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

The following discussion is intended to assist you in understanding our financial position on June 30, 2024, and our results of operations for the second quarter of 2024 and first semester of 2024. The following discussion should be read in conjunction with the audited condensed consolidated financial statements and related notes contained in the financial statements.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking financial projections for Foresea Holding S.A. as of June 30, 2024. These statements could contain words such as terms "assumes", "projects", "forecasts", "estimates", "expects", "anticipates", "believes", "plans", "intends", "may", "might", "will", "would", "can", "could", "should", "possible", "if," or other similar expressions. Forward-looking statements are based on management's current expectations and assumptions regarding future economic conditions, market trends, and the execution of our business strategy, including, but not limited to, any statement that may project, indicate or imply performance or achievements; future recovery in the offshore contract drilling industry; expectations regarding the Company's plans, strategies and opportunities; expectations regarding the Company's business or financial outlook; future borrowing capacity and liquidity; expected utilization, dayrates, revenues, operating expenses, rig commitments and availability, cash flows, tax rates and accounting treatment, contract status, terms and duration, contract backlog, capital expenditures, insurance, financing and funding. Please be aware that these forward-looking financial projections are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict, and factors beyond our control, which may cause actual results to differ materially from what is projected and should be considered as estimates only.

All subsequent written and oral forward-looking statements attributable to the company or to persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. We undertake no obligation to update or revise these forward-looking financial projections, whether as a result of new information, future events, or otherwise.

Investors and stakeholders are advised to exercise caution and not to place undue reliance on these forward-looking statements. Actual results may vary, and the company assumes no obligation to provide updates or revisions beyond what is legally required.

INTRODUCTION TEXT

Foresea is a leading offshore drilling company, focusing on offering intelligent solutions in offshore drilling, with expertise and excellence in chartering and operating rigs for ultra-deep waters. Foresea operates a high-quality rig fleet of 4 ultra-deepwater drillships, a semisubmersible and provides operation and management services to third parties' fleet.

With experience, state-of-the-art technology and commitment to safety and sustainability, we are always innovating when chartering and operating platforms and ships. Additional information on Foresea is available at www.foresea.com .

IMPORTANT FACTORS THAT MAY IMPACT OUR OPERATING RESULTS, FINANCIAL CONDITION OR CASH FLOWS

Regulatory Surveys and Planned Downtime

Our revenues could be impacted by certain regulatory inspections, also known as Special Periodic Surveys (SPS). In such periods our operating income is negatively affected once there is planned downtime during the inspection. This is also a reality for upgrades, contract preparation, maintenance, and mobilization of rigs as the rigs do not operate with full rate in most of the contracts for these mentioned periods.

MARKET OUTLOOK

The outlook for offshore drilling is maintaining the favorable moment, supported by a constructive oil price environment, aggregate global energy demand, and a renewed focus on energy security. Despite significant advances in renewable energy technologies, hydrocarbons remain indispensable, especially in countries where population growth and rising living standards are driving energy needs. Numerous long-term forecasts suggest that oil and gas will continue to play a critical role in the global energy mix for decades to come.

Recent years have seen a resurgence in offshore exploration and development, particularly in deepwater and harsh environments. The global rig fleet has seen a marked reduction in supply, with the number of benign environment floaters decreasing by 41% from 2014 to 2024. As of mid-2024, only 166 such rigs remain, including stacked units. This contraction in supply, combined with the rising demand for advanced 6th and 7th generation drillships, has driven global utilization rates to around 85% by mid-2024. These trends have translated into higher day rates and have spurred the reactivation of some stacked rigs and some of the previously idle rigs in the yards were delivered.

Regionally, Brazil, U.S. Gulf of Mexico, and West Africa have emerged as key markets, with significant multi-year tenders and direct negotiations reflecting strong activity. The global offshore drilling market has also seen an uptick in tendering activity, with new exploration and development programs being initiated or planned for the next year and previously postponed projects resuming.

