judicial reorganization plan (either by the general creditors' meeting or via cram-down), the court will analyze its legality and must confirm it in order to grant the debtor judicial reorganization.

Failure to obtain an approval of the judicial reorganization plan could result in: (i) the possibility for creditors to submit an alternative creditors' plan; or, (ii) the liquidation of the debtor, scenario in which the claims would only be paid via the collection and disposal of all assets, and under the priority rank duly defined by the Brazilian Bankruptcy Law; depending on what is voted by the creditors themselves at the general creditors' meeting.

An alternative judicial reorganization plan may be proposed by creditors if the plan proposed by the debtor is rejected at the general creditors' meeting or if the Stay Period elapses before the plan presented by the debtor is submitted to voting (Articles 6, §4-A and 56, §4º of the Brazilian Bankruptcy Law). In case the plan proposed by the debtor is rejected, creditors may present an alternative plan only if this possibility is approved at the general creditors' meeting in which the plan was rejected by creditors who represent the majority of claim value under the reorganization present at the meeting. If such possibility is approved, the creditors may present the alternative reorganization plan within 30 days, and such plan must follow certain specific requirements provided by law (pursuant to Article 56, §§4, 5 and 6 of Brazilian Bankruptcy Law).

The homologation of a judicial reorganization plan is considered a novation and it binds the debtor and all claims subject to it. The parties have leeway to negotiate the terms of the judicial reorganization plan, including, for instance, the reduction of claims through the application of a haircut, the extension of the maturity term of the debt and grace period. As a general rule, all creditors in the same class must be paid in the same way (or be able to elect the same payment options) under the judicial reorganization plan. The exception to this rule is supplier creditors, who, if considered essential to the debtor, may have priority and more favorable payment conditions, even if they are members of the same class of creditors.

The judicial reorganization plan may also provide for the authorization to the debtor to take corporate actions to facilitate reorganization and fundraising. Examples include spin-offs, mergers, transfers or leases, conclusion of collective labor agreements, sale of assets, issue of debentures or notes, replacement of guarantees and other analogous measures. In addition, under the Brazilian Bankruptcy Law, the acquirer of assets of the debtor sold in the form of "isolated productive units" will not be held liable for any of the debtor's liabilities (including tax, environmental and labor liabilities). This rule is applicable in a case of the sale of branches or isolated production units and, in addition, may apply to the sale of the whole business in case it is sold meeting the requirements set forth for the sale of "isolated productive units."

Extrajudicial Reorganization

Constellation and Brazilian Guarantors may also file an extrajudicial reorganization proceeding. An extrajudicial reorganization (*recuperação extrajudicial*) is an out-of-court restructuring (sometimes referred to as a pre-packaged reorganization) under the Brazilian Bankruptcy Law, which is a private settlement between the debtor and its creditors which must be submitted to the Brazilian court in order to become enforceable against all the creditors belonging to the class(es)/subclass(es) of creditors subject to the proceedings. The extrajudicial reorganization plan may include all classes of creditors or only certain groups of creditors such as only financial institutions or only suppliers, at the debtor's discretion. An extrajudicial reorganization plan may be binding on all creditors of the classes included in the proceeding, provided that the reorganization is supported by more than 50% of the claims of each group treated therein (pursuant to Article 163 of the Brazilian Bankruptcy Law). The debtor can also file for the extrajudicial reorganization with the support of only one-third (1/3) of creditors of each impaired group, and the debtor will have a time-period of 90 days to obtain the support of the remaining creditors to reach the approval threshold (50% of claims). After the filing for extrajudicial reorganization, the Stay Period will be applicable to all claims subject to the proceedings.

Under an out-of-court proceeding, in the same way as judicial reorganization, shareholders and directors keep the control and management of the company, but there is no appointment of a judicial administrator to monitor the procedure. Creditors may challenge a reorganization plan or the quorum, but there are no specific legal provisions related to "proofs of claims" (*habilitação de crédito*) for an extrajudicial reorganization. Claims arising from tax matters cannot be impaired by an extrajudicial reorganization, and claims arising from labor matters will only be subject to the out of court reorganization through collective bargaining with the union of the respective professional category.

If the court ratifies the plan, then the respective decision will be an enforceable judicial title, and creditors may enforce it if the debtor fails to comply with the extrajudicial plan. Once approved, the reorganization plan will bind all creditors and claims impaired by it, whether or not such creditors executed/adhered to the reorganization plan. If the court does not ratify the plan, the original conditions of the claims will be resumed in this case, and the debtor may negotiate a new plan or file a request for judicial reorganization, i.e. the court will not issue a liquidation decree.

In a judicial or extrajudicial reorganization scenario, the holders of the notes may receive in exchange for their claims a payment that can be substantially lower than the original amount, with a haircut, grace period and extension of the payment term, and which may be made in cash or by means of new debt instruments or any other security.

The prior judicial or extrajudicial reorganization of a Brazilian Guarantor, even if has already been terminated, may affect the company's ability to dispose of its assets, since debtors remain obliged to comply with the reorganization plan until their obligations are fully discharged.

Preliminary Injunctive Relief Request

The Brazilian Bankruptcy Law also provides the possibility of the debtor to file an injunction, prior to the filing for judicial or extrajudicial reorganization, to obtain a Stay Period of 60 days, during negotiations with creditors, through mediation or conciliation proceedings before a competent chamber. In this case, the holders of the notes can be represented by an *Ad Hoc* group committee in the mediation or conciliation hearings and the Trustee and the Collateral Agent may participate on behalf of and for the benefit of the holders of the notes, in accordance with the terms of the Indenture and the Priority Lien Intercreditor Agreement.

Liquidation

Liquidation is a legal procedure whereby the bankrupt estate, under the responsibility of a court appointed judicial administrator and the supervision of a judge (*Juízo Universal*) and the public prosecutor's office, aims to liquidate its assets, or the entity as a whole, in order to pay its creditors pursuant to the legally determined order of priority.

Unlike the reorganization proceedings, which aims to preserve the debtor's business activities and keep management and shareholders' corporate rights and obligations relatively unhindered, bankruptcy, by stopping the debtor from continuing its business activities, seeks to preserve and optimize the value of the assets in the debtor's estate through a liquidation process in order to pay creditors.

The liquidation proceeding may be voluntary (filed by the company) or involuntary (filed by its creditors). Moreover, creditors may request the liquidation of a company when (i) the debtor failed to pay a due debt that exceeds BRL 40 minimum wages; (ii) during the legal period, the debtor failed to pay the debt or to appoint assets for seizure in a foreclosure proceeding; (iii) the debtor fail to comply with the judicial reorganization plan, (iv) practice of Acts such as fraud against creditors, fraudulent payment, or failure to comply with its obligations pursuant to its reorganization plan.

All managers and directors will be removed in the liquidation proceeding and the court-appointed judicial administrator will manage the bankruptcy estate and represent it in courts and contracts. The judicial administrator must collect, appraise, and sell all assets of the company through competitive public proceedings. The judicial administrator will use the proceeds to pay the claims in accordance with a preference set forth by the Brazilian Bankruptcy Law. First, the following priority creditors will receive the payments: (i) Urgent expenses and payment for strictly salary-related claims due three months prior to the liquidation decree, to a limit of five minimum monthly wages per worker; (ii) DIP Finance Lender; (iii) advance on foreign exchange contracts creditor; (iv) Fees of the judicial administrator; and (v) post-bankruptcy decree claims.

In the event of a liquidation proceeding, all the debtor's obligations denominated in foreign currency will be converted into Brazilian *reais* at the prevailing exchange rate on the date of declaration of the bankruptcy by the court. In addition, companies in Brazil may only remit funds out of Brazil and/or convert such funds into hard currency in strict compliance with foreign exchange rules, and there can be no assurance that such companies would have the ability to convert Brazilian *reais* into U.S. dollars or any other currency, nor that such companies would be able to remit such funds out of Brazil.

In addition, if the amount raised by the bankruptcy estate from the sale of assets is insufficient to pay its creditors, no interest accrues on claims, except regarding secured claims, which can be paid with the proceeds resulting from the sale of the underlying collateral.

In case of liquidation, the payment of claims will be made through the distribution of funds raised from the sale of the bankruptcy estate assets, according to a priority ranking as provided in Articles 83 and 84 of the Brazilian Bankruptcy Law:

Superpriority Claims (Article 84 of the Brazilian Bankruptcy Law):

- administrative expenses incurred in connection with liquidation proceeding and labor claims of salary nature overdue in the 3 months prior to the liquidation order, up to a limit of 5 minimum monthly wages per creditor, which shall be paid as soon as cash is available;
- debtor-in-possession (DIP) financing claims granted during a prior judicial reorganization proceeding; and
- claims subject to restitution in cash to a creditor, such as:
  - the amount equivalent to the value of the assets, which were not owned by the debtor, but were under its possession at the time of the liquidation order, provided that such assets ceased to exist;
  - amounts given to the debtor in national currency resulting from advance to exchange agreements for export;
  - amounts given to the debtor in good faith in the event of revocation or ineffectiveness of the relevant agreement (*ACC*);
  - taxes that may be withheld by payor, subject to third party discounts, and subject to subrogation, and amounts received by the collecting agents and not yet delivered to the public treasury;
  - amounts owed to the judicial administrator and its assistants, members of the creditor's committee, labor claims and claims arising from work-related accidents related to services rendered after the bankruptcy has been ordered;
  - obligations resulting from valid acts carried out during the judicial reorganization, including those related to the payment of suppliers of services or goods who supported the debtor during the reorganization, or after the liquidation order;
  - amounts provided to the debtor by creditors during the liquidation proceeding;
  - expenses related to the disposal of assets and the liquidation proceeding;

- courts fees in proceedings to which the debtor was the losing party; and
- tax claims originated from facts occurred after the liquidation order.

Regular Pre-Petition Claims (Article 83 of the Brazilian Bankruptcy Law):

- labor related claims up to 150 minimum monthly wages (as determined by the Federal Government of Brazil) per creditor plus claims for damages arising from labor related accidents;
- claims secured by mortgages or pledges (up to the value of the collateral), which does not apply to collateral granted in the form of fiduciary assignments;
- tax claims regardless of their nature and time of constitution, except for tax penalties;
- unsecured claims (including labor related claims in excess of the amount referred to above and claims of secured creditors with a value exceeding that of the collateral);
- contractual penalties and fines for breach of criminal or administrative law (including tax related fines);
- subordinated claims, as defined by law or pursuant to the relevant agreement; and
- interest overdue after the liquidation order.

There are certain claims that are senior to or excluded from the priority order above, such as: (a) proceeds from fiduciary assignment/lien (*cessão/alienação fiduciária*), up to the value of the collateral (provided that any deficiency claims, i.e. claims not secured by a fiduciary assignment or a lien, mortgage or pledge, will be categorized as an unsecured claim for the purposes of such waterfalls); and (b) credits and obligations assumed before any clearings systems pursuant to Article 193 of Brazilian Bankruptcy Law, amongst other specific cases established in Brazilian Bankruptcy Law.

It is not possible to anticipate how long payments under the notes could be delayed following commencement of a judicial reorganization or a liquidation proceeding. The holders of the notes may receive in exchange for their claims a recovery that could be substantially less than the amount of their claims (potentially even nothing) and any such recovery could be in the form of cash, new debt instruments or some other security.

Proceedings to Recognize a Foreign Insolvency Proceeding

Brazilian Bankruptcy Law also provides for the recognition of foreign insolvency proceedings (such as a proceeding under chapter 15 of the Bankruptcy Code), which may be recognized as a foreign main proceeding (*processo estrangeiro principal*) or a foreign non-main proceeding (*processo estrangeiro não principal*) based on the center of main interest of the debtor. Such proceeding allows coordination of multiple-jurisdiction insolvency proceeding. The application of foreign proceedings in Brazil is limited to the provisions of the Brazilian Bankruptcy Law.

The bankruptcy court of the main establishment of the debtor in Brazil will have the jurisdiction to rule on the recognition of a foreign insolvency proceeding and to cooperate with the foreign authorities. The recognition of a foreign main reorganization proceeding will automatically apply the Stay Period to claims subject to the equivalent proceeding in Brazil. The Stay Period does not apply to creditors who are not subject to the Brazilian equivalent reorganization proceeding and to lawsuits involving illiquid claims. In case of recognition of a foreign liquidation proceeding, the foreign representative of the main or secondary proceeding may request other measures from the Brazilian bankruptcy court, such as hearings, collection of evidence, information about assets and filing lawsuit to protect/recover the bankruptcy estate's assets. Also, the bankruptcy estate's foreign representative may request the recognition of foreign insolvency proceeding and its measures directly to the Brazilian bankruptcy court.

Foreign creditors will have in principle the same rights of the Brazilian creditors. If there is no similar classification in Brazil to a foreign credit, that claim will be listed as an unsecured claim. Any insolvency proceeding in Brazil can only be requested if the debtor has assets or activities in Brazil. The Brazilian bankruptcy court shall seek to cooperate and coordinate its decisions with the foreign proceeding, including in the termination of the proceeding.

Environmental and Other Regulatory Issues

Main Authorities

The principal authorities that regulate offshore E&P activities in Brazil, as well as drillship operations, are:

- ANP, which is a regulatory agency linked to the MME. ANP is responsible for (1) conducting the bidding rounds and granting the contracts for the exploration, development and production of hydrocarbons, (2) regulating and supervising oil and gas activities, including drilling operations, and (3) ensuring the availability of fuel supply to the domestic market under contingency conditions;
- ANTAQ, which is a regulatory agency linked to the Ministry of Ports and Airports. ANTAQ oversees and inspects the services related to water transportation (including offshore support rendered to the drilling rigs, but not the drilling operation itself) and the development of Brazil's port and waterway infrastructure;
- DPC, the ports captaincy (*Capitania dos Portos*), which supervises offshore activities with respect to navigation and national security, and the maritime court (*Tribunal Marítimo*), which is responsible for maintaining the ownership and encumbrances registry for Brazilian vessels and adjudicating navigation disputes related to accidents and incidents;
- IBAMA, the Brazilian federal environmental authority responsible for the issuance of environmental licenses and for the promotion of environmental inspection activities;
- Brazilian Revenue Service, responsible for granting the REPETRO-SPED special tax regime (for more information on REPETRO, see "—Brazilian Regulatory Framework—REPETRO");
- ANVISA, the Brazilian health surveillance authority is responsible for the sanitary control and promotion of health of the population; and
- the Department of Immigration, responsible for the granting of visas for the crew and other professionals.

Brazilian Environmental Regulations

Brazilian environmental law includes international treaties and conventions to which Brazil is a party, as well as federal, state and local laws, regulations and permit requirements related to the protection of health and the environment. Brazilian oil and gas businesses are subject to extensive regulation by several governmental agencies, including ANP and IBAMA. Laws and regulations applicable to offshore operations are predominantly federally enforced. Failure to comply with these laws and regulations may subject us to administrative, criminal and civil liability, including liability regardless of fault in civil cases. With regards to environmental civil liability, all legal entities or individuals directly or indirectly involved in creating environmental damage may be held jointly and severally liable for environmental remediation. We are in substantial compliance with the current environmental laws and regulations.

Under Brazilian law, public civil actions for environmental remediation or indemnification for environmental damages may be filed by the State or Federal Prosecutors' Offices, the Federal Government, any Brazilian state or municipality, civil associations or public or private entities at any time. Furthermore, Brazilian legislation provides for the piercing of the corporate veil when a company's assets are insufficient for the payment of environmental damages compensation.

Environmental Licensing

The Brazilian Environmental Policy, established by Law No. 6,938/1981, provides that all potentially or effectively polluting activities are subject to an environmental licensing process (without prejudice to other licenses and authorizations legally required). In general, the environmental licensing process encompasses three different stages, including the granting of the preliminary license (*licença prévia*), the installation license (*licença de instalação*) and the operating license (*licença de operação*). However, this licensing process may be simplified, encompassing only one stage, upon the issuance of the simplified environmental license (*licença ambiental simplificada*) or the single environmental license (*licença ambiental única*), or by combining some stages, subject to the laws and regulations of the involved licensing agencies and, to different extents, the characteristics of each project, including the region, size, construction characteristics, polluting potential and level of impact, among others.

In any event, the aforementioned environmental licenses expire and must be periodically and timely renewed. In the absence of a specific deadline provided in the license, Complementary Law No. 140/2011 establishes as a general rule that, the renewal of the environmental license must be requested at least 120 days before the expiration date, so that its validity is automatically extended until the environmental agency issues its final decision. Certain environmental licenses may set forth technical conditions for the development of activities that have an environmental impact, under penalty of cancellation of the relevant license.

In addition to licenses, we may be required to obtain certain authorizations and regulations issued by environmental agencies, including in regard to the suppression of vegetation, use of water resources, treatment of effluents and management of waste, among others. Also, we are required to observe applicable rules to preserve and (re)forest protected areas, as well as rules related to impacts on traditional communities and historical heritage.

Failure to obtain licenses or authorizations from the competent environmental agencies for the conception, construction, change, expansion and operation of activities and/or potentially polluting projects, or operations in disagreement with the issued environmental licenses, as well as non-compliance with the conditions set forth on such licenses may subject offenders to criminal and administrative penalties, in addition to the obligation to repair any environmental damages. Applicable administrative penalties to this issue include fines, ranging from R$500.00 to R$10.0 million, pursuant to Federal Decree No. 6,514/2008, which regulates Federal Law No. 9,605/1998 (the "Brazilian Environmental Crimes Law"). State and municipal governments may provide for environmental protection and impose fines in different amounts.

Offshore drilling in Brazil is subject to environmental licensing by IBAMA, according to Federal Decree No. 8,437/2015. The main piece of legislation concerning environmental licensing at the federal level is the National Environmental Policy (Law No. 6,938/1981), which sets forth the licensing guidelines for the installation and operation of oil and gas rigs in Brazil, and Ordinance No. 422/2011, issued by the Ministry of the Environment, which sets forth the procedures for federal environmental licensing of oil and natural gas exploration, production activities, projects in the marine environment and in the land-sea transition zone.

Solid Waste

The Brazilian Solid Waste Policy, established by Federal Law No. 12,305/2010, sets forth the principles, instruments, guidelines, targets and actions related to the integrated and environmentally adequate management of solid waste, except radioactive waste, which is subject to specific laws. Generators of solid waste are responsible for its environmentally adequate segregation, storage, transportation and final disposal, and may be required to repair any environmental damages resulting from the inadequate management of this waste.

The Brazilian Solid Waste Policy established the shared responsibility, pursuant to which the tasks and costs involved in the different stages of management of solid waste are shared by the entire chain, in proportion to the liability of each of the involved parties. Accordingly, even though the civil liability for repairing environment damages is joint and several, strict and tort-based, the administrative liability for managing solid waste divides the burden among the parties involved in the chain.

Accordingly, the engagement of third parties to perform any of the stages of the management of solid waste, including the environmentally adequate final disposal, does not exempt us from liability for any environmental damage caused by the engaged third parties.

The inadequate disposal of solid waste may subject offenders to administrative, criminal and/or civil liability.

Under administrative liability, pursuant to Federal Decree No. 6,514/2008, discharging solid, liquid or gaseous wastes or debris, oils or oily substances in disagreement with the requirements established by legislation, as well as failure by the party with the obligation to dispose of products, oil derivatives, packages, residues or substances in an environmentally appropriate manner when so determined by legislation, subjects offenders to penalties, including fines of up to R$50.0 million. Under criminal liability, pursuant to the Brazilian Environmental Crimes Law, discharging solid, liquid or gaseous wastes or debris, oils or oily substances in disagreement with the requirements established by legislation, subjects offenders to imprisonment for one to four years and fine. In the event of unintentional crime, offenders are subject to imprisonment for six months to one year and fine. These penalties may be applied without prejudice to the obligation to repair the environmental damages.

Contaminated Areas

Contaminated areas are sites that have been confirmedly polluted by the disposal, accumulation, storage or infiltration of substances or waste, resulting in negative impacts on the assets to be protected.

Pursuant to Brazilian environmental laws, the owner and/or possessor of a real estate property located in an environmentally contaminated area may be held liable and required to remediate and repair the associated damages, whether they caused the damages or not, by determination of environmental agencies and the prosecutor's office.

Environmental civil liability for repairing the contamination of the soil and underground waters is strict, joint and several and is considered an obligation that accompanies the real estate property.

Causing pollution of any nature, in levels that result or may result in damage to human health or that cause the death of animals or a significant destruction of biodiversity is an administrative infraction that subjects offenders to administrative fines ranging from R$5,000.00 to R$50.0 million, as well as an environmental crime, and imposes the obligation to repair the environment.

Brazil is signatory of the International Convention for the Prevention of Pollution from Ships and the International Convention on Oil Pollution Preparedness, Response and Co-operation. However, applicable Brazilian federal legislation is much broader, and applies to oil terminals, pipelines and coastal/marine facilities. Under Law No. 9,966/00, oil and gas facilities are required to adopt a risk management and emergency plan. In addition, all facilities are required to adopt and implement an oil pollution risk assessment, including a comprehensive manual of internal procedures dedicated to the prevention of oil pollution incidents. Law No. 9,966/00 also requires that oil and gas facilities adopt and implement an oil spill emergency plan. Emergency plans for offshore facilities are subject to IBAMA's formal approval. As part of the licensing process, an individual emergency plan describing a contingency plan in case of oil spills, must also be submitted to the competent authorities.

Additionally, Law No. 9,966/00 requires an independent environmental audit to be performed every two years. In the event of environmental incidents, IBAMA and ANP must be notified immediately. Legal liability for non-compliance extends to E&P companies, the rig owner, the drilling contractor and crewmembers. The penalties consist of fines of up to R$50.0 million, in addition to other administrative and criminal penalties and civil liability.

We, our officers, directors and employees may be subject to criminal and administrative sanctions as a result of violations of environmental laws and regulations, including imprisonment, fines of up to R$50.0 million, suspension of activities, prohibition to enter into any agreement with the Brazilian federal government or Petrobras or prohibition to receive any public subsidies or incentives for up to ten years. Applicable administrative penalties for environmental law violations also include seizure of assets, suspension of activities, revocation of licenses and cancellation or suspension of financing arrangements with state-owned financial institutions.

Our Brazilian operations are exposed to administrative and criminal sanctions, including warnings, fines and closure orders for non-compliance with applicable environmental laws and regulations. Authorities such as IBAMA, ANP and DPC routinely inspect our facilities and rigs, and may impose fines, restrictions on operations, or other sanctions as provided in the applicable legislation.

Environmental Liability

Environmental liability encompasses the following different and independent liabilities: (i) civil liability; (ii) administrative liability; and (iii) criminal liability. These liabilities are different and independent because one single action may result in environmental liability in these three levels, including the application of administrative and criminal penalties, in addition to the obligation to repair the damage caused. Conversely, the lack of liability in any of these levels does not necessarily exempt offenders from liability in the other levels.

Environmental civil liability is strict, *i.e.*, it is not subject to the existence of fault. The confirmation of the damage and the causation between the damage and the activity of a company suffice to subject offenders to the obligation of repairing the environment.

Irrespective of the existence of fault, the party that causes the pollution is required to indemnify and/or repair the damages caused to the environment and third parties as a result of the party's activities. Accordingly, environmental civil liability is attributed to the party that is directly or indirectly responsible for the activity that caused the environmental damage. Moreover, if the activity is conducted by more than one party and it is not possible to identify the contribution of each party to the environmental damage, government agencies and courts have been imposing joint and several liability on the party that is able to bear the entire environmental damage, having right of recourse against the other involved parties.

Environmental civil liability is strict, joint and several, not subject to the statute of limitation. As a result, the engagement of third parties to provide any service in our units, including the suppression of vegetation and the transportation and final disposal of waste, does not exempt us from liability for any environmental damages caused if these third parties do not perform their activities in compliance with environmental regulations.

The Brazilian environmental law provides for the piercing of the corporate veil of entities that commit environmental infractions, whenever it represents an obstacle for repairing environmental damages. The piercing of the corporate veil applies under civil liability.

Under criminal liability, the Brazilian Environmental Crimes Law applies to any individual or company that contributes to the commitment of environmental crimes, upon confirmation of intent, *i.e.*, the free will to produce the result, or fault, *i.e.*, the lack of the necessary care, including negligence, recklessness or lack of skill.

Accordingly, the imposition of criminal liability requires the confirmation of an action or omission, and the practiced conduct must be provided for as a crime under the relevant laws. Individuals are subject to imprisonment; restriction of rights, including community services, temporary interdiction of rights, partial or full suspension of activities, pecuniary indemnification or the obligation to stay at home at night (*recolhimento noturno domiciliar*), and fines. Restriction of rights is an independent penalty and may replace imprisonment in certain cases.

Companies are individually, cumulatively or alternatively subject to the following penalties: restriction of rights, including the partial or full suspension of activities, temporary interdiction of facilities, construction or activity, or prohibition to contract with the government and obtain government subsidies, incentives or donations; community services; and fine.

Individuals and companies are subject to fines ranging from one-third of to 1,800 times the minimum wage in effect at the time of the facts, based on the culpability of the agent.

Under administrative liability, pursuant to the Brazilian Environmental Crimes Law, regulated by Federal Decree No. 6,514/2008, all actions or omissions that violate the provisions on the use, enjoyment, promotion, protection and recovery of the environment is an environmental administrative infraction. Administrative liability derives from an action or omission of the agent that results in the violation of any environmental preservation or protection regulation and, similarly to criminal liability, is subject to the confirmation of fault or intent, pursuant to the court precedents of the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*) ("STJ"). However, certain environmental agencies continue to impose strict administrative liability regarding environmental infractions.

Administrative penalties include warning; fines of up to R$50.0 million, which may be doubled or tripled in the event of recidivism; destruction of the product; suspension of the sale and manufacturing of the product; interdiction of the construction or activity; demolition of construction; suspension of tax benefits and the cancellation or interruption of credit facilities granted by government banks, in addition to the prohibition to contract with the government.

The prosecutor's office and environmental agencies may initiate administrative procedures to investigate any environmental damages that may be attributed to our activities. In these cases, we may be required to enter into conduct adjustment instruments (*Termos de Ajustamento de Condutas*) ("TACs") and/or generic commitment instrument (*Termos de Compromissos*) ("TCs") with the relevant authorities, assuming specific obligations for a certain time.

TACs and TCs are out-of-court enforceable instruments and, as a result, in the event of full or partial non-compliance with TACs and/or TCs, we may be subject to risks and penalties, including the payment of fines, enforcement of these instruments and the filing of proceedings with courts.

Legal Proceedings

During the normal course of our business activities, we are subject to civil, environmental, labor and tax contingencies of judicial and administrative nature. We record provisions for losses arising from litigation based on an evaluation of our chance of loss by our internal and external legal counsels, the progress of related proceedings and the history of losses in similar cases. We record provisions for contingencies in which our chance of loss is considered probable or when so required under accounting rules. As of June 30, 2024 and December 31, 2023, our provisions for current legal contingencies totaled R$15.6 million and R$21.4 million, respectively. For more information, see note 10 to our unaudited consolidated interim financial statements and note 12 of our audited consolidated financial statements.

The following is a description of our main legal proceedings as of June 30, 2024.

Tax

In September 2010, Serviços de Petróleo Constellation S.A. ("Serviços de Petróleo"), one of our subsidiaries, received a notice of violation issued by the tax authorities for the nonpayment of services tax (*Imposto sobre Serviços de Qualquer Natureza – ISS*) in the city of Rio de Janeiro. Serviços de Petróleo argues that the operations were carried out in other municipalities and that the taxes were collected under their respective tax jurisdictions. As of June 30, 2024, the estimated amount involved is $8.7 million.

In 2015, Serviços de Petróleo received three notices of violation from the Brazilian Revenue Service concerning PIS and COFINS collected in 2010 and 2011. Additionally, in 2020 and 2021 the Brazilian Revenue Service issued two other notices of violation, concerning PIS and COFINS collected in 2016 and 2017. The Brazilian Revenue Service initiated tax administrative proceedings, demanding that Serviços de Petróleo makes tax payments due to alleged use of improper tax credits to reduce its PIS and COFINS obligations. In each of the three administrative proceedings, Serviços de Petróleo filed an appeal to contest the Brazilian Revenue Service's tax assessment. However, on October 17, 2024, the Brazilian Revenue Service partially recognized our claims related to the 2015 notices and reduced the value of the tax assessment by approximately 70% of the original value imposed. This decision is still subject to appeal and to review. As of June 30, 2024, the estimated value involved for the 2015, 2020 and 2021 notices of violation was US$19.7 million, US$3.3 million and US$3.8 million, respectively, which will be reduced given the recent decision.

Other Matters

In November 2018, Transocean Offshore Deepwater Drilling Inc. and Transocean Brasil Ltda. (together as "Transocean") filed a claim against Serviços de Petróleo and Brava Star, accusing both entities of infringing its dual-activity drilling technology patent. In January 2020, Transocean filed a compensation claim against Serviços de Petróleo and Brava Star regarding the patent infringement alleged in its 2018 claim. On June 4, 2020, we filed a motion requesting the suspension of the proceeding until a judgment was reached in the nullity action proposed by us against Transocean's patent. On September 11, 2020, the judge granted the suspension. Transocean tried to reverse the decision, but the appellate court maintained the suspension until a judgment was reached in the nullity action. On December 13, 2023, the appellate court rejected Transocean's request. On February 7, 2024, Transocean filed a special appeal. On September 10, 2024, a preliminary injunction was granted requiring Constellation to pay royalties at a rate of five percent of the revenue obtained from the operation of the Brava Star rig, to be deposited with the court, thereby ensuring future judicial enforcement. We filed an appeal against this decision, which is now awaiting a ruling.

In July 2014, we received letters from Petrobras informing us that the Brazilian Revenue Service had issued notices of violation against Petrobras regarding the absence of withholding income tax collection on charter agreement remittances for the Atlantic-Star and Alaskan Star drilling rigs in 2008 and 2009. Since our last response to Petrobras in 2014, we have not received any correspondence from Petrobras on this matter. In Petrobras' publicly available disclosures, Petrobras discloses that Petrobras paid these withholding taxes under a special payment program launched in 2018, and subsequently withdrew from discussions regarding the proceedings arising from tax assessments. Given that five years have passed by since Petrobras made the payment of the withholding taxes and Petrobras has not further contacted us, our management believes that there will be no future claims related to those notices of violations.

INDUSTRY

Brazilian Oil and Gas Sector

History

From 1954 to 1995, the Brazilian federal government had a monopoly over the country's activities of research, exploration, production, refining and transportation of oil and its subproducts. The federal government created Petrobras, initially a wholly state-owned company but currently a publicly traded state-controlled company, to be the sole entity allowed to operate across the entire Brazilian oil and gas value chain. In 1995, however, the ninth amendment to the Brazilian Federal Constitution overturned this monopoly, paving the way for other entities to enter the Brazilian oil and gas market under the supervision and regulation of ANP, beginning in 1997. In addition to creating ANP, the 1997 Oil and Gas Law, created a concession system in which companies could bid for the right to explore Brazilian oil and gas resources.

Since this change, many companies have sought to gain access to this market. In this context, a number of global players in the oil and gas industry have invested significant capital in Brazil. However, the emphasis remains on domestically-sourced growth, with Petrobras spearheading a significant portion of the oil and gas industry development in the country. Furthermore, ANP has created rules establishing "minimum local content," such that a specified portion of all goods and services produced and rendered in the sector must come from Brazilian sources. For pre-salt E&P, the Brazilian production sharing regime guarantees to Petrobras the right of first refusal for the operatorship of all pre-salt areas, before such areas are offered in a bid round. The areas Petrobras choose not to operate will be subject to operation by other oil and gas companies. For more information on Brazilian regulatory framework, see "Business—Brazilian Regulatory Framework."

Pre-salt activity currently comprises approximately 78% of Brazil's total current oil and gas production. The continuing development of the pre-salt offshore fields contributes largely to the growth prospects of the Brazilian oil and gas industry. Data from Rystad Energy indicates that Brazil is set to increase total production from 4.5mboe/day in 2024 to over 5.8mboe/day by 2027 through exploration and development activities.

Historically considered promising, Brazil's deepwater offshore reserves have generated significant interest in recent years with the extensive pre-salt discoveries. Located in ultra-deepwater off the coast of the states of Rio de Janeiro, Espírito Santo, São Paulo and Santa Catarina, the pre-salt discoveries represent a global landmark for oil and gas exploration. Relatively more technically challenging and difficult to reach, ultra-deepwater exploration has become increasingly relevant globally, as onshore and shallow water resources are becoming depleted. These largely untapped resources trapped below a thick layer of salt, in an area comparable in size to the Gulf of Mexico, are expected to change the global landscape in terms of the largest oil producing nations within a decade.

While the 2006 discovery of the Lula Field served as a catalyst for further exploration, 2009 marked an inflection point for the Brazilian offshore industry. In 2009, Devon Energy, OGX and Petrobras announced one, two and nine discoveries, respectively, representing an estimated 3.6 billion boe of additional reserves. Since then, driven by advances in offshore drilling technology, Brazil has continued to outpace the rest of the world in terms of exploration activity, announced discoveries and reserve additions.

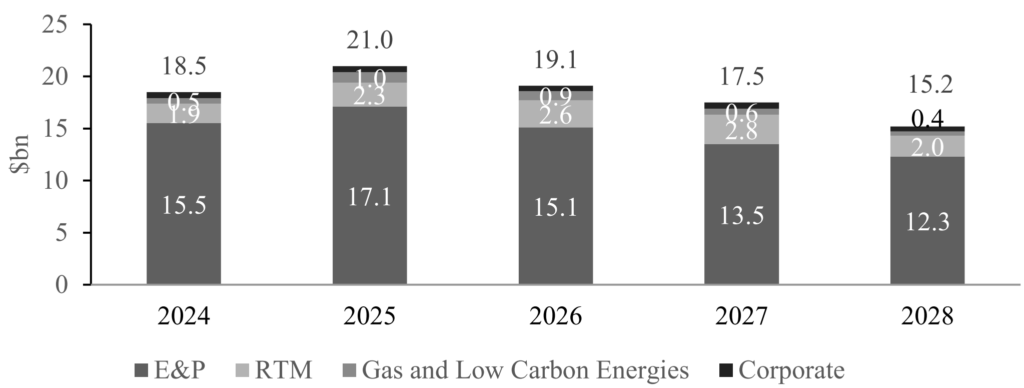
According to ANP, between 2020 and 2023 Brazil experienced a 33% increase in oil reserves, totaling 16 billion barrels at the end of 2023. Between 2020 and 2023 the increase observed in Brazilian production was mainly due to increased investments from Petrobras. The pre- salt oil production climbed from 747 million barrels in 2020 to 949 million barrels in 2023, or an average of 2.6 million barrels per day, representing approximately 78% of the total Brazilian oil production in that period. During the 4-year period ended December 31, 2023, Brazil discovered 674 wells, including 421 on land and 253 at sea. The State of Rio de Janeiro had the largest reserves, with 86% of the country's total proven reserves as of December 31, 2023.

Petrobras' Plans

In 2023, Petrobras disclosed its 2024-2028 business plan, which contemplates total investments of $102 billion, including an expected $73 billion investment, or 72% of the total investment, in E&P. In order to incentivize this development, Petrobras will seek to consolidate demand and conduct long-term contracting with increasing local-content requirements, implement initiatives to increase the participation of domestic sub-contractors, encourage the development of innovative Brazilian companies, add suppliers outside the current supply chain and support supply-chain personnel training programs. The total investments contemplated by Petrobras for the next five years is $24 billion higher than the total investments contemplated under its previous business plan for the 2023-2027 period. Petrobras has also indicated that its E&P segment intends to invest $8.3 billion, representing a 12.8% increase compared to the previous business plan. These funds will be used to manage the E&P project portfolio in an integrated manner, prioritize the development of deep-water production with a focus on strategic partnerships, optimize the exploratory portfolio to maximize economic viability and ensure the sustainability of oil and gas production. Additionally, the investment aims to enhance productivity, reduce costs, and strengthen reservoir management to maximize the value of E&P contracts across all regulatory regimes, while seeking opportunities to incorporate reserves.

In addition, in order to capitalize its future programs and to reduce its indebtedness, Petrobras began an aggressive divestment plan in 2017. Under the plan, several assets have already been divested to other operators or investors, including the divestment of oil fields such as Carcará to Equinor and sale of Petrobras' partial shares in Lapa and Iara to Total. We believe that this plan will increase our potential client base in Brazil and accelerate the exploration and development of important oil fields in Brazil, especially in the pre-salt area.

The chart below shows Petrobras' capital expenditures under the current business plan.



Source: Petrobras Strategic Plan 2024-2028+.

Offshore Drilling

Overview

The global offshore drilling industry provides drilling, workover and well construction services to E&P companies through the use of jackup platforms, semi-submersible rigs, drillships and various other drilling units. As the world looks for new sources of oil and gas to supplement depleting reserves, offshore drilling activity and discoveries have become an increasingly critical source of supply. Exploration activity has been ongoing in key regions including Brazil, the Gulf of Mexico, and West Africa, as well as emerging areas such as East Africa, South-East Asia and Australia. The fact that large offshore reserves are often located in remote areas under harsh conditions has made offshore drilling both challenging and expensive, spurring demand for increased technology and capabilities. Additionally, many new discoveries are occurring in deeper waters, which require higher specification drilling units.

Offshore drilling units are typically categorized as either jackups or floaters, terms which describe a rig's basic form. Jackups are used in shallow water, while floaters are used in deeper waters where the rigs float at the surface level. Rigs are then further classified by rig type, drilling depth and generation, which refers to the year when the rig was ordered. We operate floating drilling units with a fleet comprised of drillships and semi-submersible rigs, conducting drilling in ultra-deepwater, deepwater and midwater environments.

- Drillships – Vessels resembling a typical ship built for deepwater drilling. In addition to a full suite of equipment, a drilling derrick is usually located at the center of a drillship, with drilling operations being conducted through openings in the ship-shaped hull called moon pools. They typically carry larger loads than semi-submersible rigs and are self-propelled and highly mobile, making them highly effective for exploratory drilling in remote locations.
- Semi-submersible rigs – Floating vessels that are supported by a submerged or partially submerged ballasting platform system that provides stability and protection against ocean conditions such as waves, winds and currents. Ballast tanks enable the rig to float on shallow draft while in transit and are filled with seawater upon arrival at the drilling location. Semi-submersible rigs are typically mobilized either through self-propulsion capabilities or through the assistance of a supply vessel or other similar vessel. Semi-submersible rigs are typically better suited than drillships for operations in rougher water conditions.

Offshore oil and gas drilling hinges on the contractual relationship between drillers and E&P companies. Offshore drillers own rigs that are contracted out to E&P operators for a dayrate. These dayrate contracts vary in scope from short-term operational goals of drilling a specified number of wells to longer term contracts granting use of a rig for months or years. Given their level of complexity and the often remote location of offshore wells, offshore operations tend to require significantly more rig time than onshore operations.

Utilization refers to the percentage of active rigs operating. Dayrates and utilization are two significant factors that dictate the production of the offshore drilling sector. As demand for offshore drilling rigs increase, utilization also typically increases. Elevated utilization implies a tightened rig supply condition, which contributes to upward pressure on dayrates.

Offshore Discoveries

From 2005, since the onset of ultra-deepwater drilling and the increasing popularity of deepwater exploration, offshore oil and gas reserve additions have accounted for a large part of new reserves discovered globally. The most significant regions of ultra-deepwater exploration have been Brazil, Africa and North America.

Offshore Drilling in Brazil

From 2013 to 2023, out of the 983 wells that were drilled in offshore Brazilian waters, 890 wells, or 91%, were located in ultra-deepwater. E&P activities in ultra-deepwater blocks are more complex than onshore or shallow water drilling and, consequently, require more sophisticated technology.

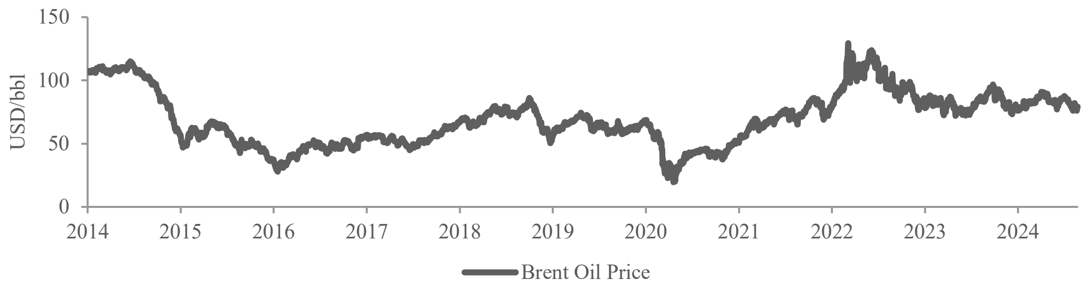
Market Outlook

The current outlook for offshore drilling is robust. Since 2021, the global average leading-edge dayrates for ultra-deepwater capable assets have increased from around $170,000 per day to around $470,000 per day. The significant increase in leading-edge dayrates is reflective of higher overall utilization of ultra-deepwater rigs, as new demand has more than outpaced any supply additions in the period.

The demand for offshore drilling services is highly correlated with capital expenditures (capex) by E&P companies, a figure which reached a low point in 2020/2021. Since then, E&P budgets have expanded meaningfully, and the level of activity in the ultra-deepwater offshore drilling industry has been increasing steadily since 2021. Based on projections from Rystad Energy, offshore E&P capex will continue to increase in the years ahead, suggesting a concurrent increase in offshore drilling activity as well.

E&P capex levels, and by extension, E&P offshore drilling budgets, are influenced by numerous factors, including the current prices of oil and gas, expectations about future prices, company-specific cash flow levels, historical project returns and other capital allocation strategies (*e.g.*, onshore versus offshore drilling). Generally, sustained high energy prices result in higher cash flow generation by E&P companies, which in turn allow more funds to be spent on offshore drilling services.

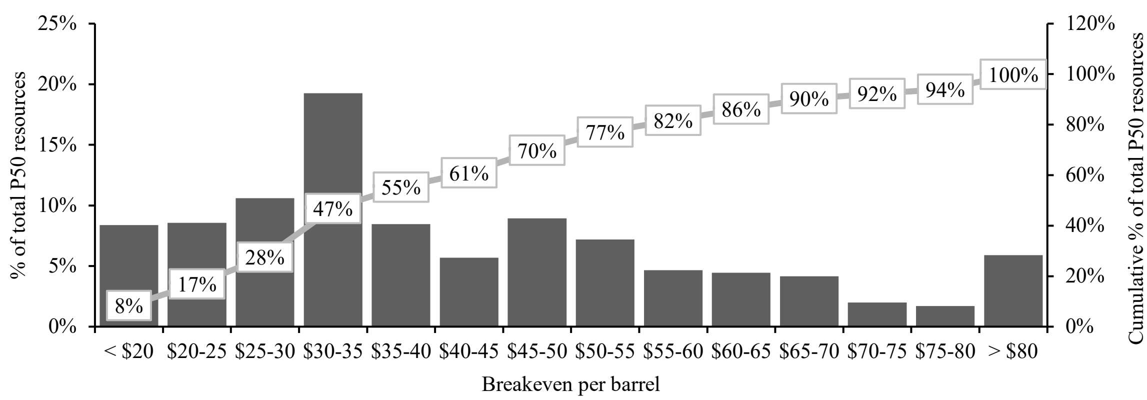
The chart below illustrates the historical brent oil price over the last decade.



Source: LSEG Data & Analytics.

According to LSEG Data & Analytics, Brent crude oil prices have averaged $83 per barrel year-to-date, $82 per barrel in 2023 and $99 per barrel in 2022. Since late 2021 through September 2024, the price has averaged $88 per barrel. According to data from Rystad Energy, pertaining to the breakeven cost of currently discovered but undeveloped offshore crude oil projects, a price of $88 per barrel would make 99% of projects economically viable, and at a price of $70 per barrel, 90% of projects would be economically viable. The same data shows a weighted average breakeven price of $43 per barrel for these projects.

The chart below illustrates the breakeven price per barrel and cumulative % of economically viable projects.

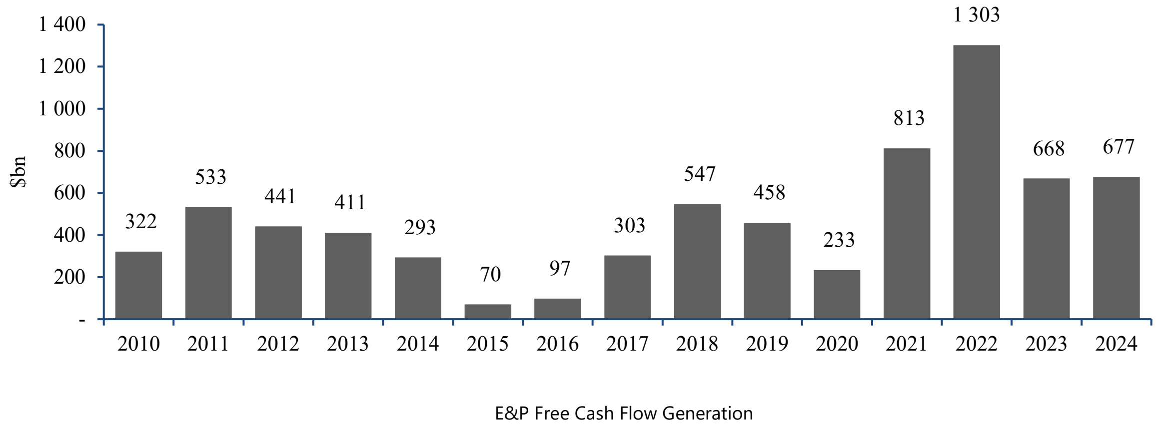


Source: Rystad Energy.

A survey from the same agency from 2014 suggested a global breakeven price of $90 per barrel for new projects to sustain global production levels at around 100 million barrels per day. While the numbers are not directly comparable, the material decrease in average breakeven costs over the last ten years have made new investments much more resilient to fluctuations in the oil price, supporting demand for offshore drilling services even in lower oil price scenarios.

While E&P companies remain prudent with their capital allocation framework, continuing to give high priority to shareholder returns through buybacks and dividends, the record high free cash flows the industry has generated from 2021 and later has given ample room to new investments as well. This benefits offshore drilling activity. In 2022 the combined E&P free cash flow amounted to $1,303bn. Rystad Energy data suggests that the FCF figures will remain high in 2024 as well. The current market environment, in which oil companies generate more cash than ever before follows years of low investment levels through 2020, and after that a stringent focus on high-quality, low-breakeven projects. This means that the current E&P production portfolio should retain a high cash-generation and capex potential even if the oil price declines from current levels.

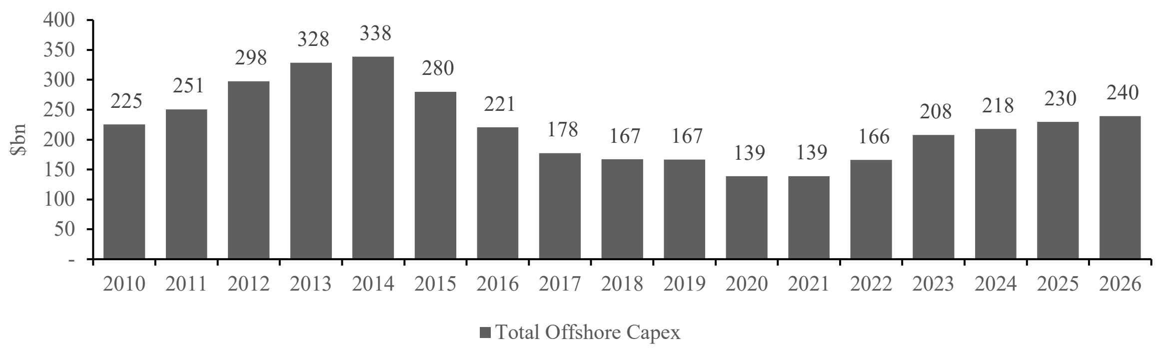
The chart below illustrates the historical E&P free cash flow generation and Rystad's projection for 2024.



Source: Rystad Energy.

Data from Rystad Energy shows that E&P companies have increased offshore capital spending since 2021. In 2021, aggregated capex amounted to approximately $139 billion, in 2022 the number increased to $166 billion, and in 2023 to $208 billion. This translates to year-over-year growth of 19% and 25%, respectively. Investments are expected to grow further in 2024, 2025 and 2026.

The chart below illustrates the historical total offshore capex and Rystad's projections through 2026.

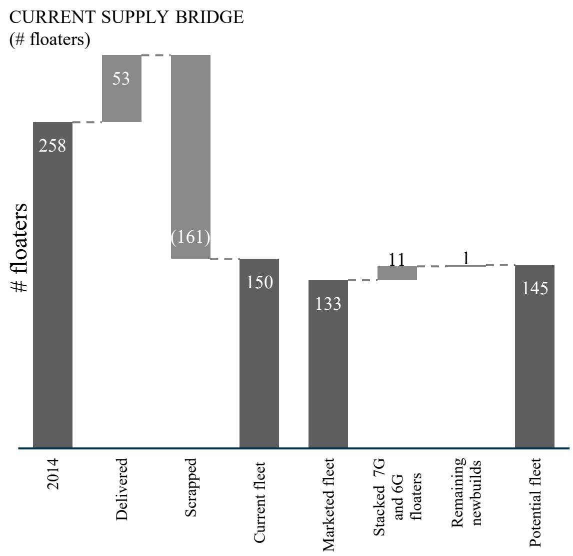


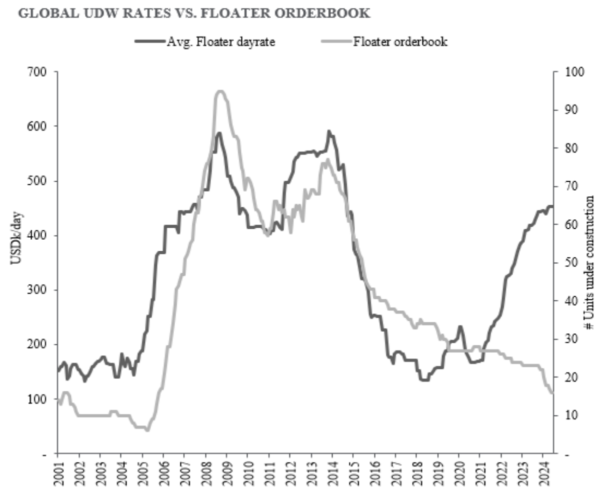
Source: Rystad Energy.

In contrast to increasing demand for offshore drilling, the available supply of drilling rigs has declined meaningfully. In October 2014, the total benign floater fleet counted 258 rigs according to data from RigLogix. As of August 2024, the fleet has been reduced to 150 assets, out of which 133 units are marketed. This is a reduction of 45% and 51%, respectively. In addition to the marketed fleet, there are 11 cold-stacked newer generation drill-ships that are predominately in the hands of the major drilling companies, who are expected to remain disciplined with their reactivation of cold-stacked capacity.

A unique aspect of this upcycle is the disconnect between rising dayrates and the lack of new build orders. Unlike previous cycles, this time, day rates are climbing, while no new orders have been placed to date.

The chart on the bottom left illustrates the current supply bridge, while the chart on the bottom right compares global UDW rates with the floater order book.

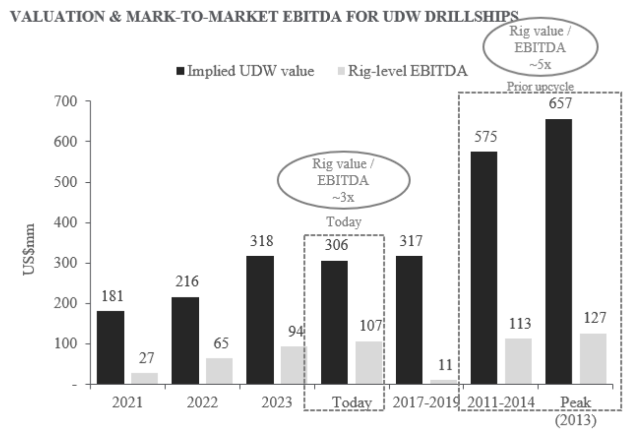




Source: Clarksons Research Services Ltd., RigLogix.

Several factors contribute to the lack of newbuilds. First, the all-in costs if newbuilds has risen sharply, as demonstrated by the Clarkson Research shipyard newbuild index, which has increased by 50% since 2020. The industry downturn reduced shipyard capacity and led to higher upfront payment requirements to mitigate risk. Additionally, sector equities are trading below newbuild parity and replacement costs, making companies prefer share buybacks, second-hand assets, or reactivating existing assets over ordering newbuilds. Securing financing for new offshore assets is also challenging, often requiring much longer contracts. These factors reinforce the outlook for a strong upcycle with limited supply ahead. Currently, second-hand 7th generation assets are priced around $300.0 million, reflecting growth but still below past peaks and newbuild parity, presenting potential for asset value appreciation in the coming years.

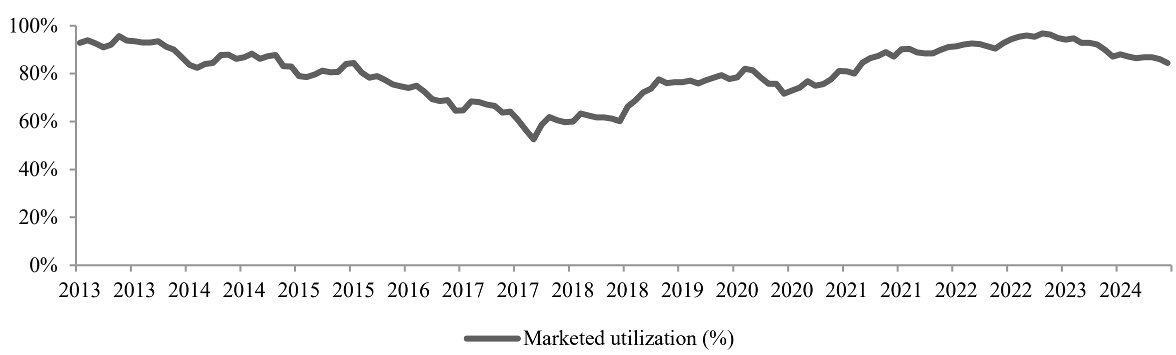
The chart on the bottom left illustrates the Clarksons' Research shipyard NB index, while the chart on the bottom right presents the historical trend of implied valuations for UDW drillship.



Source: Clarksons Research Services Ltd.

Deepwater drilling market utilization reached a low point in late 2017 of 53%. Since then, the combination of higher demand for offshore drilling services and the material reduction in available supply has boosted utilization to around 84% currently. For the high-spec 7th generation assets, utilization is currently around 90%. While the marketed utilization for deepwater and ultra-deepwater assets have declined slightly since 2023, this is partially because several previously *cold stacked* units have returned to the fleet. The combination of dayrates above $400,000 and higher frequency of multi-year contract awards have made reactivation of these stacked assets economically viable. In addition, the near-term dynamic has also been impacted by: (i) a shift from short-term to longer-term contracts, leading to delays in planned programs as oil companies take longer to approve substantial budgets for multi-year contracts; and (ii) the lack of adverse weather conditions in certain regions, which have made drilling programs complete ahead of previous expectations.

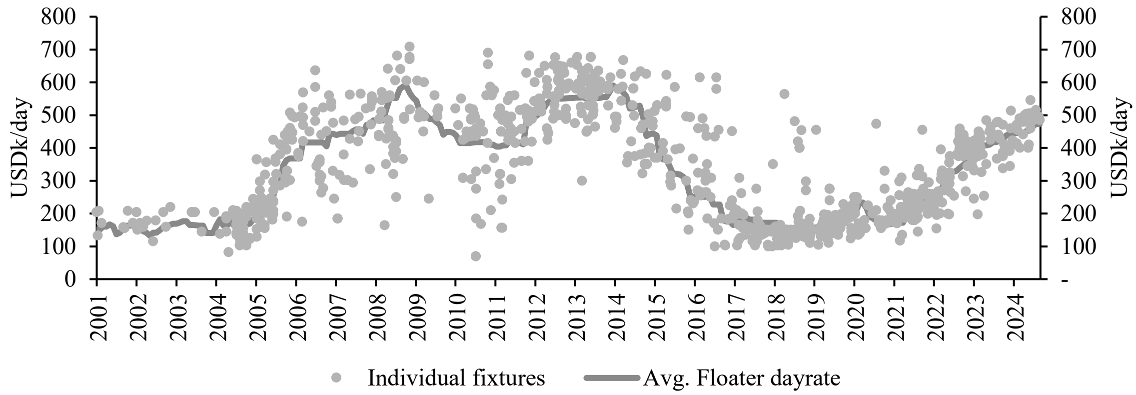
The chart below illustrates the marketed utilization for floaters.



Source: RigLogix.

Data from Clarksons Research Services Ltd. shows that the average dayrate across all key ultra-deepwater regions have increased meaningfully since 2021, from around $170,000 per day in January 2021, to over $470,000 per day in July 2024. The most recent fixtures for high-spec 7th generation assets have been concluded in the high $400,000s to low $500,000s per day. The anticipation of a substantial amount of additional work beginning in 2025 and beyond, from both rig owners and E&P companies have supported rates despite the fluctuations in utilization over the last year. Over the last twenty years, ultra-deepwater dayrates have averaged around $360,000 per day, and over the last ten years, rates have averaged $268,000 per day. During the previous upcycle, lasting from late 2005 through 2014, rates averaged $468,000 per day, during which individual fixtures for the highest specification assets approached $700,000 per day.

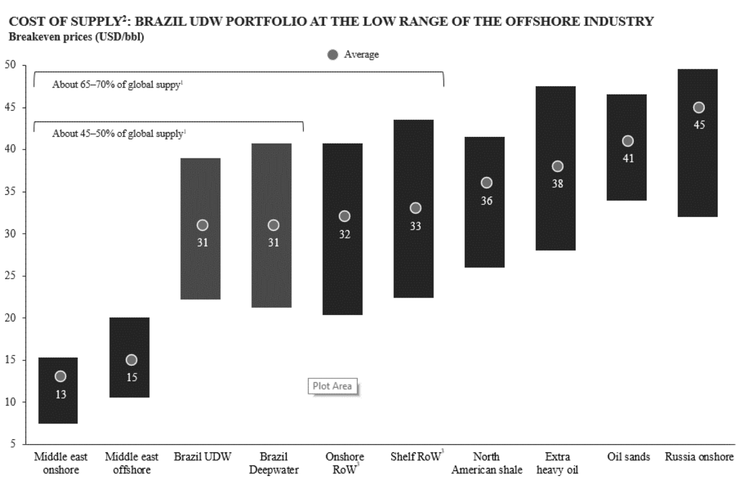
The chart below illustrates the historical dayrate development for floaters since 2001.

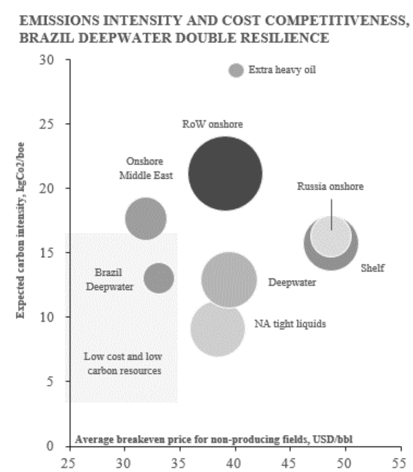


Source: Clarksons Research Services Ltd., RigLogix.

Brazil is rapidly becoming a leading market for ultra-deepwater projects because of its rich resources and strong project economics. Brazil's ultra-deepwater developments are notable for their cost efficiency, particularly in pre-salt wells. The left-hand chart below compares the cost of supply and breakeven prices for projects in Brazil against other regions, highlighting Brazil's position as a long-term leader due to low breakeven costs. The chart on the right-hand size below illustrates Brazil's low carbon intensity, demonstrating its strength and dual resilience in both economic and environmental terms.

The chart on the bottom left illustrates the regional breakeven prices, while the chart on the bottom right presents the emission intensity and cost competitiveness.





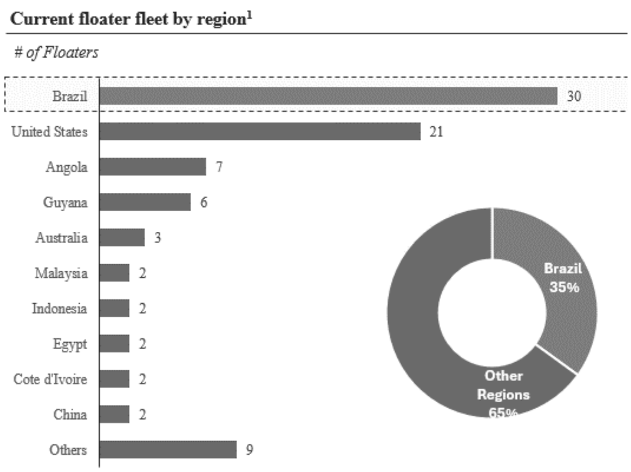
(2) Cost of supply range illustrates an 80% confidence interval for the breakeven prices. Includes producing fields, ongoing development projects, discoveries and exploration assets.

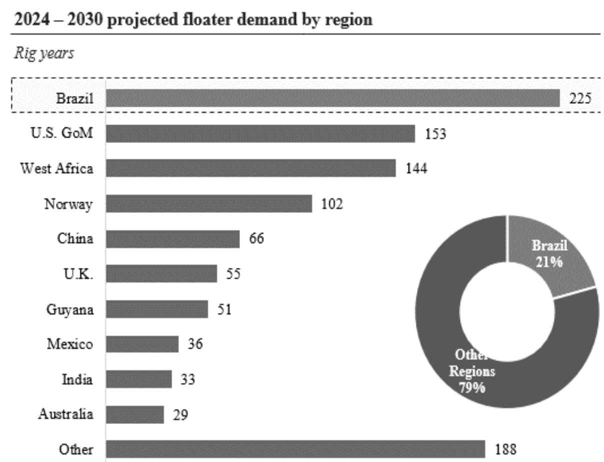
Average breakeven prices non-producing fields, USD/bbl.

Source: Rystad energy.

Brazil is currently hosting 30 drillships and semi-submersibles for deepwater operations. This accounts for approximately 35% of the total active floater rig supply globally and includes contracted rigs (drillships and semisubmersibles) that are competitive in the market. In addition, it excludes harsh environment units and does not account for rigs that are not yet in the country or are still awaiting mobilization. In terms of demand, it is the country with the highest expectation of future uncontracted activity until 2030. According to RigLogix, the utilization rate for floaters already in Brazil is currently at 100%, implying a sold-out market. While international offshore drilling companies are actively bidding in most Petrobras tenders, those already established in Brazil with rigs that meet Petrobras compliance standards hold a significant cost advantage. Rigs from outside Brazil face high costs for upgrades and contract preparation work in order to achieve Petrobras compliance, along with the mobilization costs needed to bring the asset to the region. This creates substantial barriers to entry for the Brazilian drilling market. Additionally, local offshore drilling companies in Brazil benefit from lower costs compared to their international peers, partially due to a higher proportion of local crew and superior knowledge of efficient operations in the region.

The chart on the bottom left illustrates the number of floaters per region, while the chart on the bottom right presents the projected floater demand by region.





(1) Includes contracted rigs (drillships & SS), competitive in the market, excluding harsh environment units. Does not include rigs not yet in the country or yet to mobilize.

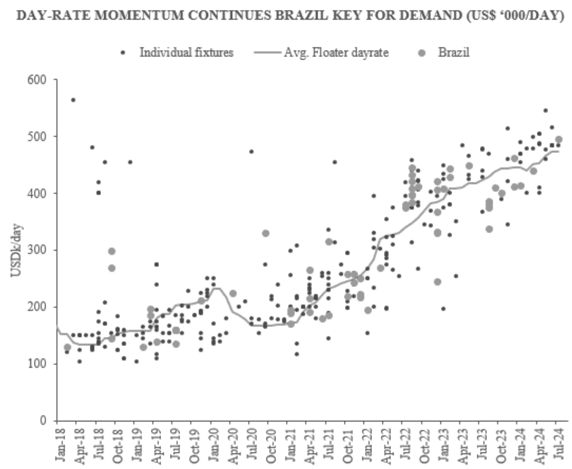
Source: Rystad Energy.

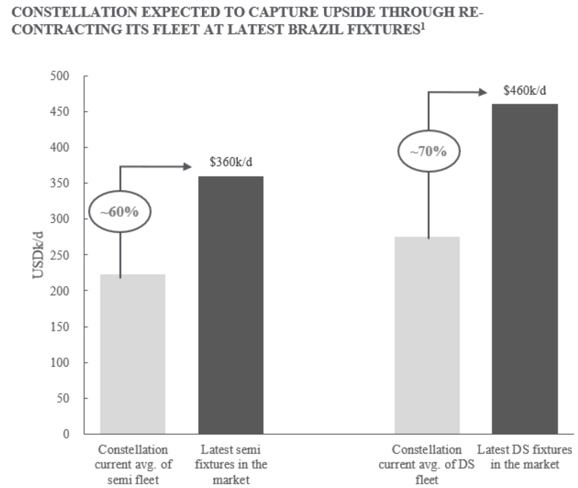
Petrobras, the global leader in deepwater oil production, provides strong visibility for the offshore drilling sector in Brazil through its 5-year business plans. The reliability of these plans is relatively high due to the long-cycle nature of deepwater projects, which typically take about four to five years from the final investment decision (FID) to first oil.

