

# VELESTO ENERGY BERHAD

COMPANY NO : 200901035667 (878786-H)  
(INCORPORATED IN MALAYSIA)



## Unaudited Condensed Consolidated Statement Of Comprehensive Income For The Second Quarter Ended 30 June 2024

	Quarter Ended 30/06/2024 RM'000	Quarter Ended 30/06/2023 RM'000	Period Ended 30/06/2024 RM'000	Period Ended 30/06/2023 RM'000
Revenue	393,431	279,316	732,007	566,567
Operating Expenses	(301,611)	(246,486)	(572,382)	(507,321)
Other Operating Income	1,860	146	2,170	570
<b>Profit From Operations</b>	<b>93,680</b>	<b>32,976</b>	<b>161,795</b>	<b>59,816</b>
Finance Costs	(9,414)	(11,418)	(18,725)	(23,600)
Share of Results of Associate	48	43	101	67
Investment Income	1,875	1,126	3,209	1,935
<b>Profit Before Tax</b>	<b>86,189</b>	<b>22,727</b>	<b>146,380</b>	<b>38,218</b>
Taxation	(23,375)	(5,323)	(36,756)	(6,592)
<b>Profit, Net of Tax</b>	<b>62,814</b>	<b>17,404</b>	<b>109,624</b>	<b>31,626</b>
<b>Other Comprehensive Income:</b>				
Foreign Currency Translation	31,761	74,843	56,264	75,431
Other Comprehensive Income, Net of Tax	31,761	74,843	56,264	75,431
<b>Total Comprehensive Income For The Year</b>	<b>94,575</b>	<b>92,247</b>	<b>165,888</b>	<b>107,057</b>
<b>Profit For The Period Attributable To:</b>				
Equity Holders of the Company	62,814	17,404	109,624	31,626
<b>Total Comprehensive Income Attributable To:</b>				
Equity Holders of the Company	94,575	92,247	165,888	107,057
<b>Earnings Per Share Attributable To Equity Holders of the Company:</b>				
Basic (Sen)	0.76	0.21	1.33	0.38
Diluted (Sen)	0.76	0.21	1.33	0.38

(The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2023)

# VELESTO ENERGY BERHAD

COMPANY NO : 200901035667 (878786-H)  
(INCORPORATED IN MALAYSIA)



## Unaudited Condensed Consolidated Statement Of Financial Position As At 30 June 2024

	Unaudited As At 30/06/2024 RM'000	Audited As At 31/12/2023 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	2,414,529	2,421,587
Right-of-use Assets	10,437	8,430
Investment In Associate	1,431	1,329
	<u>2,426,397</u>	<u>2,431,346</u>
<b>Current Assets</b>		
Inventories	137,588	178,709
Trade and Other Receivables	509,691	363,490
Tax Recoverable	2,009	1,885
Deposits, Cash & Bank Balances	212,096	132,215
	<u>861,384</u>	<u>676,299</u>
<b>TOTAL ASSETS</b>	<u>3,287,781</u>	<u>3,107,645</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable To The Equity Holders Of The Company</b>		
Share Capital	1,844,817	1,844,817
Share Options Reserve	11,650	9,739
Warrant Reserve	211,876	211,876
Other Reserves	984,097	927,833
Accumulated Losses	(429,304)	(518,857)
<b>TOTAL EQUITY</b>	<u>2,623,136</u>	<u>2,475,408</u>
<b>Non-Current Liabilities</b>		
Long Term Borrowings	232,303	244,326
Lease Liabilities	5,501	3,386
	<u>237,804</u>	<u>247,712</u>
<b>Current Liabilities</b>		
Taxation	35,807	5,938
Short Term Borrowings	116,906	114,288
Lease Liabilities	4,435	4,097
Trade and Other Payables	269,693	260,202
	<u>426,841</u>	<u>384,525</u>
<b>TOTAL LIABILITIES</b>	<u>664,645</u>	<u>632,237</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>3,287,781</u>	<u>3,107,645</u>
<b>Net Assets Per Share (RM)</b>	<b>0.32</b>	<b>0.30</b>

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2023)

## VELESTO ENERGY BERHAD

COMPANY NO : 200901035667 (878786-H)  
(INCORPORATED IN MALAYSIA)

