

**FINANCIAL RESULTS
FOR THE 6 MONTHS ENDED
30th JUNE 2020**
26 AUGUST 2020

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An aerial photograph of two large offshore oil rigs in the middle of the ocean. The sun is high in the sky, creating a bright glare on the water's surface. The rigs are complex structures with cranes and scaffolding. The water is dark blue, and the sky is a lighter blue with some wispy clouds.

INDUSTRY UPDATE

INDUSTRY OUTLOOK

The two shocks of COVID-19 and oil price collapse are intertwined

ECONOMIC

- COVID prevention lower measures lead to restricted movement and lower economic activities
- IMF expects GDP to contract by **4.9%** 2020; hope for a 'U-shaped' recovery in 2021

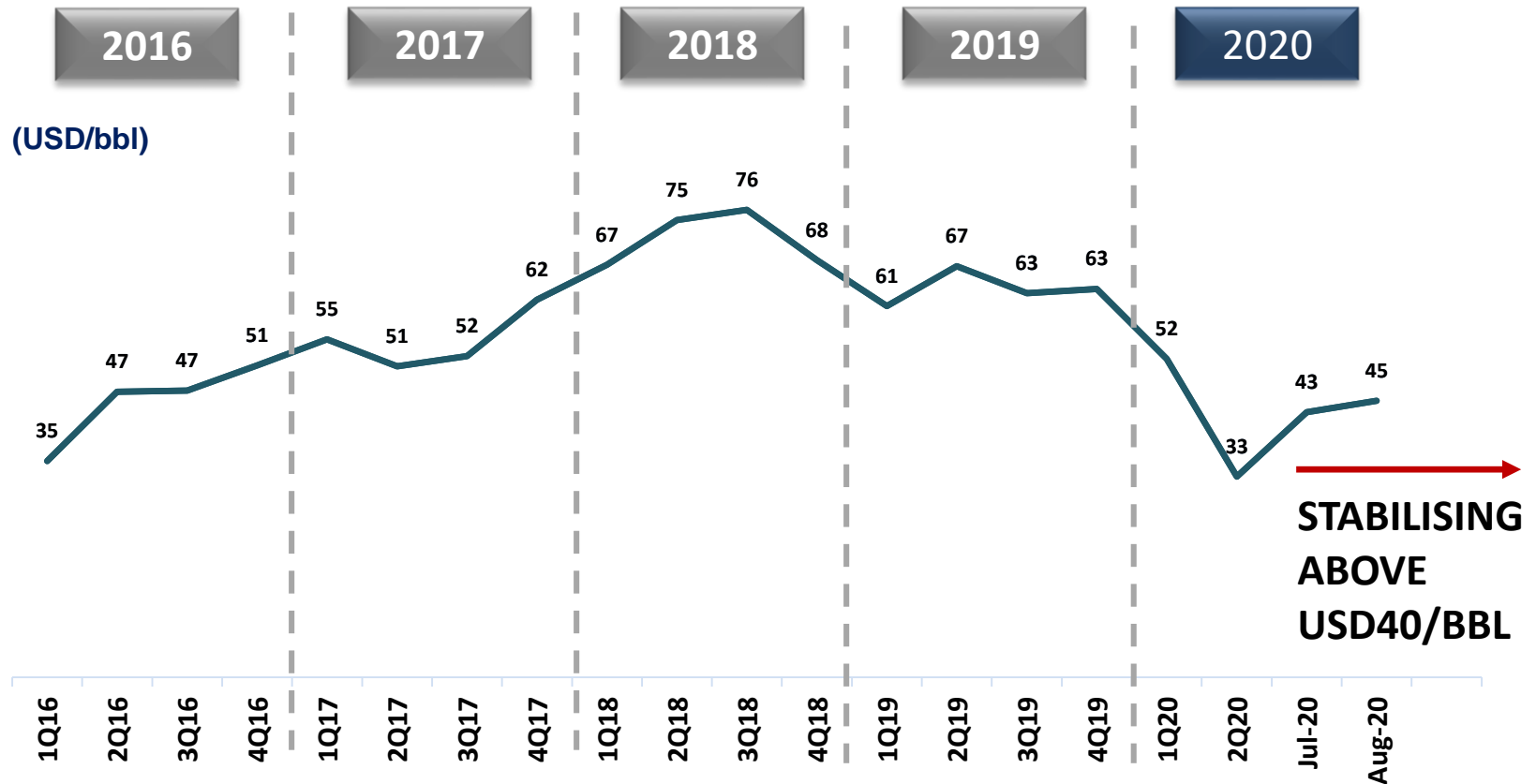
OIL & GAS INDUSTRY

- EIA forecasts global oil demand expected to fall by **~8.1 mil** bbl/day in 2020
- OPEC+ agreed to supply cuts, but insufficient
- Oversupply leading to buildup in inventory

DRILLING RIG OUTLOOK

- IEA expects Global Upstream E&P Investments to drop by **32%** in 2020
- Global jack-up demand expected to drop to 320 rigs from 380 rigs in early 2020
- Utilisation and daily charter rates are under pressure

OIL PRICE MOVEMENT - BRENT



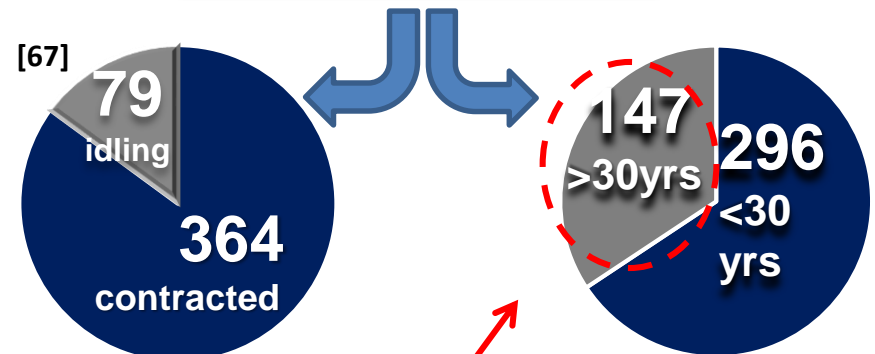
**ALTHOUGH OIL PRICES ARE STILL ~30% LOWER THAN 2019 LEVELS,
IT HAS BEEN STABILISING ABOVE USD40/BBL FOR THE PAST THREE MONTHS;**