The current 5-year plan has a $73 billion budget, the highest number since the oil and gas downturn began in 2015. The planned addition of 14 FPSOs (Floating Production, Storage, and Offloading units) between 2024 and 2028 is expected to drive further demand for rigs, which is anticipated to rise from current levels.

In the Brazilian market, Petrobras may continue to announce new contract drilling tenders as several existing contracts near their end and to sustain its activity level in line with its strategic business plan. Based on the latest lead times (12-18 months), new tenders are expected by the end of 2024.

As shown in the chart on the bottom left, Brazilian fixtures have outpaced the global average since 2022, driven by 100% utilization and demand exceeding capacity. The chart on the bottom right highlights the current average day rate for Constellation's semi-submersible and drillship fleets, indicating substantial upside potential compared to recent fixtures. As re-contracting opportunities emerge in 2025, new contracts are expected to be secured in the near term, offering significant growth prospects.





(1) Equivalent day rate including integrated services.

Source: Clarksons Research Services Ltd.

MANAGEMENT OF CONSTELLATION

Members of our senior management are appointed from time to time by vote of our Board of Directors and hold office for an indefinite period of time until a successor is elected and qualified. There are no statutory officers under Luxembourg law; thus, our Board of Directors is the sole body responsible for managing our affairs and ensuring that our operations are organized in a satisfactory manner. The members of senior management set forth below currently serve as senior managers of certain of our subsidiaries and will be responsible for the day-to-day management of our operations.

Name	Age	Position
Rodrigo Ribeiro	50	Chief Executive Officer
Daniel Rachman	39	Chief Financial Officer
Monique Fares	46	Deputy Chief Financial Officer
Luis Senna	45	Chief Legal Officer
Silvia Ruggeri	41	Chief People and IT Officer
Paulo Cury	66	Chief Operating Officer
Thiago Schimmelpfennig	39	Chief Commercial and Innovation Officer

Rodrigo Ribeiro. Mr. Rodrigo Ribeiro, our chief executive officer, joined the Constellation Group in 2000 and has over 26 years of experience in the industry. He started his career in 1996 working for Odebrecht Óleo e Gás S.A. prior to joining us. He held a number of positions in Brazil and abroad, including chief operation officer, operations manager, rig manager and site manager. He also served as president of the Brazilian Association of Petroleum Goods and Services Companies (*Associação Brasileira das Empresas de Bens e Serviços de Petróleo –* ABESPetro), from 2022 to 2023. Mr. Rodrigo Ribeiro holds a bachelor's degree in mechanical engineering from Universidade Santa Úrsula, a post-graduate degree in petroleum engineering from Fundação Educacional Luiz Reid / Gold Black and a safety engineering degree from Faculdade Salesiana Maria Auxiliadora.

Daniel Rachman. Mr. Daniel Rachman, our chief financial officer, joined the Constellation Group in 2023 and has over 12 years of experience in the industry. Mr. Rachman held a number of leadership positions in GE Oil & Gas and Baker Huges, in Brazil and in the United States, having last served as global chief financial officer of the subsea production business. He also worked for Deloitte, as audit manager, from 2004 to 2011. He holds a bachelor's degree in business from Fundação Armando Álvares Penteado and a master's degree in accounting from Trevisan Escola de Negócios.

Mrs. Monique Fares. Mrs. Monique Fares, our deputy chief financial officer, joined the Constellation Group in 2010 and has over 12 years of experience in the industry. Mrs. Fares joined the Constellation Group as financial planning coordinator, and has been serving as financial planning manager since 2016. She also worked for Deloitte, as senior auditor, from 1999 to 2002; L'Oréal, as financial analyst, from 2002 to 2003; and Hamburg Süd, as controlling coordinator, from 2003 to 2010. She holds a bachelor's degree in economics from Pontifícia Universidade Católica, and an MBA in finance from Insper–Ibmec.

Luis Senna. Mr. Luis Senna, our chief legal officer, joined the Constellation Group in 2012 and has over 13 years of experience in the industry. Before serving as our general counsel, he served as compliance officer, from 2017 to 2020. Before joining the Constellation Group, he worked in recognized law firms in Brazil, representing clients in complex commercial deals. Mr. Senna holds a law degree from Pontifícia Universidade Católica.

Silvia Ruggeri. Mrs. Silvia Ruggeri, our chief administration officer, joined the Constellation Group in 2010 and has over 18 years of experience in the industry. Mrs. Ruggeri held leadership positions in human resources and served as deputy chief administration officer, leading human resources, real state, information technology and communications departments. Before joining the Constellation Group, she held human resources positions in international human resources, human resources systems and compensation departments at Halliburton. Mrs. Ruggeri holds a bachelor's degree in business administration from Pontifícia Universidade Católica.

Paulo Cury. Mr. Paulo Cury, our chief operating officer, joined the Constellation Group in 2013 as asset integrity manager and has over 28 years of experience in the industry. His international experience includes positions at Lloyd's Register for 22 years in the United States, Brazil, the United Kingdom, Panama and Dubai, and leadership positions in offshore industry and shipyards. He also worked for IHI Corporation, as trainee engineer, from 1978 to 1981. Mr. Cury holds a bachelor's degree in metallurgical and materials engineering from Universidade Federal do Rio de Janeiro.

Thiago Schimmelpfennig. Mr. Thiago Schimmelpfennig, our chief commercial and innovation officer, joined the Constellation Group in 2009 as operations engineer and has over 15 years of experience in different areas within the Constellation Group. After joining us, Mr. Schimmelpfennig worked as rig manager in the states of Amazonas and Mato Grosso, in Brazil, and in Paraguay. He served as deputy chief operating officer before joining the commercial department in 2018 as commercial manager. He also worked for BMW, as trainee engineer, in 2009. Mr. Schimmelpfennig holds a bachelor's degree in mechanical engineering from Universidade Federal de Santa Catarina, and an MBA in oil and gas from Robert Gordon University.

Board of Directors

In accordance with Luxembourg law, our Board of Directors is the sole responsible body for managing our affairs and ensuring that our operations are organized in a satisfactory manner.

Our articles of association (the "Articles") provide that our Board of Directors shall have no fewer than three members and a maximum of seven members and may be appointed for a renewable period of up to two years. Our Articles provide that the members of our Board of Directors are elected by a general meeting of our shareholders. The process for selecting members of the Board of Directors is governed by the terms and conditions established in the Articles and Shareholders' Agreement and includes prior analysis of competencies, potential conflicts of interest and applicable legal requirements. Resolutions adopted at a general meeting of our shareholders determine the number of directors comprising our Board of Directors, the remuneration of the members of our Board of Directors and each director's term. Under the Luxembourg Companies Law, directors may not be appointed for a term of more than six years but are eligible for re-election.

Our Articles provide that the current term of office for each of our directors is two years, with each director being eligible for renewable term not exceeding two years, as determined by the general meeting of Shareholders. Directors may be removed at any time, with or without cause, by a resolution adopted at a general meeting of our shareholders. If the office of a director becomes vacant, the other members of our Board of Directors, acting by a simple majority, may fill the vacancy on a provisional basis until a new director is appointed at the next general meeting of our shareholders.

The current members of our Board of Directors are the following:

Name	Position	Age	Date of Appointment
Maria Gordon	Chairman of the Board	50	June 10, 2022
Bruno Serapião	Director	51	September 9, 2022
Jorge Tagle	Director	55	June 10, 2022
Steven J. Pully	Director	64	September 2, 2022
Jaap Jan Prins	Director	64	June 10, 2022
Bertrand de Fays	Director	43	November 4, 2022
Attila Sénig	Director	44	June 10, 2022

Maria Gordon. Mrs. Maria Gordon has been the chairman of Constellation since June, 2022. She started her career as a reporter for The Washington Post. In 1998, she joined Goldman Sachs at the asset management division, where she spent 12 years, being named managing director in October, 2006. In 2009, Gordon moved to PIMCO to help the firm broaden its outreach beyond debt markets. Mrs. Gordon has also been the chair of our strategy committee She was named twice Top 40 under 40 by The Financial News.

Bruno Serapião. Mr. Bruno Serapião has been a member of the Board of Directors of Constellation since September, 2022. He started his career in aviation in 1996, after graduating. He worked for Hidrovias do Brasil, from 2010 to 2020, and he is currently executive chairman of the board of Hidrovias do Brasil. He is the current CEO of Atvos. He has also been the chair of our sustainability, HSE and operations committee. Mr. Serapião holds a degree in aerospace mechanical engineering from the Aeronautical Technological Institute (*Instituto Tecnológico de Aeronáutica – ITA*).

Jorge Tagle. Mr. Jorge Tagle has been a member of the Board of Directors of Constellation since June 10, 2022. Throughout his career, he held senior executive positions, primarily at the Quiñenco Group. He was deputy general manager and commercial manager of Banco de Chile, executive vice president of Nexans SA, corporate general manager of Alusa SA, corporate finance manager of Madeco SA. At Quiñenco SA, meanwhile, he was manager of M&A and new projects. Earlier in his career he worked at Citicorp Corporate Finance in different M&A and capital markets transactions. Currently he is director and advisor of Megeve Investments and member of the Board of Constellation Oil Services Holding S.A. He is also a Director of Fundación Generación Empresarial and director of the Institute for Society Studies. Mr. Tagle has also been the chair of our nomination and remuneration committee. He holds a bachelor's degree in Civil Engineering from Pontificia Universidad Católica de Chile and a master's in Business Administration from the Wharton School at the University of Pennsylvania.

Steven J. Pully. Mr. Steven J. Pully has been a member of the Board of Directors of Constellation since 2022. He has served on over forty corporate boards during his career, including twenty-one boards in the energy sector. Mr. Pully has also been the chair of our audit and risks committee and special committee. He is licensed as an attorney and CPA in Texas and is a CFA charter holder and he also holds various FINRA licenses.

Jaap Jan Prins. Mr. Jaap Jan Prins has been a member of the Board of Directors of Constellation since June 10, 2022. He worked for ING Bank where he was global head of the energy, transport and infrastructure sectors. He is a partner of Bowline Capital Partners, a firm with offices in London and Rotterdam, providing services in capital raising, debt advisory, M&A, and proprietary investments. He also served as an expert advisor of the investment committee of NN Investment Partners, one of the largest Dutch asset managers.

Bertrand de Fays. Mr. Bertrand de Fays has been a member of the Board of Directors of Constellation since November 4, 2022. His fields of experience include: intra-group financing (treasury/cash pool operations) and holding/investment structures, securitization vehicles for a variety of clients, such as private equity funds and listed multinationals. Over the years, he has gained vast experience in the energy sector, real estate business, and metal industry. Mr. Bertrand de Fays is a qualified accountant with extensive experience in accounting and outsourced corporate services in Luxembourg.

Attila Sénig. Mr. Attila Sénig has been a member of the Board of Directors of Constellation since June 10, 2022. He has detailed knowledge of regulatory, accounting and tax regulations and regularly act as a non-executive manager for a diverse portfolio of international clients of Centralis S.A. where he is the client services director. Mr. Attila Sénig is a qualified tax advisor and chartered accountant with extensive experience in accounting and outsourced corporate services in Hungary and Luxembourg.

Committees of the Board of Directors

Our Board of Directors is advised by four permanent advisory committees and one special committee on matters relating to its oversight responsibility. The committees set the general business guidelines within the areas of their respective responsibilities, in accordance with applicable laws and the internal policies and controls of Constellation. The advisory committees are chaired by a director and are composed of key executives of Constellation and our directors. Each of our committees has its own charters that establishes its duties and responsibilities. Constellation also has a corporate governance handbook that guides board members and committee members in matters within their competence.

- *Audit and Risks Committee.* The Audit and Risks Committee advise and propose improvements related to its area of activity, with the objectives of supervising the quality and integrity of financial reports, adherence to legal, statutory and regulatory standards, the adequacy of risk management processes and the activities of internal and independent auditors, in order to give greater efficiency and quality to the decisions of the Board of Directors;
- *Strategy Committee.* The Strategy Committee oversees negotiation, implementation and execution strategies in order to make the Board of Directors' decisions more efficient and high quality;
- *Nomination and Remuneration Committee*. The Nomination and Remuneration Committee valuates and recommends long-term strategies for candidates for the Board of Directors, as well as advising

the Board of Directors on remuneration, benefits programs and succession planning for managers and key employees, setting performance evaluation targets;

- *Sustainability+HSE+Operations Committee.* The Sustainability+HSE+Operations Committee evaluates and recommends the sustainability, health, safety and environment and operational strategy and guidelines in the oil and gas sector, with a view to mitigating risks and seeking opportunities to be more efficient in ESG management in relation to its businesses, in order to improve the quality of our Board of Directors' decisions; and
- *Special Committee*. The Special Committee will assist our Board of Directors to prepare and analyze strategic opportunities, including potential M&A opportunities.

Ethics and Conduct Policies and Procedures

We maintain a number of compliance policies and procedures, including a code of ethics, a stand-alone anti-corruption policy, which incorporate all the elements of the OECD's Good Practice Guidance on Internal Controls, Ethics, and Compliance, along with more than 150 procedures and forms that are part of our internal control program, which are in full alignment with market standards. Our policies require that our personnel understand and remain focused on compliance issues, demonstrated by mandatory training that we conduct. Personnel must undergo periodic training and must certify their compliance with the anti-corruption policy on an annual basis. We also make available our Ethics and Conduct Channel for all employees, any third parties and the public in general to report any concerns regarding improper ethical conduct involving our business or operations. This channel is operated and handled by an independent service provider and overseen by the Chief Audit, Risks and Compliance Officer, which reports directly to our Board of Directors.

Family Relationships

As of the date of this offering memorandum, there were no family relationships among the members of our Board of Directors and senior management.

PRINCIPAL SHAREHOLDERS

Escrow Issuer

NewCo Holding USD 20 S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés, Luxembourg*) under number B289565.

Constellation

Constellation Oil Services Holding S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg, and registered with the Luxembourg Register of Commerce and Companies (Registre de Commerce et des Sociétés, Luxembourg) under number B163424.

Shareholder Composition

The following table sets forth our shareholding composition as of the date of this offering memorandum:

Shareholder	Percentage of Total Shares[(1)]
Patria Investments Ltd.[(2)]	28.9%
Lux Oil & Gas International S.à r.l[(3)]	27.0%
Capital Group[(4)]	11.7
Other existing stakeholders[(5)]	32.4%
Total	**100.00%**

(1) The shareholding percentage presented herein refers to our current percentage before the conversion of the Brava Warrants.
(2) Refers to the aggregate holding of certain funds and investment vehicles that are managed by Moneda S.A. Administradora General de Fondos, or any of the entities within its corporate group.
(3) The shareholder possesses limited voting rights.
(4) Refers to the aggregate holding of certain funds and accounts managed or advised by Capital Research and Management Company and its affiliates.
(5) Other comprises any shareholder with less than 10% ownership.

The New Equity Consideration will represent directly or indirectly 12.1% of the common shares of Constellation. We will not be able to determine the equity ownership following the Liquidity Event until our shareholders make their elections to receive shares or cash. However, we expect Patria Investments Ltd. to be the largest shareholder but owning less than a majority of Constellation's equity. The other two largest shareholders are expected to be Capital Group and Lux Oil & Gas International S.à r.l, each of which will increase their equity ownership.

For information on our recapitalization, merger and Liquidity Event, see "Liquidity Event."

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Our Board of Directors approves related party transactions that are on an arm's length basis and on market terms and conditions. In the ordinary course of our business, we enter into commercial agreements and other transactions with our subsidiaries.

We are currently not party to any transaction with, and have not made any loans to, any of our directors or senior management, and have not provided any guarantees for the benefit of such persons, nor are there any such transactions contemplated with any such persons.

As of and for the six months ended June 30, 2024 and as of and for the year ended December 31, 2023, there were no outstanding balances and transactions between us and our subsidiaries, as these transactions were eliminated for consolidation purposes. For more information on our related party transactions, see note 7 to our unaudited consolidated interim financial statements and note 9 to our audited consolidated financial statements.

Liquidity Event

For a description of the Liquidity Event, see "Liquidity Event."

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

Revolving Credit Facility

The following is a summary of certain anticipated provisions of the Revolving Credit Facility Agreement (as defined herein). This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to all of the provisions of the Revolving Credit Facility Agreement. As the final terms of the Revolving Credit Facility Agreement have not been finalized, the final terms may differ from those set forth herein and any such differences may be significant.

Defined terms used in this subsection "—Revolving Credit Facility" that are not defined in this subsection will have the meaning ascribed to them in "Description of the Notes."

In connection with and on or about the Closing Date, we expect to enter into that certain Credit Agreement, among the Company, as borrower, the Subsidiary Guarantors, as guarantors thereunder, the lenders party thereto, JPMorgan Chase Bank, N.A., as sole lead arranger and sole bookrunner and GLAS Trust Company LLC, as administrative agent and as collateral agent, consisting of an up to $50.0 million super-priority senior secured revolving credit facility.

The Revolving Credit Facility is expected to mature approximately on or around the second scheduled repayment of the Notes. The Revolving Credit Facility will bear interest, at our election, either at an interest rate based on a rate equal to the secured overnight financing rate as administered by the Federal Reserve Bank of New York ("SOFR") plus an applicable margin, or the adjusted base rate plus an applicable margin. We will be required to pay interest on the last business day of each interest period, in the case of loans bearing interest based on SOFR (with interest being payable every three months if we select an interest period of longer than three months) and/or on the last day of each fiscal quarter, in the case of loans bearing interest based on the adjusted base rate. The Revolving Credit Facility will be secured by first priority (subject to permitted liens) liens on the Collateral, *pari passu* in payment obligations with all other First-Out Obligations (as defined herein), and payment priority senior in priority to the Notes and other First Lien Obligations (as defined herein), subject to the Priority Intercreditor Agreement (as defined herein). All of our obligations under the Revolving Credit Facility Agreement will initially be unconditionally guaranteed by the Subsidiary Guarantors, and will thereafter be guaranteed by each other Restricted Subsidiary of the Company who is required to deliver a Note Guarantee pursuant to "Description of the Notes—Certain Covenants—Additional Note Guarantees." As of the Completion Date, the Revolving Credit Facility and the Notes will be guaranteed by the same subsidiaries of ours. The Revolving Credit Facility Agreement may be guaranteed by other of our subsidiaries from time to time.

The Revolving Credit Facility will contain customary negative covenants, many of which shall be substantially similar to the negative covenants set forth in the Notes under "Description of Notes"—Certain Covenants," and shall, subject to the exceptions and carve-outs present therein, among other things, restrict the Company and its Restricted Subsidiaries' ability to incur or guarantee indebtedness; incur liens; make investments; pay cash dividends or make other cash distributions in respect of, or repurchase or redeem, capital stock or make other restricted payments and payments of subordinated indebtedness; merge or consolidate with another company or sell all or substantially all of their assets; sell or dispose of assets; changes nature of business; allow to exist certain restrictions on the ability of restricted subsidiaries to pay cash dividends or make other payments to the Company; provide guarantees and modify the Company's fiscal year. In addition, the Revolving Credit Facility shall include additional financial covenants related to testing the Company and its Subsidiary's fixed charge coverage ratio, consolidated net leverage ratio, minimum liquidity and collateral coverage ratio. The Revolving Credit Facility will also be subject to customary events of default (subject to customary grace periods), including, among others, nonpayment of principal or premium when due; nonpayment of interest or other amounts; incorrectness of representations and warranties in any material respect; violation of covenants; cross payment event of default and cross acceleration of indebtedness; bankruptcy or other insolvency events; monetary judgments; actual invalidity of guarantees or security documents; and a change of control.

Any proceeds from the sale, collection or other realization of all or any portion of the Collateral following the occurrence and during the continuance of an event of default will be applied to pay in full the obligations outstanding under the Revolving Credit Facility prior to the repayment of obligations under the Notes and any other

First Lien Obligations. The Revolving Credit Facility Agreement will also contain voting rights and restrictions in respect of amendments, waivers or modifications of the terms of the Revolving Credit Facility Agreement, including with respect to release of any Collateral or guarantors or change the definition of "change of control" with respect to the Company and its Subsidiaries.

Intercreditor Agreements

On the Completion Date, the Company, the Subsidiary Guarantors and certain other parties as set forth under "Description of the Notes—Priority Intercreditor Agreement" shall enter into a Priority Intercreditor Agreement (as defined herein) to address the shared security interest in the Collateral and other rights specified therein as more fully described under "Description of Notes—Priority Intercreditor Agreement."

Defined terms used in this subsection "—Intercreditor Agreements" that are not defined in this subsection will have the meaning ascribed to them in "Description of the Notes."

In the future, subject to compliance with the certain covenants described herein, the Company and the Subsidiary Guarantors may incur Junior Lien Debt, and any such series or class of Junior Lien Debt may be secured by a junior Lien on the Collateral subject to the condition that that the Junior Lien Representative, the Company, the Subsidiaries and certain other parties as set forth herein becomes a party to a Junior Lien Intercreditor Agreement more fully described under "Description of Notes—Junior Lien Intercreditor Agreement."

Security Documents

The following is a summary of certain anticipated provisions of the Security Documents (as defined under "Description of the Notes"). This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to all of the provisions of the Security Documents. As the final terms of the Security Documents have not been finalized, the final terms may differ from those set forth herein and any such differences may be significant.

Defined terms used in this subsection "—Security Documents" that are not defined in this subsection will have the meaning ascribed to them in "Description of the Notes."

Security and Assignment Agreement

Guarantor Pledgor Collateral and Drilling Rig Collateral

Pursuant to the Security and Assignment Agreement, to be entered into in accordance with the terms set forth in "Description of the Notes—Collateral," to be governed by the laws of the State of New York, by and among the Subsidiary Guarantors and the Collateral Agent, each Subsidiary Guarantor will agree to grant to the Collateral Agent a first-priority security interest in all of each Subsidiary Guarantor's estate, right, title, and interest in, to and under the following assets, subject to certain customary exceptions (collectively, the "Guarantor Pledgor Collateral"):

(a) *Equipment and Fixtures*, consisting of all equipment, machinery, tools, motor vehicles, vessels, furniture, fixtures, and all parts thereof, including any additions, substitutions, replacements, and all related components, software and improvements, which constitute "equipment" as defined under the UCC.

(b) *Contracts and Agreements*, consisting of all rights under each Subsidiary Guarantor's contracts and agreements, including rights to receive payments, insurance proceeds, indemnities, warranties, claims, and remedies under or in connection with such agreements.

(c) *Revenue and Income*, consisting of all rents, revenues, profits, dividends, royalties, income and other benefits derived from or payable in connection with each Subsidiary Guarantor's assets or operations.

(d) *Governmental Approvals*, consisting of all governmental approvals related to each Subsidiary Guarantor's assets, except to the extent such approvals are non-assignable by law.

(e) *Indemnities and Guarantees*, consisting of all rights and claims under any indemnity, warranty, letter of credit, credit support or guaranty related to each Subsidiary Guarantor's assets or agreements.

(f) *Intellectual Property and Data*, consisting of all plans, blueprints, designs, data, computer programs, record-ed knowledge, manuals, reports, drawings and software related to each Subsidiary Guarantor's assets.

(g) *Books and Records*, consisting of all books, records, invoices, files, correspondence and computer software related to each Subsidiary Guarantor's assets or agreements.

(h) *Condemnation Awards*, consisting of all compensation, awards, damages, settlements and proceeds from any governmental action such as eminent domain or condemnation related to each Subsidiary Guarantor's assets.

(i) *Other Personal Property*, consisting of all other personal property and fixtures, including goods, money, receivables, instruments, deposit accounts, investment property, intellectual property and other general intangibles, whether now owned or later acquired.

(j) *Proceeds and Additions*, consisting of all cash and non-cash proceeds, additions, substitutions, replacements and accessions of the foregoing.

Additionally, each of the Bareboat Charterers, except for Excluded Bareboat Charterer Subsidiaries will grant a continuing security interest in and lien on all the estate, right, title and interest in (subject to certain customary exceptions) (i) *Monetary Rights*, consisting of all rights of each such entity to receive monies due or to become due, or the return of security or collateral provided by or on behalf of each such entity under each Bareboat Charter Agreement, except to the extent subject to a fiduciary assignment as described in "—Fiduciary Assignments of Credit Rights Agreements"; (ii) *Insurance and Indemnity Proceeds*, consisting of all rights of each such entity to receive proceeds of any insurance, bond, indemnity, warranty, or guaranty related to each charter agreement and all agreements, documents, and instruments relating thereto; (iii) *Claims and Actions*, consisting of all claims, actions, and causes of action of each such entity, including claims for damages arising out of breach or default under each charter agreement; (iv) *Other Rights and Remedies*, consisting of all other rights, remedies, benefits, and privileges of each such entity under each charter agreement, including the right to terminate, amend, supplement, modify, or waive performance, and to compel performance or exercise all rights and remedies under the agreement, and, (v) in connection with each of the drilling rigs in (collectively, the "Drilling Rig Collateral"):

(a) *Fixtures and Equipment*, consisting of all fixtures, machinery, furniture, appliances, and other equipment of any nature, whether installed or used in connection with each drilling rig, including all "equipment" under the UCC and all additions, accessions, substitutions and replacements.

(b) *Contracts and Agreements*, consisting of all rights under each such entity's agreements, contracts, and documents, including rights to receive payments, insurance proceeds, security and remedies related to each drilling rig and rights to amend or enforce performance under such agreements.

(c) *Revenue and Income*, consisting of all rents, revenues, profits, dividends, royalties, income, and other benefits derived from the use, operation or maintenance of the Assignor's Drilling Rig or other Collateral.

(d) *Governmental Approvals*, consisting of all governmental approvals related to the Assignor's Drilling Rig, except to the extent any such approval is not assignable by law.

(e) *Indemnities and Guarantees*, consisting of all rights and claims under any indemnity, warranty, letter of credit, keep-well agreement or guaranty related to each drilling rig.

(f) *Plans and Data*, consisting of all information, data, blueprints, designs, and computer software related to the construction, operation or maintenance of each drilling rig.

(g) *Books and Records*, consisting of all books, records, invoices, files, correspondence and software related to each drilling rig, including those necessary for realization or collection.

(h) *Condemnation Awards*, consisting of all compensation, awards, damages and proceeds arising from any governmental taking or similar action concerning each drilling rig.

(i) *Other Personal Property*, consisting of all other personal property and fixtures of each such entity, including goods, money, receivables, instruments, investment property, intellectual property and any other assets subject to a security interest under the UCC.

(j) *Proceeds and Additions*, consisting of all cash and non-cash proceeds, additions, substitutions, replacements and accessions of the foregoing.

Notwithstanding the foregoing, the collateral granted under the Security and Assignment Agreement will exclude any assets to the extent subject to a fiduciary assignment as described in "—Fiduciary Assignments of Credit Rights Agreement" and certain other customary excluded assets.

The Collateral Agent will be irrevocably appointed as the true and lawful attorney-in-fact of each Subsidiary Guarantor (including those that are Bareboat Charter), with authority to act in the place and stead of each such Subsidiary Guarantor. The Security and Assignment Agreement will also govern the pledge of accounts. It will encompass the establishment, maintenance and operation of the Escrow Account, and the pledge of all funds and financial assets deposited into such accounts from time to time.

The Security and Assignment Agreement will terminate when all Note Obligations have been fully paid or otherwise discharged.

Share Pledge Agreements

Dutch Share Pledge Agreements

Pursuant to the six separate Dutch Share Pledge Agreements, to be entered into in accordance with the terms set forth in "Description of the Notes—Collateral," by and among the Collateral Agent, as pledgee, and the respective shareholders (the "Dutch Shareholders") of each of:

(a) Constellation Netherlands B.V.,

(b) Positive Investment Management B.V.,

(c) Palase Management B.V.,

(d) Brava Drilling B.V.,

(e) London Tower Management B.V., and

(f) Alaskan & Atlantic Rigs B.V. (each a "Dutch Entity" and, collectively, the "Dutch Entities"),

as pledgors, each Dutch Shareholder will grant a first-priority pledge over all of the shares in the capital of the respective Dutch Entity. The Dutch Share Pledge Agreements will be governed by and construed in accordance with the laws of the Netherlands. The security interests granted under these agreements will secure payment and performance of all obligations under the notes.

Each Share Pledge Agreement will grant the Collateral Agent a first-ranking pledge over all rights and interests of each Dutch Shareholder in the shares of the respective Dutch Entity, including all dividends, distributions and other payments made in respect of such shares (collectively, the "Dutch Pledged Shares").

Until the final discharge of all the Note Obligations, the Dutch Pledged Shares will remain subject to the pledge in favor of the Collateral Agent, for the benefit of the Secured Parties.

- Dividends: In accordance with the Dutch Share Pledge Agreements, the Collateral Agent will be entitled to demand performance and receive payments related to dividend rights, related assets and equity interests. However, the Collateral Agent authorizes each Dutch Entity to exercise its rights exclusively until such exercise. Upon the occurrence of a continuing event of default, the Collateral Agent may revoke this authorization.
- Voting Rights: Upon the occurrence of an event of default, voting rights will be transferred to the Collateral Agent, and the Collateral Agent will have the sole authority to exercise voting rights in accordance with the Priority Intercreditor Agreement. Until such an event occurs, each Dutch Shareholder shall retain the authority to exercise these rights in accordance with the terms of each Dutch Share Pledge Agreement.
- Enforcement and Sale: Upon the occurrence of an event of default, the Collateral Agent may exercise any right, remedy, power or discretion provided by law, including, but not limited to, the right to sell the Dutch Pledged Shares and apply the proceeds thereof towards satisfaction of the Note Obligations, in accordance with applicable Dutch law. The Collateral Agent will also be entitled to take recourse against any cash dividends or other payments made in respect of the Dutch Pledged Shares, applying such proceeds towards the Note Obligations.

The Dutch Share Pledge Agreements will remain in full force and effect until all Note Obligations have been paid in full, at which point the pledges will be released in accordance with the terms of the Indenture.

BVI Share Pledge Agreement

Pursuant to the BVI Share Pledge Agreement, to be entered into in accordance with the terms set forth in "Description of the Notes—Collateral," by and among the Collateral Agent, as pledgee, Constellation Netherlands B.V., as pledgor (the "BVI Shareholder"), and Constellation Services Ltd. (the "BVI Entity"), the BVI Shareholder will grant a first-ranking pledge over all the issued shares in Constellation Services Ltd. The BVI Share Pledge Agreement will be governed by and construed in accordance with the laws of the British Virgin Islands. The pledge over the shares of Constellation Services Ltd. (the "BVI Pledged Shares") will secure the payment and performance of the Note Obligations.

- Voting and Dividend Rights: So long as no event of default has occurred and is continuing, the BVI Shareholder will retain the right to exercise voting rights in respect of the BVI Pledged Shares and to receive any dividends or other distributions declared in respect of the BVI Pledged Shares. Upon the occurrence and continuation of an event of default, the Collateral Agent will be entitled to exercise all voting rights, powers and other rights pertaining to, as well as receive and retain any dividends, interest or other moneys accruing on or in respect with, the BVI Pledged Shares, for all purposes, as long as consistent with the terms of the Priority Intercreditor Agreement and the BVI Share Pledge Agreement. All such amounts will be paid directly to the Collateral Agent to be applied towards the Note Obligations.
- Enforcement and Sale: Upon the occurrence of an event of default, the Collateral Agent will be authorized to sell or otherwise dispose of the BVI Pledged Shares, and to apply the proceeds of such sale to the payment of the Note Obligations. The sale or other disposition of the BVI Pledged Shares will be carried out in accordance with the terms of the BVI Share Pledge Agreement and applicable law.

The BVI Share Pledge Agreement will remain in effect until all Note Obligations (as defined herein) have been satisfied in full, at which time the pledge will be released in accordance with the terms of the Indenture.

Brazilian Fiduciary Transfer of Shares Agreement

Pursuant to the Brazilian Fiduciary Transfer of Shares Agreement, to be entered into in accordance with the terms set forth in "Description of the Notes—Collateral," by and among a Brazilian sub-agent of the Collateral Agent ("Brazilian Collateral Agent"), Constellation Overseas Ltd. and Valdir Moreira Bufon as grantors (the "SPC Shareholders"), and Serviços de Petróleo Constellation S.A. (the "Brazilian Entity"), the SPC Shareholders will grant a fiduciary transfer over all of the shares in the capital of the Brazilian Entity (the "Brazilian Transferred Shares"). The Brazilian Fiduciary Transfer of Shares Agreement will be governed by and construed in accordance with the laws of Brazil and will serve to secure the payment of the Note Obligations.

Upon the occurrence of any event of default in accordance with the provisions set forth in the Priority Intercreditor Agreement, the Brazilian Collateral Agent, upon instructions from the Collateral Agent acting as representative of the Secured Parties, will be entitled to, in accordance with applicable law, either directly or through an authorized agent or legal representative, without prejudice to the remaining rights set out in the applicable law, immediately recover the possession of the Brazilian Transferred Shares fiduciarily transferred thereunder, as well as judicially, extrajudicially or privately dispose of them, in whole or in part, by means of a public or private sale, assignment, transfer or otherwise to third parties, including a related party to the Secured Parties, irrespective of any appraisal, auction, judicial sale or other judicial, extrajudicial measures, and use the proceeds thereof to fulfil the secured obligations, returning the remaining balance to the SPC Shareholders, if any.

- <u>Voting and Dividend Rights</u>: So long as no event of default has occurred and is continuing, the SPC Shareholders will retain the right to exercise voting rights in respect of the Brazilian Transferred Shares and to receive any dividends or other distributions declared in respect of the Brazilian Transferred Shares. Upon the occurrence and continuation of an event of default, the Brazilian Collateral Agent, acting upon instructions from the Collateral Agent, will be entitled to exercise all voting and / or consensual powers pertaining to, as well as receive and retain any distributions, interest or other moneys or assets accruing on or in respect with, the Brazilian Transferred Shares, for all purposes, as long as consistent with the terms of the Priority Intercreditor Agreement. All such amounts will be paid directly to the Brazilian Collateral Agent to be applied towards the Note Obligations as provided for in the Priority Intercreditor Agreement.
- <u>Enforcement and Sale</u>: Upon the occurrence of an event of default, the Brazilian Collateral Agent, acting upon instructions of the Collateral Agent will be authorized to sell or otherwise dispose of the Brazilian Transferred Shares, and to apply the proceeds of such sale to the payment of the Note Obligations in accordance with the Intercreditor Agreements. The sale or other disposition of the Brazilian Transferred Shares will be carried out in accordance with the terms of the Brazilian Fiduciary Transfer of Shares Agreement and applicable law.
- <u>Effectiveness</u>: Pursuant to Article 125 of the Brazilian Civil Code, the Brazilian Fiduciary Transfer of Shares Agreement, if executed before the release of the Liens securing Existing Indebtedness, will become effective upon the release of the Liens securing Existing Indebtedness and other conditions set forth in the Brazilian Fiduciary Transfer of Shares Agreement.

The Brazilian Fiduciary Transfer of Shares Agreement will remain in effect until all Note Obligations have been irrevocably discharged or satisfied in full, at which time the Brazilian Fiduciary Transfer of Shares will be released in accordance with the terms of the Indenture.

Fiduciary Assignment of Credit Rights Agreement (Charter and Services Contracts)

Pursuant to the Fiduciary Assignment of Credit Rights Agreement, to be entered into in accordance with the terms set forth in "Description of the Notes—Collateral," by and among each of the Bareboat Charterers (except for Excluded Bareboat Charterer Subsidiaries), the Brazilian Entity and the Brazilian Collateral Agent, to be governed by the laws of Brazil, (1) each Bareboat Charterer will irrevocably and irreversibly assign and transfer to the Brazilian Collateral Agent, acting as representative and for the benefit of the Secured Parties, on a fiduciary basis, any and all credit rights, revenues, indemnifications, reimbursements, and receivables of each such entity arising out of the Encumbered Charter Agreements, and (2) the Brazilian Entity will irrevocably and irreversibly assign and transfer to the Brazilian Collateral Agent, acting as representative and for the benefit of the Secured Parties, on a fiduciary basis, any and all credit rights, revenues, indemnifications, reimbursements, and receivables of the Brazilian Entity arising out of certain services agreements (the "Services Agreements") in respect of the Collateral Drilling Rigs.

- Fiduciary Assignment of Rights: The credit rights assigned under this agreement will include, without limitation, (1) any and all rights to receive receivables (net of any taxes and retentions) with respect to the Encumbered Charter Agreements and (2) all credit rights arising from certain existing and future services contracts for the Collateral Drilling Rigs, as well as rights related to the Brazilian Blocked Account into which such credit rights will be deposited or transferred according to the provisions of the Indenture. These rights will be irrevocably assigned, on a fiduciary basis, to the Brazilian Collateral Agent for the benefit of the Secured Parties to secure payment and performance of the Note Obligations.

- Effectiveness: Pursuant to Article 125 of the Brazilian Civil Code, the Fiduciary Assignment of Credit Rights Agreement will become effective upon the receipt of each counterparty of the Encumbered Charter Agreements' and Services Agreements' written consent pursuant to the terms of the Encumbered Charter Agreements and Services Agreements' and, if executed before the release of the Liens securing Existing Indebtedness, upon the release of the Liens securing Existing Indebtedness. The Fiduciary Assignment of Credit Rights Agreement will remain in full force and effect until all Note Obligations have been irrevocably discharged or satisfied in full, at which time the security interest will be released in accordance with the terms of the agreement.

- Authorization and Consent: The receipt of a written proof of authorization from each counterparty of the Encumbered Charter Agreements and Services Agreements by the Collateral Agent will be required as a condition precedent to the effectiveness of the assignment, confirming the relevant counterparty's acknowledgment and consent to the assignment of each of the Bareboat Charterers' and the Brazilian Entity's rights under the applicable Encumbered Charter Agreements or Services Agreements, as the case may be. Once this authorization is in place and all other conditions set forth in the Fiduciary Assignment of Credit Rights Agreement have been fulfilled, the Brazilian Collateral Agent will have the right to receive as collateral, for the benefit of the Secured Parties, without any further action by each Bareboat Charterer, the Brazilian Entity or any third party, all revenues, indemnifications and receivables arising from the Encumbered Charter Agreements and the Services Agreements.

- Receivables: So long as no event of default has occurred and is continuing, each Bareboat Charterer and the Brazilian Entity, as applicable, will retain the rights over the accounts and funds transferred into and from the accounts under the Encumbered Charter Agreements and the Services Agreements. Upon the occurrence and continuation of an event of default, the terms of the Blocked Account Control Agreements described in "—Account Control Agreements—Blocked Accounts Control Agreement (Brazil)" will apply.

- Event of Default and Enforcement: Upon the occurrence of an event of default, in accordance with the provisions of the Priority Intercreditor Agreement, the Brazilian Collateral Agent, acting as representative of the Secured Parties and upon instructions of the Collateral Agent, will be entitled to recover immediate possession of all rights assigned under the agreement. In accordance with applicable law and without prejudice to any other rights available under Brazilian law, the Brazilian Collateral Agent, acting upon instructions of the Collateral Agent may judicially, extrajudicially or privately dispose of such rights, in whole or in part, by means of public or private sale, assignment, transfer or other methods, including sales to related parties of the Secured Parties. The sale or other disposition of the rights assigned will be carried out in accordance with the terms of the Fiduciary Assignment of Credit Rights Agreement and applicable law. The proceeds of any such sale or transfer will be applied towards payment of the Note Obligations and in accordance with the Priority Intercreditor Agreement.

Account Control Agreements

Blocked Account Control Agreement (New York)

Pursuant to the New York Blocked Account Control Agreement (the "NY BACA"), to be entered into in accordance with the terms set forth in "Description of the Notes—Collateral," by and among each of the Bareboat Charterers, except for the Excluded Bareboat Charterer Subsidiaries, the Collateral Agent and JPMorgan Chase Bank, N.A., and governed by the laws of the State of New York, the Bareboat Charterers will agree to establish and maintain certain accounts (the "Blocked Accounts").

The Bareboat Charterers will grant to the Collateral Agent a first-priority lien over all right, title and interest in and to the Collateral Accounts, including all funds, securities and financial assets credited to such accounts from time to time.

- <u>Control and Disposition</u>: Pursuant to the terms of the NY BACA, the Collateral Agent will have "control" over the Blocked Accounts (within the meaning of Section 9-104 of the UCC) and, in the case of an event of default, will have the exclusive right to dispose of funds, securities and financial assets held therein, including the right to block or freeze any transfers from the Blocked Accounts.
- <u>Termination</u>: The NY BACA will remain in effect until all Note Obligations have been fully paid or otherwise discharged in accordance with the terms of the applicable agreements, at which point the security interest over the Blocked Accounts will be released.

Brazilian Account Control Agreement (Brazil)

Pursuant to the Brazilian Blocked Account Control Agreement (the "Brazilian BACA"), to be entered into in accordance with the terms set forth in "Description of the Notes—Collateral," by and among the Brazilian Entity (as account holder), the Brazilian Collateral Agent (as collateral agent), and Banco J.P. Morgan S.A. (as accounts bank), and governed by the laws of Brazil, the parties will agree on the rules applicable to the movement of the account subject to the Fiduciary Assignment of Credit Rights Agreement.

- <u>Transfer of Funds</u>: Upon the establishment of the Brazilian Blocked Account, the Brazilian Entity will irrevocably instruct the Depositary Bank to transfer any and all funds deposited in the Brazilian Blocked Account in accordance with the terms of the Brazilian BACA. The Depositary Bank shall honor all withdraw, payment, transfer or other fund disposition or other instruction concerning the account.
- <u>Control and Disposition</u>: The Brazilian Collateral Agent will have "control" over the Brazilian Blocked Account. In case of an event of default, the Brazilian Collateral Agent, acting upon instructions of the Collateral Agent, will have the right to issue a blocking notice to the Depositary Bank with instructions to cease any further transfers from the Brazilian Blocked Account to the free movement account and will have exclusive authority to direct the disposition of all funds held in the Brazilian Blocked Account. The funds in the Brazilian Blocked Account will secure the Note Obligations according to the Fiduciary Assignment of Credit Rights Agreement, the Brazilian BACA and the Intercreditor Agreements.
- <u>Termination</u>: The Brazilian BACA will remain in full force and effect until the Fiduciary Assignment of Credit Rights Agreement has been irrevocably discharged or otherwise terminated in full.

Mortgages

Pursuant to the Mortgages, to be entered into in accordance with the terms set forth in "Description of the Notes—Collateral," to be governed by the laws of the Republic of the Marshall Islands, each of the Rig Owners (except for Excluded Bareboat Charterer Subsidiaries) will provide a first-priority mortgage over its respective Collateral Drilling Rig in favor of the Collateral Agent, for the benefit of the Secured Parties. Each Mortgage will be executed in accordance with the applicable legal requirements in the Republic of the Marshall Islands, where the Collateral Drilling Rigs are registered.

The Collateral Drilling Rigs subject to the Mortgages will include the following vessels:

- Laguna Star, owned by Positive Investment Management B.V.
- Amaralina Star, owned by Palase Management B.V.
- Brava Star, owned by Brava Drilling B.V.
- Lone Star, owned by London Tower Management B.V.
- Gold Star, owned by London Tower Management B.V.
- Alpha Star, owned by London Tower Management B.V.
- Atlantic-Star, owned by Alaskan & Atlantic Rigs B.V. (each such owner, a "Rig Owner").

The Indenture will contain covenants and obligations with respect to the maintenance, operation and insurance of the Collateral Drilling Rigs. The covenants will require, among others, each Rig Owner to maintain its respective vessel in good condition and seaworthy at all times, ensuring that the vessel complies with all applicable laws and regulations. Each Rig Owner will also be required to maintain insurance coverage for Collateral Drilling Rig.

- <u>Event of Default and Enforcement</u>: Upon the occurrence of an event of default, the Collateral Agent will have the right to enforce the Mortgages, including the right to take possession of and sell or otherwise dispose of the Collateral Drilling Rigs. The proceeds from the sale or disposition of the vessels will be applied towards the satisfaction of the Note Obligations subject to the terms of the Intercreditor Agreement. In addition, the Collateral Agent will be entitled to enforce any other covenants or obligations set forth in the Mortgage.
- <u>Termination</u>: Each Mortgage will remain in full force and effect until all Note Obligations have been irrevocably paid in full or otherwise discharged. Upon repayment or discharge of the Note Obligations, the Collateral Agent will release the Mortgages in accordance with the terms of the Indenture and the laws of the Republic of the Marshall Islands.

Assignment of Insurance Proceeds Agreement

Pursuant to the Assignment of Insurance Proceeds Agreement, by and among each Subsidiary Guarantor, the Collateral Agent (as assignee) and the insurance providers (as intervening parties), and governed by and construed in accordance with the laws of the United Kingdom, the Subsidiary Guarantors will irrevocably assign to the Collateral Agent, for the benefit of the Secured Parties, all rights, title, and interest in and to the insurance policies and the insurance proceeds related to the Collateral Drilling Rigs (the "Assigned Insurance Proceeds"). The Assignment of Insurance Proceeds Agreement will secure the payment and performance of all the Note Obligations.

- <u>Assignment of Insurance Proceeds</u>: The Subsidiary Guarantors will assign to the Collateral Agent all rights to receive payments under any insurance policies maintained by the Subsidiary Guarantors in connection with the Collateral Drilling Rigs. The Subsidiary Guarantors will further agree that any proceeds arising from these insurance policies will be assigned and transferred to the Collateral Agent.
- <u>Obligations to Maintain Insurance</u>: The Subsidiary Guarantors will be required to maintain the assigned insurance policies in full force and effect at all times, in accordance with the terms of the relevant agreements. The insurance coverage must be sufficient to cover potential losses related to the Collateral Drilling Rigs, including but not limited to damage, loss or total destruction of any vessel. In accordance with the terms of the Indenture, the Subsidiary Guarantors will also undertake to notify the Collateral Agent of any changes to the terms of the insurance policies, including any renewals, amendments, or cancellations, and will ensure that the Collateral Agent is named as an additional insured and loss payee on all relevant policies.

- Transfer of Proceeds: Upon the occurrence of any insurable event giving rise to a claim under any of the assigned insurance policies, the Subsidiary Guarantors will direct the insurance providers to pay all insurance proceeds directly to the Collateral Agent.
- Event of Default and Enforcement: In case of an event of default, the Collateral Agent will have the right to enforce the assignment of insurance proceeds, including the right to receive all insurance proceeds directly from the insurance providers. The Collateral Agent will be entitled to apply the proceeds in accordance with the relevant agreements to satisfy the Note Obligations. The Collateral Agent may also take any actions necessary to ensure that the assigned insurance policies remain in effect and that the insurance providers are directed to pay any amounts due under the policies to the Collateral Agent.
- Termination: The Assignment of Insurance Proceeds Agreement will remain in full force and effect until all Note Obligations have been irrevocably paid in full or otherwise discharged. Upon repayment or discharge of the Note Obligations, the assignment of insurance proceeds will be terminated, and the Subsidiary Guarantors will be entitled to receive any remaining insurance proceeds not applied towards the Note Obligations.

DESCRIPTION OF THE NOTES

The Escrow Issuer will issue $650,000,000 in aggregate principal amount of 9.375% Senior Secured Notes due 2029 (the "**Notes**") under an indenture (the "**Indenture**"), to be dated the Closing Date, between the Escrow Issuer and Global Loan Agency Services Limited, as trustee (in such capacity, and including any successor as trustee under the Indenture, the "**Trustee**"), collateral agent (in such capacity, and including any successor as collateral agent under the Indenture, the "**Collateral Agent**"), paying agent, transfer agent and registrar.

This offering of Notes is part of the financing for the proposed merger of the Escrow Issuer with Constellation Oil Services Holding S.A., pursuant to a merger proposal, pursuant to which the Escrow Issuer will merge with and into Constellation, with Constellation continuing as the surviving entity and assuming all the obligations of the Escrow Issuer under the Notes and Indenture (the "**Merger**"), as described in "Summary—The Merger." This offering is expected to be consummated prior to the consummation of the Merger. See "—Escrow of Proceeds; Special Mandatory Redemption" for more information.

Unless otherwise indicated or the context otherwise requires, in this "Description of the Notes" (i) "**we**," "**us**," "**our**" and "**Constellation Group**" refer to Constellation Oil Services Holding S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg, and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés, Luxembourg*) under number B163424, and its Subsidiaries; (ii) "**Constellation**" refers to Constellation Oil Services Holding S.A. but not its Subsidiaries; (iii) the "**Escrow Issuer**" refers to NewCo Holding USD 20 S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés, Luxembourg*) under number B289565, but not its Subsidiaries; and (iv) the "**Company**" refers to (x) prior to the Merger, the Escrow Issuer, and (y) after giving effect to the Merger, Constellation. We summarize below certain provisions of the Indenture, the Intercreditor Agreements, the Escrow Agreements and the Security Documents, but do not restate such documents in their entirety. We urge you to read the Indenture, the Intercreditor Agreements, the Escrow Agreements and the Security Documents because they, and not this description, define your rights as Holders of the Notes. You can find the definitions of capitalized terms used in this section under "—Certain Definitions."

The Company will make an application to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to list the Notes on the SGX-ST, but the Company cannot provide any assurance that this application will be accepted, and if accepted, such listing maintained. The Company will not be required to, nor does the Company currently intend to, offer to exchange the Notes for notes registered under the U.S. Securities Act or otherwise register or qualify by prospectus the Notes for resale under the U.S. Securities Act. The Indenture is not qualified under the Trust Indenture Act of 1939, as amended (the "**Trust Indenture Act**"), or subject to the terms of the Trust Indenture Act. Consequently, holders of the Notes generally will not be entitled to the protections provided under the Trust Indenture Act of holders of debt securities issued under a qualified indenture; accordingly, the terms of the Notes include only those stated in the Indenture.

The registered holder of a Note (a "**Holder**") will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture. As described in the section "Book-Entry; Delivery and Form," the Notes will initially be issued in global form and, except as described in such section, The Depository Trust Company ("**DTC**") or its nominee will be the only registered Holder of the Notes.

General

Prior to the consummation of the Merger and pending the release of the Escrow Property, the Notes will be (i) solely obligations of the Escrow Issuer and will not be guaranteed and will not otherwise be the beneficiary of any credit support from Constellation or any of its Subsidiaries, and (ii) secured by a first priority security interest in the applicable Escrow Account and its corresponding Escrow Property. From and after the consummation of the Merger, following the release of the Escrow Property and as further described below under "—Collateral," (i) the obligations under the Notes will be guaranteed (the "**Note Guarantees**"), jointly and severally, by all of Constellation's

Subsidiaries (other than any Excluded Subsidiary), and (ii) the Notes and related Note Guarantees will be secured on a first-priority basis by the Collateral.

Accordingly, from and after the consummation of the Merger, following the release of the Escrow Property and as further described below under "—Collateral," the Notes will:

- be senior secured obligations of Constellation;
- be secured on a first-lien basis, equally and ratably with all existing and future First Lien Obligations, by Liens on the Collateral, subject to the Liens securing Constellation's obligations under any existing and future First-Out Obligations (including the Revolving Credit Facility) and other Permitted Liens;
- be effectively junior, to the extent of the value of the Collateral to Constellation's obligations under any existing and future First-Out Obligations (including the Revolving Credit Facility), which will be secured on a priority basis by the same Collateral that secures the Notes;
- rank *pari passu* in right of payment with any existing and future senior Indebtedness of Constellation;
- rank senior in right of payment to any future Subordinated Indebtedness of Constellation, if any;
- be effectively senior to all unsecured Indebtedness of Constellation, to the extent of the value of the Collateral securing the Notes;
- be effectively subordinated to any existing and future Indebtedness of Constellation secured by assets not constituting the Collateral, to the extent of the value of the assets securing such Indebtedness;
- be structurally subordinated to all existing and future Indebtedness, claims of holders of preferred stock and other liabilities (including trade payables) of Constellation's Subsidiaries (other than the Subsidiary Guarantors); and
- be guaranteed by the Subsidiary Guarantors as described below.

In addition, from and after the consummation of the Merger, following the release of the Escrow Property and as further described below under "—Collateral," the Note Guarantee of each Subsidiary Guarantor will:

- be senior secured obligations of such Subsidiary Guarantor;
- be secured on a first-lien basis, equally and ratably with all existing and future First Lien Obligations, by Liens on the Collateral held by such Subsidiary Guarantor, subject to the Liens securing the Subsidiary Guarantor's obligations under any existing and future First-Out Obligations (including the Revolving Credit Facility) and other Permitted Liens;
- be effectively junior, to the extent of the value of the Collateral held by such Subsidiary Guarantor to such Subsidiary Guarantor's obligations under any existing and future First-Out Obligations (including the Revolving Credit Facility), which will be secured on a priority basis by the same Collateral that secures the Notes;
- rank *pari passu* in right of payment with any existing and future senior Indebtedness of such Subsidiary Guarantor;
- rank senior in right of payment to any future Subordinated Indebtedness of such Subsidiary Guarantor, if any;
- be effectively senior to all unsecured Indebtedness of such Subsidiary Guarantor, to the extent of the value of the Collateral securing the Notes;
- be effectively subordinated to any existing and future Indebtedness of such Subsidiary Guarantor secured by assets not constituting the Collateral, to the extent of the value of the assets securing such Indebtedness.

As of June 30, 2024, after giving effect to the consummation of the Merger, the use of proceeds of the Notes (including after the release of the Escrow Property), the execution of the Revolving Credit Facility Agreement and the resulting Liquidity Event conversions and repayments (as described in "Summary—Post-Restructuring Developments and Liquidity Event"), we would have had no Indebtedness outstanding other than the Notes and the obligations under the Revolving Credit Facility, which will be initially undrawn at the time of the Merger. Any obligations under the Revolving Credit Facility will be considered First-Out Obligations; and therefore the Company's and the Subsidiary Guarantors' obligations under the Notes and the Note Guarantees will be effectively junior, to the extent of the value of the Collateral held by the Company and the Subsidiary Guarantors to the extent of the Collateral. For the six-months ended June 30, 2024, Constellation's non-guarantor subsidiaries represented 0.16% of its total assets, and 0.45% of its consolidated net operating revenue.

Principal, Maturity and Interest

The Escrow Issuer will issue Notes in an initial aggregate principal amount of $650,000,000. The Notes will be issued in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof. The Notes will be denominated in U.S. Dollars and all payments of principal and interest thereon will be paid in U.S. Dollars. The Notes will mature on November 7, 2029 (the "**Maturity Date**"), unless earlier redeemed in accordance with the terms of the Notes. See "—Optional Redemption."

Principal on the Notes will be payable annually on the Scheduled Payment Date occurring on each November 7 of each year, commencing on November 7, 2026, in an amount equal to $75,000,000 per annum, and the balance will be payable on the Maturity Date. Such principal payments shall be made (i) in compliance with the requirements of the principal national securities exchange, if any, on which Notes are listed and any applicable depository procedures, (ii) by lot or such other similar method in accordance with the applicable procedures of DTC (if the Notes are global notes), or (iii) if there are no such requirements of such exchange or the Notes are not then listed on a national securities exchange or DTC, on a pro rata basis by lot or by such other method the Trustee deems fair and reasonable.

Interest on the outstanding principal amount of the Notes will accrue at a rate per annum of 9.375%, and will accrue from the Closing Date or from the most recent interest payment date to which interest has been paid. Interest on the Notes will be payable semi-annually in arrears on each May 7 and November 7 (such payment date a "**Scheduled Payment Date**"), commencing on May 7, 2025. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The redemption of Notes with unpaid and accrued interest to the date of redemption will not affect the right of Holders of record on a record date to receive interest due on an interest payment date. Payments will be made to the persons who are registered Holders at the close of business on each May 5 and November 5 immediately preceding the applicable interest payment date. If a payment date (including, for the avoidance of doubt, a Scheduled Payment Date, the Maturity Date or any redemption date) is not a business day, payment shall be made on the next succeeding day that is a business day, and no interest shall accrue for the intervening period. If a regular record date is not a business day, the record date shall not be affected.

Initially, the Trustee will act as a paying agent, transfer agent and registrar for the Notes. The Company may change a paying agent, transfer agent and registrar without notice to Holders. The Company will pay principal, premium, if any, and interest payments on Notes in global form registered in the name of or held on behalf of DTC or its nominee, as the case may be, as the registered Holder of such global note. Interest on certificated Notes, if any, will be payable to Holders by wire transfer in immediately available funds to that Holder's account. All other payments on certificated Notes will be made at the office or agency of a paying agent unless the Company elects to make payments by check mailed to the registered Holders at their registered addresses.

Escrow of Proceeds; Special Mandatory Redemption

As described above, this offering of Notes is part of the financing for the proposed Liquidity Event, including the Merger pursuant to which the Escrow Issuer will merge with and into Constellation, with Constellation continuing as the surviving entity and assuming all the obligations of the Escrow Issuer under the Notes and Indenture. This offering will be consummated prior to the consummation of the Merger. On or prior to the Closing Date, the Escrow Issuer will enter into a Proceeds Management Escrow and Control Agreement with respect to the Notes (as amended, supplemented or otherwise modified from time to time in accordance with the terms of the Indenture, the "**Escrow**

Agreement") among the Escrow Issuer, Constellation, the Trustee and JPMorgan Chase Bank, N.A., as escrow agent (in such capacity, together with its successors, the "**Escrow Agent**"), pursuant to which, on the Closing Date, an amount equal to the gross proceeds from this offering of the Notes will be deposited into an escrow account (the "**Escrow Account**"). By its acceptance of the Notes, each Holder shall be deemed to authorize and direct the Trustee to execute, deliver and perform its obligations under the Escrow Agreement.

The initial funds deposited in the Escrow Account for the Notes, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account for the Notes (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "**Escrow Property**" for the Notes. The Escrow Property will be controlled by the Escrow Agent, on behalf of the Trustee and the Holders of the Notes.

The Escrow Issuer will be entitled to cause the Escrow Agent to release the Escrowed Property (in which case the Escrow Property will be paid to, or as directed by, the Escrow Issuer) (the "**Escrow Release**") upon delivery to the Escrow Agent and the Trustee, on or prior to the ninetieth (90^{th}) day after the Closing Date (the "**Escrow Outside Date**"), of an Officer's Certificate (the "**Escrow Release Officer's Certificate**"), upon which the Escrow Agent and the Trustee shall be entitled to rely absolutely without further investigation, certifying that:

(1) the Escrow Issuer has merged, or will substantially concurrently with the Escrow Release merge, with and into Constellation, with Constellation as the surviving corporation, and Constellation has assumed or will assume substantially concurrently with the Escrow Release, pursuant to a supplemental indenture, the obligations of the Escrow Issuer under the Indenture and the Notes, and each of the Subsidiary Guarantors has become or will become substantially concurrently with the Escrow Release a Subsidiary Guarantor of the Notes pursuant to a supplemental indenture; and

(2) all existing secured Indebtedness of Constellation will, substantially concurrently with the Escrow Release, be paid in full and/or converted into equity interests of Constellation and all Liens related thereto will, on or prior to the date the new Collateral is required to be perfected (as described below), be extinguished, terminated or otherwise released pursuant to documentation executed by Constellation and its applicable Subsidiaries

(the conditions referred under subclauses (1) and (2) above, collectively, the "**Release Conditions**").

The Escrow Release will occur promptly following the receipt by the Escrow Agent of the Escrow Release Officer's Certificate (the date of the Escrow Release, the "**Completion Date**"). Upon the Escrow Release, the Escrow Property for the Notes will be paid out of the Escrow Account in accordance with the Escrow Agreement and such Escrow Account will be reduced to zero.

The Escrow Issuer will grant the Trustee, for its benefit and the benefit of the Holders, subject to certain liens of the Escrow Agent, a first-priority security interest in the Escrow Account to secure the payment of the Special Mandatory Redemption Price of the Notes; *provided*, *however*, that such liens and security interest shall automatically be released and terminate concurrently with the Escrow Release on the Completion Date. For the avoidance of doubt, such liens and security interests will be permitted under the Indenture. The Escrow Property will remain invested in cash and cash equivalents.

In the event that (i) the Escrow Outside Date occurs and the Escrow Agent shall not have received the Escrow Release Officer's Certificate on or prior to such date or (ii) the Escrow Issuer informs the Escrow Agent in writing that, in the reasonable good faith judgment of the Escrow Issuer, the Merger will not occur on or prior to the Escrow Outside Date (the date of any such event being the "**Special Termination Date**"), then (x) Constellation will deposit any amounts as may be necessary to fund the redemption of all the Notes at the Special Mandatory Redemption Price for the Notes plus fees and expenses of the Trustee and the Escrow Agent with the paying agent on or prior to the Special Mandatory Redemption Date and (y) the Escrow Issuer will redeem the Notes (the "**Special Mandatory Redemption**") at a price (the "**Special Mandatory Redemption Price**") equal to 101% of the aggregate outstanding principal amount of the Notes, plus accrued and unpaid interest on the Notes, from and including the Closing Date to, but excluding, the Special Mandatory Redemption Date, subject to the right of Holders of record on the relevant record date to receive interest due on the relevant Scheduled Payment Date. Pursuant to the Escrow Agreement, Constellation will covenant that, in the event that the Escrow Property is insufficient to pay the Special Mandatory Redemption

Price on the Special Mandatory Redemption Date, plus fees and expenses of the Trustee and the Escrow Agent, Constellation will deposit any shortfall with the paying agent on or prior to the Special Mandatory Redemption Date.

Notice of the Special Mandatory Redemption will be delivered by the Escrow Issuer no later than one Business Day following the Special Termination Date, to the Trustee, the Escrow Agent and Holders of Notes and will provide that the Notes shall be redeemed on a date that is no later than the third Business Day after such notice is given by the Escrow Issuer in accordance with the terms of the Escrow Agreement for the Notes (the "**Special Mandatory Redemption Date**") or otherwise in accordance with the applicable procedures of DTC. On the Special Mandatory Redemption Date, the Escrow Agent shall pay to the paying agent for payment to each Holder of Notes the applicable Special Mandatory Redemption Price for such Holder's Notes and, concurrently with the payment to such Holders and after deduction for any unpaid fees and expenses of the Trustee and the Escrow Agent, deliver excess Escrow Property (if any) to the Escrow Issuer.

Note Guarantees

From and after the Completion Date, the obligations of the Company pursuant to the Notes will be fully and unconditionally guaranteed (a "**Note Guarantee**"), jointly and severally, by (i) Constellation Netherlands B.V., Constellation Services Ltd., Serviços de Petróleo Constellation S.A., Alaskan & Atlantic Rigs B.V., London Tower Management B.V., Brava Drilling B.V., Palase Management B.V. and Positive Investment Management B.V. and thereafter, and (ii) each other Restricted Subsidiary of the Company (x) that guarantees the Company's obligations under the Revolving Credit Facility or (y) that is not an Excluded Subsidiary.

Each Note Guarantee will be limited to the maximum amount that would not (i) render such Subsidiary Guarantor's obligations subject to avoidance under any applicable laws, including, without limitation, applicable fraudulent conveyance provisions of any such applicable laws, and (2) result in a breach or violation by such Subsidiary Guarantor of any provision of any then-existing agreement to which it is party, including any agreements entered into in connection with the acquisition or creation of such Subsidiary Guarantor; *provided* that such prohibition was not adopted to avoid guaranteeing the Notes, and in each case, subject to the terms as set forth under the covenant "—Certain Covenants—Additional Note Guarantees." By virtue of these limitations, a Subsidiary Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Notes, or a Subsidiary Guarantor may have effectively no obligation under its Note Guarantee.

We cannot assure you that any such limitations will protect the Note Guarantees from fraudulent transfer challenges or, if they do, that the remaining amount due and collectible under the Note Guarantees would suffice, if necessary, to pay the Notes in full when due. See "Risk Factors—Risks Relating to the Collateral—We are subject to certain fraudulent transfer and conveyance statutes which may adversely affect holders of the notes."

The Note Guarantee of a Subsidiary Guarantor will terminate and be released upon, and such Subsidiary Guarantor shall no longer be a Subsidiary Guarantor and shall be released and relieved of its obligations under its Note Guarantee in the event that:

(1) a sale or other disposition (including by way of consolidation or merger) of all or a portion of the Capital Stock of a Subsidiary Guarantor following which such Subsidiary Guarantor is no longer a Subsidiary of the Company or a sale or disposition (including by way of consolidation or merger) of all or substantially all the assets of the Subsidiary Guarantor otherwise permitted by the Indenture;

(2) the repayment, repurchase, defeasance or discharge of the Indebtedness (including guarantees) by such Subsidiary Guarantor of the Indebtedness which resulted in the requirement of such Note Guarantee under the covenant "—Certain Covenants—Additional Note Guarantees";

(3) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as provided below under the captions "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge";

(4) the Designation of such Subsidiary Guarantor as an Unrestricted Subsidiary;

(5) the liquidation or dissolution of such Subsidiary Guarantor; provided that no Event of Default occurs as a result thereof or has occurred and is continuing; or

(6) to the extent that a Subsidiary Guarantor guaranteed the Notes pursuant to the covenant described in "—Certain Covenants—Additional Note Guarantees" by ceasing to be an Excluded Subsidiary, and such Subsidiary Guarantor again becomes an Excluded Subsidiary and would not otherwise be required to guarantee the Notes, then the Note Guarantee of such Subsidiary Guarantor shall be terminated and released;

provided, that any such transaction is carried out pursuant to, and in accordance with, all other applicable provisions of the Indenture.

