

Constellation Oil Services Holding S.A. Reports Third Quarter 2023 Results

Luxembourg, November 29th, 2023 – Constellation Oil Services Holding S.A. (“Constellation” or the “Company”) a market leading provider of offshore and onshore oil and gas contract drilling services, today reported the third quarter results ended September 30, 2023.

THIRD QUARTER HIGHLIGHTS

- Revenues increased 47.5% year-over-year to US\$ 141.7 million in 3Q23;
- Revenues from UDW units, which represents 76.5% of the revenues in 3Q23, increased 62.5% year-over-year;
- Average uptime of the fleet in 3Q23 was higher year-over-year at 93%, compared to 92% in 3Q22. Year to date, average uptime is 93%, compared 91% year-over-year;
- Contract drilling expenses increased 7.9% year-over-year to US\$ 88.5 million in 3Q23;
- Net Loss was US\$ (12.0) million in 3Q23, up from a Net Loss of US\$ (39.1) million in 3Q22;
- Adjusted EBITDA¹ totaled US\$ 49.8 million and the adjusted EBITDA margin was 35.1% in 3Q23, compared to US\$ 4.5 million and 4.7 % in 3Q22;
- The total contract backlog was \$1.4 billion as of September 30, 2023 Fleet Status Report;
- Outstanding cash of US\$ 91.7 million as of September 2023, up from US\$ 61.3 in December 31, 2022; and
- Debt quarterly interest were paid in cash in 3Q23 instead of payment in kind as in prior quarters.

RECENT DEVELOPMENTS

- On October 2023, Petrobras exercised its option to extend Amaralina Star current contract for additional 12-month, postponing contract maturity to October 2025. .
- On November 2023, Petrobras and the Constellation exercised their mutual option to extend Atlantic Star current contract in 389 days, keeping the rig committed until January 2025.

¹ Adjusted EBITDA is a non-GAAP measure prepared by us and consists of: net income, plus net financial expenses taxes, depreciation and some specified non cash adjustments.

² Adjusted net income/(loss) is a non-GAAP measure prepared by us and consist of some specified noncash adjustments. Adjusted.

³ Net financial expenses is a non-GAAP measure prepared by us and consist of some specified noncash adjustments such as the exclusion of the derivative effect as per note 19 of the financial statements.

THIRD QUARTER 2023 RESULTS

The 3Q22 results used to compare 3Q23 results already restates the figures published last year to reflect the effects of the new accounting policy for rig inventory components in place since 4Q22.

In 3Q23, net operating revenue increased 47.5%, or US\$ 45.7 million, to US\$ 141.7 million when compared to 3Q22. Most of the revenue increase is explained by the start of new contracts with better economics than their legacy commitments and higher utilization. Amaralina Star was in contract transition during 3Q2022, with new contract starting in late October/22. The Semis Gold and Lone were in contract transition since of March/2022 and April/2022, respectively, and new contracts started on August/2022 and September/2022, respectively.

Average uptime of the fleet increased to 93% in 3Q23 from 92% in 3Q22. The Company's offshore fleet utilization increased to 735 days in 3Q22 from 541 days in 3Q22, mainly due to the contract transitions of Gold Star, Lone Star, Amaralina Star and Alpha Star during 3Q22. It's been a solid performance of the fleet in the 9 months of 2023, delivering an average uptime of 93%, which is an improvement if compared to last year when we delivered an uptime of 91%.

From the total US\$ 45.7 million revenue increase, US\$ 22.9 million was generated by the Semis, US\$ 14.9 million by Amaralina Star and US\$4.3 million by the Moored rigs, mostly explained by the increase in utilization by the commencement of new contracts with better economics. The remaining drill ships Brava and Laguna Star responded for US\$ 3.9 million year-over-year revenue increase due to operational performance improvement, which more than offset the absence of onshore revenues in 3Q23, which posted US\$ 0.3 million in 3Q22.

In 3Q23, contract drilling expenses (operating costs excluding depreciation) increased US\$ 6.5 million (7.9%) year-over-year to US\$ 88.5 million, compared with US\$ 82.0 million in 3Q22. The year-over-year increase was mainly driven by higher personnel (US\$ 13.6 million) that was partially offset by cost reductions in maintenance costs (US\$ 7.9 million) and Materials of (US\$1.4 million). Most of the personnel cost increase is related to Short Term Incentive (US\$5.7 million), collective agreement (US\$2.2 million), Deferred Mobilization Costs (US\$1.8 million) and MIP (US\$1.0 million). Most of material reduction is related to the works of the contract transitions performed in 3Q22.

