

# VELESTO ENERGY BERHAD

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



## Unaudited Condensed Consolidated Statement Of Comprehensive Income For The Third Quarter Ended 30 September 2024

	Quarter Ended 30/09/2024 RM'000	Quarter Ended 30/09/2023 RM'000	Period Ended 30/09/2024 RM'000	Period Ended 30/09/2023 RM'000
Revenue	352,363	289,236	1,084,370	855,803
Operating Expenses	(294,443)	(276,295)	(866,825)	(783,616)
Other Operating Income	125	117	2,295	687
<b>Profit From Operations</b>	<b>58,045</b>	<b>13,058</b>	<b>219,840</b>	<b>72,874</b>
Finance Costs	(10,711)	(10,793)	(29,436)	(34,393)
Share of Results of Associate	56	(23)	157	44
Investment Income	1,380	903	4,589	2,838
<b>Profit Before Tax</b>	<b>48,770</b>	<b>3,145</b>	<b>195,150</b>	<b>41,363</b>
Taxation	(5,845)	(1,930)	(42,601)	(8,522)
<b>Profit, Net of Tax</b>	<b>42,925</b>	<b>1,215</b>	<b>152,549</b>	<b>32,841</b>
<b>Other Comprehensive (Loss) / Income:</b>				
Foreign Currency Translation	(332,601)	(10,195)	(276,337)	65,236
Other Comprehensive (Loss) / Income, Net of Tax	(332,601)	(10,195)	(276,337)	65,236
<b>Total Comprehensive (Loss) / Income For The Year</b>	<b>(289,676)</b>	<b>(8,980)</b>	<b>(123,788)</b>	<b>98,077</b>
<b>Profit For The Period Attributable To:</b>				
Equity Holders of the Company	42,925	1,215	152,549	32,841
<b>Total Comprehensive (Loss) / Income Attributable To:</b>				
Equity Holders of the Company	(289,676)	(8,980)	(123,788)	98,077
<b>Earnings Per Share Attributable To Equity Holders of the Company:</b>				
Basic / Diluted (Sen)	0.52	0.01	1.86	0.40

(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 September 2024

	Unaudited As At 30/09/2024 RM'000	Audited As At 31/12/2023 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	2,150,837	2,421,587
Right-of-use Assets	6,251	8,430
Investment In Associate	1,487	1,329
	<u>2,158,575</u>	<u>2,431,346</u>
<b>Current Assets</b>		
Inventories	112,765	178,709
Trade and Other Receivables	402,739	363,490
Tax Recoverable	2,444	1,885
Deposits, Cash & Bank Balances	198,822	132,215
	<u>716,770</u>	<u>676,299</u>
<b>TOTAL ASSETS</b>	<u>2,875,345</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	12,824	9,739
Warrant Reserve	211,876	211,876
Other Reserves	651,496	927,833
Accumulated Losses	(406,919)	(518,857)
<b>TOTAL EQUITY</b>	<u>2,314,094</u>	<u>2,475,408</u>
<b>Non-Current Liabilities</b>		
Long Term Borrowings	161,417	244,326
Lease Liabilities	2,472	3,386
	<u>163,889</u>	<u>247,712</u>
<b>Current Liabilities</b>		
Taxation	20,572	5,938
Short Term Borrowings	62,320	114,288
Lease Liabilities	2,892	4,097
Trade and Other Payables	311,578	260,202
	<u>397,362</u>	<u>384,525</u>
<b>TOTAL LIABILITIES</b>	<u>561,251</u>	<u>632,237</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>2,875,345</u>	<u>3,107,645</u>
<b>Net Assets Per Share (RM)</b>	<b>0.28</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 September 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>	-	-	-	-	(276,337)	-	152,549	(123,788)
<b>Transactions With Owners:</b>								
Share Options Adjustment	-	3,085	-	-	-	-	468	3,553
Dividends	-	-	-	-	-	-	(41,079)	(41,079)
Total transactions with owners	-	3,085	-	-	-	-	(40,611)	(37,526)
At 30 September 2024	1,844,817	12,824	211,876	698	572,653	78,145	(406,919)	2,314,094
<b>For The Period Ended 30 September 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>	-	-	-	-	65,236	-	32,841	98,077
<b>Transactions With Owners:</b>								
Share Options Adjustment	-	(750)	-	-	-	-	750	-
Total transactions with owners	-	(750)	-	-	-	-	750	-
At 30 September 2023	1,844,817	9,211	211,876	698	820,800	78,145	(585,805)	2,379,742