### Unaudited Condensed Consolidated Statement Of Changes In Equity

	← Non - Distributable →					Distributable		
	Share Capital RM'000	Share Options Reserve RM'000	Warrant Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Gain On Derecognition of Financial Liabilities RM'000	Accumulated Losses RM'000	Total Equity RM'000
<b>For The Period Ended 30 June 2024</b>								
At 1 January 2024	1,844,817	9,739	211,876	698	848,990	78,145	(518,857)	2,475,408
<b>Total Comprehensive Income</b>	-	-	-	-	56,264	-	109,624	165,888
<b>Transactions With Owners:</b>								
Share Options Adjustment	-	1,911	-	-	-	-	468	2,379
Dividend paid	-	-	-	-	-	-	(20,539)	(20,539)
Total transactions with owners	-	1,911	-	-	-	-	(20,071)	(18,160)
At 30 June 2024	1,844,817	11,650	211,876	698	905,254	78,145	(429,304)	2,623,136
<b>For The Period Ended 30 June 2023</b>								
At 1 January 2023	1,844,817	9,961	211,876	698	755,564	78,145	(619,396)	2,281,665
<b>Total Comprehensive Income</b>	-	-	-	-	75,431	-	31,626	107,057
<b>Transactions With Owners:</b>								
Share Options Adjustment	-	(697)	-	-	-	-	697	-
Total transactions with owners	-	(697)	-	-	-	-	697	-
At 30 June 2023	1,844,817	9,264	211,876	698	830,995	78,145	(587,073)	2,388,722

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2023)

# VELESTO ENERGY BERHAD

COMPANY NO : 200901035667 (878786-H)  
(INCORPORATED IN MALAYSIA)



## Unaudited Condensed Consolidated Statement Of Cash Flows For The Period Ended 30 June 2024

	(Unaudited) 6 Months Ended 30/06/2024 RM'000	(Unaudited) 6 Months Ended 30/06/2023 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit Before Tax	146,380	38,218
Adjustments		
Depreciation & Amortisation	124,795	93,316
Interest Expense	18,725	23,600
Net Unrealised Foreign Exchange Loss / (Gain)	1,334	(3,986)
Share of Results of Associate	(101)	(67)
Investment Income	(3,209)	(1,935)
Share Options Granted Under ESOS	2,379	-
Net (Gain) / Loss on Disposal of Property, Plant and Equipment	(1,370)	24
Asset Written Off	12	710
Provision for Unutilised Leave	-	34
Operating Profit Before Working Capital Changes	<u>288,945</u>	<u>149,914</u>
Increase in Receivables	(145,572)	(30,720)
Decrease / (Increase) in Inventories	45,278	(4,319)
Increase in Payables	11,199	20,065
Cash Generated From Operating Activities	<u>199,850</u>	<u>134,940</u>
Net Taxes (Paid) / Refund	<u>(11,623)</u>	<u>2,026</u>
Net Cash Generated From Operating Activities	<u>188,227</u>	<u>136,966</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property, Plant & Equipment	(62,624)	(28,890)
Interest Income Received	2,579	1,935
Movement in Investments in Money Market Fund	6,640	-
Proceeds from Disposal of Property, Plant and Equipment	6,428	-
Movement in Deposits Placement With Maturity of More Than 3 months	-	(12,162)
Net Cash Used in Investing Activities	<u>(46,977)</u>	<u>(39,117)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Repayment of Borrowings	(19,220)	(73,604)
Interest Paid	(14,561)	(21,072)
Payment of Lease Liabilities	(2,048)	(1,758)
Net Movement In Restricted Cash Deposits in Licensed Bank	309	433
Dividend Paid to the Shareholders	(20,539)	-
Net Cash Used in Financing Activities	<u>(56,059)</u>	<u>(96,001)</u>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	85,191	1,848
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	119,809	113,323
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	1,639	3,311
<b>CASH AND CASH EQUIVALENTS AS AT 30 JUNE</b>	<u>206,639</u>	<u>118,482</u>
<b>Cash and Cash Equivalents comprise:</b>		
Deposits, Cash & Bank Balances	212,096	136,916
Less: Restricted Cash	(5,457)	(6,272)
Less: Deposits With Maturity of More Than 3 months	-	(12,162)
	<u>206,639</u>	<u>118,482</u>

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2023)

## Explanatory Notes

### NOTE 1 – Significant Accounting Policies

#### Basis of preparation

The interim financial statements have been prepared in accordance with the requirements of International Accounting Standards (“IAS”) 34, Interim Financial Reporting and Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The significant accounting policies and methods of computation in the interim financial statements are consistent with those in the annual audited financial statements for the year ended 31 December 2023 except for the adoption of the following MFRS/Amendments/Interpretations effective on or after 1 January 2024:

- Amendment to MFRS 16: Leases - Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101: Non-current Liabilities with Covenants
- Amendments to MFRS 107: Statement of Cash Flows - Disclosure: Supplier Finance Arrangements
- Amendments to MFRS 121: The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability

The adoption of these pronouncements did not have a material impact to the financial statements of the Group and the Company.