General and administrative expenses reduced US\$ 2.6 million, or (34.2) % year-over-year to US\$ 5.1 million in 3Q23 if compared to 3Q22. The year-over-year decrease was mainly driven by the reduction of US\$ 4.0 million in others, related to non-recurring Judicial Restructuring costs borne in 3Q22, which was partially offset by the increase of US\$ 1.4 million in personnel mainly related to collective agreement, STI and MIP.

In 3Q23 adjusted EBITDA¹ was US\$ 49.8 million and the adjusted EBITDA margin was 35.1%, compared to US\$ 4.5 million and 4.7 %, respectively, in 3Q22. Current adjusted

EBITDA reflects the utilization of 100% of the offshore fleet in 3Q23 if compared to 73% in 3Q22.

Net financial expenses were US\$ (15.4) million in 3Q23, compared to US\$ (11.8) million in 3Q22. The US\$2.2 million interest reduction triggered by the election to pay quarterly interest in cash was more than offset by the effect of the SOFR increase year over year.

Net loss in 3Q23 was US\$ (12.0) million, compared to US\$ (39.1) million in 3Q22.

CASH FLOW & BALANCE SHEET HIGHLIGHTS

Cash flow provided by operating activities totaled US\$ 95.1 million in 9M23, compared to US\$ (3.4) million in the same period of 2022. The US\$ 98.5 million increase is mainly due to higher utilization and better economics compared to their legacy contract commitments.

Net cash after investing activities totaled US\$ 51.7 million in 9M23, compared to US\$ (65.7) million year over year.

Net cash after financing activities totaled US\$ 29.9 million in 9M23, compared to US\$ (22.3) million year over year.

Outstanding cash (which includes cash and cash equivalents, short-term investments and restricted cash) increased to US\$ 91.7 million as of September 30, 2023, compared to US\$ 61.3 million in December 31, 2022. Cash balance was favored by a positive fx rate effect of US\$ 0.6 million in the 9 months of 2023.

Total debt increased by US\$ 27.0 million to US\$ 969.2 million as of September 30, 2023, compared to US\$ 942.2 million as of December 31, 2022. Net debt was reduced by US\$ (3.5) million to US\$ 877.5 million as of June 30, 2023.

ABOUT CONSTELLATION OIL SERVICES HOLDING S.A.

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

FORWARD LOOKING STATEMENTS

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

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

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

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Constellation– Financial and Operating Highlights

	For the three-month period ended September 30, (unaudited)		For the nine-month period ended September 30, (unaudited)	
	2023	2022	2023	2022
Statement of Operations Data:	(in millions of \$)			
Net operating revenue.....	141.7	96.1	422.7	275.4
Operating Costs.....	(136.8)	(118.6)	(385.6)	(334.4)
Gross profit.....	4.9	(22.5)	37.1	(59.0)
General and administrative expenses.....	(5.1)	(7.8)	(20.1)	(44.1)
Other operating income (expenses). net.....	0.1	(3.5)	0.8	509.9
Operating profit.....	(0.2)	(33.7)	17.8	406.8
Financial expenses. net.....	(15.4)	(11.8)	(24.9)	(73.7)
Profit before taxes.....	(15.5)	(45.5)	(7.1)	333.1
Taxes.....	3.5	6.4	2.3	9.2
Profit for the period.....	(12.0)	(39.1)	(4.8)	342.3

	For the three-month ended September 30. (unaudited)		For the nine-month ended September 30. (unaudited)	
	2023	2022	2023	2022
Other Financial Information:	(in millions of \$)			
Profit for the period/year	(12.0)	(39.1)	(4.8)	342.3
(+) Financial expenses. net.....	15.4	11.8	24.9	73.7
(+) Taxes	(3.5)	(6.4)	(2.3)	(9.2)
(+) Depreciation.....	48.3	36.6	139.2	111.2
EBITDA ⁽¹⁾	48.2	2.8	157.1	517.9
EBITDA margin (%) ⁽²⁾	34.0%	2.9%	37.2%	188.1%
Non-cash adjustment ⁽³⁾				
EBITDA ⁽¹⁾	48.2	2.8	157.1	517.9

	For the three-month ended September 30. (unaudited)		For the nine-month ended September 30. (unaudited)	
	2023	2022	2023	2022
Other Financial Information:				
	<i>(in millions of \$)</i>			
Impairment ⁽³⁾		1.7		1.7
Onerous contract provision, net				0.0
Management Incentive Plan	1.1	0.0	2.1	0.0
Debt/Corporate Restructuring	0.4	0.0	0.5	(513.2)
Adjusted EBITDA ⁽¹⁾	49.8	4.5	159.7	6.4
Adjusted EBITDA margin (%) ⁽²⁾	35.1%	4.7%	37.8%	2.3%
Derivative			(24.0)	-
Adjusted net financial expenses ⁽⁴⁾	(15.4)	(11.8)	(48.9)	(73.7)
Adjusted net income ⁽⁵⁾	(10.5)	(37.4)	(26.1)	(169.2)