(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)  
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## Unaudited Condensed Consolidated Statement Of Cash Flows For The Period Ended 30 September 2024

	(Unaudited) 9 Months Ended 30/09/2024 RM'000	(Unaudited) 9 Months Ended 30/09/2023 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit Before Tax	195,150	41,363
Adjustments		
Depreciation & Amortisation	188,330	147,672
Interest Expense	29,436	34,393
Net Unrealised Foreign Exchange (Gain) / Loss	(1,723)	1,587
Share of Results of Associate	(157)	(44)
Investment Income	(4,589)	(2,838)
Net (Gain) / Loss on Disposal of Property, Plant and Equipment	(1,346)	24
Asset Written Off	484	924
Share Options Granted Under ESOS	3,552	-
Reversal of Impairment Losses of Trade Receivables	(3,258)	-
Allowance for Impairment Losses on Property, Plant and Equipment	6,141	-
Provision for Unutilised Leave	-	34
Operating Profit Before Working Capital Changes	412,020	223,115
(Increase) / Decrease in Receivables	(36,065)	1,747
Decrease / (Increase) in Inventories	48,595	(7,344)
(Decrease) / Increase in Payables	(17,516)	66,064
Cash Generated From Operating Activities	407,034	283,582
Net Taxes Paid	(28,170)	(3,238)
Net Cash Generated From Operating Activities	378,864	280,344
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property, Plant & Equipment	(165,326)	(88,469)
Interest Income Received	4,662	2,596
Movement in Investments in Money Market Fund	6,640	(6,548)
Proceeds from Disposal of Property, Plant and Equipment	6,701	-
Movement in Deposits Placement With Maturity of More Than 3 months	-	(14,852)
Net Cash Used in Investing Activities	(147,323)	(107,273)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Repayment of Borrowings	(105,120)	(151,372)
Interest Paid	(22,170)	(31,910)
Payment of Lease Liabilities	(2,048)	(1,758)
Net Movement In Restricted Cash Deposits in Licensed Bank	2,038	(410)
Dividend Paid to the Shareholders	(20,539)	-
Net Cash Used in Financing Activities	(147,839)	(185,450)
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	83,702	(12,379)
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	119,809	113,323
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	(8,417)	3,379
<b>CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER</b>	195,094	104,323
<b>Cash and Cash Equivalents comprise:</b>		
Deposits, Cash & Bank Balances	198,822	126,291
Less: Restricted Cash	(3,728)	(7,116)
Less: Deposits With Maturity of More Than 3 months	-	(14,852)
	195,094	104,323

(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

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 121: The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability  
Amendments to MFRS 10: Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Deferred)  
Amendments to MFRS 9 and 7: Classification and Measurement of Financial Instrument  
MFRS 18: Presentation and Disclosure in Financial Statements  
MFRS 19: Subsidiaries without Public Accountability: Disclosures  
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Accounting Standards - Volume 11)  
Amendments to MFRS 7: Financial Instruments: Disclosures (Annual Improvements to MFRS Accounting Standards - Volume 11)  
Amendments to MFRS 9 Financial Instruments (Annual Improvements to MFRS Accounting Standards - Volume 11)  
Amendments to MFRS 10 Consolidated Financial Statements (Annual Improvements to MFRS Accounting Standards - Volume 11)  
Amendments to MFRS 107 Statement of Cash Flows (Annual Improvements to MFRS Accounting Standards - Volume 11)

### 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 September 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 September 2024.

#### Conversion of Warrants to Ordinary Shares

During the current quarter, there were no conversions of warrants to ordinary shares. However, subsequent exercises of warrants in October 2024 resulted in the issuance of new shares as follows:

- i. On 21 October 2024, 10,357 new ordinary shares were issued at an exercise price of RM0.3950 per share, totalling RM4,091; and
- ii. On 28 October 2024, 11,565 new ordinary shares were issued at an exercise price of RM0.3950 per share, totalling RM4,568.