#### Standards issued but not yet effective:

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but not yet effective and have not been applied by the Group:

- Amendments to MFRS 10: Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Deferred)
- MFRS 19: Subsidiaries without Public Accountability: Disclosures

### NOTE 2 – Seasonal or Cyclical Factors

The Group is principally engaged in:

- (a) the provision of drilling services for exploration, development and production wells to the upstream sector of the oil and gas industry;
- (b) the provision of integrated services includes workover operations for the oil and gas industry; and
- (c) threading, inspection and repair services for Oil Country Tubular Goods, with a focus on premium connections used in high-end and complex wells.

The Group’s products and services are dependent on the level of activity, and the corresponding capital spending by oil and gas companies. These oil and gas companies are affected by volatile oil and natural gas prices, and cyclicity in the offshore drilling and oilfield services industries.

### NOTE 3 – Exceptional Items

There were no material unusual items affecting the Group’s assets, liabilities, equity, net income or cash flows during the financial period ended 30 June 2024.

### NOTE 4 – Accounting Estimates

There were no changes in estimates that have a material effect in the current financial period.

#### NOTE 5 – Issuance or Repayment of Debt and Equity Securities

There were no issuances, repurchases or repayments of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period ended 30 June 2024.

#### NOTE 6 – Dividend Paid

The Company paid the following dividend in the period ended 30 June 2024:

	<b>RM'000</b>
In respect of the financial year ended 31 December 2023:	
Interim dividend of 0.25 sen per share on 8,215,600,000 paid on 24 May 2024	<u>20,539</u>

#### NOTE 7 – Segmental Reporting

##### Quarter Ended 30 June 2024

Business Segment	Revenue RM'000	Profit / (Loss) Before Tax RM'000	Profit / (Loss) Attributable to Owners of the Company RM'000
Drilling Services	298,031	102,340	79,137
<i>Drilling</i>	<u>261,742</u>	<u>88,561</u>	<u>65,358</u>
<i>Drilling (i-RDC)</i>	<u>36,289</u>	<u>13,779</u>	<u>13,779</u>
Integrated Project Management	91,646	13,808	13,855
<i>Workover Services</i>	<u>9,914</u>	<u>(1,829)</u>	<u>(1,782)</u>
<i>i-RDC</i>	<u>118,021</u>	<u>29,416</u>	<u>29,416</u>
<i>Drilling (i-RDC)</i>	<u>(36,289)</u>	<u>(13,779)</u>	<u>(13,779)</u>
Oilfield Services	3,349	167	(31)
Others (include corporate expenses)	<u>405</u>	<u>(30,126)</u>	<u>(30,147)</u>
<b>Consolidated Total</b>	<u>393,431</u>	<u>86,189</u>	<u>62,814</u>

##### Period Ended 30 June 2024

Business Segment	Revenue RM'000	Profit / (Loss) Before Tax RM'000	Profit / (Loss) Attributable to Owners of the Company RM'000
Drilling Services	568,453	180,131	143,811
<i>Drilling</i>	<u>496,695</u>	<u>153,866</u>	<u>117,546</u>
<i>Drilling (i-RDC)</i>	<u>71,758</u>	<u>26,265</u>	<u>26,265</u>
Integrated Project Management	156,805	16,751	16,721
<i>Workover Services</i>	<u>20,700</u>	<u>(839)</u>	<u>(869)</u>
<i>i-RDC</i>	<u>207,863</u>	<u>43,855</u>	<u>43,855</u>
<i>Drilling (i-RDC)</i>	<u>(71,758)</u>	<u>(26,265)</u>	<u>(26,265)</u>
Oilfield Services	6,189	378	75
Others (include corporate expenses)	<u>560</u>	<u>(50,880)</u>	<u>(50,983)</u>
<b>Consolidated Total</b>	<u>732,007</u>	<u>146,380</u>	<u>109,624</u>

There has been no material change in total assets and no differences in the basis of segmentation or basis of measurement of segment profit or loss as compared to the previous interim financial statements.

