VELESTO energy

Resilience. Performance. Returns.

Integrated Annual Report 2025

Resilience.
Performance.
Returns.

Velesto Energy Berhad

Annual General Meeting

The Summit 1 Ballroom, Level M1, The Vertical, Bangsar South City, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Wednesday, **3 June 2026** at **2:00 p.m.**

Revenue of FY2025
RM893 million

Profit Before Tax
RM236 million

Profit After Tax
RM202 million

For further details, please refer to page 26.

Our Guiding Principle

Performance Driven, Operations Focused.

Our Statement of Purpose

We provide extraordinary services that energise and enrich lives.

Our iLEAP 2.0 Core Values

Integrity

- I practice transparency and consistency to build trust.
- I have the courage to hold myself and others to ethical behavior in all situations.

Leadership

- I lead myself and others with respect, dignity and empathy.
- I focus on the well-being of individuals and communities, sharing power and helping others reach their highest potential.

Excellence

- I seek continuous improvement, focusing on goals and solutions.
- I overcome setbacks and difficulties, and adapt to changes.

Accountability

- I am trusted to make the right decisions and choices.
- I own my actions and the outcomes of those actions.

Passion

- I care about the quality of my work and the growth of my team.
- I take pride in Velesto.

Who we are

Velesto Energy Berhad ("Velesto" or the "Group") is a Malaysia-based multinational provider of services for the upstream oil and gas sector.

The Group owns and operates six premium jack-up drilling rigs, which are capable of operating in water depths of up to 400 feet — ideal for the shallow waters of Southeast Asia. Velesto also provides workover services through its hydraulic workover units. Through Velesto Academy ("VAD"), the Group actively supports the development of skilled drilling professionals, playing a significant role in Malaysia's human capital growth. Notably, Velesto's onshore rig within INSTEP is utilised by Universiti Teknologi PETRONAS students, providing practical training that complements academic learning. Listed on the Main Board of Bursa Malaysia, it is a constituent of the FTSE4Good Bursa Malaysia Index, a testament to its sustainability performance and ESG practices.

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To support sustainability efforts, we encourage you to access our Integrated Annual Report online via our website. If you prefer a printed copy, please be assured that Velesto Energy Berhad's Integrated Annual Report is produced using FSC-certified, Elementary Chlorine Free (ECF), pH-neutral, recyclable, and environmentally responsible paper.

Pulp from Sustainable Forest
Elementary Chlorine Free
Recyclable & Eco Friendly Paper

About this Report

INTRODUCTION

Velesto Energy Berhad ("Velesto" or "the Group") presents its Integrated Annual Report ("IAR2025") for financial year ended 31 December 2025 ("FY2025"). Determination of content for inclusion in IAR2025 continues to be driven by the Main Market Listing Requirements ("MMLR") of the regulator, Bursa Malaysia Securities Berhad ("Bursa Malaysia") and other reporting frameworks and standards as provided below:

Companies Act 2016 ("Act")	Integrated Reporting Framework	Malaysian Code on Corporate Governance ("MCCG")	Malaysian Financial Reporting Standards ("MFRS")	National Sustainability Reporting Framework ("NSRF")

IAR2025 has been prepared for the Group, and should be read in conjunction with the Group's consolidated financial statements. The consolidated financial statements are prepared in accordance with the MFRS and IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

GROUP STRUCTURE FOR REPORTING

For a full list of subsidiaries, associate companies, and other business entities, please refer to the Corporate Structure Section. In determining the aforementioned reporting scope and boundary, Velesto has taken into account its business model and value chain. Specific details on both are provided in the Our Business Model and Value Chain section of this Report.

MATERIALITY

Velesto applies the principle of materiality to determine the inclusion of content of the report with regards to the disclosure of risks, opportunities, and other factors for matters with potential impacts, outputs and outcomes to its business activities. The materiality principle forms the basis of judgement on our long-term strategy to ensure sustainable value creation.

AUDIT AND ASSURANCE

Financial statements provided in this Report have been audited by Messrs Ernst and Young PLT. Non-financial performance data covered in this report has not undergone formal auditing but the Company has exercised a fair and reasonable judgement on all material matters contained including the disclosure of our top-line strategic plans so as not to place Velesto at a competitive disadvantage.

About this Report

RELATED INFORMATION

This report is accompanied by additional online disclosures including consolidated and quarterly financial statements, policies, corporate governance documents, and other associated data instituted since the Group's establishment. This information is referred to in this report and additionally disclosed on Velesto's company website under the Investor Relations online portal at https://velesto.com/investor-relations/.

The Group's latest corporate presentations and Bursa announcements can also be found under the Investor Relations online portal (see "Presentations" and "Bursa Announcement" tabs respectively) at https://velesto.com/investor-relations/. News and media press releases on the Group are also available on our corporate website at https://velesto.com/media-centre/.

FORWARD-LOOKING STATEMENTS

In keeping with the requirements of the Integrated Reporting Framework, which emphasises the provision of future based information, Velesto's IAR2025 provides forward-looking disclosures. These include expected market outlook and related company responses, aspirations, plans and also, where relevant, short, medium and long-term targets.

Such information has been provided based on Management's strategic perspectives developed from prevailing external trends and developments as well as market sentiments at the time of development of this report. While every care has been taken to ensure no material inconsistency or misstatement of these forward-looking disclosures, external trends and developments which may have occurred or transpired may necessitate a strategic change in management's plans, thus rendering forward looking disclosures irrelevant. This includes prevailing crude oil prices, which are prone to fluctuations based on socio-economic and geopolitical developments.

Hence, readers are advised to undertake their own due diligence and to not rely solely on forward-looking statements presented in IAR2025. Readers are advised to undertake their own, independent due diligence on all forward-looking statements made in IAR2025. Management is not responsible for any undue losses incurred by readers or any party relying on information disclosed in IAR2025 to make investments or any other decisions. Readers are advised to consult the management of Velesto if further clarification or information is required.

FEEDBACK AND INQUIRIES

Feedback, questions or requests for clarification and additional information on Velesto or IAR2025 can be channeled towards our Investor Relations unit at (Tel) +603 2096 8788 or by email at investor.relations@velesto.com.

Our Assets

Jack-Up Drilling Rigs

NAGA 2

Design
GustoMSC-CJ46- X100D

Delivery
October 2009

Construction Yard
PT. Drydocks World Graha, Batam, Indonesia

Jack-Up Type
Independent Leg Jack-Up Drilling Rig

Class Notations
A1 Self-Elevating Drilling Unit

Classification
ABS

Water Depth
350 feet

NAGA 3*

Design
GustoMSC-CJ46- X100D

Delivery
September 2010

Construction Yard
PT. Drydocks World Graha, Batam, Indonesia

Jack-Up Type
Independent Leg Jack-Up Drilling Rig

Class Notations
A1 Self-Elevating Drilling Unit

Classification
ABS

Water Depth
350 feet

NAGA 4

Design
KeppelFELS B Class

Delivery
March 2013

Construction Yard
Keppel FELS Yard, Singapore

Jack-Up Type
Independent Leg Jack-Up Drilling Rig

Class Notations
A1 Self-Elevating Drilling Unit

Classification
ABS

Water Depth
400 feet

Hydraulic Workover Units*

GAIT 5

Year Built
2010

Max. Pulling Capacity
460,000 lbs

Max. Snubbing Capacity
225,000 lbs

GAIT 6

Year Built
2014

Max. Pulling Capacity
460,000 lbs

Max. Snubbing Capacity
225,000 lbs

* currently under disposal

Our Assets

NAGA 5

Design
Keppel FELS B Class

Delivery
March 2014

Construction Yard
Keppel FELS Yard, Singapore

Jack-Up Type
Independent Leg Jack-Up Drilling Rig

Class Notations
A1 Self-Elevating Drilling Unit

Classification
ABS

Water Depth
400 feet

NAGA 6

Design
GustoMSC-CJ46- X100D

Delivery
September 2014

Construction Yard
China Merchants Heavy Industry (Shenzhen) Co., Ltd. China

Jack-Up Type
Independent Leg Jack-Up Drilling Rig

Class Notations
A1 Self-Elevating Drilling Unit

Classification
ABS

Water Depth
375 feet

NAGA 8

Design
Keppel FELS B Class

Delivery
September 2015

Construction Yard
Keppel FELS Yard, Singapore

Jack-Up Type
Independent Leg Jack-Up Drilling Rig

Class Notations
A1 Self-Elevating Drilling Unit

Classification
ABS

Water Depth
400 feet

TIANJIN, CHINA

Oilfield Service

VELESTO ACADEMY

Headquarter in Kuala Lumpur

Training Academy in Batu Rakit, Terengganu

Training Academy

2025 Calendar of Events

JANUARY

Malaysian GPM Sustainability Awards 2024

- Special Recognition for Sustainability Leadership
- Most Outstanding Project (Coral Restoration Phase 3)

Sponsorship of Yayasan Universiti Teknologi PETRONAS charity dinner

MARCH

STAR Gold Award by EMEPMI

Third consecutive win by GAIT 6 HWU team

RM1.20 billion capital reduction exercise announced

MAY

NAGA 4 (Vietnam) and NAGA 8 (Indonesia) contracts secured

IADC SEAC Awards recognition, including NAGA 6 incident-free operations

15th Annual General Meeting ("AGM")

First physical AGM post-pandemic

2025 Calendar of Events

JUNE

VIBES Innovation Challenge with SEDC Sarawak at UNIMAS

Living wage commitment for Malaysian employees

Asia Pacific CEO Sustainability Award 2025

President - Megat Zariman, recognised for leadership in sustainability and ESG practices

JULY

PTTEP Contract Award

Secured drilling contract for NAGA 5

OCTOBER

ICON Engineering agreement for rig-installed wellhead platforms in Malaysia

NOVEMBER

MPM HWU Academy initiative through Velesto Academy

OSH-SURE Pilot Project with DOSH

DECEMBER

Divestment of NAGA 3 and Velesto Workover Sdn. Bhd.