DRILLING RIGS OUTLOOK - SUPPLY



Lesser rigs available
in the future

Potential Rigs Coming Out From The Yard	Total
Grand Total	43



Source: IHS Petrodata July 2020

DRILLING RIGS OUTLOOK - DEMAND

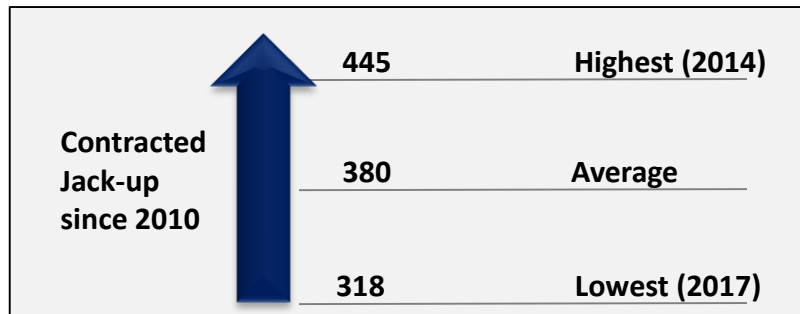
WORLDWIDE JACK-UP DEMAND

REGION	2020A	2021F
Information as at July		
Southeast Asia (Excl. Malaysia)	27	25
Malaysia	10	9
Middle East / India	166	153
Others	161	133
TOTAL	364	320

TOTAL JU DEMAND



Source: IHS World Rig Forecast: Short Term Trends April 2020



Utilisation in Malaysia

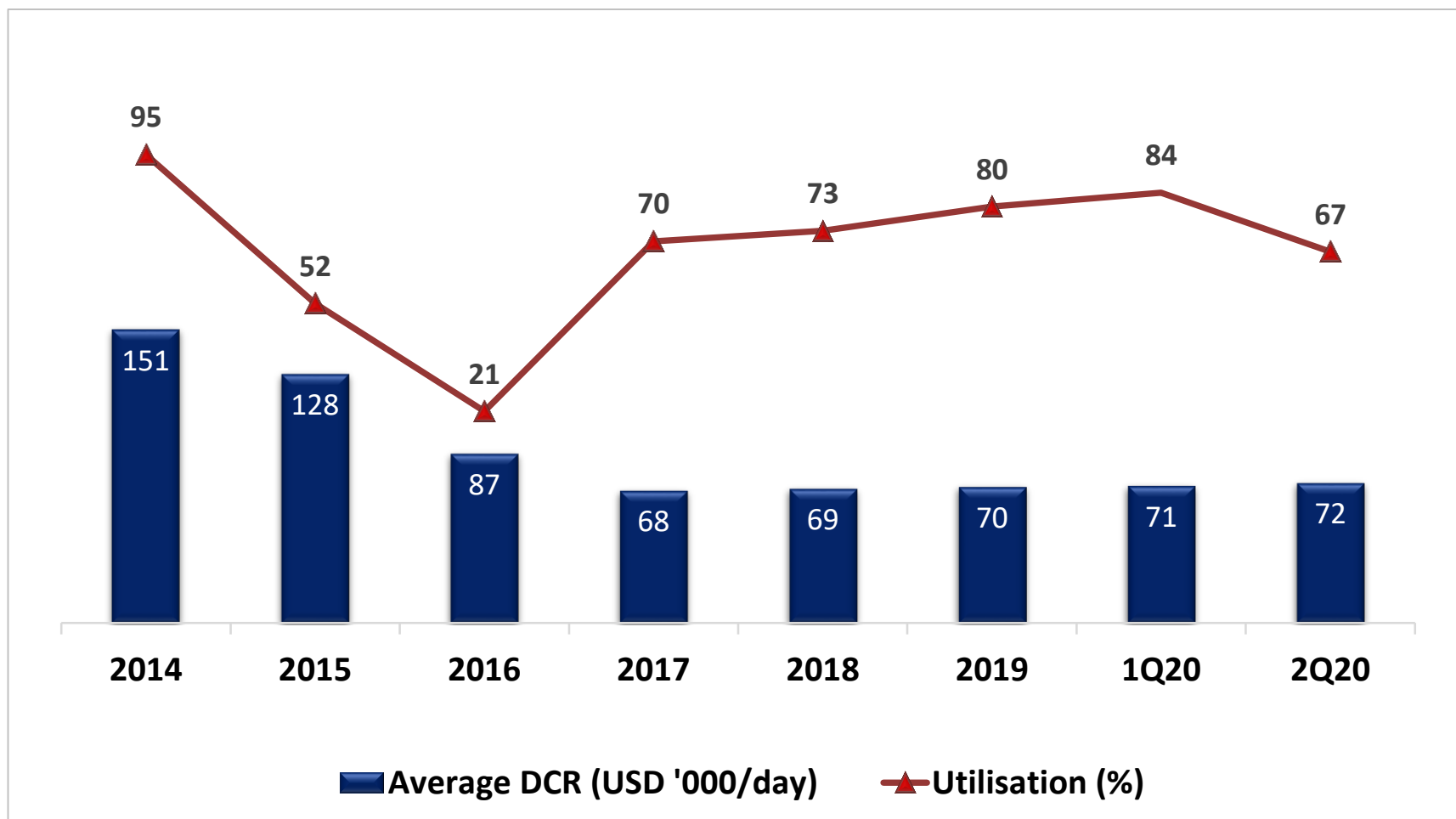
Total Rig in Malaysia	14
Working	10
Average Contracted Rig Utilisation	71%

Source: IHS Petrodata July 2020

An aerial photograph of two large offshore oil rigs in the ocean. The rigs are red and white, with tall derrick structures. The rig on the left has a green helipad with a yellow 'H' on it. The sky is a mix of blue and orange from the sunset. The text 'COMPANY OUTLOOK' is overlaid in large white letters.