The growing emphasis on energy security, particularly in Europe and the U.S., underscores the importance of offshore oil and gas in ensuring a stable energy supply. Additionally, deepwater and harsh environment projects are not only economically viable but also offer relatively lower carbon intensity compared to other hydrocarbon sources, aligning with broader sustainability goals.

Looking ahead, the offshore drilling industry sentiment should remain positive as global energy demand continues to rise. The current market dynamics, characterized by a balanced supply-demand environment and investment in deepwater exploration, suggest a more disciplined future for the sector. As operators prepare for their prospective projects and seek to lock in drilling capacity, we noticed an extension in contract durations. This is an indicator that the industry is likely to experience continued momentum, with offshore oil and gas playing a vital role in meeting the world's energy needs for years to come.

PERFORMANCE AND KEY OPERATIONAL INDICATORS

BACKLOG

Our offshore drilling operations backlog, derived from our charter and services agreements for our owned fleet, includes only firm commitments, represented by signed contracts, and mobilization fee that is paid by the contracting company when the rig receives the acceptance from the client and starts to operate. It does not include options to extend firm commitments. It is calculated by multiplying the applicable maximum current day rates by the number of days remaining under the terms of these agreements assuming full compliance with all relevant provisions of these contracts by the parts thereto and full availability of the relevant assets. The availability could be affected by various factors including unscheduled repairs and maintenance, downtime, weather conditions, and other factors.

Foresea’s contracts with Petrobras are split into charter and services. The charter portion of the contract is denominated in USD and corresponds to 65% of the contracted dayrate, while the services contract is denominated in Brazilian Reais and corresponds to 35% of the contracted dayrate. Any variation in the exchange rate between USD and BRL can have a positive or negative effect on Foresea’s backlog, expressed in dollar terms.

The following table summarizes our backlog as of June 30th, 2024.

	June 30, 2024	March 31, 2024	June 30, 2023
			in US$ million
Backlog Foresea	1,449	1,624	1,362

The change in our backlog in 2024, was the addition of the following contracts and the consumption of the backlog during the first six months of the year:

- ODN II's contract extension for 30 days, in January 2024, representing an additional backlog of $10 million;

- Second extension of ODN II's contract, this time for 363 days, corresponding to an additional $160 million backlog. The firm contract has been extended until March 2025.

The backlog consumption for the following years, considering the firm period of the contracts we have as of July 1st, 2024, is shown in the table below:

Year Ending December 31 — *in US$ million*

Year	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
Backlog Consumption	283	466	425	226	49	**1,449**

AVERAGE DAILY REVENUE

Average daily revenue is a measure of our earnings performance. It is calculated by dividing Foresea's operating revenues, excluding mobilization fees, by the total number of operating days (number of days a rig is contracted) in the period. The average daily revenue may be affected by bonus received, downtime, standby, weather or moving rate or other contract penalties.

The average daily revenue for our fleet for the first half of 2024 and for the year of 2023 is shown in the table below:

Average daily revenue

'000/day

2024				
1Q	2Q	3Q	4Q	**2024**
251	271			261
2023				
1Q	2Q	3Q	4Q	**2023**
228	222	213	239	226

OPERATIONAL UPTIME

Operational Uptime considers the number of hours the rig is operating or ready to operate, in relation to the total hours in the period for the contracted fleet. It excludes the period the rig is out of contract or in the shipyard.

The operational uptime is a good measure of the quality of services rendered and it has a direct impact on customers' satisfaction. It is also an important component for revenue efficiency. There are some events that do not affect operational uptime, as mobilizing the rigs from one location to another, bad weather or standing by as a customer request, but have an effect on revenues received.

Foresea has a history of operational excellence. The operational uptime for its fleet, for the first half of 2024 and the year of 2023 can be seen in the table below:

Operational Uptime

		2024		
1Q	2Q	3Q	4Q	**2024**
94.1%	97.9%			96.0%
		2023		
1Q	2Q	3Q	4Q	**2023**
98.5%	98.9%	96.6%	98.7%	98.2%

REVENUE EFFICIENCY

Revenue efficiency measures how much of our contract has been converted into actual revenues. It is calculated by dividing the actual day rate received, including performance bonus, by the full day rate as specified in the contract. It does not include mobilization fees.