(proposed disposal expected to be completed by end of 1H2026)

Net Zero 2050 roadmap

Corporate Information

Board of Directors	Details	Appointment	Committees
Mohd Rashid Mohd Yusof	Chairman / Non-Independent Non-Executive Director	23 Jun 2017	
Rowina Ghazali Seth	Independent Non-Executive Director	23 Jun 2017	BNRC(C) / BAC
Haida Shenny Hazri	Non-Independent Non-Executive Director	23 Jun 2017	BGRC(C) / BNRC / BSC
Ir. Dr. Mohd Shahreen Zainooreen Madros	Senior Independent Non-Executive Director	25 Aug 2021	BSC(C) / BAC / BGRC
Ir. Ts. Megat Zariman Abdul Rahim	President / Executive Director	25 Feb 2022	
Ar. Ahila Ganesan	Independent Non-Executive Director	12 Aug 2022	BAC / BNRC / BGRC
Alan Hamzah Sendut	Independent Non-Executive Director	2 Feb 2024	BAC(C) / BGRC / BSC
Ainul Azhar Ainul Jamal	Independent Non-Executive Director	2 Sep 2025	BGRC / BNRC / BSC
Nadzrin Alia Md Azizis	Non-Independent Non-Executive Director	9 Apr 2026	
Datuk George Ling Kien Sing	Independent Non-Executive Director	(Appointed: 29 Nov 2021 / Resigned: 29 Aug 2025)	
Fadzihan Abbas Mohamed Ramlee	Non-Independent Non-Executive Director	(Appointed: 1 Sep 2023 / Resigned: 9 Apr 2026)	

Company Secretaries

Lee Mi Ryoung
(MAICSA 7058423)
(SSM PC No. 201908002222)

Sazlyna Sapiee
(MIA 19254)
(SSM PC No. 202108000032)

Registrar

Securities Services (Holdings) Sdn. Bhd. *Registration No. 197701005827 (36869-T)*
Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia
Telephone: +603-2084 9000 / Facsimile: +603-2094 9940

Auditors

Ernst & Young PLT *Registration No. 202006000003 (LLP0022760-LCA) & AF 0039*
Level 23A, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur, Malaysia
Telephone: +603-7495 8000 / Facsimile: +603-2095 5332

Principal Bankers

- Malayan Banking Berhad Group
- CIMB Bank Berhad Group
- Affin Bank Berhad Group

Registered Office

Level 18, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia
Telephone: +603-2096 8788 / Facsimile: +603-2096 8733

Stock Exchange Listing

Main Market of BURSA / Stock Name: **Velesto** / Stock Code: **5243**

Website: **www.velesto.com**
E-mail address: **communications@velesto.com**
E-mail to Senior Independent Director: **senior.id@velesto.com**

Whistleblower channels

Head, IGUC / +603-2096 8788 / whistleblower@velesto.com

Investor Relations matters

Head, Investor Relations / +603-2096 8788 / investor.relations@velesto.com

Committees Legend

(C) — Chairman
BAC — Board Audit Committee
BNRC — Board Nomination & Remuneration Committee
BGRC — Board Governance & Risk Committee
BSC — Board Strategic Committee

Corporate Group Structure

as at 9 April 2026

VELESTO energy

- **100%** Velesto Malaysian Ventures Sdn. Bhd.
  - **22%** / **78%** Velesto Oilpipe Services Sdn. Bhd. ^
  - **100%** Velesto Drilling Sdn. Bhd.
    - **100%** Velesto Drilling Academy Sdn. Bhd.
    - **100%** Velesto Drilling Ltd.
  - **100%** Velesto Workover Sdn. Bhd.
  - **100%** Velesto Drilling 3 Sdn. Bhd.
  - **100%** Velesto Sumber Sdn. Bhd.
  - **20%** Oil-Tex (Thailand) Co. Ltd.
- **100%** Sumber Ribu Sdn. Bhd.
- **100%** Velesto Singapore Ventures Pte. Ltd.
  - **100%** Velesto Oilfield Services (Tianjin) Co. Ltd.
- **100%** Sumber Wang (L) Ltd.
- **100%** Velesto Rig Asset (L) Ltd.
  - **100%** Velesto Drilling Co. Ltd.
  - **100%** Velesto Drilling 2 (L) Ltd. — **100%** Velesto 1 Pte. Ltd.
  - **100%** Velesto Drilling 3 (L) Ltd. — **100%** Velesto 3 Pte. Ltd.
  - **100%** Velesto Drilling 4 (L) Ltd. — **100%** Offshore Driller B324 Ltd.
  - **100%** Offshore Driller 4 Ltd.
  - **100%** Velesto Drilling 5 (L) Ltd.
  - **100%** Velesto Drilling 6 (L) Ltd.
  - **100%** Velesto Drilling 7 (L) Ltd.
  - **100%** Velesto Drilling 8 (L) Ltd.

^ Members Voluntary Winding Up Process

Chairman's Statement

Dear Stakeholders,

It is my pleasure to present the consolidated financial statements and Integrated Annual Report of Velesto Energy Berhad ("Velesto") for the financial year ended 31 December 2025 ("FY2025").

Mohd Rashid Mohd Yusof
Chairman

INDUSTRY OVERVIEW

2025 saw moderation in global crude oil demand amid slower-than-expected global economic growth. Supply continued to outpace demand with major crude oil producers including OPEC+, maintaining high production levels vis-vis global demand. Consequently, crude oil prices averaged lower at USD68 per barrel (Brent) in 2025 vis-à-vis USD80 per barrel in 2024.

However, the slowdown in 2025 should not be equated to a downturn. Opportunities continued to exist for oil and gas operators and service providers with robust and resilient operations—underpinned by a cost-efficient operating base, strong financial discipline and balance sheet strength, a proven track record of asset reliability, industry-leading uptime, operational excellence, and Health, Safety and Environmental ("HSE") performance.

2025 was a year for companies to demonstrate their competencies and quality by embracing market realities towards becoming more agile, innovative and less dependent on upside in industry volume to achieve sustainable operations. Velesto during the financial year, continued to focus on excellence in project execution, enhancing rig competitiveness and delivering consistent value to customers while safeguarding long-term shareholder returns.

	2025	2024
Profit Before Tax RM236 mil	RM236 mil	RM267 mil
Profit After Tax RM202 mil	RM202 mil	RM208 mil

Velesto during the financial year, continued to focus on excellence in project execution, enhancing rig competitiveness and delivering consistent value to customers while safeguarding long-term shareholder returns.

SUSTAINING PERFORMANCE, ENHANCING VALUE CREATION

I am happy to share that Velesto has continued to make progress despite the challenges of 2025.

Consistent with our guiding principle of being Performance Driven, Operations Focused, we had made the necessary adjustments in preparation of a possible contraction in upstream activity. The various improvements measures enabled the Group to continue strengthening its foothold in Malaysia and Southeast Asia, evidenced in the various contracts secured in 2025, both domestically and regionally.

While our rig utilisation has decreased year-on-year, in tandem with reduced drilling activities in 2025, Velesto has achieved a Profit Before Tax ("PBT") performance of RM236 million with Profit After Tax ("PAT") at RM202 million. This is comparable to 2024's earnings performance of RM267 million and RM208 million for pre- and post-tax earnings. In addition, the Group has secured an orderbook of RM1.3 billion as at 28 February 2026.

RAM Rating
Corporate Credit Rating
AA2/Stable/P1

In terms of operational highlights, the Group achieved an uptime of 99.9% -- surpassing the industry benchmark standard of 98%. This puts Velesto's performance as being one of the best globally. Our operational excellence has been duly recognised with Velesto being selected as the best Jack-Up ("JU") operator award at the 2025 SEA International Association of Drilling Contractors ("IADC") Awards.

The Group also was placed among the top 50 companies for good corporate governance practices at the 2025 National Corporate Governance and Sustainability Awards ("NAGCSA"). NACGSA is organised by the Minority Shareholders Watch Group ("MSWG") with companies assessed on a stringent, comprehensive criteria comprising ASEAN Corporate Governance Scorecard ("ACGS"), the Malaysian Code on Corporate Governance ("MCCG"), and a sustainability scorecard.

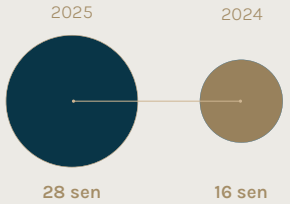
I am also happy to share that RAM Ratings has assigned corporate credit ratings of AA2/Stable/P1 to Velesto. This is noteworthy as the ratings attest to our robust financial fundamentals, the long-term visibility on future revenues and earnings (based on contracts secured) and the overall competitiveness of our operations.

Resilience.
Performance.
Returns.

Chairman's Statement

Velesto has once again surpassed its dividend policy of returning at least 20% of annualised profit to shareholders annually.

Share Price Increased



Total Payout to Shareholders

RM246.5 mil

Total Shareholders Return

2025: 89%

REWARDING SHAREHOLDERS

We have always valued our shareholders, who have provided steadfast support and strategic commitment to the Group throughout our history.

In rewarding shareholders, the Board had approved two interim dividends totaling to 3.00 sen per share in respect of 2025. This brings total payout to shareholders to RM246.5 million, equivalent to 122% of 2025's PAT. Dividend yield stands at 10.7% and share price increased from 16 sen to 28 sen, resulting in a Total Shareholder Return of 89% in 2025.

We have continued to priotise maximising shareholder returns as a cornerstone philosophy and goal. I am happy to report that in respect of 2025, Velesto has once again surpassed its dividend policy of returning at least 20% of annualised profit to shareholders annually.