Collateral

Prior to the Completion Date, the Notes will be secured by a first priority security interest in the applicable Escrow Account and its corresponding Escrow Property. From and after the Completion Date, the obligations of the Company and the Subsidiary Guarantors with respect to the Notes, the Note Guarantees and the performance of all other obligations of the Company and the Subsidiary Guarantors under or relating to the Indenture, the Notes, the Note Guarantees and the Security Documents (the "**Note Obligations**") will be secured by first-priority perfected security interest (the "**First Lien**") on the Collateral. All existing and future Indebtedness (including the Note Obligations) of the Company secured by a First Lien is referred to herein as a "**First Lien Obligation**." Subject to "—Certain Covenants—Limitation on Liens," the Company may secure Permitted Indebtedness by a super-first-priority perfected security interest (the "**First-Out Lien**") on all or a portion of the Collateral. All existing and future Indebtedness of the Company secured by a First-Out Lien is referred to herein as a "**First-Out Obligation**," and together with the First Lien Obligations, the "**Priority Obligations**." For a description of the relative priority between First-Out Obligations and First Lien Obligations and other intercreditor arrangements, see "—Priority Intercreditor Agreement."

The "**Collateral**" will consist of:

(1) each Collateral Drilling Rig, pursuant to a mortgage;

(2) all rights, title, interest and benefits (including, without limitation, receivables) in all Onshore and Offshore Agreements related to any Collateral Drilling Rig;

(3) other than as described below with respect to certain existing accounts, all rights, title, interest and benefits in all deposit accounts and securities accounts with respect to (2) above;

(4) all rights, title, interest and benefits in all insurance policies relating to each Collateral Drilling Rig, including, all rights to receive payments with respect to any claim under each such insurance policies; and

(5) the Equity Interests of each Subsidiary Guarantor and each Excluded Bareboat Charterer Subsidiary; *provided* that, if granting a Lien on the Equity Interests of an Excluded Bareboat Charterer Subsidiary would result in a breach or violation by such Excluded Bareboat Charterer Subsidiary of any provision of any then-existing agreement with a third-party to which such Excluded Bareboat Charterer Subsidiary is party (*provided* that such prohibition was not adopted to avoid granting such Lien), then the Collateral will not include the Equity Interests of such Excluded Bareboat Charterer Subsidiary for so long as such provision and agreement remain effective.

Except as otherwise provided under "—Maintenance of Insurance," within ten (10) business days of the Completion Date, the Company, the Subsidiary Guarantors and the Collateral Agent will enter into one or more Security Documents establishing the terms of the First Liens that secure the Notes, the Note Guarantees and the Revolving Credit Facility. These First Liens will secure the payment when due of all of the Note Obligations of the Company and the Subsidiary Guarantors under the Notes, the Indenture, the Note Guarantees, the Security Documents and the Revolving Credit Facility Agreement, as provided in the Security Documents. In addition, within ten (10) business days of the Completion Date, the Company will confirm to the Collateral Agent and the Trustee that the Collateral Agent holds, for the benefit of the Holders of Notes and any other applicable Secured Party, duly created and enforceable and perfected First Liens on all Collateral pursuant to the Priority Intercreditor Agreement and the Security Documents on the Completion Date, other than with respect to any fiduciary assignment (*cessão fiduciária*) of receivables (net of any taxes and retentions) for any Onshore and Offshore Agreements existing on the Completion Date with respect to any Collateral Drilling Rig (the "**Contract Receivables**"), which the Company and its Restricted Subsidiaries will cause to be duly created, enforceable and perfected within ninety (90) days of the Completion Date; *provided* that (i) if the Company and its Restricted Subsidiaries have taken commercially reasonable efforts to enter into such Security Documents establishing the terms of the First Liens that secure the Notes, the Note Guarantees and the Revolving Credit Facility or to create and perfect the First Lien on any Collateral (other than the Contract Receivables) but any such agreement shall not have been executed or any actions necessary to create or perfect such First Lien have not yet been finalized within such ten (10) business day period, the Company will deliver an Officer's Certificate to the Collateral Agent and the Trustee providing notice of such to the Collateral Agent and the Trustee and upon delivery of such Officer's Certificate, the Company and its Restricted Subsidiaries shall have an additional ten (10) business day period, as may be extended by the Collateral Agent in its sole discretion, in which to take any such action and (ii) if the Company and its Restricted Subsidiaries have taken commercially reasonable efforts to create and perfect the Lien on the Contract Receivables but one or more third party consents necessary for the creation and perfection of such Lien on one or more Contract Receivables have not yet been obtained within such ninety (90) day period, the Company will deliver an Officer's Certificate to the Collateral Agent and the Trustee providing notice of such to the Collateral Agent and the Trustee and upon delivery of such Officer's Certificate, the Company and its Restricted Subsidiaries shall have an additional ninety (90) day period in which to create and perfect the Lien on such Contract Receivables. As described in "—Modification of the Indenture, Intercreditor Agreement, Security Documents or the Notes," to the extent that a duly created, enforceable and perfected Lien on all Contract Receivables is not in place within such ninety (90) day period (or, if extended, 180-day period), the requirements of this paragraph may be modified with the written consent of Holders of a majority in principal amount of the Notes; *provided* that, to the extent the Company solicits consents (with a consent period of at least ten (10) business days) via DTC's Automated Tender Offer Program ("**ATOP**"), then any Holder that has not objected in writing via ATOP will be deemed to have consented to such consent solicitation.

The Indenture and the Security Documents will not require the Company and its Restricted Subsidiaries to perfect the Lien securing the Notes on existing accounts of the Company and its Restricted Subsidiaries into which proceeds from existing Onshore and Offshore Agreements related to any Collateral Drilling Rig are deposited so long as (i) the Company and its Restricted Subsidiaries cause any amounts deposited into such existing accounts to be transferred within one (1) business day to an account in which the Collateral Agent holds, for the benefit of the Holders of Notes and any other applicable Secured Party, duly created and enforceable and perfected First Liens (a "**Pledged Account**") and (ii) the Company and its Restricted Subsidiaries ensure that within the period described above with respect to Contract Receivables, proceeds from existing Onshore and Offshore Agreements related to any Collateral Drilling Rig are deposited into a Pledged Account. For the avoidance of doubt, proceeds from any Onshore and Offshore Agreements related to any Collateral Drilling Rig entered into after the Closing Date shall be required to be directly deposited into a Pledged Account by the applicable counterparty.

The Company shall cause, and cause each Restricted Subsidiary to cause, (x) each Drilling Rig acquired by the Company or any Restricted Subsidiary (other than a Project Finance Subsidiary) after the Completion Date to be duly pledged as Collateral to the Collateral Agent to hold, for the benefit of the Holders of Notes and any other applicable Secured Party, duly created and enforceable and perfected First Liens on such Collateral pursuant to the Priority Intercreditor Agreement and the Security Documents within ten (10) business days of the acquisition of such Drilling Rig and (y) any Onshore and Offshore Agreement entered into by the Company or any Restricted Subsidiary (other than a Project Finance Subsidiary or an Excluded Bareboat Charterer Subsidiary) after the Completion Date, to be duly pledged as Collateral to the Collateral Agent to hold, for the benefit of the Holders of Notes and any other applicable Secured Party, duly created and enforceable and perfected First Liens on such Collateral pursuant to the Priority Intercreditor Agreement and the Security Documents within one hundred eighty (180) days of the day such Onshore and Offshore Agreement is effective.

Under certain circumstances set forth above, the holders of the Notes may not have the ability to foreclose, or control decisions in respect of, a portion of all of the Collateral until such time as an enforceable and perfected security interest has been created in the Collateral. See "Risk Factors—Risks Relating to the Collateral—Before the creation and perfection of a security interest in the Collateral, the obligations under the notes and the Note Guarantees may not be fully secured."

Global Loan Agency Services Limited will be appointed as the Collateral Agent. By their acceptance of the Notes, the Holders of the Notes will be deemed to have authorized and instructed the Collateral Agent and the Trustee, as applicable, to enter into any intercreditor agreement (including the Priority Intercreditor Agreement and any Junior Lien Intercreditor Agreement) on behalf of, and binding with respect to, the Holders of the Notes and their interest in designated assets, in connection with the incurrence of any Indebtedness permitted to be incurred under the Indenture, including to clarify the respective rights of all parties in and to designated assets. In addition, with respect to the mortgages on any Collateral Drilling Rig governed by the law of the Marshall Islands and without limiting the provisions of the Indenture and the Security Documents, each of the Secured Parties will irrevocably appoint the Collateral Agent as security trustee with respect to such Collateral Drilling Rigs, and the Collateral Agent will accept such appointment and agree and declare that the Collateral Agent will hold such Collateral Drilling Rigs in trust for the Secured Parties and the holders of the secured obligations absolutely.

The Collateral Agent and the Trustee, if applicable, will enter into any such intercreditor agreement at the request of the Company, provided that the Company will have delivered to the Collateral Agent and Trustee an Officer's Certificate to the effect that such other intercreditor agreement complies with the provisions of the Indenture. In addition, the Collateral Agent may from time to time appoint one or more subagents in one or more jurisdictions to act as collateral agent with respect to all or a portion of the Collateral.

Priority Intercreditor Agreement

On the Completion Date, the Company, the Subsidiary Guarantors, the Trustee, as representative of the Holders of Notes (in such capacity, a "**First Lien Representative**"), the Collateral Agent, GLAS Trust Company LLC, as administrative agent under the Revolving Credit Facility Agreement (the "**RCF Agent**," and the "**First-Out Representative**"), and, from time to time, any other representative or agent of each applicable class of the Secured Parties (as defined below) as a representative (a "**Priority Lien Representative**") of such series of "Priority Lien Debt," will enter into a Collateral Agency and Superpriority Intercreditor Agreement (the "**Priority Intercreditor Agreement**"). By their acceptance of the Notes, the Holders will be deemed to have directed and authorized the Trustee and the Collateral Agent to enter into and to perform any of its obligations under the Priority Intercreditor Agreement. The First Lien Obligations and the First-Out Obligations will share a security interest in the Collateral, to be granted by the relevant debtors pursuant to the Security Documents, such Collateral to be provided for the benefit of the creditors (including the holders of the Notes) under the First Lien Obligations (the "**First Lien Creditors**") and the creditors under the First-Out Obligations (the "**First-Out Creditors**") and each of their representatives (collectively, the "**Secured Parties**").

Priority of Obligations

So long as any of the First-Out Obligations are outstanding, the First Lien Obligations will be pari passu with respect to security (but not with respect to the direction of remedies) on the Liens securing the First-Out Obligations but subordinated in respect of the application of proceeds and distribution of proceeds as set out below under "—Application of Proceeds." Without limiting the generality of the foregoing (and except as set forth below under "—Enforcement of Liens" and related provisions), unless and until the discharge of the First-Out Obligations with respect to the applicable Collateral has occurred, the sole right of the First Lien Creditors with respect to the Collateral is to receive the benefit of the Lien on the Collateral for the period and to the extent granted therein and to receive a share of the proceeds in accordance with the "—Application of Proceeds" set forth below.

Enforcement of Liens

The "**Controlling Priority Lien Representative**" means, as of any date of determination, for as long as any First-Out Obligations remain outstanding, the First-Out Representative (as directed by the related First-Out Creditors who hold more than 50% of the aggregate principal amount of such First-Out Obligations (including available commitments thereunder) outstanding at such time (or as otherwise set forth in any future intercreditor agreement entered into between or among any such First-Out Creditors); *provided* that in the event that no First-Out Obligations are outstanding or such First-Out Creditors have not commenced and/or are not diligently pursuing any enforcement right or remedy with respect to the Collateral after the Standstill Period (as defined below), the "Controlling Priority Lien Representative" means the Trustee, as First Lien Representative (or such other Person expressly designated as such by action of the First Lien Creditors who hold more than 50% of the aggregate principal amount of any First Lien

Obligations (including available commitments thereunder) outstanding at such time (the "**Required First Lien Debtholders**") (as directed by the Required First Lien Debtholders).

The Controlling Priority Lien Representative will have the exclusive right to exercise any right or remedy with respect to the Collateral and shall have the exclusive right to determine and direct the time, method and place for exercising such right or remedy or conducting any proceeding with respect thereto. Prior to the expiration of the Standstill Period, no First Lien Creditor or its representative shall be entitled to take any enforcement action with respect to the Collateral in respect of the First Lien Obligations. For the avoidance of doubt, each Secured Party may (i) accelerate any obligations, (ii) make any demand against any Debtor in respect of the primary obligation or any guarantee for non-payment of the First Lien Obligations, (iii) unless an insolvency proceeding has commenced against the Debtors, institute any action or proceeding with respect to such rights or remedies (including any action of foreclosure) other than with respect to the Collateral and (iv) exercise its rights and remedies as an unsecured creditor to the extent expressly referred to in the Priority Intercreditor Agreement.

No Secured Party will have any right individually to realize upon any of the Collateral, it being understood and agreed that all powers, rights and remedies under the Priority Intercreditor Agreement and under any of the Security Documents may be exercised solely by the Collateral Agent (acting at the instructions of the Controlling Priority Lien Representative) for the benefit of the Secured Parties in accordance with the terms thereof. The Priority Intercreditor Agreement will include customary prohibitions on contesting liens.

Accordingly, except as provided in the Priority Intercreditor Agreement and any Junior Lien Intercreditor Agreement, so long as any First-Out Obligations (or certain refinancings thereof) are outstanding under the Revolving Credit Facility Agreement, Holders of the Notes will not be able to take any enforcement action with respect to the Collateral. See "—Standstill Period."

Standstill Period

With respect to the applicable First Lien Creditors, a 90-day collateral standstill period commencing upon the notice to the Collateral Agent of (i) a payment event of default has occurred and is continuing and (ii) the acceleration of the defaulted debt under the First Lien Documents in accordance with the terms thereof (*provided*, that such 90-day standstill shall be tolled at any time when the Collateral Agent or the applicable Secured Parties under any First-Out Obligations (1) have commenced and are diligently pursuing any enforcement with respect to any or all of the Collateral or (2) at any time the grantor which has granted a security interest in any Collateral is then a debtor in any insolvency or liquidation proceeding) (the "**Standstill Period**").

Application of Proceeds

So long as any First-Out Obligations secured by Collateral are outstanding, any proceeds of Collateral received in connection with the sale or other disposition of, or collection on, such Collateral upon the exercise of remedies, will be applied by the Collateral Agent, first, to discharge the fees, costs, expenses and indemnities of the Collateral Agent and the designated representative of each class of the Secured Parties as specified in the relevant definitive documentation for the First-Out Obligations (the "**First-Out Documents**") and the definitive documentation for the First Lien Obligations (the "**First Lien Documents**" and collectively, the "**Debt Documents**") as applicable, and second, on a pro rata basis, to the discharge of the First-Out Obligations that are secured by such Collateral as specified in the relevant First-Out Documents. Upon the discharge of such First-Out Obligations, all remaining proceeds of Collateral held by the Collateral Agent will be applied, on a pro rata basis, to the First Lien Obligations in such order as specified in the First Lien Documents.

Option to Purchase

Any or all of the First Lien Creditors may purchase the First-Out Obligations at par plus (1) any premium that would be applicable upon prepayment of the First-Out Obligations and accrued interest (including all interest accrued thereon after the commencement of any insolvency or liquidation proceeding at the applicable post-default rate and fees (including breakage costs)), and all accrued and unpaid fees, expenses, indemnities and other amounts payable with respect thereof, plus (2) in the case of any secured First-Out Priority hedge obligations, the amount that would be payable by the Company or relevant Subsidiary Guarantor thereunder if the hedge agreement in respect thereof was terminated on the date of the purchase or, if not terminated an amount determined by the relevant First-Out Secured Party to be necessary to collateralize its credit risk arising out of such agreement, plus (3) if applicable, the cash collateral to be furnished to the First-Out Creditor providing letters of credit under the First-Out Documents in such amounts as such First-Out Creditor determines is reasonably necessary plus (4) in the case of any First-Out Priority cash management obligations, the amount that would be payable to First-Out Creditors, without warranty, representation or recourse in full at any time following the earlier of (i) the acceleration of the First-Out Obligations in accordance with the terms of the First-Out Documents, (ii) the commencement of an insolvency or liquidation proceeding of the Company or any Subsidiary Guarantor or (iii) a principal payment default in accordance with the terms of the First-Out Documents which are outstanding for a period (and not waived) of more than 30 days.

Amendments and Waivers

The Priority Intercreditor Agreement may not be amended without the written consent of the Collateral Agent and the Controlling Priority Lien Representative; provided that certain designated representatives under each class of the Secured Parties (as determined in accordance with the terms of the applicable Debt Documents) shall be required to vote on certain matters that reduce, impair or adversely affect in any material respect the right of such applicable Secured Party. In addition, the Priority Intercreditor Agreement allows the Collateral Agent and Company (and any applicable Subsidiary Guarantor) to make amendments with respect to maintaining Collateral, curing any ambiguity in drafting, providing for permitted releases, allowing for assumption of new Subsidiary Guarantors, and increasing the rights of the Secured Parties (in a manner that does not adversely affect the rights of any particular Secured Parties) and other similar customary matters.

Junior Lien Intercreditor Agreement

No secured Subordinated Indebtedness will exist on the Completion Date. Subject to compliance with the covenants described under the captions "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" and "—Certain Covenants—Limitation on Liens," the Company and the Subsidiary Guarantors may incur Indebtedness secured by a Lien on Collateral that is junior to the First Liens securing the Notes (such indebtedness referred to as "**Junior Lien Debt**" and any obligations thereunder, the "**Junior Lien Obligations**").

Any such series or class of Junior Lien Debt may be secured by a junior Lien on the Collateral, in each case under and pursuant to the relevant Security Documents for such series of Junior Lien Debt, if and subject to the condition that that the trustee, administrative agent or similar representative for the holders of such Junior Lien Debt (each, a "**Junior Lien Representative**") along with the Collateral Agent, the Trustee, the RCF Agent, the Company and the Subsidiary Guarantors each becomes a party to an intercreditor agreement (the "**Junior Lien Intercreditor Agreement**") substantially in the form of an exhibit to be attached to the Indenture, with any such amendments as may be approved by the Collateral Agent (acting at the direction of the Controlling Priority Lien Representative). The Collateral Agent will act on behalf of the holders of the Priority Obligations acting at the direction of the Controlling Priority Lien Representative pursuant to the Junior Lien Intercreditor Agreement. Although neither the Holders nor any holders of the First-Out Obligations will be party to any Junior Lien Intercreditor Agreement, by their acceptance of the Notes and the Revolving Credit Facility, respectively, they will be deemed to have (i) (A) authorized and instructed the Trustee and the Collateral Agent to enter into the Junior Lien Intercreditor Agreement on behalf of the Holders and (B) authorized and instructed the RCF Agent and the Collateral Agent to enter into the Junior Lien Intercreditor Agreement on behalf of the holders of the First-Out Obligations and (ii) agreed to be bound thereby upon execution thereof by the Collateral Agent, Trustee and RCF Agent, as applicable.

The Junior Lien Intercreditor Agreement (i) will clarify the respective rights of the holders of the Priority Obligations and the holders of such Junior Lien Obligations with respect to the Collateral that is subject to Liens in favor of the holders of the Notes and the holders of the First-Out Obligations, as applicable (and the Company's and the Subsidiary Guarantors' other Priority Obligations) and to Liens in favor of the holders of such Junior Lien Obligations and (ii) shall be binding on the holders of the Priority Obligations and the holders of such Junior Lien Debt. The Junior Lien Intercreditor Agreement will contain certain provisions governing the relationships between or among the parties subject thereto, including, among other things as set forth below.

The Junior Lien Intercreditor Agreement will provide, among other things, that (1) Liens on the Collateral securing the Junior Lien Debt will be junior to the Liens in favor of the Collateral Agent securing the obligations under the Notes, the Note Guarantees, the Indenture, the First-Out Obligations, the Revolving Credit Facility, the Security Documents and other Priority Obligations, and, consequently, holders of the Notes, First-Out Obligations and other Priority Obligations will be entitled to receive the proceeds from any disposition of any Collateral prior to holders of any Junior Lien Debt and (2) certain procedures set forth in the Junior Lien Intercreditor Agreement for enforcing the Liens in respect of the Collateral will be required to be followed, in each case, subject to the Priority Intercreditor Agreement.

Pursuant to the terms of the Junior Lien Intercreditor Agreement, prior to the discharge of all Liens securing the Notes, the First-Out Obligations and the other Priority Obligations, the Collateral Agent (acting at the direction of the Controlling Priority Lien Representative) will determine the time and method by which the security interest in the Collateral will be enforced, in accordance with the Priority Intercreditor Agreement. The agents for the Junior Lien Debt, except as provided in the next paragraph or as necessary in any insolvency or liquidation proceeding to file a claim or statement of interest with respect to such Junior Lien Debt, will not be permitted to enforce the security interest on the Collateral or certain other rights related to the Junior Lien Debt even if an event of default under such Junior Lien Debt has occurred or such Junior Lien Debt has been accelerated.

The agents for any Junior Lien Debt may exercise rights and remedies with respect to the Liens on the Collateral from and after 180 days has elapsed since the later of (a) the date on which a Junior Lien Representative declared the existence of any payment "Event of Default" under (and as defined in) any document governing the Junior Lien Debt and demanded the repayment of all of the principal amount of any Junior Lien Obligations thereunder and (b) the date on which the Collateral Agent received notice from such Junior Lien Representative of such declarations of such payment Event of Default and demand for payment (the "**Junior Lien Standstill Period**") (provided, that such 180-day Junior Lien Standstill Period shall be tolled at any time when the Collateral Agent or the applicable Secured Parties under any Priority Obligations (1) have commenced and are diligently pursuing any enforcement with respect to any or all of the Collateral or (2) at any time the grantor which has granted a security interest in any Collateral is then a debtor in any insolvency or liquidation proceeding), after which the Junior Lien Representative may exercise or seek to exercise any rights or remedies (including setoff) with respect to any Collateral in respect of any Junior Lien Obligations, or institute any action or proceeding with respect to such rights or remedies (including any action of foreclosure).

Release of Liens

The Liens on the Collateral that secures the Notes will be released upon the occurrence of any of the following:

(1) pursuant to the Priority Intercreditor Agreement in connection with the exercise of remedies by the Controlling Priority Lien Representative in respect of the Collateral during the continuation of an event of default under the relevant Debt Documents of the Controlling Priority Lien Representative at such time;

(2) upon discharge or defeasance of the Notes, as described below under the captions "—Satisfaction and Discharge" and "—Defeasance and Discharge";

(3) with the consent of the noteholders of the requisite percentage of Notes in accordance with the provisions described below under the caption "—Modification of the Indenture";

(4) the consummation of an Asset Sale, solely with respect to the specific Collateral subject to the Asset Sale permitted under the Indenture; or

(5) in the event that the owner thereof is properly designated as an Unrestricted Subsidiary in accordance with the provisions described below under the caption "—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries."

Certain Bankruptcy and Other Collateral Limitations

The ability of the holders of the Notes to realize upon the Collateral may be subject to certain bankruptcy law limitations in the event of a bankruptcy. (See "Risk Factors—Risks Relating to the Collateral—In the event of a bankruptcy, holders of the Notes may be deemed to have an unsecured claim to the extent that their obligations in respect of the Notes exceed the fair market value of the Collateral"). The ability of the holders of the Notes to foreclose on the Collateral may be subject to lack of perfection, the requirement of third party consents, prior Liens and practical problems associated with the realization of the Collateral Agent's Lien on the Collateral that secures the Notes and the Note Guarantees. See "Risk Factors—Risks Relating to the Collateral—The international nature of our operations may make the jurisdiction and outcome of any bankruptcy proceedings difficult to predict and the insolvency laws of jurisdiction(s) may not be as favorable to holders of the Notes as U.S. insolvency laws or those of other jurisdictions with which you may be familiar."

So long as no Event of Default shall have occurred and be continuing, and subject to certain terms and conditions in the Indenture, the Priority Intercreditor Agreement and the Security Documents, the Company and the Subsidiary Guarantors will be entitled to exercise any voting, consensual rights and other rights pertaining to such Collateral pledged by it. Upon the occurrence and during the continuance of an Event of Default, (a) all rights of the Company and the Subsidiary Guarantors to exercise such voting, consensual rights, or other rights shall cease and all such rights with respect to the holders of the Notes shall become vested in the Collateral Agent, which, to the extent permitted by applicable Law, shall have the sole right to exercise, subject to certain terms and conditions in the Indenture, the Priority Intercreditor Agreement and the Security Documents, such voting, consensual rights or other rights, (b) all rights of the Company and the Subsidiary Guarantors to receive cash dividends, interest and other payments made upon or with respect to the Collateral shall cease, and such cash dividends, interest and other payments shall be paid to the Collateral Agent, for the benefit of the holders of the Notes and any other applicable Secured Party and (c) the Trustee may instruct the Collateral Agent to sell the Collateral or any part thereof in accordance with, and subject to the terms of, the Intercreditor Agreements and the Security Documents. All funds distributed in respect of the Collateral under the Intercreditor Agreements and the Security Documents and received by the Collateral Agent for the ratable benefit of the holders of the Notes shall be turned over to the Trustee to be distributed by it in accordance with the provisions of the Indenture.

There can be no assurance that the proceeds from the sale of the Collateral remaining after the satisfaction of all obligations owing to any other person would be sufficient to satisfy the obligations owed to the holders.

To the extent third parties hold Permitted Liens, such third parties may have rights and remedies with respect to the property subject to such Liens that, if exercised, could adversely affect the value of the Collateral or the Collateral Agent's remedies. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value and any sale of such Collateral separately from the assets of the Company and the Subsidiary Guarantors may not be feasible. Accordingly, there can be no assurance that the Collateral can be sold in a short period of time, if salable.

Additional Amounts

All payments made by or on behalf of the Company, the Subsidiary Guarantors, or any successor thereto (each, a "**Payor**") under, or with respect to, the Notes or the Note Guarantees will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) (collectively, "**Taxes**") imposed, levied, collected or assessed by or on behalf of (a) the Grand Duchy of Luxembourg or any political subdivision or governmental authority thereof or therein having power to tax, (b) any jurisdiction from or through which payment under, or with respect to, the Notes or the Note Guarantees is made by or on behalf of the Payor, or any political subdivision or governmental authority thereof or therein having the power to tax or (c) any other jurisdiction in which a Payor is organized, resident or doing business for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each jurisdiction described in clauses (a), (b) or (c), a "**Relevant Taxing Jurisdiction**"), unless the withholding or deduction of such Taxes is then required by law or the interpretation or administration thereof.

If any deduction or withholding for, or on account of, any Taxes of any Relevant Taxing Jurisdiction will at any time be required from any payments made with respect to the Notes or the Note Guarantees including payments of principal, premium, if any, redemption price or interest, the Payor will pay (together with such payments) such additional amounts (the "**Additional Amounts**") (and each reference to principal, premium, redemption price, or interest herein shall be deemed to refer to such term together with Additional Amounts, if any) as may be necessary in order that the net amounts in respect of such payments received by each Holder, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received by each Holder in respect of such payments in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable with respect to:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, limited liability company, partnership or corporation) and the Relevant Taxing Jurisdiction but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture or a Notes Guarantee;

(2) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax;

(3) any Taxes which are imposed, payable or due because the Notes are presented (where presentation is required) for payment more than thirty (30) days after the date such payment was due and payable or was provided for, whichever is later, except for Additional Amounts with respect to Taxes that would have been imposed had the Holder presented the Note for payment on the last day of such 30-day period;

(4) any Taxes that are imposed or withheld by reason of the failure of the Holder or beneficial owner of a Note to comply, at our written request, with certification, identification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection of the Holder or such beneficial owner with the Relevant Taxing Jurisdiction or to make, at our written request, any other claim or filing for exemption to which it is entitled if (a) such compliance, making a claim or filing for exemption is required or imposed by a statute, treaty or regulation or administrative practice of the taxing jurisdiction as a precondition to exemption from all or part of such Taxes, (b) the Payor has given the Holder or the beneficial owner at least thirty (30) days' notice that the Holder or beneficial owner will be required to provide such certification, identification, documentation or other reporting requirement, and (c) the provision of any certification, identification, information, documentation or other reporting requirement would not be materially more onerous, in form, in procedure or in the substance of information disclosed, to a Holder or beneficial owner of a Note than comparable information or other reporting requirements imposed under U.S. tax law, regulations and administrative practice (such as U.S. Internal Revenue Service Forms W-8BEN-E and W-9);

(5) any Taxes that are payable other than by deduction or withholding from a payment with respect to the Notes or with respect to any Note Guarantee;

(6) any withholding or deduction that is required to be made pursuant to the Luxembourg law of 23 December 2005, as amended;

(7) any Taxes which could have been avoided by the presentation (where presentation is required) of the relevant Note to another reasonably available paying agent of the Payor in any member state of the European Union; or

(8) any combination of the above.

Also such Additional Amounts will not be payable with respect to any payment of principal of (or premium, if any, on) or interest under, or with respect to, such Note or Note Guarantee to any Holder who is a fiduciary or partnership or any person other than the sole beneficial owner of such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Note directly.

The Payor will (a) make any required withholding or deduction and (b) except as expressly provided below, remit the full amount deducted or withheld to the applicable taxing authority in the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will provide to the Trustee certified copies of tax receipts or, if such tax receipts are not reasonably available, such other documentation to the Trustee evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes.

If the Payor will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or the Note Guarantees, the Payor will deliver to the Trustee and deliver notice to the Holders, at least five (5) Business Days prior to the relevant payment date, an Officer's Certificate stating the fact that such Additional Amounts will be payable, the amounts so payable and the applicable record date and will set forth such other information necessary to enable the Trustee and paying agent to pay such Additional Amounts to Holders of Notes on the payment date. Each such Officer's Certificate shall be relied upon by the Trustee and paying agent without further inquiry until receipt of a further Officer's Certificate addressing such matters.

The Payor will pay any stamp, issue, registration, documentary, excise, property or other similar taxes and other duties (including interest and penalties) imposed by any Relevant Taxing Jurisdiction payable in respect of the creation, issue, offering, execution or performance of the Notes, this Indenture, the Note Guarantees or any documentation with respect thereto (except for any such Taxes imposed or levied as a result of a transfer of the Notes after the initial resale by the initial purchasers) and any such taxes, charges or duties imposed by any jurisdiction with respect to the enforcement of the Notes following the occurrence and during the continuance of any Default. The Company will agree to reimburse each of the Trustee, the paying agents and the Holders of the Notes for any such amounts paid (and reasonably documented) by the Trustee, the paying agents or such Holders; except where any such amounts arise or are due in relation to the registration of the Notes, this Indenture, the Note Guarantees or any documentation with respect hereto or referred to therein, where such registration is made on a purely voluntary basis by the Trustee, the paying agents or such Holders (i.e., where such registration is not necessary for the perfection, protection or enforcement of their rights in respect of the Notes, this Indenture, the Note Guarantees or any documentation with respect thereto).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and will apply mutatis mutandis to any jurisdiction in which any successor Person to a Payor is organized or any political subdivision or taxing authority or agency thereof or therein.

Whenever in the Indenture or in this description there is mentioned, in any context, (1) the payment of principal, premium, if any, or interest, (2) redemption prices or purchase prices in connection with the redemption or purchase of Notes or (3) any other amount payable under or with respect to any Note, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, deducted or withholding Taxes are, were or would be payable in respect thereof.

Notwithstanding anything herein, if any withholding or deduction for Taxes is imposed with respect to any payment on the Notes pursuant to FATCA, then (a) the Company, the Subsidiary Guarantors, any paying agent or any other person acting on their behalf shall be entitled to make such deduction or withholding, and (b) none of the Company, the Subsidiary Guarantors, any paying agent or any other person acting on their behalf will have any obligation to pay any Additional Amounts with respect to any such withholding or deductions imposed pursuant to FATCA.

Optional Redemption

Optional Redemption

At any time prior to November 7, 2026 (the "**Initial Call Date**"), the Company will have the right, at its option, to redeem any of the Notes, in whole or in part, at a redemption price equal to the greater of:

(1) 100% of the principal amount of such Notes, and

(2) (a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming the Notes matured on the Initial Call Date) on

a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points *less* (b) interest accrued to the date of redemption,

plus, in either case, accrued and unpaid interest thereon to the redemption date.

"***Treasury Rate***" means, with respect to any redemption date, the yield determined by the Company in accordance with the following two paragraphs.

The Treasury Rate shall be determined by the Company after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the redemption date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily) - H.15" (or any successor designation or publication) ("H.15") under the caption "U.S. government securities–Treasury constant maturities–Nominal" (or any successor caption or heading). In determining the Treasury Rate, the Company shall select, as applicable: (1) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the redemption date to the Initial Call Date (the "**Remaining MW Life**"); or (2) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining MW Life, the two yields – one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining MW Life – and shall interpolate to the Initial Call Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (3) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining MW Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining MW Life. For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the redemption date.

If on the third business day preceding the redemption date H.15 or any successor designation or publication is no longer published, the Company shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second business day preceding such redemption date of the United States Treasury security maturing on, or with a maturity that is closest to, the Initial Call Date, as applicable. If there is no United States Treasury security maturing on the Initial Call Date but there are two or more United States Treasury securities with a maturity date equally distant from the Initial Call Date, one with a maturity date preceding the Initial Call Date and one with a maturity date following the Initial Call Date, the Company shall select the United States Treasury security with a maturity date preceding the Initial Call Date. If there are two or more United States Treasury securities maturing on the Initial Call Date or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Company shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

The redemption price (including the Treasury Rate) shall be calculated by the Company, and the Trustee shall have no duty to calculate or verify such calculation or any component thereof. The Company's actions and determinations in determining the redemption price shall be conclusive and binding for all purposes, absent manifest error.

At any time, or from time to time, on or after November 7, 2026, the Company may redeem the Notes, at its option, in whole or in part, at the following redemption prices, expressed as percentages of the principal amount on the redemption date, plus any accrued and unpaid interest to, but excluding, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period commencing on or after November 7 of any year set forth below:

Year	Percentage
2026	104.688%
2027	102.344%
2028	100.000%

In addition, until November 7, 2026, the Company may, at its option, on one or more occasions redeem up to 10% of the aggregate principal amount of Notes per annum from the Closing Date (including Additional Notes of the same series) issued under the Indenture at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest thereon, if any, to, but excluding, the applicable redemption date.

Notwithstanding the foregoing, in connection with any tender offer (including any Change of Control Offer or Asset Sale/Event of Loss Offer made in accordance with the terms of the Indenture) for the Notes, if Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes of such series in such tender offer and the Company, or any third party making such tender offer in lieu of the Company, purchases all of the Notes validly tendered and not withdrawn by such Holders, the Company or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase date, to redeem (with respect to the Company) or purchase (with respect to a third party) all Notes that remain outstanding following such purchase at a price equal to the price paid to each other Holder in such tender offer plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, the redemption date or purchase date, subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling on or prior to the redemption date or purchase date.

Any redemption of Notes by the Company pursuant to this section will be subject to either (i) there being at least U.S.$200.0 million in aggregate principal amount of Notes outstanding after such redemption or (ii) the Company redeeming all of the then outstanding principal amount of the Notes.

Optional Redemption Upon Eligible Equity Offerings

At any time, on or prior to November 7, 2026, the Company may on any one or more occasions, at its option, use an amount not to exceed the net cash proceeds of one or more Eligible Equity Offerings to redeem up to 40% of the aggregate principal amount of the outstanding notes at a redemption price equal to 109.375% of the principal amount of the notes to be redeemed, plus any accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date; *provided* that after giving effect to any such redemption, at least 60% of the aggregate principal amount of the Notes (excluding Notes held by the Company and its Subsidiaries) issued under the Indenture remains outstanding. Such redemption must be made within 90 days after the date of the closing of such Eligible Equity Offering.

"**Eligible Equity Offering**" means the issuance and sale for cash of Qualified Stock of the Company to any Person (other than a Restricted Subsidiary of the Company) pursuant to (i) a public offering in accordance with any applicable laws, rules and regulations or (ii) a private offering in accordance with Rule 144A, Regulation S and/or another exemption under the Securities Act or any other applicable law, rules and regulations of any other jurisdiction.

Optional Redemption for Changes in Withholding Taxes

If, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) or treaties of a Relevant Taxing Jurisdiction, or any amendment to or change in an official written interpretation or application of such laws, rules or regulations (including a holding by a court of competent jurisdiction), which amendment to or change of such laws, treaties, rules or regulations becomes effective on or after the date on which the Notes are issued, (or on or after the date a successor Payor assumes the obligations under the Notes, in the case of a successor with a different Relevant Taxing Jurisdiction than the Company), a Payor would be obligated, after taking all reasonable measures to avoid this requirement, to pay Additional Amounts (but, in the case of a Subsidiary Guarantor, only if the payment giving rise to such requirement cannot be made by the Company or another Subsidiary Guarantor who can make such payment without the obligation to pay Additional Amounts), then, at the Payor's option, all, but not less than all, of the Notes may be redeemed at any time on giving not less than 10 nor more than 60 days' notice, at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest and any

Additional Amounts due thereon up to, but excluding, the date of redemption; *provided*, *however*, that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which the Payor would be obligated to pay these Additional Amounts if a payment on the Notes were then due, and (2) at the time such notice of redemption is given such obligation to pay such Additional Amounts remains in effect. The foregoing provisions shall apply to a Subsidiary Guarantor only after such time as such Subsidiary Guarantor is obligated to make at least one payment on the Notes.

Prior to the publication of any notice of redemption pursuant to this provision, the Payor will deliver to the Trustee:

- a certificate signed by one of our duly authorized representatives stating that the Payor is entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to our right to redeem have occurred and that the relevant Payor cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it, and
- an Opinion of Counsel of the applicable Relevant Taxing Jurisdiction of recognized standing to the effect that no later than the next succeeding date on which any amount is to be paid, the relevant Payor has or will become obligated to pay such Additional Amounts as a result of such change or amendment.

This notice, once delivered by the Payor to the Trustee, will be irrevocable.

Optional Redemption Procedures

In the event that less than all of the Notes are to be redeemed at any time, selection of Notes for redemption will be made (i) in compliance with the requirements of the principal national securities exchange, if any, on which Notes are listed and any applicable depository procedures, (ii) by lot or such other similar method in accordance with the applicable procedures of DTC (if the Notes are global notes), or (iii) if there are no such requirements of such exchange or the Notes are not then listed on a national securities exchange or DTC, on a pro rata basis by lot or by such other method the Trustee deems fair and reasonable. No Notes of a principal amount of U.S.$200,000 or less may be redeemed in part, and if notes are redeemed in part, the remaining outstanding amount must be at least equal to U.S.$200,000 and be an integral multiple of U.S.$1,000.

Notice of any optional redemption will be mailed by first-class mail, postage prepaid (or delivered in accordance with the applicable procedures of DTC), at least 10, but not more than 60 days, before the redemption date to each Holder of Notes to be redeemed at its registered address, with a copy to the Trustee. If Notes are to be redeemed in part only, the notice of redemption will state the portion of the principal amount thereof to be redeemed. A new Note in a principal amount equal to the unredeemed portion thereof (if any) will be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate).

Notice of any redemption of Notes (including upon an Eligible Equity Offering or in connection with another transaction (or series of related transactions) or an event that constitutes a Change of Control) may, at the Company’s discretion, be given prior to the completion or the occurrence thereof and any such redemption or notice may, at the Company’s discretion, be subject to one or more conditions precedent, including, but not limited to, completion or occurrence of the related Eligible Equity Offering or other transaction or event, as the case may be. In addition, if such redemption or purchase is subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Company’s discretion, the redemption date may be delayed until such time (including more than 60 days after the date the notice of redemption was mailed or delivered, including by electronic transmission) as any or all such conditions shall be satisfied (or waived by the Company in their its sole discretion), or such redemption or purchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Company in its sole discretion) by the redemption date, or by the redemption date as so delayed, or such notice may be rescinded at any time in the Company’s discretion if in the good faith judgment of the Company any or all of such conditions will not be satisfied. In addition, the Company may provide in such notice that payment of the redemption price and performance of the Company’s obligations with respect to such redemption may be performed by another Person.

The Company will pay the redemption price for any Note together with accrued and unpaid interest thereon to, but excluding, the date of redemption. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption as long as the Company has deposited with the Paying Agent funds in satisfaction of the applicable redemption price pursuant to the Indenture.

Change of Control

Upon the occurrence of a Change of Control Triggering Event, each Holder will have the right to require that the Company purchase all or a portion (in integral multiples of U.S.$1,000; *provided*, that the remaining principal amount of such Holder's Note will not be less than U.S.$200,000 of the Holder's Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon to, but excluding, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) (the "**Change of Control Payment**").

Within 30 days following the date upon which a Change of Control Triggering Event occurs, the Company must deliver a notice to each Holder, with a copy to the Trustee, offering to purchase the Notes as described above (a "**Change of Control Offer**"). The Change of Control Offer shall state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date the notice is mailed, except as may be required by law (the "**Change of Control Payment Date**").

On the Change of Control Payment Date, the Company will, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent funds in an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered and not withdrawn; and

(3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

If only a portion of a Note is purchased pursuant to a Change of Control Offer, a new Note in a principal amount equal to the portion thereof not purchased will be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate); *provided*, that the remaining principal amount of such Holder's Note will not be less than U.S.$200,000 and will be in integral multiples of U.S.$1,000 in excess thereof.

The Company is only required to make a Change of Control Offer in the event that a Change of Control results in a Ratings Event. Consequently, if a Change of Control were to occur which does not result in a Ratings Event, the Company would not be required to offer to repurchase the Notes. In addition, notwithstanding anything to the contrary contained herein, the Company will not be required to make a Change of Control Offer if (1) a third party makes the Change of Control Offer in a manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or (2) notice of redemption for all outstanding Notes has been given pursuant to the Indenture as described above under the caption "—Optional Redemption," unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control and/or a Ratings Event, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

Other existing and future Indebtedness of the Company may contain prohibitions on the occurrence of events that would constitute a Change of Control or require that such Indebtedness be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Company to repurchase the Notes upon a Change of Control could cause a default under such Indebtedness even if the Change of Control itself does not.

If a Change of Control Triggering Event occurs, the Company may not have available funds sufficient to make the Change of Control Payment for all the Notes that might be delivered by Holders seeking to accept a Change of Control Offer. In the event the Company is required to purchase outstanding Notes pursuant to a Change of Control Offer, the Company expects that it would seek third-party financing to the extent it does not have available funds to meet its purchase obligations. However, the Company may not be able to obtain necessary financing.

Holders will not be entitled to require the Company to purchase their Notes in the event of a takeover, recapitalization, leveraged buyout or similar transaction which does not constitute Change of Control Triggering Event.

One of the events that constitutes a Change of Control under the Indenture is the disposition of "all or substantially all" of the Company's assets under certain circumstances. This term varies based upon the facts and circumstances of the subject transaction. As a consequence, in certain circumstances there may be uncertainty in ascertaining whether a particular transaction involved a disposition of "all or substantially all" of the property or assets of a Person. In the event that Holders elect to require the Company to purchase the Notes and the Company contests such election, we cannot assure you as to how a court interpreting New York law would interpret the phrase under certain circumstances.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations in connection with the purchase of Notes in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the "Change of Control" provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by doing so. If it would be unlawful in any jurisdiction to make a Change of Control Offer, the Company will not be obligated to make such offer in such jurisdiction and will not be deemed to have breached its obligations under the Indenture by doing so.

The obligation of the Company to make a Change of Control Offer may be waived or modified at any time prior to the occurrence of such Change of Control with the written consent of Holders of a majority in principal amount of the Notes.

Certain Covenants

Application of Covenants

The covenants in the Indenture will generally not apply to Constellation and its Restricted Subsidiaries until the Completion Date. However, on and after the Completion Date, all restrictive covenants will be deemed to have been applicable to Constellation and its Restricted Subsidiaries beginning on the Closing Date and, to the extent that Constellation and its Restricted Subsidiaries took any action or inaction after the Closing Date and prior to the Completion Date that is prohibited under the Indenture, Constellation will be in default on such date. Without limiting the foregoing, if a Change of Control Trigger Event occurs prior to the Completion Date, such event will be deemed to have occurred on such date.

Notwithstanding anything to the contrary described in this section "—Certain Covenants," the Escrow Issuer shall not (a) conduct, transact or otherwise engage in any business or operations other than (i) as is necessary to consummate the Merger, (ii) the maintenance of its legal existence, including the ability to incur fees, costs and expenses relating to such maintenance, (iii) the performance of its obligations under and in connection with the Notes, the Indenture and the Escrow Agreement, and (iv) activities incidental to the businesses or activities described in clauses (i) to (iv) hereof; (b) own or acquire any material assets (other than the Escrow Property, which shall be subject to the Escrow Agreement), (c) incur any liabilities other than the Notes nor (d) permit to exist any Lien on the Escrow Property other than as provided in the Escrow Agreement or to secure the Notes.

Limitation on Incurrence of Additional Indebtedness.

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to Incur any Indebtedness, and the Company will not issue any shares of Disqualified Capital Stock and will not permit any Restricted Subsidiary to issue any shares of Disqualified Capital Stock or any Preferred Stock; *provided however*, that, after the Completion Date, the Company may Incur Indebtedness or issue shares of Disqualified Capital Stock, and any of its Restricted Subsidiaries may incur Indebtedness, issue shares of Disqualified Capital Stock and issue shares of Preferred Stock, if immediately after giving pro forma effect to the Incurrence or issuance thereof and the application of the proceeds therefrom, (i) the Company and its Restricted Subsidiaries on a consolidated basis would have had a Consolidated Fixed Charge Coverage Ratio of at least 2.00 to 1.00 and (ii) to the extent such Indebtedness is secured by a Lien, the Secured Net Leverage Ratio would be no greater than 1.50 to 1.00; *provided*, *further*, that Restricted Subsidiaries that are not Subsidiary Guarantors may not incur Indebtedness or issue Disqualified Capital Stock or Preferred Stock if, after giving pro forma effect to such Incurrence or issuance (including a pro forma application of the net proceeds therefrom), more than the aggregate of $25.0 million of principal amount or liquidation preference of Indebtedness, Disqualified Capital Stock or Preferred Stock of Restricted Subsidiaries that are not Subsidiary Guarantors incurred or issued pursuant to this paragraph, together with amounts incurred or issued under clause (b) below by Restricted Subsidiaries that are not Subsidiary Guarantors, would be outstanding at such time.

(b) Notwithstanding clause (a) above, on or after the Completion Date, the Company and its Restricted Subsidiaries, as applicable, may Incur the following Indebtedness (together with Indebtedness permitted under clause (a) above, "**Permitted Indebtedness**"):

(1) Indebtedness in respect of the Notes issued on the Closing Date and the Note Guarantees associated thereto;

(2) Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Completion Date (after giving effect to the Release Conditions) (other than Indebtedness described in clauses (1) and (17) hereof);

(3) Guarantees by any Subsidiary Guarantor of Indebtedness of the Company or any Subsidiary Guarantor permitted under the Indenture; *provided*, that if any such Guarantee is of Subordinated Indebtedness, then the Guarantee of such Subordinated Indebtedness shall be subordinated to the Notes or the Note Guarantees, as applicable;

(4) Hedging Obligations entered into by the Company and its Restricted Subsidiaries in the ordinary course of business and not for speculative purposes;

(5) intercompany Indebtedness between the Company and any Restricted Subsidiary or between any Restricted Subsidiaries in the ordinary course of business and consistent with past practice; *provided* that:

(a) if the Company or any Subsidiary Guarantor is the obligor with respect to such intercompany Indebtedness and the obligee is a Restricted Subsidiary that is not a Subsidiary Guarantor, such Indebtedness must be (i) unsecured and (ii) expressly subordinated to the prior payment in full of all obligations under the Notes or the Note Guarantees, as applicable, and the Indenture, and

(b) in the event that at any time any such Indebtedness ceases to be held by the Company or a Restricted Subsidiary, such Indebtedness shall be deemed to be Incurred by the Company or the applicable Restricted Subsidiary, as the case may be, and not permitted by this clause (5) at the time such event occurs;

(6) Indebtedness of the Company or any of its Restricted Subsidiaries arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business (including daylight overdrafts paid in full by the close of business on the day such overdraft was Incurred); *provided*, that such Indebtedness is extinguished within five (5) business days of Incurrence;

(7) Indebtedness of the Company or any of its Restricted Subsidiaries in respect of performance bonds, bankers' acceptances, workers' compensation claims, bid, surety or appeal bonds, payment obligations in connection with, insurance premiums or similar obligations, security deposits and bank overdrafts (and letters of credit in connection with, in lieu of or in respect of each of the foregoing); *provided* that it is incurred in the ordinary course of business;

(8) Refinancing Indebtedness in respect of Indebtedness Incurred pursuant to clause (a) above clause (1), (2), (8), (11), or (14) hereof;

(9) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or Guarantees or letters of credit, surety bonds or performance bonds securing any obligations of the Company or any Restricted Subsidiary pursuant to such agreements, in any case Incurred in connection with the disposition of any business, assets or Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition), so long as the amount does not exceed the gross proceeds (including non-cash proceeds) actually received by the Company or any Restricted Subsidiary thereof in connection with such disposition;

(10) Indebtedness constituting reimbursement obligations in respect of trade or performance letters of credit entered into in the ordinary course of business;

(11) on or after the 12-month anniversary of the Completion Date, Indebtedness of any Project Finance Subsidiary constituting Limited Recourse Debt in each case solely for the purpose of financing a portion of the purchase price and costs and expenses in connection therewith of one or more Drilling Rigs in a single transaction or series of related transactions, so long as the aggregate principal amount of the Indebtedness (including the Limited Recourse Debt) Incurred in such transaction or series of related transactions pursuant to this clause (11) is not more than 85% of the purchase price for such acquired Drilling Rig;

(12) Indebtedness to the extent that the net proceeds thereof are promptly deposited to defease or to satisfy and discharge all of the Notes in accordance with the Indenture;

(13) Indebtedness of the Company or any Restricted Subsidiary Incurred through the provision of bonds, guarantees, letters of credit or similar instruments required by any maritime commission or authority or other governmental or regulatory agencies, including, without limitation, customs authorities; in each case, for vessels owned or chartered by, and in the ordinary course of business of, the Company or any of its Restricted Subsidiaries at any time outstanding not to exceed the amount required by such governmental or regulatory authority;

(14) Indebtedness of the Company or any Restricted Subsidiary Incurred (i) for general corporate purposes or (ii) as Purchase Money Indebtedness or to make Capital Expenditures (including any maintenance, upgrade or overhaul, but excluding any acquisition of Drilling Rigs) on Collateral and, any Indebtedness under clause (i) and clause (ii) in the aggregate and at any time outstanding together with any Refinancing Indebtedness thereof, not to exceed \$100.0 million;

(15) Indebtedness, Disqualified Stock or Preferred Stock of (x) the Company or a Restricted Subsidiary incurred or issued to finance an acquisition or (y) Persons that are acquired by the Company or a Restricted Subsidiary or merged into, amalgamated with or consolidated with the Company or a Restricted Subsidiary in accordance with the terms of the Indenture; *provided* that after giving pro forma effect to such acquisition, merger, amalgamation or consolidation, either: (a) the Company would be permitted to incur at least \$1.00 of additional Indebtedness under the provisions of clause (a) of this covenant, or (b) the Consolidated Fixed Charge Coverage Ratio of the Company and its Restricted Subsidiaries is equal to or greater than immediately prior to such acquisition, merger, amalgamation or consolidation; *provided*, *however*, that on a pro forma basis (including a pro forma application of the net proceeds therefrom), together with amounts incurred or issued and outstanding pursuant to the second proviso of clause (a) of this covenant by Restricted Subsidiaries that are not Subsidiary Guarantors, no more than \$25.0 million of principal amount or liquidation preference of Indebtedness or Disqualified Stock or Preferred Stock incurred or issued by Restricted Subsidiaries that are not Subsidiary Guarantors pursuant to this clause (15) would be outstanding at such time;

(16) Subordinated Indebtedness of the Company or any Subsidiary Guarantor in the aggregate and at any time outstanding not to exceed \$100.0 million; *provided* that (i) any Subordinated Indebtedness

Incurred under this clause (16) that is secured Subordinated Indebtedness will (x) be secured only by assets that constitute Collateral, (y) be secured by a Lien junior in priority to the First Liens on the Collateral securing the Notes (and the Note Guarantees thereof), (z) be subject to the terms of the Junior Lien Intercreditor Agreement, and (ii) the final maturity date of any such Subordinated Indebtedness shall be no earlier than the Maturity Date, the terms of such Subordinated Indebtedness shall not provide for any scheduled repayment, mandatory redemption or sinking fund obligation prior to the Maturity Date (other than on account of customary asset sale, casualty event and change of control provisions), and the Weighted Average Life to Maturity of such Subordinated Indebtedness at the time such Subordinated Indebtedness is Incurred shall not be less than the Weighted Average Life to Maturity at such time of the Notes issued on the Closing Date; *provided however* that, no Subordinated Indebtedness may be Incurred under this clause (16) if, immediately after giving pro forma effect to the Incurrence thereof and the application of the proceeds therefrom, the Company and its Restricted Subsidiaries on a consolidated basis would have had a Consolidated Net Leverage Ratio greater than 2.50 to 1.00;

(17) Indebtedness Incurred on behalf of, or representing guarantees of Indebtedness of, joint ventures of the Company or any Restricted Subsidiary in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (17), including all Refinancing Indebtedness Incurred which serves to refund, refinance or replace any Indebtedness Incurred pursuant to this clause (17) then outstanding on the date of such Incurrence, does not exceed $40.0 million; *provided*, that any such Indebtedness Incurred pursuant to this clause (17) shall not be in addition to any Investments made pursuant to clause (13) of the definition of “Permitted Investments”;

(18) Indebtedness of the Company or any Subsidiary Guarantor under the Revolving Credit Facility Agreement; *provided* that any such Indebtedness Incurred under this clause (18), (x) will be secured only by assets that constitute Collateral, (y) may be secured by a Lien pari passu or senior in priority to the First Liens on the Collateral securing the Notes (and the Note Guarantees thereof) and (z) will be subject to the terms of the Priority Intercreditor Agreement; and

(19) Indebtedness of any Restricted Subsidiary organized in the Netherlands that arises under and pursuant to a liability statement pursuant to section 2:403(1)(f) of the Dutch Civil Code (and any residual liability under such statement arising pursuant to article 2:404 (2) of the Dutch Civil Code).

(c) The Company will not and will not cause or permit any Subsidiary Guarantor to Incur any Indebtedness that is subordinated (either in respect of Liens or right of payment or any combination thereof) to any other Indebtedness unless such Indebtedness is expressly subordinated (either in respect of Liens or right of payment or any combination thereof) to the Notes and the applicable Note Guarantee to the same extent and on the same terms as such Indebtedness is subordinate to such other Indebtedness; *provided*, *however*, that no Indebtedness will be deemed to be subordinated (either in respect of Liens or right of payment or any combination thereof) to any other Indebtedness solely by virtue of being unsecured or by virtue of being secured by different collateral.

(d) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness Incurred pursuant to and in compliance with this covenant:

(1) the outstanding principal amount of any item of Indebtedness will be counted only once (without duplication for guarantees or otherwise);

(2) in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (b)(1) through (b)(18) above, the Company may, in its sole discretion, divide and classify (or at any time reclassify) such item of Indebtedness in any manner that complies with this covenant;

(3) The amount of Indebtedness Incurred by a Person on the Incurrence date thereof shall equal the amount recognized as a liability on the balance sheet of such Person in accordance with IFRS and the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of liability in respect thereof determined in accordance with IFRS. Accrual of

interest, the accretion or amortization of original issue discount, the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Disqualified Capital Stock in the form of additional Disqualified Capital Stock with the same terms will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; *provided* that any such outstanding additional Indebtedness or Disqualified Capital Stock paid in respect of Indebtedness Incurred pursuant to any provision of paragraphs (a) or (b) of this covenant will be counted as Indebtedness outstanding for purposes of any future Incurrence under such paragraph (a); and

(4) with respect to any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided*, that if such Indebtedness is Incurred to Refinance other Indebtedness denominated in a foreign currency, and such Refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such Refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being Refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to Refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being Refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such Refinancing.

Limitation on Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, take any of the following actions (each, a "**Restricted Payment**"):

(a) declare or pay any dividend or make any distribution or return of capital on or in respect of shares of Capital Stock of the Company or any Restricted Subsidiary to holders of such Capital Stock, other than:

(i) dividends or distributions payable in Qualified Capital Stock of the Company in connection with a Permitted Corporate Reorganization, or

(ii) dividends, distributions or returns of capital payable to the Company and/or a Restricted Subsidiary;

(b) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company, except for Capital Stock held by the Company or a Restricted Subsidiary;

(c) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, as the case may be, any Subordinated Indebtedness of the Company or any Restricted Subsidiary, except for (i) a payment of interest, (ii) a repayment, redemption, repurchase, defeasance or acquisition or retirement in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of such repurchase, defeasance or acquisition or retirement and (iii) Subordinated Indebtedness permitted to be Incurred under clause (b)(16) of the definition of "Permitted Indebtedness"; or

(d) make any Restricted Investment,

unless at the time of, and after giving effect to, the proposed Restricted Payment,

(1) no Default or Event of Default shall have occurred and be continuing,

(2) the Company could Incur at least $1.00 of additional Debt pursuant to clause (a) of the covenant described under "—Limitation on Incurrence of Additional Indebtedness," and

(3) the Consolidated Net Leverage Ratio would not be greater than 1.25 to 1.00.

Notwithstanding the preceding paragraph, the Company or any Restricted Subsidiary of the Company may:

(1) declare or pay dividends on its Capital Stock or distributions, or the consummation of any repurchase or redemption, within 60 days after the date of declaration of the dividend or distribution or giving of the redemption or repurchase notice, as the case may be, if, on said date of declaration or redemption or repurchase notice, such dividends, distributions, repurchase or redemption, as the case may be, could have been paid in compliance with the Indenture;

(2) make any Restricted Payment either (i) in exchange for Qualified Capital Stock of the Company or (ii) through the application of the net cash proceeds received by the Company from (x) a substantially concurrent sale of Qualified Capital Stock of the Company or (y) a contribution to the Capital Stock of the Company not representing an interest in Disqualified Capital Stock, in each case, not received from a Restricted Subsidiary of the Company;

(3) voluntarily prepay, purchase, defease, redeem or otherwise acquire or retire for value any Subordinated Indebtedness solely in exchange for, or through the application of net cash proceeds of a substantially concurrent sale, other than to a Restricted Subsidiary of the Company, of Refinancing Indebtedness for such Subordinated Indebtedness;

(4) permit a Restricted Subsidiary that is not a Wholly-owned Subsidiary to pay dividends to shareholders of that Restricted Subsidiary that are not the parent of that Restricted Subsidiary, so long as the Company or a Restricted Subsidiary that is the parent of that Restricted Subsidiary receives dividends on a pro rata basis or on a basis that results in the receipt by the Company or a Restricted Subsidiary that is the parent of that Restricted Subsidiary of dividends or distributions of greater value than it would receive on a pro rata basis;

(5) make cash payments in lieu of the issuance of fractional shares;

(6) make repurchases of shares of Capital Stock of the Company deemed to occur (i) upon the exercise of options to purchase shares of Capital Stock of the Company, warrants, other rights to acquire Capital Stock if such shares of Capital Stock of the Company represent a portion of the exercise price of such options, warrants or other rights and (ii) in connection with the withholding of a portion of the Capital Stock granted or awarded to a director or an employee to pay for the taxes payable by such director or employee upon such grant or award;

(7) repurchase shares of, or options to purchase shares of, the Company from current or former officers, directors or employees of the Company or any of its Subsidiaries (or permitted transferees of such current or former officers, directors or employees), pursuant to the terms of agreements (including employment agreements) or plans approved by the Board of Directors under which such individuals acquire shares of such common stock; *provided*, *however*, that the aggregate amount of such repurchases shall not exceed $3.0 million in any calendar year (with unused amounts in any calendar year carried over to succeeding calendar years);

(8) purchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness upon a change of control or an Asset Sale by the Company, to the extent required by any agreement pursuant to which such Subordinated Indebtedness was issued, but only if the Company has previously made the offer to purchase Notes under "—Change of Control" or "—Limitation on Asset Sales" and has repurchased all Notes validly tendered and now withdrawn in connection with such offer to purchase Notes pursuant to the provisions described under "—Change of Control" or "—Limitation on Asset Sales";

(9) make any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Capital Stock of the Company or a Restricted Subsidiary made by exchange for or out of the proceeds of, the substantially concurrent sale of Disqualified Capital Stock of the Company or such Restricted Subsidiary, as the case may be, so long as such refinancing Disqualified Capital Stock is permitted to be issued pursuant to the covenant described under "—Limitation on Incurrence of Additional Indebtedness" and constitutes Refinancing Indebtedness;

(10) make payments or distributions to dissenting shareholders (a) pursuant to applicable law or (b) in connection with a consolidation, merger, amalgamation or transfer of assets in connection with a transaction that is not prohibited by the Indenture;

(11) make any Restricted Payment in amounts required for any direct or indirect parent of the Company, if applicable, to pay fees and expenses required to maintain its corporate existence, customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, directors, officers and employees of any direct or indirect parent of the Company, if applicable, and any general corporate overhead expenses of any direct or indirect parent of the Company, if applicable, in each case to the extent such fees and expenses are attributable to the ownership or operation of the Company, if applicable, and its Restricted Subsidiaries (for so long as such direct or indirect parent owns no assets other than the Capital Stock in the Company or another direct or indirect parent of the Company, such fees and expenses shall be deemed for purposes of this clause (11) to be so attributable to such ownership); *provided*, *however*, that the aggregate amount of Restricted Payments made under this clause (11) shall not exceed $3.0 million in any calendar year;

(12) on or prior to the Completion Date, make any Restricted Payment necessary to consummate the Merger; and

(13) make any Restricted Payment to a direct parent company of the Company so long as such parent company is a member of the same fiscal unity as the Company and such Restricted Payment is made solely to cover taxes attributable to members of the Constellation Group that are part of such fiscal unity and pursuant to a profit and loss pooling, cash pooling, tax sharing arrangement or other similar arrangement.

For purposes of determining compliance with this covenant, in the event that any Restricted Payment or Investment meets the criteria of more than one of the categories of Restricted Payments described in the first paragraph of this covenant, the preceding clauses (1) through (11) above and/or one or more of the clauses contained in the definition of "Permitted Investment," the Company may, in its sole discretion, divide and classify (or at any time reclassify) such Restricted Payment or Investment among the first paragraph of this covenant and/or such clauses (1) through (11) and/or one or more clauses contained in the definition of "Permitted Investment" in a manner that otherwise complies with this covenant;

The amount of any Restricted Payments not in cash will be the Fair Market Value on the date of such Restricted Payment of the property, assets or securities proposed to be paid, transferred or issued by the Company or the relevant Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment.

Limitation on Asset Sales; Event of Loss

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(a) the Company or a Restricted Subsidiary, as the case may be, receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets sold or otherwise disposed of; and

(b) at least 75% of the consideration received for the assets sold by the Company or the Restricted Subsidiary, as the case may be, in the Asset Sale shall be in the form of (1) cash or Cash Equivalents, (2) assets (other than current assets as determined in accordance with IFRS or Capital Stock) to be used by the Company or any

Restricted Subsidiary in a Permitted Business, (3) Capital Stock in a Person engaged primarily in a Permitted Business that will become a Restricted Subsidiary as a result of such Asset Sale, (4) Indebtedness assumed pursuant to a customary novation agreement, (5) to the extent not otherwise included in (4), the Fair Market Value of the discharge of any Lien granted by the Company or any Restricted Subsidiary in connection with the Asset Sale or (6) a combination of any of the foregoing; *provided* that if the asset(s) being sold or otherwise disposed were Collateral immediately prior to the sale or disposition thereof, such assets under clause (2) or the assets of such Person, the Capital Stock of which was acquired under clause (3) are pledged as Collateral, to secure the Notes on a First Lien basis, under the Security Documents substantially simultaneously with such sale or disposition; and

(c) the proceeds of such Asset Sale are applied pursuant to the second immediately succeeding paragraph below;

provided that for the purpose of this covenant, (i) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee will be deemed to be cash or Cash Equivalents to the extent, and in the amount, that they are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days of the receipt thereof (subject to ordinary settlement periods); (ii) any Designated Non-cash Consideration received by the Company or such Restricted Subsidiary in such Asset Sale having an aggregate fair market value, taken together with all other Designated Non-cash Consideration received pursuant to this clause (ii) that is at that time outstanding, not to exceed $25.0 million, will be deemed to be cash or Cash Equivalents; and (iii) the Fair Market Value of the discharge of any Lien in connection with a foreclosure will be deemed to be the price received in connection with such foreclosure.