COMPANY OUTLOOK

RIG UTILISATION AND AVERAGE DAILY CHARTER RATE



LATEST ORDER BOOK STATUS

Total Contract Value

RM 1.69 b
+
RM 0.90 b
(option)
=
RM 2.58 b

Remaining Order Book

RM 0.55 b
+
RM 0.27 b
(option)
=
RM 0.82 b

NAGA 2



PCSB

NAGA 3



IDLE

NAGA 4



MUBADALA

NAGA 5



IDLE

NAGA 6



PCSB

NAGA 7



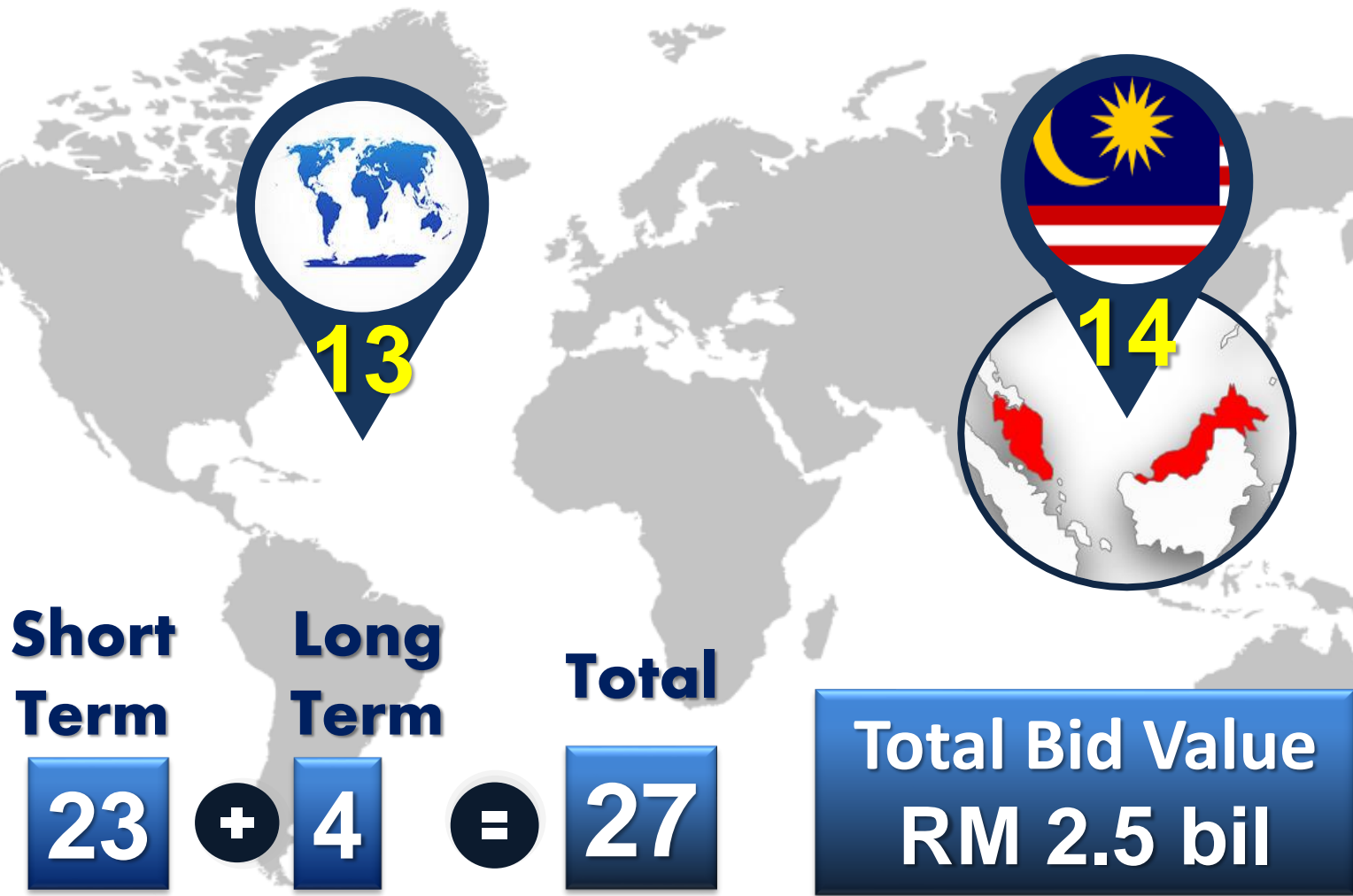
PCSB

NAGA 8



PCSB

CURRENT TENDER ACTIVITIES



As at 30 July 2020

MAJOR SHAREHOLDERS



* **PNB**
Permodalan Nasional Berhad
57.0%

Urusharta
Jamaah
5.3%

Public
Mutual
1.8%

Vanguard
1.7%

OTHERS
31.5%

* **PNB**
Permodalan Nasional Berhad
and PNB Funds

KWAP
1.7%

Manulife
1.1%

*Foreign
shareholding: 4.6%*

As at 22 June 2020 and Company Announcements

An aerial photograph of a large, complex offshore oil platform being towed by several tugboats across a deep blue sea. The platform is a multi-level structure with various equipment and pipes. Two long, dark, parallel lines, likely pipelines, stretch across the water's surface. The word "FINANCIALS" is overlaid in large, white, bold capital letters across the center of the image.