PERFORMANCE DRIVEN, OPERATIONS FOCUSED

Velesto's ability to maintain its earnings is due to the continuous efforts to drive cost and operational efficiencies.

In 2025, we achieved a reduction of approximately 10% in overheads and operational expenses. The savings were derived through a meticulous and methodological approach including procurement strategies such as negotiations with key vendors, lower maintenance costs through preventive maintenance to manage offshore costs and organisation optimisation.

Throughout 2025, we have been relentless and diligent in improving up time, enhancing quality, strengthening vigilance with regard to health and safety and ensuring the continued well-being of our people. Ongoing efforts to yield greater cost and operational efficiencies were bolstered by new initiatives and programmes as above.

As we constantly reviewed our operations, we have divested limited capability assets towards unlocking value and retaining our focus on core business operations. This enables a further reduction in overheads and operating expenses.

Financial discipline is a cornerstone aspect of our strategic approach as we looked to constantly optimise our balance sheet. Our strengthened balance sheet allows us to remain disciplined in capital allocation while preserving the ability to enhance shareholder returns.

Innovation and technology were a continued focal point towards driving automation and improvements across our operations while business development activities were aggressively pursued in Malaysia and Southeast Asia. Leveraging our proven industry track record and reputation, coupled with lower operating costs base, we have been proactive in submitting bids and have been successful. Our ability to secure contracts outside of Malaysia demonstrates our competitive ability, underpinned by operational excellence and innovative capabilities.

Amidst evolving market realities, we have continued to carve our own distinctive pathway, centred on safety, efficiency, high fleet utilisation, and financial discipline. We have remained relevant by keeping abreast with the fast-evolving changes within the oil and gas sector while further bolstering the resilience of our business operations.

The full details of our business and operational highlights are provided in the Management Discussion and Analysis section of this report.

VELESTO IN 2026

We are cognisant that market conditions may remain uncertain. Geopolitical shocks can lead to acute disruptions in crude oil supply and demand fundamentals, while the global economic recovery is expected to continue on a sideways trajectory in 2026. However, there remains potential for stronger performance.

Irrespective of market conditions, we are ready to respond proactively – focusing on further refining our internal competencies to ensure we remain highly competitive and sustainable amidst uncertain conditions.

The Group is mitigating against client concentration by pursuing regional diversification, entering into longer-term charter contracts and continuing to pursue an asset-light strategy. We shall remain selective in the pursuit of projects that best meet our assets and more importantly, our business aspirations. This ensures expansion remains aligned with the strengths of our premium rig fleet while preserving financial discipline.

Where needed, we will continue to move forward through strategic collaboration that facilitates technology acquisition and knowledge transfer and drive improved productivity and cost efficiency. We will continue to operate safely and reliably, maintain financial discipline, remain agile in allocating resources, and ensure the business is positioned to perform through industry cycles to deliver consistent value to customers while sustaining and enhancing long-term shareholder and stakeholder value.

APPRECIATION AND ACKNOWLEDGEMENTS

On behalf of the Board of Directors of Velesto, I wish to take this opportunity to thank Datuk Ling Kien Sing and En. Fadzihan Abbas Mohamed Ramlee, who have left the Board after having served the Group with distinction and diligence for several years.

Their tenure coincided with Velesto's transformation, and their counsel, experience and skills have no doubt been instrumental in our journey of progress. The Board wishes them well in their future endeavours.

In their stead, I am pleased to welcome En. Ainul Azhar Ainul Jamal, who joined the Board on 2 September 2025 and Pn. Nadzrin Alia Md Azizis on 9 April 2026. Both of them bring a wealth of corporate and industry expertise and experience. We are privileged to have them with us as we continue to advance Velesto's growth.

I also wish to take this opportunity to thank the Group's management, employees, business partners, bankers, shareholders, the industry regulators, our clients and other stakeholders who have all been instrumental in our continued journey of sustained value creation in 2025. We have built solid fundamentals for a positive future. Let us continue to move forward together towards attaining new milestones of growth, progress and success.

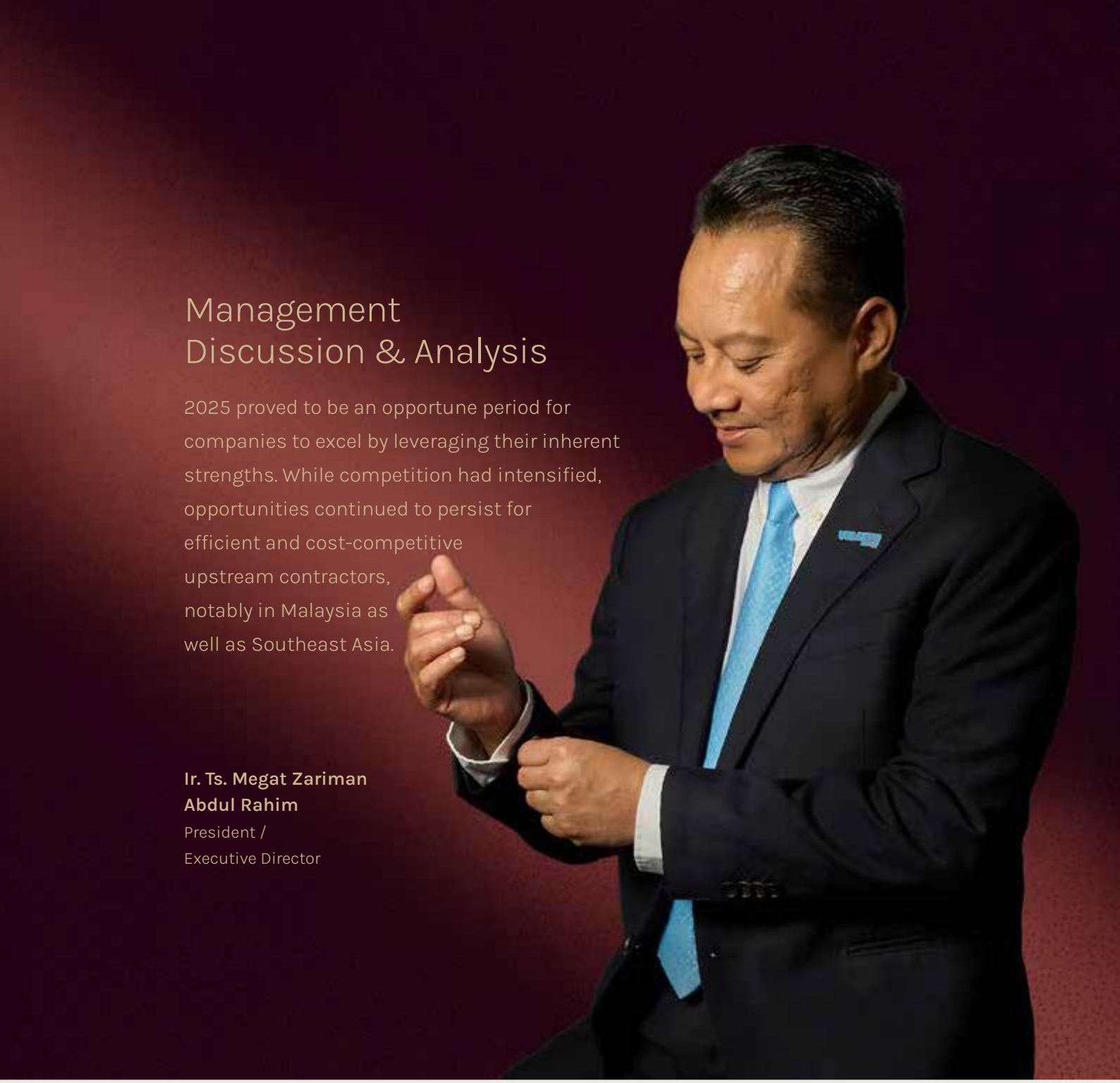
Mohd Rashid Mohd Yusof
Chairman

We have built solid fundamentals for a positive future. Let us move forward together towards attaining new milestones of growth, progress and success.

Irrespective of market conditions, we are ready to respond proactively.

Management Discussion & Analysis

2025 proved to be an opportune period for companies to excel by leveraging their inherent strengths. While competition had intensified, opportunities continued to persist for efficient and cost-competitive upstream contractors, notably in Malaysia as well as Southeast Asia.



Ir. Ts. Megat Zariman Abdul Rahim
President / Executive Director

USD68 per barrel

Average Brent crude oil price in 2025

OPERATING ENVIRONMENT REVIEW

The oil and gas sector in 2025 continued to moderate amidst slower than expected global economic growth. In 2025, global Gross Domestic Product ("GDP") growth stood at 3.0%, below the forecast range of 3.2-3.3% as major economies continued to underperform. The sector was also affected by continued high output levels from oil producing countries including OPEC+.

While geopolitical turbulence such as the Middle East conflict and the protracted Russia-Ukraine war caused several spikes in the price of crude, surplus oil production continued to place downward pressure on crude oil prices in 2025. The price of crude averaged USD68 per barrel, 18% lower than 2024's average of USD80 per barrel.

Revenue (RM mil)	EBITDA margin	PAT margin
893	51%	23%

Utilisation	Average DCR	Uptime
72%	118 (USDk/d)	99.9%

The Group has remained resilient, while strengthening internal capabilities and competences to emerge stronger and more capable of operating amidst a lower crude oil price environment and more exacting requirements from clients.

Globally, Jack-Up ("JU") rig demand saw a slight contraction amidst moderating drilling activities attributed to reduced Exploration and Production ("E&P") activities, notably in the Middle East region. This was partially offset by continued strong activities from other regions, including Southeast Asia.