#### NOTE 8 – Subsequent Material Events

There has been no material event or transaction during the period from 30 June 2024 to the date of this announcement, which substantially affects the results of the Group for the financial period ended 30 June 2024.

#### NOTE 9 – Changes in the Group Composition

The following dormant subsidiaries of Velesto Malaysian Ventures Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company, have been struck-off from the Register of Companies following publication in the Gazette by the Registrar of Companies, pursuant to an application made to the Registrar for the striking-off pursuant to Section 550 of the Companies Act 2016:

<b>Company Name</b>	<b>Date of Gazette</b>
a. Velesto Rig Asset Sdn. Bhd.	9 April 2024
b. Velesto Drilling 2 Sdn. Bhd.	9 April 2024
c. Velesto Drilling 4 Sdn. Bhd.	9 April 2024
d. Velesto Drilling 5 Sdn. Bhd.	29 April 2024
e. Velesto Drilling 6 Sdn. Bhd.	29 April 2024
f. Velesto Drilling 7 Sdn. Bhd.	9 April 2024
g. Velesto Drilling 8 Sdn. Bhd.	9 April 2024

#### NOTE 10 – Commitments for the purchase of Property, Plant and Equipment

The capital commitments are in respect of the following:

	<b>30/06/2024</b>
	<b>RM'000</b>
<b>Approved and contracted for:</b>	
Equipment, plant and machinery	15,227
Others	368
	<u>15,595</u>
<b>Approved but not contracted for:</b>	
Equipment, plant and	182,708
Others	27,647
	<u>210,355</u>
<b>Total</b>	<u><u>225,950</u></u>

#### NOTE 11 - Significant Related Party Transactions

There were no significant related party transactions for the financial period ended 30 June 2024.

#### NOTE 12 – Classification of Financial Assets

There were no changes in the classification of financial assets as a result of a change in the purpose or use of the asset.

#### NOTE 13 – Contingent Liabilities and Contingent Assets

There were no material contingent liabilities and contingent assets as at 30 June 2024.

## NOTE 14 – Review of Performance

### Performance of Current Quarter Against the Quarter Ended 30 June 2023 (“Corresponding Quarter”)

Business Segment	Revenue		Profit / (Loss) Before Tax	
	Quarter ended 30/06/2024 RM'000	Quarter ended 30/06/2023 RM'000	Quarter ended 30/06/2024 RM'000	Quarter ended 30/06/2023 RM'000
Drilling Services	298,031	213,406	102,340	43,286
<i>Drilling</i>	261,742	179,429	88,561	29,946
<i>Drilling (i-RDC)</i>	36,289	33,977	13,779	13,340
Integrated Project Management	91,646	61,951	13,808	(3,590)
<i>Workover Services</i>	9,914	31,805	(1,829)	3,528
<i>i-RDC</i>	118,021	64,123	29,416	6,222
<i>Drilling (i-RDC)</i>	(36,289)	(33,977)	(13,779)	(13,340)
Oilfield Services	3,349	3,221	167	496
Others (include corporate expenses)	405	738	(30,126)	(17,465)
<b>Total</b>	<b>393,431</b>	<b>279,316</b>	<b>86,189</b>	<b>22,727</b>

### Group

Group revenue of RM393.4 million was RM114.1 million higher than the corresponding quarter's revenue of RM279.3 million, mainly due to higher utilisation and average daily charter rates for jack-up rigs under Drilling Services and higher progress for i-RDC project under Integrated Project Management during the current quarter.

The Group reported profit before tax of RM86.2 million in the current quarter, higher by RM63.5 million against the corresponding quarter, in line with higher revenue in the current quarter.

Analysis of segmental performance against the corresponding quarter are as follows:

#### Drilling Services Segment

The Drilling Services segment reported revenue of RM298.0 million, an increase of RM84.6 million compared to the corresponding quarter's revenue of RM213.4 million. This growth is primarily attributed to several factors:

- i. Higher Jack-up Rigs Utilisation: The utilisation rate increased to 98% from 88% in the corresponding quarter.
- ii. Higher Average Daily Charter Rates: The average daily charter rate rose to USD115k/day from USD94k/day in the corresponding quarter.
- iii. Improved Operating Efficiency: The operating efficiency reached 99.8%, up from 96.1% in the corresponding quarter.