FINANCIALS

2Q 2020 KEY FINANCIAL HIGHLIGHTS

AVERAGE UTILISATION

67%

1Q20 : 84%
2Q19 : 74%

AVERAGE DAY RATE

USD72k

1Q20 : 71k
2Q19 : 71k

OPERATIONAL EFFICIENCY

99%

1Q20 : 98%
2Q19 : 98%

REVENUE

RM141m

1Q20 : 176m
2Q19 : 157m

EBITDA

RM62m

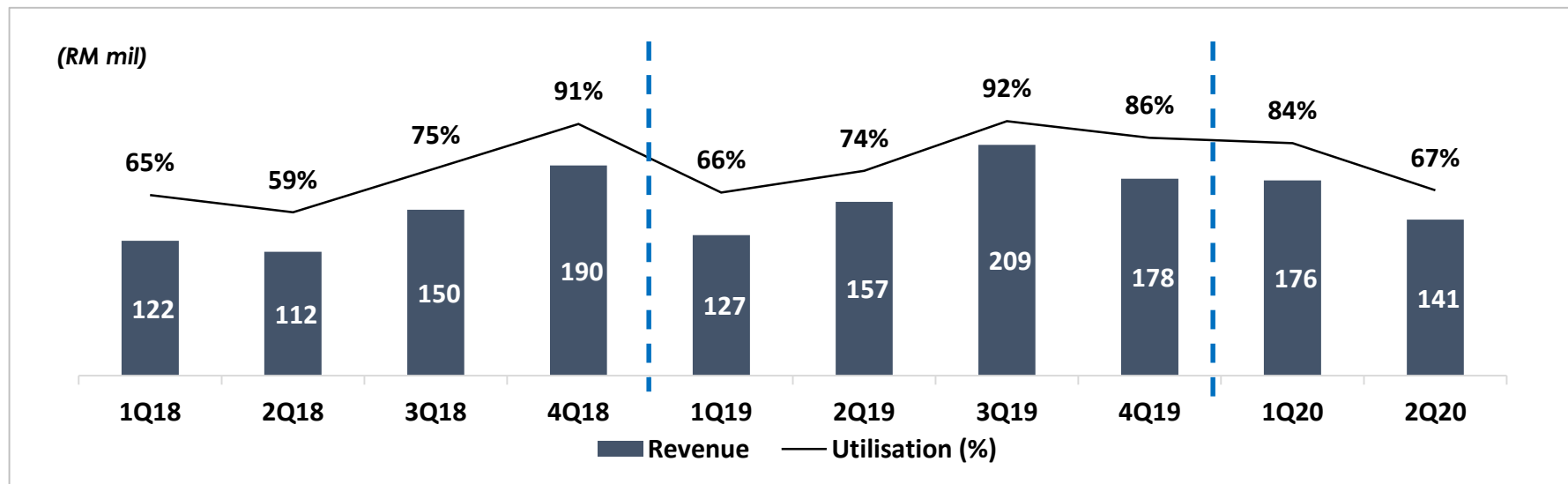
1Q20 : 98m
2Q19 : 79m

PAT/(LAT)

(RM15m)

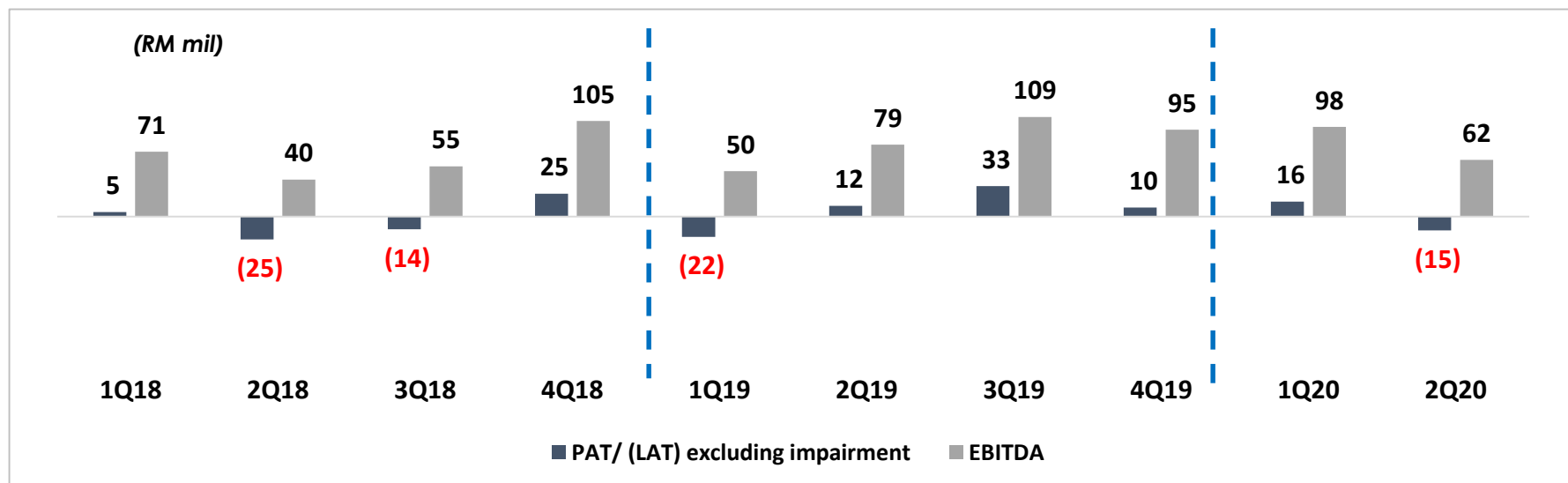
1Q20 : 16m
2Q19 : 12m

EVOLUTION OF PERFORMANCE



DCR
(USD 'k)