In essence, 2025 marked a turning point for the oil and gas sector, with a clear shift towards greater efficiency. Oil markets are going through a fundamental transformation as the drivers of global oil supply and demand shift. In 2025, revenue growth slowed, margins tightened, and performance gaps widened between resilient, contract-backed operators and those reliant on peak-cycle intensity.

The landscape continued to shift rapidly reflected in an accelerated pivot towards efficient drilling operations, technological innovation, enhanced capabilities and sustainable performance.

The conventional model of operations centred on upswing in demand momentum and high E&P activities evolve towards a more strategic model centred on operational excellence, cost optimisation and capital discipline.

In Malaysia, JU rig utilisation had dipped from around 14 rigs in 2024 to 10 rigs in 2025 as operators prioritised production optimisation, brownfield upgrades and asset integrity works. This cooling phase was not driven by weaker oil prices or declining confidence in Malaysia's upstream landscape. Instead, it was the result of a purposeful slowdown in execution as the domestic upstream segment continue to adjust to new market fundamentals in industry trends and requirements.

Velesto's cost structure and operational uptime places it among the more competitive jack-up operators in the region.

10 JU rigs
Demand in Malaysia in 2025

Management Discussion & Analysis

DELIVERING PERFORMANCE AND RETURNS THROUGH RESILIENCE

2025 proved to be an opportune period for companies to excel by leveraging their inherent strengths. While competition had intensified, opportunities continued to persist for efficient and cost-competitive upstream contractors, notably in Malaysia as well as Southeast Asia.

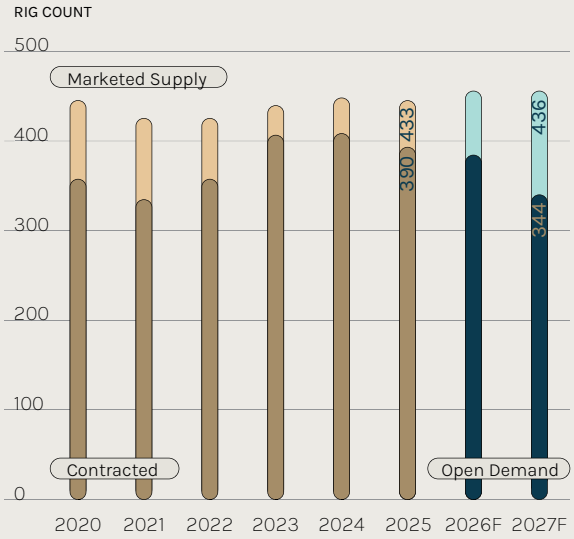
Resilience was defined not by scale, but by discipline—cost control, execution certainty and balance sheet strength. These are areas where Velesto is structurally advantaged. As a cost-competitive and efficient operator, the Group continues to make headway in capitalising on shifting market conditions to deliver outstanding performance and create stakeholder value.

In 2025, the Group achieved above-average rig utilisation and daily charter rates and coupled with continued financial discipline and cost efficiencies, successfully maintained its earnings performance for 2025. We have strengthened our existing market positioning in the Malaysia, while further expanding our presence in the regional space. In essence, Velesto has continued to make headway against the headwinds, responding with agility, speed and strength to deliver financial and business value.

The Group has remained resilient, with strong internal capabilities and competences, emerging well-positioned to operate amidst a lower crude oil price environment and more exacting client requirements. In addition, Velesto's cost structure and operational uptime places it among the most competitive JU operators in the region.

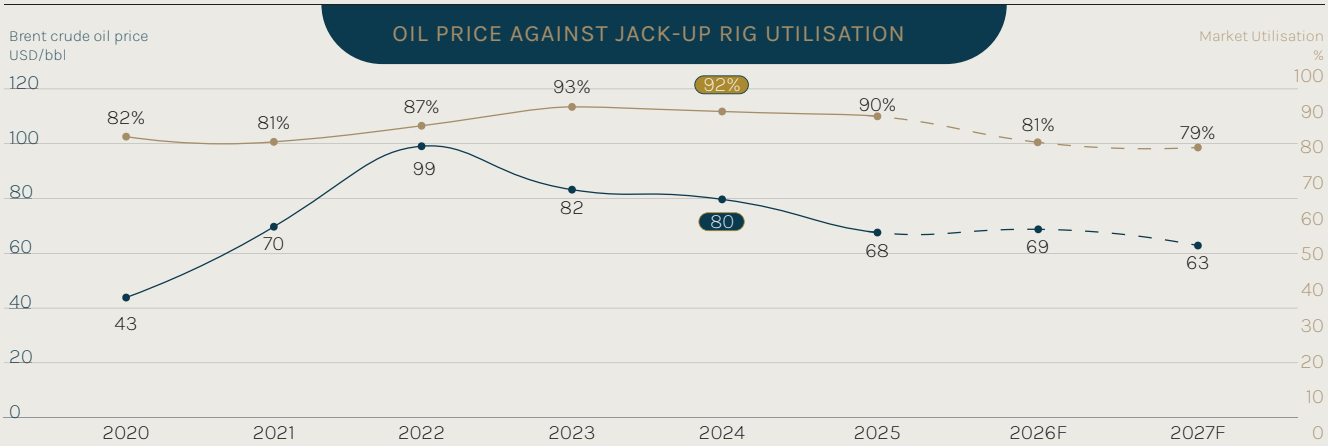
In essence, Velesto has successfully transitioned from volume-driven growth to value-driven performance. Our operating model remains anchored on safety, service quality, technology and sustainability as key value drivers. 2025 was a year where resilience translated into performance, and performance delivered returns.

JACK-UP RIG SUPPLY & DEMAND



Source: S&P Petrodata Jan 2026, Bloomberg, Velesto Analysis

OIL PRICE AGAINST JACK-UP RIG UTILISATION



Source: S&P Petrodata Jan 2026, Bloomberg, Velesto Analysis

In 2025, while the Group revenue declined, Velesto preserved earnings quality—demonstrating the resilience of the Group's operating model. Velesto recorded strong Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") margin and Profit After Tax ("PAT") margin of 51% and 23%, respectively. This reflects a deliberate shift from volume-driven growth to value-driven performance.

Revenue during the year stood at RM893 million, 34% lower year-on-year (2024: RM1,360 million). Revenue declined due to the completion of the iRDC contract in 2024 and lower utilisation rates with NAGA 3 remained idle during the year. In 2025, Velesto's average Day Charter Rate ("DCR") was USD118k per day, still above the industry average while rig utilisation stood at 72% (2024: 87%).

Among key revenue contributors in 2025 were projects secured in the previous and present financial year. These were NAGA 2, NAGA 4 and NAGA 6 for PCSB, NAGA 5 with PTTEP Malaysia and NAGA 8 with PC Ketapang II.

However, EBITDA and PAT margins increased to 51% (2024: 40%) and 23% (2024: 15%) respectively.

Velesto's ability to sustain profit margins amidst lower crude oil prices and moderating industry activities is primarily attributed to the Group's efficiency in operations, and continued emphasis on financial discipline. Efforts undertaken yielded a 10% reduction in OPEX and overheads. Specifically, cost optimisation was driven by renegotiation with vendors and streamlining of the Group structure and operational processes.

In terms of segmental breakdown, the Group's Drilling Services segment continued to deliver the bulk of revenues and earnings, accounting for RM882 million or 98% of topline performance, and RM240 million, or more than 100% of the Group Profit Before Tax ("PBT").

BALANCE SHEET RESILIENCE

Velesto's balance sheet has strengthened with clear improvements in three aspects: operational sustainability, strategic business growth and delivering consistent shareholder returns while looking to optimise capital structure and maintain strong cashflow.

The Group remains in a net cash position with net gearing of -0.06 times (2024: -0.03 times) as of end 2025. The Group's capital reduction exercise was successfully completed in 2025, unlocking RM1.2 billion in retained earnings to support ongoing efforts to optimise capital structure and enhance our ability to increase shareholder distribution.

In 2025, the Group's price-to-book ratio improved significantly to 0.95x (2024: 0.50x), based on a net asset value per share of RM0.29 (2024: 0.31).

During the year, Velesto received a AA2/Stable/P1 corporate credit rating by RAM Ratings. On 9 March 2026, Velesto completed the SC Lodgement to propose a Sukuk programme with a limit of up to RM1 billion. The proposed programme will allow Velesto to refinance existing facilities at more favourable terms and allow access to the Sukuk capital market going forward.

Management Discussion & Analysis

SHAREHOLDER RETURNS

Velesto delivered exceptional shareholder returns in 2025, with total shareholder return of 89%, driven by both capital appreciation and record dividend distribution.

The Group's strong financial performance with a return on equity of 8.4%, was reflected in the increase in our share price from 16 sen to 28 sen during the year. As such, in respect of 2025, Velesto has announced a total dividend of 3.00 sen for the year, which is the highest in Velesto's history, translating to a yield of 10.7%. This underscores the Group's ability to translate operational performance into tangible shareholder value.

CONTRACTS

Amidst a highly competitive operating environment, Velesto continued to secure contracts both within Malaysia and from abroad. The Group's orderbook (as at end February 2026) stands at RM1.3 billion, a significant 71% higher year-on-year (2024: RM0.7 billion).

These contracts attest to Velesto's expanding regional footprint and the Group's growing ability to compete and secure contracts against international industry competitors. Securing contracts outside of Malaysia expands exposure to new opportunities and potentials but also enables operational flexibility – to drive rig utilisation and capitalise on specific positive conditions across the region. Velesto's contract wins reflect not only competitiveness, but increasing recognition of Velesto as a reliable, high-performance operator in the region.

The significant highlight was Velesto's five-year contract awarded by PETRONAS Carigali ("PCSB"). This is Velesto's longest contract duration secured to date, significantly enhancing earnings visibility and underpinning our medium-term revenue stability.