The Company and one or more Restricted Subsidiaries, as the case may be, may apply within 360 days of any Asset Sale or 180 days of any Event of Loss an amount equal to the Net Cash Proceeds from any such Asset Sale or Event of Loss to, at its option:

(a) prepay, repay or purchase any (i) Indebtedness constituting First-Out Obligations (and in the case of revolving obligations, to correspondingly reduce commitments with respect thereto), (ii) Indebtedness constituting First Lien Obligations (and in the case of revolving obligations, to correspondingly reduce commitments with respect thereto); *provided* that if the Company or any Restricted Subsidiary shall so reduce Indebtedness constituting First Lien Obligations (other than the Notes), the Company will equally and ratably reduce First Lien Obligations under the Notes by making an offer (in accordance with the procedures set forth below for an Asset Sale/Event of Loss Offer) to all holders of Notes to purchase (at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional interest, if any) the pro rata principal amount of Notes, or (iii), in the case of an Asset Sale of an asset that did not constitute Collateral immediately prior to its disposition, Indebtedness of the Company or a Restricted Subsidiary that was secured by such disposed asset;

(b) in the case of an Asset Sale, purchase or enter into a binding contract to purchase:

(1) assets (other than current assets as determined in accordance with IFRS or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business; or

(2) Capital Stock of a Person engaged in a Permitted Business that will become, upon purchase, a Restricted Subsidiary;

in each case, from a Person other than the Company and its Restricted Subsidiaries; *provided* that if the asset being sold or otherwise disposed was Collateral immediately prior to the sale or disposition thereof, such asset under clause (1) or the asset of such Person, the Capital Stock of which was acquired under clause (2) shall become Collateral;

(c) in the case of an Asset Sale, to make Capital Expenditures; *provided* that if the asset disposed of constituted Collateral immediately prior to its disposition, such Capital Expenditures shall be made on an asset that is part of the Collateral; or

(d) in the case of an Event of Loss, to Restore or replace, or enter into a binding commitment to Restore or replace, the related Drilling Rig, which in the case of the replacement of a Collateral Drilling Rig, such replacement Drilling Rig shall be required to be a Collateral Drilling Rig upon the acquisition thereof;

provided that, in the case of clauses (b)(2) and (d) above, a binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment so long as the Company or such Restricted Subsidiary enters into such commitment with the good faith expectation that such Net Cash Proceeds will be applied to satisfy such commitment within 180 days of the date of such Asset Sale or Event of Loss, as the case may be, and such Net Proceeds are actually applied in such manner within the later of 360 days from the consummation of the Asset Sale or the Event of Loss and 180 days from the date of such binding commitment, and, in the event any binding commitment is later cancelled or terminated for any reason before the Net Cash Proceeds are applied in connection therewith, then such Net Cash Proceeds shall be applied pursuant to this covenant within 90 days of such cancellation or termination.

Notwithstanding the foregoing, if an Asset Sale or Event of Loss is the result of an involuntary expropriation, nationalization, taking or similar action by or on behalf of any Governmental Authority, such Asset Sale or Event of Loss need not comply with clauses (a) and (b) of the first paragraph of this covenant. In addition, the proceeds of any such Asset Sale shall not be deemed to have been received (and the applicable period in which to apply any Net Cash Proceeds shall not begin to run) until the proceeds to be paid by or on behalf of the Governmental Authority have been paid in cash to the Company or the Restricted Subsidiary making such Asset Sale or Event of Loss and if any litigation, arbitration or other action is brought contesting the validity of or any other matter relating to any such expropriation, nationalization, taking or other similar action, including the amount of the compensation to be paid in respect thereof, until such litigation, arbitration or other action is finally settled or a final judgment or award has been entered and any such judgment or award has been collected in full.

On the Asset Sale/Event of Loss Offer Payment Date, the Company shall, to the extent lawful:

(A) accept for payment all Notes or portions thereof properly tendered to the depositary and applicable Paying Agent appointed by the Company, and not withdrawn pursuant to the Asset Sale/Event of Loss Offer;

(B) deposit with the applicable Paying Agent funds in an amount equal to the Asset Sale/Event of Loss Offer Amount in respect of all Notes or portions thereof so tendered and not withdrawn; and

(C) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

To the extent there are any remaining Net Cash Proceeds that have not been applied as described in clauses (a) through (d) of the third preceding paragraph within the applicable period, the Company will make an offer to purchase Notes (an "**Asset Sale/Event of Loss Offer**"), at a purchase price equal to 100% of the principal amount of the Notes to be purchased, plus accrued and unpaid interest to, but excluding, the date of purchase. The Company will purchase pursuant to an Asset Sale/Event of Loss Offer from all tendering holders on a *pro rata* basis, and, at the Company's option, on a *pro rata* basis with the holders of any Senior Indebtedness with similar provisions requiring the Company to offer to purchase such obligations with the proceeds of Asset Sales or Event of Loss (*provided* that, in the event any Collateral was the subject of such Asset Sale or Event of Loss, on a *pro rata* basis only with the holders of any First-Out Obligations and First Lien Obligations subject to the terms of the Priority Intercreditor Agreement) that principal amount (or accreted value in the case of Indebtedness issued with original issue discount) to be purchased equal to such remaining Net Cash Proceeds. The Company may satisfy its obligations under this covenant with respect to the remaining Net Cash Proceeds of an Asset Sale or Event of Loss by making an Asset Sale/Event of Loss Offer prior to the expiration of the relevant period.

Notwithstanding the foregoing, the Company may defer an Asset Sale/Event of Loss Offer until there is an aggregate amount of remaining Net Cash Proceeds from one or more Asset Sales or Event of Loss equal to or in excess of U.S.$25.0 million (or the equivalent in other currencies). At that time, the entire amount of remaining Net Cash Proceeds, and not just the amount in excess of U.S.$25.0 million (or the equivalent in other currencies), will be applied as required pursuant to this covenant.

Each notice of an Asset Sale/Event of Loss Offer will be provided to the Holders within 30 days following the end of the applicable period described above, with a copy to the Trustee, offering to purchase the Notes as described above. Each notice of an Asset Sale/Event of Loss Offer will state, among other things, the purchase date, which must be no earlier than 10 days nor later than 60 days from the date the notice is mailed, other than as may be required by law (the "**Asset Sale/Event of Loss Offer Payment Date**"). Upon receiving notice of an Asset Sale/Event of Loss Offer, Holders may elect to tender their Notes in whole or in part in integral multiples of U.S.$1,000 in exchange for cash; *provided* that the principal amount of such tendering Holder's Note shall not be less than U.S.$200,000.

To the extent holders of First-Out Obligations, First Lien Obligations or other obligations of Senior Indebtedness, if any, which are the subject of an Asset Sale/Event of Loss Offer properly tender and do not withdraw their Notes or the other Senior Indebtedness in an aggregate amount exceeding the amount of remaining Net Cash Proceeds, the Company will purchase the First-Out Obligations, First Lien Obligations and other obligations of Senior Indebtedness, if any, on a *pro rata* basis (based on amounts tendered) as set forth above. If only a portion of a Note is purchased pursuant to an Asset Sale/Event of Loss Offer, a new Note in a principal amount equal to the portion thereof not purchased will be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate).

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws in connection with the purchase of Notes pursuant to an Asset Sale/Event of Loss Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the "Asset Sale" or "Event of Loss" provisions of the Indenture, the Company will comply with these laws and regulations and will not be deemed to have breached its obligations under the "Asset Sale" or "Event of Loss" provisions of the Indenture by doing so. If it would be unlawful in any jurisdiction to make an Asset Sale/Event of Loss Offer, the Company will not be obligated to make such offer in such jurisdiction and will not be deemed to have breached its obligations under the Indenture by doing so.

Upon completion of an Asset Sale/Event of Loss Offer, the amount of remaining Net Cash Proceeds will be reset at zero. Accordingly, to the extent that the aggregate amount of Notes and other Indebtedness tendered pursuant to an Asset Sale/Event of Loss Offer is less than the aggregate amount of remaining Net Cash Proceeds, the Company may use any remaining Net Cash Proceeds in any manner not otherwise prohibited by the Indenture.

Limitation on Designation of Unrestricted Subsidiaries

The Company may designate after the Closing Date any Subsidiary of the Company or any Subsidiary thereof as an "Unrestricted Subsidiary" under the Indenture (a "**Designation**") only if:

(1) no Default or Event of Default shall have occurred and be continuing at the time of, or after giving effect to, such Designation; and

(2) the Company would be permitted to make an Investment at the time of Designation (assuming the effectiveness of such Designation and treating such Designation as an Investment at the time of Designation) as a Permitted Investment pursuant to clause (12) of the definition of "Permitted Investment" in an amount (the "**Designation Amount**") equal to the amount of the Company's Investment in such Subsidiary on such date (as determined in accordance with the second paragraph of the definition of "Investment").

Neither the Company nor any Restricted Subsidiary will at any time provide credit support for, subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary) to the satisfaction of, or Guarantee, any Indebtedness of any Unrestricted Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness) or be directly or indirectly liable for any Indebtedness of any Unrestricted Subsidiary unless such credit support or Indebtedness was permitted to be Incurred as Indebtedness under the covenant "—Limitations on Incurrence of Additional Indebtedness" or made as an Investment under the covenant "—Limitation on Restricted Payments."

The Company may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (a "**Revocation**") only if:

(1) no Default or Event of Default shall have occurred and be continuing at the time of or after giving effect to such Revocation; and

(2) all Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Revocation would, if Incurred at such time, be permitted to be Incurred pursuant to the Indenture.

The Designation of a Subsidiary of the Company as an Unrestricted Subsidiary shall be deemed to include the Designation of all of the Subsidiaries of such Subsidiary. All Designations and Revocations must be evidenced by an Officer's Certificate of an Officer of the Company authorized by the Board of Directors of the Company to designate Unrestricted Subsidiaries; *provided* that such Officer's Certificate is deemed an action of the Board of Directors. Such Officer's Certificate shall be delivered to the Trustee certifying compliance with the preceding provisions.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(a) Except as provided in paragraph (b) below, the Company will not, and will not cause or permit any of its Restricted Subsidiaries to create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on or in respect of its Capital Stock to the Company or any other Restricted Subsidiary or pay any Indebtedness owed to the Company or any other Restricted Subsidiary;

(2) make loans or advances to the Company or any other Restricted Subsidiary (it being understood that the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances); or

(3) transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(b) Paragraph (a) above will not apply to encumbrances or restrictions existing under or by reason of:

(1) applicable law, rule, regulation or order (including, without limitation, (i) by any national stock exchange on which any Restricted Subsidiary has its Capital Stock listed and (ii) pursuant to any fiduciary obligations imposed by law);

(2) the Indenture, the Notes, the Note Guarantees or the Security Documents;

(3) the terms of any Indebtedness or other agreement existing on the Closing Date and any extensions, renewals, replacements, amendments or refinancings thereof; *provided*, that such extension, renewal, replacement, amendment or refinancing is not, taken as a whole, materially more restrictive with respect to such encumbrances or restrictions than those in existence on the Closing Date;

(4) customary non-assignment provisions in contracts, agreements, leases, permits and licenses;

(5) restrictions with respect to a Restricted Subsidiary of the Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary; *provided*, that such restrictions apply solely to the Capital Stock or assets of such Restricted Subsidiary being sold;

(6) customary restrictions imposed on the transfer of copyrighted or patented materials;

(7) Purchase Money Indebtedness and Capitalized Lease Obligations for assets acquired in the ordinary course of business that impose encumbrances and restrictions only on the assets so acquired or subject to lease;

(8) customary provisions restricting the ability of any Restricted Subsidiary to undertake any action described in paragraph (a) above in a joint venture or other similar agreement that was entered into in the ordinary course of business;

(9) any agreement governing Acquired Indebtedness, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired;

(10) Liens permitted to be Incurred under the provisions of the covenant described "—*Limitation on Liens*" and that limit the right of the Company or any Restricted Subsidiary to dispose of the assets subject to any Permitted Lien;

(11) restrictions on cash or other deposits or net worth imposed by customers under contracts or other arrangements entered into or agreed to in the ordinary course of business;

(12) with respect to any agreement governing Indebtedness of any Restricted Subsidiary that is permitted to be Incurred by the covenant described under the heading "—Limitation on Incurrence of Additional Indebtedness" and any extensions, renewals, replacements, amendments or refinancings thereof; *provided* that (i) the encumbrance or restriction is not materially more disadvantageous to the holders of the Notes than is customary in comparable financings at such time and (ii) the Company determines that on the date of the Incurrence of such Indebtedness, that such encumbrance or restriction would not be expected to materially impair the Company's ability to make principal or interest payments on the Notes; *provided*, *further*, that such extension, renewal, replacement, amendment or refinancing is not, taken as a whole, materially more restrictive with respect to such encumbrances or restrictions than those in existence in such agreement being extended, renewed, amended or refinanced; and

(13) Refinancing Indebtedness; *provided*, that the restrictions contained in the agreements governing such Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being Refinanced.

Limitation on Liens

The Company covenants and agrees that it will not and will not cause or permit any Restricted Subsidiary to Incur any Liens to secure any Indebtedness (except for Permitted Liens) against or upon any of their properties or assets whether owned on the Closing Date or acquired after the Closing Date, or any proceeds therefrom.

For purposes of determining compliance with this "Liens" covenant, in the event that a Lien meets the criteria of more than one of the categories of Permitted Liens, or is entitled to be created, Incurred or assumed pursuant to this covenant, the Company will be permitted to classify such Lien on the date of its creation, Incurrence or assumption, or later reclassify all or a portion of such Lien, in any manner that complies with this covenant.

Limitation on Merger, Consolidation and Sale of Assets

The Company will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Company is the surviving or continuing Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the Company's properties and assets (determined on a consolidated basis for the Company and its Restricted Subsidiaries), to any Person unless:

(a) either:

(1) the Company shall be the surviving or continuing corporation, or

(2) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and of the Company's Restricted Subsidiaries substantially as an entirety (the "**Surviving Entity**"):

(A) shall be an entity organized or incorporated, as applicable, and validly existing under the laws of (i) the Grand Duchy of Luxembourg, (ii) the United States of America, any State thereof or the District of Columbia, (iii) the Federative Republic of Brazil, (iv) the British

Virgin Islands, (v) Panama, or (vi) any country which is a member country of the Organization for Economic Co-Operation and Development, and

(B) shall expressly assume, by supplemental indenture all of the obligations of the Company under the Indenture and the Notes;

(b) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including giving effect on a pro forma basis to any Indebtedness, including any Acquired Indebtedness, Incurred or anticipated to be Incurred in connection with or in respect of such transaction), the Company or such Surviving Entity, as the case may be, will be able to Incur at least U.S.$1.00 of additional Indebtedness pursuant to clause (a) of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness";

(c) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including, without limitation, giving effect on a pro forma basis to any Indebtedness, including any Acquired Indebtedness, Incurred or anticipated to be Incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred or be continuing; and

(d) the Company or the Surviving Entity has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture, comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to the transaction have been satisfied.

A Subsidiary Guarantor (other than a Subsidiary Guarantor whose Note Guarantee is to be released in accordance with the terms of the Note Guarantee and the Indenture) will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Subsidiary Guarantor is the surviving or continuing Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties and assets of such Subsidiary Guarantor (determined on a consolidated basis for the Subsidiary Guarantor and its Restricted Subsidiaries), to any Person unless:

(x) either:

(1) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger (if other than the Subsidiary Guarantor) shall expressly assume all of the obligations of such Subsidiary Guarantor under its Note Guarantee, or

(2) the Net Cash Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Indenture; and

(y) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (x)(1) above (including, without limitation, giving effect on a pro forma basis to any Indebtedness, including any Acquired Indebtedness, Incurred or anticipated to be Incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred or be continuing.

The provisions of this covenant above will not apply to any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of properties and assets, of any Restricted Subsidiary to the Company or any Subsidiary Guarantor or any consolidation or merger among Subsidiary Guarantors. The provisions of clauses (b) and (c) above will not apply to any merger of the Company into a Wholly-owned Subsidiary of the Company.

Notwithstanding any other provision of this covenant, nothing herein shall restrict the Company's ability to consummate the Merger. Upon consummation of the Merger, the Company will deliver to the Trustee one or more Opinions of Counsel that (a) the supplemental indenture to the Indenture pursuant to which Constellation assumes the obligations of the Escrow Issuer under the Indenture has been duly authorized, executed and delivered by the Company and (b) that the Indenture, as so supplemented, constitutes a valid and legally binding obligation of the Company in accordance with its terms.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries in accordance with this covenant, in which the Company is not the continuing Person, the Surviving Entity formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise, without limitation, every right and power of, the Company under the Indenture and the Notes with the same effect as if such Surviving Entity had been named as such. Upon such substitution, unless the successor is one or more of the Company's Restricted Subsidiaries, the Company will be automatically released from its obligations under the Indenture. For the avoidance of doubt, compliance with this covenant will not affect the obligations of the Company (including a Surviving Entity, if applicable) under "—Change of Control," if applicable.

Limitation on Transactions with Affiliates

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to enter into any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) involving aggregate consideration in excess of U.S.$10.0 million (or equivalent in other currencies) with, or for the benefit of, any of its Affiliates (each, an "**Affiliate Transaction**"), unless:

(1) the terms of such Affiliate Transaction are no less favorable in all material respects to the Company or the applicable Restricted Subsidiary than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of the Company; and

(2) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of U.S.$25.0 million (or the equivalent in other currencies), the terms of such Affiliate Transaction will be approved by a majority of the members of the Board of Directors of the Company (including a majority of the disinterested members thereof, but only to the extent there are disinterested members with respect to such Affiliate Transaction), the approval to be evidenced by a Board Resolution stating that the Board of Directors has determined that such transaction complies with the preceding provisions.

(b) Paragraph (a) above will not apply to:

(1) Affiliate Transactions with or among the Company and any Restricted Subsidiary or between or among Restricted Subsidiaries;

(2) reasonable fees and compensation paid to, and any indemnity provided on behalf of (and entering into related agreements with), officers, directors, employees, consultants or agents of the Company or any Restricted Subsidiary as determined in good faith by the Company's Board of Directors or senior management;

(3) any issuance or sale of Capital Stock of the Company;

(4) Affiliate Transactions undertaken pursuant to (i) any contractual obligations or rights in existence on the Closing Date or the Completion Date, and, in each case, described in this offering memorandum, (ii) any contractual obligation of any Restricted Subsidiary or any Person (in each case, that is not created in contemplation of such transaction) that is merged into the Company or any Restricted Subsidiary on the date such Person becomes a Restricted Subsidiary or is merged into the Company or any Restricted Subsidiary and (iii) any amendment or replacement agreement to the obligations and rights described in clauses (i) and (ii), so long as such amendment or replacement agreement is not more disadvantageous to the Holders in any material respect, taken as a whole, than the original agreement;

(5) (i) transactions with customers, clients, distributors, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and on market terms, or (ii) transactions with joint ventures or other similar arrangements entered into in the ordinary course of business, on market terms and consistent with past practice or industry norms;

(6) the provision of administrative services to any joint venture or Unrestricted Subsidiary on substantially the same terms provided to or by Restricted Subsidiaries;

(7) any Restricted Payments made in compliance with "—Limitation on Restricted Payments" and Permitted Investments permitted under the Indenture;

(8) loans and advances to officers, directors and employees of the Company or any Restricted Subsidiary for travel, moving and other relocation expenses, in each case made in the ordinary course of business and not exceeding U.S.$5.0 million outstanding at any one time; and

(9) the execution, delivery and performance of, and payments by any entity within the Constellation Group pursuant to any fiscal unity, profit and loss pooling, cash pooling, tax sharing arrangements or other agreements in respect of related taxes among any such entity within the Constellation Group on customary terms to the extent attributable to the ownership or operation of the Company and its Subsidiaries.

Conduct of Business

The Company and its Restricted Subsidiaries will not engage in any business other than a Permitted Business.

Additional Note Guarantees

The Company will cause each Restricted Subsidiary, other than an Excluded Subsidiary, within thirty (30) days of such Restricted Subsidiary no longer being an Excluded Subsidiary, in each case, to:

(1) execute and deliver to the Trustee a supplemental indenture in the form attached as an exhibit to the Indenture pursuant to which such Restricted Subsidiary shall, subject to applicable legal limitations, unconditionally guarantee all of the Company's obligations under the Notes and the Indenture;

(2) deliver to the Trustee one or more opinions of counsel that such supplemental indenture (a) has been duly authorized, executed and delivered by such Restricted Subsidiary and (b) constitutes a valid and legally binding obligation of such Restricted Subsidiary in accordance with its terms; and

(3) execute and deliver to the Collateral Agent (x) a supplement to the Intercreditor Agreements pursuant to which such Restricted Subsidiary will, subject to applicable legal limitations, be subject to the terms of such Intercreditor Agreements and (y) such other Security Documents as described in "—Further Assurances."

Notwithstanding the foregoing, (i) such Subsidiary Guarantor's guarantee of the Company's obligations under the Notes and the Indenture will be limited to the maximum amount that (1) would not render such Subsidiary's obligations subject to avoidance under any applicable laws, including, without limitation, applicable fraudulent conveyance provisions of any such applicable laws, or (2) would not result in a breach or violation by such Subsidiary Guarantor of any provision of any then-existing agreement to which it is party, including any agreements entered into in connection with the acquisition or creation of such Subsidiary Guarantor; *provided* that such prohibition was not adopted to avoid guaranteeing the Notes, and (ii) such Subsidiary Guarantor shall not be required to execute any such supplemental indenture if the execution or enforcement of such supplemental indenture and the resultant guarantee thereunder (A) is prohibited by, or in violation of, any applicable law to which such Subsidiary Guarantor is subject or (B) would require a governmental (including regulatory) consent, approval, license or authorization; *provided* that such violation cannot be prevented or such consent, approval, license or authorization cannot be obtained, as applicable, using commercially reasonable efforts. For the avoidance of doubt, the failure by any Subsidiary Guarantor to satisfy the requirements set forth in clauses (1) and (2) above due to the limitations set forth in the immediately preceding sentence will not be deemed to be a breach of the Company's or the Subsidiary Guarantors' obligations under the Indenture or the Notes or result in a Default or an Event of Default thereunder.

Notwithstanding the immediately preceding paragraph, if a Subsidiary Guarantor otherwise required to provide a guarantee of the Notes is no longer prevented by applicable law or by any agreement to which it is a party from guaranteeing the Notes, the Company will promptly cause such Subsidiary Guarantor to provide a Note Guarantee in accordance with clauses (1) and (2) above.

Further Assurances

The Indenture and the Security Documents will provide that the Company will cause each Subsidiary Guarantor to, and each such Subsidiary Guarantor will do or cause to be done all acts and things that may be required by applicable law to assure and confirm that the Collateral Agent holds, for the benefit of the Notes and any other applicable Secured Party, duly created and enforceable and perfected First Liens upon all or a portion of the Collateral (including any property or assets that are acquired or otherwise become, or are required by any Security Document to become, Collateral after the Notes are issued), in each case, as contemplated by the Priority Intercreditor Agreement and the Security Documents.

Upon the reasonable request of the Collateral Agent at any time and from time to time, the Company and each of the applicable Subsidiary Guarantors will promptly execute, acknowledge and deliver such Security Documents, instruments, certificates, notices and other documents, and take such other actions as shall be reasonably required by applicable law, to create, perfect, protect, assure or enforce the First Liens and benefits intended to be conferred, in each case as contemplated by the Indenture, the Priority Intercreditor Agreement or Security Documents for the benefit of the holders of the Notes and any other applicable Secured Party.

In addition, the Company and such Subsidiary Guarantor shall:

(a) enter into the Security Documents, a joinder to the Priority Intercreditor Agreement and any amendments or supplements to the other Security Documents necessary in order to cause the Collateral Agent (for the benefit of the Trustee, the holders of the Notes and any other applicable Secured Party) to have valid and perfected First Liens on the applicable Collateral, subject to Permitted Liens;

(b) do, execute, acknowledge, deliver, record, file and register, as applicable, any and all acts, deeds, conveyances, security agreements, assignments, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments as may be required by applicable law so that the Collateral Agent (for the benefit of the Trustee, the holders of the Notes and any other applicable Secured Party) shall have valid and perfected First Liens on the applicable Collateral, subject to Permitted Liens;

(c) take such further action and execute and deliver such other documents specified in the Indenture, the Priority Intercreditor Agreement or the Security Documents or as otherwise may be required by applicable law to give effect to the foregoing; and

(d) deliver to the Trustee and the Collateral Agent an Opinion of Counsel that (i) such security documents, the joinder to the Priority Intercreditor Agreement and any other documents required to be delivered have been duly authorized, executed and delivered by the Company and such Subsidiary Guarantor and constitute legal, valid, binding and enforceable obligations of the Company and such Subsidiary Guarantor, subject to customary qualifications and limitations, and (ii) such security documents and the other documents entered into pursuant to this covenant create valid and perfected Liens on the Collateral covered thereby, subject to Permitted Liens and customary qualifications and limitations.

Reports to Holders

So long as any Notes remain outstanding:

(a) the Company will provide the Trustee with annual consolidated financial statements audited by an internationally recognized firm of independent public accountants within one hundred and twenty (120) days after the end of the Company's fiscal year, and, commencing with the first full quarter after the Closing Date, unaudited quarterly financial statements (including a balance sheet, income statement and cash flow statement for the fiscal quarter then ended and the corresponding fiscal quarter from the prior year, except that the comparison of the balance sheet will be as of the end of the previous fiscal year) within sixty (60) days (ninety (90) days in the case of the fiscal quarter ending on March 31, 2025) of the end of each of the first three fiscal quarters of each fiscal year. Such annual and quarterly financial statements will be prepared in accordance with IFRS and will be in English;

(b) the Company will deliver to the Trustee copies (including English translations of documents prepared in another language) of all public filings made with any securities exchange or securities regulatory agency or authority within thirty (30) business days of such filing;

(c) the Company will make available, upon request, to any Holder and any prospective purchaser of Notes the information required pursuant to Rule 144A(d)(4) under the Securities Act; and

(d) following delivery (or, if later, required delivery) of financial statements pursuant to clause (a) above, the Company shall host, at times selected by the Company, quarterly conference calls with the Holders and beneficial owners of the Notes to review the financial results of operations and the financial condition of the Company and the Restricted Subsidiaries; it being understood and agreed that such conference calls may be a single conference call together with investors holding other securities or debt of the Company and/or Restricted Subsidiaries, so long as the Holders and beneficial owners of the Notes are given an opportunity to ask questions on such conference call.

If the Company files the reports described above with the SEC or makes such reports available on its website, it will be deemed to have satisfied the reporting requirement set forth in such applicable clause.

Delivery of these reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of any of those will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

Maintenance of Insurance

The Company shall maintain, with financially sound and reputable insurance companies, Protection and Indemnity ("**P&I**") and Hull and Machinery ("**H&M**") insurance for the Collateral Drilling Rigs (subject to customary deductibles and retentions) in such amounts and against such risks as are customarily maintained by similarly situated companies engaged in the same or similar businesses operating in the same or similar locations or as is appropriate, as such customary industry practices change from time to time. The Company and the Subsidiary Guarantors shall, on or prior to the date falling sixty (60) days after the Completion Date, as may be extended by the Collateral Agent in its sole discretion, cause the Collateral Agent (on behalf of and for the benefit of the Secured Parties), to be named as certificate holder, mortgagee, loss payee or additional insured (or equivalent) on P&I and H&M insurance policies with respect to the Collateral Drilling Rigs, as applicable, in the format customary for the applicable market.

On or prior to the date falling sixty (60) days after the Completion Date, as may be extended by the Collateral Agent in its sole discretion, the Company shall deliver to the Collateral Agent an Officer's Certificate stating that the Collateral Agent, in accordance with this covenant, has been named as certificate holder, mortgagee, loss payee or additional insured (or equivalent) on P&I and H&M insurance policies or endorsements with respect to the Collateral Drilling Rigs in place as of immediately prior to the Completion Date.

Notwithstanding the foregoing, self-insurance by the Company or any Subsidiary, through deductibles, self-insured retentions or coinsurance, coverage placed through captive insurance or otherwise, will not be deemed a violation of this covenant so long as such self-insurance is reasonable and prudent considering the Company's and the Subsidiary Guarantors' business, properties and loss history, applicable governmental requirements, and applicable customary industry practices (including without limitation those in connection with deep water operations), in each case as they change from time to time; *provided* that any proceeds of any insurance coverage placed through a captive insurer shall be treated in the same manner as the proceeds of insurance maintained with an insurance company. The Company may maintain its Subsidiary Guarantors' insurance on behalf of them.

Rating

The Company and the Subsidiary Guarantors shall obtain credit ratings of the Notes from two (2) of the Rating Agencies by the Completion Date, or as soon as reasonably practicable to obtain such ratings from two (2) of the Rating Agencies, and shall use commercially reasonable efforts to maintain a credit rating of the Notes from two (2) Rating Agencies.

Collateral Drilling Rig Flag

The Company will not, and will not permit any Restricted Subsidiary to (i) change the registered owner, name, or official number, as the case may be, of a Collateral Drilling Rig, or (ii) change the registered flag of a Collateral Drilling Rig other than to Norway, the Republic of the Marshall Islands or Panama; *provided* that, substantially concurrently with any such change, the Company or relevant Restricted Subsidiary has delivered to the Collateral Agent and the Trustee, Security Documents providing for duly created, enforceable and perfected First Lien on such Collateral Drilling Rig following such change.

Calculations

For purposes of the definitions of Consolidated Net Leverage Ratio and Consolidated Fixed Charge Coverage Ratio, Consolidated Total Net Indebtedness and Consolidated EBITDA will be calculated after giving effect on a *pro forma* basis in good faith for the period of such calculation for the following:

(1) the Incurrence, repayment or redemption of any Indebtedness (including Acquired Indebtedness) of such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Company), and the application of the proceeds thereof, including the Incurrence of any Indebtedness (including Acquired Indebtedness), and the application of the proceeds thereof, giving rise to the need to make such determination, occurring during such period or at any time subsequent to the last day of such period and prior to or on such date of determination, to the extent, in the case of an Incurrence, such Indebtedness is outstanding on the date of determination, as if such Incurrence, and the application of the proceeds thereof, repayment or redemption occurred on the first day of such period; and

(2) any Asset Sale Transaction or Asset Acquisition by such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Company), including any Asset Sale or Asset Acquisition giving rise to the need to make such determination, occurring during such period or at any time subsequent to the last day of such period and prior to or on such date of determination, as if such Asset Sale Transaction or Asset Acquisition occurred on the first day of such period.

For purposes of making such *pro forma* computation:

(a) the amount of Indebtedness under any revolving credit facility will be computed based on the average daily balance of such Indebtedness during such period or if such facility was created after the end of such period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation, in each case giving pro forma effect to any borrowings related to any transaction referred to in clause (2) above;

(b) if any Indebtedness bears a floating rate of interest and the effects of such Indebtedness are to be calculated on a pro forma basis, the interest expense related to such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any interest rate agreement applicable to such Indebtedness if such interest rate agreement has a remaining term as at the date of determination in excess of twelve months); and

(c) the pro forma calculations will be determined in good faith by a responsible financial or accounting officer of the Company.

Covenant Suspension

If on any date following the Closing Date (a) the Notes have an Investment Grade Rating from any two Rating Agencies, and (b) no Default or Event of Default has occurred and is continuing (the occurrence of the events described in the foregoing clauses (a) and (b) being collectively referred to as a "**Covenant Suspension Event**"), the Company and its Restricted Subsidiaries will not be subject to the following covenants (collectively, the "**Suspended Covenants**"):

(1) "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness";

(2) "—Certain Covenants—Limitation on Restricted Payments";

(3) "—Certain Covenants—Limitation on Asset Sales";

(4) "—Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(5) clause (b) of the first paragraph of "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets";

(6) "—Certain Covenants—Limitation on Transactions with Affiliates"; and

(7) "—Certain Covenants—Additional Note Guarantees."

In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the "**Reversion Date**"), the Notes cease to have an Investment Grade Rating from any two Rating Agencies, then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. The period of time between the occurrence of a Covenant Suspension Event and the Reversion Date is referred to as the "**Suspension Period**." Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with any of the Suspended Covenants during the Suspension Period (or upon termination of the Suspension Period or after that time based solely on events that occurred during the Suspension Period).

On the Reversion Date, all Indebtedness incurred during the Suspension Period will be classified to have been incurred pursuant to paragraph (a) of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" or one of the clauses set forth in paragraphs (1) through (17) of paragraph (b) of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" (to the extent such Indebtedness would be permitted to be incurred thereunder as of the Reversion Date and after giving effect to the Indebtedness incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness would not be permitted to be incurred pursuant to "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness," such Indebtedness will be deemed to have been outstanding on the Closing Date, so that it is classified as permitted under clause (2) of paragraph (b) of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness." The Company shall provide the Trustee and the holders of the Securities with a notice of suspension or reinstatement of covenants within five Business Days of such occurrence. In the absence of such notice, the Trustee shall be entitled to assume no such suspension or reinstatement has occurred.

We cannot assure you that the Notes will achieve or maintain Investment Grade Ratings.

Substitution of the Issuer

The Company may, without the consent of any holder of the Notes, be substituted by any (i) Wholly-owned Subsidiary of the Company or (ii) direct or indirect parent of the Company, of which the Company is a Wholly-owned subsidiary (in that capacity, the "**Substituted Debtor**"); *provided*, that the following conditions are satisfied:

(1) such documents will be executed by the Substituted Debtor, the Company, the Subsidiary Guarantors and the Trustee as may be necessary to give full effect to the substitution, including a supplemental indenture under which: (i) the Substituted Debtor assumes all of the Company's payment obligations under the Indenture and the Notes and assumes, jointly and severally with the Company, all of the Company's other obligations under the Indenture and the Notes; (ii) the Company fully, unconditionally and irrevocably guarantees (the Company thereafter, the "**Substituted Guarantor**") in favor of each Holder all of the obligations of the Substituted Debtor under the Indenture and the Notes, including the payment of all sums payable under the Indenture and the Notes by the Substituted Debtor as such principal debtor; (iii) each Subsidiary Guarantors' Note Guarantee remains in full force and effect guaranteeing the obligations of the Substituted Debtor and the covenants, events of default and other obligations other than the Substituted

Debtor's payment obligations continue to apply to the Company and its current and future Restricted Subsidiaries in respect of the Notes to the same extent such provisions applied prior to such substitution as if no such substitution had occurred, it being the intent that the rights of the Holders in respect of the Notes be unaffected by the substitution (the "**Issuer Substitution Documents**");

(2) if the Substituted Debtor is organized in a jurisdiction other than the Grand Duchy of Luxembourg, the Issuer Substitution Documents will contain a provision (i) to ensure that each Holder has the benefit of a covenant in terms corresponding to the obligations of the Company in respect of the payment of additional amounts (but including also such other jurisdiction as a Relevant Taxing Jurisdiction); and (ii) to indemnify and hold harmless each Holder and beneficial owner of the Notes against all taxes or duties imposed by the jurisdiction in which the Substituted Debtor is organized and which arise by reason of a law or regulation in effect on the effective date of the substitution, which may be incurred or levied against such Holder or beneficial owner of the Notes as a result of the substitution and which would not have been so incurred or levied had the substitution not been made;

(3) the Issuer Substitution Documents will contain a provision that the Substituted Debtor and the Company will indemnify and hold harmless each Holder and beneficial owner of the Notes against all taxes or duties which are imposed on such Holder or beneficial owner of the Notes by any political subdivision or taxing authority of any country in which such Holder or beneficial owner of the Notes resides or is subject to any such tax or duty and which would not have been so imposed had the substitution not been made;

(4) the Company will deliver, or cause the delivery, to the trustee of Opinions of Counsel in the United States and in the country of incorporation of the Substituted Debtor as to the validity, legally binding effect and enforceability of the Issuer Substitution Documents, as well as an Officer's Certificate as to compliance with the provisions described under this section;

(5) the Substituted Debtor will appoint a process agent in the Borough of Manhattan in The City of New York to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes, the indenture and the Issuer Substitution Documents;

(6) no Event of Default has occurred and is continuing; and

(7) the substitution will comply with all applicable requirements under the laws of the jurisdiction of organization of the Substitute Issuer and New York.

Upon the execution of the Issuer Substitution Documents, any substitute guarantees and compliance with the other conditions in the indenture relating to the substitution, the Substituted Debtor will be deemed to be named in the Notes as the principal debtor in place of the Company, assuming all rights, without limitation, and obligations of the Company, and the Company will be automatically released from its payment obligations as principal debtor under the Notes and the Indenture, but the Company shall continue to provide a Note Guarantee and remain subject to the covenants, events of default and other obligations other than the Substituted Debtor's payment obligations as principal debtor under the Notes and the Indenture to the same extent as if no substitution had occurred.

Not later than 10 business days after the execution of the Issuer Substitution Documents, the Substituted Debtor will give notice of the completion of such Substitution of the Issuer to the Holders.

Events of Default

The following are "**Events of Default**":

(1) default in the payment when due (whether at maturity, upon acceleration or redemption or otherwise) of the principal of or premium, if any, on any Notes, including the failure to make a required payment to purchase Notes pursuant to an optional redemption, Change of Control Offer or an Asset Sale/Event of Loss Offer;

(2) default for thirty (30) days or more in the payment when due of interest or Additional Amounts on any Notes;

(3) the failure to perform or comply with any of the provisions described under "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets";

(4) the failure by the Company or any Restricted Subsidiary to comply with any other covenant or agreement contained in the Indenture, the Notes, the Security Documents or the Intercreditor Agreements and the continuance of such default for forty-five (45) days or more after written notice to the Company from the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Notes;

(5) default by the Company or any Significant Subsidiary, which shall not have been cured or waived under any Indebtedness of the Company or such Significant Subsidiary:

(a) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness after the expiration of any applicable grace period provided in such Indebtedness on the date of such default; or

(b) results in the acceleration of such Indebtedness prior to its Stated Maturity;

and the principal or accreted amount of Indebtedness covered by (a) or (b) at the relevant time exceeds U.S.$40.0 million individually or in the aggregate (or the equivalent in other currencies) or more;

(6) failure by the Company or any Significant Subsidiary to pay one or more final, non-appealable judgments against any of them, aggregating U.S.$40.0 million (or the equivalent in other currencies) or more, which judgment(s) are not paid, discharged or stayed for a period of 60 days or more (and otherwise not covered by an insurance policy or policies issued by reputable and credit-worthy insurance companies);

(7) except as permitted by the Indenture, any Note Guarantee of a Significant Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Subsidiary Guarantor, or any Person acting on behalf of a Subsidiary Guarantor, denies or disaffirms its obligations under its Note Guarantee; *provided* that the Note Guarantee of a Subsidiary Guarantor becoming unenforceable or invalid as a result of a change in law shall not constitute an Event of Default under the Indenture;

(8) certain events of bankruptcy described in the Indenture affecting the Company any Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary;

(9) except as expressly permitted by the Indenture, the Priority Intercreditor Agreement and the Security Documents, any of the Security Documents shall for any reason cease to be in full force and effect and such default continues for 30 days or the Company shall so assert, or any security interest created, or purported to be created, by any of the Security Documents shall cease to be enforceable and such default continues for 30 days; and

(10) any of the Secured Parties shall cease to have or fail to be granted duly perfected First Liens on any Collateral pursuant to the terms of the applicable Security Document, including without limitation, as a result of the invalidation of any provision of any such Security Document or otherwise;

The Trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default unless written notice of such Default or Event of Default has been given to an authorized officer of the Trustee with direct responsibility for the administration of the indenture by the Company or any holder.

If an Event of Default (other than an Event of Default specified in clause (8) above with respect to the Company) shall occur and be continuing and has not been cured or waived, the Trustee or the Holders of at least 25%

in principal amount of outstanding Notes may declare the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the Notes to be immediately due and payable by notice in writing to the Company and the Trustee specifying the Event of Default and that it is a "notice of acceleration." If an Event of Default specified in clause (8) above occurs with respect to the Company, then the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after a declaration of acceleration with respect to the Notes as described in the preceding paragraph, the Holders of a majority in principal amount of the Notes may rescind and cancel such declaration and its consequences by written notice to the Company, if:

(1) the rescission would not conflict with any judgment or decree;

(2) all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;

(3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; and

(4) the Company has paid the Trustee its compensation and reimbursed the Trustee for its reasonable expenses, disbursements and advances.

No rescission will affect any subsequent Default or impair any rights relating thereto.

The Holders of a majority in principal amount of the Notes may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any Notes.

The Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the Holders, unless such Holders have offered to the Trustee indemnity and/or security reasonably satisfactory to it. Subject to all provisions of the Indenture and applicable law, the Holders of a majority in aggregate principal amount of the then outstanding Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

No Holder of any Notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless:

(1) a Holder gives to the Trustee written notice of a continuing Event of Default;

(2) Holders of at least 25% in principal amount of the then outstanding Notes make a written request to pursue the remedy;

(3) such Holders of the Notes provide to the Trustee indemnity and/or security satisfactory to it against any cost, liability or expense;

(4) the Trustee does not comply within 60 days after receipt of such notice and offer of indemnity and/or security; and

(5) during such 60-day period the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction which, in the opinion of the Trustee, is inconsistent with the request.

provided, that a Holder of a Note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such Note on or after the respective due dates expressed in such Note.

The Company is required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee as promptly as practicable (and in any event within five (5) business days) written notice of any event that constitutes a Default or Event of Default, their status and what action the Company is taking or proposes to take in respect thereof. In addition, the Company is required to deliver to the Trustee, within one hundred and thirty-five (135) days after the end of each fiscal year, an Officer's Certificate indicating whether the signer thereof knows of any Default or Event of Default that occurred during the previous fiscal year. The Indenture provides that if a Default or Event of Default occurs, is continuing and notice of such Default or Event of Default has been delivered to a responsible officer of the Trustee, the Trustee must deliver to each Holder notice of the Default or Event of Default within ninety (90) days after the date the Trustee has received written notice of the occurrence thereof. Except in the case of a Default or Event of Default in the payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of its trust officers in good faith determines that withholding notice is in the interests of the Holders.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have its obligations discharged with respect to the outstanding Notes ("**Legal Defeasance**"). Such Legal Defeasance means that the Company and the Subsidiary Guarantors will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes, and all of the Subsidiary Guarantors will be released from their obligations under the Note Guarantees, on the 91st day after the deposit specified in clause (1) of the second following paragraph, except for:

(1) the rights of Holders to receive payments in respect of the principal of, premium, if any, and interest (including Additional Amounts) on the Notes when such payments are due;

(2) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payments;

(3) the rights, powers, trust, duties and immunities of the Trustee, the paying agent, the registrar, the transfer agent and the listing agent and the Company's and each Subsidiary Guarantor's obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have its obligations and the Subsidiary Guarantor's obligations released with respect to certain covenants that are described in the Indenture ("**Covenant Defeasance**") and thereafter any omission to comply with such obligations will not constitute a Default or Event of Default with respect to the Notes, and all of the Subsidiary Guarantors will be released from their obligations under the Note Guarantees, following compliance by the Company and the Subsidiary Guarantors with the applicable conditions specified in the following paragraph. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, reorganization and insolvency events) described under "Events of Default" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders cash in U.S. dollars, certain direct non-callable obligations of, or guaranteed by, the United States, or a combination thereof, in such amounts as will be sufficient without reinvestment, in the opinion of a nationally recognized firm of independent public accountants or investment bank, to pay the principal of, premium, if any, and interest (including Additional Amounts) on the Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;

(2) in the case of Legal Defeasance, the Company must deliver to the Trustee an Opinion of Counsel from counsel in the United States independent of the Company stating that:

(a) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling; or

(b) since the Closing Date, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel shall state that, the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company must deliver to the Trustee an Opinion of Counsel from counsel in the United States reasonably acceptable to the Trustee stating that the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing on the date of the deposit pursuant to clause (1) of this paragraph (except any Default or Event of Default resulting from the failure to comply with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" as a result of the borrowing of the funds required to effect such deposit);

(5) the Company must deliver to the Trustee an Officer's Certificate stating that such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a Default under the Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(6) the Company must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or any Subsidiary of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others; and

(7) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel from counsel in New York, each stating that all applicable conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Satisfaction and Discharge

The Indenture (other than those provisions which by their express terms survive) will be satisfied and discharged and will cease to be of further effect as to all outstanding Notes when:

(1) either:

(a) all the Notes that have been authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has thereto for been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or

(b) all Notes not theretofore delivered to the Trustee for cancellation have become due and payable or will become due and payable at the stated date for payment thereof within one year or will be called for redemption within one year, and, in each case, the Company or any Restricted Subsidiary has irrevocably deposited or caused to be deposited with the Trustee funds or certain direct, non-callable obligations of, or guaranteed by, the United States sufficient without reinvestment to pay and discharge the entire Indebtedness on the Notes not thereto for delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment;

(2) the Company or any of its Restricted Subsidiaries have paid or caused to be paid all other sums payable under the Indenture and the Notes by it; and

(3) the Company has delivered to the Trustee an Officer's Certificate and Opinion of Counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Modification of the Indenture, Intercreditor Agreement, Security Documents or the Notes

From time to time, the Company, the Subsidiary Guarantors and the Trustee, without the consent of the Holders, may amend the Indenture, any Intercreditor Agreement, any Security Document or the Notes for certain specified purposes, including:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated notes in addition to or in place of certificated notes;

(3) to comply with the covenant described under the caption "Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets";

(4) to make any change that would provide any additional rights or benefits to Holders and that does not materially and adversely affect the legal rights under the Indenture of any Holder, including any change in a Security Document required for the perfection of the relevant document before the applicable registries and/or authorities;

(5) to evidence and provide for the acceptance of an appointment by a successor trustee or collateral agent;

(6) to add Guarantees with respect to the Notes;

(7) (A) to enter into additional or supplemental Security Documents or otherwise add Collateral for or further secure the Notes or any Note Guarantees or any other obligation under the Indenture or (B) to make, complete or confirm any grant of Collateral permitted or required by the Indenture or any of the Security Documents or any release, termination or discharge of Collateral that becomes effective as set forth in the Indenture or any of the Security Documents;

(8) to release a Subsidiary Guarantor as expressly provided in the Indenture;

(9) to add any First-Out Obligations, First Lien Obligations or obligations under any Subordinated Indebtedness, in each case, to the extent expressly permitted under the Indenture, to the Security Documents and the Intercreditor Agreements on the terms set forth therein, or otherwise in accordance with the terms of the Indenture, any Security Document or any Intercreditor Agreement;

(10) to enter into any "Deed of Quiet Enjoyment" or documentation of similar effect with respect to any Collateral Drilling Rig so long as such documentation is substantially in the form of the "Deed of Quiet Enjoyment" attached to the Indenture or in a form not materially and adversely worse to the interests of the Holders; or

(11) to conform the text of the Indenture, the Notes, the Note Guarantees or any Security Document to any provision of this "Description of the Notes," or, in respect of any Security Document, to any provision of the Indenture.

In connection with executing such amendment, the Trustee will be entitled to rely on such evidence as it deems appropriate, including solely on an Opinion of Counsel and Officer's Certificate. Other modifications and amendments of the Indenture, any Intercreditor Agreement, any Security Document or the Notes may be made with the written consent of the Holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes) issued under the Indenture, and any existing default or compliance with any provision of the Indenture, any Intercreditor Agreement, any Security Document or the Notes outstanding thereunder may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes); *provided* that, without the consent of each Holder affected thereby, no amendment or waiver may (with respect to any Notes held by a non-consenting Holder):

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, on any Notes;

(3) reduce the principal of or change or have the effect of changing the fixed maturity of any Note, or change the date on which any Note may be subject to redemption or repurchase, or reduce the redemption or purchase price therefor;

(4) amend, change or modify in any material respect the obligation of the Company to make and consummate a Change of Control Offer in respect of a Change of Control that has occurred or make and consummate an Asset Sale/Event of Loss Offer with respect to any Asset Sale that has been consummated;

(5) waive an Event of Default in the payment of principal of, premium, if any, or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes with respect to a nonpayment default and a waiver of the payment default that resulted from such acceleration and any definitions or provisions related thereto);

(6) make any Note payable in a currency or place of payment other than that stated in the Note;

(7) make any change in provisions of the Indenture entitling each Holder to receive payment of principal of, premium, if any, and interest on such Note on or after the due date thereof or to bring suit to enforce such payment;

(8) make any change in the provisions of the Indenture described under "Additional Amounts" that adversely affects the rights of any Holder;

(9) make any change to the provisions of the Indenture, any Security Documents, any Intercreditor Agreement or any Note that adversely affect the ranking of the Notes; *provided* that a change to the covenant "Limitation on Liens" shall not affect the ranking of the Notes; and

(10) release any Subsidiary Guarantor from any of its obligations under the Note Guarantees or the Indenture, except in accordance with the terms of the Indenture.

Notwithstanding anything herein to the contrary, without the consent of the Holders of at least 66 2/3% in principal amount of the Notes then outstanding, no amendment, supplement or waiver may release all or substantially all of the Collateral securing the Notes other than in accordance with the Indenture, the Priority Intercreditor Agreement and the Security Documents.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment, supplement or waiver. It is sufficient if such consent approves the substance of the proposed amendment, supplement or waiver. After an amendment, supplement or waiver under the Indenture becomes effective, the Company will be required to give notice to the Holders as provided under "—Notices" briefly describing such amendment, supplement or waiver. The failure to give such notice to all Holders, or any defect therein, will not impair or affect the validity of such amendment, supplement or waiver.

Notices

The Indenture will contain certain notice provisions, including notice requirements to the Trustee, the Holders of the Notes and, to the extent required, to the SGX-ST, or such other exchange on which the Notes may be listed. As long as Notes in global form are outstanding, notices to be given to holders will be given to the depositary, in accordance with its applicable policies as in effect from time to time. If the Company issues Notes in certificated form, notices to be given to holders will be sent by mail to the respective addresses of the holders as they appear in the registrar's records, and will be deemed given when mailed. For so long as any Notes are listed on the SGX-ST and the rules of such exchange require, the Issuer will publish all notices to holders in a newspaper with general circulation in Singapore, which is expected to be the Business Times (Singapore Edition). Any such notice shall be deemed to have been delivered on the date of first publication.

Neither the failure to give any notice to a particular holder of Notes, nor any defect in a notice given to a particular holder of Notes, will affect the sufficiency of any notice given to another holder of Notes.

Governing Law; Jurisdiction

The Indenture, the Notes and the Note Guarantees will be governed by, and construed in accordance with, the law of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby. The application of articles 470-1 to 470-19 (inclusive) of the Luxembourg law of 10 august 1915 on commercial companies, as amended, pertaining to, among others, the holding of a register of debt securities in registered form and the representation of holders of debt securities, is expressly excluded. Pursuant to the Indenture, the Company and the Subsidiary Guarantors will consent to the non-exclusive jurisdiction of the Federal and State courts located in The City of New York, Borough of Manhattan and will appoint an agent for service of process with respect to any actions brought in these courts arising out of or based on the Indenture, the Notes or the Note Guarantees.

The Trustee and the Collateral Agent

Global Loan Agency Services Limited will be appointed by the Company as the Trustee, Collateral Agent, paying agent and registrar with regard to the Notes. Upon resignation or removal of Global Loan Agency Services Limited pursuant to the Indenture, Global Loan Agency Services Limited will also resign as Collateral Agent, paying agent and registrar and the Company will appoint a new agent without prior notice to the Holders of the Notes, and the Company or any of its Subsidiaries may act as paying agent or registrar.

Except during the continuance of an Event of Default, the Trustee and the Collateral Agent will perform only such duties as are specifically set forth in the Indenture, the Intercreditor Agreements and the Security Documents. During the existence of an Event of Default, each of the Trustee and Collateral Agent will exercise such rights and powers vested in it by the Indenture, the Intercreditor Agreements and the Security Documents, and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

The Company may, without the consent of the Holders, remove the Trustee and/or Collateral Agent and appoint a successor trustee and/or collateral agent at any time for any reason as long as no Default or Event of Default has occurred and is continuing and the successor trustee and/or collateral agent maintains an office in the United States of America.

No Personal Liability

No past, present or future incorporator, director, officer, employee, shareholder or controlling person of the Company or the Subsidiary Guarantors, solely in such Person's capacity as such, will have any liability for any obligations of the Company or the Subsidiary Guarantors under the Notes, the Indenture or the Note Guarantees or for any claims based on, in respect of or by reason of such obligations. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the U.S. federal securities laws or under the corporate law of the Grand Duchy of Luxembourg or the British Virgin Islands, and it is the view of the SEC that such a waiver may be contrary to public policy.

Currency Indemnity

The Company and the Subsidiary Guarantors will pay all sums payable under the Indenture, the Notes or the Note Guarantees solely in U.S. Dollars. Any amount that any Person receives or recovers in a currency other than U.S. Dollars in respect of any sum expressed to be due to such Person from the Company or the Subsidiary Guarantors will only constitute a discharge to us to the extent of the U.S. Dollar amount which such Person is able to purchase with the amount received or recovered in that other currency on the date of the receipt or recovery or, if it is not practicable to make the purchase on that date, on the first date on which such Person is able to do so. If the U.S. Dollar amount is less than the U.S. Dollar amount expressed to be due such Person under any Note, the Company will indemnify such Person against any loss you sustain as a result. In any event, the Company or the Subsidiary Guarantors will indemnify such Person against the cost of making any purchase of U.S. Dollars. For the purposes of this paragraph, it will be sufficient for such Person to certify (with reasonable documentation) in a satisfactory manner that such Person would have suffered a loss had an actual purchase of U.S. Dollars been made with the amount received in that other currency on the date of receipt or recovery or, if it was not practicable to make the purchase on that date, on the first date on which you were able to do so. In addition, you will also be required to certify in a satisfactory manner the need for a change of the purchase date.

The indemnities described above:

- constitute a separate and independent obligation from the other obligations of the Company and the Subsidiary Guarantors;
- will give rise to a separate and independent cause of action;
- will apply irrespective of any indulgence granted by any Holder; and
- will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note.

Listing

The Company will make an application to the SGX-ST for permission to list the Notes on the SGX-ST. There can be no guarantee that the application to list the Notes on the SGX-ST will be approved as of the Closing Date or at any time thereafter, and the settlement of the Notes is not conditioned on obtaining this listing. The Company cannot provide any assurance that if such application is accepted, such listing will be maintained. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Admission to the SGX-ST is not to be taken as an indication of the merits of the notes or our company.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for the definitions of all such terms.

"**Acquired Indebtedness**" means Indebtedness of a Person or any of its Restricted Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Company or any of its Restricted Subsidiaries or is assumed in connection with the acquisition of assets from such Person. Such Indebtedness will be deemed to have been Incurred at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Company or a Restricted Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

"**Additional Amounts**" has the meaning set forth under "—Additional Amounts."

"**Affiliate**" means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"**Affiliate Transaction**" has the meaning set forth under "—Certain Covenants—Limitation on Transactions with Affiliates."

"**Asset Acquisition**" means:

(a) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person will become a Restricted Subsidiary, or will be merged with or into the Company or any Restricted Subsidiary; or

(b) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person (other than a Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business; or

(c) any Revocation with respect to an Unrestricted Subsidiary.

"**Asset Sale**" means any sale, disposition, issuance, conveyance, transfer, lease (other than operating leases entered into in the ordinary course of business), assignment or other transfer (other than a Lien or Sale and Leaseback Transaction incurred in accordance with the Indenture) (each, a "**disposition**"), by the Company or any Restricted Subsidiary of:

(a) any Capital Stock of any Restricted Subsidiary; or

(b) any property or assets (other than cash, Cash Equivalents or Capital Stock) of the Company or any Restricted Subsidiary not in the ordinary course of business;

provided that, in the case of (a) and (b), the sale, disposition, issuance, conveyance, transfer, lease, assignment or other transfer of all or substantially all of the assets of the Company and its Restricted Subsidiaries (including by way of a merger, amalgamation or consolidation) will be governed by the covenant described under "— Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets" and not by the provisions of the covenant described under "—Certain Covenants—Limitation on Asset Sales."

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(1) the disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries as permitted under "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets" or any disposition which constitutes a Change of Control;

(2) any transaction or series of related transactions involving assets with a Fair Market Value not in excess of U.S.$15.0 million;

(3) the sale, lease, sublease, license, sublicense, consignment, conveyance or other disposition of real property, capital assets or equipment, inventory, indefeasible right of uses, accounts receivable or other assets in the ordinary course of business;

(4) the making of a Restricted Payment permitted under "—Certain Covenants—Limitation on Restricted Payments" and any Permitted Investment;

(5) a disposition to the Company or a Restricted Subsidiary, including a Person that is or will become a Restricted Subsidiary immediately after the disposition; *provided* that if the transferor is the Company or a Subsidiary Guarantor, then either (i) the transferee must be either the Company or a Subsidiary Guarantor or (ii) to the extent constituting a disposition to a Restricted Subsidiary that is not a Subsidiary Guarantor, such disposition is for Fair Market Value; *provided*, *further* that in the case of a sale of Collateral, the transferee shall cause such amendments, supplements or other instruments to be executed, filed and recorded in such jurisdictions as may be required by applicable

law to preserve and protect the First Lien on the Collateral owned by or transferred to the transferee, together with such financing statements or comparable documents as may be required to perfect any security interests in such Collateral, which may be perfected by the filing of a financing statement or a similar document under the Uniform Commercial Code or other similar statute or regulation of the relevant states or jurisdictions;

(6) any disposition of the equipment (other than any Drilling Rig), inventory, products, services, accounts receivable or other properties or assets in the ordinary course of business, including dispositions of obsolete, damaged or worn out property or equipment or property or equipment that is no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries;

(7) a disposition of the Capital Stock of an Unrestricted Subsidiary;

(8) the sale or disposition of cash or Cash Equivalents;

(9) dispositions of receivables and related assets or interests in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(10) any issuance of Disqualified Capital Stock otherwise permitted under "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness";

(11) the settlement, compromise, release, dismissal or abandonment of any action or claims against any Person;

(12) the creation of a Permitted Lien;

(13) any grant of a non-exclusive license of trademarks, know-how, patents and any other intellectual property or intellectual property rights;

(14) the lapse or abandonment of intellectual property rights in the ordinary course of business;

"**Asset Sale/Event of Loss Offer**" has the meaning set forth under "—Certain Covenants—Limitation on Asset Sales."

"**Asset Sale Transaction**" means any disposition by the Company or any Restricted Subsidiary of any property or assets of the Company or any Restricted Subsidiary not in the ordinary course of business, including, without limitation, (1) any sale or other disposition of Capital Stock and (2) any Designation with respect to an Unrestricted Subsidiary.

"**Bareboat Charter Agreements**" means, as of any date of determination, the bareboat charter agreement in effect as of such date, between the Bareboat Charterer and any other Subsidiary of the Company, in order to charter a Drilling Rig, under bareboat terms, to the Bareboat Charterer, in connection with the Bareboat Charterer entering into a related Charter Agreement.

"**Bareboat Charterer**" means any Subsidiary of the Company acting as the bareboat charter operator under a Bareboat Charter Agreement as a bareboat charterer.

"**Board of Directors**" means, as to any Person, the board of directors, management committee or similar governing body of such Person or any duly authorized committee thereof; *provided* that, if such Person has a dual board structure, the term "Board of Directors" shall refer to the board body responsible for the oversight of the business operations of such Person unless the members of such body may be replaced by action taken by the other board body (a "senior board"), in which case the term "Board of Directors" shall refer to the senior board.

"**Board Resolution**" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary or an authorized signatory, as applicable, of such Person to have been duly adopted by the Board of Directors of such Person at a meeting of such Board of Directors, by written consent in lieu of such a meeting or otherwise and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"**Capital Expenditures**" means, for any Person, the aggregate amount of all expenditures of such Person for fixed or capital assets made during such period which, in accordance with IFRS, would be classified as capital expenditures; *provided* that costs incurred in connection with preparing offshore drilling rigs for commencing or further developing drilling operations pursuant to a contract shall constitute Capital Expenditures, regardless of the treatment of such costs under IFRS.

"**Capital Stock**" means:

(1) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person;

(2) with respect to any Person that is not a corporation, any and all partnership or other equity or ownership interests of such Person; and

(3) any warrants, rights or options to purchase or acquire any of the instruments or interests referred to in clause (1) or (2) above, but excluding Indebtedness convertible into equity.

"**Capitalized Lease Obligations**" means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under IFRS, including any refinancing of such obligations that does not increase the aggregate principal amount thereof on or about the date of refinancing. For purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with IFRS.

"**Cash Equivalents**" means, at any time, any of the following:

(1) Brazilian *reais*, United States dollars or money in other currencies that are readily convertible into United States dollars received in the ordinary course of business;

(2) direct obligations of, or unconditionally guaranteed by any country or a state thereof (or any agency or political subdivision thereof, to the extent such obligations are supported by the full faith and credit of the government of such country or a state thereof), maturing not more than one year after such time of purchase, that are rated A2 or higher by Moody's or A or higher by S&P;

(3) commercial paper maturing no more than one year from the date of purchase thereof and, at the time of acquisition, having a rating of at least A-2 from S&P or at least P-2 from Moody's;

(4) demand deposits, certificates of deposit, time deposits or bankers' acceptances maturing within one year from the date of acquisition thereof issued by (a) any bank organized under the laws of the United States of America or any state thereof or the District of Columbia, (b) any member State of the European Union, (c) any U.S. branch of a non-U.S. bank having at the date of acquisition thereof combined capital and surplus of not less than $250.0 million, (d) with respect to Cash Equivalents made by any Person whose principal place of business is in a jurisdiction other than the United States or such member state of the European Union, a bank operating in such other jurisdiction that either (A) has a long-term local currency rating of A2 or higher from Moody's, A or higher from S&P or A or higher from Fitch, or (B) is ranked (by any applicable governmental regulatory authority or by any reputable, non-governmental ranking organization) as one of the top three banks in such jurisdiction (ranked by total assets), or (e) any bank to the extent the Company or any of its Subsidiaries maintains any deposits with such bank in the ordinary course of business, so long as no such deposit is outstanding for longer than 14 days;

(5) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (1) above entered into with any bank meeting the qualifications specified in clause (3) above; and

(6) investments in money market funds which invest substantially all of their assets in securities of the types described in clauses (1) through (4) above.

"**Cash Interest**" has the meaning set forth under "—Principal, Maturity and Interest—Interest."

"**Change of Control**" means the occurrence of one or more of the following events:

(1) the consummation of any transaction (including without limitation, any merger or consolidation) the result of which is that any Person or Group (other than the Permitted Holders) is or becomes the beneficial owner (as defined below), directly or indirectly, in the aggregate of 50.0% or more of the total voting power of the Voting Stock of the Company (including a Surviving Entity, if applicable) unless the Permitted Holders beneficially own more, directly or indirectly, in the aggregate of the total voting power of the Voting Stock of the Company (including a Surviving Entity, if applicable) than such other Person or Group;

(2) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole to any Person other than to the Company or one of its Subsidiaries; or

(3) the approval by the holders of Capital Stock of the Company of any plan or proposal for the liquidation or dissolution of the Company other than in connection with any transaction in compliance with the covenant described under "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets"; *provided, however* that this clause will not be applicable to the Company merging with a Subsidiary Guarantor for the purpose of reincorporating the Company in another jurisdiction.

Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control under clause (a) above if (i) the Company becomes a direct or indirect Wholly-owned Subsidiary of an ultimate parent holding company and (ii) either (a) the direct or indirect holders of the Voting Stock of such ultimate parent holding company immediately following that transaction are substantially the same as the holders of the Company's Voting Stock immediately prior to that transaction or (b) immediately following that transaction, no "person" or "group" (each as defined in clause (a) above) is the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the ultimate parent holding company. In the event that there shall at any time be a Substituted Debtor pursuant to the "Substitution of the Issuer" provision, this definition shall be interpreted by the substitution of the "Substituted Guarantor" for the "Company." For purposes of this definition: (a) "**beneficial owner**" will have the meaning specified in Rules 13d-3 and 13d-5 under the Exchange Act; and (b) "**Person**" and "**Group**" will have the meanings for "person" and "group" as used in Sections 13(d) and 14(d) of the Exchange Act.

"**Change of Control Payment**" has the meaning set forth under "—Change of Control."

"**Change of Control Payment Date**" has the meaning set forth under "—Change of Control."

"**Change of Control Offer**" has the meaning set forth under "—Change of Control."

"**Change of Control Triggering Event**" means the occurrence of both a Change of Control and a Ratings Event.

"**Charter Agreement**" means any contractual arrangement for the hiring and chartering of a Drilling Rig, including but not limited to any intercompany Bareboat Charter Agreement.

"**Closing Date**" means the first date of issuance of Notes under the Indenture.

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended.

"**Collateral**" has the meaning set forth under "—Collateral."

"**Collateral Charter Agreement**" means any Charter Agreement with respect to a Collateral Drilling Rig.