### NOTE 6 – Dividend Paid

The Company paid the following dividend in the period ended 30 September 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	20,539

### NOTE 7 – Segmental Reporting

#### Quarter Ended 30 September 2024

	<b>Revenue RM'000</b>	<b>Profit / (Loss) Before Tax RM'000</b>	<b>Profit / (Loss) Attributable to Owners of the Company RM'000</b>
<b>Business Segment</b>			
Drilling Services	230,627	68,037	62,388
<i>Drilling</i>	179,558	37,658	32,009
<i>Drilling (i-RDC)</i>	51,069	30,379	30,379
Integrated Project Management	118,204	7,659	7,646
<i>Workover Services</i>	17,939	(3,783)	(3,796)
<i>i-RDC</i>	151,334	41,821	41,821
<i>Drilling (i-RDC)</i>	(51,069)	(30,379)	(30,379)
Oilfield Services	3,154	335	191
Others (include corporate expenses)	378	(27,261)	(27,300)
<b>Consolidated Total</b>	352,363	48,770	42,925

**NOTE 7 – Segmental Reporting (cont'd.)**

Period Ended 30 September 2024

Business Segment	Revenue	Profit / (Loss)	Profit / (Loss)
	RM'000	Before Tax	Attributable to Owners of the Company
	RM'000	RM'000	RM'000
Drilling Services	799,080	248,168	206,200
<i>Drilling</i>	676,253	191,524	149,556
<i>Drilling (i-RDC)</i>	122,827	56,644	56,644
Integrated Project Management	275,009	24,410	24,368
<i>Workover Services</i>	38,639	(4,622)	(4,664)
<i>i-RDC</i>	359,197	85,676	85,676
<i>Drilling (i-RDC)</i>	(122,827)	(56,644)	(56,644)
Oilfield Services	9,343	713	266
Others (include corporate expenses)	938	(78,141)	(78,285)
<b>Consolidated Total</b>	<b>1,084,370</b>	<b>195,150</b>	<b>152,549</b>

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 September 2024 to the date of this announcement, which substantially affects the results of the Group for the financial period ended 30 September 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:

Company Name	Date of Gazette
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

On 9 August 2024, the voluntary winding up of Velesto Oilpipe Services Sdn. Bhd., a dormant subsidiary of the Company, has commenced.

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

The capital commitments are in respect of the following:

	<b>30/09/2024</b>
	<b>RM'000</b>
<b>Approved and contracted for:</b>	
Equipment, plant and machinery	35,923
Others	666
	<u>36,589</u>
<b>Approved but not contracted for:</b>	
Equipment, plant and machinery	82,937
Others	26,509
	<u>109,446</u>
<b>Total</b>	<u><b>146,035</b></u>

#### NOTE 11 - Significant Related Party Transactions

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

#### NOTE 14 – Review of Performance

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

Business Segment	Revenue		Profit / (Loss) Before Tax	
	Quarter ended	Quarter ended	Quarter ended	Quarter ended
	30/09/2024	30/09/2023	30/09/2024	30/09/2023
	RM'000	RM'000	RM'000	RM'000
Drilling Services	230,627	167,284	68,037	6,161
<i>Drilling</i>	179,558	132,142	37,658	(8,480)
<i>Drilling (i-RDC)</i>	51,069	35,142	30,379	14,641
Integrated Project Management	118,204	118,598	7,659	9,000
<i>Workover Services</i>	17,939	37,942	(3,783)	2,006
<i>i-RDC</i>	151,334	115,798	41,821	21,635
<i>Drilling (i-RDC)</i>	(51,069)	(35,142)	(30,379)	(14,641)
Oilfield Services	3,154	2,962	335	839
Others (include corporate expenses)	378	392	(27,261)	(12,855)
<b>Total</b>	<u><b>352,363</b></u>	<u><b>289,236</b></u>	<u><b>48,770</b></u>	<u><b>3,145</b></u>

#### Group

Group revenue of RM352.4 million was RM63.2 million higher than the corresponding quarter's revenue of RM289.2 million, mainly due to higher utilisation and average daily charter rates for jack-up rigs under Drilling Services and extension of i-RDC project under Integrated Project Management during the current quarter.

The Group reported profit before tax of RM48.8 million in the current quarter, higher by RM45.7 million against the corresponding quarter, in line with higher revenue in the current quarter.



