

MANAGEMENT DISCUSSION & ANALYSIS



LIM CHERN YUAN
Group Chief Executive Officer

Yinson was not spared from the tremendous challenges that buffeted the world in FYE 2021, disrupting the global economy and individual lives. The theme for this Report, 'Rising Beyond', is a reflection of how we endeavour to overcome the challenges and continue to deliver on our commitments, including strong financial results, expanding our business into new territories and industries, and maintaining a solid project and operations performance.

GLOBAL MARKET OVERVIEW

2020 was a year of surprises. No one could have predicted how quickly the Covid-19 pandemic escalated and the severity of respective lockdowns. The world also experienced extreme market volatility, unprecedented fiscal and monetary responses and tumultuous geo-political challenges.

Towards the end of 2020, we saw the global economy starting to recover from the earlier collapse brought about by the pandemic. Although the output rate is anticipated to remain lower than pre-pandemic levels for some time, nevertheless we are hopeful that 2021 can bring stability and a reset for a number of disruptions, especially as vaccine prospects play out as expected.

The pandemic, which increased macroeconomic uncertainties, also resulted in the price free fall of many key commodities, as accentuated by a sharp decline in crude oil prices in March 2020. Lower transportation activities from worldwide restrictions both internally and cross borders further lowered oil demand. As a result, an oil oversupply materialised. Production cuts were subsequently agreed amongst oil producing countries to curtail the oil stockpile and stabilise oil prices.

With global commodities prices now recovering, economies turning around and positive vibes from vaccine rollout plans, we are cautiously optimistic that oil prices will either remain rangebound around current levels or rise further in 2021.

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The International Energy Agency ("IEA") believes that the Covid-19 pandemic has caused more disruption to the energy sector than any other event in recent history, leaving impacts that will be felt for years to come. The IEA further reports that the situation has accelerated the pace of change towards a more secure and sustainable energy system, pushing companies in the energy space to expedite their plans to future proof their businesses. IEA forecasted a 5% drop in global energy demand in 2020, a 7% rise in energy-related carbon dioxide emissions, and an 18% increase in energy investment, with impacts varying by energy source. Oil demand and coal use were anticipated to fall by 8% and 7%, in contrast to a slight rise in renewables contribution. The report also estimated a 3% drop in natural gas demand and 2% drop in global electricity demand. (Source: IEA World Energy Outlook 2020).

Looking back over the year, it is clear that our business model has remained resilient despite the drop in energy demand. We continued to see growth in our Offshore Production and Renewables Divisions, and were able to start up our Green Technologies business. Overall, despite the setbacks, we echo IEA's belief that energy demand will recover and continue to trend upwards when viewed with a longer-term horizon. Due to our strong fundamentals and disciplined adherence to our business strategy, we are confident that Yinson is well positioned to capitalise on the organic growth of energy demand and the energy transition. We at Yinson will work proactively to make sure energy transition is a core part of the Group's strategy and investment decisions.

SUSTAINABILITY AND CLIMATE CHANGE

Combatting climate change is entrenched more than ever as a global agenda, with governments, corporations and individuals joining arms to reduce carbon emissions, improve climate resilience and conserve our environment. The UN Intergovernmental Panel on Climate Change's ("IPCC") ambitious 2030 target to limit global warming to 1.5°C above pre-industrial levels requires a concerted global effort if it is to be achieved.

ESG considerations are also causing shifts across the finance ecosystem, as asset managers and institutional investors increasingly recognise that non-financial ESG risks can have a material impact on returns and long-term value. We're seeing financial consumers become more attuned into how their savings are invested, with a growing group not wanting to support activities that don't align with their values. More widely, the social license to operate is also shifting, with governments and citizens urging corporations to help meet global sustainability challenges.

With this in view, Yinson is determined to do our part to strengthen our collective global foundations for a durable, equitable and sustainable economy – this includes participating actively to lower carbon emissions, and investing to develop lower carbon energy sources. A sustainability mindset governs all our decision-making, business activities

and strategies; from the highest level of management flowing down to every employee, extending outwards to our sphere of external influence.

Our new strategic framework firmly places sustainability at our core.

1. As one of our five Core Values, a sustainability mindset guides Yinsonites when making decisions.
2. 'Sustainability commitment' is the first 'Yinson Edge'. We believe that we've already set ourselves apart amongst our competitors with our strong commitment to sustainability and our proven ability to meet those commitments. Undoubtedly, we will continue levelling up on our sustainability commitments in time to come.
3. 'Operationalise ESG' is the first pillar of our Group strategy, which translates to specific ESG initiatives within the Divisions and business units which contribute to our Group-wide sustainability commitments.

In March 2021, we established targets to be carbon neutral by 2030, and net zero by 2050. This is on the back of increasingly urgent climate issues, as well as our commitment towards being a part of the global solution towards mitigating climate change.