DATE	CONTRACT DETAILS	RIG	CONTRACT VALUE
20 May 2025	Drilling contract by Phu Quoc Petroleum Operating Company in Vietnam to drill more than 40 firm wells.	NAGA 4	USD40 mil
23 May 2025	Drilling contract from PC Ketapang II Ltd., PC North Madura II Ltd. and PETRONAS North Ketapang Sdn. Bhd. to drill 12 firm wells and three optional wells in Indonesia.	NAGA 8	USD90 mil
1 July 2025	Drilling contract by PTTEP HK Offshore Limited and PTTEP Sarawak Oil Limited (collectively referred as 'PTTEP') to drill a firm 15 wells for the latter's 2025-2026 drilling campaign in Malaysia.	NAGA 5	USD40 mil
2 March 2026	Provision of JU drilling rig NAGA 2 for PCSB from 2026 to 2030	NAGA 2	USD157 mil

The significant highlight was Velesto's five-year contract awarded by PETRONAS Carigali Sdn. Bhd. ("PCSB").

BUSINESS AND OPERATIONAL EXCELLENCE

Velesto's operating model remains anchored on safety, service quality, technology and sustainability as key value drivers. These initiatives directly contribute to higher uptime, lower operating costs and improved margin. Velesto achieved an exceptional operational performance of 99.9% rig uptime, which surpasses the industry requirement of 98% and the regional benchmark of 98.5% set by the IADC.

Strategic collaboration with key industry players such as Schlumberger, NOV and PETRONAS have enabled Velesto to enhance its operational efficiency, strengthen asset capabilities and expand service offerings beyond traditional drilling activities. These partnerships support the Group's strategy to maximise existing assets by providing access to specialised technologies, expertise and resources, enabling the development of more cost-effective, integrated solutions while improving safety, reliability and operational performance.

Of note, through collaboration with PETRONAS, Velesto has commissioned the successful installation of a robotic arm on NAGA 6, making the rig the world's first ever JU rig with a robotic arm installation. The robotic arm enhances NAGA 6's operational capabilities, enabling the rig to further streamline critical processes, drive greater automation and achieve improved safety, efficiency and productivity in operations.

Another innovative solution is the collaboration with Icon Engineering, an Australian industry technologist firm, for the installation of Rig-Installed Wellhead Platforms ("RIWHPs") for offshore oil and gas developments in Malaysia. This strategic collaboration enables drilling and platform installation to be undertaken within a single offshore campaign. As such, it reduces costs and expedites production activities thus providing a practical and cost-efficient approach for developing shallow-water and marginal fields. The collaboration simplifies execution, enhances project assurance and builds Malaysia's capability to deliver fast, fit-for-purpose offshore developments. It also extends Velesto's rigs to undertake more than just pure-play drilling contracts.

Progressively, the Group has embarked on transitioning towards increased data-driven solutions to support preventive maintenance and operational consistency, made possible through new technologies. These have been instrumental in reducing downtime while maintaining safety and reliability. In terms of SPS activities, Velesto concluded the SPS exercise for NAGA 8 in June 2025, with the same being undertaken for NAGA 3 completed in March 2026.

STRATEGIC DISPOSAL OF ASSETS

Strategic disposal of limited capability assets form part of Velesto's disciplined approach to capital allocation and to focus on a higher-spec premium fleet.

On 16 December 2025, Velesto inked a sale and purchase agreement for NAGA 3, for a total cash consideration of USD63.0 million (equivalent to RM258.4 million). The divestment of NAGA 3, built in 2010, is in line with the Group's ongoing fleet optimisation, consistent with its position as a premium rig operator. The disposal is expected to yield an estimated gain of approximately RM1.4 million.

On 29 December 2025, Velesto entered into a Share Sale Agreement ("SSA") with Enviros Survey & Consultancy Sdn. Bhd. for the disposal of Velesto Workover Sdn. Bhd. ("VWSB"), a wholly owned subsidiary of Velesto Malaysian Ventures Sdn. Bhd., for a total cash consideration of RM16.5 million. VWSB undertakes Hydraulic Workover Unit ("HWU") services. The proposed disposal is expected to be completed by the first half of 2026 with a resulting gain disposal of RM0.4 million. The proceeds from these disposals are earmarked for working capital and distribution to shareholders.

Management Discussion & Analysis

SUSTAINABILITY AT THE CORE OF VALUE CREATION

Velesto has continued to prioritise sustainable operations as being fundamental to its value creation approach. Sustainability is not treated as a compliance requirement, but as a driver of operational reliability, cost efficiency and long-term competitiveness. As a responsible corporate citizen, Velesto remains firmly committed to creating financial values while preserving social and natural capitals. The Group views this as an entrenched position, with environmentally responsible and regulatory-compliant operations forming the bedrock for operational excellence.

Velesto has continued to achieve all benchmarks for safe, environmentally responsible and regulatory compliant operations. Highlights include a continued track record of zero fatalities and zero loss time incidents for the 3rd consecutive year. In 2025, in recognition of upholding high standards for health, safety and the environment performance, Velesto was awarded the following awards:

Award/Recognition	Awarded by
IADC Southeast Asia Chapter (SEAC) 2024 and 2025 Safety Awards. Best Recordable Incident Rate in 2024 for Offshore	IADC
2025 IADC Safety Award – Most number of Years of Recordable Incident Free for NAGA 6	
Best HSE Programme	PCSB
Recordable Incident Free "Mission: Zero Possible" Award – NAGA 6	
The MPM Wells Management 2025 Performance Excellence Recognition: Best Rig (Drilling & Completion) for NAGA 4	
Technology Pioneer Award for the Robotic Arms innovation on NAGA 6	

Other notable achievements in 2025 include the 100% implementation of a living wage for all Malaysian employees based on national benchmarks.

2025 also saw Velesto launch its net zero carbon blueprint, which lays out a clear emissions reduction pathway and ultimately, realising aspirations for net zero emissions by 2050. Specific details of the Group's blueprint and its sustainability performance information are provided in the Sustainability section of this report.

In 2025, Velesto FTSE4Good Bursa Malaysia Index ("F4GBMI") score rose to 4.1, putting the Group among the higher scoring companies listed on Bursa Malaysia. The F4GBMI Index comprises a select group of Bursa listed companies who have been included in the index for having met a stringent level of sustainability disclosures.

HSE Performance

Zero
Fatality

Zero
Loss Time Injury

Zero
Major Spills

22%
Total Recordable Incident Frequency (TRIF)

67
Management Visits
(2024:57 visits)

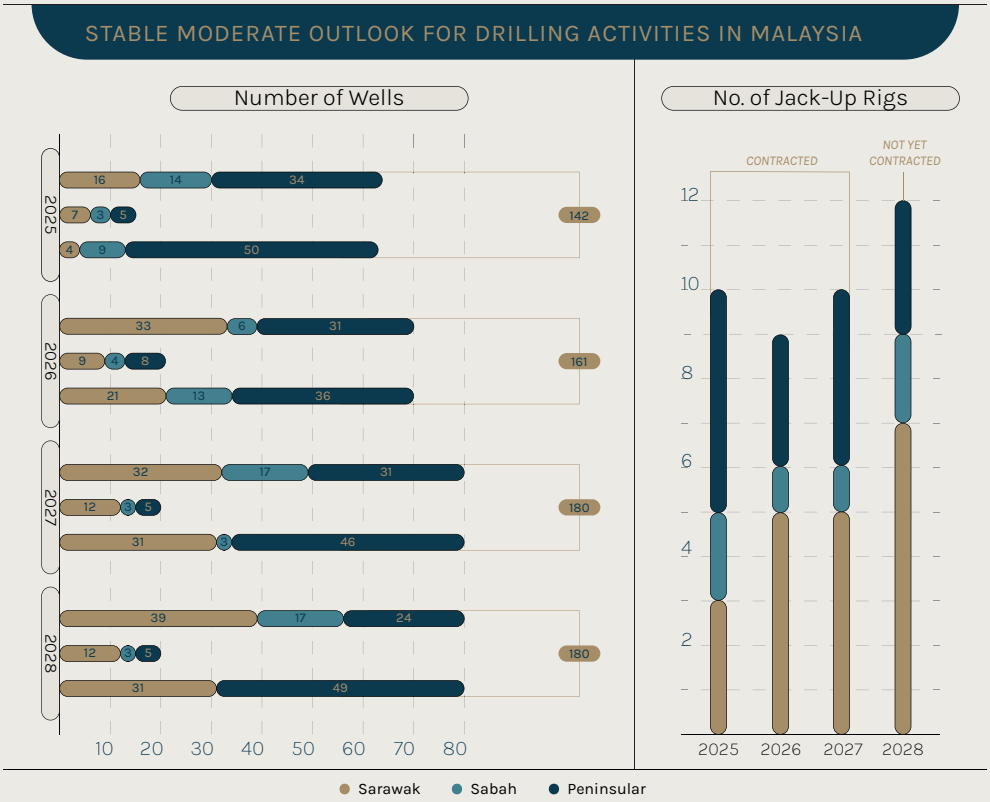
OUTLOOK AND PROSPECTS

While macro conditions remain uncertain, the outlook for Velesto is underpinned by strong contract visibility, improving regional demand and a disciplined operating model.

In the midst of the on-going Middle East conflict, EIA revised its forecast for average Brent prices in 2026 to USD79 per barrel, from USD58 per barrel in March 2026. However, scenarios vary significantly based on the duration and extent of disruption due to the conflict. Although Velesto does not have any direct operational exposure to the Middle East, we continue to monitor developments.

There has been a perceptible shift in focus on energy security due to geopolitical developments, even as nations actively pursue their decarbonisation pathways.