All rigs were contracted during the current quarter, except for NAGA 2, which underwent a Special Periodic Survey ("SPS") in June 2024.

The Drilling Services segment registered a profit before tax of RM102.3 million, an increase of RM59.0 million compared to the profit before tax of RM43.3 million in the corresponding quarter. This improvement is primarily due to the higher revenue achieved in the current quarter.

Included in the profit before tax is an accelerated depreciation expense of RM13.0 million. This expense is associated with the prior SPS for the rigs NAGA 2, NAGA 5, and NAGA 6, which was incurred in phases. These rigs are scheduled to undergo their subsequent SPS in FY2024.



**NOTE 14 – Review of Performance (cont'd.)**

**Performance of Current Quarter Against the Quarter Ended 30 June 2023 (“Corresponding Quarter”) (cont'd.)**

**Integrated Project Management Segment**

The Integrated Project Management segment reported revenue of RM91.6 million, marking an increase of RM29.6 million from the corresponding quarter's revenue of RM62.0 million. This rise is primarily attributed to:

- i. Improved service delivery, which allowed the completion of lump sum revenue milestones with reduced non-productive time and additional campaign duration days being charged at the daily spread rate for the i-RDC project; and offset with
- ii. Lower average operating day rates for hydraulic workover units which significantly dropped to USD17k/day from USD51k/day in the corresponding quarter.

The segment recorded a profit before tax of RM13.8 million compared to a loss before tax of RM3.6 million in the corresponding quarter mainly due to:

- i. Higher profit in the current quarter for i-RDC project of RM15.6 million relative to the corresponding quarter, which was in line with higher revenue; and offset with
- ii. Loss before tax for hydraulic workover units of RM1.8 million, in line with lower revenue.

**Oilfield Services Segment**

The Oilfield Services segment which is mainly from operation in Tianjin, recorded a higher revenue of RM3.3 million in the current quarter compared to RM3.2 million in the corresponding quarter.

The segment recorded lower profit before tax by RM0.3 million in the current quarter.

**Others Segment (include corporate expenses)**

The others segment, which includes corporate expenses, recorded a higher loss before tax of RM30.1 million in the current quarter, compared to a loss of RM17.5 million in the corresponding quarter. This increase in loss is mainly due to the amortisation of share option costs and the provision for corporate reorganisation, moving and reinstatement costs recognised in the current quarter.

**Performance of Current Period Against the Financial Period Ended 30 June 2023 (“Corresponding Period”)**

Business Segment	Revenue		Profit / (Loss) Before Tax	
	Period ended 30/06/2024 RM'000	Period ended 30/06/2023 RM'000	Period ended 30/06/2024 RM'000	Period ended 30/06/2023 RM'000
Drilling Services	568,453	397,803	180,131	68,603
<i>Drilling</i>	496,695	331,215	153,866	48,478
<i>Drilling (i-RDC)</i>	71,758	66,588	26,265	20,125
Integrated Project Management	156,805	161,609	16,751	1,184
<i>Workover Services</i>	20,700	61,299	(839)	7,966
<i>i-RDC</i>	207,863	166,898	43,855	13,343
<i>Drilling (i-RDC)</i>	(71,758)	(66,588)	(26,265)	(20,125)
Oilfield Services	6,189	6,292	378	1,381
Others (include corporate expenses)	560	863	(50,880)	(32,950)
<b>Total</b>	<b>732,007</b>	<b>566,567</b>	<b>146,380</b>	<b>38,218</b>

**Group**

Group revenue of RM732.0 million was RM165.4 million higher than the corresponding period's revenue of RM566.6 million, mainly due to higher utilisation and average daily charter rates for jack-up rigs under Drilling Services and higher progress for i-RDC project under Integrated Project Management during the period.

The Group reported profit before tax of RM146.4 million in the current period higher by RM108.2 million against profit before tax of RM38.2 million in the corresponding period, in line with higher revenue.