"**Collateral Drilling Rig**" means (i) each of the *Gold Star* Drilling Rig, the *Lone Star* Drilling Rig, the *Atlantic-Star* Drilling Rig, the *Amaralina Star* Drilling Rig, the *Brava Star* Drilling Rig, the *Laguna Star* Drilling Rig, the *Alpha Star* Drilling Rig, and any replacement Drilling Rig of any of the foregoing and (ii) each Drilling Rig acquired by Constellation or any of its Subsidiaries after the Closing Date other than an Excluded Drilling Rig.

"**Common Stock**" of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common equity interests, whether outstanding on the Closing Date or issued after the Closing Date, and includes, without limitation, all series and classes of such common equity interests.

"**Comparable Treasury Issue**" has the meaning set forth under "Optional Redemption."

"**Comparable Treasury Price**" has the meaning set forth under "Optional Redemption."

"**Consolidated EBITDA**" means, for any Person for any period, Consolidated Net Income for such Person for such period, plus the following, without duplication, to the extent deducted in calculating such Consolidated Net Income:

(1) amounts attributable to amortization;

(2) income tax and franchise tax expense (to the extent based on such Person's income);

(3) Consolidated Interest Expense (including each component thereof, to the extent deducted in calculating Consolidated Net Income); and

(4) depreciation, depletion, impairment and abandonment of assets;

provided that the following shall be excluded from the calculation of Consolidated EBITDA (to the extent not already excluded from Consolidated Net Income):

(1) any gains and losses (whether cash or non-cash) on the sale of assets not in the ordinary course of business,

(2) other non-cash items (such other non-cash items to include realized or unrealized non-cash currency exchange gain or loss), and

(3) any extraordinary or non-recurring item or expense (whether cash or non-cash);

provided, further, that minority interests will be included in the calculation of Consolidated EBITDA (to the extent not already included in Consolidated Net Income).

"**Consolidated Fixed Charge Coverage Ratio**" means, with respect to any Person as of any date of determination, the ratio of (i) (x) the aggregate amount of Consolidated EBITDA for such Person for the four most recent full fiscal quarters for which financial statements are available ending prior to the date of such determination, *plus* (y) solely to the extent not already included in such Person's Consolidated EBITDA under clause (x), the aggregate amount received in cash and the fair market value, as determined in good faith by such Person, of marketable securities or other property received by means of a dividend, payment or distribution from an Unrestricted Subsidiary of such Person to (ii) Consolidated Fixed Charges for such four fiscal quarters.

"**Consolidated Fixed Charges**" means, for any period for any Person and its Restricted Subsidiaries (other than any Project Finance Subsidiary and any Excluded Bareboat Charterer Subsidiary) on a consolidated basis, the sum, without duplication, of, (a) Consolidated Interest Expense for such period, *plus* (b) Disqualified Capital Stock Dividends paid, accrued or scheduled to be paid or accrued during such period, whether or not in cash, excluding dividends paid in Qualified Capital Stock, *plus* (c) Preferred Stock Dividends paid, accrued or scheduled to be paid or accrued during such period, whether or not in cash, excluding dividends paid in Qualified Capital Stock.

"**Consolidated Interest Expense**" means, for any Person for any period, the sum of, without duplication determined on a consolidated basis in accordance with IFRS:

(1) the aggregate of cash and non-cash interest expense of such Person and its Subsidiaries (Restricted Subsidiaries (other than any Project Finance Subsidiary and any Excluded Bareboat Charterer Subsidiary) in the case of the Company) for such period determined on a consolidated basis, in all cases determined in accordance with IFRS, including, without limitation (whether or not interest expense in accordance with IFRS):

(a) any amortization or accretion of debt discount or any interest paid on Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries (other than any Project Finance Subsidiary and any Excluded Bareboat Charterer Subsidiary) in the case of the Company) in the form of additional Indebtedness, but excluding amortization of debt issuance costs, fees and expenses,

(b) any amortization of deferred financing costs,

(c) the net payments under Hedging Obligations (including amortization of fees),

(d) any amortization of capitalized interest,

(e) the interest portion of any deferred payment obligation,

(f) commissions, discounts and other fees and charges Incurred in respect of letters of credit or bankers' acceptances, and

(g) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Subsidiaries (Restricted Subsidiaries (other than any Project Finance Subsidiary and any Excluded Bareboat Charterer Subsidiary) in the case of the Company) or secured by a Lien on the assets of such Person or one of its Subsidiaries (Restricted Subsidiaries (other than any Project Finance Subsidiary and any Excluded Bareboat Charterer Subsidiary) in the case of the Company), whether or not such Guarantee or Lien is called upon; and

(2) the interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Subsidiaries (Restricted Subsidiaries (other than any Project Finance Subsidiary and any Excluded Bareboat Charterer Subsidiary) in the case of the Company) during such period;

provided, *however*, that any costs or expenses under Bareboat Charter Agreements shall not be considered for purposes of the determination of Consolidated Interest Expense, regardless of the treatment of such costs or expenses under IFRS.

"**Consolidated Net Income**" means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries for such period on a consolidated basis, determined in accordance with IFRS; *provided*, that there shall be excluded therefrom to the extent reflected in such aggregate net income (loss):

(1) the net income (or loss) of any Person that is (i) not a Restricted Subsidiary, (ii) accounted for by the equity method of accounting, except, in each case, to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person or (iii) a Project Finance Subsidiary or an Excluded Bareboat Charterer Subsidiary;

(2) any net after-tax extraordinary, non-recurring or unusual gains or losses (less all fees and expenses relating thereto), including any impairment or asset write-down;

(3) any net after-tax income or loss from disposed or discontinued operations and any net after-tax gains or losses on disposal of disposed or discontinued operations;

(4) any net after-tax gains or losses less all fees and expenses relating thereto attributable to Asset Sale Transactions or the sale or other disposition of any Capital Stock of any Person other than in the ordinary course of business, as determined in good faith by the Company;

(5) any unrealized gains and losses related to currency remeasurements of Indebtedness, and any unrealized net loss or gain resulting from hedging transactions for interest rates or currency exchange risk;

(6) the cumulative effect of changes in accounting principles; and

(7) any non-cash charges or expense (other than depreciation, depletion or amortization) and non-cash gains.

"**Consolidated Net Leverage Ratio**" means, with respect to any Person as of any date of determination, the ratio of the aggregate amount of Consolidated Total Net Indebtedness for such Person as of such date to Consolidated EBITDA for such Person for the four most recent full fiscal quarters for which financial statements are available ending prior to the date of such determination.

"**Consolidated Total Net Indebtedness**" means, with respect to any Person as of any date of determination, an amount equal to the aggregate amount (without duplication) of all Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) outstanding at such time *less* the sum of (without duplication) cash and Cash Equivalents and marketable securities of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) recorded as current assets (including the net proceeds from the issuance of the Notes so long as such proceeds are invested in cash and Cash Equivalents and/or marketable securities of the Company and the Restricted Subsidiaries recorded as current assets), except for any Capital Stock in any Person, in all cases determined in accordance with IFRS and as set forth in the most recent consolidated balance sheet of the Company and its Restricted Subsidiaries at the time of such determination.

"**Controlling Priority Lien Representative**" has the meaning set forth under "—Priority Intercreditor Agreement—Enforcement of Liens."

"**Covenant Defeasance**" has the meaning set forth under "—Legal Defeasance and Covenant Defeasance."

"**Covenant Suspension Event**" has the meaning set forth under "Covenant Suspension."

"**Currency Agreement**" means, in respect of any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed to hedge foreign currency risk of such Person.

"**Debt Documents**" has the meaning set forth under "—Priority Intercreditor Agreement—Application of Proceeds—Collateral."

"**Default**" means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

"**Designated Non-cash Consideration**" means the fair market value of non-cash consideration received by the Company or a Restricted Subsidiary in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officer's Certificate of the Company and delivered to the Trustee, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale, redemption or repurchase of or collection or payment on such Designated Non-cash Consideration.

"**Designation**" and "**Designation Amount**" have the meanings set forth under "—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries" above.

"**Disqualified Capital Stock**" means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable (other than as a result of a change of control or asset sale), pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, in any case, on or prior to the 91st day after the final maturity date of the Notes.

"**Disqualified Stock Dividends**" means all dividends with respect to Disqualified Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or a Wholly-Owned Restricted Subsidiary. The amount of any dividend of this kind shall be equal to the quotient of the dividend divided by the difference between one and the maximum statutory consolidated federal, state and local income tax rate (expressed as a decimal number between 1 and 0) then applicable to the Company of the Disqualified Stock.

"**Drilling Rig**" means any onshore rig, drilling vessel or offshore rig that is owned or co-owned, directly or indirectly, by the Company or a Subsidiary thereof.

"**Encumbered Charter Agreements**" means each Charter Agreement entered into with respect to any Collateral Drilling Rig.

"**Equity Event**" has the meaning set forth under "Redemption."

"**Equity Interests**" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"**EU Country**" means any member state of the European Union.

"**Event of Loss**" means, with respect to any Collateral Drilling Rig, (i) the actual, constructive, compromised, agreed or arranged loss of, destruction of or damage to such Collateral Drilling Rig, (ii) any condemnation or other taking of or compulsory acquisition of such Collateral Drilling Rig, which deprives the Company, the charter counterparty or, as the case may be, any charterer of the use of the Collateral Drilling Rig for more than ninety (90) days (iii) the hijacking, theft, capture, seizure, arrest, detention, or confiscation of such Collateral Drilling Rig, a termination of the Charter Agreement, (iv) the requisition for hire of such Collateral Drilling Rig for more than ninety (90) days and (v) any settlement or sale directly attributable to, and in lieu of, clause (ii) above

"**Events of Default**" has the meaning set forth under "Events of Default."

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"**Excluded Bareboat Charterer Subsidiary**" means any Restricted Subsidiary of the Company that (i) was established solely to act, and which solely acts as a bareboat charter operator with respect to one or more drilling vessels or offshore rigs owned by one or more third parties pursuant to a bareboat charter agreement and (ii) does not, at any time, have any assets or operations other than those necessary to act as bareboat charter operator. As of the Closing Date, CBW B.V. is an Excluded Bareboat Charterer Subsidiary.

"**Excluded Charter Agreement**" means any Charter Agreements entered into by a Project Finance Subsidiary or an Excluded Bareboat Charterer Subsidiary.

"**Excluded Drilling Rig**" means any Drilling Rig owned by a Project Finance Subsidiary.

"**Excluded Subsidiary**" means, (i) each Unrestricted Subsidiary, (ii) each Immaterial Subsidiary, (iii) each Project Finance Subsidiary, (iv) each Excluded Bareboat Charter Subsidiary, (v) any Restricted Subsidiary solely to the extent that, and only for so long as, guaranteeing the Notes would violate or require consent (that could not be readily obtained without undue burden to the Company and such Restricted Subsidiary) under applicable law or regulations or a contractual obligation on such Restricted Subsidiary and such law or obligation existed as of the Closing Date or at the time of the acquisition of such Restricted Subsidiary and was not created or made binding on such Restricted Subsidiary in contemplation of or in connection with the acquisition of such Restricted Subsidiary, in each case, for so long as such entity satisfies the requirements thereof; *provided* that no Person which Guarantees any First-Out Obligations or First Lien Obligations will be an Excluded Subsidiary.

"**Existing Notes**" has the meaning set forth under "—Principal, Maturity and Interest—Generally."

"**Fair Market Value**" means the value that would be paid by a buyer to an unaffiliated seller, determined in good faith by the Board of Directors of the Company (unless otherwise provided in the Indenture) and evidenced by a Board Resolution; *provided*, that with respect to any price less than U.S. $25.0 million (or the equivalent in other currencies) only a good faith determination by the Company's senior management will be required.

“**FATCA**” means (a) section 1471 through 1474 of the Code (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current and future regulations or official interpretations thereof and (b) any intergovernmental agreement pursuant to the implementation of any law or official guidance referred to in clause (a) above with the U.S. Internal Revenue Service, the U.S. government or any governmental or taxation authority in any other jurisdiction.

“**First Lien**” has the meaning set forth under “—Collateral—General.”

“**First Lien Creditors**” has the meaning set forth under “—Priority Intercreditor Agreement.”

“**First Lien Documents**” has the meaning set forth under “—Priority Intercreditor Agreement—Application of Proceeds—Collateral.”

“**First Lien Obligations**” has the meaning set forth under “—Collateral.”

“**First Lien Representative**” has the meaning set forth under “—Priority Intercreditor Agreement.”

“**First-Out Creditors**” has the meaning set forth under “—Priority Intercreditor Agreement.”

“**First-Out Documents**” has the meaning set forth under “—Priority Intercreditor Agreement—Application of Proceeds—Collateral.”

“**First-Out Lien**” has the meaning set forth under “—Collateral—General.”

“**First-Out Obligations**” has the meaning set forth under “—Collateral—General.”

“**First-Out Representative**” has the meaning set forth under “—Priority Intercreditor Agreement.”

“**Fitch**” means Fitch Ratings Ltd. and its successors.

“**Governmental Authority**” means the government of the Grand Duchy of Luxembourg or any other nation or any political subdivision of any thereof, whether provincial, state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other Person exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“**Guarantee**” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person:

(1) to purchase or pay, or advance or supply funds for the purchase or payment of, such Indebtedness of such other Person, whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise, or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part,

provided, that “Guarantee” will not include endorsements for collection or deposit in the ordinary course of business. “Guarantee” used as a verb has a corresponding meaning.

“**Hedging Obligations**” means the obligations of any Person pursuant to any Interest Rate Agreement or Currency Agreement.

“**IFRS**” means, International Financial Reporting Standards as issued by the International Accounting Standards Board.

“**Immaterial Subsidiary**” means any Subsidiary (i) that did not, as of the date of the Company’s most recent quarterly consolidated balance sheet, have assets in excess of 1.0% of the Company’s Total Assets on a consolidated basis as of such date or (ii) whose only assets solely consist of interests in office leases used in the ordinary course of business and/or cash and cash equivalents necessary to pay management and employees.

"**Incur**" means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Indebtedness or other obligation on the balance sheet of such Person (and "Incurrence," "Incurred" and "Incurring" will have meanings correlative to the preceding).

"**Indebtedness**" means with respect to any Person, without duplication:

(1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;

(2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all Capitalized Lease Obligations of such Person, other than power purchase agreements and fuel supply and transportation agreements that are treated as such;

(4) Purchase Money Indebtedness;

(5) all letters of credit, banker's acceptances or similar credit transactions, including reimbursement obligations in respect thereof;

(6) Guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (5) above and clauses (8) through (9) below;

(7) all Indebtedness of any other Person of the type referred to in clauses (1) through (6) which is secured by any Lien on any property or asset of such Person (other than the Capital Stock of such Person, if any such Person is an Unrestricted Subsidiary), the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset and the amount of the Indebtedness so secured;

(8) all obligations under Hedging Obligations of such Person; and

(9) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any; *provided*, that:

(a) if the Disqualified Capital Stock does not have a fixed repurchase price, such maximum fixed repurchase price will be calculated in accordance with the terms of the Disqualified Capital Stock as if the Disqualified Capital Stock were purchased on any date on which Indebtedness will be required to be determined pursuant to the Indenture, and

(b) if the maximum fixed repurchase price is based upon, or measured by, the fair market value of the Disqualified Capital Stock, the fair market value will be the Fair Market Value thereof;

if and to the extent any of the preceding items (other than letters of credit) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS. Notwithstanding the above provisions, in no event shall any joint and several liability or any netting or set-off arrangement arising in each case by operation of law as a result of the existence or establishment of a fiscal unity between the Company and any Subsidiary solely for corporate income tax or value added tax purposes in any jurisdiction of which the Company or Subsidiary is or becomes a member, constitute Indebtedness.

"**Independent Investment Banker**" has the meaning set forth under "—Optional Redemption."

"**Initial Collateral**" has the meaning set forth under "—Collateral—General."

"**Intercreditor Agreements**" means, the Priority Intercreditor Agreement and the Junior Lien Intercreditor Agreement.

"**Interest Rate Agreement**" of any Person means any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed to hedge interest rate risk of such Person.

"**Insurance Proceeds**" means, with respect to any Event of Loss, any proceeds received from insurance policies, any condemnation awards or other compensation, awards, damages and other payments or relief (including any compensation payable in connection with a taking) by the Company, any Subsidiary Guarantor, any party to an Encumbered Charter Agreement or any collateral agent under a Security Document with respect to such Event of Loss, in each case, relating to any Collateral Drilling Rig.

"**Investment**" means, with respect to any Person, any:

(1) direct or indirect loan, advance or other extension of credit (including, without limitation, a Guarantee) provided to any other Person (other than advances or extensions of credit to customers in the ordinary course of business or any debt or extension of credit by a bank deposit other than a time deposit),

(2) capital contribution (including any commitment to make such capital contribution) (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) to any other Person, or

(3) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person.

The Company will be deemed to have made an "Investment" in an Unrestricted Subsidiary at the time of its Designation, which will be valued at the Fair Market Value of the sum of the net assets of such Unrestricted Subsidiary at the time of its Designation and the amount of any Indebtedness of such Unrestricted Subsidiary owed to the Company or any Restricted Subsidiary immediately following such Designation. Any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of a Restricted Subsidiary (including any issuance and sale of Capital Stock by a Restricted Subsidiary) such that, after giving effect to any such sale or disposition, such Restricted Subsidiary would cease to be a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the sum of the Fair Market Value of the Capital Stock of such former Restricted Subsidiary held by the Company or any Restricted Subsidiary immediately following such sale or other disposition and the amount of any Indebtedness of such former Restricted Subsidiary Guaranteed by the Company or any Restricted Subsidiary or owed to the Company or any other Restricted Subsidiary immediately following such sale or other disposition.

"**Investment Grade Rating**" means BBB- or higher by S&P, Baa3 or higher by Moody's or BBB- or higher by Fitch, or the equivalent of such global ratings by S&P, Moody's or Fitch.

"**Issuer Substitution Documents**" has the meaning set forth under "Substitution of the Issuer."

"**Junior Lien Intercreditor Agreement**" has the meaning set forth under "—Junior Lien Intercreditor Agreement."

"**Legal Defeasance**" has the meaning set forth under "Legal Defeasance and Covenant Defeasance."

"**Lien**" means any lien, mortgage, deed of trust, pledge, security interest, fiduciary assignment (*cessão fiduciária*), fiduciary transfer (*alienação fiduciária*) charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest); *provided* that the lessee in respect of a Capitalized Lease Obligation or Sale and Leaseback Transaction will be deemed to have Incurred a Lien on the property leased thereunder.

"**Limited Recourse Debt**" means Indebtedness Incurred by a Project Finance Subsidiary for the purpose of financing a portion of the purchase price of one or more Drilling Rigs, as and to the extent permitted pursuant to clause (11) of the definition of "Permitted Indebtedness," which Indebtedness may be secured by Liens on such Drilling Rig(s) and on any other assets acquired with the proceeds of such Indebtedness pursuant to clause (11) of the definition of "Permitted Liens" and any related assets related to the operation of such Drilling Rig(s), including related Charter Agreements, and the sole recourse of the holder of such Indebtedness shall be to the Project Finance Subsidiary that is the obligor of such Indebtedness, to the assets permitted to secure such Indebtedness pursuant to clause (11) of the definition of "Permitted Liens" (including the Capital Stock in such Project Finance Subsidiary), and such holder shall have no recourse to the Company, any Subsidiary Guarantor or any other Restricted Subsidiary, or to any other of their respective assets (other than such Capital Stock).

"**Moody's**" means Moody's Investors Service, Inc. and its successors.

"**Net Cash Proceeds**" means:

(a) with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents (other than the portion of any such deferred payment constituting interest) received by the Company or any of its Restricted Subsidiaries from such Asset Sale, net of:

(1) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees, brokerage commissions, sales commissions and other direct costs);

(2) taxes paid or payable in respect of such Asset Sale after taking into account any reduction in consolidated tax liability due to available tax credits or deductions and any tax sharing arrangements;

(3) repayment of Indebtedness including premiums and accrued interest that are either (a) secured by a Lien permitted under the Indenture that is required to be repaid in connection with such Asset Sale or (b) otherwise required to be repaid in connection with such Asset Sale; and

(4) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with IFRS, against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, but excluding any reserves with respect to Indebtedness; and

(b) with respect to any Event of Loss, Insurance Proceeds received by the Company or any of its Subsidiaries from such Event of Loss, net of (x) reasonable out-of-pocket costs incurred in connection with such Event of Loss or the collection thereof, including fees, expenses and commissions with respect to legal, accounting, financial advisory, brokerage and other professional services provided in connection with such Event of Loss or incurred in connection with the collection thereof and (y) amounts applied to rebuild, restore, repair or replace ("**Restore**" and such restoration, a "**Restoration**") the related Drilling Rig or portion thereof pursuant to the Indenture.

"**Note Guarantees**" has the meaning set forth under "—Guarantees."

"**Note Obligations**" has the meaning set forth under "—Collateral—General."

"**Officer**" means the Chairman of the Board (if an executive), the Chief Executive Officer, the Chief Financial Officer, the President, the Chief Operating Officer, General Counsel, Chief Accounting Officer, the Treasurer, the Controller, any Vice President, any director or the Secretary of the Company.

"**Officer's Certificate**" means a certificate signed by an Officer.

"**Onshore and Offshore Agreements**" mean the following types of agreements entered into by the Company or its Affiliates: intercompany agreements relating to the operation of Drilling Rigs; bareboat charter agreements; agreements between direct or indirect owners of Drilling Rigs and charterers, and agreements between charterers and third parties, in each case, other than (x) the Excluded Charter Agreements or (y) any such agreements that have both (i) a term (including any potential extensions thereof) of less than one year and (ii) an aggregate value of less than U.S.$75.0 million during the term of such agreement (including any potential extensions thereof).

"**Opinion of Counsel**" means a written opinion of counsel, who may be an employee of or counsel for the Company, containing customary exceptions and qualifications.

"**Payor**" has the meaning set forth under "—Additional Amounts."

"**Permitted Business**" means (i) the business or businesses conducted by the Company, its Subsidiaries and other operating businesses as described in the offering memorandum as of the Closing Date and (ii) any business reasonably ancillary, complementary, similar or related to the business or businesses provided for in clause (i) above.

"**Permitted Corporate Reorganization**" means any corporate reorganization or redomiciliation of the Company in (i) the Grand Duchy of Luxembourg, (ii) the United States of America, any State thereof or the District of Columbia, (iii) the Federative Republic of Brazil, (iv) the British Virgin Islands, (v) Panama, or (vi) any country which is a member country of the Organization for Economic Co-Operation and Development.

"**Permitted Holders**" means any or all of the following: (1) funds and accounts managed or advised by Capital Research and Management Company and its Affiliates, (2) funds and investment vehicles that are managed by Moneda S.A. Administradora General de Fondos, or any of the entities within its corporate group, including, in respect of any one or more of the persons named in clause (1) or (2), the funds, partnerships or other co-investment vehicles managed, advised or controlled by any of the foregoing but other than, in each case, any portfolio company of any of the foregoing; and (3) any Person or Group in which a majority of the total voting power of the Voting Stock are owned, directly or indirectly, by any one or more of the persons named in clause (1) or (2).

"**Permitted Indebtedness**" has the meaning set forth under clause (b) of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness."

"**Permitted Investments**" means:

(1) Investments by the Company or any Restricted Subsidiary in any Person that is, or that result in any Person becoming, immediately after such Investment, a Restricted Subsidiary (other than a Project Finance Subsidiary or an Excluded Bareboat Charter Subsidiary) or constituting a merger or consolidation of such Person into the Company or with or into a Restricted Subsidiary (other than a Project Finance Subsidiary or an Excluded Bareboat Charter Subsidiary);

(2) Investments in the Company (including purchases by the Company or any Restricted Subsidiary of the Notes or any other Indebtedness of the Company or any wholly-owned Restricted Subsidiary);

(3) Investments in cash and Cash Equivalents;

(4) any Investment existing on, or made pursuant to written agreements existing on, the Closing Date and any extension, modification or renewal of such Investments (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof (unless a binding commitment therefore has been entered into on or prior to the Closing Date), other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms of such Investment as of the Closing Date);

(5) Investments permitted pursuant to clause (2)(c) or (d) of "—Certain Covenants—Limitation on Transactions with Affiliates";

(6) any Investments received in compromise or resolution of (A) obligations of Persons that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries,

including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any Persons; or (B) litigation, arbitration or other disputes;

(7) Investments by the Company or its Restricted Subsidiaries as a result of non-cash consideration permitted to be received in connection with an Asset Sale made in compliance with the covenant described under "—Certain Covenants—Limitation on Asset Sales";

(8) so long as no Default shall have occurred and be continuing (or would result therefrom), any Investment; provided that the Consolidated Net Leverage Ratio on a pro forma basis after giving effect to such Investment does not exceed 1.50 to 1.00;

(9) loans and advances to officers, directors and employees made in the ordinary course of business of the Company or any Restricted Subsidiary of the Company in an aggregate principal amount not to exceed U.S.$5.0 million at any one time outstanding;

(10) any Investment acquired from a Person which is merged with or into the Company or any Restricted Subsidiary, or any Investment of any Person existing at the time such Person becomes a Restricted Subsidiary and, in either such case, is not created as a result of or in connection with or in anticipation of any such transaction;

(11) Investments made with or in exchange for the issuance of Capital Stock (other than Disqualified Capital Stock) of the Company;

(12) Investments in any Person (including any joint venture) engaged in a Permitted Business in an aggregate amount since the Closing Date not to exceed $50.0 million; *provided* that at the time of the Investment and after giving pro forma effect thereto, the Consolidated Net Leverage Ratio would be no greater than 2.00 to 1.00; *provided*, *further*, that any Investment under this clause (12) in a Person which is an Unrestricted Subsidiary cannot exceed $10.0 million in the aggregate since the Closing Date; and

(13) additional Investments, taken together with all other Investments made pursuant to this clause (13) and any Indebtedness Incurred under clause (b)(17) of the definition of "Permitted Indebtedness" (and any Refinancing Indebtedness thereof), in each case, that are at that time outstanding, in the aggregate not to exceed U.S.$50.0 million; *provided* that any Investments made pursuant to this clause (13) (other than with respect to a Designation of an Unrestricted Subsidiary) must be made in the form of cash or Cash Equivalents; *provided further* that any Investment made pursuant to this clause (13) to an Excluded Subsidiary shall not be a Drilling Rig.

"**Permitted Maritime Rig Liens**" means, at any time, with respect to a Drilling Rig:

(1) Liens for crews' wages (including the wages of the master of the Drilling Rig that are discharged in the ordinary course of business and have accrued for not more than ninety (90) days unless any such Lien is being contested in good faith and by appropriate proceedings or other acts by the Company or relevant Subsidiary, and the Company or relevant Subsidiary shall have set aside on its books adequate reserves with respect to such Lien and so long as such deferment in payment shall not subject the Drilling Rig to sale, forfeiture or loss;

(2) Liens for salvage (including contract salvage) or general average, and Liens for wages of stevedores employed by the owner of the Drilling Rig, the master of the Drilling Rig or a charterer or lessee of such Drilling Rig, which in each case have accrued for not more than ninety (90) days (or such longer period provided for under any First Lien Documents), unless any such Lien is being contested in good faith and by appropriate proceedings or other acts by the Company or relevant Subsidiary, and the Company or relevant Subsidiary shall have set aside on its books adequate reserves with respect to such Lien and so long as such deferment in payment shall not subject the Collateral Drilling Rig to sale, forfeiture or loss;

(3) shipyard Liens and other Liens arising by operation of law arising in the ordinary course of business in operating, maintaining, repairing, modifying, refurbishing, or rebuilding the Drilling Rig (other than those referred to in clauses (a) and (b) above), including maritime Liens for necessaries, which in each case have accrued for not more than ninety (90) days, unless any such Lien is being contested in good faith and by appropriate proceedings or other acts by the Company or relevant Subsidiary, and the Company or relevant Subsidiary shall have set aside on its books adequate reserves with respect to such Lien and so long as such deferment in payment shall not subject the Drilling Rig to sale, forfeiture, or loss;

(4) Liens for damages arising from maritime torts which are unclaimed or are covered by insurance (subject to reasonable deductibles), or in respect of which a bond or other security has been posted on behalf of the Company or relevant Subsidiary with the appropriate court or other tribunal to prevent the arrest or secure the release of the Drilling Rig from arrest, unless any such Lien is being contested in good faith and by appropriate proceedings or other acts by the Company or relevant Subsidiary, and the Company or relevant Subsidiary shall have set aside on its books adequate reserves with respect to such Lien, and so long as such deferment in payment shall not subject the Drilling Rig to sale, forfeiture, or loss;

(5) Liens that, as indicated by the written admission of liability therefor by an insurance company, are covered by insurance (subject to reasonable deductibles); and

(6) Liens under any Charter Agreement or subcharters or subleases with Persons that are not Affiliates and that do not secure debt for borrowed money.

"**Permitted Liens**" means any of the following:

(1) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by IFRS shall have been made in respect thereof;

(2) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security (including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith);

(3) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company, including rights of offset and set-off;

(4) Liens securing Hedging Obligations that relate to Indebtedness that is Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness"; *provided* that such Hedging Obligations are secured by the same assets as secure such Indebtedness and may be secured by a Lien ranking pari passu with or junior to the First Lien securing the Revolving Credit Facility;

(5) Liens existing on the Closing Date (provided that any such Liens securing Indebtedness (other than the Notes or the Revolving Credit Facility) are released on the Completion Date) and Liens existing after satisfaction of the Release Conditions on the Completion Date (other than Liens on the Notes and the Note Guarantees and Liens described in clause (15) of this definition) and Liens to secure any Refinancing Indebtedness which is Incurred to Refinance any Indebtedness which has been secured by a Lien permitted under the covenant described under "—Certain Covenants—Limitation on Liens" and which Indebtedness has been Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" (other than clause (b)(17) of the definition of "Permitted Indebtedness"); *provided*, that such new Liens permitted under this clause (5) do not extend to any property or assets other than the property or assets securing the Indebtedness Refinanced by such Refinancing Indebtedness and such Refinancing Indebtedness has the same Lien priority as the Indebtedness Refinanced thereby; *provided*, *further* that if the Indebtedness being Refinanced contains a Lien relating to after acquired property, the Lien securing the Refinanced

Indebtedness may also include after acquired property on terms that are not materially more favorable to the holders of the Refinanced Indebtedness than the Lien relating to the after acquired property was to the holders of the Indebtedness being Refinanced;

(6) Liens constituting any interest of title of a lessor, a licensor or either's creditors in the property subject to any lease (other than a capital lease);

(7) Liens for taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings, *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(8) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceeding may be initiated has not expired;

(9) minor defects, irregularities and deficiencies in title to, and survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property, including with respect to the physical placement and location of pipelines, that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the applicable Person;

(10) Liens in favor of issuers of performance, stay, appeal, indemnification, surety or similar bonds, completion guarantees, bank guarantees or letters of credit issued pursuant to the request of and for the account of the Company or a Restricted Subsidiary in the ordinary course of its business; *provided* that (i) these letters of credit do not constitute Indebtedness and (ii) no more than $50.0 million aggregate amount of obligations under all outstanding appeal, surety or similar bonds may be secured;

(11) Liens on assets acquired with the proceeds of Indebtedness or Indebtedness Incurred within 365 days of the acquisition of such assets (including Refinancing Indebtedness in respect thereof) pursuant to clause (b)(11) of the definition of "Permitted Indebtedness," and, with respect to such Indebtedness, (x) Liens on the Capital Stock of the Project Finance Subsidiary that directly owns such Drilling Rig, Liens on the insurances in respect of such Drilling Rig or the operation thereof and Liens on the Charter Agreements and earnings relating to such Drilling Rig and (y) Liens on other assets and property owned by any such Project Finance Subsidiary that are used in the operation, maintenance or repair of such assets acquired with the proceeds of such Indebtedness, and in respect of the foregoing, proceeds, improvements, refurbishments, additions and improvements thereto or which are incidental thereto, which Liens, in each case, secure only such Indebtedness; *provided* that such Project Finance Subsidiary that owns such assets does not hold any assets that constitute Collateral;

(12) Liens securing Indebtedness permitted to be Incurred under clause (b)(14)(i) of the definition of "Permitted Indebtedness," which Liens may consist of First Liens but not First-Out Liens;

(13) Liens securing Indebtedness permitted to be Incurred under clause (b)(14)(ii) or clause (b)(15) of the definition of "Permitted Indebtedness,"; *provided* that (i) Liens securing Indebtedness permitted to be incurred pursuant to such clause (b)(14)(ii) (x) extend only to the asset which was acquired or on which such Capital Expenditures were made and (y) consist of First Liens but not First-Out Liens; and (ii) Liens securing Indebtedness permitted to be incurred pursuant to clause (b)(15) shall only be permitted if such Liens (x) are limited to all or part of the same property or assets, including Capital Stock (plus improvements, accessions, proceeds or dividends or distributions in respect thereof, or replacements of any thereof) acquired, or of any Person acquired or merged, amalgamated or consolidated with or into the Company or any Restricted Subsidiary, in any transaction to which such Indebtedness relates and (y) consist of First Liens but not First-Out Liens;

(14) Liens securing Indebtedness permitted to be Incurred under clause (b)(16) of the definition of "Permitted Indebtedness," which Liens may consist only of a Lien junior in priority to the First Liens on the Collateral securing the Notes (and the Note Guarantees thereof);

(15) Liens securing Indebtedness permitted to be Incurred under clause (b)(18) of the definition of "Permitted Indebtedness," which Liens may consist of First-Out Liens or First Liens; and Liens to secure any Refinancing Indebtedness which is Incurred to Refinance any Indebtedness which has been secured by a Lien permitted under the covenant described under "—Certain Covenants—Limitation on Liens" and which Indebtedness has been Incurred in accordance with clause (b)(18) of the definition of "Permitted Indebtedness";

(16) Liens with respect to (i) any rights of any Excluded Bareboat Charter Subsidiary under the related bareboat charter agreement, and (ii) any accounts of any Excluded Bareboat Charter Subsidiary which receive payments under the related bareboat charter agreement, in each case, solely to the extent such Liens are granted to the counterparty of the bareboat charter agreement and do not secure Indebtedness;

(17) Liens on assets of any Restricted Subsidiary organized in the Netherlands in favor of Dutch banks arising under (x) articles 24 or 25 respectively of the general terms and conditions (*algemene voorwaarden*) of any member of the Dutch Banker's Association (*Nederlandse Vereniging van Banken*) or (y) any other applicable banking terms and conditions;

(18) Liens in favor of the Company or any of its Subsidiaries in connection with any joint and several liability and any netting or set-off arrangement arising, in each case, arising by operation of law as a result of the existence or establishment of a fiscal unity, profit and loss pooling, cash pooling, tax sharing arrangements or other similar arrangement between the Company and any of its Subsidiaries; and

(19) Permitted Maritime Rig Liens.

"**Person**" means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"**Preferred Stock**" of any Person means any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

"**Preferred Stock Dividends**" means all dividends with respect to Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or a Wholly-Owned Restricted Subsidiary. The amount of any dividend of this kind shall be equal to the quotient of the dividend divided by the difference between one and the maximum statutory consolidated federal, state and local income rate (expressed as a decimal number between 1 and 0) then applicable to the issuer of the Preferred Stock.

"**Priority Intercreditor Agreement**" has the meaning set forth under "—Priority Intercreditor Agreement."

"**Project Finance Subsidiary**" shall mean any Subsidiary established as a special purpose vehicle to construct and/or acquire one or more Drilling Rigs for each such Subsidiary to operate and develop specific projects utilizing Limited Recourse Debt and designated as a Project Finance Subsidiary by the Board of Directors of the Company, *provided* that any such Subsidiary shall (i) be a Project Finance Subsidiary only to the extent that and for so long as any "project finance" type financing for such Restricted Subsidiary remains outstanding, (ii) not, at any time, have any assets or operations other than those related such Drilling Rig(s) and (iii) be a Restricted Subsidiary. The Board of Directors of the Company may revoke the designation of a Project Finance Subsidiary at any time and give notice to the Trustee in writing within thirty (30) days following the adoption of a resolution by the Board of Directors of the Company approving such revocation and, as of the date of such resolution, such Subsidiary shall cease to be a Project Finance Subsidiary for purposes of the Indenture. If, at any time, any Project Finance Subsidiary would fail to meet the preceding requirements as a Project Finance Subsidiary, it will thereafter cease to be a Project Finance Subsidiary for purposes of the Indenture and any Indebtedness of, or Investment in, such Project Finance Subsidiary will be deemed to be Incurred by, or invested in, a non-Project Finance Subsidiary as of such date, and, if such Indebtedness is not permitted as of such date under the covenant "—Certain Covenants—Limitations on Incurrence of Additional Indebtedness" or such Investment is not permitted as of such date under the covenant "—Certain Covenants—Limitation on Restricted Payments," the Company will be in default of such covenant(s).

"**Purchase Money Indebtedness**" means all obligations of a Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement due more than six months after such property is acquired and excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 90 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted.

"**Qualified Capital Stock**" means any Capital Stock that is not Disqualified Capital Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Capital Stock or that are not convertible into or exchangeable into Disqualified Capital Stock.

"**Rating Agency**" means any of S&P, Fitch or Moody's; or if, at the relevant time of determination, S&P, Fitch or Moody's do not have a public rating in effect on the Notes, an internationally recognized U.S. rating agency or agencies, as the case may be, selected by the Company, which will be substituted for S&P, Fitch or Moody's, as the case may be.

"**Ratings Event**" means the occurrence of a decrease in the rating of the Notes by any Rating Agency (including gradations within the ratings categories, as well as between categories) within 60 days after the earlier of (x) a Change of Control, (y) the date of public notice of the occurrence of a Change of Control or (z) public notice of the intention of the Company or any parent to effect a Change of Control (which 60-day period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by a Rating Agency); *provided*, however, that a Ratings Event otherwise arising by virtue of a particular reduction in rating will not be deemed to have occurred in respect of a particular Change of Control (and thus will not be deemed a Change of Control Triggering Event for purposes of the definition of "Change of Control Triggering Event") unless each such Rating Agency making the reduction in rating to which this definition would otherwise apply announces or publicly confirms or informs the Trustee in writing at the request of the Company or the Trustee that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control has occurred at the time of the Ratings Event).

"**RCF Agent**" has the meaning set forth under "—Priority Intercreditor Agreement."

"**Refinance**" means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to refinance, replace, defease or refund such Indebtedness in whole or in part or, in the case of a revolving credit facility, any re-borrowing of amounts previously advanced and re-paid thereunder. "Refinanced" and "Refinancing" will have correlative meanings.

"**Refinancing Indebtedness**" means Indebtedness of the Company or any Restricted Subsidiary issued to Refinance any other Indebtedness of the Company or a Restricted Subsidiary so long as:

(1) the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Indebtedness being Refinanced either (x) as of the date of such proposed Refinancing or (y) if the Indebtedness being Refinanced has been repaid in part or in full no more than 90 days prior to the proposed Refinancing, as of the day immediately preceding such repayment (plus, in either case, the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable fees, expenses and defeasance costs, if any, incurred by the Company in connection with such Refinancing);

(2) such new Indebtedness has:

(a) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced, and

(b) a final maturity that is equal to or later than the final maturity of the Indebtedness being Refinanced;

(3) if the Indebtedness being Refinanced is:

(a) Indebtedness of the Company, then such Refinancing Indebtedness will be Indebtedness of the Company,

(b) Indebtedness of a Restricted Subsidiary, then such Refinancing Indebtedness will be Indebtedness of the Company, such Restricted Subsidiary and/or any Subsidiary Guarantor, and

(c) Subordinated Indebtedness, then such Refinancing Indebtedness shall remain Subordinated Indebtedness and be subordinate to the Notes at least to the same extent and in the same manner as the Indebtedness being Refinanced.

"**Relevant Taxing Jurisdiction**" has the meaning set forth under "—Additional Amounts."

"**Restricted Investment**" means any Investment other than a Permitted Investment.

"**Restricted Payment**" has the meaning set forth under "—Certain Covenants—Limitation on Restricted Payments."

"**Restricted Subsidiary**" means any Subsidiary of the Company or any Restricted Subsidiary which at the time of determination is not an Unrestricted Subsidiary.

"**Reversion Date**" has the meaning set forth under "—Covenant Suspension."

"**Revocation**" has the meaning set forth under "—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries."

"**Revolving Credit Facility**" means the revolving credit facility under the Revolving Credit Facility Agreement.

"**Revolving Credit Facility Agreement**" means the credit agreement to be entered into on or prior to the Completion Date, among Constellation, the Subsidiary Guarantors, the RCF Agent, and the lenders from time to time party thereto, as amended, restated, supplemented, waived, replaced (whether or not upon termination, and whether with the original lenders or otherwise), restructured, repaid, refunded, refinanced or otherwise modified from time to time, including any one or more agreements or indentures extending the maturity thereof, refinancing, replacing or otherwise restructuring all or any portion of the Indebtedness under such agreement or agreements or indenture or indentures or any successor or replacement agreement or agreements or indenture or indentures or altering the maturity thereof, so long as any such amendment restatement, supplement, refinancing or restructuring is entered into prior to the 90th day following the payment in full of such credit facility.

"**S&P**" means S&P Global Ratings and any successor or successors thereto.

"**Sale and Leaseback Transaction**" means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Company or a Restricted Subsidiary of any property, whether owned by the Company or any Restricted Subsidiary at the Closing Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such Property.

"**Scheduled Payment Date**" has the meaning set forth under "—Principal, Maturity and Interest—Amortization."

"**SEC**" means the U.S. Securities and Exchange Commission.

"**Secured Parties**" has the meaning set forth under "—Priority Intercreditor Agreement."

“**Secured Net Leverage Ratio**” means, with respect to any Person as of any date of determination, the ratio of the aggregate amount of Consolidated Total Net Indebtedness for such Person that is secured by a Lien as of such date to Consolidated EBITDA for such Person for the four most recent full fiscal quarters for which financial statements are available ending prior to the date of such determination.

“**Security Documents**” means any one or more security agreements, pledge agreements, collateral assignments, mortgages, deeds of covenants, assignments of earnings and insurances, share pledges, share charges, collateral agency agreements, deeds of trust or other grants or transfers for security executed and delivered by the Company, the grantors or any other obligor under the Indenture or other Debt Document creating, or purporting to create, a Lien upon all or a portion of the Collateral in favor of the Collateral Agent for the benefit of the holders of the Notes, any other First Lien Obligations and any applicable First-Out Obligations, in each case as amended, renewed or replaced, in whole or part, from time to time, in accordance with its terms.

“**Senior Indebtedness**” means the Notes and any other Indebtedness of the Company that ranks equal in right of payment with the Notes, as the case may be.

“**Significant Subsidiary**” means a Restricted Subsidiary of the Company which at the time of determination either (x) had assets which, as of the date of the Company’s most recent quarterly consolidated balance sheet, constituted at least 7.5% of the Company’s Total Assets on a consolidated basis as of such date, or (y) had revenues for the 12-month period ending on the date of the Company’s most recent quarterly consolidated statement of operations which constituted at least 7.5% of the Company’s net operating revenues on a consolidated basis for such period; *provided however*, that any Subsidiary, including any Project Finance Subsidiary, that owns a Drilling Rig shall be a “Significant Subsidiary.”

“**Standstill Period**” has the meaning set forth under “—Priority Intercreditor Agreement—Standstill Period.”

“**Stated Maturity**” means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

“**Subordinated Indebtedness**” means any Indebtedness of the Company which is (i) expressly subordinated in right of payment to the Notes, (ii) secured by a Lien which is junior in priority to the First Liens securing the Notes or (iii) unsecured.

“**Subsidiary**” means, with respect to any Person (the “parent”) at any date, any Person the account of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with IFRS as of such date.

“**Subsidiary Guarantors**” means, on the Closing Date, Constellation Netherlands B.V., Constellation Services Ltd., Serviços de Petróleo Constellation S.A., Alaskan & Atlantic Rigs B.V., London Tower Management B.V., Brava Drilling B.V., Palase Management B.V. and Positive Investment Management B.V. and thereafter, (ii) each other Restricted Subsidiary of the Company who is required to deliver a Note Guarantee pursuant to “—Certain Covenants—Additional Note Guarantees.”

“**Substituted Debtor**” has the meaning set forth under “Substitution of the Issuer.”

“**Substituted Guarantor**” has the meaning set forth under “Substitution of the Issuer.”

“**Surviving Entity**” has the meaning set forth under “—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets.”

“**Suspended Covenants**” has the meaning set forth under “—Covenant Suspension.”

“**Suspension Period**” has the meaning set forth under “—Covenant Suspension.”

“**Taxes**” has the meaning set forth under “—Additional Amounts.”

"**Total Assets**" means the total assets of the Company and the Restricted Subsidiaries on a consolidated basis determined in accordance with IFRS, as shown on the most recent consolidated balance sheet of the Company.

"**Treasury Rate**" has the meaning set forth under "—Optional Redemption."

"**Unrestricted Subsidiary**" means any Subsidiary of the Company or a Restricted Subsidiary Designated as such pursuant to "—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries"; any such Designation may be revoked by a Board Resolution of the Company, subject to the provisions of such covenant.

"**Voting Stock**" with respect to any Person, means securities of any class of Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of any contingency) to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person, regardless of whether or not any holder of such Capital Stock has made any undertaking not to vote such Capital Stock.

"**Weighted Average Life to Maturity**" means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one-twelfth) obtained by dividing:

(1) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into

(2) the sum of the products obtained by multiplying:

(a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by

(b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

"**Wholly-owned Subsidiary**" means a Subsidiary of which at least 95% of the Capital Stock (other than directors' qualifying shares) is directly or indirectly owned by the Company or another Wholly-owned Subsidiary.

TRANSFER RESTRICTIONS

The notes (including the Note Guarantees) have not been registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except in accordance with an applicable exemption from the registration requirements thereof. Accordingly, the notes are being offered and sold only (1) to certain QIBs (as defined in Rule 144A) in compliance with Rule 144A, or (2) outside the United States to non-U.S. persons in reliance upon Regulation S. As used in this section, the terms "United States," "U.S. person" and "offshore transactions" have the meanings given to them in Regulation S.

Each purchaser of notes or beneficial owner of the notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the initial purchasers as follows:

- a qualified institutional buyer, (ii) not a broker-dealer that owns and invests on a discretionary basis less than $25.0 million in securities of unaffiliated issuers, (iii) aware that the sale of the notes to it is being made in reliance on Rule 144A and (iv) is acquiring the notes for its own account or for the account of a qualified institutional buyer; or
- not a U.S. person (and is not purchasing for the account or benefit of a U.S. person) and is purchasing the notes outside the United States in compliance with Regulation S.

It understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the notes have not been registered under the Securities Act.

It will not offer, resell, pledge or otherwise transfer notes except: (i) to a qualified institutional buyer in a transaction that is exempt from registration under the Securities Act or (ii) outside the United States to non-U.S. persons in offshore transactions in accordance with Rule 903 or Rule 904 of Regulations S.

in each case in accordance with any applicable securities laws of any state of the United States and other jurisdictions. In addition, it will, and each subsequent holder is required to, notify any subsequent purchaser of those notes from it of the resale restrictions referred to above.

If it is acquiring the notes in a sale being made in reliance upon Rule 144A, it understands that the notes will, unless otherwise decided by us, bear a legend substantially to the following effect:

"This security has not been registered under the Securities Act or the securities laws of any state or other jurisdiction. Neither this security nor any interest or participation herein may be reoffered, sold, assigned, transferred, pledged, encumbered or otherwise disposed of within the United States, or for the account or benefit of U.S. persons, in the absence of such registration or unless such transaction is exempt from, or not subject to, such registration.

The holder of this security by its acceptance hereof: (1) represents that it is a "qualified institutional buyer" (as defined in Rule 144A) purchasing this security for its own account or for the account of one or more qualified institutional buyers; (2) agrees to offer, sell or otherwise transfer such security, only (a) to the issuer or any affiliate thereof, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) for so long as the notes are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a "qualified institutional buyer" purchasing for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction; and (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend. This legend will be removed only at the option of the issuer.

BY ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (I) NO ASSETS OF AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) SUBJECT TO TITLE I OF ERISA, A PLAN TO

WHICH SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED ("THE CODE"), APPLIES, OR, AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH PLAN, OR A NON-U.S. PLAN, GOVERNMENTAL PLAN, CHURCH PLAN, OR OTHER PLAN HAVE BEEN USED TO ACQUIRE THIS NOTE OR ANY INTEREST HEREIN, OR (II) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE, OR ANY INTEREST HEREIN, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (OR, IN THE CASE OF A GOVERNMENTAL PLAN, CHURCH PLAN, NON-U.S. OR OTHER PLAN, A VIOLATION OF ANY FEDERAL, NON-U.S., STATE OR LOCAL LAWS, REGULATIONS OR RULES THAT ARE SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE)."

If it is acquiring the notes in a sale being made in reliance upon Regulation S, it understands that the notes will bear a legend substantially to the following effect:

"This security has not been registered under the Securities Act, or the securities laws of any state or other jurisdiction, and, accordingly, may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except as set forth in the following sentence. By its acquisition hereof, the holder (1) represents that it is not a U.S. person, is not acquiring this security for the account or benefit of a U.S. person and is acquiring this security in an offshore transaction, (2) by its acceptance hereof, agrees to offer, sell or otherwise transfer such security only (a) to the issuer or any affiliate thereof, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) for so long as the notes are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a "qualified institutional buyer" as defined in Rule 144A purchasing for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A in a transaction meeting the requirements of Rule 144A or (d) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction and (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend. This legend will be removed only at the option of the issuer. As used herein, the terms "offshore transaction," "United States" and "U.S. person" have the meanings given to them by Regulation S under the Securities Act.

BY ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (I) NO ASSETS OF AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) SUBJECT TO TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED ("THE CODE"), APPLIES, OR, AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH PLAN, OR A NON-U.S. PLAN, GOVERNMENTAL PLAN, CHURCH PLAN, OR OTHER PLAN HAVE BEEN USED TO ACQUIRE THIS NOTE OR ANY INTEREST HEREIN, OR (II) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE, OR ANY INTEREST HEREIN, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (OR, IN THE CASE OF A GOVERNMENTAL PLAN, CHURCH PLAN, NON-U.S. OR OTHER PLAN, A VIOLATION OF ANY FEDERAL, NON-U.S., STATE OR LOCAL LAWS, REGULATIONS OR RULES THAT ARE SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE)."

If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, it agrees that no offer or sale of the notes shall be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(o) of the Securities Act except to a qualified institutional buyer and in compliance with the applicable restrictions set forth in paragraph (4) above.

It will be deemed to have represented and agreed that either: (i) no assets of a Plan or of a non-U.S. plan, governmental plan, church plan or other plan have been used to acquire the notes or any interest therein or (ii) the acquisition, holding and disposition of the notes, or any interest therein, will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental plan, church plan, non-U.S. or other plan, a violation of any Similar Law).

It acknowledges that we and the initial purchasers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by its purchase of notes are no longer accurate, it will promptly notify us and the initial purchasers. If it is acquiring any notes as a fiduciary or agent for one or more investor accounts, it represents that is has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

It understands that the Escrow Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories.

The legends described above (including the restrictions on resale specified therein) may be removed solely in our discretion and at our direction.

Each purchaser of notes will be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the notes, as well as holders of the notes.

Each person purchasing notes from the initial purchasers or through an affiliate of the initial purchasers, by accepting delivery of this offering memorandum, acknowledges that: (i) it has not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with its investigation of the accuracy of the information contained in this offering memorandum or its investment decision; and (ii) no person has been authorized to give any information or to make any representation concerning us or the notes other than those contained in this offering memorandum and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the initial purchasers.

Any resale or other transfer, or attempted resale of other transfer, made other than in compliance with the above stated restrictions shall not be recognized by us.

BOOK ENTRY, DELIVERY AND FORM

General

The notes sold outside the United States to non-U.S. persons in offshore transactions pursuant to Regulation S under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "Regulation S Global Note").

The notes sold to qualified institutional buyers pursuant to Rule 144A will initially be represented by a global note in registered form without interest coupons attached (the "144A Global Note"). Following the initial distribution of notes, such notes may be transferred to certain institutional "accredited investors" in the secondary market, and such notes will initially be represented by a global note in registered form without interest coupons (the "IAI Global Note" and, together with the Regulation S Global Note and the 144A Global Note, the "Global Notes"). On the date of issuance, the Global Notes will be deposited with the Trustee, as custodian for DTC, and registered in the name of Cede & Co., as nominee of DTC.

Investors who are qualified institutional buyers and who purchase notes in reliance on Rule 144A may hold their interests in a Rule 144A Global Note directly through DTC if they are DTC participants, or indirectly through organizations that are DTC participants. Investors who are institutional "accredited investors" and who purchase notes may hold their interests in an IAI Global Note directly through DTC if they are DTC participants, or indirectly through organizations that are DTC participants. Investors who hold beneficial interests in a Regulation S Global Note may hold such interests directly through Euroclear Bank SA/NV, as operator of the Euroclear System ("Euroclear") and Clearstream Banking, S.A. ("Clearstream"), if they are participants in these systems, or indirectly through organizations that are participants in Euroclear or Clearstream. Euroclear and Clearstream will hold interests in the Regulation S Global Note on behalf of their participants through their respective depositaries, which in turn will hold the interests in the Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC.

Through and including the period ending 40 days after the commencement of the offering of the notes (the "40 Day Period"), beneficial interests in the Regulation S Global Note may only be held through Euroclear and Clearstream (as indirect participants in DTC). The ownership of interests in the Global Notes (the "Book-Entry Interests") will be issued only in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof. Book-Entry Interests will be limited to persons that have accounts with DTC or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC and its participants.

The Book-Entry Interests will not be held in definitive form. Instead, DTC will credit on its book-entry registration and transfer systems a participant's account with the interest beneficially owned by such a participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the notes are in global form, owners of interest in the Global Notes will not have the notes registered in their names, will not receive physical delivery of the notes in certificated form and will not be considered the registered owners or "Holders" of notes under the Indenture for any purpose.

So long as the notes are held in global form, DTC (or its nominees) will be considered the holders of the Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of DTC and indirect participants must rely on the procedures of DTC and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indenture.

Neither Constellation, nor the Trustee under the Indenture, nor any of Constellation's or the Trustee's respective agents, will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive notes in registered form (the "Definitive Registered Notes") only in the following circumstances:

- if DTC notifies Constellation that it is unwilling or unable to continue to act as depositary or has ceased to be a clearing agency registered under the Exchange Act and, in either case, a successor depository is not appointed by Constellation within 90 days;
- if Constellation, at its option, notifies the Trustee in writing that it elects to exchange in whole, but not in part, the Global Note for Definitive Registered Notes; or
- if the owner of a Book-Entry Interest requests such exchange in writing to DTC following an event of default under the Indenture.

In such an event, the registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC or Constellation, as applicable (in accordance with its customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in "Transfer Restrictions," unless that legend is not required by the Indenture or applicable law.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, DTC will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC in connection with the redemption of such Global Note (or any portion thereof). Constellation understands that under existing practices of DTC, if fewer than all of the notes are to be redeemed at any time, DTC will credit their respective participants' accounts by lot; provided, however, that no Book-Entry Interest of less than $200,000, as applicable, principal amount at maturity, may be redeemed in part.

Payments on Global Notes

Payments of amounts owing in respect of the Global Notes (including principal, premium and interest) will be made by the Escrow Issuer or Constellation in dollars to the paying agent. The paying agent will, in turn, make such payments to DTC or its nominee, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture, the Escrow Issuer, Constellation and the Trustee will treat the registered holder of the Global Notes (*i.e.*, DTC or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Escrow Issuer, Constellation nor the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- any other matter relating to the actions and practices of DTC, Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in a "street name."

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interest in such notes through DTC in dollars.

Action by Owners of Book-Entry Interests

DTC, Euroclear and Clearstream have advised the Escrow Issuer that it will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of notes as to which such participant or participants has or have given such direction. DTC, Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes.

However, if there is an event of default under the notes, each of DTC, Euroclear and Clearstream reserves the right, subject to certain restrictions, to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in DTC will be done in accordance with DTC rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of DTC and in accordance with the provisions of the Indenture.

The Global Notes will bear a legend to the effect set forth in "Transfer Restrictions." Book Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "Transfer Restrictions."

During the 40 Day Period, Book-Entry Interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in (i) the 144A Global Note only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Trustee a certificate (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "Transfer Restrictions" and in accordance with all applicable securities laws of the states of the United States and other jurisdictions or (ii) the IAI Global Note only if such transfer is made to an "accredited investor" under the Securities Act that is an institutional "accredited investor" acquiring the securities for its own account or for the account of an institutional "accredited investor" and the transferee first delivers to the Trustee a certificate (in the form provided in the Indenture) to such effect or otherwise in accordance with the transfer restrictions described under "Transfer Restrictions" and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

After the expiration of the 40 Day Period, Book-Entry Interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the 144A Global Note without compliance with these certification requirements.

Subject to the foregoing, and as set forth in "Transfer Restrictions," Book-Entry Interests may be transferred and exchanged.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as set forth in "Transfer Restrictions" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. For more information on the transfer of the notes, see “Transfer Restrictions.”

Transfers involving an exchange of a Book-Entry Interest for another Book-Entry Interest will be done by DTC by means of an instruction originating from the DTC participant through the DTC Deposit/Withdrawal at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Global Note and a corresponding increase in the principal amount of the corresponding Global Note. The policies and practices of DTC may prohibit transfers of Book-Entry Interests in the Regulation S Global Note prior to the expiration of the 40 days after the date of initial issuance of the notes.

Information Concerning DTC, Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear and Clearstream, as applicable.

The Escrow Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Escrow Issuer, Constellation, the initial purchasers, the Trustee or any of their agents are responsible for those operations or procedures. DTC has advised the Escrow Issuer that it is:

- a limited purpose trust company organized under New York Banking Law;
- a “banking organization” under New York Banking Law;
- a member of the Federal Reserve System;
- a “clearing corporation” within the meaning of the New York Uniform Commercial Code; and
- a “clearing agency” registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions among its participants. It does this through electronic book-entry changes in the accounts of securities participants, eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC’s owners are the New York Stock Exchange, Inc. the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. and a number of its direct participants. Others, such as banks, brokers and dealers and trust companies that clear through or maintain a custodial relationship with a direct participant, also have access to the DTC system and are known as indirect participants.

Like DTC, Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book- entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in DTC or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited.

In addition, owners of beneficial interests through DTC will receive distributions attributable to the 144A Global Notes only through DTC participants.

Global Clearance and Settlement under the Book-Entry System

The notes represented by the Global Notes are expected to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such notes will, therefore be required by DTC to be settled in immediately available funds. You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving notes through DTC, Euroclear and Clearstream on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

Although DTC, Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Escrow Issuer, Constellation, any Guarantor, the Trustee or any paying agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the notes will be made in dollars. Book-Entry Interests owned through DTC, accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book- Entry Interests will be credited to the securities custody accounts of DTC holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of DTC and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the notes to U.S. Holders and Non-U.S. Holders (each as defined below). This summary is based on provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed U.S. Treasury regulations promulgated thereunder, administrative guidance of the Internal Revenue Service (the "IRS") and judicial decisions, as in effect as of the date hereof, and all of which are subject to change or differing interpretations possibly on a retroactive basis, so as to result in U.S. federal income tax consequences different from those discussed below. We (which includes, solely for the purposes of this summary, the Escrow Issuer prior to the date of the Merger) have not sought and do not intend to seek any rulings from the IRS regarding the matters discussed below. There can be no assurance that the IRS will agree with this summary or that a court would not sustain any challenge by the IRS in the event of litigation.

This summary addresses only U.S. Holders and Non-U.S. Holders who acquire the notes for cash in this offering at their "issue price" (*i.e.*, the first price at which a substantial amount of the notes is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and that hold the notes as capital assets within the meaning of Section 1221 of the Code. This summary is general in nature and does not consider all aspects of U.S. federal income taxation (including the potential application of the Medicare tax on net investment income and any alternative minimum tax) that may be relevant to a U.S. Holder or Non-U.S. Holder in light of such U.S. Holder's or Non-U.S. Holder's personal circumstances or status. In particular, this summary does not address the U.S. federal income tax consequences to U.S. Holders and Non-U.S. Holders subject to special treatment under the U.S. federal income tax laws, such as:

- brokers or dealers in securities or currencies;
- traders that elect to mark their securities to market;
- tax-exempt entities;
- partnerships or other entities treated as partnerships for U.S. federal income tax purposes or investors therein;
- S corporations and any investors therein;
- persons who have ceased to be U.S. citizens or lawful permanent residents of the United States and other U.S. expatriates or other entities that were previously tax residents in the United States;
- regulated investment companies, real estate investment trusts, real estate mortgage investment conduits, banks, thrifts, insurance companies or other financial institutions or financial service entities;
- persons that hold the notes as a position in a straddle or as part of a synthetic security or hedge, constructive sale, or conversion transaction or other integrated investment;
- persons that purchase or sell the notes as part of a wash sale for U.S. federal income tax purposes;
- U.S. Holders (as defined below) that have a functional currency other than the U.S. dollar;
- U.S. Holders that hold the notes through a non-U.S. broker or other non-U.S. intermediary;
- accrual method taxpayers required to accelerate the recognition of any item of gross income with respect to the notes as a result of such income being taken into account in a financial statement (within the meaning of Section 451 of the Code);
- controlled foreign corporations;
- passive foreign investment companies;
- U.S. citizens or lawful permanent residents living abroad;
- corporations that accumulate earnings to avoid U.S. federal income tax;

- foreign governments or international organizations, each within the meaning of Section 892 of the Code;
- persons that purchase notes in this offering and participate in a substantially contemporaneous redemption of any existing notes of the Company;
- persons that own, actually or constructively, 10% or more of the Escrow Issuer's or Constellation's stock; or
- retirement plans, individual retirement accounts or other tax-deferred accounts or any person acquiring the notes in connection with the performance of services.

Such U.S. Holders and Non-U.S. Holders may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not address the consequences of any other U.S. federal tax laws other than U.S. federal income tax laws (such as estate or gift tax laws) or any applicable state, local or non-U.S. tax laws.

For purposes of this discussion, the term "U.S. Holder" means a beneficial owner of a note that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust (i) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code) have the authority to control all of the substantial decisions of the trust, or (ii) that has a valid election in place to be treated as a United States person.

For purposes of this discussion, the term "Non-U.S. Holder" means a beneficial owner of a note that is, for U.S. federal income tax purposes, an individual, corporation, estate or trust and is not a U.S. Holder. Special rules may apply to certain Non-U.S. Holders. Consequently, Non-U.S. Holders should consult their tax advisors to determine the U.S. federal, state, local, non-U.S. and other tax consequences that may be relevant to them in light of their particular circumstances.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the notes, the tax treatment of such entity or arrangement or a partner or owner of an interest in such entity or arrangement will generally depend on the status of the partner and the activities of the partner and such entity or arrangement. Partners or owners of entities or arrangements treated as a partnership for U.S. federal income tax purposes and such entities or arrangements considering the purchase of the notes should consult their tax advisors as to the particular U.S. federal income tax consequences applicable to them.

THIS SUMMARY IS FOR GENERAL INFORMATION PURPOSES ONLY, AND IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR HOLDER. PROSPECTIVE HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISOR WITH REGARD TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS, AS WELL AS THE APPLICATION OF ANY APPLICABLE TAX TREATY AND THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION, IN LIGHT OF THEIR PARTICULAR SITUATION.

Effect of Certain Contingencies

In certain circumstances, we may be obligated to pay amounts in excess of the stated interest or principal on the notes. See "Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption," and "Description of the Notes—Optional Redemption," "Description of the Notes—Change of Control"). These potential payments may implicate the provisions of U.S. Treasury regulations relating to "contingent payment debt instruments." We believe, and intend to take the position, that the foregoing contingencies should not cause the notes to be treated as contingent payment debt instruments, although there can be no assurance in this regard. Assuming such position is respected, a U.S. Holder would generally be required to include in income the amount of any such additional or advanced payments at the time such payments are received or accrued in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes. Our position that the notes are not contingent payment debt instruments is binding on a holder unless such holder discloses its contrary position to the IRS in the manner required by applicable U.S. Treasury regulations. Our position is not, however, binding on the IRS. If the IRS were to successfully challenge our position and the notes were treated as contingent payment debt instruments, a U.S. Holder may be required, among other things, to accrue income in excess of stated interest and to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange, redemption, or other taxable disposition of the notes before the resolution of the contingencies. If the notes are not contingent payment debt instruments, but such contingent payments were required to be made, such payments would affect the amount and timing of the income that a U.S. Holder recognizes. The remainder of this discussion assumes that the notes are not treated as contingent payment debt instruments for U.S. federal income tax purposes. U.S. Holders are urged to consult their tax advisors regarding the possible application of the contingent payment debt instrument rules to the notes and the consequences thereof.