Factors impacting Revenue Efficiency would be downtime, standby rate, moving rate, weather related event, repair rate or other penalties and bonuses as defined by each contract.

Foresea's revenue efficiency for the first half of 2024 and the year of 2023 is shown in the table below:

Revenue Efficiency

		2024		
1Q	2Q	3Q	4Q	**2024**
93.0%	94.9%			94.0%
		2023		
1Q	2Q	3Q	4Q	**2023**
97.1%	95.9%	93.6%	94.4%	95.4%

RIG UTILIZATION

Rig utilization is a measure of the proportion of the time that our fleet is operating under a contract. It takes the total number of operating days for our total fleet, by the total number of days in the period.

This rate can be impacted by off hire periods, time in the shipyard, preparation for new contracts and mobilization periods. In 2023 rig utilization was reduced due to ODN I's 6-months SPS and Norbe VI's SPS and contract preparation. In the first half of 2024 Foresea had its full fleet operating under contracts.

The rig utilization for our fleet, in the first half of 2024 and the year of 2023 can be seen in the table below:

Rig Utilization

2024				
1Q	2Q	3Q	4Q	**2024**
100.0%	100.0%			100.0%
2023				
1Q	2Q	3Q	4Q	**2023**
100.0%	84.6%	77.2%	84.6%	86.5%

UNCOMMITTED FLEET RATE

Uncommitted fleet rate is measured by the total number of days our fleet is not contracted divided by the days available in the period, expressed as a percentage.

This rate can be impacted by new and ending contracts, extension options, off-hire periods, time in the shipyard, preparation for new contracts and mobilization periods.

In 2024 the only rig in our fleet schedule for days off work is Norbe VIII, that has a planned SPS and contract preparation for its new contract, that should take approximately 70 days, starting in August 2024. All the remaining assets of our fleet are fully contracted throughout the year. The uncommitted fleet rate for our fleet, from the years of 2024 to 2028, can be seen in the table below:

	Year Ending December 31,				
Year	**2024**	**2025**	**2026**	**2027**	**2028**
Uncommitted Fleet Rate	8%	23%	26%	64%	92%

RESULTS OF OPERATIONS

Three Months Ended June 30, 2024 Compared to Three Months Ended March 31, 2024

FORESEA HOLDING S.A.
UNAUDITED INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
(in thousands of U.S. dollars)

	Three Months Ended		
	June 30, 2024	March 31, 2024	June 30, 2023
Revenue	127,533	119,884	85,257
Operating Costs	(71,822)	(73,985)	(75,033)
General and administrative expenses	(7,279)	(8,405)	(7,170)
Other operating revenue, net	178	-	6,998
Operating Result	48,610	37,494	10,052
Depreciation and amortization expenses	(27,726)	(24,744)	(42,794)
Impairment on equipment	-	-	(1,131,593)
Other expenses	18	(6,144)	-
Operational profit (loss)	20,902	6,606	(1,164,335)
Finance result, net	(3,633)	(6,050)	1,326,825
Profit before income tax	17,269	556	162,490
Income tax	13	(25)	1,251
Net Profit for the period	17,282	531	163,741

Drilling Revenues

Contracted drilling revenues of $127.5 million this quarter were $7.6 million above revenues recorded in the precedent quarter and $42.3 million higher than the same quarter in the previous year. The increase from the precedent quarter was a result from higher average revenue this quarter, as ODN was operating the full quarter under the margin equatorial contract extension and also as a result from better operational uptime translating into higher revenue efficiency. Foresea had the fleet 100% contracted and operating in both quarters.

Operational uptime in the second quarter of 2024 was 97.9%, up from 94.1% in the previous quarter, that had a non-recurring BOP pull event generating a 20-day downtime in one of the rigs. The combination of higher operational uptime with higher daily revenues drove revenues 6.4% up this quarter in relation to the precedent quarter.

Average daily revenue for the second quarter of 2024 was $271 thousand per day, a 8.1% increase compared to the previous quarter, as a result of better day rates from ODN II's contract extension, valid from March this year, combined with better operational uptime.