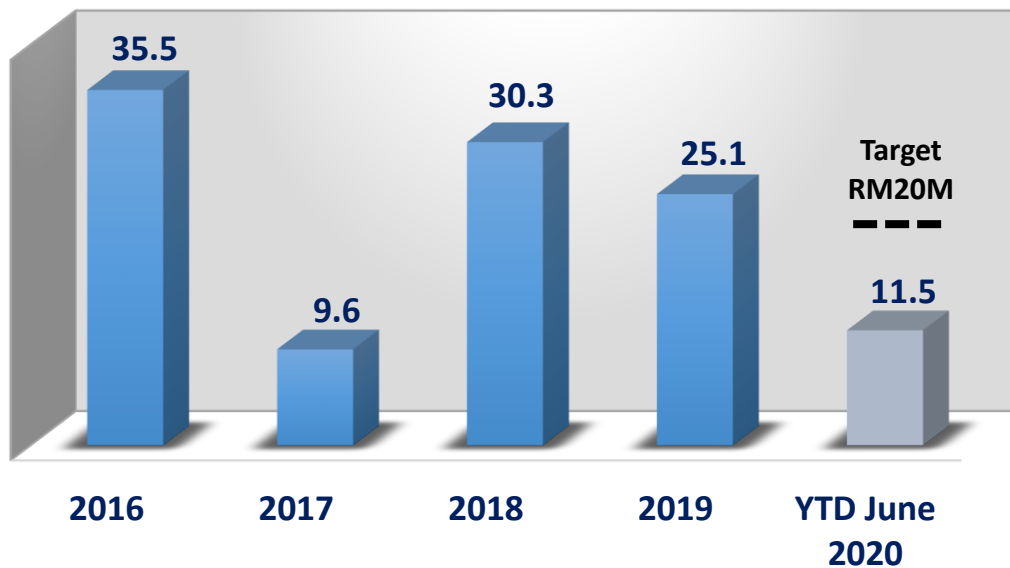
68	68	70	68	69	71	70	71	71	72
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RENEWED FOCUS ON COST SAVINGS