- (1) EBITDA is a non-GAAP measure prepared by us and consists of: net income, plus net financial expenses taxes and depreciation. EBITDA is not a measure defined under IFRS, should not be considered in isolation, does not represent cash flow for the periods indicated and should not be regarded as an alternative to cash flow or net income, or as an indicator of operational performance or liquidity. EBITDA does not have a standardized meaning, and different companies may use different EBITDA definitions. Therefore, our definition of EBITDA may not be comparable to the definitions used by other companies. We use EBITDA to analyze our operational and financial performance, as well as a basis for administrative decisions. The use of EBITDA as an indicator of our profitability has limitations because it does not account for certain costs in connection with our business, such as net financial expenses, taxes, depreciation, capital expenses and other related expenses. Adjusted EBITDA is also a non-GAAP measure prepared by us and consists of: net income, plus net financial expenses taxes, depreciation and some specified non cash adjustments.
- (2) EBITDA margin is a non-GAAP measure prepared by us. EBITDA margin is calculated by dividing EBITDA by net operating revenue for the applicable period. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by net operating revenue for the applicable period.
- (3) In 2022, the Group identified indicators that part of the impairment loss recognized in prior periods of its offshore asset groups may have decreased. Such indicators included recovery in commodity prices and projected day rates. As a result, the Company recognized an impairment reversal of US\$ 560.8 million in 2022. On June 10, 2022, the Group entered into Amended and Restated Credit Agreements and also into new arrangements with its creditors that propose to convert part of the debt held by some creditors into the share capital of the Company, with the dilution of original shareholders. The extinguishment of debt in exchange for the Company's own equity instruments on June 10, 2022, has resulted in an estimated gain of USD 513.2 million for the group recognized in the 2nd quarter of 2022. In addition, the Group reversed a provision for onerous contract in the total amount of US\$ 1.7 million due to the end of Alpha Star's last contract with Petrobras, which ended on September 14, 2022. In 2021, the Company recognized an impairment reversal in the aggregate amount of US\$ 180.1 million in non-cash adjustments related to our offshore fleet. The Company also recognized US\$ 2.1 million in non-cash adjustments due to the onerous contract provision reversal related to Alpha Star's contract with Petrobras in 2021.
- (4) Adjusted net financial expenses is a non-GAAP measure prepared by us and consist of some specified noncash adjustments such as the exclusion of the derivative effect as per note 19 of the financial statements.
- (5) Adjusted net income/(loss) is a non-GAAP measure prepared by us and consist of some specified noncash adjustments.

	As of September 30. (unaudited)	As of December 31. (audited)	
	2023	2022	2021
Consolidated Statement of Financial Position:		(in millions of \$)	
Cash and cash equivalents.....	89.9	59.5	76.3
Short-term investments.....	0.0	0.1	4.7
Restricted cash.....	1.7	1.7	19.2
Total assets	2,652.8	2,687.2	2,135.0
Total loans and financings.....	969.2	942.2	1,933.9
Total liabilities.....	1,084.2	1,117.2	2,030.3
Shareholders' equity	1,568.6	1,570.0	104.8
Net Debt.....	877.5	880.9	1,833.7

	For the nine-month period ended September 30. (unaudited)	
Consolidated Statement of Cash Flows:	2023	2022
	(in millions of \$)	
Cash flows provided by operating activities:		
Profit for the period.....	(4.8)	342.3
Adjustments to reconcile net income to net cash used in operating activities.....	153.3	(340.5)
Net income after adjustments to reconcile net income to net cash used in operating activities	148.5	1.8
Increase (decrease) in working capital related to operating activities.....	(53.4)	(5.2)
Cash flows provided by operating activities	95.1	(3.4)
Cash flows used in investing activities	(43.5)	(62.3)
Cash flows used in financing activities	(21.8)	43.4
Increase (decrease) in cash and cash equivalents	29.9	(22.3)
Effects of exchange rate changes on the balance of cash held in foreign currencies	0.6	(0.8)
Cash and cash equivalents at the beginning of the period	59.5	76.3
Cash and cash equivalents at the end of the period	89.9	53.2

