

MATERIAL LITIGATION Commencement of Arbitration Proceedings Brought By KNM Process System Sdn. Bhd. against Lukoil Uzbekistan Operating Company LLC

KNM GROUP BERHAD

Type	Announcement
Subject	MATERIAL LITIGATION
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1. Introduction

Pursuant to paragraph 9.04 (g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, KNM Group Berhad (“KNM”) announces that its wholly-owned subsidiary, KNM Process Systems Sdn. Bhd. (“Claimant”) has today issued and submitted a Request for Arbitration (the “Request”) against Lukoil Uzbekistan Operating Company LLC (“Respondent”) with the Institute of the Stockholm Chamber of Commerce, in Sweden, in accordance with Article 6 of the 2017 Arbitration Rules of the Arbitration Institute of the Stockholm Chamber of Commerce (“SCC Rules”) (collectively the action shall be referred to as the “Arbitration”).

2. Particulars of claim under the Arbitration

The Request concerns a dispute arising from a contract for the Supply of Technical Documentation and Equipment for development of gas-condensate fields Adamtash, Gumbulak and Djarkuduk-Yangi Kilzilcha in the Republic of Uzbekistan (the “Contract”) entered into between the Claimant and the Respondent on 3 December 2010. Under the Contract, the SCC Rules shall apply to this Arbitration and the seat of arbitration shall be at Stockholm, Sweden.

By the said Contract, the Claimant was engaged by Respondent as contractor for the Supply of Technical Documentation and Equipment for development of gas-condensate fields Adamtash, Gumbulak and Djarkuduk-Yangi Kilzilcha. The original Contract Price was USD 212,110,000 and after subsequent addenda for change orders, the the final Contract Price was USD 272,028,478.88.

In commencing Arbitration, the Claimant is seeking for claims and damages in excess of USD 96 Million in relation to unpaid invoices for work done, costs arising from breach of the Contract, costs arising from design changes, additional works performed, prolongation of contract and financial losses.

This Arbitration is part of the Claimant's on-going recovery actions to protect and preserve the Claimant's rights and monetary claims under the Contract pursuant to all of the Claimant's efforts to resolve the matter in an amicable way with the Respondent.

3. Estimate of the financial exposure to liabilities

The Arbitration is not expected to have any material operational and financial impact to KNM Group's earnings for the financial year ending 31 December 2019 and 31 December 2020.

4. Directors' and Solicitors' opinions of the Arbitration

In consultation with the Company's solicitors, the Board is of the view that Claimant has good claims in this Arbitration.

5. Steps Taken

The Claimant has appointed an international law firm to represent and assist the Claimant in the Arbitration proceedings. KNM will announce any further developments on the arbitration proceedings as and when they arise.

This announcement is dated 11 March 2019.