TARGETING RM20M COST SAVINGS FOR FY2020

RM mil

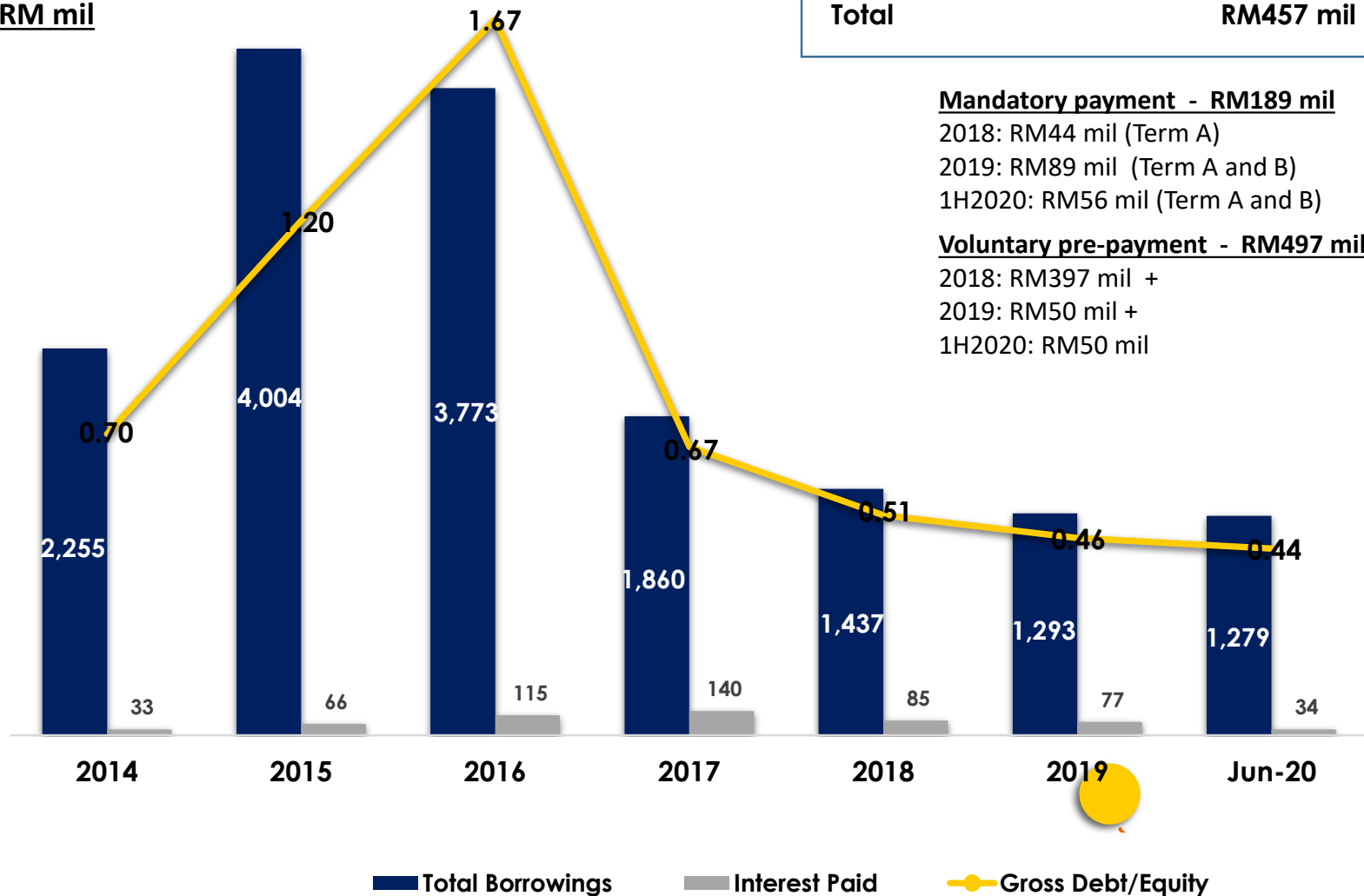


Major Drivers

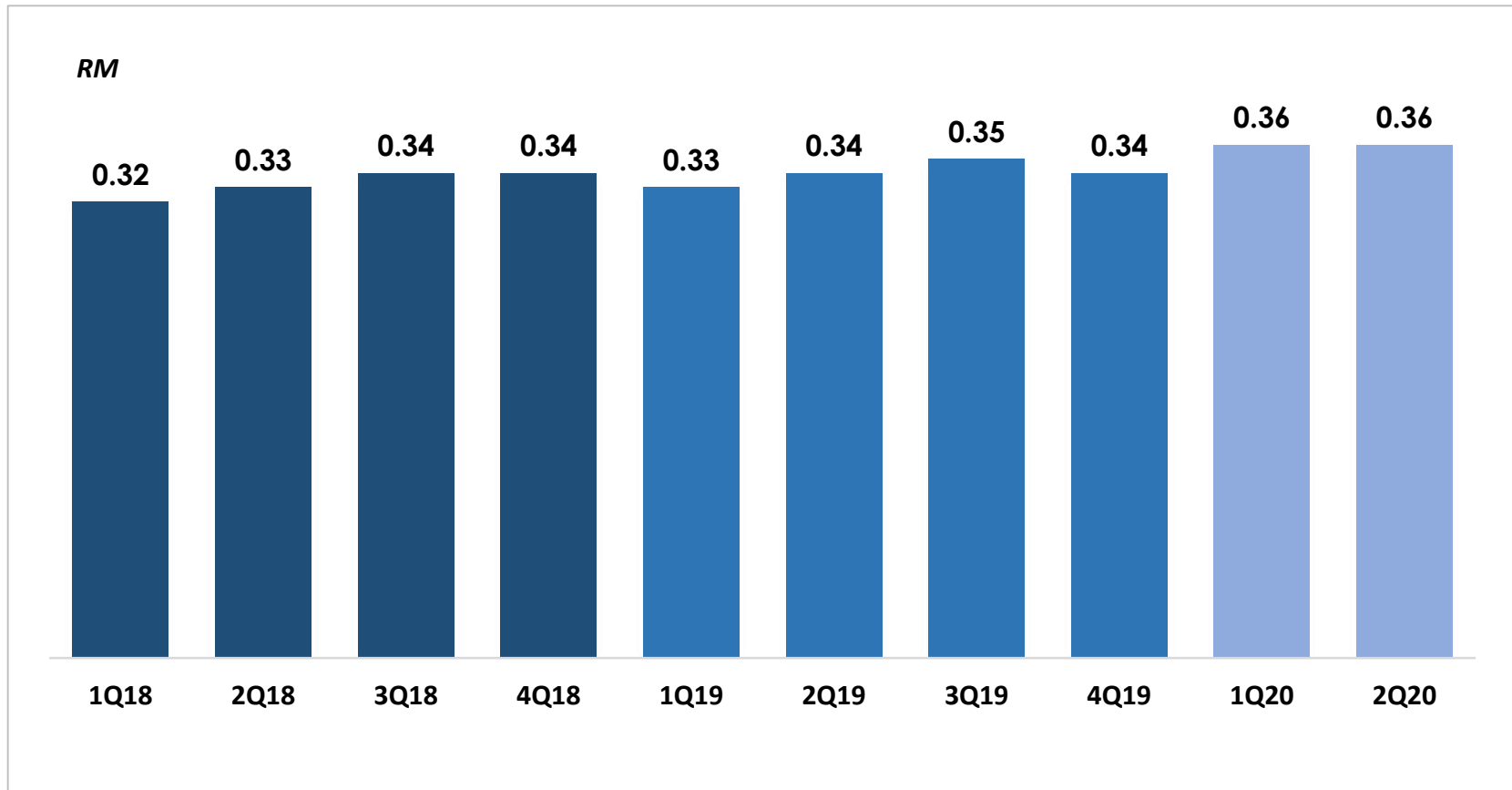
1. Procurement
2. Repair & Maintenance
3. Idle Rig Management
4. Personnel Costs
5. Early Loan Repayment

MAINTAINING LOW DEBT/ EQUITY RATIO

RM mil



NET ASSET PER SHARE



Share Price
25/08/2020

RM 0.15

Market Capitalisation
25/08/2020

RM 1.23 billion

KEY FINANCIAL RATIOS

Financial Ratios	2014	2015	2016	2017	2018	2019	YTD June 2020
Revenue (RM mil)	1,015	840	321	587	574	671	317
Revenue growth (%)	37.6	(17.2)	(61.8)	82.9	(2.2)	16.9	11.7 ¹
EBITDA margin (%)	43.7	36.8	2.9	42.4	47.1	49.2	50.0
PAT/ (LAT) margin excluding impairment (%)	25.0	(2.5)	(125.3)	(25.1)	(1.6)	4.9	0.3
Earnings/ (Loss) per share attributable to equity holders of the Company (sen)	11.66	-17.08	-54.46	-36.79	-0.24	0.40	0.01
Total borrowings (RM mil)	2,254	4,004	3,773	1,860	1,437	1,293	1,279
Gross debt to equity ratio	0.70	1.20	1.67	0.67	0.51	0.46	0.44
EBITDA / Interest (x)	17.0	4.8	0.1	1.8	3.2	4.1	4.3