In Malaysia, the PETRONAS Activity Outlook ("PAO") for the period 2026-2028, forecasts a steady momentum for E&P activities.



Source: PETRONAS Activity Outlook 2026-2028

Management Discussion & Analysis

The PAO indicates that total development and exploration wells would increase from 79 in 2025 to 91 in 2026 and possibly, 100 wells in 2027–2028. Meanwhile, the JU rig requirement for Malaysia is expected to increase from 9 rigs in 2026 to 12 rigs in 2028.

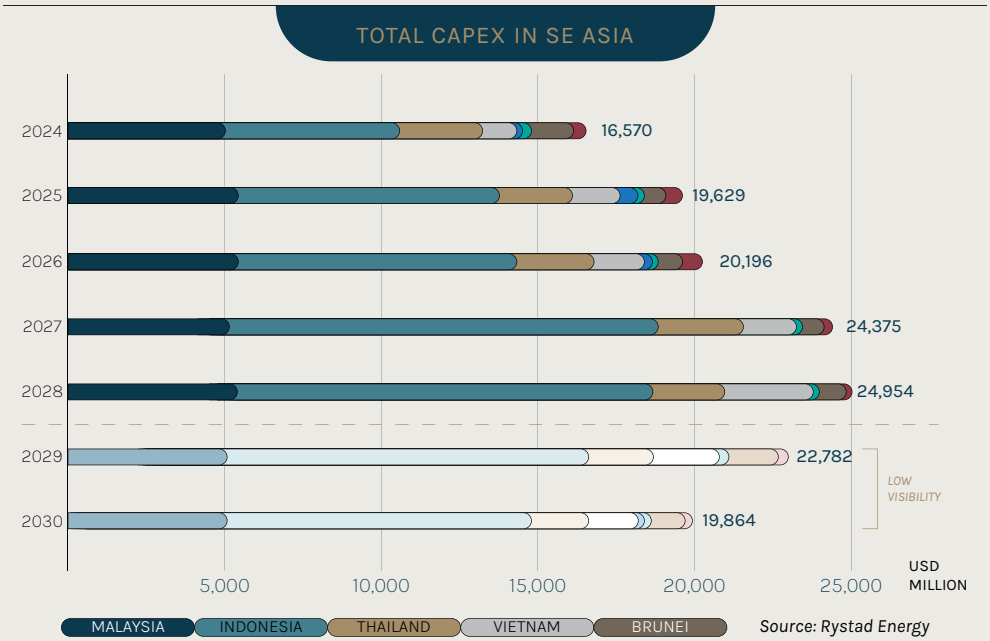
Regional expansion remains a key growth lever, particularly in Southeast Asia where demand fundamentals remain resilient, especially in gas-driven shallow-water developments across Thailand, Vietnam, and Indonesia.

Opportunities remain for cost-competitive, efficient operators who are able to continue delivering performance and efficiency.

With the latest developments, it is possible that higher oil prices improve economics for upstream spending over the medium term and an increase in CAPEX by upstream E&P players, which is required to replace the affected production capacity.

However, it is imperative that oil and gas players continue to evolve and augment their capabilities. This entails a constant focus on efficiency, technology adoption, maintaining a smaller but high-quality asset fleet, managing sustainability performance and continuing to foster collaboration across the industry and with policymakers.

In addition, financial discipline remains a priority towards further reducing the operating cost base, in managing cashflows and strategically leveraging both debt and equity to drive business developments and operational improvements.



Source: Rystad Energy

Velesto in 2026 shall continue to be driven by our aspiration of Performance Driven, Operations Focused. Specifically, we have established three strategic pillars, which provide direction with regard to our future orientation and market positioning.

In essence, despite a moderating market, we aim to deliver sustainable return to our shareholders by maximising our core asset, unlocking upstream growth through our asset-light model, and maintaining our financial discipline while optimising our capital structure.

As at February 2026, Velesto's prospects stands at RM3.7 billion on the back of active tendering for jobs in Malaysia and Southeast Asia. Our regional growth approach remains selective, prioritising markets where demand fundamentals are resilient, premium JU capability is valued, and contract visibility supports sustainable returns.

Velesto shall continue to emphasise a capital-efficient operating model notably for contracts in Malaysia and Southeast Asia. This supports the Group's business expansion strategies while enabling a more cost-optimised and capital-efficient structure. Presently, four of the Group's five rigs are tied to long-term contracts and should the need arise, Velesto shall charter 3rd party assets to undertake jobs secured where required.

Velesto remains focused on delivering sustainable returns through disciplined execution, selective growth and continued financial strength. The Group's strategy is clear—maximise core assets, expand selectively and maintain cost leadership in a competitive market.

Financial Review

5-Year Group Summary Results

	Units	2021	2022	2023	2024	2025
Revenue	RM mil	378	581	1,214	1,360	893
(Loss)/Profit Before Taxation	RM mil	(83)	(82)	121	267	236
(Loss)/Profit attributable to Equity Holder of The Company	RM mil	(91)	(100)	100	208	202
Shareholders' Funds	RM mil	2,258	2,282	2,475	2,571	2,393
Return on Shareholders' Funds	%	(4)	(4)	4	8	8
Return on Total Assets	%	(2.8)	(2.6)	3.9	8.7	8.3
Basic (Loss)/Earnings Per Share (Sen)	Sen	(1.1)	(1.2)	1.2	2.5	2.5
Share Price at Year End (RM)	RM	0.12	0.15	0.23	0.16	0.28
Market Capitalisation At Year End	RM mil	986	1,232	1,890	1,273	2,259

Summary of Group Results

	Units	2024	2025
Revenue	RM mil	1,360	893
Profit Before Taxation	RM mil	267	236
Profit After Taxation	RM mil	208	202
Share Capital	RM mil	1,845	645
Reserves	RM mil	726	1,748
Earnings Per Share	Sen	2.5	2.5
Net Assets Per Share	Sen	31.3	29.1

Financial Calendar

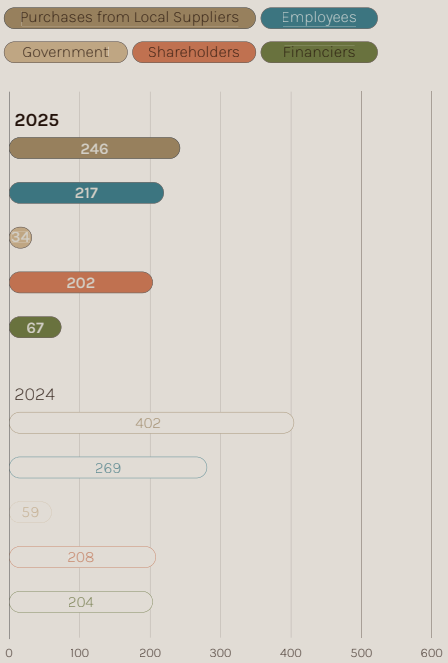
Notice on 15th Annual General Meeting & Issuance of Integrated Annual Report 2024	29 April 2025
15th Annual General Meeting	28 May 2025
Financial Year Ended	31 December 2025

Approval of Quarterly Unaudited Financial Results:	
Quarter 1, 2025	26 May 2025
Quarter 2, 2025	21 August 2025
Quarter 3, 2025	19 November 2025
Quarter 4, 2025	24 February 2026

Simplified Statement & 5-Year Group Financial Performance Highlight

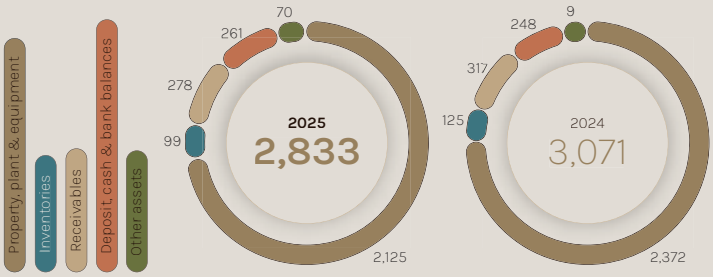
Simplified Statement of Value Added Distribution

(RM mil)



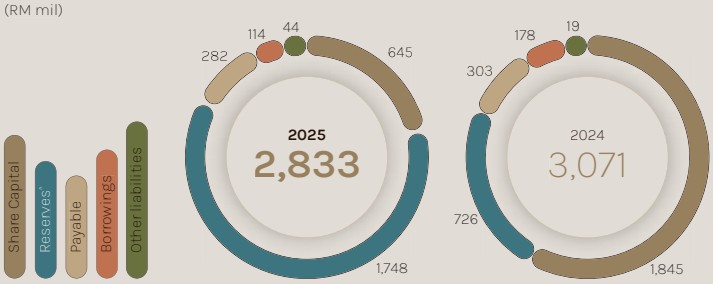
Simplified Statement of Total Assets

(RM mil)



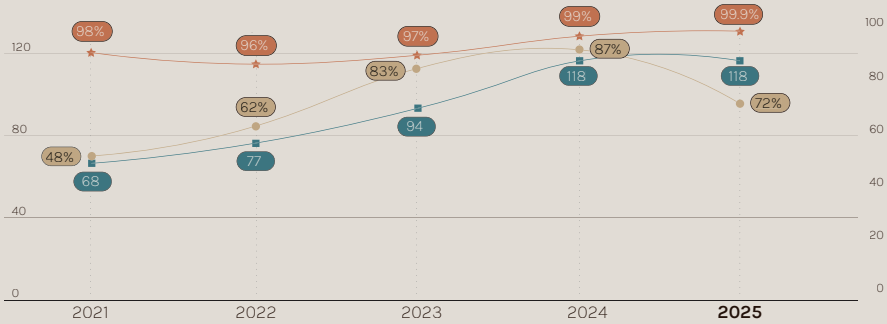
Simplified Statement of Total Liabilities & Equity