Effect of Substitution of the Issuer

In the event that we are replaced as principal debtor in respect of the notes as a result of the provisions described under "Description of the Notes—Substitution of the Issuer," such substitution could result in a deemed exchange of the notes as in place prior to such substitution for "new" notes as in place after such substitution (the "New Notes") for U.S. federal income tax purposes. If such substitution results in a deemed exchange for U.S. federal income tax purposes, it would generally be treated as a taxable transaction for U.S. federal income tax purposes in which a U.S. Holder would be required to recognize any capital gain or loss (although any loss could be disallowed), equal to the difference between such U.S. Holder's tax basis in the notes and the trading price of the notes at such time, if the notes are treated as traded on an established securities market, or the principal amount of the notes, if they are not so traded. Furthermore, for U.S. federal income tax purposes, the New Notes deemed issued in such a deemed exchange could be treated as issued with original issue discount ("OID"), if the notes are treated as deemed issue on an established securities market at such time and the principal amount of the notes were to exceed their trading price. In such event, U.S. Holders would be required to include such OID in their income as it accrues, in advance of the receipt of cash corresponding to such income, regardless of their regular method of tax accounting. In addition, the determination of whether the New Notes are treated as CPDIs as a result of the possibility of additional payments, as further described above under "—Effect of Certain Contingencies," would be made at the time of the substitution. U.S. Holders should consult their own tax advisors as to the U.S. federal income tax considerations relating to the potential deemed exchange of the notes in connection with a substitution of Constellation.

Tax Consequences of the Assumption

For U.S. federal income tax purposes, under certain circumstances the modification of a debt instrument may be treated as a taxable exchange of such debt instrument for a new debt instrument, which would require the recognition of taxable gain or loss (although any loss could be disallowed). Furthermore, for U.S. federal income tax purposes, the new debt instrument deemed issued in such a deemed exchange could be treated as issued with original issue discount. In such event, holders of such deemed new debt instruments would be required to include such original issue discount in their income as it accrues, in advance of the receipt of cash corresponding to such income regardless of their regular method of tax accounting. In general, applicable U.S. Treasury regulations provide that a taxable event occurs when, taking into account all changes to the debt instrument collectively, the legal rights or obligations that are altered, and the degree to which they are altered, are economically significant either by application of a series of mechanical tests or otherwise based upon all of the facts and circumstances of the modification (a "significant modification"). As described above, upon the closing of the Merger, the notes will become the obligations of Constellation and will be guaranteed respectively on a senior secured basis by the Guarantors and will no longer be the obligations of the Escrow Issuer (which will cease to exist). Although this change in obligor with respect to the notes likely will constitute a modification of the notes for U.S. federal income tax purposes, we believe, and the disclosure in the offering memorandum assumes, that under the applicable U.S. Treasury regulations the change in obligor, together with the change in security and credit enhancement, should not constitute a significant modification. Accordingly, upon the closing of the Merger, for U.S. federal income tax purposes, a holder of notes should not recognize any income, gain or loss with respect to the notes, and should have the same adjusted basis and holding period in the notes as before the closing of the Merger. However, there can be no assurance that the IRS will not reach a different conclusion. Prospective holders of the notes should consult their own tax advisors regarding the potential consequences of the Merger.

Tax Consequences for U.S. Holders

Interest on the Notes. Stated interest on a note, and any additional amounts with respect to withholding tax on the notes (including the amount of tax withheld from payments of interest and additional amounts), generally will be included in the gross income of a U.S. Holder as ordinary income at the time such interest is accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes. It is expected, and the remainder of this discussion assumes, that the notes will be issued with less than a *de minimis* amount of original issue discount for U.S. federal income tax purposes.

Interest on the notes generally will be treated as foreign-source income for U.S. federal income tax purposes and generally will constitute "passive category" income for most U.S. Holders. Subject to a number of complex restrictions and conditions (including a minimum holding period requirement), a U.S. Holder may be entitled to a foreign tax credit in respect of any foreign income taxes withheld on interest payments on the notes. Alternatively, a U.S. Holder may be able to deduct such taxes in computing taxable income for U.S. federal income tax purposes, provided that, the U.S. Holder has elected to deduct all otherwise creditable foreign income taxes paid or accrued for the relevant taxable year. The rules governing the foreign tax credit are complex and U.S. Treasury regulations impose requirements that must be met for a foreign tax to be creditable including requirements that a "covered withholding tax" be imposed on nonresidents in lieu of a generally applicable tax that satisfies the regulatory definition of a "net income tax," which may be unclear or difficult to determine (although IRS guidance currently provides temporary relief from certain of these requirements if such guidance is applied consistently to all foreign taxes paid during the relevant taxable year until the date that a notice or other guidance withdrawing or modifying the temporary relief is issued (or any later date specified in such notice or other guidance)). U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit or a deduction for foreign taxes paid under their particular circumstances.

Sale, Exchange, Redemption or Other Taxable Disposition of the Notes. Generally, a sale, exchange, retirement, redemption, or other taxable disposition of a note will result in taxable gain or loss equal to the difference, if any, between the amount of cash and the fair market value of any other property received (other than any amount attributable to accrued but unpaid stated interest which will be treated as described above under "—Interest on the Notes") by a U.S. Holder in respect of the note and the U.S. Holder's adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note generally will be the amount paid for the note, reduced by any cash payments received on the note (other than qualified stated interest). Any gain or loss generally will be capital gain or loss, and such gain or loss will be long-term capital gain or loss if a U.S. Holder's holding period for the note is longer than one year at the time of disposition. Certain non-corporate U.S. Holders (including individuals) may be subject to preferential rates of U.S. federal income tax in respect of long-term capital gain. The deductibility of capital losses is subject to limitations.

Any gain or loss realized on the sale, exchange or other taxable disposition of a note generally will be treated as U.S.-source gain or loss, as the case may be. If any gain from the sale, exchange or other taxable disposition of a note is subject to foreign tax, U.S. Holders may not be able to credit such tax against their U.S. federal income tax liability under the U.S. foreign tax credit limitations. Under U.S. Treasury regulations, foreign tax imposed on such U.S.-source gain may not constitute a creditable tax if certain requirements are not met for a foreign tax to be creditable including requirements that a "covered withholding tax" be imposed on nonresidents in lieu of a generally applicable tax that satisfies the regulatory definition of a "net income tax," which may be unclear or difficult to determine (although IRS guidance currently provides temporary relief from certain of these requirements if the guidance is applied consistently to all foreign taxes paid during the relevant taxable year until the date that a notice or other guidance withdrawing or modifying the temporary relief is issued (or any later date specified in such notice or other guidance)). Moreover, in the case of a gain from the disposition of a note that is subject to an otherwise creditable foreign income tax, the U.S. Holder may be unable to benefit from the foreign tax credit for that foreign income tax unless such tax can be credited (subject to applicable limitations) against U.S. federal income tax due on other income that is treated as derived from foreign sources. Alternatively, the U.S. Holder may take a deduction for the foreign income tax, provided that the U.S. Holder does not elect to claim a foreign tax credit with respect to any foreign income taxes paid or accrued during the relevant taxable year and elects to deduct all otherwise creditable foreign income taxes paid or accrued for the relevant taxable year. The rules governing the foreign tax credit are complex.

U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Tax Consequences for Non-U.S. Holders

Subject to the discussion under "—Information Reporting and Backup Withholding" and "—FATCA" below, a Non-U.S. Holder generally will not be subject to U.S. federal withholding tax on interest on or gain with respect to the notes. A Non-U.S. Holder also generally will not be subject to U.S. federal income tax on a net basis with respect to interest received in respect of the notes or gain realized on the sale, exchange or other taxable disposition (including redemption) of the notes, unless that interest or gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States or, in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

Information Reporting and Backup Withholding

U.S. Holders and Non-U.S. Holders may be subject, under certain circumstances, to information reporting and/or backup withholding at the applicable rate (currently at a rate of 24%) with respect to certain payments of principal or interest on a note (regardless of whether any tax was actually withheld) and the proceeds from a sale or other disposition of a note.

A U.S. Holder may generally establish an exemption to backup withholding with respect to the foregoing amounts if (i) the U.S. Holder is a corporation or comes within certain other exempt categories or (ii) prior to payment, the U.S. Holder provides an accurate taxpayer identification number, certifies that the taxpayer identification number is correct on a duly completed and executed IRS Form W-9 (or successor form) and otherwise complies with the requirements of the backup withholding rules.

Copies of certain information returns and any withholding of U.S. federal income tax with respect to the foregoing amounts may be made available to tax authorities in a country in which a Non-U.S. Holder is a resident or is established under the provisions of an applicable income tax treaty. A Non-U.S. Holder may establish an exemption to backup withholding by providing a duly completed and executed applicable IRS Form W-8 (or successor form), and otherwise complying with the requirements of the backup withholding rules or by otherwise establishing an exemption.

Backup withholding is not an additional tax. Any amounts withheld under backup withholding may be allowed as a credit against a U.S. Holder's or Non-U.S. Holder's U.S. federal income tax liability (if any) and may entitle the U.S. Holder or Non-U.S. Holder to a refund, provided the required information is timely furnished to the IRS.

You should consult your tax advisor regarding the application of U.S. federal information reporting and backup withholding rules to your particular situation.

"Specified Foreign Financial Asset" Reporting

Certain owners of "specified foreign financial assets" with an aggregate value in excess of $50,000 on the last day of the taxable year of $75,000 at any time during the taxable year (and in some circumstances, a higher threshold) may be required to file an information statement with respect to such assets with their U.S. federal income tax returns, currently on IRS Form 8938. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which may include the notes) that are not held in accounts maintained by financial institutions. U.S. Holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or in part. U.S. Holders are urged to consult their tax advisors regarding the application of this legislation to their ownership of the notes.

FATCA

Pursuant to Sections 1471 through 1474 of the Code, such Sections commonly referred to as the "Foreign Account Tax Compliance Act" ("FATCA"), a 30% U.S. federal withholding tax is generally imposed on payments of interest on a note made to certain non-U.S. financial institutions (including investment funds), unless such institution (i) enters into, and complies with, an agreement with the IRS to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution that are owned by certain U.S. persons or by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold on certain payments, or (ii) if required under an intergovernmental agreement between the United States and an applicable foreign country, reports such information to its local tax authority, which will exchange such information with the U.S. authorities. Similarly, interest received by an entity that is a non-financial non-U.S. entity that does not qualify under certain exemptions will generally be subject to U.S. federal withholding tax at a rate of 30%, unless such entity either (i) certifies that such entity does not have any "substantial United States owners" or (ii) provides certain information regarding the entity's "substantial United States owners," which the payor will generally be required to provide to the IRS. An intergovernmental agreement between the United States and an applicable foreign country may modify these requirements.

The IRS has issued proposed U.S. Treasury regulations (on which taxpayers may rely until final U.S. Treasury regulations are issued) that would generally not apply FATCA withholding to gross proceeds from the sale or other disposition of a note. U.S. Holders and Non-U.S. Holders are urged to consult their tax advisors regarding the effect, if any, under FATCA based on their particular circumstances.

CERTAIN MATERIAL BRAZILIAN TAX CONSIDERATIONS

The following discussion summarizes the principal Brazilian tax consequences of the acquisition, ownership and disposition of the notes by a holder that is not domiciled or resident in Brazil for Brazilian tax purposes, or a non-resident holder. This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the notes. This summary also does not address any tax consequences under the tax laws of any state or municipality of Brazil. The present description is based on Brazilian tax law and regulations as currently applied on the date of this offering memorandum, which are subject to change and to differing interpretations. Any change in applicable Brazilian laws and regulations may impact the consequences described below. Each prospective purchaser of the notes is urged to consult their own tax advisors about the Brazilian tax consequences of an investment in the notes.

Payments Related to the Notes

Generally, a non-resident holder is taxed in Brazil only when income derives from Brazilian sources or when the transaction giving rise to income involves assets located in Brazil. Given that the Escrow Issuer is a company incorporated under the laws of Luxembourg and is not registered to conduct business in Brazil, it would not qualify as a Brazilian resident for purposes of the Brazilian tax legislation.

Therefore, as the Escrow Issuer is considered for tax purposes as domiciled abroad, any income paid by it in respect of the notes to a non-resident holder (including interest) should not be subject to withholding or deduction in respect of Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with funds held by the Escrow Issuer outside of Brazil.

If the Escrow Issuer is not successfully qualified as a non-resident of Brazil and the above position does not prevail in the event of a tax dispute, the amounts remitted abroad could be subject to Brazilian withholding income tax ("WHT") at a rate of up to 25%, *plus* interest and fines.

Gains Realized from the Sale or Other Disposition of the Notes

Capital gains realized on the sale or disposition of assets located in Brazil by a non-resident holder are subject to taxation in Brazil regardless of whether the acquirer is resident or domiciled in Brazil, according to Section 26 of Law No. 10,833, enacted on December 29, 2003, and Section 18 of Law No. 9,249, enacted on December 26, 1995.

Based on the fact that the notes are issued and registered abroad, the notes should not fall within the definition of assets located in Brazil for purposes of Law No. 10,833. Hence, gains arising from the sale or other disposition of the notes (which for the purposes of this paragraph includes any deemed income on the difference between the issue price of the notes and the price at which the notes are redeemed, or "original discount") made outside Brazil by a non-resident holder to another non-Brazilian resident should not be subject to Brazilian taxes.

However, considering the general and unclear scope of Law No. 10,833 and Law No. 9,249 and the absence of judicial guidance in respect thereof, we cannot assure prospective investors that such interpretation will prevail in the courts of Brazil.

As a result, in case the notes are deemed to be assets located in Brazil, gains recognized by a non-resident holder from their sale or other disposition to a non-resident or a resident in Brazil may be subject to income tax in Brazil at progressive rates, as provided for by Law No. 13,259, that may vary from 15.0% to 22.5% depending on the amount of the gain: (i) 15% for the part of the gain up to R$5.0 million, (ii) 17.5% for the part of the gain that exceeds R$5.0 million but does not exceed R$10.0 million, (iii) 20% for the part of the gain that exceeds R$10.0 million but does not exceed R$30.0 million, and (iv) 22.5% for the part of the gain that exceeds R$30.0 million. Lower rates may be applicable to such gains as provided for in an applicable tax treaty entered into between Brazil and the country where the non-resident holder is resident. In case the non-resident holder making the sale or disposition is located in a Favorable Tax Jurisdiction (as defined below), the gains will be subject to a flat 25% rate.

In certain circumstances, if there is no collection of WHT on a given transaction and tax authorities take the position that the WHT should have been levied, tax authorities may increase the taxable basis of the WHT, as if the amount actually received by the non-resident holder had already been reduced by the applicable WHT (gross-up).

Payments Made by the Guarantors

If, by any chance, a Brazilian source is required, as a Guarantor (a "Brazilian Guarantor"), to assume the obligation to pay any amount in connection with the notes to a non-resident holder (including principal, interest or any other amount that may be due and payable in respect of the notes), Brazilian tax authorities could attempt to impose WHT upon such payments.

Should a Brazilian Guarantor be obligated to pay interest to a non-resident holder in connection with the notes, WHT at the rate of 15% or 25% may apply, depending on the nature of the payment and the location of the non-resident holder (for more information on the interest of the notes, see "—Discussion on the Concept of Favorable Tax Jurisdictions and Privileged Tax Regimes" below). Lower rates may be applicable if provided for in an applicable tax treaty entered into between Brazil and the country where the non-resident holder is resident.

There is some uncertainty regarding the applicable tax treatment to payments of the principal amount by a Brazilian Guarantor to non-resident holders. However, there are arguments to sustain that (a) payments made under the guarantee structure should be subject to imposition of the WHT according to the nature of the guaranteed payment, in which case only interest and fees should be subject to taxation at the rates of 15% or 25%, in cases of beneficiaries located in a Favorable Tax Jurisdiction; or (b) payments made under a guarantee by Brazilian sources to non-resident beneficiaries should not be subject to WHT, to the extent that they should qualify as a credit transaction by the Brazilian party to the borrower. This is, however, a controversial issue that is still not decided by the Brazilian courts.

Furthermore, depending on the nature of the transaction (to be discussed and confirmed based on a case-by-case analysis), certain fees and commissions payable by a Brazilian source may also be subject to the following tax impacts in Brazil: (i) WHT at a rate of 15% (non-tax heavens beneficiaries) or of 25% (tax heavens beneficiaries); (ii) Contribution of Intervention in the Economic Domain (*Contribuição de Intervenção no Domínio Econômico* – CIDE) at a 10% rate; (iii) PIS and COFINS at the total rate of 9.25%; (iv) municipal tax on services (*Imposto Sobre Serviços de Qualquer Natureza* – ISS) at rates which may vary from 2% to 5%; and (v) tax on foreign exchange transactions (*Imposto sobre Operações de Crédito, Câmbio e Seguro, ou relativas a Títulos de Valores Mobiliários*) ("IOF/FX") at a 0.38% rate. Please note that different rates may apply if a tax treaty between the country of residence of the non-resident holder and Brazil sets forth a lower rate.

Foreclosure of Collateral

The sale of assets sourced in Brazil because of foreclosure of any security interest may be subject to income tax in Brazil. If the seller is a non-Brazilian resident that is not in a Favorable Tax Jurisdiction, income tax on gains realized on the sale or disposal of assets located in Brazil will be subject to rates ranging from 15% to 22.5%, according to the amount of the gain, whereas if the seller is a non-Brazilian resident that is in a Favorable Tax Jurisdiction, income tax will be due at a 25% flat rate. Such income tax will be withheld from the purchase price of the secured assets and therefore may reduce the net proceeds available for the payment of the secured obligation.

Discussion on the Concept of Favorable Tax Jurisdictions and Privileged Tax Regimes

Under Brazilian tax law, a "Favorable Tax Jurisdiction" is defined as a country or location that (i) does not impose taxation on income, (ii) imposes income tax at a maximum rate lower than 17%, or (iii) imposes restrictions on the disclosure of shareholding composition, investment ownership or the identity of the beneficial owners of earnings that are attributed to a non-resident.

On June 23, 2008, Law No. 11,727, that amended article 24-A of Law No. 9,430, introduced the concept of privileged tax regimes, in connection with transactions subject to Brazilian transfer pricing rules and also applicable to thin capitalization/cross border interest deductibility rules. Pursuant to Law No. 11,727, a jurisdiction will be considered a Privileged Tax Regime if it (i) does not tax income or taxes it at a maximum rate lower than 17% (Law 14,596 that amended article 24-A of Law No. 9,430, reduced the rate from 20% to 17%); (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or in the territory or (b) conditioned to the non-exercise of a substantial economic activity in the country or in the territory; (iii) does not tax or taxes foreign sourced income at a maximum rate lower than 17%; or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out.

On June 4, 2010, Brazilian tax authorities enacted Normative Instruction No. 1,037 ("IN 1,037/10"), listing (1) the countries and jurisdictions considered as Favorable Tax Jurisdictions; and (2) privileged tax regimes. This is an exhaustive list. The IN 1,037/10 has not yet been amended to reflect the reduction of the maximum tax rate from 20% to 17% for the purpose of classifying a Privileged Tax Regime.

It is uncertain whether subsequent interpretations by the Brazilian tax authorities regarding the definition of Privileged Tax Regime provided by Law No. 11,727 will extend to the imposition of Brazilian withholding income tax on payments under the notes to a non-resident holder. Currently, the understanding of the Brazilian tax authorities is that only payments to countries deemed Favorable Tax Jurisdictions by IN 1,037/10 would be subject to withholding tax at a 25% rate. (Answer to Advance Tax Ruling Request COSIT No. 575, of December 20, 2017). In any case, if Brazilian tax authorities determine that payments made to a non-resident holder under a Privileged Tax Regime are subject to the same rules applicable to payments made to non-resident holders located in a Favorable Tax Jurisdiction, the WHT applicable to such payments could be assessed at a rate up to 25%.

We recommend that prospective investors consult their own tax advisors from time to time to verify any possible tax consequences arising out of IN 1,037/10, as amended, and Law No. 11,727.

Other Brazilian Tax Considerations

Pursuant to Decree No. 6,306, as amended, conversions of foreign currency into Brazilian currency or vice versa are subject to IOF/FX, including potential foreign exchange transactions in connection with payments made by a Guarantor under a note guarantee to non-resident holders. As of the date of this offering memorandum, the IOF/FX rate is 0.38% for most foreign exchange transactions, which would potentially apply to foreign exchange transactions in connection with payments under a note guarantee by a Brazilian Guarantor to non-resident holders.

In addition, in the event payments by a Brazilian Guarantor made under its note guarantee are qualified as credit transactions between the Brazilian Guarantor and the Escrow Issuer, Brazilian tax authorities could impose the tax on credit transactions (*Imposto sobre Operações de Crédito, Câmbio e Seguro, ou relativas a Títulos de Valores Mobiliários*) ("IOF/Credit"), which applies to credit transactions in general, which may include the performance of guaranteed transactions between a guarantor and a guaranteed party. IOF/Credit is not levied on foreign credit transactions in which the creditor is domiciled outside Brazil, in which case IOF/FX will apply. IOF/Credit levied on credit transactions is usually assessed at a daily rate of 0.0041% when the debtor is a legal entity or at a daily rate of 0.0082% when the debtor is an individual, up to a limit of 365 days. Additionally, an IOF/Credit surtax of 0.38% is applicable to most of the credit transactions, regardless of the term to maturity for the transaction.

Despite the above, in any case, the Brazilian government is allowed to reduce the IOF/FX rate at any time down to 0% or increase the IOF/FX rate at any time up to 25%, but only with respect to future foreign exchange transactions.

Stamp, Transfer or Similar Taxes

Generally, there are no stamp, transfer or other similar taxes in Brazil applicable to the transfer, assignment or sale of the notes outside Brazil, nor any federal inheritance, donation or succession tax applicable to the ownership, transfer or disposition of the notes, except for donation and inheritance taxes imposed by some states of Brazil on gifts and bequests by a non-resident holder to individuals or entities domiciled or residing within such Brazilian states.

The above description is not intended to constitute a complete analysis of all Brazilian tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

CERTAIN LUXEMBOURG TAX CONSIDERATIONS

This summary solely addresses the principal Luxembourg tax consequences of the acquisition, ownership and disposal of notes and does not purport to describe every aspect of taxation that may be relevant to a particular holder. Accordingly, a holder is urged to consult his own tax advisor for a full understanding of the tax consequences of the offering to him, including the applicability and effect of Luxembourg tax laws.

Where in this summary English terms and expressions are used to refer to Luxembourg concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Luxembourg concepts under Luxembourg tax law.

This summary is based on the tax law of Luxembourg (unpublished case law not included) as it stands at the date of this offering. The tax law upon which this summary is based, is subject to changes, possibly with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

This overview assumes that each transaction with respect to the notes is at arm's length, and that the notes are treated as debt for Luxembourg tax purposes.

The summary in this Luxembourg taxation paragraph does not address the Luxembourg tax consequences for a holder of notes who:

(i) is an investor as defined in a specific law (such as the law on family wealth management companies of 11 May 2007, as amended, the law on undertakings for collective investment of 17 December 2010, as amended, the law on specialized investment funds of 13 February 2007, as amended, the law on reserved alternative investment funds of 23 July 2016, the law on securitisation of 22 March 2004, as amended, the law on venture capital vehicles of 15 June 2004, as amended and the law on pension saving companies and associations of 13 July 2005);

(ii) is, in whole or in part, exempt from tax;

(iii) acquires, owns or disposes of notes in connection with a membership of a management board, a supervisory board, an employment relationship, a deemed employment relationship or management role; or

(iv) has a substantial interest in the Escrow Issuer or a deemed substantial interest in the Escrow Issuer for Luxembourg tax purposes. Generally, a person holds a substantial interest if such person owns or is deemed to own, directly or indirectly, more than 10% of the shares or interest in an entity.

Withholding Tax

Non-resident Holders of Notes

All payments of interest and principal under the notes made to non-residents of Luxembourg may be made free from withholding or deduction of or for any taxes of whatever nature imposed, levied, withheld or assessed by Luxembourg or any political subdivision or taxing authority of or in Luxembourg.

Individual Resident Holders of Notes

Under the law of 23 December 2005 as amended (the "Relibi Law"), payments of interest and similar income made or deemed to be made to an individual who is resident in Luxembourg may be subject to a withholding tax of 20% of the payment.

Taxes on Income and Capital Gains

Non-resident Holders of Notes

Non-resident holders of notes that do not have a permanent establishment in Luxembourg to which the notes or income thereon are attributable are not subject to Luxembourg income taxes in respect of any benefits derived or deemed to be derived in connection with the notes.

Resident Holders of Notes

Individuals. Any benefits derived or deemed to be derived from or in connection with notes that are attributable to an enterprise from which an individual derives profits, whether as an entrepreneur or pursuant to a co-entitlement to the net value of an enterprise, are generally subject to Luxembourg income tax. A resident individual who invests in the notes as part of such person's private wealth management, is subject to Luxembourg income tax in respect of interest and similar income (such as premiums or issue discounts) derived from the notes, except if tax is levied on such income in accordance with the Relibi Law. A gain realized by a resident individual, acting in the course of the management of that person's private wealth, upon the sale or disposal, in any form whatsoever, of notes is not subject to Luxembourg income tax, provided this sale or disposal takes place more than six months after the notes are acquired. However, any portion of such gain corresponding to accrued but unpaid interest is subject to Luxembourg income tax, except if tax is levied on such interest in accordance with the Relibi Law. Any benefit derived by a resident individual from the disposal of notes prior to their acquisition is subject to income tax as well.

Corporations. A corporate resident holder of notes must include any benefits derived or deemed to be derived from or in connection with the notes such as interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the notes, in its taxable income for Luxembourg income tax purposes.

General. If a holder of notes is neither resident nor deemed to be resident in Luxembourg, such holder will for Luxembourg tax purposes not carry on or be deemed to carry on an enterprise, in whole or in part, through a permanent establishment or a permanent representative in Luxembourg by reason only of the execution of the documents relating to the issue of notes or the performance by the Escrow Issuer of its obligations under such documents or under the notes.

Net Wealth Tax

Corporate holder of notes resident in Luxembourg and non-resident corporate holders of notes that maintain a permanent establishment in Luxembourg to which or to whom such notes are attributable are subject to annual net wealth tax on their unitary value (i.e., non-exempt assets minus liabilities and certain provisions as valued according to the Luxembourg valuation rules), levied at a rate of 0.5% if the unitary value does not exceed €500,000,000.

Individuals are not subject to Luxembourg net wealth tax.

Inheritance and Gift Tax

Where notes are transferred for non-consideration:

(i) no Luxembourg inheritance tax is levied on the transfer of the notes upon the death of a holder of notes in cases where the deceased was not a resident or a deemed resident of Luxembourg for inheritance tax purposes; and

(ii) by way of gift, Luxembourg gift tax will be levied in the event that the gift is made pursuant to a notarial deed signed before a Luxembourg notary or produced for registration, directly or indirectly, before the Registration and Estates Department (*Administration de l'enregistrement, des domaines et de la TVA*).

Other Taxes and Duties

It is not compulsory that the notes be filed, recorded or enrolled with any court or other authority in Luxembourg. No registration tax, stamp duty or any other similar documentary tax or duty is due in respect of or in connection with the issue of notes, the performance by the Escrow Issuer of its obligations under the notes, or the transfer of the notes.

A fixed or *ad valorem* registration duty in Luxembourg may however apply (i) upon registration of the notes, before the Registration and Estates Department (*Administration de l'enregistrement, des domaines et de la TVA*) in Luxembourg where this registration is not required by law (*présentation à l'enregistrement*), or (ii) if the notes are (a) enclosed to a compulsory registrable deed under Luxembourg law, (*acte obligatoirement enregistrable*) or (b) deposited with the official records of a notary (*déposé au rang des minutes d'un notaire*).

FATCA

The Foreign Account Tax Compliance Act ("FATCA") was enacted into U.S. law in March 2010 as part of the Hiring Incentives to Restore Employment Act. FATCA aims at reducing tax evasion by U.S. citizens and requires, among other things, foreign financial institutions outside the U.S. ("FFIs") to spontaneously provide information about financial accounts held, directly or indirectly, by specified U.S. persons or face a 30% U.S. federal withholding tax imposed on certain U.S.-source payment ("FATCA Withholding").

To implement FATCA in Luxembourg, Luxembourg entered into a so-called Model 1 Intergovernmental Agreement (the "IGA") with the U.S., and a memorandum of understanding in respect thereof, on 28 March 2014. The IGA was implemented under Luxembourg domestic law by Law of 24 July 2015 (the "Luxembourg FATCA Law"). Luxembourg FFIs that comply with the requirements of the IGA and the Luxembourg FATCA Law will not be subject to FATCA Withholding.

Under the IGA and the Luxembourg FATCA Law, Luxembourg FFIs are required to perform certain necessary due diligence and monitoring of investors, and to report to the Luxembourg tax authorities on an annual basis information about financial accounts held by (a) specified U.S. investors, (b) certain U.S.-controlled entity investors and (c) non-U.S. financial institution investors that do not comply with FATCA. Such information will subsequently be remitted by the Luxembourg tax authorities to the U.S. Internal Revenue Service.

Holders of notes may be required to provide information to the Escrow Issuer to ensure the Escrow Issuer's compliance with the IGA and the Luxembourg FATCA Law. In the event that a holder of notes does not provide the required information, the Escrow Issuer may need to report financial account information of such holder of notes to Luxembourg tax authorities.

Holders of notes should consult with their own tax advisers regarding the effects of the IGA and the Luxembourg FATCA Law on their investment in the notes.

Common Reporting Standard

The Organisation for Economic Co-operation and Development has developed a new global standard for the automatic exchange of financial information between tax authorities (the "CRS"). Luxembourg is a signatory jurisdiction to the CRS and has conducted its first exchange of information with tax authorities of other signatory jurisdictions in September 2017, as regards reportable financial information gathered in relation to fiscal year 2016. The CRS has been implemented in Luxembourg via the law dated 18 December 2015 concerning the automatic exchange of information on financial accounts and tax matters and implementing the EU Directive 2014/107/EU.

The regulations may impose obligations on the Escrow Issuer and the holders of notes, if the Escrow Issuer is considered as a reporting financial institution (*e.g.* an investment entity) under the CRS, so that the latter could be required to conduct due diligence and obtain (among other things) confirmation of the tax residency, tax identification number and CRS classification of holders of notes in order to fulfil its own legal obligations.

CERTAIN CONSIDERATIONS FOR BENEFIT PLAN INVESTORS

The following is a summary of certain considerations associated with the purchase, holding and disposition of the notes by (i) any employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) that is subject to Title I of ERISA, (ii) any plan (as defined in Section 4975(e)(1) of the Code) or other arrangement that is subject to Section 4975 of the Code (including an individual retirement arrangement under Section 408 of the Code), (iii) any entity or account the underlying assets of which are considered to include "plan assets" of any such plan, account or arrangement described above in the foregoing subsections (i) or (ii) (as determined pursuant to U.S. Department of Labor regulation codified at 29 C.F.R. Section 2510.3- 101, as modified by Section 3(42) of ERISA (the "Plan Asset Regulation")) (collectively, the plans and entities described in subsections (i) through (iii) above are referred to herein as "ERISA Plans"), or (iv) any other plan, including a foreign plan maintained outside the United States, governmental plan (as defined in Section 3(32) of ERISA) or church plan (as defined in Section 3(33) of ERISA) that is not subject to Title I of ERISA, but may be subject to any federal, state, local or foreign law or regulation that is similar to Title I of ERISA or Section 4975 of the Code (a "Similar Law") (collectively, the plans, accounts or arrangements described in subsections (i) through (iv) above are referred to herein as "Plans").

This summary is based on the provisions of ERISA and the Code (and the related regulations and administrative guidance and judicial interpretations) as of the date hereof. This summary does not purport to be complete, and no assurance can be given that future legislation, court decisions, administrative regulations, rulings or administrative pronouncements will not significantly modify the requirements summarized herein. Any such changes may be retroactive and may thereby apply to transactions entered into prior to the date of their enactment or release. Accordingly, each prospective investor should consult with its own counsel in order to understand the potential applicability of Title I of ERISA, Section 4975 of the Code and/or any other Similar Law to an investment in the notes that affect or may affect the investor with respect to this investment.

General Fiduciary Matters

ERISA imposes certain duties on persons who are fiduciaries of an ERISA Plan subject to Title I of ERISA, and ERISA and the Code prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person (i) who exercises any discretionary authority or control over (a) the administration of such an ERISA Plan or (b) the management or disposition of the assets of an ERISA Plan, or (ii) who renders investment advice for a fee or other compensation (whether direct or indirect) to an ERISA Plan, is generally considered to be a fiduciary with respect to such ERISA Plan.

Section 404(a)(1) of ERISA sets forth a general standard of behavior and restrictions for fiduciaries of ERISA Plans subject to Title I of ERISA. It requires that a fiduciary discharge its duties with respect to such an ERISA Plan (i) solely in the interest of the participants and beneficiaries of such ERISA Plan, (ii) for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the ERISA Plan, (iii) in accordance with a "prudent-man rule" (that is "with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims"), (iv) by diversifying the investments of the ERISA Plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so, and (v) in accordance with the documents governing the ERISA Plan insofar as they are consistent with ERISA.

In considering an investment in the notes with the assets of any such ERISA Plan, a fiduciary should give appropriate consideration to, among other things, whether the acquisition and holding of the notes is in accordance with the documents and instruments governing the ERISA Plan and the applicable provisions of ERISA or the Code including, without limitation, any prudence, diversification, delegation of control and prohibited transaction provisions of ERISA and the Code. Further, each fiduciary should consider the fact that none of the Escrow Issuer, Constellation, the initial purchasers or the other parties to the transactions contemplated by this offering memorandum or any of their respective affiliates (the "Transaction Parties") is acting, or will act, as a fiduciary to any ERISA Plan with respect to the decision to purchase or hold the notes. The Transaction Parties are not undertaking to provide impartial investment advice or advice based on any particular investment need, or to give advice in a fiduciary capacity, with respect to the decision to purchase or hold the notes. All communications, correspondence and materials from the Transaction Parties with respect to the notes are intended to be general in nature and are not directed at any specific purchaser of the notes, and do not constitute advice regarding the advisability of investment in the notes for any specific purchaser. The decision to purchase and hold the notes must be made solely by each prospective ERISA Plan purchaser on an arm's length basis.

Similar duties and restrictions may apply to fiduciaries of Plans that are not subject to ERISA, such as governmental plans, church plans and non-U.S. plans. Fiduciaries of Plans subject to Similar Laws should consider their fiduciary duties under such Similar Laws in determining whether to invest in the notes offered hereby.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan and certain persons or entities who are "parties in interest," within the meaning of Section 3(14) of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless a statutory or administrative exemption is applicable to the transaction.

The acquisition or holding of notes by or on behalf of an ERISA Plan could give rise to a prohibited transaction under ERISA or the Code if the Escrow Issuer, Constellation or any of its affiliates is, or becomes, a party in interest or a disqualified person with respect to such ERISA Plan. A party in interest or disqualified person who engages in a non-exempt prohibited transaction (including, without limitation, the lending of money or the extension of credit by the ERISA Plan) may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. For example, an ERISA Plan holding a note would be viewed by the Department of Labor as a continuing extension of credit by the ERISA Plan to the Escrow Issuer or Constellation. Accordingly, each original or subsequent purchaser or transferee of a note that is or may become an ERISA Plan is responsible for determining the extent, if any, to which the purchase and holding of a note will constitute a prohibited transaction under ERISA or Section 4975 of the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and/or the Code, including an obligation to correct the transaction.

The Department of Labor has issued prohibited transaction class exemptions ("PTCEs") that may provide exemptive relief for direct or indirect prohibited transactions resulting from the sale, purchase or holding of a note. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95- 60 respecting life insurance company general accounts, and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory exemption for certain transactions involving non-fiduciary service providers or their affiliates. Fiduciaries of ERISA Plans considering the purchase and/or holding of the notes in reliance on these or any other exemption should carefully review the exemption to assure it is applicable. We cannot assure you that all of the conditions of any of these exemptions or of any other exemption will be satisfied with respect to any particular transaction involving the notes.

Governmental plans, church plans and foreign plans are not generally subject to the prohibited transaction provisions of ERISA and Section 4975 of the Code; however, such Plans may nevertheless be subject to Similar Laws which may affect their investment in the notes. Any fiduciary of such a Plan should make its own determination as to the requirements, if any, under any Similar Law applicable to the acquisition and holding of the notes.

Representation

To address the above concerns, each purchaser or transferee of the notes will be deemed to have acknowledged, represented to and agreed with us and the initial purchasers as follows:

At the time of your acquisition and throughout the period that you hold the notes or any interest therein, either (i) no portion of the assets used by you to purchase or hold the notes (or any interest therein) constitutes assets of any Plan; or (ii)(a) the acquisition, holding and disposition of this note or any interest therein will not constitute a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a non-exempt violation of any provision of a Similar Law and (b) none of the Transaction Parties is acting, or will act, as a fiduciary to any

Plan with respect to the decision to purchase or hold the notes or is undertaking to provide impartial investment advice or give advice in a fiduciary capacity with respect to the decision to purchase or hold the notes.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in a non-exempt prohibited transaction, it is particularly important that Plan fiduciaries, or other persons considering purchasing the notes (and holding the notes) on behalf of, or with the assets of, any Plan consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Law to such investment and whether an exemption would be applicable to the purchase and holding of the notes.

Nothing herein shall be construed as a representation that an investment in the notes would meet any or all of the relevant legal requirements with respect to investments by, or is appropriate for, a Plan. Purchasers of the notes have the exclusive responsibility for ensuring that their purchase and holding of the notes complies with the fiduciary responsibility rules of ERISA and does not violate the prohibited transaction rules of ERISA, the Code or any applicable Similar Laws.

PLAN OF DISTRIBUTION

We, the Guarantors and the initial purchasers have entered into a purchase agreement relating to the offering and sale of the notes. In the purchase agreement, we have agreed to sell to the initial purchasers, and the initial purchasers have agreed to purchase from us, the principal amount of notes set forth opposite the initial purchasers' names below:

Initial purchasers	Principal Amount of Notes
J.P. Morgan Securities LLC	$325,000,000.00
Clarksons Securities AS	$185,714,000.00
Jefferies LLC	$139,286,000.00
Total	$650,000,000.00

The obligations of the initial purchasers under the purchase agreement, including their agreement to purchase notes from us, are several and not joint. Those obligations are also subject to various conditions in the purchase agreement being satisfied. The initial purchasers have agreed to purchase all the notes if any of them are purchased.

The initial purchasers have advised us that they propose to offer the notes for resale at the offering price that appears on the cover of this offering memorandum. After the initial offering, the initial purchasers may change the offering price and any other selling terms. The initial purchasers may offer and sell notes through certain of their affiliates.

In the purchase agreement, we have agreed that:

- We will not offer or sell any of our debt securities, other than the notes, for a period of 60 days after the date of this offering memorandum without the prior consent of J.P. Morgan Securities LLC.
- We will indemnify the initial purchasers against some liabilities, including liabilities under the Securities Act.

The notes have not been registered under the Securities Act or qualified for sale under the securities laws of any state or any jurisdiction outside the United States. Accordingly, the notes are subject to restrictions on resale and transfer as described under "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

In the purchase agreement, each initial purchaser has acknowledged and agreed that:

- The notes may not be offered or sold within the United States or to U.S. persons, except pursuant to an exemption from the registration requirements of the Securities Act or in transactions not subject to those registration requirements.
- During the initial distribution of the notes, it will offer or sell notes only to QIBs in compliance with Rule 144A and outside the United States in compliance with Regulation S.

Each purchaser of the notes offered by this offering memorandum, in making its purchase, will be deemed to have made certain acknowledgements, representations and agreements as described under "Transfer Restrictions."

The notes are a new issue of securities for which there currently is no market. Application will be made for the listing of the notes on the SGX-ST. However, we cannot assure you that the listing will be obtained. We cannot assure you that the prices at which the notes will sell in the market after this offering will not be lower than the offering price or that an active trading market for the notes will develop or continue after this offering. The initial purchasers have advised us that they intend to make a market in the notes as permitted by applicable law. They are not obligated, however, to make a market in the notes and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the notes.

If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

We expect that delivery of the notes will be made to investors on or about November 7, 2024, which will be the tenth business day following the date of this offering memorandum (such settlement being referred to as "T+10"). Under Rule 15c6-1 under the Securities Exchange Act of 1934, as amended, trades in the secondary market are required to settle in one business day, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder may be required, by virtue of the fact that the notes initially settle in T+10, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, any purchases by the initial purchasers to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

The initial purchasers and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities training, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The initial purchasers and certain of their affiliates have performed, and may in the future perform, various financial advisory, investment banking and commercial banking services from time to time for us, the guarantors and our affiliates for which they have received or will receive customary fees. In the ordinary course of their various business activities, the initial purchasers and their affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer and the guarantors. The initial purchasers and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

JPMorgan Chase Bank, N.A., an affiliate of J.P. Morgan Securities LLC, which is acting as a Global Coordinator and Joint Bookrunner for this offering, will act as the sole bookrunner and sole lead arranger under the Revolving Credit Facility. Further, the affiliates of certain other initial purchasers are expected to participate as lenders under the Revolving Credit Facility Agreement and may receive titles thereunder. Certain initial purchasers or their affiliates may be holders of a portion of the existing notes and our existing indebtedness and as a result, would receive a portion of the proceeds of this offering used to repay the existing notes/indebtedness.

The independent valuation firm Clarkson Valuations Limited, which prepared estimated fair market valuations of each of the Atlantic-Star rig, Alpha Star rig, Gold Star rig, Lone Star rig, Amaralina Star rig, Laguna Star rig and Brava Star rig in exchange for a fee, is an affiliate of Clarksons Securities AS, which is acting as a Global Coordinator and Joint Bookrunner for this offering.

Jefferies LLC, which is acting as Joint Bookrunner for this offering, acted as a restructuring advisor to the Company in connection with our financial restructuring.

Neither we nor any of the initial purchasers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the initial purchasers makes any representation that the representative will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Selling Restrictions

The notes are offered for sale in those jurisdictions in the United States, Europe, Asia and elsewhere where it is lawful to make such offers.

Brazil

The notes (and the related Note Guarantees) have not been, and will not be, registered with the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários*) (the "CVM"), and may not be placed, distributed, offered or sold in Brazilian capital markets, except in circumstances that do not constitute a public offering, placement or unauthorized distribution of securities in the Brazilian capital markets, under Brazilian laws and regulations. documents relating to the offering of the notes, as well as information contained therein, may not be distributed to the public in Brazil, nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil. persons wishing to offer or acquire the notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

Chile

The notes may not be offered or sold, directly or indirectly, by means of a "Public Offer" (as defined under the Law No. 18.045, as amended (the "Chilean Securities Market Law") in Chile, or to any resident in Chile, except as permitted by applicable Chilean law. The notes will not be registered under Chilean Securities Market Law with the Financial Market Commission (*Comisión para el Mercado Financiero*) (the "CMF") and, accordingly, the notes may not and will not be offered or sold to persons in Chile except in circumstances which have not resulted and will not result in a public offering under Chilean law, and in compliance with Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, as amended by Rule (*Norma de Carácter General*) No. 452 dated February 22, 2021 ("CMF Rule 452"), both issued by the CMF (as amended, "CMF Rule 336"). Pursuant to CMF Rule 336, the notes may be privately offered in Chile to certain "qualified investors," identified as such therein (which in turn are further described in Rule No. 216, dated June 12, 2008, of the CMF, as amended, "CMF Rule 216") and in compliance with regulations applicable to such investors:

1. Date of commencement of this offer: October 21, 2024. The offer of the notes is subject to CMF Rule 336.

2. The subject matter of the offering of the notes are securities not registered with the Securities Registry (*Registro de Valores*) or the Foreign Securities Registry (*Registro de Valores Extranjeros*) kept by the CMF. As a consequence, the notes are not subject to the oversight of the CMF.

3. Since the notes are not registered in Chile, the Escrow Issuer is not obliged to provide public information about the notes in Chile.

4. The notes shall not be subject to public offering in Chile unless registered with the relevant securities registry kept by the CMF, or if they are offered as permitted by CMF Rule 452.

Furthermore, the notes will not be subject to public offering in Chile according to CMF Rule 452. Therefore, no information of the offering, the notes or the Escrow Issuer will be provided to the public and the CMF pursuant to sections iii and iv of CMF Rule 452.

European Economic Area

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For the purpose of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II);

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a "qualified investor" as defined in Article 2(e) of the Prospectus Regulation.

For these purposes, the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes so as to enable an investor to decide to purchase or subscribe for the notes.

Consequently, no key information document required by the PRIIPs Regulation for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

This offering memorandum has been prepared on the basis that any offer of notes in any member state of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of notes. This offering memorandum is not a prospectus for the purposes of the Prospectus Regulation.

United Kingdom

Each of the initial purchasers has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA"), received by them in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to issuer and the guarantor; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the notes in, from or otherwise involving the United Kingdom.

This offering memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, or (ii) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), (iii) persons falling within Article 49(2) to (d) of the Order (high net worth companies, unincorporated associations etc.), and (iv) other persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons in items (i) to (iv) above together being referred to as "relevant persons"). The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire notes will be engaged in only with, relevant persons. This offering memorandum is only available to relevant persons in the United Kingdom in circumstances where section 21(1) of the FSMA does not apply. In addition, this communication is, in any event only directed at persons who are relevant persons and any person who is not a relevant person must not act or rely on this document or any of its contents. This offering memorandum is not a prospectus that had been approved by the Financial Conduct Authority or any other United Kingdom regulatory authority for the purposes of Section 85 of the Financial Services and Markets Act 2000. The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom.

For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of assimilated law in the UK by virtue of the EUWA;

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of assimilated law in the UK by virtue of the EUWA; or

(iii) not a "qualified investor" as defined in Article 2 of the UK Prospectus Regulation as it forms part of assimilated law in the UK by virtue of the EUWA.

For these purposes, the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes so as to enable an investor to decide to purchase or subscribe for the notes.

Consequently, no key information document required by the UK PRIIPs Regulation, for offering or selling the notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This offering memorandum has been prepared on the basis that any offer of notes in the United Kingdom will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to publish a prospectus for offers of notes. This offering memorandum is not a prospectus for the purposes of the UK Prospectus Regulation.

Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45–106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Base Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Luxembourg

This offering memorandum has not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) for purposes of a public offering in Luxembourg. Accordingly, the notes may not be offered or sold to the public in Luxembourg, directly or indirectly and neither this offering memorandum form of application, advertisement or other material related to such notes may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances where the offer benefits from an exemption to or constitutes a transaction not subject to the requirement to publish a prospectus, in accordance with Prospectus Regulation or applicable Luxembourg law and in particular the Luxembourg act dated 16 July 2019 on prospectuses for securities.

Switzerland

This offering memorandum is not intended to constitute an offer or solicitation to purchase or invest in the notes. The notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("FinSA") and no application has or will be made to admit the notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the notes constitutes an offering memorandum pursuant to the FinSA, and neither this offering memorandum nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

Japan

The notes (and the related Note Guarantees) have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (which we refer to as "Financial Instruments and Exchange Law") and each initial purchaser has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each initial purchaser has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that ordinance.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the notes were not offered or sold or caused to be made the subject of an invitation for subscription or purchase and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, has not been circulated or distributed, nor will it be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA, and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

United Arab Emirates

Notice to Persons in the United Arab Emirates (excluding the Dubai International Financial Centre)

The notes have not been, and will not be, offered, sold or publicly promoted or advertised in the United Arab Emirates (the "U.A.E."), other than in compliance with any of the laws applicable in the U.A.E. Prospective investors in the Dubai International Financial Centre should have regard to the specific notice to prospective investors in the Dubai International Financial Centre set out below. The information contained in this offering memorandum does not constitute a public offer of the notes in the U.A.E. in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 of the U.A.E., as amended) or otherwise and is not intended to be a public offer and the information contained in this offering memorandum is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the U.A.E. This offering memorandum has not been approved by or filed with the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or the Dubai Financial Services Authority. If you do not understand the contents of this offering memorandum you should consult an authorized financial adviser. This offering memorandum is provided for the benefit of the recipient only, and should not be delivered to, or relied on by, any other person. Notice to Persons in the Dubai International Financial Centre.

This offering memorandum relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This offering memorandum is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this offering memorandum nor taken steps to verify the information set out in it, and has no responsibility for it. The notes to which this offering memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the notes offered should conduct their own due diligence on the notes. If you do not understand the contents of this offering memorandum you should consult an authorized financial adviser. For the avoidance of doubt, the notes are not interests in a "fund" or "collective investment scheme" within the meaning of either the Collective Investment Law (DIFC Law No. 2 of 2010) or the Collective Investment Rules Module of the Dubai Financial Services Authority Rulebook.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

Enforcement of Judgments in Luxembourg

The Escrow Issuer is a private limited liability company (*société à responsabilité limitée*) and Constellation is a public limited liability company (*société anonyme*), each being incorporated and existing under the laws of the Grand Duchy of Luxembourg. It may be difficult for you to obtain or enforce judgments against it or its managers in the United States.

Most of the Escrow Issuer's and Constellation's assets are located outside the United States. Furthermore, none of the Escrow Issuer's managers and some current members of Constellation's board of directors reside in the United States. As a result, investors may find it difficult to effect service of process within the United States upon the Escrow Issuer or these persons or to enforce outside the United States judgments obtained against the Escrow Issuer, Constellation or these persons in U.S. courts, including judgments in actions predicated upon the civil liability provisions of the U.S. federal securities laws. Likewise, it may also be difficult for an investor to enforce in U.S. courts judgments obtained against us or these persons in courts located in jurisdictions outside the United States, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. It may also be difficult for an investor to bring an original action in a Luxembourg court predicated upon the civil liability provisions of the U.S. federal securities laws against the Escrow Issuer or these persons. It may be possible for investors to effect service of process within Luxembourg upon the Escrow Issuer or Constellation provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

As there is no treaty in force governing the reciprocal recognition and enforcement of judgments (other than arbitral awards) in civil and commercial matters between the United States and the Grand Duchy of Luxembourg, courts in Luxembourg will not automatically recognize and enforce a final judgment rendered by a U.S. court.

A valid final, non-appealable and conclusive judgment with respect to the notes, obtained against a company formed and existing in Luxembourg from a court of competent jurisdiction in the United States, remains in full force and effect after all available appeals in the relevant State or Federal jurisdiction have been taken and may be entered and enforced through a court of competent jurisdiction of Luxembourg in compliance with the enforcement (*exequatur*) procedures set out at Articles 678 et seq. of the Luxembourg New Code of Civil Procedure (*Nouveau Code de Procédure Civile*) and Luxembourg case-law, being:

- the judgment of the U.S. court is enforceable (*exécutoire*) in United States;
- the U.S. court must not infringe the exclusive jurisdiction of the Luxembourg courts and there must be a real link (*lien caractérisé*) between the case and the U.S. courts;
- the judgment of the U.S. court must not contain contradictions with an existing Luxembourg court order or contravene overriding mandatory provisions of Luxembourg law;
- the judgment must not have been obtained by fraud but in compliance with the principles of natural justice and with the rights of the defendant to appear and the right to a fair trial, and if the defendant appeared, to present its defense; and
- the considerations of the foreign order, as well as the judgment, do not contravene international public policy as understood under the laws of Luxembourg or have been given proceedings of a penal, criminal or tax nature (which would include awards of damages made under civil liabilities provisions of the U.S. federal securities laws, or other laws, to the extent that the same would be classified by Luxembourg courts as being of a penal or punitive nature (for example, fines or punitive damages)) or rendered subsequent to an evasion of Luxembourg law or jurisdiction (*fraude à la loi*). Ordinarily an award of monetary damages would not be considered as a penalty, but if the monetary damages include punitive damages such punitive damages may be considered as a penalty.

If an original action is brought in Luxembourg, without prejudice to specific conflict of law rules, Luxembourg courts may refuse to apply the designated law if (i) if the choice of such foreign law was not made *bona fide*, (ii) if the foreign law was not pleaded and proved or (iii) if pleaded and proved, such foreign law was contrary to mandatory Luxembourg laws or incompatible with Luxembourg public policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought.

Also, an *exequatur* may be refused in respect of a foreign judgment granting punitive damages. In practice, Luxembourg courts currently tend not to review the merits of U.S. judgments even though there is no statutory prohibition of such review.

Further, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than euro, a Luxembourg court would have power to give a judgment expressed as an order to pay a currency other than euro. However, enforcement of the judgment against any party in Luxembourg would be available only in euro and for such purposes all claims or debts would be converted into euro.

Luxembourg case law is constantly evolving. Some of the above conditions of admissibility may change and additional conditions could be required to be fulfilled by Luxembourg courts while other conditions may not be required by Luxembourg courts in the future.

Under Luxembourg law, contractual provisions allowing the service of process against a party to a service agent could be overridden by Luxembourg statutory provisions allowing the valid serving of process against a party in accordance with applicable laws at the domicile of the party.

In case of court proceedings in a Luxembourg court, the Luxembourg court may require that the judgment obtained in a U.S. court and the enforcement of which is sought in Luxembourg be translated into French, German or Luxembourgish.

Enforcement of Judgements in Brazil

A judgment obtained outside Brazil would be enforceable in Brazil without reconsideration of the merits, upon confirmation of that judgment by the STJ. That confirmation, generally, will occur if the foreign judgment (a) does not involve any matter which the Brazilian courts have exclusive jurisdiction, pursuant to the provisions of Article 23 of the Brazilian Code of Civil Procedure (*Código de Processo Civil*) (Law No. 13,105/2015), (b) fulfills all formalities for enforceability and is effective in the jurisdiction where it was issued, (c) is issued by a competent court with jurisdiction over the matter, after the parties are properly served in accordance with the applicable legislation or after submission of sufficient evidence justifying the parties' absence (*revelia*) as required by applicable law, (d) is definitive in the jurisdiction in which it was issued, (e) is authenticated by a Brazilian consular office in the country where the foreign judgment is issued, or, if the jurisdiction where it was issued is a contracting state to the Convention Abolishing the Requirement of Legalization for Foreign Public Documents dated October 5, 1961, apostilled, unless an exemption is provided by an international treaty to which Brazil is a signatory; and is accompanied by a sworn translation into Portuguese, (f) is not against decisions protected by "*res judicata*" in Brazil, and (g) is not contrary to Brazilian national sovereignty, human dignity, morality or public policy.

Notwithstanding the foregoing, no assurance can be given that confirmation of a judgment obtained outside Brazil by the STJ will be secured, that the process described above can be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment based on laws of countries other than Brazil.

Original actions filed by investors and based on the U.S. federal securities laws can only be brought in Brazilian courts if (a) the defendant is a person having domicile in Brazil, including foreign companies with branches in Brazil, (b) the dispute arises from facts or acts taken in Brazilian territory, (c) the parties have elected the Brazilian courts as the venue or there is no contractual disposition asserting the exclusive jurisdiction of other foreign courts, (d) the Brazilian courts understand that the contract is not international, or (e) the contractual obligations are to be performed in Brazil.

We have been further advised by our Brazilian counsel that:

- civil actions may be brought in connection with this offering memorandum predicated solely on the federal securities laws of the United States in Brazilian courts and that, subject to applicable law, Brazilian courts may enforce liabilities in such actions against us or the directors and officers and certain advisors named herein (provided that provisions of the federal securities laws of the United States do not contravene Brazilian public policy, good morals or national sovereignty, and provided further that Brazilian courts can assert jurisdiction over the particular action). However, the application of a foreign body of law by Brazilian courts may be troublesome, as Brazilian courts consistently base their decisions on domestic law, or refrain from applying a foreign body of law for a number of reasons. Although remote, there is a risk that Brazilian courts, considering a relevant case-by-case rationale, may dismiss a petition to apply a foreign body of law and may adopt Brazilian laws to adjudicate the case. In any case, we cannot assure that Brazilian courts will confirm their jurisdiction to rule on such matter, which will depend on the connection of the case to Brazil and, therefore, must be analyzed on a case-by-case basis; and

- the ability of a creditor or other persons named above to satisfy a judgment by attaching certain of our assets, respectively, is limited by provisions of Brazilian law, to the extent that assets are located in Brazil.

To enforce a foreign judgment or to bring an original action based on U.S. federal securities laws in Brazilian courts, the plaintiff (whether Brazilian or non-Brazilian) who resides outside Brazil during the course of litigation in Brazil may be required to post a bond to guarantee the payment of court costs and legal fees if the plaintiff owns no real property in Brazil that may serve to guarantee the payment of such costs and fees, except for lawsuits seeking to enforce titles and judgments, counterclaims or when an international treaty or agreement to which Brazil is a party otherwise provides, as established under article 83 caput and §1, I, II and III of the Brazilian Code of Civil Procedure. The bond must have a value sufficient to satisfy the payment of court fees and defendant's attorneys' fees, as determined by the Brazilian court. This requirement does not apply to the enforcement of foreign judgments which have been confirmed by the STJ.

If proceedings are brought in the courts of Brazil seeking to enforce our obligations under our notes, payment shall be made in Brazilian *reais*. Any judgment rendered in Brazilian courts in respect of any payment obligations under our notes would be expressed in Brazilian *reais*.

For the admissibility in evidence of any documents before Brazilian courts, the documents may have to comply with the following requirements:

- to have a notary public, authorized to act as such under the law of the place of signing, notarize the signatures of the persons who have signed the documents outside of Brazilian territory;
- to have the public signature(s), stamp(s) or seal(s) of the notary(ies) confirmed by a Brazilian consular office in the country of signing or, if the jurisdiction is a contracting state to the Convention Abolishing the Requirement of Legalization for Foreign Public Documents dated October 5, 1961, apostilled, unless an exemption is provided by an international treaty to which Brazil is a signatory;
- to have the documents translated into Portuguese language by a certified translator authorized to act as such under Brazilian law; and
- to register the documents together with their sworn translations, with the competent registry of deeds and documents (*Registro de Títulos e Documentos*) in Brazil.

Enforcement of Judgments in the Netherlands

Certain Guarantors are incorporated under the laws of the Netherlands. As a result, it may be difficult for investors to enforce judgments obtained in non-Dutch courts against the Dutch Guarantors.

The Netherlands does not currently have a treaty with the United States providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any court in any federal or state court in the United States based on civil liability, whether or not predicated solely upon United States federal securities laws, would not automatically be recognized or enforceable in the Netherlands.

In order to obtain a judgment which is enforceable in the Netherlands, the claim must be re-litigated before a competent Dutch court. Under current practice, the courts of the Netherlands may be expected to render a judgment in accordance with the judgment of the relevant U.S. court, provided that such judgment (*i*) is a final judgment and has been rendered by a court which has established its jurisdiction vis-à-vis the Guarantor on the basis of internationally accepted grounds of jurisdiction, (*ii*) was rendered in after proper service of process and using proper judicial procedure (*behoorlijke rechtspleging*), (*iii*) is not contrary to the public policy (*openbare orde*) of the Netherlands, (*iv*) is not incompatible with (a) a prior judgment of a Dutch court rendered in a dispute between the same parties, or (b) a prior judgment of a non-Dutch court rendered in a dispute between the same parties, concerning the same subject matter and based on the same cause of action, provided that such prior judgment is capable of being recognized in the Netherlands.

Subject to the foregoing and service of process in accordance with applicable treaties, investors may be able to enforce in the Netherlands judgments in civil and commercial matters obtained from U.S. federal or state courts. However, no assurance can be given that those judgments will be enforceable. In addition, it is doubtful whether a Dutch court would accept jurisdiction and impose civil liability in an original action commenced in the Netherlands and predicated solely upon U.S. federal securities laws.

Any enforcement of agreements governed by foreign law and any foreign judgments in the Netherlands will be subject to the rules of Dutch civil procedure. Judgments may be rendered in a foreign currency but enforcement is executed in EUR at the applicable rate of exchange. Enforcement of obligations in the Netherlands will be subject to the nature of the remedies available in the courts of the Netherlands. The taking of concurrent proceedings in more than one jurisdiction may be disallowed by the courts of the Netherlands, but such courts have the power to stay proceedings (*aanhouden*) if concurrent proceedings are being brought elsewhere.

Dutch courts may deny the recognition and enforcement of punitive damages or other awards. Moreover, a Dutch court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages. Enforcement and recognition of judgments of U.S. courts in the Netherlands are solely governed by the provisions of the Dutch Civil Procedure Code (*Wetboek van Burgerlijke Rechtsvordering*).

Enforcement of obligations before a Dutch court will be subject to the degree to which the relevant obligations are enforceable under their governing law, to the nature of the remedies available in Dutch courts, the acceptance by such courts of jurisdiction, the effect of provisions imposing prescription periods and to the availability of defenses such as set off (unless validly waived) and counter-claim; specific performance may not always be awarded.

CERTAIN INSOLVENCY CONSIDERATIONS AND LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE NOTE GUARANTEES AND SECURITY INTERESTS

Luxembourg

Insolvency Proceedings in Luxembourg

Luxembourg insolvency proceedings may have a material adverse effect on Constellation's and the Escrow Issuer's business and assets as well as Constellation's and the Escrow Issuer's respective obligations under the notes. Under Luxembourg insolvency laws, a noteholder's ability to receive payment on the notes may be more limited than under United States bankruptcy laws.

The following main types of proceedings (altogether referred to as insolvency proceedings) may be opened against a company having its center of main interests or an establishment within the meaning of Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings, recast, as amended (the "EU Insolvency Regulation") in Luxembourg (the "Luxembourg Entity"):

- bankruptcy proceedings (*faillite*), the opening of which may be requested by the Luxembourg Entity or by any of its creditors. Following such a request, the courts having jurisdiction may open bankruptcy proceedings if the Luxembourg Entity: (i) is in a state of cessation of payments (*cessation des paiements*) and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*).
- If a court finds that these conditions are satisfied, it may also open bankruptcy proceedings, *ex officio* (absent a request made by the Luxembourg Entity or a creditor). The main effect of such proceedings is that the suspension of all measures of enforcement against the Luxembourg Entity, except, subject to certain limited exceptions, for the enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon realization of the assets. It is worth noting that any financial collateral security or similar arrangement under the Luxembourg law of August 5, 2005 on financial collateral arrangements, as amended, (the "Luxembourg Collateral Law") would remain outside the scope of the Luxembourg bankruptcy laws;
- judicial decisions concerning judicial reorganization proceedings (*procédures de réorganisation judiciaire*). As of the time of filing of a petition for the opening of such judicial reorganization proceedings *(procédure de réorganisation judiciaire)*:
    - o the rights of creditors (including certain secured creditors, other than creditors benefiting from security interests governed by the Luxembourg Collateral Law, which remain outside the scope of such laws may be frozen;
    - o notwithstanding contrary contractual provisions, the filing of the petition for or the opening of a judicial reorganization proceedings may not terminate existing contracts;
    - o a breach of contract by a debtor before a moratorium is granted pursuant to the Luxembourg law of 7 August 2023 on business continuation (the "Reorganization Law") shall not entitle a creditor to terminate an agreement where the debtor remedies such breach within a period of fifteen days after it has been given formal notice to do so by the creditor; and
    - o a debtor subject to judicial reorganization proceedings may unilaterally decide to suspend performance of contractual obligations for the duration of a moratorium granted as part of such proceedings.

In addition, a noteholder's ability to receive payment on the notes may be affected by a decision of a Luxembourg court to grant a stay on payments (*sursis de paiement*) or to put the Luxembourg Entity into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the commercial code or of the laws governing commercial companies. The management of such liquidation proceedings will generally follow the rules of bankruptcy proceedings.

The Luxembourg Reorganisation Law allows a Luxembourg Entity, whose business is jeopardized, to apply (a) for a mutual agreement (*accord amiable*) with at least two creditors (which agreement may be declared enforceable by a Luxembourg court), (b) for a reorganization by collective agreement (*accord collectif*), including deferred debt reimbursements, debt-to-equity swaps or cram-downs of the Luxembourg Entity's debts, and any other collective agreement to be approved by creditors in accordance with the majority requirements set forth in the Luxembourg Reorganization Law and declared enforceable by a Luxembourg court or (c) for a court order in relation to the transfer of all or part of the Luxembourg Entity's assets or business.

Preferential Debts

The Luxembourg Entity's liabilities in respect of the notes will, in the event of a liquidation of the entity following bankruptcy or judicial liquidation proceedings, rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those debts of the relevant entity that are entitled to priority under Luxembourg law.

Preferential debts under Luxembourg law include, among others: (i) certain amounts owed to the Luxembourg tax authorities, including value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise Agency (*Administration des douanes et accises*); (ii) social security contributions; and (iii) remuneration owed to employees.

For the avoidance of doubt, this list is not exhaustive.

General Limitations on Enforcement Resulting from Insolvency Proceedings

During such insolvency proceedings, all enforcement measures by general secured and unsecured creditors against the company are suspended. The ability of certain secured creditors to enforce their security interest may also be limited, in particular in the event of judicial decisions concerning judicial reorganization proceedings (*procédures de réorganisation judiciaire*).

Assets in the form of shares, accounts or receivables over which a security interest has been granted and perfected will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realized), and subject to application of the relevant priority rule and liens and privileges arising mandatorily by law. In particular, pursuant to article 20 of the Luxembourg Collateral Law, all collateral arrangements, in respect of assets over which the Luxembourg security interests have been granted, as well as all enforcement events and valuation and enforcement measures agreed upon by the parties in accordance with this law, are valid and enforceable against unsecured creditors, third parties, commissioners, receivers, liquidators and other similar persons notwithstanding any insolvency proceedings.