¹ Compared with 1H 2019

SUSTAINABILITY HIGHLIGHTS



FTSE4Good

VELESTO ADDED TO THE FTSE4GOOD BURSA MALAYSIA INDEX IN JUNE 2019



Tier 1 (Setting the Pace)
for Sustainability disclosures
by BURSA Malaysia



FTSE4Good

Included in **FTSE4Good**
Bursa Malaysia Index



Purchases from Local Suppliers:
RM186.0 mil
(FY2018: RM119.8 mil)
+ 55%



Employees in Salaries and Benefits:
RM138.9 mil
(FY2018: RM127.8 mil)
+ 9%



6 United Nations Sustainability Development Goals
("UN SDGs") adopted by VELESTO;
UN SDG 3, UN SDG 4, UN SDG 5, UN SDG 7, UN SDG 8, UN SDG 14



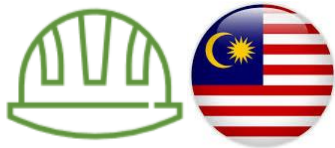
Taxes Paid to the Government:
RM8.8 mil
(FY2018: RM0.6 mil)
+ 15 times



Net Debt Repayments to Financiers:
RM138.8 mil
(FY2018: RM441.2 mil)
-7%

FOCUSED ON ESG EXCELLENCE

ECONOMIC



Total workforce
715 employees
(FY2018: 658)
72% Malaysians

ENVIRONMENT



- **8%** reduction
In rig energy
consumption; and
Greenhouse Gas
emissions

SOCIAL



2.6 mil manhours
(FY2018: 1.4 mil manhours)
without LTI



338 participants trained
23% increase for VIDA



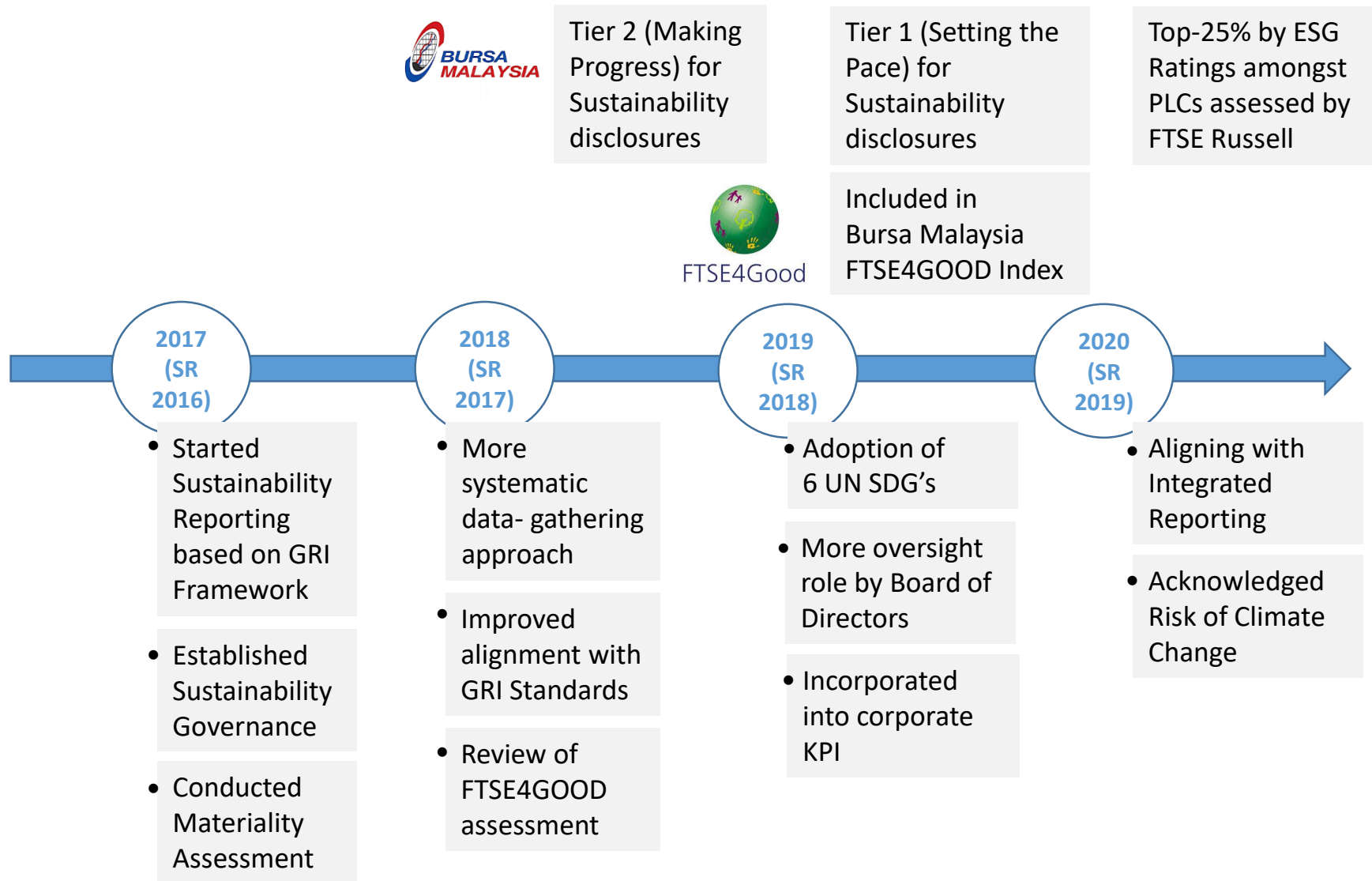
Zero fatalities and
Zero major spills



Women

45%
Senior Management
44%
Directors

OUR SUSTAINABILITY JOURNEY



SUSTAINABILITY ESG RATINGS



Top-25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell



Improving ESG disclosures based on FTSE Russell criteria

THEME SCORES

Pillars	June 2020 (out of 5)
Environment	2.3
Social	2.6
Governance	5.0
Aggregate	3.3