(RM mil)



*Including Retained profit/(accumulated losses)

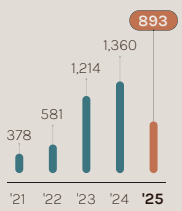
Financial Performance Highlights



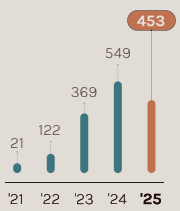
Utilisation Rate
72%

Average Daily Charter Rate
USD118K

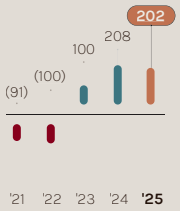
Operating Efficiency
99.9%



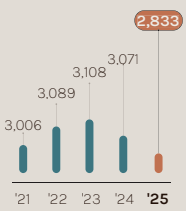
Revenue
(RM mil)



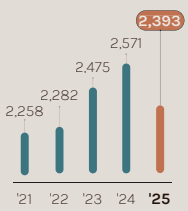
EBITDA
(RM mil)



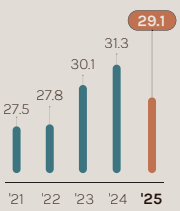
PAT
(RM mil)



Total Assets
(RM mil)



Shareholders' Fund
(RM mil)



Net Assets per Share
(Sen)

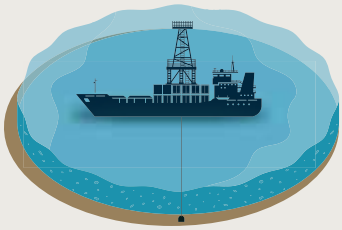
Our Business Model and Value Chain

Operating in the upstream segment of the oil and gas value chain, the Group, through its fleet of Jack-Up ("JU") drilling rigs undertakes the drilling of offshore oil and gas wells to explore commercial viability of oilfields, to install production equipment to facilitate extraction of oil and gas resources, to drill and construct production and injection wells and to undertake extraction of crude oil and gas from production and injection wells.

Typically, Velesto is contracted by oil and gas majors, national oil companies or independent E&P operators. Contracts vary from short (less than 12 months) to long-term (1 year to 5 years) periods depending on the production requirements of clients. Aside from well drilling, Velesto undertakes well intervention, rejuvenation or repair activities, as well as abandonment and decommissioning activities.

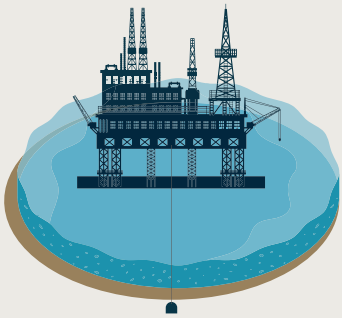
Velesto is Malaysia's largest JU drilling rig operator, with six premium JU rigs capable of operating in water depths of up to 400 feet. These rigs have been equipped with various technologies such as offline capabilities and automated drilling capabilities.

Velesto Group currently owns and operates NAGA 2, NAGA 3 (under-going disposal), NAGA 4, NAGA 5, NAGA 6 and NAGA 8. Details on these rigs can be found on page 6.



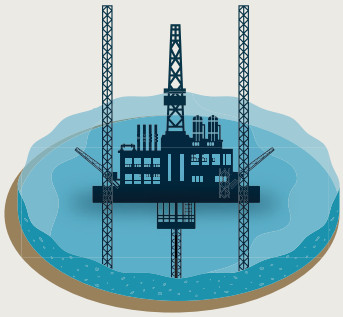
DRILLSHIP

Operates at water depths up to 12,000 feet



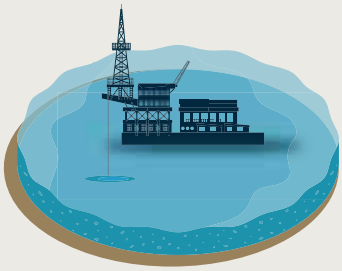
SEMI-SUBMERSIBLE RIG

Operates at water depths up to 10,000 feet



JACK-UP RIG

Operates at water depths up to 500 feet



DRILLING BARGE

Operates in shallow waters

Aside from rated water depth, the different types of rigs have different characteristics in terms of drilling depth, leg length (for JUs), accommodation, lifting capacity, top drive system and other performance specifications.

JU rigs are towed out to the drilling location and have retractable legs that are lowered down to the seafloor. When drilling is completed, the legs are raised out of the water, and the rig becomes a floating barge that can be towed away ('wet tow') or placed on a large transport ship ('dry tow').

Our Business Model and Value Chain

TYPES OF DRILLING RIGS

JACK-UP ("JU")	TENDER-ASSISTED	SEMI-SUBMERSIBLE	DRILLSHIP	HYDRAULIC WORKOVER UNIT ("HWU")
Activity Phase				
• Exploration • Development • Abandonment	• Development • Production • Abandonment	• Exploration	• Exploration	• Production • Abandonment
Application				
The most common type of offshore rig due to its flexibility. Typically used for drilling in shallow waters.	More common in shallow waters. Allows drilling from smaller platforms.	The most stable type of rig, typically used for drilling in deepwater and harsh environments.	Typically used for drilling in deepwater and ultra deepwater environments. Can also be used for well maintenance, completion, and capping works.	Typically used for workover operations, such as well casing and casing level repairs, sand cleanout, and other related activities.
Associated Services				
Supporting vessels, Oil Country Tubular Goods ("OCTG"), third-party drilling services such as drilling fluids, Directional Drilling ("DD"), Measurement While Drilling ("MWD"), Logging While Drilling ("LWD"), wellheads, drill bits, cementing, fishing, slickline, and other related equipment.				Supporting vessels, slickline, cementing, etc.

THE OIL AND GAS VALUE CHAIN

Where Velesto Operates

UPSTREAM:

Production operations and field production

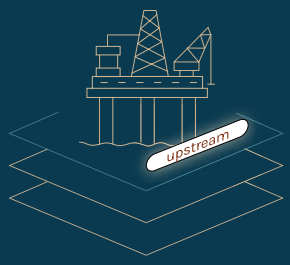
All activities related to the sourcing and extraction of oil and gas resources, which is performed at sea (offshore) or on land (onshore).

Exploration
Data gathering, well exploration

Development
Well development, facilities commissioning

Production
Production of oil and gas

Decommissioning
Cessation at the end of field life



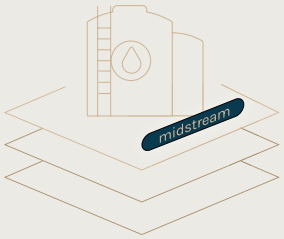
MIDSTREAM:

Pipeline, Transportation, and Storage

The processing and storage of crude oil and natural gas as well as transportation of the same.

Storage
Storage of oil and gas for trading or use

Transportation
Transportation of oil and gas from field to refineries, and storage areas



DOWNSTREAM:

Refining & Petrochemical Manufacturing

Crude oil is developed into a wide range of commercial, industrial, or retail products such as jet or automotive fuel, petrochemicals, olefins, glycols, polymers, methanol, ammonia, and fertilisers.

Refining
Refining of petroleum to end products

Distribution
Distribution of products to end users

Marketing
Selling of products to end users

VELESTO VISION 2035 (V35)

Velesto Vision 2035 ("V35") outlines the Group's long-term strategy to deliver sustainable returns to shareholders while strengthening our position as a trusted global upstream energy service provider. V35 is centred on three core Strategic Pillars and underpinned by four Strategic Enablers.

These pillars are translated into targeted initiatives across the Group, while the Strategic Enablers represent the foundational capabilities that support the effective execution of Velesto's strategic pillars.

SUSTAINABLE RETURN TO SHAREHOLDERS

To be the trusted global upstream energy service provider

Driving long-term shareholder returns through
focusing on core strength, sustainable growth and financial resilience

Sweat the Asset

Optimise drilling operations to maximise rig utilisation and operational efficiency within the core business segment, anchored by safety and operation excellence.

Unlock Upstream Growth

Rig fleet expansion via an asset-light model.

Financial Resilience

Strengthen financial resilience through profitability-focused ventures, cost discipline and delivering long-term shareholder value.

E1	E2	E3	E4
Sustainability	**People & Culture**	**Strategic Relations**	**Digitalisation**
Enhance sustainability integration across operations	Build future-ready talents with strong technical, commercial, and leadership capabilities	Drive regional growth aspirations	Transform into a fully integrated, data-driven organisation

Our Business Model and Value Chain

STRATEGIC PILLARS

1. Maximising Core Asset Utilisation

Velesto continues to focus on driving optimum asset use. This is realised by continued securing of drilling contracts and by further improving operational efficiency, service reliability and uptime, while emphasising safe operations.

In replenishing the order book, Velesto continues to secure opportunities across key markets. In parallel, the Group's 'grow beyond borders' approach focuses on expanding its regional footprint to capture long-term growth opportunities. The performance capability of Velesto's fleet of JU rigs continues to be enhanced through technology and innovation, and by pursuing continuous improvements in rig operations. These are reflected in ongoing efforts to incorporate automation, robotic systems, and High Pressure, High Temperature ("HPHT") capabilities. This ensures rigs remain competitive well aligned with clients' evolving and increasing requirements.

2. Rig Fleet Expansion via Asset-Light Model

In optimising its financial capital, business growth and market expansion will be achieved through an asset light model leveraging strategic partnerships with asset owners.

This approach enables the Group to scale its presence in the JU rig segment without significant capital commitment. An asset-light approach enhances flexibility in deploying rigs and fulfilling contractual commitments whilst effectively driving the Group's business development activities. In addition, Velesto is exploring diversification into adjacent rig segments and services, broadening its upstream offerings and strengthening its value proposition to clients. These initiatives position the Group to capture growth opportunities while mitigating capital intensity.