It should be noted that the Reorganization Law currently contains a number of ambiguities and uncertainties and at this stage, it remains untested hence it is difficult to predict how (or if) it will be used and implemented in practice.

Luxembourg insolvency laws may also affect transactions entered into or payments made by the relevant Luxembourg Entity during the period before bankruptcy, the so-called "suspect period" (*période suspecte*), which is a maximum of six months, as from the date on which the Luxembourg court formally adjudicates a person bankrupt, and, as for specific payments and transactions, during an additional period of ten days before the commencement of such period preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date, if the bankruptcy judgment was preceded by another insolvency proceedings (*e.g.*, a suspension of payments) under Luxembourg law. In particular:

- pursuant to article 445 of the Luxembourg Commercial Code (*Code de commerce*), specified transactions (such as, in particular, the granting of a security interest for antecedent debts; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the suspect period (or the 10 days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;

- pursuant to article 21 (2) of the Luxembourg Collateral Law, notwithstanding the suspect period as referred to in articles 445 and 446 of the Luxembourg Commercial Code (*Code de commerce*), where a financial collateral arrangement has been entered into on the day of the commencement of domestic or foreign winding-up proceedings or reorganization measures or similar proceedings, but after the court decision ruling regarding the opening of such proceedings or after such measure becomes effective, such arrangement is valid and binding against third parties, administrators, insolvency receivers, liquidators and other similar organs if the collateral taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of it;
- pursuant to article 446 of the Luxembourg Commercial Code (*Code de commerce*), payments made for matured debts as well as other transactions concluded for consideration during the suspect period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt party's cessation of payments; and
- in the case of bankruptcy, article 448 of the Luxembourg Commercial Code (*Code de commerce*) and article 1167 of the Luxembourg Civil Code (*Code civil*) (*action paulienne*) gives the insolvency receiver (acting on behalf of the creditors) the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in automatic termination of contracts except for *intuitu personae* contracts, that is, contracts for which the identity of the Luxembourg Entity or its solvency were crucial. The contracts, therefore, subsist after the bankruptcy order. However, the insolvency receiver may choose to terminate certain contracts. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue *vis-à-vis* the bankruptcy estate.

Insolvency proceedings may hence have a material adverse effect on the Luxembourg Entity's business and assets and the Luxembourg Entity's respective obligations under the notes.

Finally, international aspects of Luxembourg bankruptcy or judicial reorganization proceedings may be subject to EU Insolvency Regulation.

Enforceability of Financial Collateral Arrangements

According to the Luxembourg Collateral Law, with the exception of the provisions of the law of 8 January 2013 on the over-extension of debt, the provisions of Book III, Title XVII of the Luxembourg Civil Code, of Book I, Title VIII and of Book III of the Luxembourg Commercial Code (*Code de commerce*) and national or foreign provisions governing reorganization measures, winding-up proceedings or other similar proceedings and attachments are not applicable to financial collateral arrangements and netting agreements and shall not constitute an obstacle to the enforcement and to the performance by the parties of their obligations.

Pursuant to article 20 of the Luxembourg Collateral Law, Luxembourg law governed financial collateral arrangements, as well as the enforcement events, netting agreements and the valuation and enforcement measures agreed upon by the parties in accordance with this law, remain valid and enforceable even if entered into during the hardening period against third parties, commissioners, receivers, liquidators and other similar persons notwithstanding reorganization measures, winding up proceedings or any other similar national or foreign proceedings (save in the case of fraud).

In accordance with article 24 of the Luxembourg Collateral Law, the rules of Luxembourg insolvency proceedings are inapplicable where the collateral provider of financial collateral arrangement or similar security interest governed by a foreign law, is established or resides in Luxembourg.

Limitations on Enforcement of Guarantees

The Luxembourg Companies Law does not provide for rules governing the ability of a Luxembourg Entity to guarantee the indebtedness of another entity of the same group. The granting of cross- or upstream guarantees by a Luxembourg Entity to secure the obligations of other entities may raise some corporate benefit issues, in particular in relation to the corporate interest of the Luxembourg Entity having to provide such guarantees. It is generally held that within a group of companies, the corporate interest (*intérêt social*) of each individual corporate entity should, to a certain extent, be tempered by, and subordinated to, the interest of the group. Luxembourg companies may only enter into transactions which are in their individual corporate interest (*intérêt social*).

When a Luxembourg Entity grants guarantees, applicable corporate procedures normally entail that the decision be approved by a board resolution or by the decision of delegates that have been appointed by the board of managers or directors of the Luxembourg Entity for such purpose. In addition, the granting of the envisaged guarantees must comply with the Luxembourg Entity's corporate object.

The proposed action by the company must be "in the corporate interest of the company," which is a translation of the French "*intérêt social,*" an equivalent term to the English legal concept of corporate benefit. The concept of "corporate interest" is not defined by law, but has been developed by doctrine and interpreted by court precedents and may be described as being "the limit of acceptable corporate behavior." Whereas the discussions regarding the limits of corporate power are based on objective criteria (provisions of law and of the articles of association), the concept of corporate benefit requires a subjective judgment. In a group context, the interest of the companies of the group taken individually is not entirely eliminated.

With respect to the Luxembourg Entity, even if the Luxembourg Companies Law does not provide for rules governing the ability of a Luxembourg Entity to guarantee the indebtedness of another entity of the same group, it is generally held that within a group of companies, the existence of a group interest in granting upstream or cross stream assistance under any form (including under the form of guarantee or security) to other group companies could constitute sufficient corporate benefit to enable a Luxembourg Entity to grant such guarantee, *provided* that the following conditions are met (and subject in any event to all the factual circumstances of the matter): (i) such guarantee must be given for the purpose of promoting a common economic, social and financial interest determined in accordance with policies applicable to the entire group, (ii) the commitment to grant such guarantee must not be without consideration and such commitment must not be manifestly disproportionate in view of the obligations entered into by other group companies, and (iii) such guarantee granted or any other financial commitments must not exceed the financial capabilities of the committing company.

Although the existence of a corporate interest in the granting of a guarantee on a group level is certainly important, the mere existence of such a group interest does not compensate for a lack of corporate interest for one or more of the companies of the group taken individually. The concept of corporate interest is of particular importance in the context of misuse of corporate assets provided by Article 1500-11 of the Luxembourg Companies Law.

The failure to comply with the corporate interest requirement will typically result in personal liability (civil and/or criminal) for the managers of the Luxembourg Entity. The Note Guarantees could be held void or unenforceable if its granting is contrary to Luxembourg public policy (*ordre public*). It should be stressed that, as is the case with all criminal offenses addressed by the Luxembourg Companies Law, a director or a manager of a Luxembourg Entity may be prosecuted for misuse of corporate assets if someone has lodged a complaint with the public prosecutor. This person may be an interested third party, *e.g.*, a creditor, a minority shareholder, a liquidator or an insolvency receiver. In addition, it cannot be excluded that the public prosecutor would act on its own initiative if the existence of such a misuse of corporate assets became known to it. If there is a misuse of corporate assets criminally sanctioned by court, then this could, under general principles of law, have the effect that contracts concluded in breach of Article 1500-11 of the Luxembourg Companies Law will be held null and void. The criteria mentioned above have to be applied on a case by case basis, and a subjective, fact based judgment is required to be made, by the directors or managers of the Luxembourg Entity.

As a result of the above developments, the Note Guarantees (in the context of upstream and/or cross stream guarantee(s)) will be subject to certain limitations, which will take the form of general limitation language (limiting the guarantee obligations of the Luxembourg Entity to a certain percentage of, *inter alia*, its net assets (*capitaux propres*) increased by its subordinated debts (*dettes subordonnées*)), which is inserted in the relevant finance document(s), indentures or guarantee agreements and which covers the aggregate obligations and exposure of the Luxembourg Entity under the Note Guarantees.

It should be noted that, as stated above, the enforcement of a guarantee will be impacted by insolvency proceedings (*faillite*) or judicial reorganization (*réorganisation judiciaire*) proceedings, which the Luxembourg Entity is subject to.

A guarantee granted by a Luxembourg Entity could, if submitted to a Luxembourg court, depending on the terms of such guarantee, possibly be construed by such court as a suretyship (*cautionnement*) and not as a first demand guarantee or an independent guarantee. Article 2012 of the Luxembourg Civil Code provides that the validity and the enforceability of a suretyship (which constitutes an accessory obligation) are subject to the validity of the underlying obligation. It follows that if the underlying obligations were invalid or challenged, it cannot be exceeded.

Security Interests Considerations

The notes are secured, among other things, by several security interests governed by Luxembourg law.

According to Luxembourg conflict of law rules, the courts in Luxembourg will generally apply the *lex rei sitae* or *lex situs* (the law of the place where the assets or subject matter of the pledge or security interest is situated) in relation to the creation, perfection and enforcement of security interests over such assets. As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held with a Luxembourg bank, receivables or claims governed by Luxembourg law or having debtors located in Luxembourg, tangible assets located in Luxembourg, securities which are held through an account located in Luxembourg, bearer securities physically located in Luxembourg, etc.

If there are assets located or deemed to be located in Luxembourg, the security interests over such assets will be governed by Luxembourg law and must be created, perfected and enforced in accordance with Luxembourg law. The Luxembourg Collateral Law governs the creation, validity, perfection and enforcement of pledges over shares, bank account and receivables located in Luxembourg. Under the Luxembourg Collateral Law, the perfection of security interests depends on certain registration, notification and acceptance requirements.

Article 11 of the Luxembourg Collateral Law sets out enforcement remedies available upon the occurrence of an enforcement event, including:

- the direct appropriation, or appropriation by third parties, of the pledged assets at (i) a value determined in accordance with a valuation method agreed upon by the parties or (ii) the market price, where the pledged financial instruments are admitted to trading on a trading venue;
- a sale of the pledged assets (i) in a private transaction on commercially reasonable terms (*conditions commerciales normales*), (ii) on a trading venue on which they are admitted to trading or (iii) by way of a public auction;
- a court allocation of the pledged assets to the pledgee in discharge of the secured obligations following a valuation made by a court-appointed expert; or
- set-off between the secured obligations and the pledged assets.

As the Luxembourg Collateral Law does not provide any specific time periods and depending on (i) the method chosen, (ii) the valuation of the pledged assets, (iii) any possible recourse and (iv) the possible need to involve third parties, such as, *e.g.*, courts, trading venues and appraisers, the enforcement of the security interests might be substantially delayed.

Foreign law governed security interests and the powers of any receivers or administrators may not be enforceable in respect of assets located or deemed to be located in Luxembourg. Security interests or arrangements, which are not expressly recognized under Luxembourg law and the powers of any receivers or administrators might not be recognized or enforced by the Luxembourg courts, in particular where the Luxembourg security grantor becomes subject to Luxembourg insolvency proceedings or where the Luxembourg courts otherwise have jurisdiction because of the actual or deemed location of the relevant rights or assets, except if "main insolvency proceedings" (as defined in the Recast EU Insolvency Regulation) are opened under Luxembourg law and such security interest or arrangements constitute rights *in rem* over assets located in another member state of the EEA in which the Recast EU Insolvency Regulation applies.

The perfection of the security interests created pursuant to the pledge agreements does not prevent any third party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. Such creditor may seek the forced sale of the assets of the pledgor through court proceedings, although the beneficiaries of the pledges will in principle remain entitled to priority over the proceeds of such sale (subject to preferred rights by operation of law).

Under the Luxembourg Collateral Law, the enforcement of a pledge is permitted in case of an enforcement event consisting in an event of default or any other event whatsoever as agreed between the parties, including but not limited to, default of payment, breach of covenants or breach of representations and warranties.

Financial Assistance

Any security interests or guarantees granted by Luxembourg entities, which constitute breach of the provisions on financial assistance as defined by article 430-19 of the Luxembourg Companies Law or any other similar provisions might not be enforceable. The provisions on financial assistance contained in the Luxembourg Companies Law do not apply to private limited liability companies (*sociétés à responsabilité limitée*).

Registration in Luxembourg

The registration of the notes, the security interests agreements, the Indenture and the transaction documents (and any document in connection therewith) with the *Administration de l'Enregistrement*, *des Domaines et de la TVA* in Luxembourg may be required in the case that the notes, the security interest agreements, the Indenture, and the transaction documents (and any document in connection therewith) are either (i) attached as an annex to an act (*annexés à un acte*) that itself is subject to mandatory registration or (ii) deposited in the minutes of a notary (*déposés au rang des minutes d'un notaire*) or (iii) registered on a voluntary basis. In such cases either a nominal registration duty or an *ad valorem* duty (or, for instance, 0.24% of the amount of the payment obligation mentioned in the document so registered) will be payable depending on the nature of the document to be registered. No *ad valorem* duty is payable in respect of security interest agreements, which are subject to the Luxembourg Collateral Law.

The Luxembourg courts or the official Luxembourg authority may require (when these are presented before them) that the notes and the Note Guarantees, the security interests agreements, the Indenture and the transaction documents (and any document in connection therewith) and any judgment obtained in a foreign court be translated into French, German or Luxembourgish.

The Netherlands

Insolvency Proceedings in the Netherlands

Any insolvency proceeding concerning any of the Dutch Guarantors would likely be based on Dutch insolvency law under the EU Insolvency Regulation. Under certain circumstances, bankruptcy proceedings may also be opened in the Netherlands in accordance with Dutch law over the assets of companies that are not incorporated under Dutch law.

The following is a brief description of certain aspects of Dutch insolvency law. There are three insolvency regimes under Dutch law applicable to legal entities: the first, moratorium of payments (*surseance van betaling*), is intended to facilitate the reorganization of a debtor's indebtedness and enable the debtor to continue as a going concern. In practice, a suspension of payments often results in bankruptcy. The second, bankruptcy (*faillissement*), is primarily designed to liquidate assets and distribute the proceeds of the assets of a debtor to its creditors. The third, a composition outside bankruptcy or moratorium of payments proceedings, allows debtors in (early) financial distress to propose restructuring plans to their creditors and shareholders outside of formal insolvency proceedings, with the prospect of the debtor being able to continue on a going-concern basis. All three insolvency regimes are set forth in the Dutch Bankruptcy Act (*Faillissementswet*). A general description of the principles of these insolvency regimes is set out below.

Suspension of Payments

An application for a moratorium of payments can only be made by the debtor itself, if it foresees that it will be unable to continue to pay its payable debts. Once the request for a moratorium of payments is filed, a court will immediately (*dadelijk*) grant a provisional moratorium and appoint an administrator (*bewindvoerder*). A meeting of creditors is required to decide on the definitive moratorium. If a draft composition (*ontwerpakkoord*) is filed simultaneously with the application for a moratorium of payments, the court can order that the composition will be processed before a decision about a definitive moratorium.

If the composition is accepted and subsequently ratified by the court (*gehomologeerd*), the provisional moratorium ends. The definitive moratorium will generally be granted unless a qualified minority (more than one quarter of the amount of claims held by creditors represented at the creditors' meeting or more than one third of the number of creditors represented at such creditors' meeting) of the unsecured non-preferential creditors withholds its consent. The granting of a definitive moratorium can also be withheld if there is a valid fear that the debtor will try to prejudice the creditors during a moratorium of payments or if there is no prospect that the debtor will be able to satisfy its creditors in the (near) future.

The moratorium of payments is only effective with regard to unsecured non-preferential creditors. Unlike Chapter 11 proceedings under U.S. bankruptcy law, during which both secured and unsecured creditors are generally barred from seeking to recover on their claims during a moratorium of payments, under Dutch law secured and preferential creditors (including tax and social security authorities) may enforce their rights against assets of the company in moratorium of payments to satisfy their claims as if there were no moratorium of payments. A recovery under Dutch law could, therefore, involve a sale of assets that does not reflect the going concern value of the debtor. However, at the request of an interested party the court can order a "cooling down period" (*afkoelingsperiode*) for a maximum period of two months (which can be extended by the court once for another period of two months) during which enforcement actions by secured or preferential creditors are barred.

Also in a definitive moratorium of payments, a composition (*akkoord*) may be offered to creditors. A composition will be binding for all unsecured and non-preferential creditors if it is approved by (*i*) a simple majority of the number of creditors represented at the creditors' meeting, representing at least 50% in amount of the claims that are acknowledged and admitted in the moratorium, and (*ii*) subsequently ratified (*gehomologeerd*) by the court.

Consequently, Dutch insolvency law could preclude or inhibit the ability of the noteholders to effect a restructuring and could reduce the recovery of a holder of notes in a Dutch moratorium of payments proceeding. Interest payments that fall due after the date on which a moratorium of payments is granted, cannot be claimed in a composition.

Under Dutch law, as soon as a definitive moratorium of payments is granted or the composition is ratified by a court, in principle, all pending executions of judgments against the relevant debtor, as well as all attachments on the debtor's assets (other than with respect of secured creditors and certain other creditors, as described above), will be suspended or cancelled by operation of law.

Bankruptcy

Under Dutch law, a debtor can be declared bankrupt when it has ceased to pay its debts. The bankruptcy can be requested by a creditor of a claim or the holder of a disclosed security right over a claim from such creditor, when there is at least one other creditor. At least one of the aforementioned claims (of the bankruptcy requesting creditor or the other creditor) needs to be due and payable. Bankruptcy can also be declared in certain circumstances when a debtor is subject to a suspension of payments. The debtor can also request the application of bankruptcy proceedings itself, provided it has obtained prior approval of its general meeting to file an application for its bankruptcy. There is no legal duty for a debtor to file for its own bankruptcy. However, if the managing board of a company realizes that the company is or will be unable to pay its debts when they come due, it is required to take appropriate measures, which could include the cessation of trading, notification of creditors and the filing for either bankruptcy or a moratorium of payments (see above).

As a result of a bankruptcy, the debtor loses all rights to administer and dispose of its assets. A bankruptcy order takes effect retroactively from 00:00 hours on the day the order is rendered.

During a Dutch bankruptcy proceeding, the assets of a debtor are generally liquidated and the proceeds distributed to the debtor's creditors in accordance with the respective rank and priority of their claims. The general principle of Dutch insolvency law is the *paritas creditorum* (principle of equal treatment), which means that all creditors have an equal right to payment and that the proceeds of bankruptcy proceedings shall be distributed in proportion to the size of their respective claims. However, certain creditors (such as secured creditors and tax and social security authorities) will have special rights that take priority over the rights of other creditors. Consequently, Dutch insolvency laws could reduce your potential recovery in a Dutch bankruptcy proceeding.

The claim of a creditor may be limited depending on the date the claim becomes due and payable in accordance with its terms. Generally, claims of the noteholders that were not due and payable by their terms on the date of a bankruptcy of the relevant Dutch entity will be accelerated and become due and payable as of that date. Each of these claims will have to be submitted to the bankruptcy receiver (*curator*) to be verified. "Verification" under Dutch law means that the receiver determines the value of the claim and whether and to what extent it will be admitted in the bankruptcy of the company for the purpose of the distribution of the proceeds. The valuation of claims that otherwise would not have been payable at the time of the bankruptcy proceeding may be based on a net present value analysis. Interest payments that fall due after the date of the bankruptcy cannot be verified.

The existence, value and ranking of any claims submitted by the noteholders may be challenged in the Dutch bankruptcy proceeding. Generally, in a creditors' meeting (*verificatievergadering*), the bankruptcy receiver, the insolvent debtor and all verified creditors may dispute the verification of claims of other creditors. Creditors whose claims or value thereof are disputed in the creditors' meeting may be referred to separate court proceedings (*renvooiprocedure*). These procedures could cause noteholders to recover less than the principal amount of their notes or less than they could recover in a U.S. liquidation proceeding. Such renvooi proceedings could also cause payments to the noteholders to be delayed compared with holders of undisputed claims.

Creditors of secured claims and preferential creditors with respect to certain assets of a debtor, who expect that the proceeds of a future enforcement against the assets subject to the security or their preferred rights, as the case may be, will be insufficient to satisfy their claim in full, may request to receive the same rights as unsecured and non-preferential creditors with respect to the expected remainder of their claim, with preservation of their rights as a secured or preferential creditor in respect of the secured asset or the asset the relevant preferential right relates to. If a secured creditor enforces its security rights prior to the expiry of the period for submitting claims for verification, and the proceeds of such enforcement are insufficient to satisfy its claim in full, the remainder of that claim may be submitted to the receiver in bankruptcy in order to be verified.

As in moratorium of payments proceedings, in the bankruptcy of a company a composition may be offered to creditors, which shall be binding on unsecured non-preferential creditors if it is approved by (*i*) a simple majority in number of the creditors represented at the creditors' meeting, representing at least 50% in amount of the claims that are acknowledged and conditionally admitted, and (*ii*) subsequently confirmed by the court. The Dutch Bankruptcy Act (*Faillissementswet*) does not in itself acknowledge the concept of classes of creditors. Remaining proceeds, if any, after satisfaction of the secured and the preferential creditors are distributed among the unsecured non-preferential creditors, who will be satisfied on a pro rata basis. Contractual subordination may to a certain extent be given effect in Dutch insolvency proceedings. The actual effect depends largely on the way such subordination is construed.

Secured creditors may enforce their rights against assets of the debtor to satisfy their claims under a Dutch bankruptcy as if there is no bankruptcy. As in moratorium of payments proceedings the supervisory judge (*rechter-commissaris*) can order a "cooling down period" for a maximum of two months (which can be extended once for another period of two months) during which enforcement actions by secured creditors are barred unless such creditors have obtained leave for enforcement from the supervisory judge. Furthermore, a bankruptcy receiver can force a secured creditor to enforce its security interest within a reasonable period of time, failing which the receiver will be entitled to sell the secured assets, if any, and the secured creditor will have to share in the general costs of the bankruptcy, which can be significant.

Excess proceeds of enforcement must be returned to the bankruptcy estate; they may not be set off against an unsecured claim of the secured creditor in the bankruptcy. An exception applies in the case of set off relating to a payment to the pledger, not made during its bankruptcy and if there are no other pledgees or other holders of limited rights other than the pledgee, although a set off prior to bankruptcy may be subject to clawback in the case of fraudulent conveyance or bad faith in obtaining the claim used for set off. Moreover, to the extent that Dutch law applies, a legal act performed by a debtor (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having a similar effect) can be challenged in an insolvency proceeding or otherwise and may be nullified by any of its creditors or its trustee in bankruptcy. See below "—*Fraudulent Transfer*."

Under Dutch law, as soon as a debtor is declared bankrupt, in principle, all pending executions of judgments against such debtor, as well as all attachments on the debtor's assets (other than with respect to secured creditors and certain other creditors, as described above), will be terminated by operation of law. Simultaneously with the opening of the bankruptcy, a bankruptcy receiver will be appointed. The proceeds resulting from the liquidation of the bankruptcy estate may not be sufficient to satisfy unsecured creditors under the guarantees granted by an insolvent guarantor after the secured and the preferential creditors have been satisfied. In principle, litigation pending on the date of the bankruptcy order is automatically stayed.

Dutch Scheme

With the implementation in the Dutch Bankruptcy Act and the entry into force of the Act on Court Confirmation of Extrajudicial Restructuring Plans (*Wet homologatie onderhands akkoord*) ("*WHOA*") on January 1, 2021, debtors now have the possibility to offer a composition outside of formal insolvency proceedings. The WHOA is inspired from the UK Scheme of Arrangements and the U.S. Chapter 11 procedure and it offers debtors additional possibilities to restructure their debt. Unlike a composition in moratorium of payments and in bankruptcy proceedings, a composition under the WHOA can be offered to secured creditors as well as shareholders.

The WHOA provides, inter alia, for cross class cramdown, the restructuring of group company obligations through aligned proceedings, the termination of onerous contracts, the suspension of certain ipso facto clauses in contracts and supporting court measures. A WHOA composition may result in claims against the Guarantor being compromised if the relevant majority votes in favor of such a composition and it is subsequently confirmed by the Dutch courts. A composition plan under the WHOA can extend to claims against entities that are not incorporated under Dutch law and/or are residing outside the Netherlands. Accordingly, the WHOA can affect the rights of the Trustee and/or the noteholders.

Voting on a WHOA composition plan is done in classes. A class is deemed to accept the plan if two thirds of the total amount of the debt of that class or, in the case of a class of shareholders, two thirds of the share capital of that class, participating in the vote, votes in favor. The WHOA provides for the possibility for a composition plan to be binding on a dissenting class (i.e., cross class cramdown). Under the WHOA, the court will confirm a composition plan if at least one class of creditors (other than a class of shareholders) that can be expected to receive a distribution in case of a bankruptcy of the debtor approves the plan, unless there is a statutory ground for refusal. The court can, inter alia, refuse confirmation of a composition plan on the basis of (*i*) a request by a dissenting creditor, if the value of the distribution that such creditor receives under the plan is lower than the distribution it can be expected to receive in case of a bankruptcy of the debtor or (*ii*) a request of a dissenting creditor in a dissenting class, if the plan provides for a distribution of value that deviates from the statutory or contractual ranking and priority to the detriment of that class, unless there is a reasonable ground to do so. There is one mandatory refusal ground specifically applicable to secured financial creditors. If the composition plan entails a debt-for-equity swap to which such creditors do not want to ascribe, and these creditors do not have the right to opt for a different kind of distribution, the court will refuse confirmation of such plan on the request of such creditor.

Under the WHOA, the court may grant a stay on enforcement of a maximum of four months, with a possible extension of four months. For the duration of such moratorium, all enforcement action against the assets of (or in the possession of) the debtor is suspended unless with the court's approval, including action to enforce security over the assets of the debtor or, in case of an undisclosed right of pledge over receivables, the collection, or notification to the debtors. Furthermore, any petitions for bankruptcy in respect of the debtor are suspended and the court may lift attachments on the debtor's assets at the request of the debtor or restructuring expert.

Enforceability of Security Interests and Guarantees

In respect of any security interests and guarantees granted by the Dutch Guarantors, the following should be noted. To the extent that Dutch law applies, security interests and guarantees granted by a legal entity may, under certain circumstances, be nullified based on fraudulent transfer by any of its creditors, if (i) the security interest was granted without prior existing legal obligation to do so (*onverplicht*), (ii) the creditor(s) concerned was/were prejudiced as a consequence of the granting of the security interest or the guarantee, and (iii) at the time the security interest or the guarantee was granted both the legal entity and, unless the security interest or guarantee was granted for no consideration (*om niet*), the beneficiary of the security interest or guarantee knew or should have known that one or more of the entities' creditors (existing or future) would be prejudiced (*actio pauliana*).

Also to the extent that Dutch insolvency law applies, a security interest may be nullified by the bankruptcy receiver (*curator*) on behalf of and for the benefit of all creditors of the insolvent debtor, and in such case the beneficiary of the security interest or the guarantee is presumed (subject to evidence to the contrary) to have known that creditors of the debtor would be prejudiced if the bankruptcy follows within a year of the granting and without a prior existing legal obligation to do so. The foregoing requirements for invoking fraudulent transfer outside of a bankruptcy apply *mutatis mutandis* when invoking fraudulent transfer provisions during a bankruptcy. In addition, the bankruptcy receiver may challenge the security interest or the guarantee if it was granted on the basis of a prior existing legal obligation to do so (*verplichte rechtshandeling*), if (i) the security interest or the guarantee was granted at a time that the beneficiary of such security interest or the guarantee knew that a request for bankruptcy had been filed, or (ii) if such security interest or the guarantee was granted as a result of deliberation between the debtor and the beneficiary of such security interest or guarantee with a view to give preference to the beneficiary over the debtor's other creditors. Consequently, the validity of any security interests or guarantees granted by the Dutch Guarantors may be challenged and it is possible that such challenge would be successful.

A security interest governed by Dutch law may be voided by a court, if the document was executed through undue influence (*misbruik van omstandigheden*), fraud (*bedrog*), duress (*bedreiging*) or mistake (*dwaling*) of a party to the agreement contained in that document. Payment following enforcement or foreclosure of security granted may, regardless of an insolvency situation occurring or not, also be withheld due to unforeseen circumstances (*onvoorziene omstandigheden*), force majeure (*niet-toerekenbare tekortkoming*) or reasonableness and fairness (*redelijkheid en billijkheid*). Other factors include the right to set off (*verrekening*) and the right to suspend performance (*opschortingsrecht*) or dissolve (*ontbinding*) a contract.

The enforcement of the security interests or guarantees, may, in whole or in part, also be limited to the extent that the obligations of the Dutch Guarantors under the security or guarantee are not within the scope of its objects as set out in its articles of association and the counterparty under the security or guarantee knew or ought to have known (without inquiry) of this fact. However, the determination of whether a legal act is within the objects of a company may not be based solely on the description of the articles of association, but must take into account all relevant circumstances, including, in particular, the question whether the interests of such company are served by the relevant legal act. If the provision of the security interests or guarantees, in light of the potential benefits, if any, derived by the Dutch Guarantors from creating the security interests or provision of guarantees, would have an adverse effect on the interests of the Dutch Guarantors, the security interests or guarantees may be found to be voidable or unenforceable upon the request of the Dutch Guarantors or their bankruptcy receiver. As a result, notwithstanding the articles of association of the Dutch Guarantors, no assurance can be given that a court would conclude that the granting of the security interests or guarantees is within the objects of the Dutch Guarantors. To the extent the Dutch Guarantors or their bankruptcy receiver successfully invoke the voidability or enforceability of the security interests or guarantees, the security interests or guarantees would be limited to the extent any portion of it is not nullified and remains enforceable.

Any guarantee, indemnity and other obligations of any Dutch Guarantor shall be deemed not to be assumed by such Dutch Guarantor to the extent that the same would constitute unlawful financial assistance within the meaning of Article 2:98c of the Dutch Civil Code or any other applicable financial assistance rules under any relevant jurisdiction.

Under Dutch law, it is uncertain as to whether security interests can be granted to a party other than the creditor of the claim or claims which are purported to be secured by such security interests. As a consequence, the Intercreditor Agreement provides for the creation of parallel debt (the "Parallel Debt") obligations in favor of the Collateral Agent mirroring the obligations of the Dutch Guarantors towards the holders of the notes under or in connection with the Indenture and towards other secured parties under or in connection with the Intercreditor Agreement (the "Principal Obligations"). The Dutch law governed security interests will be granted to the Collateral Agent as security for the Parallel Debt and will, in principle, not directly secure the Principal Obligations. The Parallel Debt will be at all times in the same amount and payable at the same time as the Principal Obligations. Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. As a result of the security interest being granted in favor of the Collateral Agent to secure the Parallel Debt, the holders of the notes will not have direct security and will not be entitled to take enforcement actions in respect of such security except through the Collateral Agent. As a result, the holders of the notes bear some risks associated with a possible insolvency or bankruptcy of the Collateral Agent. In addition, the Parallel Debt structure may be subject to uncertainties as to validity and enforceability in the Netherlands and other jurisdictions in which it is used as a mechanism for securing obligations under the notes. We cannot assure you that the Parallel Debt construct will eliminate or mitigate the risk of unenforceability posed by Dutch laws or the laws in other applicable jurisdictions.

A resolution by a corporate body of a Dutch company, including on the grant of a guarantee or a security interest provided by a Dutch company may be suspended, voided and/or the implementation thereof may be temporarily prohibited by the Enterprise Chamber of the Court of Appeal in Amsterdam (*Ondernemingskamer van het Gerechtshof te Amsterdam*) on the motion of the holder or holders of 10% or more of the shares in such company or who are entitled to an amount in shares or depositary receipts issued therefor with a nominal value of €225,000 or such lesser amount as is provided by the articles of association of such company. If the company has an issued share capital of more than €22.5 million such motion may be made by a holder or holders of 1% or more of the shares in such company or, provided those are listed on a qualifying trading venue, shares or depositary receipts issued therefor with a value of €20 million or more or such lesser amount as provided in the company's articles of association. A trade union, other entities entitled thereto in the articles of association of, or in an agreement with, the relevant Dutch company as well as the company itself or its receiver in bankruptcy may also submit a motion to the Enterprise Chamber for this purpose. Finally, the attorney-general at the procurator general's office at the Court of Appeal can submit a motion to the Enterprise Chamber for reasons of public interest (*openbaar belang*). The guarantee or security itself may further be upheld by the Enterprise Chamber, yet actual payment under it may be temporarily prohibited.

LEGAL MATTERS

The validity of the notes under New York law will be passed upon for the Escrow Issuer and Constellation by Milbank LLP, New York counsel to Constellation, and for the initial purchasers by White & Case LLP, New York counsel to the initial purchasers.

Certain matters of Brazilian law will be passed for the Escrow Issuer and Constellation by Tauil & Chequer Advogados in association with Mayer Brown LLP, Brazilian counsel to Constellation, and for the initial purchasers by Pinheiro Guimarães, Brazilian counsel to the initial purchasers.

Certain matters of Dutch law will be passed for the Escrow Issuer and Constellation by Loyens & Loeff N.V., Dutch counsel to Constellation, and for the initial purchasers by De Brauw Blackstone Westbroek N.V., Dutch counsel to the initial purchasers.

Certain matters of Luxembourg law will be passed for the Escrow Issuer and Constellation by Loyens & Loeff Luxembourg S.à. r.l., Luxembourg counsel to Constellation.

INDEPENDENT CONSULTANTS

Clarkson Valuations Limited has prepared the valuation reports dated October 17, 2024, with respect to the Atlantic-Star rig, Gold Star rig and Lone Star rig, included herein as Annex A – CVL Valuation, upon the authority of such firm as independent consultants. The CVL Valuation should be read in its entirety by prospective investors for the information contained therein.

Arctic Offshore Rig AS has prepared the valuation reports dated October 14, 2024, with respect to the Alpha Star rig, Amaralina Star rig, Laguna Star rig and Brava Star rig, included herein as Annex B – Artic Valuation, upon the authority of such firm as independent consultants. The Arctic Valuation should be read in its entirety by prospective investors for the information contained therein.

INDEPENDENT AUDITORS

The consolidated financial statements of Constellation Oil Services Holding S.A. as of and for the year ended December 31, 2023 and 2022 included in this offering memorandum have been audited by Grant Thornton Auditores Independentes Ltda., independent auditors, as stated in their reports appearing herein.

The interim condensed consolidated financial information of Constellation Oil Services Holding S.A. as of and for the six-month periods ended June 30, 2024 and 2023, included elsewhere in this offering memorandum, have been reviewed by Grant Thornton Auditores Independentes Ltda. in accordance with Brazilian and international standards on review of interim financial information (NBC TR2410 and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively), as stated in their review report appearing herein. However, as stated in their report, they did not audit and they do not express an opinion on that unaudited interim condensed financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

LISTING AND GENERAL INFORMATION

1. We expect that the notes will be delivered in book-entry form through DTC, and its direct and indirect participants, including Clearstream and Euroclear, on or about November 7, 2024. The CUSIP and ISIN numbers for the notes are set forth below.

	144A Global Note	Regulation S Global Note
CUSIP	650921AA7	L67356AA0
ISIN	US650921AA71	USL67356AA09

2. Copies of the latest combined financial statements of Constellation and its consolidated subsidiaries, copies of the Escrow Issuer's articles of association and the initial Guarantors' *estatuto social* (by-laws) and the deed of incorporation and articles of association, as applicable, as well as the Indenture (including forms of notes and the Note Guarantees), will be available, free of charge, at the offices of the Trustee (the Escrow Issuer's articles of incorporation may also be inspected at the offices of the Escrow Issuer during normal business hours).

3. Except as disclosed in this offering memorandum, there has been no material adverse change in our financial position since June 30, 2024, the date of the latest unaudited consolidated interim financial information in this offering memorandum.

4. Application will be made for the listing of the notes on the SGX-ST. There can be no assurance that the listing will be obtained. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed, or reports contained in this offering memorandum. Approval in-principle for the listing of the notes and admission of the notes to the official list of the SGX-ST are not to be taken as an indication of the merits of the Escrow Issuer, the initial Guarantors or any of their associated companies or the notes. The notes will be traded on the SGX-ST in a minimum board lot size of $200,000.00 so long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require.

5. The issuance of the notes was authorized by the Escrow Issuer's board of managers on October 21, 2024. The issuance of the Note Guarantees was authorized by the initial Guarantors on October 21, 2024.

6. We are not involved in any legal, administrative or arbitration proceeding that is material in the context of the issuance of the notes. We are not aware of any material legal, administrative or arbitration proceeding that is pending or threatened against us except as disclosed in this offering memorandum.

WHERE YOU CAN FIND MORE INFORMATION

We are not, and upon completion of the Merger we will not be, subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended. Under the terms of the Indenture that will govern the notes, we will agree that for so long as any of the notes remain outstanding, we will furnish to the Trustee and holders of the notes the information specified therein. See "Description of the Notes—Certain Covenants––Reports to Holders."

We have not, and the initial purchasers have not, authorized anyone to provide you with information other than that provided in this offering memorandum. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. You should not assume that the information in this offering memorandum is accurate as of any date other than the date of this offering memorandum.

This offering memorandum contains summaries of certain agreements that we have entered into or will enter into in connection with the Merger, such as the Indenture that will govern the notes offered hereby. The descriptions of these agreements contained in this offering memorandum do not purport to be complete and are subject to, or qualified in their entirety by reference to, the definitive agreements. Copies of the definitive agreements will be made available without charge to you in response to a written request to us. Such requests can be made by contacting:

Constellation Oil Services Holding S.A.
8-10, Avenue de la Gare,
L-1610 Luxembourg, Grand Duchy of Luxembourg
Attention: General Counsel

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Consolidated interim financial information as of and for the six months ended June 30, 2024

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Constellation Oil Services Holding S.A.

Report on consolidated interim financial information
June 30, 2024

Ref.: Report No. 248RX-019-EN

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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 comprises the statement of financial position as of June 30, 2024, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period of six 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) 2410 (Revised), *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 (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, is 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 2410 (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 June 30, 2024, and its financial performance and cash flows for the period of six months then ended, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Rio de Janeiro, August 27, 2024

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

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

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2024 AND DECEMBER 31, 2023
(Amounts expressed in thousands of U.S. dollars - US$'000)

ASSETS	Note	June 30, 2024	December 31, 2023
CURRENT ASSETS			
Cash and cash equivalents	4	63,026	87,943
Short-term investments		18,268	45
Trade and other receivables	6	100,006	125,016
Recoverable taxes	17.a	25,873	21,541
Deferred mobilization costs		8,211	8,072
Assets held for sale	8.a	2,787	3,200
Other current assets		11,525	11,388
Total current assets		229,696	257,205
NON-CURRENT ASSETS			
Restricted cash	5	1,733	1,733
Recoverable taxes	17.a	11	-
Deferred tax assets	17.c	24,588	20,312
Deferred mobilization costs		1,839	4,380
Other non-current assets		5,039	4,423
Property, plant and equipment, net	8	2,364,777	2,416,098
Total non-current assets		2,397,987	2,446,946
TOTAL ASSETS		2,627,683	2,704,151

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 JUNE 30, 2024 AND DECEMBER 31, 2023
(Amounts expressed in thousands of U.S. dollars - US$'000)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	June 30, 2024	December 31, 2023
CURRENT LIABILITIES			
Loans and financings	9	47,675	33,696
Payroll and related charges		23,956	28,655
Trade and other payables		37,909	57,178
Taxes payables	17.b	4,048	4,784
Deferred revenues		14,508	17,184
Provisions	10	15,646	21,405
Other current liabilities		9,981	6,532
Total current liabilities		153,723	169,434
NON-CURRENT LIABILITIES			
Loans and financings	9	902,186	930,520
Derivatives	19	26,352	26,352
Deferred revenues		12,556	17,824
Provisions	10	4,621	15,710
Total non-current liabilities		945,715	990,406
TOTAL LIABILITIES		1,099,438	1,159,840
SHAREHOLDERS' EQUITY			
Share capital	11.a	4,933	4,933
Warrants	11.a	1,733	1,733
Share premium	11.d	1,567,897	1,567,897
Reserves	11.b/c	(149,316)	(137,000)
Accumulated profit		102,998	106,748
TOTAL SHAREHOLDERS’ EQUITY		1,528,245	1,544,311
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY		2,627,683	2,704,151

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 SIX-MONTH PERIOD ENDED JUNE 30, 2024 AND 2023
(Amounts expressed in thousands of U.S. dollars - US$'000, except per share amounts)

		Three-month period ended June 30,		Six-month period ended June 30,	
	Note	2024	2023	2024	2023
NET OPERATING REVENUE	12	144,258	140,671	288,120	280,973
COST OF SERVICES	14	(140,397)	(125,059)	(276,222)	(248,724)
GROSS PROFIT		3,861	15,612	11,898	32,249
General and administrative expenses	14	(8,009)	(7,748)	(14,928)	(14,932)
Other income	15	14,355	67	22,668	830
Other expenses	15	(226)	(186)	(244)	(139)
OPERATING PROFIT		9,981	7,745	19,394	18,008
Financial income	16	1,174	24,416	2,378	24,773
Financial expenses	16	(16,406)	(17,458)	(32,561)	(34,254)
Foreign exchange variation income/(expense), net	16	(166)	(156)	(328)	(87)
FINANCIAL EXPENSES, NET		(15,398)	6,802	(30,511)	(9,568)
PROFIT/(LOSS) BEFORE TAXES		(5,417)	14,547	(11,117)	8,440
Taxes	17.d	3,989	353	7,367	(1,154)
PROFIT/(LOSS) FOR THE PERIOD		(1,428)	14,900	(3,750)	7,286

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 SIX-MONTH PERIOD ENDED JUNE 30, 2024 AND 2023
(Amounts expressed in thousands of U.S. dollars - US$'000)

		Three-month period ended June 30,		Six-month period ended June 30,	
	Note	2024	2023	2024	2023
PROFIT/(LOSS) FOR THE PERIOD		(1,428)	14,900	(3,750)	7,286
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustments	11.c	(10,089)	4,652	(12,316)	6,280
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		(11,517)	19,552	(16,066)	13,566
Comprehensive income attributable to:					
Controlling interests		(11,517)	19,552	(16,066)	13,566

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024 AND 2023
(Amounts expressed in thousands of U.S. dollars - US$'000)

					Reserves						
	Note	Share capital	Warrant	Share Premium	Legal	Share of investments' other comprehensive income / (loss)	Acquisition of non-controlling interest in subsidiaries	Foreign currency translation adjustments	Total reserves	Accumulated profit	Total shareholders' equity
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		-	-	-	-	-	-	-	-	7,286	7,286
Other comprehensive income for the period	11.c	-	-	-	-	-	-	6,280	6,280	-	6,280
Total comprehensive loss for the period		-	-	-	-	-	-	6,280	6,280	7,286	13,566
BALANCE AS OF JUNE 30, 2023		4,933	1,733	1,567,897	5,683	(2,436)	(85,555)	(53,620)	(135,928)	144,941	1,583,576
BALANCE AS OF DECEMEBER 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		-	-	-	-	-	-	-	-	(3,750)	(3,750)
Other comprehensive income for the period	11.c	-	-	-	-	-	-	(12,316)	(12,316)	-	(12,316)
Total comprehensive profit for the period		-	-	-	-	-	-	(12,316)	(12,316)	(3,750)	(16,066)
BALANCE AS OF JUNE 30, 2024		4,933	1,733	1,567,897	5,683	(2,436)	(85,555)	(67,008)	(149,316)	102,998	1,528,245

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 SIX-MONTH PERIOD ENDED JUNE 30, 2024 AND 2023
(Amounts expressed in thousands of U.S. dollars - US$'000)

	Note	Six-month period ended June 30, 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		(3,750)	7,286
Adjustments to reconcile profit/(loss) for the period to net cash provided by operating activities:			
Depreciation of property, plant and equipment	8/14	99,954	90,885
Loss (gain) on disposal of property, plant and equipment, net	8	173	92
Recognition of deferred mobilization costs		5,302	7,785
Recognition of deferred revenues, net of taxes levied		(10,364)	(11,260)
Financial expenses on loans and financings	9.a/16	31,117	33,243
Provision/ (reversal) of onerous contract, net	15	(12,421)	-
Other financial expenses (income), net	16	(2,376)	299
Recognition (reversal) of provisions		855	64
Recognition (reversal) of provisions for lawsuits, net	10.c	1,523	1,173
Provision / (reversal) of derivatives	19	-	(23,967)
Taxes	17.d	(7,367)	1,154
Decrease/(increase) in assets:			
Trade and other receivables		25,010	(15,648)
Recoverable taxes		(4,343)	(5,053)
Deferred taxes		(4,276)	(872)
Deferred mobilization costs		(2,900)	1
Other assets		1,125	(7,441)
Increase/(decrease) in liabilities:			
Payroll and related charges		(4,699)	8,093
Trade and other payables		(19,269)	(26,386)
Taxes payables		9,085	3,398
Deferred revenues		2,420	202
Other liabilities		(11,602)	(6,978)
Cash used in operating activities		93,196	56,069
Income tax and social contribution paid		(2,454)	(4,938)
Adjusted cash (used in) / provided by operating activities		90,742	51,131
CASH FLOWS FROM INVESTING ACTIVITIES			
Short-term investments		(18,223)	7
Acquisition of property, plant and equipment	8	(49,418)	(28,687)
Net cash (used in) / provided by investing activities		(67,641)	(28,680)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid on loans and financings	9.a	(30,860)	(5,393)
Repayment of loans and financings	9.a	(14,613)	(840)
Net cash (used in)/provided by financing activities		(45,473)	(6,233)
Increase/(Decrease) in cash and cash equivalents		(22,372)	16,218
Cash and cash equivalents at the beginning of the period	4	87,943	59,479
Effects of exchange rate changes on the balance of cash held in foreign currencies		(2,545)	1,335
Cash and cash equivalents at the end of the period	4	63,026	77,032

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 JUNE 30, 2024 AND FOR THE SIX-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") and 3R Petroleum ("3R").

a) Fleet of offshore drilling rigs

Offshore drilling units

Drilling units	Type	Start of operations	Contract expected expiration date (current or future)	Customer (current or future)
Atlantic Star	Semi-submersible	1997	January 2025 (Note 1.h)	Petrobras
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 June 30, 2024, the Group has a provision for onerous contract in the total amount of US$1,814 (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 had an estimated duration of 810 days (including a clause of termination for convenience after 180 days subject to a demobilization fee, which had not been exercised). The work scope is in water depths of up to 3,048m, and included 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 June 30, 2024, the Group has a provision for onerous contract in the total amount of US$0,279 (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 22, 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 is performing 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 June 30, 2024, the Group has a provision for onerous contract in the total amount of US$10,242 (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 June 30, 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 on January 19, 2024.

k) Going concern considerations

Market fundamentals point to a multi-year recovery in our segment. Global upstream investments for 2024 represent almost 4% increase compared to 2023 and will be the highest investment level since 2015. Total investments for South America are expected to grow at an even higher rate of 12%. On the oil supply side, the first half of 2024 has been marked by a deficit in the market that has sustained Brent prices at $82 per barrel along Q124, with expectations of reaching $90 per barrel by the end of the year. Management believes that the increasing E&P investments, directly underpinned by upward trend of oil prices, will continue to improve rig utilization and day rates for a long period ahead.

On the Commercial side, we continued to develop our contract backlog, which was at US$1.1 billion as of June 30, 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) Corporate restructuring

On May 29, 2024, the Group entered into amended and restated credit agreements with its financial creditors, resulting in a series of transactions collectively referred to as the "Corporate Reorganization". The primary objective of the Corporate Reorganization was to simplify the Group's corporate structure. Key transactions included the sale of each of the Drilling Units to purchasing entities that are also under the control of Constellation Oil Services.

Drilling Unit	Seller	Purchaser
Amaralina Star	Amaralina Star Ltd.	Palase Management B.V.
Laguna Star	Laguna Star Ltd.	Positive Management B.V.
Brava Star	Brava Star Ltd.	Brava Drilling B.V.
Atlantic Star	Star International Drilling Ltd.	Alaskan & Atlantic Rigs B.V.
Alpha Star	Alpha Star Equities Ltd.	London Tower Management B.V.
Lone Star	Lone Star Offshore Ltd.	London Tower Management B.V.
Gold Star	Gold Star Equities Ltd.	London Tower Management B.V.

Furthermore, as part of the Corporate Reorganization, the following entities were merged into Constellation Overseas Ltd.:

- Amaralina Star Ltd.,
- Laguna Star Ltd.,
- Brava Star Ltd.,

- Star International Drilling Limited,
- Alpha Star Equities Ltd.,
- Lone Star Offshore Ltd.,
- Gold Star Equities Ltd., and
- Olinda Star Ltd.

This merger followed the aforementioned sale of the Drilling Units.

m) Commitments

As of June 30, 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 based on certain assumptions, 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 June 30, 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 was prepared based on historical cost, except for certain financial assets and liabilities that are measured at fair value (Note 18.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 June 30, 2024 compared to December 31, 2023.

The unaudited condensed consolidated interim financial information incorporates the Company and its subsidiaries.

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 *Consolidated Financial Statements* and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	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 December 20, 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. CONSOLIDATED ENTITIES AND INVESTMENTS

		June 30, 2024		December 31. 2023	
Consolidated entities	Country of incorporation	Direct	Indirect	Direct	Indirect
Alaskan & Atlantic Cooperatief U.A.	Netherlands	-	100.00	-	100.00
Alaskan & Atlantic Rigs B.V.	Netherlands	-	100.00	-	100.00
Alpha Star Equities Ltd. (“Alpha”) (4)	British Virgin Islands	-	-	-	100.00
Amaralina Star Ltd. (“Amaralina”) (4)	British Virgin Islands	-	-	-	100.00
Angra Participações B.V. (“Angra”)	Netherlands	100.00	-	100.00	-
Brava Drilling B.V. (“Brava Drilling”)	Netherlands	-	100.00	-	100.00
Brava Star Ltd. (“Brava”) (4)	British Virgin Islands	-	-	-	100.00
Constellation Netherlands B.V.	Netherlands	100.00	-	100.00	-
Constellation Overseas Ltd. (“Constellation Overseas”)	British Virgin Islands	-	100.00	-	100.00
Constellation Panamá Corp.	Panamá	-	100.00	-	100.00
Constellation Services Ltd. (“Constellation Services”)	British Virgin Islands	-	100.00	-	100.00
Domenica S.A. (“Domenica”) (1)	Paraguay	-	-	-	100.00
Domenica Argentina S.A. (2)	Argentina	-	-	-	100.00
Gold Star Equities Ltd. (“Gold”) (4)	British Virgin Islands	-	-	-	100.00
Laguna Star Ltd. (“Laguna”) (4)	British Virgin Islands	-	-	-	100.00
London Tower Management B.V.	Netherlands	-	100.00	-	100.00
Lone Star Offshore Ltd. (“Lone”) (4)	British Virgin Islands	-	-	-	100.00
Olinda Star Ltd. (“Olinda”) (4)	British Virgin Islands	-	-	-	100.00
Palase Management B.V.	Netherlands	-	100.00	-	100.00
Positive Investments Management B.V.	Netherlands	100.00	-	100.00	-
QGOG Constellation US LLC.	United States of America	-	100.00	-	100.00
Serviços de Petróleo Constellation Participações S.A.	Brazil	-	100.00	-	100.00
QGOG Star GmbH	Switzerland	100.00	-	100.00	-
Serviços de Petróleo Constellation S.A.	Brazil		100.00		100.00
Serviços de Petróleo Onshore Constellation Ltda. (3)	Brazil		-		100.00
Serviços de Petróleo Constellation S.A. (“SPC India”)	India		100.00		100.00
Star International Drilling Ltd. (“Star”) (4)	Cayman Island	-	-	-	100.00

(1) 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 Ltda. and President Energy Investments (Paraguay) where 100% of the shares from Domenica S.A. were sold, including the onshore rig QG-I.
(2) On March 10, 2023, the liquidation of the company Domenica Argentina S.A. was concluded and the company has ceased to exist.
(3) On May 10, 2023, the incorporation of the company Serviços de Petróleo Onshore Constellation Ltda. was concluded.
(4) On May 29, 2024, through the Corporate Reorganization the companies Amaralina Star Ltd., Laguna Star Ltd., Brava Star Ltd., Star International Drilling Limited, Alpha Star Equities Ltd., Lone Star Offshore Ltd., Gold Star Equities Ltd., and Olinda Star Ltd. were merged into Constellation Overseas Ltd. (Note 11).

4. CASH AND CASH EQUIVALENTS

	June 30, 2024	December 31, 2023
Cash and bank deposits	6,014	64,376
Time deposits (*)	57,012	23,567
Total	63,026	87,943

(*) Time deposits are comprised as follows:

Financial institution	Currency	Average interest rate (per annum)	June 30, 2024	December 31, 2023
Banco Bradesco S.A.	Brazilian real	20%	11,207	7,074
Banco do Brasil S.A.	Brazilian real	90,46% of CDI(i)	5,085	16,493
JP Morgan	U.S. dollar	3,84%	40,720	-
Total			57,012	23,567

(i) Brazilian Interbank Deposit Certificate (Certificado de Depósito Interbancário - CDI), average remuneration during the six-month period ended June 30, 2024 and December 31, 2023 was 10.89% p.a. and 13.26% p.a. respectively.

5. 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 June 30, 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)	June 30 2024	December 31 2023
Signature Bank(i)	Bank deposits	-	1,733	1,733
Total			1,733	1,733

(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.

6. 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 63 days (82 days on December 31, 2023). Details of financial risk management related to credit risk are disclosed in Note 18.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 was written off.
As of June 30, 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.

7. RELATED PARTY TRANSACTIONS

Balances as of June 30, 2024 and December 31, 2023 (and for the periods of six months ended June 30, 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 six-month period ended June 30, 2024 and June, 30 2023, is as follows:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2024	2023	2024	2023
Short-term benefits (ii)	2,118	1,830	3,685	3,301

(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 21.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.

8. PROPERTY, PLANT AND EQUIPMENT

	Drillships			Offshore drilling rigs							
	Brava Star	Amaralina Star	Laguna Star	Atlantic Star	Alpha Star	Gold Star	Lone Star	Olinda Star [b]	Onshore drilling rigs, equipment and bases	Corporate	Total
Cost											
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	14,165	2,013	14,697	4,886	4,740	4,204	3,726	-	-	988	49,418
Disposals / write off	(77)	(25)	(50)	-	(26)	-	(15)	-	-	-	(193)
Currency translation adjustments	-	-	-	-	-	-	-	-	(2,244)	(1,334)	(3,578)
Balance as of June 30, 2024	770,160	768,347	773,499	385,559	793,897	644,314	777,218	588,566	93,221	23,762	5,618,543
Accumulated depreciation and Impairment											
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	(17,261)	(18,947)	(19,340)	(7,405)	(11,045)	(12,931)	(12,827)	-	(154)	(44)	(99,954)
Impairment	-	-	-	-	-	-	-	-	-	-	-
Reclass to Assets held for sale	-	-	-	-	-	-	-	-	-	-	-
Disposals / write off	18	1	1	-	-	-	-	-	-	-	20
Currency translation adjustments	-	-	-	-	-	-	-	-	2,060	906	2,966
Balance as of June 30, 2024	(275,199)	(377,701)	(370,930)	(259,196)	(438,025)	(358,794)	(473,116)	(588,566)	(90,271)	(21,967)	(3,253,765)
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
June 30, 2024	494,961	390,646	402,569	126,363	355,872	285,520	304,102	-	2,950	1,795	2,364,777
Useful life range (years)	1 – 35	1 - 35	1 – 35	1 - 35	1 - 35	1 - 35	1 - 35	1 - 35	1 – 25	1 – 25	

(a) The Group's assets that are pledged as security for financing agreements are disclosed in Note 10.
(b) 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 were identified by management as of June 30, 2024 that would require a new test for the period of three months then ended.

(a) Onshore drilling rigs

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 negotiation 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$2,787 and US$ 3,200 as of June 30, 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 (1)	Onshore drilling rig	1981	June 2018	Zeus ÖL S.A.
QG-II (2)	Onshore drilling rig	1981	August 2018	Ouro Preto Óleo e Gás S.A.
QG-IV (2)	Onshore drilling rig	1996	June 2015	Petrobras
QG-V (2)	Onshore drilling rig	2011	April 2015	Petrobras
QG-VI (2)	Onshore drilling rig	2008	May 2016	Petrobras
QG-VII (2)	Onshore drilling rig	2008	July 2015	Petrobras
QG-VIII (2)	Onshore drilling rig	2011	July 2022	Eneva
QG-IX (2)	Onshore drilling rig	2011	June 2014	HRT O&G Exploração e Produção de Petróleo Ltda.

(1) 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 was paid on March, 2024 and April, 2024.
(2) 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. The transfer was concluded on July 22, 2024.

(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.

9. LOANS AND FINANCING

Financial institution/ Creditor	Funding type	Description	Objective	Beginning period	Maturity	Contractual interest rate (per annum)	Effective interest rate (per annum)	Currency	June 30, 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	47.424	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	285.510	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	1.898	1,895
Bondholders	Senior Unsecured Notes (“2050 Notes”) (3)	Corporate Bond	Debt Restructuring	Jun/2022	Dec/2050	0.25%	0.25%	U.S. dollar	3.128	3,124
							Subtotal – fixed interest rate loans		337,960	351,936
Banco Bradesco S.A.	Loan (“Bradesco Debt”) (4)(7)	Working Capital	Debt restructuring	Jun/2022	Dec/2026	SOFR + 2.00% (cash) or 3.00% (PIK)	SOFR + 2.00% (cash) or 3.00% (PIK)	U.S. dollar	45.030	45,642
							Subtotal – variable interest rate loans		45,030	45,642
Certain Lenders	Financing (“Restructured ALB Debt”) (5)(7)	ALB	Debt restructuring	Jun/2022	Dec/2026	SOFR + 2.00% (cash) or 3.00% (PIK)	SOFR + 2.00% (cash) or 3.00% (PIK)	U.S. dollar	536.656	536,438
Certain Lenders	Financing (“ALB L/C Debt”) (6)	ALB L/C Debt	Debt restructuring	Jun/2022	Dec/2026	SOFR + 3.00%	SOFR + 3.00%	U.S. dollar	30.215	30,200
							Subtotal – variable interest rate financings		566.871	566,638
								Total	949.861	964,216
								Current	47.675	33,696
								Non-current	902.186	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

	Six-month period ended June 30,	
	2024	2023
Balance as of January 1	964,216	942,192
Principal repayment	(14,612)	(839)
Interest payment	(30,860)	(5,394)
Total payments	(45,472)	(6,233)
Interest charged through profit and loss	31,117	33,243
Financial expenses on loans and financing (Note 16)	31,117	33,243
Balance as of June 30,	949,861	969,202

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 six-month period ended June 30,	Net amount	PIK (*)	Gross amount
2025	-	3,752	3,752
2026	897,160	149,789	1,046,949
After 2027	5,026	344	5,370
Total	902,186	153,885	1,056,071

(*) 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.

10. PROVISIONS

	June 30, 2024		December 31, 2023	
	Current	Non-current	Current	Non-current
Provision for Onerous Contract[a]	14,582	2,626	19,857	9,773
Contractual Penalties [b]	-	-	1,548	-
Contingencies and provisions for lawsuits [c]	-	1,715	-	3,570
MIP Retention (Note 21.b)	1,064	-	-	1,949
Others	-	280	-	418
Total	15,646	4,621	21,405	15,710

(a) Provision for Onerous Contract

As of June 30 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$ 0,279), Lone (US$ 4,874), Gold (US$ 10,242) and Amaralina (US$ 1,814).
As of December 31, 2023 a provision for onerous contract has been recorded: Laguna (US$ 0,279), 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.

	June 30, 2024	December 31, 2023
Balance as of January 1	1.548	795
Contractual Penalties accrual/(reversal)	(1.486)	693
Foreign exchange rate variations	(62)	60
Balance as of	-	1.548

(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 June 30, 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:

	June 30, 2024	December 31, 2023
Balance as of January 1	3,570	2,797
Additions	242	3,202
Reversals	(1,765)	(2,664)
Foreign exchange rate variations	(332)	235
Total	1,715	3,570

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$15,589 as of June 30, 2024 (US$21,001 as of December 31, 2023), tax lawsuits in the amount of US$42,310 as of June 30, 2024 (US$46,790 as of December 31, 2023) and civil lawsuits in the amount of US$619 as of June 30, 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 June 30, 2024, the estimated amount involved is US$8,720 (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 June 30, 2024, the estimated amount involved is US$19,714 (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 June 30, 2024 the estimated amount involved is US$3,353 (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. Transocean then filed a special appeal, which was admitted with active effect to lift the suspension of the process in the Lower Court. Assignment and subsequent judgment at the Superior Court of Justice are awaited. On June 04,2024, Transocean renewed its injunction request for payment of royalties before the Lower Court. On July 16, 2024, Constellation filed its reply for this request. No decision has been issued yet.

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.

11. 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		
Amounts in USD thousands	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 June 30, 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 June 30, 2024 and December 31, 2023 the Share Premium is 1,567,897.

12. NET OPERATING REVENUE

The Group's operating revenue is mainly derived from charter and service-rendering agreements.

Net operating revenue is presented after the following items:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2024	2023	2024	2023
Gross operating revenue	150,828	148,646	301,454	296,892
Taxes levied on revenue:				
Social Integration Program (PIS) (i)	(896)	(845)	(1,799)	(1,649)
Social Investment Program (COFINS) (i)	(4,128)	(3,890)	(8,289)	(7,594)
Services Tax (ISS) (i)	(1,544)	(1,301)	(2,928)	(2,540)
Good and Service Tax (GST) (ii)	-	(1,939)	(316)	(4,136)
Others	(1)	-	(2)	-
Net operating revenue	144,258	140,671	288,120	280,973

(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.

13. REPORTABLE SEGMENTS

As of June 30, 2024 and 2023 the group has only one reportable segment, which is offshore drilling rigs. Management understands all offshore drilling units have similar economic characteristics (nature of services, nature of processes, type of customer, and regulatory environment), and onshore drilling, which has been discontinued during 2023, does not represent a material segment during the period ended on June 30, 2023.

Geographical information

During the period ended on June 30, 2024 and 2023 the group's net operating revenue from external customers by geographical location is detailed below:

	June 30, 2024	June 30, 2023
Brazil	285,668	246,641
India	2,432	34,332
Total	288,120	280,973

Information about major customers

As of June 30, 2024 and 2023, Petrobras represented 81% and 74%, of total revenues, and ONGC represented 1% and 13%, respectively.

14. COST OF SERVICES AND OPERATING EXPENSES

	Three-month period ended June 30,					
	2024			2023		
Costs and expenses by nature	Cost of services	General and administrative expenses	Total	Cost of services	General and administrative expenses	Total
Payroll, related charges and benefits	(37,612)	(5,050)	(42,662)	(34,304)	(4,724)	(39,028)
Depreciation	(49,949)	(22)	(49,971)	(44,904)	(28)	(44,932)
Materials	(20,690)	-	(20,690)	(12,874)	-	(12,874)
Maintenance	(23,069)	(1)	(23,070)	(23,466)	(6)	(23,472)
Insurance	(1,206)	(213)	(1,419)	(1,303)	(167)	(1,470)
Other (1)/(2)	(7,871)	(2,723)	(10,594)	(8,208)	(2,823)	(11,031)
Total	(140,397)	(8,009)	(148,406)	(125,059)	(7,748)	(132,807)

	Six-month period ended June 30,					
	2024			2023		
Costs and expenses by nature	Cost of services	General and administrative expenses	Total	Cost of services	General and administrative expenses	Total
Payroll, related charges and benefits	(74,563)	(9,638)	(84,201)	(66,108)	(9,718)	(75,826)
Depreciation	(99,909)	(45)	(99,954)	(90,819)	(66)	(90,885)
Materials	(41,304)	-	(41,304)	(28,794)	-	(28,794)
Maintenance	(42,552)	(35)	(42,587)	(47,095)	(11)	(47,106)
Insurance	(2,376)	(319)	(2,695)	(2,151)	(396)	(2,547)
Other (1)/(2)	(15,518)	(4,891)	(20,409)	(13,757)	(4,741)	(18,498)
Total	(276,222)	(14,928)	(291,150)	(248,724)	(14,932)	(263,656)

(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.

15. OTHER OPERATING INCOME (EXPENSES)

	Three-month period ended June 30,		Six-month period ended June 30,	
	2024	2023	2024	2023
Revenue from sale of investment	-	-	-	664
Revenue from sales of PP&E[(1)]	8,130	-	8,130	-
Property rental	42	44	86	86
Reversal of provision for onerous contract	4,152	-	12,421	-
Reversal of contractual penalties	2,031	-	2,031	-
Other income	-	23	-	80
Total Other income	14,355	67	22,668	830
Penalties	-	(163)	-	(9)
Cost of PP&E disposed	(226)	(23)	(244)	(130)
Total Other expenses	(226)	(186)	(244)	(139)
Total Other Income/(expenses), net	14,129	(119)	22,424	691

(1) As of June 30, 2024, the amount of US$ 8,130 refers to the sale of the drilling unit Olinda Star (Note 1i).