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

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

**Drilling Services Segment**

The Drilling Services segment reported revenue of RM230.6 million, an increase of RM63.3 million compared to the corresponding quarter's revenue of RM167.3 million. This growth is primarily attributed to several factors:

- i. Higher Jack-up Rigs Utilisation: The utilisation rate increased to 73% from 62% in the corresponding quarter.
- ii. Higher Average Daily Charter Rates: The average daily charter rate rose to USD127k/day from USD97k/day in the corresponding quarter.

All rigs were contracted during the current quarter, except for NAGA 2 and NAGA 6, which underwent a Special Periodic Survey ("SPS") in June and July 2024, respectively.

The Drilling Services segment registered a profit before tax of RM68.0 million, an increase of RM61.8 million compared to the profit before tax of RM6.2 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 NAGA 3 and NAGA 8 rigs, which was incurred in phases. These rigs are scheduled to undergo their subsequent SPS in FY2025.

**Integrated Project Management Segment**

The Integrated Project Management segment reported revenue of RM118.2 million, a decrease of RM0.4 million from the corresponding quarter's revenue of RM118.6 million. This is primarily attributed to:

- i. Lower average operating day rates for hydraulic workover units which significantly dropped to USD17k/day from USD51k/day in the corresponding quarter; mitigated by
- ii. Improved service delivery with reduced non-productive time, coupled with additional campaign duration days and extended work scope on daily spread rate from i-RDC project.

The segment recorded a lower profit before tax of RM7.7 million, compared to RM9.0 million profit in the corresponding quarter, primarily due to:

- i. Loss before tax for hydraulic workover units of RM3.8 million was due to the recognition of impairment loss on a hydraulic workover unit in the current quarter, amounting to RM6.1 million; mitigated by
- ii. Higher profit in the current quarter from i-RDC project of RM11.4 million, in line with higher revenue and lower activity cost.

**Oilfield Services Segment**

The Oilfield Services segment which is mainly from operation in Tianjin, recorded a higher revenue of RM3.2 million in the current quarter compared to RM3.0 million in the corresponding quarter.

The segment recorded lower profit before tax of 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 RM27.3 million in the current quarter, compared to a loss of RM12.9 million in the corresponding quarter. This increase in loss is mainly due to the provision for corporate reorganisation and higher amortisation of share option costs and in the current quarter.

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

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

<b>Business Segment</b>	<b>Revenue</b>		<b>Profit / (Loss) Before Tax</b>	
	<b>Period ended 30/09/2024 RM'000</b>	<b>Period ended 30/09/2023 RM'000</b>	<b>Period ended 30/09/2024 RM'000</b>	<b>Period ended 30/09/2023 RM'000</b>
Drilling Services	799,080	565,087	248,168	74,764
<i>Drilling</i>	676,253	463,357	191,524	39,998
<i>Drilling (i-RDC)</i>	122,827	101,730	56,644	34,766
Integrated Project Management	275,009	280,207	24,410	10,184
<i>Workover Services</i>	38,639	99,241	(4,622)	9,972
<i>i-RDC</i>	359,197	282,696	85,676	34,978
<i>Drilling (i-RDC)</i>	(122,827)	(101,730)	(56,644)	(34,766)
Oilfield Services	9,343	9,254	713	2,220
Others (include corporate expenses)	938	1,255	(78,141)	(45,805)
<b>Total</b>	<b>1,084,370</b>	<b>855,803</b>	<b>195,150</b>	<b>41,363</b>

**Group**

Group revenue of RM1,084.4 million was RM228.6 million higher than the corresponding period's revenue of RM855.8 million, mainly due to higher utilisation and average daily charter rates for jack-up rigs under Drilling Services and extension of i-RDC project under Integrated Project Management during the period.

The Group reported profit before tax of RM195.2 million in the current period higher by RM153.8 million against profit before tax of RM41.4 million in the corresponding period, in line with higher revenue.

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

**Drilling Services Segment**

The Drilling Services segment reported revenue of RM799.1 million, an increase of RM234.0 million compared to the corresponding period's revenue of RM565.1 million. This growth is primarily attributed to several factors:

- i. Higher Jack-up Rigs Utilisation: The utilisation rate increased to 88% from 80% in the corresponding period.
- ii. Higher Average Daily Charter Rates: The average daily charter rate rose to USD116k/day from USD92k/day in the corresponding period.
- iii. Improved Operating Efficiency: The operating efficiency reached 99.1%, up from 96.4% in the corresponding period.