3. Financial Discipline and Resilience

Velesto continues to adopt a disciplined approach to cost containment to safeguard margins, while ensuring an optimal capital structure and prudent gearing levels.

The Group is also actively pursuing portfolio optimisation, including the divestment of non-core or limited capability assets, to sharpen strategic focus and improve overall profitability. These efforts are complemented by initiatives to enhance cost efficiency and maximise shareholder returns through sustainable distribution policies.

STRATEGIC ENABLERS

E1 Sustainability	E2 People & Culture	E3 Strategic Relations	E4 Digitalisation
Velesto is committed to integrating sustainability across its operations by reducing environmental impact and aligning with ESG expectations of clients, regulators, and investors. The Group strives to balance financial performance with long-term environmental and social value creation while emphasising strong corporate governance.	Velesto continues to invest in building a future-ready workforce with strong technical, commercial, and leadership capabilities. This is supported by a culture that emphasises performance, integrity, collaboration, and continuous improvement.	Velesto to strengthen relationships with key stakeholders, including clients, partners, regulators, and government agencies, to support our regional growth ambitions. Strategic partnerships remain central to unlocking new opportunities and expanding market access.	Velesto is progressing towards becoming a fully integrated, data-driven organisation, leveraging digital tools to enhance efficiency, optimise costs, improve safety, and enable smarter decision-making across the business. Digital transformation is a key driver of operational excellence.

Our Business Strength and Comprehensive Advantages

	Business Strength	Description
RESILIENCE	**Largest Malaysian-owned JU rig operator**	Velesto owns and operates six premium JU rigs. Given the inherent industry preference for local contractors, Velesto is well positioned to bid and secure Malaysia-based contracts.
	Regional track record	Velesto has extensive experience operating in Malaysia as well as in Indonesia, Thailand, Vietnam, and Philippines. We continue to bid for opportunities in Southeast Asia and beyond.
	Outstanding order book	Velesto has focused on longer-term contracts of up to five (5) years to shore up its order book to RM1.3 billion. This provides visibility on revenue and will keep the Group's rigs utilised into 2030.
	A consistent talent pipeline	Velesto Academy provides accredited and technical trainings to support crew competency and enables Velesto Group to maintain a sufficient and well-trained talent pool. In addition to supporting operational efficiency and productivity, it also contributes to excellence in talent pipeline strategies and sustainable succession planning.
	Efficient operating cost base	Ongoing cost optimisation efforts have enabled Velesto Group to achieve an efficient operating cost base that facilitates greater flexibility and competitive ability when bidding for contracts.
	Efficient supply chain and strong partnerships	The Group is well supported by a professional network of vendors and suppliers that enables the Group to achieve operational efficiencies and quicker market response.
	Strong institutional support	Velesto is more than 50% owned by institutional investors. The Group's relationships with regulatory bodies and government agencies have enabled it to achieve strong socio-economic compliance.
	Strong client relationships	With a strong track record in operational performance and its standing as the largest Malaysian-owned rig operator, Velesto Group holds a distinctive position among industry players and other stakeholders. The Group plays a leading role in advancing the industry.
PERFORMANCE	**Proven expertise and track record**	Velesto Group has a proven track record for meeting contractual obligations and delivering benchmark performance. Beyond drilling, Velesto's drilling fleet has completed Integrated Rig, Drilling and Completion ("i-RDC") services and can install Light Weight Structures and undertake well workover as well as decommissioning services. Thus, Velesto can provide more comprehensive solutions for clients while being able to leverage more opportunities across the upstream segment of the oil and gas value chain.
	Premium JU rigs with technology upgrades	Velesto's JU rigs feature the latest in drilling rig technology. Two rigs are equipped with High Pressure High Temperature ("HPHT") capabilities, another two with offline capabilities, four with automated drilling and one with robotic arm capabilities.
	Proven track record for excellent Health, Safety, and Environmental ("HSE") performance	Velesto maintains an industry leading HSE track record. This includes zero fatality and zero LTI performances. Velesto's HSE performance provides the Group with a competitive advantage when bidding for contracts.
	Sustainability	FTSE4GOOD top-quartile company
RETURNS	**Strong profit margins**	Velesto achieved 51% EBITDA margin and 23% PAT margin.
	Improved return on capital	Velesto delivered Return on Equity of 8.4% through its capital discipline.
	Return to Shareholders	Velesto shareholders benefit from capital appreciation and higher dividends.

Our Value Creation Model

Capital Resources	Inputs
FINANCIAL	
The strategic allocation of the Group's retained profits, cash, equity, and debt is aimed at driving business development and growth. The focus is on balancing short-term financial perspectives with the long-term sustainability and value creation capabilities of Velesto. This includes striving for optimum balance between rewarding shareholders while ensuring sufficient funds for capital and operational expenditure to fuel business growth. The impact of financial capitals is connected across all other capitals, and vice versa.	• Equity: RM2.4 bil • Borrowings: RM114 mil • Cash and Investments: RM261 mil • Assets: RM2.8 bil • Share capital: RM0.6 bil • Market capitalisation: RM2.3 bil
MANUFACTURED	
Ensuring optimum productivity of all physical assets in order to generate optimum output while meeting clients' requirements. We continue to focus on strengthening optimum capability and this may result in potential trade-offs between manufactured and financial capitals.	• 6 premium JU rigs • 2 onshore supply bases • 1 Training Academy • 1 Oilfield Services plant • Kuala Lumpur Headquarters
NATURAL	
Our business activities and outputs contribute to the consumption of environmental resources and have an impact on air, water, and land. Velesto strives for progressive sustainability in natural resource consumption while seeking to minimise its impact on the environment.	• Diesel: 17,377 MT • Water: 81,857 m^3
HUMAN	
The acquisition, retention, and development of competent talents to support Group operations as well as to expand Malaysia's oil and gas talent pool, particularly in the drilling segment of the industry value chain. Talent remains a core business focus. While it may involve short-term trade-offs with financial capital, it supports long-term returns through improved productivity and higher employee retention.	• 536-strong workforce, 77% Malaysian • 8,649 training hours • RM1.1 mil training and development expenditure • 41 VTS trainees • Velesto Academy
INTELLECTUAL	
Our innate industry experience, technical expertise and know-how, as well as systems and processes that have distinguished Velesto as Malaysia's leading drilling rig operator. This collective reservoir of competence, ability, and knowledge provides the Group with a competitive edge when bidding for contracts and setting the industry benchmark for operational excellence in drilling activities.	• High performance organisational culture • Best practice, globally recognised management systems: - ISO 9001:2015 - ISO 14001:2015 - ISO 45001:2018 - ISO 29001:2020 - ISO 37001:2016 • Group business model and business strategies • Annual business plan • Policies and procedures • Vendor and local supply chain development
SOCIAL	
We have developed a strong network of strategic relationships with key stakeholders. These include shareholders, customers, suppliers, environment, employees, government, industry affiliations, and communities. These relationships are business focused as well as driven by Sustainability and CSR objectives.	• Investor Relations activities • Stakeholder engagement • Dialogue and discussion with government and regulatory bodies • Proactive customer engagements • Community and CSR engagements

Business Model

BUSINESS MODEL

- **6** Jack-Up Drilling Rigs
- **1** Training Academy
- **1** Oilfield Services

Business Strategies

- Sweat the Asset
- Unlock Upstream Growth
- Financial Resilience

Supported by Enablers:
Sustainability, People and Culture, Strategic Relations, Digitalisation

Risk Overview

- Geopolitical Risk
- Technology and Cybersecurity Risk
- Market Risk
- Execution Risk
- Supply Chain Risk

Environment

- Energy & Emission Management
- Climate Risks
- Environmental Impact
- Nature & Biodiversity

Our Value Creation Model

VELESTO energy

Our Approach to Value Creation

- Industry Trends, Developments and Value Chain
- Inherent business strengths and competitive advantages
- Macro Operating Environment
- Risks and Mitigations
- V35 Strategies

FINANCIAL VALUES

Direct values:
Revenue, earnings, dividend, share price and market capitalisation.

Indirect values:
Shareholder dividends, repayment to financiers, payments to employees including salaries and benefits, payments to suppliers and income tax.

NON-FINANCIAL VALUES

Development of the local oil and gas sector and supporting value chains, job and entrepreneurship creation, transfer of technology and knowledge, socio-economic prosperity and nation-building.

Stakeholders' Needs

Our Materiality Matters

Social
- Health & Safety
- Human Rights
- Employment Practices
- Diversity, Equity & Inclusion
- Community Impact

Governance
- Economic Performance
- Governance & Ethics
- Supply Chain
- Data Privacy & Security

Outputs	Outcomes
• Revenue: RM893 mil • EBITDA: RM453 mil • Net profit: RM202 mil • Interest expense: RM9 mil • Dividend: RM246 mil	• RM34 mil of corporate taxes to governments • RM202 mil profit attributable to equity holders • Earnings per share: 2.46 sen per share • RM192 mil paid in wages and employees benefits • RM67 mil paid to financiers in interest, repayment of term loans and revolving credit
• Available JU days: 2,196 days	• Utilisation: 72% • Average DCR: USD118k • Operating Efficiency: 99.9%
• 56,041 tCO_2e emissions • Zero major environmental spills	• 27% lower emissions intensity per operating day compared to 2021 baseline (Scope 1 & 2 only) • Reduced environmental impact • Continued improvement in our Sustainability performance
• A strong and continually improving HSE track record • Zero fatalities • Zero LTI • RM250 mil local procurement spend	• Various industry recognition awards • Continued strengthening of track record • Enhanced credibility • 54% local procurement rate • 67% local suppliers
• RM0.8 mil in scholarship disbursements • 1,420 sqft corals planted • Four quarterly analyst briefings	