**NOTE 14 – Review of Performance (cont'd.)****Performance of Current Period Against the Financial Period Ended 30 June 2023 (“Corresponding Period”)  
(cont'd.)**

Analysis of segmental performance against the corresponding period are as follows:

**Drilling Services Segment**

The Drilling Services segment reported revenue of RM568.5 million, an increase of RM170.7 million compared to the corresponding period's revenue of RM397.8 million. This growth is primarily attributed to several factors:

- i. Higher Jack-up Rigs Utilisation: The utilisation rate increased to 96% from 89% in the corresponding period.
- ii. Higher Average Daily Charter Rates: The average daily charter rate rose to USD111k/day from USD90k/day in the corresponding period.
- iii. Improved Operating Efficiency: The operating efficiency reached 99.3%, up from 95.0% in the corresponding period.

All rigs were contracted during the current period, except for NAGA 2 which was on Wait-on-Weather in January 2024 and underwent SPS in June 2024.

The segment registered a profit before tax of RM180.1 million compared to RM68.6 million in the corresponding period. This improvement is primarily due to the higher revenue achieved in the current period.

Included in the profit before tax is an accelerated depreciation expense of RM13.0 million. This expense is associated with the prior SPS for the rigs NAGA 2, NAGA 5, and NAGA 6, which was incurred in phases. These rigs are scheduled to undergo their subsequent SPS in FY2024.

**Integrated Project Management Segment**

The Integrated Project Management segment reported revenue of RM156.8 million, a decrease of RM4.8 million from the corresponding period's revenue of RM161.6 million. This is primarily attributed from:

- i. Lower utilisation and lower average operating day rates for hydraulic workover units which significantly dropped to USD17k/day from USD51k/day in the corresponding period; mitigated by
- ii. Improved service delivery, which allowed the completion of lump sum revenue milestones with reduced non-productive time and additional campaign duration days being charged at the daily spread rate for the i-RDC project.

However, the segment recorded a higher profit before tax of RM16.8 million compared to RM1.2 million in the corresponding period mainly due to:

- i. Higher profit before tax in the current period for i-RDC project of RM17.6 million relative to the corresponding period, which was in line with higher revenue; and offset with
- ii. Loss before tax for hydraulic workover units of RM0.8 million, in line with lower revenue.

**Oilfield Services Segment**

The Oilfield Services segment recorded lower revenue of RM6.2 million in the current period as compared to RM6.3 million in the corresponding period.

The segment recorded a lower profit before tax of RM0.4 million compared to RM1.4 million in the corresponding period. This decrease is mainly due to the reversal of impairment resulting from independent third party land revaluation of RM0.7 million in the corresponding period.

**Others Segment (include corporate expenses)**

The others segment, which includes corporate expenses, recorded a higher loss before tax of RM50.9 million in the current period, compared to a loss of RM33.0 million in the corresponding period. This increase in loss is mainly due to the amortisation of share option costs and the provision for corporate reorganisation, moving and reinstatement costs recognised in the current period.

**NOTE 15 – Comparison with Immediate Preceding Quarter's Results**

Business Segment	Revenue		Profit / (Loss) Before Tax	
	Quarter ended 30/06/2024	Quarter ended 31/03/2024	Quarter ended 30/06/2024	Quarter ended 31/03/2024
	RM'000	RM'000	RM'000	RM'000
Drilling Services	298,031	270,422	102,340	77,791
<i>Drilling</i>	261,742	234,953	88,561	65,305
<i>Drilling (i-RDC)</i>	36,289	35,469	13,779	12,486
Integrated Project Management	91,646	65,158	13,808	2,943
<i>Workover Services</i>	9,914	10,786	(1,829)	990
<i>i-RDC</i>	118,021	89,841	29,416	14,439
<i>Drilling (i-RDC)</i>	(36,289)	(35,469)	(13,779)	(12,486)
Oilfield Services	3,349	2,840	167	211
Others (include corporate expenses)	405	156	(30,126)	(20,754)
<b>Total</b>	<b>393,431</b>	<b>338,576</b>	<b>86,189</b>	<b>60,191</b>

The Group's revenue of RM393.4 million was RM54.8 million higher than the immediate preceding quarter's revenue of RM338.6 million. This was mainly due to higher jack-up rig utilisation, higher average daily charter rate and higher operating efficiency for Drilling Services and higher progress for i-RDC project under Integrated Project Management in the current quarter.

The Group recorded a profit before tax of RM86.2 million, higher by RM26.0 million against a profit before tax of RM60.2 million in the immediate preceding quarter, mainly due to higher revenue from Drilling Services and also higher progress for i-RDC project in the current quarter.