All rigs were contracted during the current period, except for;

- i. NAGA 2 which was on Wait-on-Weather in January 2024 and underwent SPS in June 2023; and
- ii. NAGA 6 underwent SPS in July 2024.

The segment registered a profit before tax of RM248.2 million compared to RM74.8 million in the corresponding period. The 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 RM26.0 million. This expense is associated with the prior SPS for NAGA 2, NAGA 3, NAGA 5, NAGA 6 and NAGA 8 rigs which was incurred in phases. These rigs are scheduled to undergo their subsequent SPS in FY2024 and FY2025.

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

### **Performance of Current Period Against the Financial Period Ended 30 September 2023 (“Corresponding Period”) (cont'd.)**

Analysis of segmental performance against the corresponding period are as follows (cont'd.):

#### **Integrated Project Management Segment**

The Integrated Project Management segment reported revenue of RM275.0 million, a decrease of RM5.2 million from the corresponding period's revenue of RM280.2 million. This is primarily attributed to:

- 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 with reduced non-productive time, coupled with additional campaign duration days and extended work scope on daily spread rate from i-RDC project.

The segment recorded a higher profit before tax of RM24.4 million compared to RM10.2 million in the corresponding period mainly due to:

- i. Higher profit in the current quarter from i-RDC project of RM29.0 million, in line with higher revenue and lower activity cost; offset with
- ii. Loss before tax for hydraulic workover units of RM4.6 million was due to the recognition of an impairment loss on a hydraulic workover unit, amounting to RM6.1 million.

#### **Oilfield Services Segment**

The Oilfield Services segment recorded a comparable revenue of RM9.3 million in the current period.

The segment recorded a lower profit before tax of RM0.7 million compared to RM2.2 million in the corresponding period. This decrease is partly 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 RM78.1 million in the current period, compared to a loss of RM45.8 million in the corresponding period. This increase in loss is mainly due to the recognition of provision for corporate reorganisation, moving and reinstatement costs and the amortisation of share option costs in the current period.

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

Business Segment	Revenue		Profit / (Loss) Before Tax	
	Quarter ended 30/09/2024 RM'000	Quarter ended 30/06/2024 RM'000	Quarter ended 30/09/2024 RM'000	Quarter ended 30/06/2024 RM'000
Drilling Services	230,627	298,031	68,037	102,340
<i>Drilling</i>	179,558	261,742	37,658	88,561
<i>Drilling (i-RDC)</i>	51,069	36,289	30,379	13,779
Integrated Project Management	118,204	91,646	7,659	13,808
<i>Workover Services</i>	17,939	9,914	(3,783)	(1,829)
<i>i-RDC</i>	151,334	118,021	41,821	29,416
<i>Drilling (i-RDC)</i>	(51,069)	(36,289)	(30,379)	(13,779)
Oilfield Services	3,154	3,349	335	167
Others (include corporate expenses)	378	405	(27,261)	(30,126)
<b>Total</b>	<b>352,363</b>	<b>393,431</b>	<b>48,770</b>	<b>86,189</b>

The Group's revenue of RM352.4 million was RM41.1 million lower than the immediate preceding quarter's revenue of RM393.4 million. This was mainly due to lower jack-up rig utilisation for Drilling Services in the current quarter.

The Group recorded a profit before tax of RM48.8 million, lower by RM37.4 million against a profit before tax of RM86.2 million in the immediate preceding quarter, mainly due to lower revenue from Drilling Services in the current quarter.

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

	Unaudited As at 30/09/2024 RM'000	Audited As at 31/12/2023 RM'000
Total assets	2,875,345	3,107,645
Total equity	2,314,094	2,475,408
Total liabilities	561,251	632,237
Total equity and liabilities	<b>2,875,345</b>	<b>3,107,645</b>

Total assets saw a reduction of RM232.3 million, primarily due to the revaluation of property, plant, and equipment. This decrease was partially offset by higher receivables and cash and bank balances, which are in line with increase in revenue for the period.

Total equity declined by RM161.3 million, largely driven by movements in the foreign currency translation reserve. However, this decline was partially cushioned by profit after tax for the current period, mitigating the impact on overall equity.