Revenue efficiency for the first quarter of 2024 was 94.9%, compared to 93.0% in the previous quarter, that was impacted by an unscheduled downtime in Norbe IX caused by a BOP pull, for a total of 20 days.

Costs and Expenses

Foresea´s drilling operating expenses were $71.8 million this quarter, 2.9% lower than in the previous quarter. The reason for the cost reduction was the lower cost associated with Hunter Queen, Prio's rig that is operated and managed by Foresea. This O&M contract is structured as a cost-plus format, where all the expenses are fully reimbursed and Foresea earns a flat fee daily rate.

Operating expenses for Foresea´s owned fleet was stable in the second quarter 2024 compared to the previous quarter. This translates to an average daily OPEX, for our own fleet, of approximately $156 thousand per day.

General and administrative expenses were $7.3 million this quarter, a slight decrease from $8.4 million in the prior quarter as a result of personnel related payments that typically occur in the first quarter of the year.

In the first quarter of 2024 there was a non-recurring tax payment of $6.1 million this quarter, related to PERT (Special Tax Payment Regime), entered to settle a Tax Infraction Notice form 2026 that is still under discussion before Brazilian Courts, accounted in other expenses comprise. There were no relevant other expenses in the second quarter of 2024.

Financial Results

Foresea recorded a $3.6 million finance expense this quarter, which is the net of the quarterly interest payment, of $5.6 million, related to the USD 300 million notes and the remuneration received on the investment of the available cash position.

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

FORESEA HOLDING S.A.
UNAUDITED INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

(in thousands of U.S. dollars)

	Six Months Ended	
	June 30, 2024	**June 30, 2023**
Revenue	247,417	176,317
Operating Costs	(145,807)	(131,074)
General and administrative expenses	(15,684)	(7,314)
Other operating revenue (expenses), net	178	7,050
Operating Result	86,104	44,979
Depreciation and amortization expenses	(52,470)	(84,741)
Impairment on equipment	-	(1,131,593)
Other expenses	(6,126)	-
Operational profit (loss)	27,508	(1,171,355)
Finance result, net	(9,683)	1,271,176
Profit before income tax	17,825	99,821
Income tax	(12)	109
Net Profit for the period	17,813	99,930

Drilling Revenues

In the first half of 2024, contracted drilling revenues amounted to $247 million, $71.0 million above revenues recorded in the same period of the previous year. This increase was driven mainly by the higher number of total operating days in this semester, as ODN I was undergoing SPS during the second quarter of 2023, and also due to the higher average daily revenue from the fleet.

This more than compensated for the lower revenue efficiency this semester of 94% compared to 96.5% in the first semester of 2023, caused mainly by a BOP issue in one of our rigs causing a 20-days downtime in the first quarter of 2024. The combination of more operating days of the total fleet, with higher daily revenues drove revenues 17% up.

Average daily revenue for the 1st half of 2024 was $261 thousand per day, in comparison to an average of $225 in the same period of the previous year. The increase in the daily revenue is a result of the new ODNI and Norbe VI contracts with better day rates, that started from October and November 2023, combined with the extension of ODNII contract from March 2024 and the higher number of operating days.

Costs and Expenses

Foresea´s drilling operating expenses were $145.8 million this semester, 11.2% higher than in the firs semester of 2023. This translates to an average daily OPEX, for our own fleet, of approximately $156 thousand per day, compared to $132 thousand per day in the first semester of 2023. This cost increase was driven by additional services included in the new contracts, such as ROV, cement unit and gravel dryers, higher costs associated with logistics of ODN II operation in the Margin Equatorial and the increase in prices of services and materials for the drilling sector as a consequence of the positive moment for the sector.

General and administrative expenses were $15.7 million this semester. This amount is not comparable to the $7.3 million registered in the first semester last year, as some of the costs were still accounted in Ocyan.

Financial Results

Foresea recorded a $9.7 million finance expense in the first semester of 2024, which is the net of the interest payment related to the USD 300 million notes, totaling $11.2 million this semester, and the remuneration received on the investment of the available cash position.