**NOTE 16 – Review of Consolidated Statement of Financial Position**

	Unaudited As at 30/06/2024 RM'000	Audited As at 31/12/2023 RM'000
Total assets	3,287,781	3,107,645
Total equity	2,623,136	2,475,408
Total liabilities	664,645	632,237
Total equity and liabilities	<b>3,287,781</b>	<b>3,107,645</b>

The Group's total assets rose by RM180.1 million, primarily due to an increase in receivables as well as cash and bank balances, in line with higher revenue. Total equity increased by RM147.7 million, driven by profit net of tax for the current period and movement in the foreign currency translation reserve.

Total liabilities increased by RM32.4 million, mainly attributed to higher trade and other payables resulting from the provision for corporate reorganisation, moving and reinstatement costs recognised, as well as higher tax provision during the current period, which were offset by lower borrowing balances.

Other than the above, there is no other material movement in total assets and total liabilities compared to the audited annual financial statements for the financial year ended 31 December 2023.

## **NOTE 17 – Current Prospect**

The overall global oil and gas outlook fundamentals remain strong. The benchmark Brent oil price has recently remained between USD75 per barrel to USD85 per barrel. This is due to increasing global oil demand despite mixed economic growth prospects.

The International Monetary Fund ("IMF") increased its projected global Gross Domestic Product ("GDP") growth rate for 2024 to 3.2% and 2025 to 3.3% respectively. U.S. Energy Information Administration ("EIA") is forecasting for global oil demand to increase from 102.9 million barrels per day in 2024 to 104.7 million barrels per day in 2025.

On the supply side, OPEC+ and Saudi Arabia continue to maintain their production cuts, while US production growth is increasing at a slower pace than anticipated. As such, oil markets are expected to draw on inventories in the second half of 2024. Geopolitical risk, including election results that might affect energy policies remains high. However, it has not affected oil markets in a significant way.

We expect global utilisation of jack-up rigs to remain strong up to 2025-2026 with marketed utilisation expected to remain at 89%. Despite some uncertainties in the jack-up drilling rig market, the supply and demand of the jack-up rigs remain robust. The Group is monitoring the current situation in both domestic and Middle East markets for its future bidding strategy, especially for mid-2026 onwards.

Global and regional upstream oil and gas activities including in Southeast Asia continue its upward trend, with more exploration and development projects being evaluated, re-visited and sanctioned. In Southeast Asia, a number of new contracts have been awarded with more being tendered out. However, the Group now sees the potential for deferral of certain activities in Malaysia, but optimistic that it will not have a major impact on Velesto's rig utilisation.

### **Drilling Services Segment**

Global competition for assets such as jack-up rigs remain heightened. Jack-up marketed utilisation stood at 97% in Southeast Asia and 100% in Malaysia respectively. Meanwhile, charter rates for the latest fixtures is stable at its current level. The Southeast Asia market in particular has been able to absorb arrival of several rigs from other regions.

The Group's utilisation is expected to be lower in 2H 2024, due to three of our rigs, namely NAGA 2, NAGA 5 and NAGA 6, which will be conducting their Special Periodical Survey and 5-yearly maintenance in the second half of the year.

Utilisation is expected to remain stable in 2025, with NAGA 2, NAGA 4, NAGA 6 contracted until 1Q 2026 and NAGA 8 up to 4Q 2025 respectively. Meanwhile, the Group is actively bidding for new tenders in local and international markets, particularly for NAGA 3 and NAGA 5 for activities to be performed in 4Q 2024 and 2025, and for 2026 and beyond for all our other rigs.

### **Integrated Project Management Segment**

The i-RDC project is progressing well and we have been awarded an extension to complete one additional well. As such, NAGA 5 is expected to be contracted until September 2024. GAIT 6 is currently contracted with ExxonMobil. The Group is participating in tendering for workover activities for 2025 onwards.

### **Group**

The positive outlook in the global oil and gas industry augurs well for the Group's financial performance. Barring any unforeseen circumstances, the Group remains optimistic of the financial performance for financial year 2024.

**NOTE 18 – Statement on Revenue and Profit Forecast**

This is not applicable to the Group.

**NOTE 19 – Variance from Profit Forecast and Profit Guarantee**

This is not applicable to the Group.