The Group's total liabilities decreased by RM71.0 million, primarily due to lower borrowing balances. However, this reduction was partially offset by an increase in trade and other payables. The rise in payables is linked to provisions for corporate reorganisation, relocation and reinstatement costs, and higher tax provisions recognised during the current period.

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 industry’s fundamentals are moderate with the benchmark Brent oil price consensus forecast hovering between USD70 to USD80 per barrel. The U.S. Energy Information Administration (“EIA”) has forecasted global oil consumption to grow at a slower pace to 104.4 million barrels per day, as global GDP growth in 2025 is expected to remain low at 3.2%, while geopolitical risk remains high.

Global and regional demand of jack-up rigs is expected to slow down in 2025, putting downward pressure on utilisation and daily charter rates. Drilling activity in Malaysia is also expected to decline due to reduction in exploration activities.

#### Drilling Services Segment

We expect forthcoming decline in the utilisation rates for the fourth quarter of 2024 and the year 2025. This anticipated decline is attributed to the scheduling of Special Periodical Surveys (“SPS”) and 5-yearly maintenance for three of our rigs, namely NAGA 5, NAGA 8, and NAGA 3. On 27 November 2024, NAGA 8 received from the client a notice of suspension effective 10 February 2025, or upon the completion of contract demobilisation, whichever occurs later. This is due to early completion of the drilling programme. We are taking this window of opportunity to expedite the SPS for NAGA 8 to March 2025, to prepare NAGA 8 for upcoming opportunities, which we are currently bidding for.

On the other hand, NAGA 2, NAGA 4, and NAGA 6 will remain contracted until the first quarter of 2026, ensuring continued operations and stability in our rig utilisation.

#### Group

As of the end of October, Velesto’s remaining orderbook stands at RM0.9 billion, which will support the Group’s financial performance until 2026. The Group continues to actively pursue tender opportunities in both domestic and regional markets.

While we are optimistic about our financial performance for the 2024 fiscal year, we maintain a more cautious outlook for 2025.

#### 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 30/09/2024 RM’000	Period ended 30/09/2024 RM’000
Taxation		
Malaysian taxation	4,220	38,351
Foreign taxation	1,625	4,250
<b>Total</b>	<b>5,845</b>	<b>42,601</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 September 2024

	USD'000 borrowings	RM'000 borrowings	RM'000 equivalent
Short term borrowings			
- Secured			
USD revolving credit	12,000	-	49,320
RM revolving credit	-	13,000	13,000
	<u>12,000</u>	<u>13,000</u>	<u>62,320</u>
Long term borrowings			
- Secured			
Long term loan	40,000	-	164,400
Less: Transaction cost	-	-	(2,983)
	<u>40,000</u>	<u>-</u>	<u>161,417</u>
<b>Total</b>	<u><b>52,000</b></u>	<u><b>13,000</b></u>	<u><b>223,737</b></u>
	<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	(8,218)	(22,846)	(31,064)
Repayment	(43,750)	(61,370)	(105,120)
	62,320	164,400	226,720
Unamortised transaction costs	-	(2,983)	(2,983)
At 30 September 2024	<u>62,320</u>	<u>161,417</u>	<u>223,737</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 interim dividend has been 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 30/09/2024 RM'000	Quarter ended 30/09/2023 RM'000	Period ended 30/09/2024 RM'000	Period ended 30/09/2023 RM'000
Profit For The Period Attributable To: Equity Holders Of The Company (RM'000)	42,925	1,215	152,549	32,841
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				
- Diluted	8,215,600	8,215,600	8,215,600	8,215,600
Earnings Per Share Attributable To Equity Holders Of The Company:				
- Basic / Diluted (Sen)	0.52	0.01	1.86	0.40

46,690,000 and 108,470,000 options under the Employees' Share Option Scheme ("ESOS") Tranche 1 and Tranche 2, respectively, have 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 Group and the Company for the financial year ended 31 December 2023 was unqualified.

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

	Quarter ended 30/09/2024 RM'000	Period ended 30/09/2024 RM'000
(a) Investment income	1,380	4,589
(b) Depreciation and amortisation	(63,535)	(188,330)
(c) Net foreign exchange gain	1,563	527

#### By Order Of The Board

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

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

Kuala Lumpur  
28 November 2024