Fleet summary report

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

- (1) On January 7, 2022, Olinda Star was awarded a 502 day contract with Oil and Natural Gas Corporation ("ONGC"), an Indian state-owned oil and gas exploration and production company, for operations within an offshore area in India. The operations commenced on May 04, 2022. The contract activities has been extended and is expected to be concluded until December 2023.
- (2) On December 08, 2022, the Company announced a contract for the Brava Star drillship with Petrobras. The job has a total duration of 1095 days, plus a mutually agreed option to extend it till the same period. The operations are expected to commence in December 2023.
- (3) On July 6, 2021, the group announced that the Laguna Star drillship was awarded a new contract with Petrobras. The contract has a 3-year estimated duration and includes the use of the MPD system. The operations commenced on March 01, 2022.
- (4) On January 03, 2022, the Company announced that the Gold and Lone Star rigs have been awarded contracts with Petrobras S.A. ("Petrobras"). Each contract has a total duration of 1095 days and has the option to be extended by mutual agreement in up to 730 days. Contract includes a termination for convenience after 365 days subject to a demobilization fee. The operations under Gold Star contract started on August 09, 2022, while Lone Star's operations commenced on September 14, 2022. Both contracts have extension option upon mutual agreement of up to 17 months.
- (5) On June 12, 2023, the company signed a new contract of 424 days with 3R Petroleum, to start in direct continuation to the end of the commitment with Enauta. On September 20, 2023, the group announced that the Alpha Star was awarded a new contract with Petrobras. The contract has a firm duration of 1095 days plus a mutually agreed option to extend it for the same period. The operations are expected to commence in March, 2025.
- (6) On December 06, 2021, the Company announced a new contract for the Amaralina Star drillship with Petrobras. The job has a total duration of 1095 days, consisting of 730 days of a firm scope plus options to extend the contract in up to 365 days at Petrobras discretion. The operations commenced on October 18, 2022. In early November 2023 Petrobras has notified the Company that will exercise its option to extend the contract.
- (7) On February 05, 2020, the Company announced that the Atlantic Star was awarded a contract with Petrobras. The contract has a firm duration of 1095 days and has the option to be extended by mutual agreement in 389 days. The work will be performed in the Campos Basin, located offshore Brazil. The operations commenced on January 06, 2021. In November 2023, the parties agreed to exercise the extension option.

Onshore Rig ¹	Type	Drilling Depth Capacity (ft)	Customer	Charter Expiration Date
QG-II	1600HP	16.500	-	-
QG-IV	Heli-portable; 550HP	9.800	-	-
QG-V	Heli-portable; 1600HP	14.800	-	-
QG-VI	2000HP	23.000	-	-
QG-VII	2000HP	23.000	-	-
QG-VIII ⁽²⁾	Heli-portable; 1600HP	14.800	-	-
QG-IX	Heli-portable; 1600HP	14.800	-	-

(1) Currently none of the rigs is under contract.

Backlog ⁽¹⁾

	(in millions of \$)							
	2023	2024	2025	2026	2027	2028	Total	%
Ultra-deepwater.....	129.6	524.2	362.9	250.2	122.9	19.9	1,409.6	98.8%
Deepwater.....	-	-	-	-	-	-	-	-
Midwater.....	15.9	0.9	-	-	-	-	16.8	1.2%
Onshore.....	-	-	-	-	-	-	-	-
Total.....	145.6	525.1	362.9	250.2	122.9	19.9	1,426.4	100.0%

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

Revenue per asset type (unaudited)

	For the three-month period ended September 30.			% Change	For the nine-month period ended September 30.		% Change
	2023	2022	2023/2022		2023	2022	2023/2022
Net revenue per asset type:	(in millions of \$)				(in millions of \$)		
Ultra-deepwater.....	108,4	66,7	62,5%		327,1	204,9	46,1%
Deepwater	17,9	16,3	9,9%		52,3	27,0	108,1%
Midwater.....	15,4	12,7	21,4%		43,4	39,7	12,6%
Onshore rigs.....	-	0,4	-		-	3,8	-
Other.....	(0,0)	(0,0)	11,5%		(0,0)	(0,0)	-95,1%
Total.....	141,7	96,1	47,5%		422,7	275,4	46,9%

Operating Statistics (unaudited)

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2023	2022	2023	2023
Uptime ⁽¹⁾:	(%)		(%)	
Total offshore fleet	93	92	93	91

	For the three- month period ended September 30.		Change	For the nine-month period ended September 30.		Change
	2023	2022		2023	2022	
Utilization days ⁽²⁾:	(in days)		2023/ 2022	(in days)		2023/ 2022
Ultra-deepwater	551	357	188	1637	1207	430
Deepwater	92	92	-	273	149	124
Midwater	92	92	-	274	274	0
Onshore rigs.....	-	15	(15)	-	196	(196)
Total.....	735	555	174	2.184	1.826	358

(1) Uptime is derived by dividing (i) the number of days the rigs effectively earned a contractual dayrate by (ii) utilization days. Uptime adjusts for planned downtime, such as rig upgrades and surveys.

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