**NOTE 20 – Taxation**

	Quarter ended 30/06/2024 RM'000	Period ended 30/06/2024 RM'000
Taxation		
Malaysian taxation	22,146	34,131
Foreign taxation	1,229	2,625
<b>Total</b>	<b>23,375</b>	<b>36,756</b>

**NOTE 21 – Corporate Proposals**

There was no corporate proposal announced but not completed on the date of this announcement.

**NOTE 22 – Group Borrowings and Debt Securities**

As at 30 June 2024

	USD'000 borrowings	RM'000 borrowings	RM'000 equivalent
Short term borrowings			
- Secured			
USD revolving credit	22,000	-	103,906
RM revolving credit	-	13,000	13,000
	<u>22,000</u>	<u>13,000</u>	<u>116,906</u>
Long term borrowings			
- Secured			
Long term loan	50,000	-	236,150
Less: Transaction cost	-	-	(3,847)
	<u>50,000</u>	<u>-</u>	<u>232,303</u>
<b>Total</b>	<b>72,000</b>	<b>13,000</b>	<b>349,209</b>
	<b>Revolving Credit RM '000</b>	<b>Long Term Borrowings RM '000</b>	<b>Total RM '000</b>
Movements of Borrowings			
At 1 January 2024	114,288	244,326	358,614
Unamortised transaction costs	-	4,290	4,290
Gross Borrowings at 1 January 2024	<u>114,288</u>	<u>248,616</u>	<u>362,904</u>
Effect of changes in foreign exchange rate	2,618	6,754	9,372
Repayment	-	(19,220)	(19,220)
	<u>116,906</u>	<u>236,150</u>	<u>353,056</u>
Unamortised transaction costs	-	(3,847)	(3,847)
At 30 June 2024	<u>116,906</u>	<u>232,303</u>	<u>349,209</u>

#### NOTE 23 – Dividend

The Board of Directors has declared interim dividend of 0.25 sen per share in respect of financial year 2024 amounting to RM20.539 million. The proposed dividend will be paid on 28 November 2024 to shareholders registered at the close of business on 30 October 2024.

A depositor shall qualify for entitlement to the dividend only in respect of:

- i) Shares transferred into the Depositor's Securities Account before 4.30pm on 30 October 2024 in respect of Ordinary Transfers; and
- ii) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

#### NOTE 24 – Earnings Per Share

	Quarter ended 30/06/2024 RM'000	Quarter ended 30/06/2023 RM'000	Period ended 30/06/2024 RM'000	Period ended 30/06/2023 RM'000
Profit For The Period Attributable To: Equity Holders Of The Company (RM'000)	62,814	17,404	109,624	31,626
Weighted average number of ordinary shares in issue ('000)				
- Basic	8,215,600	8,215,600	8,215,600	8,215,600
Effects of dilution:				
Options under ESOS ('000)				
ESOS (Tranche 1)	-	-	-	-
ESOS (Tranche 2)	9,114	-	18,228	-
Weighted average number of shares for diluted Earnings Per Share	8,224,714	8,215,600	8,233,828	8,215,600
Earnings Per Share Attributable To Equity Holders Of The Company:				
- Basic (Sen)	0.76	0.21	1.33	0.38
- Diluted (Sen)	0.76	0.21	1.33	0.38

109,970,000 under the Employees' Share Option Scheme ("ESOS") Tranche 2 has been included in the calculation of diluted earnings per share as the average market price of ordinary shares exceeds the exercise price of the options.

However, 46,690,000 under the Employees' Share Option Scheme ("ESOS") Tranche 1 has not been included in the calculation of diluted earnings per share as the exercise price of the options exceeds the average market price of ordinary shares.

#### NOTE 25 – Audit Qualification

The audit report in respect of the annual financial statements of the Company for the financial year ended 31 December 2023 was unqualified.

**NOTE 26 – Items to Disclose in the Statement of Comprehensive Income**

	<b>Quarter ended 30/06/2024 RM'000</b>	<b>Period ended 30/06/2024 RM'000</b>
(a) Investment income	1,875	3,209
(b) Depreciation and amortisation	(59,150)	(124,795)
(c) Net foreign exchange loss	(1,137)	(1,036)
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**By Order Of The Board**

**LEE MI RYOUNG**  
Secretary  
(MAICSA 7058423)

**SAZLYNA SAPIEE**  
Joint Secretary  
(MIA 19254)

Kuala Lumpur  
29 August 2024