In the first semester of 2023, Foresea registered a positive finance result of $1,211 million mainly due to the EJ Plan as explained in the section Financial Restructuring of this document. In connection to the EJ Plan, the old bondholders of Bonds 21 and 22 contributed the bonds with a face value of $2,626.1 million as of June 7, 2023, for an amount of $1,200.9 million, generating a financial gain of $1,425.2 million. See "Note 14 – Financings" to our interim condensed consolidated financial statements for the period from 1 January 2023 to 31 December 2023.

LIQUIDITY AND CAPITAL RESOURCES

FORESEA HOLDING S.A.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands of U.S. dollars)

	Jan 01, 2024 - Jun 30, 2024	Jan 01, 2023 - Jun 30, 2023
Cash flows from operating activities		
Profit (loss) before income tax	17,825	99,821
Non-cash items	63,310	(48,037)
Changes in working capital	(30,241)	8,523
Net cash flow generated from operating activities	50,895	60,307
Cash flows from investments activities		
Short-term investments	-	219,427
Acquisition of equipments and intangible	(24,119)	(40,454)
Net cash used in investing activities	(24,119)	178,973
Cash flows from financings activities		
Borrowings	-	197,014
Repayments of borrowings	-	(226,791)
Interest payments	(11,250)	(52,063)
Net cash used in financings activities	(11,250)	(81,840)
Effect of exchange rate variation on cash and cash equivalents	(3,030)	(738)
Increase (decrease) in cash and cash equivalents	12,496	156,702
Cash and cash equivalents at the beginning of the period	140,936	18,052
Cash and cash equivalents at the end of the period	153,432	174,754

Foresea generated a positive cash flow of operations of $50.9 million in the first half of 2024, as a result from better day rates and strong capital discipline.

In the first half of 2024, Capex amounted to $24 million, plus $8 million that are payments carried over from last years' SPS on ODNI and Norbe VI. Capex this year also includes expenses related to Norbe VIII SPS and contract preparation.

Net cash used in financing is related to the interest payments of the new bonds, totaling $11.2 million in the fist semester. Foresea's debt is comprised of a single Note, totaling $300 million, due in September 2030, paying an quarterly interest of 7.5% p.a.. Foresea's net debt, as of June 30, 2024 was $123 million.

Foresea closed the first half of the year with unrestricted cash and cash equivalents position of $ 153 million. As a post event, Foresea paid $33 million as interim payments to its shareholders on June 10, 2024, representing a payment of $1.098751.

Financial Restructuring

On June 7, 2023 Foresea was formed, following the approval of the Extrajudicial Plan ("ER Plan"), on which the tranche 2 of Bond 21 and Bond 22 were exchanged mainly for an equity stake in the Company, a new Luxembourg-domiciled holding company, to which the drilling business was transferred. Pursuant to this ER Plan, new senior notes were issued.

As determined by the ER Plan, Project Bond 21 and Project Bond 22 were exchanged for a combination of, depending on the bondholder choice: (i) (a) cash, (b) voting and non-voting shares of the new formed company, Foresea, and (c) notes from the $300 million new notes; or (ii) (a) cash, (b) new unsecured convertible notes, which shall mirror the economic return of the non-voting equity of the new formed company, Foresea, and (c) notes from the $300 million new notes. See "Note 1.1 – Financial Restructuring" from consolidated financial statements for the period from January 1st, 2023 to December 31st, 2023.

The above-mentioned plan resulted in a $1,453.7 million of debt write off. On June 7, 2023, it was made a contribution in kind by the subscription of new shares issued by Foresea and fully paid with the Bond Notes conversion into equity. This resulted in a capital increase of $1,125.9 million. See "Notes 1.3 and 15 – from our interim condensed consolidated financial statements for the period from 1 January 2024 to 31 March 2024.

The Plan described above allowed Foresea to record a significant debt reduction, enhancing its liquidity, allowing the programmed SPS cycle and strengthening its financial position to take advantage of business opportunities in the offshore drilling industry.