Top ESG rated companies in the Energy Sector



HengYuan
Refining

Hibiscus

MMHE

VELESTO
energy



Bumi
Armada

Deleum

Dialog

Petron
Malaysia

Yinson

*Note: Petronas Chemicals (Industrial Products & Services),
Petronas Dagangan (Consumer Products & Services),
Petronas Gas (Utilities)*

PROPOSED SHARE CAPITAL REDUCTION

Details of the Proposal

The reduction and cancellation of RM2.21 billion of the issued share capital of the Company and corresponding elimination accumulated losses, pursuant to Section 116 of the Companies Act, 2016 (“Act”).

Unaudited 31.12.2019 RM mil	Company Before	Company After	Group Before	Group After
Share Capital	4,055	1,845	4,055	1,845
Accumulated Profit/ (Losses) (*)	(2,172)	38	(2,146)	63
Other Reserves	291	291	893	893
Total Shareholders' Equity	2,174	2,174	2,802	2,802
Net Asset per share (sen)	0.26	0.26	0.34	0.34

(*) Assumption: After estimated expenses of RM250k



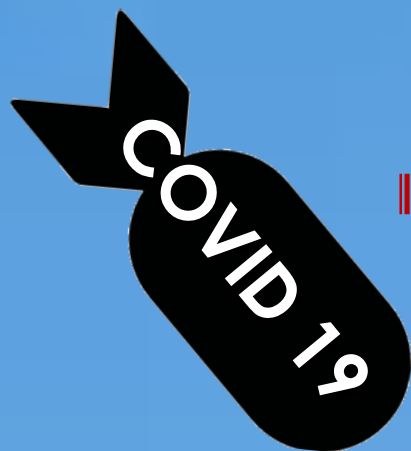
Progress Update

1. Shareholders approval at 10th AGM of VEB **(Completed)**
2. Filed an application to the High Court to obtain the confirmation of the High Court for the Proposed Share Capital Reduction pursuant to Section 116 of the Act **(Completed)**
3. Court order obtained from the high court **(Pending)**
4. Lodgement of the order with ROC and Announcement of completion of Proposal **(Pending)**

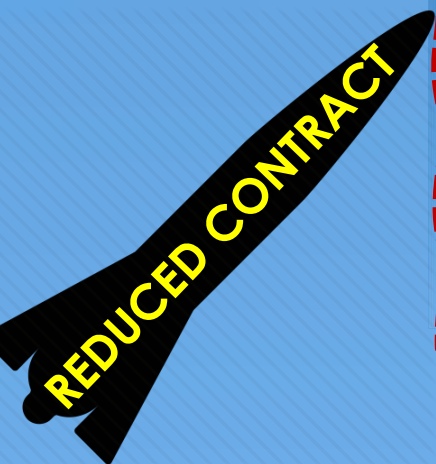


IMPACT OF COVID19 ON VELESTO'S OPERATIONS





GLOBAL
ECONOMIC
SLOWDOWN



STAFF, VENDORS,
STAKEHOLDERS

OPERATIONAL CHALLENGES ARISING FROM MCO

1



Difficulty in
extending
work permits

2



Disruption to
bring in
expatriates

3



Heavy restrictions
for entering Miri
and Labuan

4



Quarantine
requirements

5



Unplanned
Rig Suspension
by clients

HOW DO WE HANDLE IT?

OFFSHORE

- 1 STAY OFFSHORE LONGER** FROM 28 DAYS TO 49 DAYS
- 2 ADDITIONAL ALLOWANCE** IF HAVE TO STAY LONGER ON THE RIG
- 3 9 TRANSIT CENTRES:** TO MAKE SURE HEALTHY CREW BEFORE GOING TO RIG
- 4 SPECIAL STANDBY ALLOWANCE** IF HAVE TO STAY AT TRANSIT CENTRES
- 5 EVERY TWO WEEKS** SALARY PAYMENT
- 6 SPECIAL MEAL ALLOWANCE** IF CANNOT GO BACK TO RIG

**RM11 MILLION
EXTRA COST
IN 2Q2020**

PERSONNEL COST MEASURES

Measures Undertaken

- ✓ **Reskilling Employees**
- ✓ **Hiring Freeze**
- ✓ **No Salary Increments**
- ✓ **Manpower Reduction**

** Management will consider additional measures, if necessary*



A wide-angle photograph of an offshore oil rig and a support vessel on the ocean. The rig is a tall, lattice-structured platform in the distance. A red and white support vessel is in the lower left foreground. The sky is blue with scattered white clouds. The text "MOVING FORWARD" is overlaid in large white letters.

MOVING FORWARD

CURRENT OUTLOOK

Slowdown in global economy caused lower demand for oil and gas

Global E&P companies reduced CAPEX significantly

Oil price stabilising at above USD40 per barrel in the last three months

Drilling activities slowly recovering as reserve replenishment activities returns

However, low activities expected to continue for the remainder of the year

WHAT ARE WE DOING

Continue to pursue contracts in the domestic market

Actively tender in regional and global markets

Continue to improve operational and financial efficiencies

Enhance cost cutting measures and prioritising expenses

Defer non-critical CAPEX and closely monitor liquidity position

Developing new capabilities and expanding asset workscope

An aerial photograph of a large offshore oil rig, specifically a semi-submersible drilling rig, floating on a deep blue sea. The rig is a complex of white and grey metal structures with several green helipads. A dark horizontal band across the center of the image contains the text "THANK YOU" in large, white, sans-serif capital letters.

THANK YOU