16. FINANCIAL EXPENSES, NET

	Three-month period ended June 30,		Six-month period ended June 30,	
	2024	2023	2024	2023
Interest on short-term investments	1,173	447	2,376	804
Reversal of derivates	-	23,967	-	23,967
Other financial income	1	2	2	2
Financial income	1,174	24,416	2,378	24,773
Financial expenses on loans and financing	(15,536)	(16,972)	(31,117)	(33,237)
Other financial expenses	(870)	(486)	(1,444)	(1,017)
Financial expenses	(16,406)	(17,458)	(32,561)	(34,254)
Foreing exchange variation gain, net	(166)	(156)	(328)	(87)
Financial expenses, net	(15,398)	6,802	(30,511)	(9,568)

17. 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

	June 30, 2024	December 31, 2023
Taxes on revenue (PIS/COFINS)	14,517	16,262
Recoverable Taxes in India - GST(i) and WHT	4,261	3,533
Income tax (IRPJ) and social contribution on net income (CSLL) (ii)	6,822	1,526
Other	284	220
Total	25,884	21,541
Current	25,873	21,541
Non-current	11	-

(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

	June 30, 2024	December 31, 2023
Goods and Services Tax - GST(i)	202	811
Income tax (IRPJ) and social contribution (CSLL)	2,653	2,722
Service Tax (ISS)	1,095	1,062
State VAT (ICMS)	98	189
Total	4,048	4,784

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

c) Deferred tax assets

i) Brazil

	June 30, 2024	December 31, 2023
Income tax (IRPJ) and social contribution (CSLL) (*)	24,588	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 six-month period ended June 30, 2024 and 2023 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 June 30,		Six-month period ended June 30,	
	2023	2022	2023	2022
Profit / (Loss) before taxes	14,547	450,619	8,440	378,618
Income tax and social contribution at nominal rate (*)	(4,257)	165	(10,753)	3,197
Adjustments to derive effective tax rate:				
Non-deductible expenses	(2,985)	(64)	(305)	(144)
Other	7,595	2,918	9,904	(237)
Income tax expense recognized in profit or loss	353	3,019	(1,154)	2,816
Current taxes	(330)	(778)	(1,974)	(780)
Deferred taxes	683	3,797	820	3,596

	Three-month period ended June 30,		Six-month period ended June 30,	
	2024	2023	2024	2023
Profit / (Loss) before taxes	(5,417)	14,547	(11,117)	8,440
Income tax and social contribution at nominal rate (*)	5,150	(4,257)	9,607	(10,753)
Adjustments to derive effective tax rate:				
Non-deductible expenses	(89)	(2,985)	(195)	(305)
Other	(1,072)	7,595	(2,045)	9,904
Income tax expense recognized in profit or loss	3,989	353	7,367	(1,154)
Current taxes	(125)	(330)	(103)	(1,974)
Deferred taxes	4,114	683	7,470	820

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

18. FINANCIAL INSTRUMENTS

a) General considerations

The Group's main financial instruments are as follows:

		June 30, 2024		December 31, 2023	
	Category	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	FVTPL	63,026	63,026	87,943	87,943
Short-term investments	FVTPL	18,268	18,268	45	45
Restricted cash	FVTPL	1,733	1,733	1,733	1,733
Trade and other receivables	Amortized cost	100,006	100,006	125,016	125,016
Financial liabilities					
Loans and financing	Amortized cost	949,861	901,467	964,216	885,122
Trade and other payables	Amortized cost	37,909	37,909	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 10) 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 18 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.

June 30, 2024

Period	Trade and other payables	Loans and financing	Total
2024	37,909	124,346	162,255
2025	-	27,464	27,464
2026	-	1,046,949	1,046,949
After 2027	-	5,370	5,370
Total	37,909	1,204,129	1,242,038

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 10).

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	June 30, 2024	Scenario I (i)	Scenario II (ii)
		Increase/ (decrease) in P&L	
Variable interest rate loans	45,030	(901)	901
Variable interest rate financing	566,871	(11,337)	11,337
Total	611,901	(12,238)	12,238

(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:

	June 30 2024	December 31, 2023
Loans and financing (a)	949,861	964,216
Cash transactions (b)	(83,027)	(89,721)
Net debt (c)	866,834	874,495
Shareholders' equity (d)	1,528,245	1,544,311
Net debt on shareholders' equity plus net debt [(c)] ÷ [(c) + (d)]	36%	36%

(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.

19. 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.

As of December 31, 2023 the Group performed a revaluation of the fair value and identified indicators that required an expense reversal of US$ 17.7 million for that year, amounting to a liability of US$ 26.4 million.

No indicators were identified by management as of June 30, 2024 that would require an expense accrual or reversal of the derivative for the period of six months then ended.

20. INSURANCE (Unaudited)

As of June 30, 2024 and December 31, 2023, major assets or interests covered by insurance policies and their respective coverage amounts are summarized below:

	June 30, 2024	December 31, 2023
Civil liability	1,952,000	1,952,000
Operating risks	1,352,359	1,559,730
Loss of hire	302,877	300,000
Operational headquarter and others	14,641	14,452
Total	3,621,877	3,826,182

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

21. PENSION AND MANAGEMENT INCENTIVE PLAN

The total amount paid by Constellation Oil Services Holding S.A to the Board of Directors as of June 30, 2024 was US$ 249 (US$ 250 as of June 30, 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 six-month period ended June 30, 2024, contributions payable by Serviços de Petróleo at the rates specified by the plan rules amounts to US$ 706 (US$ 484 as of June 30, 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 allocated to offshore employees and was paid in June 2024 in the amount of USD 1.7 million. 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 June 30, 2024, the Group made accruals as specified by the MIP Retention plan rules amounting to US$ 1,106 (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.

22. 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	June 30, 2024	December 31, 2023
2024	324,986	653,133
2025	419,809	435,435
2026	247,498	253,985
After 2027	142,761	142,761
Total	1,135,054	1,485,314

23. SUBSEQUENT EVENTS

Incorporation of CBW B.V.

On July 9, 2024, the Group incorporated to their structure the company CBW B.V. established in the Netherlands.

Assets held for sale

The transfer of the onshore rigs QG-II, QG-IV, QG-V, QG-VI, QG-VII, QG-VIII and QG-IX was concluded on July 22, 2024. Note 9a).

24. 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 August 26, 2024.

Grant Thornton

Constellation Oil Services Holding S.A.

Consolidated financial statements and independent auditor’s report No 243F2-001-EN

December 31, 2023

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Independent auditor's report on the consolidated financial statements

Grant Thornton Auditores Independentes Ltda.

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To the
Shareholders, Directors and Management of
Constellation Oil Services Holding S.A.

Opinion

We have audited the consolidated financial statements of Constellation Oil Services Holding S.A. (the Group), which comprise the statement of financial position as of December 31, 2023 and the respective statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended, and the corresponding explanatory notes, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the relevant ethical requirements set forth in the Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of consolidated financial statements issued by the Federal Accounting Council – CFC and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with the governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we:

- identify and assess the risks of material misstatement of consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group 's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit and, consequently, for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we may have identified during our audit.

Rio de Janeiro, March 15, 2024

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

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

CONSTELLATION OIL SERVICES HOLDING S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2023 AND 2022
(Amounts expressed in thousands of U.S. dollars - US$'000)

ASSETS	Note	December 31, 2023	December 31, 2022
CURRENT ASSETS			
Cash and cash equivalents	6	87,943	59,479
Short-term investments		45	52
Trade and other receivables	8	125,016	76,314
Recoverable taxes	18.a	21,541	22,946
Deferred mobilization costs		8,072	12,765
Assets held for sale	10.a	3,200	-
Other current assets		11,388	16,041
Total current assets		257,205	187,597
NON-CURRENT ASSETS			
Restricted cash	7	1,733	1,733
Deferred tax assets	18.c	20,312	17,823
Deferred mobilization costs		4,380	7,760
Other non-current assets		4,423	1,977
Property, plant and equipment, net	10	2,416,098	2,470,296
Total non-current assets		2,446,946	2,499,589
TOTAL ASSETS		2,704,151	2,687,186

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

CONSTELLATION OIL SERVICES HOLDING S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2023 AND 2022
(Amounts expressed in thousands of U.S. dollars - US$'000)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	December 31, 2023	December 31, 2022
CURRENT LIABILITIES			
Loans and financings	11	33,696	4,992
Payroll and related charges		28,655	13,190
Trade and other payables		57,178	65,265
Taxes payables	18.b	4,784	4,434
Deferred revenues		17,184	18,129
Provisions	12	21,405	7,507
Other current liabilities		6,532	7,351
Total current liabilities		169,434	120,868
NON-CURRENT LIABILITIES			
Loans and financings	11	930,520	937,200
Derivatives	20	26,352	44,044
Deferred revenues		17,824	11,453
Provisions	12	15,710	3,611
Total non-current liabilities		990,406	996,308
TOTAL LIABILITIES		1,159,840	1,117,176
SHAREHOLDERS' EQUITY			
Share capital	13.a	4,933	4,933
Warrants	13.a	1,733	1,733
Share premium	13.d	1,567,897	1,567,897
Reserves	13.b/c	(137,000)	(142,208)
Accumulated profit		106,748	137,655
TOTAL SHAREHOLDERS' EQUITY		1,544,311	1,570,010
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,704,151	2,687,186

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

CONSTELLATION OIL SERVICES HOLDING S.A.

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022
(Amounts expressed in thousands of U.S. dollars - US$'000, except per share amounts)

	Note	Year-ended December 31, 2023	2022
NET OPERATING REVENUE	14	551,824	406,145
COST OF SERVICES	15	(525,711)	(429,672)
GROSS PROFIT / (LOSS)		26,113	(23,527)
General and administrative expenses	15	(30,607)	(52,705)
Other income	16	55,633	1,077,130
Other expenses	16	(30,617)	(7,007)
OPERATING PROFIT		20,522	993,891
Financial income	17	3,193	2,224
Financial expenses	17	(49,410)	(134,614)
Foreign exchange variation income/(expense), net	17	(353)	(83)
FINANCIAL EXPENSES, NET		(46,570)	(132,473)
PROFIT/(LOSS) BEFORE TAXES		(26,048)	861,418
Taxes	18.d	(4,859)	(2,133)
PROFIT/(LOSS) FOR THE YEAR		(30,907)	859,285

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

CONSTELLATION OIL SERVICES HOLDING S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (LOSS) FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022
(Amounts expressed in thousands of U.S. dollars - US$'000)

	Note	Year-ended December 31, 2023	2022
PROFIT/(LOSS) FOR THE YEAR		(30,907)	859,285
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments	13.c	5,208	2,879
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		(25,699)	862,164
Comprehensive income attributable to:			
Controlling interests		(25,699)	862,164

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

CONSTELLATION OIL SERVICES HOLDING S.A.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022
(Amounts expressed in thousands of U.S. dollars - US$'000)

					Reserves						
	Note	Share capital	Warrant	Share Premium	Legal	Share of investments' other comprehensive income / (loss)	Acquisition of non-controlling interest in subsidiaries	Foreign currency translation adjustments	Total reserves	Accumulated profit	Total shareholders' equity
BALANCE AS OF DECEMBER 31, 2021		981,200	-	(9,721)	5,683	(2,436)	(85,555)	(62,779)	(145,087)	(721,630)	104,762
Profit for the year		-	-	-	-	-	-	-	-	859,285	859,285
Other comprehensive expense for the year	13.c	-	-	-	-	-	-	2,879	2,879	-	2,879
Total comprehensive profit for the year		-	-	-	-	-	-	2,879	2,879	859,285	862,164
Reestructuring events:											
Capital decrease		(981,200)	-	981,200	-	-	-	-	-	-	-
Capital increase		4,933	-	(4,933)	-	-	-	-	-	-	-
Advance for future capital increase		-	1,733	(1,733)	-	-	-	-	-	-	-
Share premium arising from debt restructuring	1.1	-	-	603,084	-	-	-	-	-	-	603,084
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 year		-	-	-	-	-	-	-	-	(30,907)	(30,907)
Other comprehensive income for the year	13.c	-	-	-	-	-	-	5,208	5,208	-	5,208
Total comprehensive profit for the year		-	-	-	-	-	-	5,208	5,208	(30,907)	(25,699)
BALANCE AS OF DECEMEBER 31, 2023		4,933	1,733	1,567,897	5,683	(2,436)	(85,555)	(54,692)	(137,000)	106,748	1,544,311

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

CONSTELLATION OIL SERVICES HOLDING S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts expressed in thousands of U.S. dollars - US$'000)

	Note	Year-ended December 31, 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		(30,907)	859,285
Adjustments to reconcile profit/(loss) for the year to net cash provided by operating activities:			
Depreciation of property, plant and equipment	10/15	185,724	148,942
Loss (gain) on disposal of property, plant and equipment, net	10	572	335
Reversal of impairment recognised on property, plant and equipment, net	10	(54,674)	(560,756)
Recognition of deferred mobilization costs		12,658	10,883
Recognition of deferred revenues, net of taxes levied		(20,561)	(14,522)
Financial expenses on loans and financings	11.a/17	64,596	85,465
Debt restructuring	16	-	(513,226)
Provision/ (reversal) of onerous contract, net	16	29,630	(1,671)
Other financial expenses (income), net	17	(335)	2,964
Recognition (reversal) of provisions		60	50
Recognition (reversal) of provisions for lawsuits, net	12	(538)	1,162
Provision / (reversal) of derivatives	17/20	(17,692)	44,044
Provision for loss of receivables		-	442
Taxes	18.d	4,859	2,133
Decrease/(increase) in assets:			
Trade and other receivables		(48,702)	(30,648)
Recoverable taxes		1,405	(8,430)
Deferred taxes		(2,489)	(1,408)
Deferred mobilization costs		(4,585)	(25,686)
Other assets		717	(2,808)
Increase/(decrease) in liabilities:			
Payroll and related charges		15,465	(2,985)
Trade and other payables		(8,087)	10,621
Payables to related parties		-	(193)
Taxes payables		(2,337)	811
Deferred revenues		25,987	32,837
Other liabilities		(593)	4,544
Cash used in operating activities		150,113	42,184
Income tax and social contribution paid		(2,172)	(296)
Adjusted cash (used in) / provided by operating activities		147,941	41,888
CASH FLOWS FROM INVESTING ACTIVITIES			
Short-term investments		7	4,663
Restricted cash		-	15,732
Acquisition of property, plant and equipment	10	(78,936)	(123,559)
Proceeds from disposal of property, plant and equipment	16	675	744
Net cash (used in) / provided by investing activities		(78,254)	(102,420)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid on loans and financings	11.a	(36,747)	(5,689)
Proceeds from loans and financings	11.a	-	62,400
Advance for future capital increase	14.a	-	1,733
Repayment of loans and financings	11.a	(5,825)	(17,618)
Net cash (used in)/provided by financing activities		(42,572)	40,826
Increase/(Decrease) in cash and cash equivalents		27,114	(19,706)
Cash and cash equivalents at the beginning of the year	6	59,479	76,306
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,350	2,879
Cash and cash equivalents at the end of the year	6	87,943	59,479

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

CONSTELLATION OIL SERVICES HOLDING S.A.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION AS OF DECEMBER 31, 2023 AND FOR THE YEAR 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

Drilling units	Type	Start of operations	Contract expected expiration date (current or future)	Customer (current or future)
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 January 2, 2020, the Group announced that the Amaralina Star drillship had been awarded a contract with the consortiums of BM-S-11, BM-S-11A and Unitization Agreement (*Acordo de Individualização de Produção* - AIP) of Lula field, operated by Petrobras. The contract had an estimated duration of 730 days. Operations started on April 15, 2020 and have been performed offshore the Brazilian coast, in the Santos Basin.

On February 22, 2022, the contract had its first amendment to add additional 19 days to its duration. It was amended again on April 20, 2022, with additional 91 days of backlog, being the new total duration of the contract 840 days. The contract ended on July 28, 2022.

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 December 31, 2023, the Group has a provision for onerous contract in the total amount of US$2,722 (US$0 as of December 31, 2022), 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 December 31, 2023, the Group has a provision for onerous contract in the total amount of US$9,378 (US$0 as of December 31, 2022), related to the aforementioned contract.

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

On July 22, 2019, the Group announced that the Alpha Star offshore drilling rig had been awarded a new contract with Petrobras for a 2-year period. The drilling activities were performed offshore the Brazilian coast, in the Campos Basin and operations started on August 16, 2020. The contract ended on September 14, 2022.

As of December 31, 2023, the Group has a provision for onerous contract in the total amount of US$0. As of December 31, 2022, the Group reversed the provision for onerous contract in the total amount of US$1,671 due to the end of the aforementioned contract.

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 July 22, 2019, the Group announced that the Gold Star offshore drilling rig had been awarded a new contract with Petrobras for a 2-year period. Operations started on February 11, 2020, and the drilling activities were performed offshore the Brazilian coast. The contract ended on March 4, 2022.

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 December 31, 2023, the Group has a provision for onerous contract in the total amount of US$11,082 (US$0 as of December 31, 2022), related to the aforementioned contract.

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

On July 22, 2019, the Group announced that the Lone Star offshore drilling rig had been awarded a new contract with Petrobras for a 2-year period. The drilling activities were performed offshore the Brazilian coast and having started on April 24, 2020. The contract ended on April 23, 2022.

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 December 31, 2023, the Group has a provision for onerous contract in the total amount of US$6,448 (US$0 as of December 31, 2022), 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 February 27, 2021, the contract with ONGC was amended for an additional period of 191 days. In July, 2021 it was amended for an additional period of 38 days. Once again, on November 22, 2021 it was amended for an additional period of 39 days until December 31, 2021, due to zero rate and Force Majeure days occurred during the original contract term. This final extension is due to rig waiting for improvement of weather conditions to be demobilized to Kakinada, when rig will then be de-hired. All other terms and conditions remain unchanged.

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.

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$1.5 billion as of December 31, 2023, from US$1.3 billion as of December 31, 2022. Note 1 discloses several events related to charter contracts and operating services for offshore drilling rigs that corroborate the above information.

l) Liquidity and financial restructuring aspects

On December 18, 2019, the Group entered into amended and restated credit agreements as well as new credit agreements with its financial creditors and issued new senior secured and senior unsecured notes, pursuant to new indentures (the "RJ Closing").

Commencing July 6, 2021, discussions were initiated with creditors to establish a sustainable capital structure aligned with the Group's operational requirements in the prevailing economic landscape. Subsequently, on March 24, 2022, after thorough negotiations, a Plan Support Agreement and a Restructuring Term-Sheet were signed, leading to the unanimous approval of the "Plan Amendment" by the General Creditors Meeting. The RJ Court and the New York Court confirmed the Plan Amendment on March 28, 2022, and May 3, 2022, respectively.

On June 10, 2022, the Group executed Amended and Restated Credit Agreements (the "Restructuring Documents"), alongside additional arrangements with creditors, resulting in the conversion of a portion of the debt into the Company's equity. This conversion aimed to alleviate debt burdens and optimize the Group's financial position.

Under the Restructuring Documents, the outstanding debt amounting to $1,990,128 underwent restructuring, resulting in $826,000 of convertible debt. Additionally, $92,600 was allocated, comprising $62,400 in newly raised cash and $30,200 in non-convertible debt.

As per the restructuring, the debt was converted into the Company's equity interests as follows:

Type of share	Number of shares	Nomination rights
Class A shares	180,000,000	Have no rights to appoint Board members until the shares are sold to an Acceptable Buyer. Right to appoint a Board Observer
Class B shares	313,333,333	Majority of B Shares (B-1 + B-2) have right to appoint members of the Board
Class B-2 Warrants (Note 13.a)	173,333,333	Majority of B Shares (B-1 + B-2) have right to appoint members of the Board

The Restructuring Documents also provide that upon a future liquidity event, such as mergers or significant asset sales, whereby convertible debt will be converted into shares, and the resulting proceeds will be distributed according to the new equity structure.

The debt restructuring, completed on June 10, 2022, resulted in a gain of $513,226 for the Group, recognized in the second quarter of 2022. This gain was calculated based on a valuation of the equity interests transferred, grossing $603,084, and the extinguished debt totaling $1,116,311.
The breakdown of the share premium amounting to US$ 603,084 is as follows:

(a) B1-shares: US$ 388,287;
(b) B2-shares: US$ 214,797.

On September 2, 2022, the 1st Business Court of the State of Rio de Janeiro determined the termination of the Judicial Reorganization process of Serviços de Petróleo Constellation S.A. and other companies of the Constellation Group, considering that all the obligations of the Judicial Reorganization Plan have been complied with.

m) Commitments

As of December 31, 2023, 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.
- 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 December 31, 2023 and until the date of the issuance of these Consolidated Financial Statements the Group complies with the aforementioned covenants.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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, 2023. 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
Amendments to IAS 12 *Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The Group has not been significantly impacted by these amendments during the year.	January 1, 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.	January 1, 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements	The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.	January 1, 2023

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 as at December 31, 2023:

New or revised standards and interpretations

Standard or interpretation	Description	Effective date
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	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
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

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 financial statements. 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 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. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of the consolidated financial statements are described below. These policies have been applied consistently for all reporting periods.

3.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS, as issued by the IASB.

3.2 Basis of preparation and consolidation

Preparation

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are remeasured at fair value.

Consolidation

The consolidated financial statements incorporate the Company and its subsidiaries (Note 5).

All intra-group transactions, balances, income and expenses are eliminated for consolidation purposes.

Continuity as a going concern

The Group's consolidated financial statements were prepared on the going concern basis of accounting. Management assessed the Group's ability to continue as a going concern in light of the assumptions and matters disclosed in Note 1k.

The significant accounting policies are set out below:

3.3 Functional currency and foreign currencies

The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the respective entity operates (i.e., the "functional currency"). The Company's functional currency and most part of its subsidiaries is the U.S. dollar, since majority of revenues and costs, debt and capital expenditures are denominated in this currency. The consolidated financial statements are presented in thousands of U.S. dollars, which is also the reporting currency of the Group.

Additionally, the Group has determined that the Brazilian real is the functional currency of Serviços de Petróleo Constellation S.A. ("Serviços de Petróleo") and Serviços de Petróleo Constellation Participações S.A. ("Serviços de Petróleo Participações"), since the majority of their revenues and costs are denominated in Brazilian reais. Consequently, in preparing these consolidated financial statements, Management has translated the financial statements of these subsidiaries into U.S. dollars as follows:

✓ The assets and liabilities for each balance sheet presented are translated at the closing rate on the respective balance sheet date;

✓ Income and expenses for each statement of operations are translated at exchange rates at the dates of the transactions; for this purpose, average monthly exchange rates are used as they approximate to the exchange rates in force on the transaction dates; and

✓ Shareholders' equity accounts are translated using historical exchange rates.

All resulting exchange differences on currency translation adjustments are recognized as a separate component of other comprehensive income (Note 17).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value, such as equities classified as available for sale, are included in other comprehensive income.

3.4 Cash and cash equivalents

Cash and cash equivalents are held to meet short-term cash commitments, and not for investment or any other purposes. The Group considers as cash and cash equivalents (i) cash on hand; (ii) bank deposits; and (iii) short-term investments promptly convertible into a known amount of cash and subject to a low risk of change in value.

3.5 Trade and other receivables

Trade accounts receivables are initially measured at their fair value, which generally represents the billed amounts, and subsequently at amortized cost and adjusted for allowances for expected and incurred credit losses and impairment, when due necessary.

The allowance for doubtful accounts is recognized considering the individual assessment of receivables, the economic environment analysis and the history of losses recorded in prior years by maturity range, in an amount considered sufficient by Management to cover probable losses on future collections. The carrying amounts represent manly their fair values at the end of the reporting period.

3.6 Prepaid expenses

Refers to financial resources applied in prepaid expenses, such as insurance premiums, whose rights of benefits or services will occur in future periods.

3.7 Leases

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its drilling units.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the lease terms transfer substantially all the risks and ownership benefits to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 - *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

3.8 Property, plant and equipment (“PP&E”)

All PP&E is carried at cost less accumulated depreciation and impairment, when due necessary. PP&E consists primarily of onshore and offshore drilling rigs, drillships and its related equipment.

Costs related to equipment under construction are recognized as PP&E cost, in accordance with the actual construction costs. A provision for corresponding unbilled costs from suppliers is recorded as an accrued liability.

Borrowing costs (including interest and fair value adjustments) are capitalized on equipment under construction, when applicable (Note 3.15).

Repair and maintenance costs related to periodic overhauls of the drilling rigs and drillships are capitalized, when the economic benefits associated with the item inflows to the Group and the costs can be reliable measured. These costs are depreciated over the period extending to the next periodic overhaul. Related costs are mainly comprised by shipyard costs and the costs of employees directly involved in the related project. All other repair and maintenance costs are charged to profit or loss in the period in which they are incurred.

The carrying amounts of these assets are based on estimates, assumptions and judgments relating to capitalized costs, useful lives and residual values of the drilling rigs and drillships. These estimates, assumptions and judgments reflect both historical experience and expectations regarding future oil and gas industry conditions and operations. The Group computes depreciation using the straight-line method, considering the respective residual value of the related assets. When significant components of a PP&E item have different useful lives, those components are accounted for as separate PP&E items. Estimated useful lives of PP&E range from 1 to 35 years. At the end of each year, the Group reviews the estimated useful lives and residual values of PP&E.

3.9 Impairment of long-lived assets

Assets that are subject to depreciation and amortization are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (i.e., cash generating units). Non-financial assets that have been impaired are reviewed for possible impairment reversal at each balance sheet date.

A reversal of an impairment loss is recognized immediately in profit or loss to the extent that it eliminates the impairment loss that has been recognized for the asset in prior years.

Recoverable amounts are substantially determined based on discounted future cash flows calculations and asset price evaluation, both requiring the use of estimates (Note 4.4).

3.10 Trade and other payables

Trade and other payables are stated at known or estimated amounts, plus corresponding charges and monetary and/or foreign exchange rate variations incurred, when applicable, and represent obligations to pay for goods or services acquired in the normal course of the Group's business activities.

3.11 Loans and financing

Loans and financing are carried at amortized cost subject to monetary and/or foreign exchange rate variations incurred, when applicable, plus interest incurred through the end of the reporting period.

When applicable, borrowing costs incurred are measured at amortized cost and recognized in liabilities as a reduction of loans and financing and allocated to profit or loss over the agreement term.

Interest paid is presented as financing activities in the consolidated statement of cash flows.

3.12 Provisions

Provisions are recognized when (i) the Group has a present obligation (legal or constructive) as a result of a past event; (ii) it is probable that the Group will be required to settle the obligation; and (iii) a reliable estimate of the obligation amount can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. Contingent risks assessed as "possible losses" are disclosed in the consolidated financial statements, but not recorded in a specific liability account.

Whenever the Group enters into a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, an onerous provision is recognized based on the estimated loss of the contract.

The short-term incentive paid to employees, including key management personnel, is based on the achievement of qualitative and financial performance metrics, as well as the individual objectives of employees, which are determined annually. This provision is set on a monthly basis and is remeasured at the year-end based on the best estimate of the achieved objectives as set forth in the annual budget process.

3.13 Current and non-current assets and liabilities

Current and non-current assets and liabilities are stated at their net realizable value and settlement amounts, respectively, and include monetary and/or foreign exchange rate variations incurred, when applicable, plus income earned and expenses incurred, recognized on a pro-rata basis through the balance sheet date.

3.14 Revenue recognition

Charter and service-rendering revenues are recognized when the respective services are rendered based on the contracted day rates and the number of operating days during the period. Some of the charter and service-rendering agreements may include uptime bonus payments, depending on performance criteria set forth in the respective agreements. The Group recognizes bonus revenues in the same period that it meets the contractual criteria, renders the related services for which the specific performance criteria is met, and is preapproved by the client. The Group may also earn revenues for the preparation and equipment mobilization (drilling units) and personnel.

Revenue from services rendered is recognized when all of the following conditions are met (performance obligation satisfied over time):

- ✓ The client simultaneously receives and uses the benefits provided by the Group’s performance as the Group performs.
- ✓ The Group’s performance creates or enhances an asset (e.g., work in progress) that the client controls as the asset is created or enhanced.
- ✓ The Group’s performance does not create an asset with an alternative use for the Group and the Group has an enforceable right to payment for performance completed to date.

Mobilization revenues and costs are deferred and recognized on a straight-line basis over the period that the related charter and drilling services are rendered, which is consistent with the general pace of activity, level of services being provided and day rates being earned over the term of the related agreement.

Revenues are presented net of sales taxes levied on the provision of services, after eliminating intercompany sales, when applicable (Note 14).

3.15 Costs and expenses recognition

Costs and expenses are recognized on an accrual basis, based on corresponding revenues earned. Prepaid expenses related to future periods are deferred according to their respective terms (Note 15).

3.16 Financial income and expenses

Financial income and expenses are mainly represented by interest on cash and cash equivalents and short-term investments and interest on loans and financing, respectively, and are recorded on an accrual basis of accounting (Note 17).

3.17 Current and deferred income tax

The provision for income tax is based on taxable profit for the year. The taxable profit differs from profit before taxes presented in the consolidated statement of operations because it excludes revenues or expenses taxable or deductible in subsequent periods, and excludes non-taxable or non-deductible items. The provision for income tax is calculated for each individual entity of the Group, based on the rates prevailing at year-end according to the respective tax regulation in each jurisdiction.

Deferred taxes are recognized for temporary differences and tax loss carryforwards, when applicable. Deferred taxes are recognized only to the extent that their recoverability is considered probable, taking into account Management's assessment regarding the Group's ability to continue as a going concern (Note 1.k).

3.18 Financial instruments

Financial assets and financial liabilities are recognized in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on their classification.

Impairment of financial assets

The Group recognizes a loss allowance for trade receivables and contract assets. The amount of expected credit losses is remeasured at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the contribution received, net of direct issuance costs.

Classification of financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected term of the financial liability, or a shorter period (where appropriate), to the amortized cost of a financial liability.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information regarding the grouping is provided internally on that basis.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

3.19 Cash flow statement

The cash flow statement is prepared using the indirect method, which separates cash flows from operating activities, investing activities and financing activities and reconciles profit/(loss) for the year to net cash flows to the change in cash and cash equivalents. Investing and financing transactions that do not require the use of cash or cash and cash equivalents have been excluded from the cash flow statement and, when applicable, are disclosed in the consolidated financial statements as "non-cash transactions".

4. CRITICAL ACCOUNTING ESTIMATES

In applying the significant accounting policies described in Note 3, Management must use judgement and develop estimates for the carrying amounts of assets and liabilities, which are not easily obtainable from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Therefore, future results could differ from those estimates.

The estimates and underlying assumptions are reviewed continuously, and the effects of such reviews are recognized prospectively.

Management has concluded that the most significant judgments and estimates considered during the preparation of these consolidated financial statements are the following:

4.1. Measurement of financial instruments

The Group uses valuation techniques that include the use of inputs that are (or not) based on observable market data to estimate the fair values of certain types of financial instruments. Details of the main assumptions used to measure the fair values of financial instruments are disclosed in Note 19.a (fair value hierarchy).

Management believes that the valuation techniques applied and the assumptions used are appropriate to measure the fair values of its financial instruments.

4.1.1 Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated and are considered as “closely related”. The entire hybrid contract is classified and subsequently measured as either amortized cost or fair value as appropriate.

The classification of “closely related” requires judgement when interpreting the applicable clauses of the agreements. Management believes that reached the appropriate interpretation in the applicable agreements, accounting for the options identified as embedded derivatives that are closely related to debt instruments.

4.2. Useful lives of PP&E

The carrying amounts of PP&E assets are based on estimates, assumptions and judgments related to capitalized costs and useful lives of the drilling units and its related equipment. These estimates, assumptions and judgments reflect both historical experience and expectations regarding future oil and gas industry conditions and operations. The Group calculates depreciation using the straight-line method.

As described in Note 3.9, at the end of each fiscal year, the Group reviews the estimated useful lives of PP&E.

4.3. Impairment of long-lived assets

The Group evaluates PP&E for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Group also evaluates PP&E for impairment reversal if there has been a change in estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. The Group substantially uses either discounted future cash flow projections (value in use) or fair value less costs to sell (market approach) techniques for determining the recoverable amount of an asset for the purpose of potential impairment loss provision or reversal.

For the value in use calculation, the Group’s assumptions and estimates underlying this analysis includes the following, by drilling unit (i.e., cash generating unit): day rate, occupation rate, efficiency rate, daily operating costs (Opex), residual useful life of the drilling units and estimated proceeds that may be received on disposition.

The underlying assumptions are developed based on historical data for each drilling unit, which considers rated water depth and other attributes and the assessment of its future marketability according to the current and forecasted market environment at the time of assessment. Other assumptions, such as operating costs (Opex), are estimated using historical data adjusted for known developments and future events.

The Group prepares a probable scenario for each drilling unit, which results in a discounted cash flow projection for each drilling unit based on expected operational and macroeconomic assumptions (e.g., inflation indexes, foreign exchange rates, among others) and compare such amount to its carrying amount. Discount rates are derived from the Group's internal Weighted Average Cost of Capital ("WACC").

Management's assumptions are necessarily subjective and are an inherent part of the Group's asset impairment evaluation, and the use of different assumptions could produce results that differ from those being disclosed. The Group's methodology generally involves the use of significant unobservable inputs, representative of a "Level 3" fair value measurement (Note 19.a), which may include assumptions related to future dayrate revenues, costs and drilling units utilization, the long-term future performance of the Group's drilling units and future oil and gas industry conditions. Management's assumptions involves uncertainties regarding future demand for the Group's services, dayrates, expenses and other future events, and Management's expectations may not be indicative of future outcomes. Significant unanticipated changes to these assumptions could materially modify the Group's analysis in testing an asset for potential impairment loss provision or reversal.

Other events or circumstances that could affect the Group's assumptions may include, but are not limited to, a further sustained decline in oil and gas prices, cancelations of the Group's charter and service-rendering contracts or contracts of the Group's competitors, contract modifications, costs to comply with new governmental regulations, growth in the global oversupply of oil and geopolitical events, such as lifting sanctions on oil-producing nations and potential impacts arising from the coronavirus pandemic ("COVID-19") and from the Russian invasion of Ukraine. Should actual market conditions in the future differ significantly from those considered in the Group's projections, the Group's impairment assessment would likely be different.

During the years ended December 31, 2023 and 2022, the Group recognized impairment reversals on its drilling units (Notes 10 and 17).

4.4. Provisions for claims and other obligations

Claims against the Group, including unasserted claims or assessments are recognized as a liability and/or are disclosed in these consolidated financial statements, unless the loss probability is considered to be remote. A provision for claim and other obligation is recorded when the loss is probable and the amount can be reliably estimated. Claims and other similar obligations will be settled when one or more future events occur. Normally, the occurrence of such events is not within the Group's control and, therefore, the assessment of these liabilities is subject to varying degrees of legal uncertainty and interpretation and requires significant estimates and judgments to be made by Management.

Certain conditions may exist as of the date of the consolidated financial statements are issued, which may result in a loss to the Group, but which will only be settled when one or more future events occur or fail to occur. The Group's Management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Group or unasserted claims that may result in such proceedings, the Group's legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss will be incurred and the liability amount can be reliably estimated, then the estimated liability is accrued in the Group's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, then the nature of the contingent liability is disclosed in the consolidated financial statements.

4.5. Provision for management incentive plan ("MIP")

As informed on note 22.c, MIP consists of three components: a retention pool, a performance unit pool, and a board pool. The retention pool is payable on the second and third anniversary of the restructuring and its provision is recorded on an accrual basis until payment. The performance unit pool and the board pool payments are contingent to the consummation of a qualifying liquidity event, and their value is contingent to the total enterprise value ("TEV") at the time of the liquidity event. Consequently, there are significant uncertainties on whether (i) the liquidity event will occur, (ii) the amount of the TEV at the date of as liquidity event, if any and (iii) the related amount of the payments related to the MIP and such assumptions and its impacts are reviewed quarterly. Based on the current information, we estimated a probable outflow and recognized the liabilities amounting to US$ 1,949 thousands.

4.6. Deferred tax assets

The Group recognizes deferred tax assets arising from tax losses and temporary differences between accounting and taxable profits. Deferred tax assets are recognized to the extent that the Group expects to generate sufficient future taxable income based on projections and forecasts made by Management. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and, if applicable, reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

5. CONSOLIDATED ENTITIES AND INVESTMENTS

		December 31,			
		2023		2022	
Consolidated entities	Country of incorporation	Direct	Indirect	Direct	Indirect
Alaskan & Atlantic Cooperatief U.A.	Netherlands	-	100.00	-	100.00
Alaskan & Atlantic Rigs B.V.	Netherlands	-	100.00	-	100.00
Alpha Star Equities Ltd. (“Alpha”)	British Virgin Islands	-	100.00	-	100.00
Amaralina Star Ltd. (“Amaralina”)	British Virgin Islands	-	100.00	-	100.00
Angra Participações B.V. (“Angra”)	Netherlands	100.00	-	100.00	-
Brava Drilling B.V. (“Brava Drilling”)	Netherlands	-	100.00	-	100.00
Brava Star Ltd. (“Brava”)	British Virgin Islands	-	100.00	-	100.00
Constellation Netherlands B.V.	Netherlands	100.00	-	100.00	-
Constellation Overseas Ltd. (“Constellation Overseas”)	British Virgin Islands	-	100.00	-	100.00
Constellation Panamá Corp.	Panamá	-	100.00	-	100.00
Constellation Services Ltd. (“Constellation Services”)	British Virgin Islands	-	100.00	-	100.00
Domenica S.A. (“Domenica”) (1)	Paraguay	-	100.00	-	100.00
Domenica Argentina S.A. (2)	Argentina	-	100.00	-	100.00
Gold Star Equities Ltd. (“Gold”)	British Virgin Islands	-	100.00	-	100.00
Laguna Star Ltd. (“Laguna”)	British Virgin Islands	-	100.00	-	100.00
London Tower Management B.V.	Netherlands	-	100.00	-	100.00
Lone Star Offshore Ltd. (“Lone”)	British Virgin Islands	-	100.00	-	100.00
Olinda Star Ltd. (“Olinda”)	British Virgin Islands	-	100.00	-	100.00
Palase Management B.V.	Netherlands	-	100.00	-	100.00
Positive Investments Management B.V.	Netherlands	100.00	-	100.00	-
QGOG Constellation US LLC.	United States of America	-	100.00	-	100.00
Serviços de Petróleo Constellation Participações S.A.	Brazil	-	100.00	-	100.00
QGOG Star GmbH	Switzerland	100.00	-	100.00	-
Serviços de Petróleo Constellation S.A.	Brazil	-	100.00	-	100.00
Serviços de Petróleo Onshore Constellation Ltda. (3)	Brazil		100.00		100.00
Serviços de Petróleo Constellation S.A. (“SPC India”)	India	-	100.00	-	100.00
Star International Drilling Ltd. (“Star”)	Cayman Island	-	100.00	-	100.00

(1) 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 Ltda. and President Energy Investments (Paraguay) where 100% of the shares from Domenica S.A. were sold, including the onshore rig QG-I.

(2) On March 10, 2023, the liquidation of the company Domenica Argentina S.A. was concluded and the company has ceased to exist.

(3) On May 10, 2023, the incorporation of the company Serviços de Petróleo Onshore Constellation Ltda. was concluded.

6. CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022
Cash and bank deposits	64,376	20,515
Time deposits (*)	23,567	38,964
Total	87,943	59,479

(*) Time deposits are comprised as follows:

Financial institution	Currency	Average interest rate (per annum)	December 31, 2023	December 31, 2022
Itaú BBA Nassau	U.S. dollar	0.15%	-	24,668
		SOFR - 0.15% bps	-	
Citibank	U.S. dollar			124
Banco Bradesco S.A.	Brazilian real	20%	7,074	6,771
Banco do Brasil S.A.	Brazilian real	90,46% of CDI(i)	16,493	7,401
Total			23,567	38,964

(i) Brazilian Interbank Deposit Certificate (Certificado de Depósito Interbancário - CDI), average remuneration during the year ended December 31, 2023 and December 31, 2022 was 13.26 %p.a. and 12.45% p.a. respectively.

7. 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 December 31, 2023 and 2022 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.

As part of the restructuring, the balances in the debt service reserve accounts were used to repay ALB loans. The Company made payments of principal for Amaralina Star and Brava Star financing in amount of US$ 17,618 as of December 31, 2022 (Note 11.a).

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

Financial institution	Type	Average interest rate (per annum)	December 31 2023	December 31, 2022
Signature Bank(i)	Bank deposits	-	1,733	1,733
Total			1,733	1,733

(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.

8. 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 82 days (68 days on December 31, 2022). Details of financial risk management related to credit risk are disclosed in Note 19.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. No provision for loss recognized for the year ended December 31, 2023.

9. RELATED PARTY TRANSACTIONS

As of the years ended as of December 31, 2023 and December 31, 2022, 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 year ended December 31, 2023 and December 31 2022, is as follows:

	December 31,	
	2023	2022
Short-term benefits (ii)	7,270	5,578

(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 22.c.

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.

10. 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			
Cost											
Balance as of December 31, 2021	728,687	724,725	719,555	376,780	772,885	605,239	740,160	585,632	120,803	19,912	5,394,378
Additions	2,214	31,677	33,204	1,405	2,057	23,363	25,379	2,762	905	3	122,969
Disposals / write off	-	-	(380)	(39)	-	(176)	(112)	-	(1,805)	-	(2,512)
Currency translation adjustments	-	-	-	-	-	-	-	-	3,150	485	3,635
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
Accumulated depreciation and Impairment											
Balance as of December 31, 2021	(327,181)	(437,048)	(415,790)	(229,902)	(474,142)	(378,003)	(515,239)	(566,790)	(98,219)	(18,503)	(3,460,817)
Depreciation	(23,198)	(25,653)	(26,063)	(19,486)	(18,089)	(15,540)	(15,723)	(1,595)	(3,479)	(116)	(148,942)
Impairment	77,499	121,169	130,427	(5,223)	68,491	67,316	102,006	(929)	-	-	560,756
Disposals / write off	-	-	184	17	-	93	78	-	994	-	1,366
Currency translation adjustments	-	-	-	-	-	-	-	-	(140)	(397)	(537)
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)
Property, plant and equipment, net [a]											
December 31, 2022	458,021	414,870	441,137	123,552	351,202	302,292	336,549	19,080	22,209	1,384	2,470,296
December 31, 2023	498,116	407,604	407,261	128,882	362,202	294,247	313,218	-	3,289	1,279	2,416,098
Useful life range (years)	1 – 35	1 - 35	1 – 35	1 - 35	1 - 35	1 - 35	1 - 35	1 - 35	1 – 25	1 – 25	

(a) The Group's assets that are pledged as security for financing agreements are disclosed in Note 11.
(b) As of December 31, 2023 the amounts of US$0 (US$18,593 as of December 31, 2022) refers to the onshore drilling rigs.

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.

(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$ 3,200 as of December 31, 2023).

Drilling units	Type	Start of operations	Contract expected expiration date (current or previous)	Customer (current or previous)
QG-I [2]	Onshore drilling rig	1981	June 2018	Zeus ÖL S.A.
QG-II [1]	Onshore drilling rig	1981	August 2018	Ouro Preto 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 December 31, 2023, 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.

11. LOANS AND FINANCING

Financial institution/ Creditor	Funding type	Description	Objective	Beginning period	Maturity	Contractual interest rate (per annum)	Effective interest rate (per annum)	Currency	December 31 2023	December 31, 2022
Bondholders	Senior Secured Notes ("Priority Lien Notes")	Corporate Bond	Debt Restructuring	Jun/2022	Jun/2025	13.50%	13.50%	U.S. dollar	57,408	62,400
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	289,509	284,518
Bondholders	Senior Secured Notes ("Second Lien Notes") (2)	Corporate Bond	Debt Restructuring	Jun/2022	Dec/2050	0.25%	0.25%	U.S. dollar	1,895	1,892
Bondholders	Senior Unsecured Notes ("2050 Notes") (3)	Corporate Bond	Debt Restructuring	Jun/2022	Dec/2050	0.25%	0.25%	U.S. dollar	3,124	3,116
							Subtotal – fixed interest rate loans		351,936	351,926
Banco Bradesco S.A.	Loan ("Bradesco Debt") (4)(7)	Working Capital	Debt restructuring	Jun/2022	Dec/2026	SOFR + 2.00% (cash) or 3.00% (PIK)	SOFR + 2.00% (cash) or 3.00% (PIK)	U.S. dollar	45,642	44,017
							Subtotal – variable interest rate loans		45,642	44,017
Certain Lenders	Financing ("Restructured ALB Debt") (5)(7)	ALB	Debt restructuring	Jun/2022	Dec/2026	SOFR + 2.00% (cash) or 3.00% (PIK)	SOFR + 2.00% (cash) or 3.00% (PIK)	U.S. dollar	536,438	516,049
Certain Lenders	Financing ("ALB L/C Debt") (6)	ALB L/C Debt	Debt restructuring	Jun/2022	Dec/2026	SOFR + 3.00%	SOFR + 3.00%	U.S. dollar	30,200	30,200
							Subtotal – variable interest rate financings		566,638	546,249
							Total		964,216	942,192
							Current		33,696	4,992
							Non-current		930,520	937,200

(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

	December 31, 2023	December 31, 2022
Balance as of January 1	942,192	1,933,943
Additions	-	62,400
Principal repayment	(833)	(17,618)
Interest payment	(41,739)	(5,687)
Total payments	(42,572)	(23,305)
Interest charged through profit and loss	64,596	85,465
Financial expenses on loans and financing (Note 17)	64,596	85,465
Debt restructuring	-	(1,116,311)
Balance as of December 31	964,216	942,192

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 year ended December 31, 2023	Net amount	PIK (*)	Gross amount
2024	-	36,259	36,259
2025	23,712	3,757	27,469
2026	901,789	205,720	1,107,509
After 2027	5,019	351	5,370
Total	930,520	246,087	1,176,607

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

c) Covenants

<u>*Financial covenants*</u>

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.

12. PROVISIONS

	December 31,			
	2023		2022	
	Current	Non-current	Current	Non-current
Provision for Onerous Contract[a]	19,857	9,773	-	-
Contractual Penalties [b]	1,548	-	7,507	
Contingencies and provisions for lawsuits [c]	-	3,570	-	2,797
MIP Retention (Note 22.c)	-	1,949	-	-
Others	-	418	-	814
Total	21,405	15,710	7,507	3,611

(a) Provision for Onerous Contract

During 2023, 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$ 9,378), Lone (US$ 6,448), Gold (US$ 11,082) and Amaralina (US$ 2,722). No provision for onerous contract has been recorded for 2022.

(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.

	December 31, 2023	December 31, 2022
Balance as of January 1	795	745
Contractual Penalties accrual/(reversal)	693	6,712
Foreign exchange rate variations	60	50
Balance as of December 31	1,548	7,507

(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 December 31, 2023, 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:

	December 31 2023	December 31, 2022
Balance as of January 1	2,797	1,540
Additions	3,202	1,992
Reversals	(2,664)	(830)
Foreign exchange rate variations	235	95
Total	3,570	2,797

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$21,001 as of December 31, 2023 (US$18,979 as of December 31, 2022), tax lawsuits in the amount of US$46,790 as of December 31, 2023 (US$35,225 as of December 31, 2022) and civil lawsuits in the amount of US$694 as of December 31, 2023 (US$644 as of December 31, 2022).

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 December 31, 2023, the estimated amount involved is US$9,394 (US$7,233 as of December 31, 2022).

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 December 31, 2023, the estimated amount involved is US$22,052 (US$19,157 as of December 31, 2022).

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 December 31, 2023 the estimated amount involved is US$4,150 (US$3,850 as of December 31, 2022).

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 shall file its response by the end of March 2024 – it will only be possible to indicate the exact deadline after Constellation being summoned about the special appeal.

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.

13. SHAREHOLDERS' EQUITY

As disclosed in note 1 l), 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		
Amounts in USD thousands	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.

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.

[1] Includes backstop fee of $2.4M

When compared to the extinguished debt, as detailed in note 1 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 December 31, 2023, and December 31, 2022, 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 December 31, 2023 and 2022 the Share Premium is 1,567,897.

14. NET OPERATING REVENUE

The Group's operating revenue is mainly derived from charter and service-rendering agreements. As of December 31, 2023 and 2022, Petrobras has accounted for 73% and 74%, respectively, of total revenues.

Net operating revenue is presented after the following items:

	December 31,	
	2023	2022
Gross operating revenue	583,548	428,756
Taxes levied on revenue:		
Social Integration Program (PIS) (i)	(3,240)	(2,418)
Social Investment Program (COFINS)(i)	(14,924)	(11,136)
Services Tax (ISS) (i)	(5,022)	(3,681)
Good and Service Tax (GST) (ii)	(8,538)	(5,410)
Other	-	34
Net operating revenue	551,824	406,145

(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.

15. COST OF SERVICES AND OPERATING EXPENSES

	December 31,					
	2023			2022		
Costs and expenses by nature	Cost of services	General and administrative expenses	Total	Cost of services	General and administrative expenses	Total
Payroll, related charges and benefits	(141,619)	(19,554)	(161,173)	(103,787)	(16,030)	(119,817)
Depreciation	(185,603)	(121)	(185,724)	(148,808)	(133)	(148,941)
Materials	(62,459)	-	(62,459)	(38,554)	-	(38,554)
Maintenance	(99,911)	-	(99,911)	(106,247)	(17)	(106,264)
Insurance	(4,760)	(799)	(5,559)	(5,416)	(1,390)	(6,806)
Other (1)/(2)	(31,359)	(10,133)	(41,492)	(26,860)	(35,135)	(61,995)
Total	(525,711)	(30,607)	(556,318)	(429,672)	(52,705)	(482,377)

(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.

16. OTHER OPERATING INCOME (EXPENSES)

	December 31, 2023	December 31, 2022
Revenue from sales of PP&E	675	744
Reversal for onerous contract	-	1,671
Reversal of impairment provision, net (Note 10)	54,674	560,756
Gain in restructuring (Note 1.l)		513,226
Other	284	733
Other income	55,633	1,077,130
Contractual Penalties	(699)	(6,727)
Provisions for onerous contract	(29,630)	-
Other	(288)	(280)
Other expenses	(30,617)	(7,007)
Total other income, net	25,016	1,070,123

17. FINANCIAL EXPENSES, NET

	December 31, 2023	December 31, 2022
Interest on short-term investments	2,552	1,085
Other financial income	641	1,139
Financial income	3,193	2,224
Financial expenses on loans and financing (Note 11.a)	(64,596)	(85,465)
(Accrual)/ reversal of derivatives (Note 20)	17,692	(44,044)
Other financial expenses	(2,506)	(5,105)
Financial expenses	(49,410)	(134,614)
Foreign exchange variation gain, net	(353)	(83)
Financial expenses, net	(46,570)	(132,473)

18. 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

	December 31 2023	December 31, 2022
Taxes on revenue (PIS/COFINS)	16,262	16,061
Recoverable Taxes in India - GST(i) and WHT	3,533	4,702
Income tax (IRPJ) and social contribution on net income (CSLL) (ii)	1,526	1,914
Other	221	269
Total	21,541	22,946
Current	21,541	22,946
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

	December 31 2023	December 31, 2022
Goods and Services Tax - GST(i)	811	137
Income tax (IRPJ) and social contribution (CSLL)	2,722	2,787
Service Tax (ISS)	1,062	1,396
State VAT (ICMS)	189	114
Total	4,784	4,434

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

c) Deferred tax assets

i) Brazil

	December 31 2023	December 31, 2022
Income tax (IRPJ) and social contribution (CSLL) (*)	20,312	17,823

(*) 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 (3,445,748 as of December 31, 2022) of carry-forward losses for Luxembourg CIT purposes. Such carry-forward losses represent tax credits of US$ 858,873 (US$ 859,369 as of December 31, 2022) 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:

	December 31,	
	2023	2022
Profit / (Loss) before taxes	(26,048)	861,418
Income tax and social contribution at nominal rate (*)	(4,140)	(1,607)
Adjustments to derive effective tax rate:		
Non-deductible expenses	7,564	(1,106)
Other	(8,283)	580
Income tax expense recognized in profit or loss	(4,859)	(2,133)
Current taxes	(5,793)	(2,498)
Deferred taxes	934	365

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

19. FINANCIAL INSTRUMENTS

a) General considerations

Details on the Group's debt restructuring plan and capital management are described in Note 1.

The Group's main financial instruments are as follows:

		December 31, 2023		December 31, 2022	
	Category	Carrying amount	Fair value	Carrying amount	Fair value (*)
Financial assets					
Cash and cash equivalents	FVTPL	87,943	87,943	59,479	59,479
Short-term investments	FVTPL	45	45	52	52
Restricted cash	FVTPL	1,733	1,733	1,733	1,733
Trade and other receivables	Amortized cost	125,016	125,016	76,314	76,314
Financial liabilities					
Loans and financing	Amortized cost	964,216	885,122	942,192	942,192
Trade and other payables	Amortized cost	57,178	57,178	65,265	65,265
Embedded derivatives	FVTPL	26,352	26,352	44,044	44,044

(*) The Company estimates that the fair value of the outstanding loans and financing, as of December 31, 2022, is similar to its carrying amount as (i) the loans and financing has been recently restructured, (ii) the interest rates of significant portion are variable and (iii) the remaining portion that is fixed includes a closely related derivative that approximates the outstanding amount to the fair value.

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 m
anagement requirements. The Group manages the liquidity risk by combining and maintaining adequate banking and capital markets facilities (Note 11) 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 2023, as shown on note 19 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.

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

December 31, 2022

Period	Trade and other payables	Loans and financing	Total
2023	65,265	21,425	86,690
2024	-	42,531	42,531
2025	-	27,233	27,233
2026	-	1,125,721	1,125,721
After 2027	-	5,370	5,370
Total	65,265	1,222,280	1,287,545

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 6, 7 and 8, 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 11).

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	December 31, 2023	Scenario I [(i)]	Scenario II [(ii)]
		Increase/ (decrease) in P&L	
Variable interest rate loans	45,642	(913)	913
Variable interest rate financing	566,638	(11,333)	11,333
Total	612,280	(12,246)	12,246

(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:

	December 31 2023	December 31, 2022
Loans and financing [(a)]	964,216	942,192
Cash transactions [(b)]	(89,721)	(61,264)
Net debt [(c)]	874,495	880,928
Shareholders' equity [(d)]	1,544,311	1,570,010
Net debt on shareholders' equity plus net debt [(c)] ÷ [(c) + (d)]	36%	36%

(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.

20. 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.

As of December 31, 2023 the Group performed a revaluation of the fair value and identified indicators that required an expense reversal of US$ 17,7 million for the year, amounting to US$ 26,4 million.

21. INSURANCE (Unaudited)

As of December 31, 2023 and December 31, 2022, major assets or interests covered by insurance policies and their respective coverage amounts are summarized below:

	December 31, 2023	December 31, 2022
Civil liability	1,952,000	1,760,500
Operating risks	1,559,730	1,524,796
Loss of hire	300,000	-
Operational headquarter and others	14,452	13,722
Total	3,826,182	3,299,018

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

22. PENSION AND RETENTION PLANS AND MANAGEMENT INCENTIVE PLAN

The total amount paid by Constellation Oil Services Holding S.A to the Board of Directors as of December 31, 2023 was US$ 498 (US$ 518 as of December 31, 2022) 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 year ended on December 31, 2023, contributions payable by Serviços de Petróleo at the rates specified by the plan rules amounts to US$ 1,081 (US$ 672 as of December 31, 2022).

b) Retention Plan

The Group has offered a retention agreement as of December 17, 2020 (the "Agreement") for the benefit of eligible employees of the Group in connection with the start of a new phase of renegotiation of its indebtedness. The purpose of the Agreement is to provide a retention bonus for those employees that stay 12 months after the completion of the new debt restructuring of the Group. The new debt restructuring was considered concluded with the judicial homologation ("homologação judicial") of the approval of the Amendment to the Judicial Recovery Plan. The amount of US$1,536 has been paid in January 2021, US$480 was paid in May 2021 and after the completion of the restructuring, the remaining amount of US$ 2,769 was paid in June 2022.

c) 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 (note 1.l). 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.

For the year ended December 31, 2023, the Group made accruals as specified by the MIP Retention plan rules amounting to US$ 1,949 (compared to US$ 0 as of December 31, 2022) related to the Retention Pool. No accruals have been recorded for the Performance Unit Pool and Board Pool.

23. 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	December 31 2023	December 31, 2022
2023	-	547,327
2024	653,133	411,909
2025	435,435	234,350
2026	253,985	100,667
After 2027	142,761	-
Total	1,485,314	1,294,253

24. SUBSEQUENT EVENTS

Offshore drilling rigs charter and service rendering agreements

Note 1 – General Information discloses several subsequent events related to charter and services contracts for Brava and Olinda.

Divestment of onshore operations

Note 10 - 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.

Contingencies and provisions for lawsuits

Note 12.II.ii – Updates related to Transocean's claim.

25. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated financial statements were approved by the Company´s Board of Directors and authorized for issuance on March 15, 2024.

ANNEX A – CVL VALUATION

CLARKSONS VALUATIONS

Constellation Oil Services Holding S.A.
8-10 Avenue de La Gare
L-1610, Luxembourg

17th October 2024

Ref: cvl/37050-24

Dear Sirs,

In accordance with your request and subject to the terms and conditions we have agreed with you, we, Clarkson Valuations Limited (CVL), have prepared this Valuation by (i) collating shipbrokers' price estimates and/or ideas and market knowledge (ii) then seeking to validate such price estimates and/or ideas, where possible and appropriate, with details held on our database, information in relevant works of reference in our possession and particulars given to us for the preparation of this Valuation.

CVL has not physically inspected the Rigs nor inspected their classification records. We have assumed that the Rigs are in good and seaworthy condition and would be delivered free from all debts, registered encumbrances and maritime liens.

CVL is of the opinion that the approximate market values of the below mentioned Rigs, as at 17th October 2024, on the basis of prompt charterfree delivery, as between a willing Seller and a willing Buyer for cash payment under normal commercial terms, are:

Drillship

IMO Number	Rig Name	Built	Builder	Design	Design Drilling Depth (ft)	Design Water Depth (ft)	Charterfree Value (US$m)
9534884	**LAGUNA STAR**	2012	Samsung HI	F & G Samsung 10000	40,000	10,000	**175 - 225**
9527178	**AMARALINA STAR**	2012	Samsung HI	F & G Samsung 10000	40,000	10,000	**175 - 225**
9679397	**BRAVA STAR**	2015	Samsung HI	Samsung 96K	40,000	12,000	**250 - 350**

Semi-Submersible Drilling Rig

IMO Number	Rig Name	Built	Builder	Design	Design Drilling Depth (ft)	Design Water Depth (ft)	Charterfree Value (US$m)
8770625	**ALPHA STAR**	2011	Keppel FELS	DSS TM38	30,000	9,000	**100 - 150**

CLARKSONS VALUATIONS

8769858	**LONE STAR**	2010	IMAC	GustoMSC TDS2000P	30,000	7,900	**100 - 150**
8770041	**GOLD STAR**	2009	Keppel FELS	DSS TM38	30,000	9,000	**100 - 150**
7417616	**ATLANTIC STAR**	1976	CFEM, Dunkerque	Forex Neptune Pentagone	21,320	2,000	**10 - 30**

This Valuation is based solely on a subjective opinion of the approximate market value applying the methodology described above as at the above Valuation date only and should not be taken to apply to any other date.

PLEASE NOTE: There is a relative lack of liquidity in the Sale and Purchase market for offshore drilling rigs of this type and information on comparable Sale and Purchase transactions and market demand has, where available, been very limited or not available. It should be recognised that offshore drilling rigs are particularly difficult to value and we would emphasise again the subjective nature of Valuations, in relation to such rigs.

All statements made are statements of opinion and are not representations of fact. Any person contemplating entering a transaction of any nature whatsoever or otherwise having regard to this Valuation should satisfy himself by inspection of the Rigs and their records, or otherwise, as to the correctness of the statements which this Valuation contains.

No assurance or representation is given that the Valuation given will be sustained or that it would be realisable in any actual transaction.

The Rigs have been valued individually. If two or more Rigs were to be placed on the market at the same time, no assurance may be given that the amount realisable would be equal to the total of the individual values.

This Valuation has been provided solely for the private use of the person to whom it is addressed or to such other person to whom we have consented that this Valuation may be provided. By accepting the provision of our services in respect of this Valuation or by otherwise using or relying on this Valuation, you have accepted either our terms and conditions as specifically agreed between us in writing or, in the event of no such agreement in writing, our terms and conditions including the limitation of liability provisions at www.clarksons.com/terms-of-business/

No person other than the named addressee of this Valuation shall have any rights whatsoever as arising out of or relating to this Valuation under the Contract (Rights of Third Parties) Act 1999 or otherwise.

For and on behalf of
CLARKSON VALUATIONS LIMITED

Director **Authorised Signatory**

ANNEX B – ARTIC VALUATION

ARCTIC
OFFSHORE RIG

Constellation Oil Services Holding S.A
Av. Pres. Antônio Carlos
51 - Centro, Rio de Janeiro
RJ, 20020-010
Brazil

Oslo, October 14th, 2024.

Re: Valuation of Constellation Fleet

Following your request, we have assessed the fair market value ("**FMV**") of the drillships and semisubmersibles listed below. The FMV is given in good faith and reflects our opinion of the current market conditions for the sale and purchase price of the Units on an ''as-is-where-is'' basis. The FMV is further subject to the conditions set out in Appendix 1 to this letter.

RIG NAME	DESIGN	BUILDER	YEAR	WATER DEPTH	VALUATION LOW	VALUATION HIGH
Amaralina Star	Samsung Heavy Industries 10000	SHI	2012	10,000	275	325
Brava Star	Samsung Heavy Industries 12000	SHI	2015	10,000	365	415
Laguna Star	Samsung Heavy Industries 10000	SHI	2012	10,000	290	340
Alpha Star	KFELS/MSC DSS 38	Keppel FELS	2011	9,000	175	225
Atlantic Star	Forex Neptune & IFP Pentagone Series	CFEM	1976	1,968	10	30
Gold Star	KFELS/MSC DSS 38	Keppel FELS	2009	7,874	175	225
Lone Star	GustoMSC TDS-2000Plus	Gulf Piping Company	2010	7,880	160	200
Sum					**1450**	**1760**

Valuations are solely based on our opinion and are not a statement of fact, given as brokers only on "an as-is/where-is basis", rigs being charter free and available for sale as of today and further subjects as outlined in Appendix 1 contained herein on the following page.

Yours truly,

Andreas Elton
CEO/Managing Partner
Arctic Offshore Rig AS

Appendix 1 Terms

This valuation is for the benefit of the party who commissioned it (the "**Client**") and is not for circulation or publication without obtaining our written approval. Arctic Offshore Rig AS accepts no liability to any other person than the Client.

The valuation is solely a statement of our opinion of the fair and reasonable market value of the unit on the basis of a willing buyer and willing seller for prompt charter free (unless otherwise noted) delivery at the location specified (if any) at the date noted. The valuation is based on the sale & purchase price prevailing at the date mentioned. We have assumed that the unit is in sound and operational condition for a unit of the size, type and age.

The figure relates to the value at the date given and should not be taken to apply to any other date. No assurance can be given that the valuation can be sustained or is realisable in an actual transaction. Where the unit is valued with employment, no assessment has been made of the validity of the charterparties or the financial standing of the charterers.

In giving such opinion we have assumed in all respects the accuracy of the information concerning the characteristics and condition of the subject unit set forth in this letter. Our opinion is based in part on such information as is published in standard reference works or obtained by us from such other sources as we have deemed appropriate. We assume no responsibility whatsoever for the accuracy of any information concerning the unit. We note that the information available in published reference works may be inaccurate or out-of-date. We have conducted no inspection of the unit or of the unit's classification society records. We have assumed that the unit is in sound condition for the purpose of expressing our opinion as to the unit's value and it is to be understood that we express no opinion as to the actual condition of the unit in any respect.

Nothing contained in this valuation constitutes any representation or warranty as to condition, value or any other fact or matter, and no one is entitled to rely on any statement or matter contained in this certificate as a representation or warranty made by us. Each recipient understands and acknowledge that the valuation is provided on non-reliance basis and that Arctic Offshore Rig AS (including its partners, employees and agents) neither owe nor accept any liability or responsibility to any third party, whether in contract or tort (including without limitation, negligence and breach of statutory duty) or howsoever arising, and shall not be liable in respect of any loss, damage or expense of whatsoever nature which is caused by any use the recipient may choose to make of the valuation, or which is otherwise consequent upon the provision of this valuation to the recipient. All persons are cautioned to conduct such independent investigation as they may deem necessary in order to determine the accuracy of any statements, matters or opinions set forth in this certificate.

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• Tel +47 22 12 45 20 • www.arctic.com • Account no. NOK NO21 1506 6231 140 • Account no. USD NO80 1251 0517 243 • MVA 926 708 333 NO

The valuation is subject to Arctic Offshore Rig AS Terms of Business which are available at www.arctic.com

This valuation is subject to Norwegian law, and any dispute arising in respect of this certificate is subject to the exclusive jurisdiction of Oslo district court.

$650,000,000.00

NewCo Holding USD 20 S.à r.l.
to be merged with and into
Constellation Oil Services Holding S.A.

9.375% Senior Secured Notes due 2029

OFFERING MEMORANDUM

Global Coordinators and Joint Bookrunners

J.P. Morgan
Lead-Left

Clarksons Securities

Joint Bookrunner

Jefferies