Further, as part of our commitment towards sustainability, we expanded our commitments to align with a further three UN SDGs: Gender Equality (SDG 5); Industry, Innovation and Infrastructure (SDG 9); and Climate Action (SDG 13) – adding these to our existing commitments to four SDGs for Quality Education (SDG 4); Affordable and Clean Energy (SDG 7), Decent Work and Economic Growth (SDG 8) and Life Below Water (SDG 14).

These seven Sustainable Development Goals ("SDGs") were selected as they are the most material to our business, where we can have the largest positive impact. We are eager to share our progress on these commitments moving forward as we develop our strategic roadmap.

NEW UN SDG ALIGNMENTS IN FYE 2021



Yinson's Climate Goals, pg 72; Approach to sustainability, pg 73; Natural Capital, pg 143

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FINANCIAL PERFORMANCE

	FYE 2021	FYE 2020	Change	
	RM million	RM million	RM million	%
Extract from Consolidated Income Statements				
Revenue	4,849	2,519	2,330	92.5%
Cost of sales	3,548	1,938	1,610	83.1%
Gross profit	1,301	581	720	123.9%
EBITDA *	1,236	770	466	60.5%
Profit before tax	580	331	249	75.2%
Profit after tax	412	261	151	57.9%
Core profit after tax	735	293	442	150.9%
Gross profit margin	26.8%	23.1%	3.7%	16.0%
Net profit margin	8.5%	10.4%	-1.9%	-18.3%
Core profit margin	15.2%	11.6%	3.6%	31.0%
Extract from Consolidated Statements of Financial Position				
Total assets	11,886	9,515	2,371	24.9%
Current assets	2,678	2,194	484	22.1%
Liquid investments	229	189	40	21.2%
Cash and bank balances	1,821	1,276	545	42.7%
Total liabilities	7,860	5,741	2,119	36.9%
Current liabilities	1,873	1,514	359	23.7%
Loans and borrowings	6,106	3,830	2,276	59.4%
Non-recourse borrowings	2,985	2,339	646	27.6%
Total equity	4,026	3,774	252	6.7%
Extract from Consolidated Statements of Cash Flows				
Net cash flows (used in)/generated from operating activities	(775)	918	(1,693)	-184.4%
Net cash flows used in investing activities	(287)	(1,236)	949	76.8%
Net cash flows generated from financing activities	1,517	478	1,039	217.4%

* Earnings Before Interest, Tax, Depreciation and Amortisation

	FYE 2021	FYE 2020	Change	
Financial Indicators				%
Return on equity	10.2%	6.9%	3.3%	47.8%
Current ratio (times)	1.43	1.45	-0.02	-1.4%
Gearing ratio (times)				
- Total borrowings	1.52	1.01	0.51	50.5%
- Excluding non-recourse borrowings	0.78	0.40	0.38	95.0%
Net gearing ratio (times)				
- Total borrowings	1.01	0.63	0.38	60.3%
- Excluding non-recourse borrowings	0.27	0.01	0.26	2,600.0%
Net debt/EBITDA ratio (times)	3.28	3.07	0.21	6.8%

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	FYE 2021	FYE 2020	Change	
	RM million	RM million	RM million	%
Operating Results by Segment				
Offshore Production & Offshore Marine	1,110	519	591	113.9%
Renewables	1	-	1	N/M*
Other operations	(183)	-	(183)	N/M*
Share of results of joint ventures & associates	(29)	10	(39)	-390.0%

* N/M: Not meaningful

Snapshot of quarterly announced results for FYE 2021	Q1 FYE 2021	Q2 FYE 2021	Q3 FYE 2021	Q4 FYE 2021
	RM million	RM million	RM million	RM million
Revenue	344	996	2,262	1,247
Cost of sales	139	671	1,809	929
Gross profit	205	325	453	318
EBITDA *	236	330	336	334
Profit before tax	66	173	183	158
Profit after tax	46	127	137	102
Core profit after tax	97	168	298	172

* Earnings Before Interest, Tax, Depreciation and Amortisation

CORE PROFIT AFTER TAX (RM MILLION)

FYE 2020	293
FYE 2021	735

The key performance indicator of Core profit after tax ("PAT") increased significantly from RM293 million in the previous financial year to RM735 million in the current financial year. The main driving factors of this impressive growth include a full year lease contribution from FPSO Helang (which achieved first gas in December 2019), successful redeployment of FPSO Abigail-Joseph (which achieved first oil in October 2020) and progressive construction of FPSO Anna Nery.

Business growth in FYE 2021 was reflected clearly through the increase in the Group's total assets and total liabilities of 24.9% and 36.9% respectively. In particular, loans and borrowings increased by 59.4% to RM6,106 million, with drawdown proceeds mainly used to fund the Group's maiden project in Brazil, FPSO Anna Nery. It is of continued

importance to take note that the Group's total liabilities include RM328 million of deferred income (please refer to Note 36 to the Financial Statements) which is non-refundable upfront receipts related to projects.

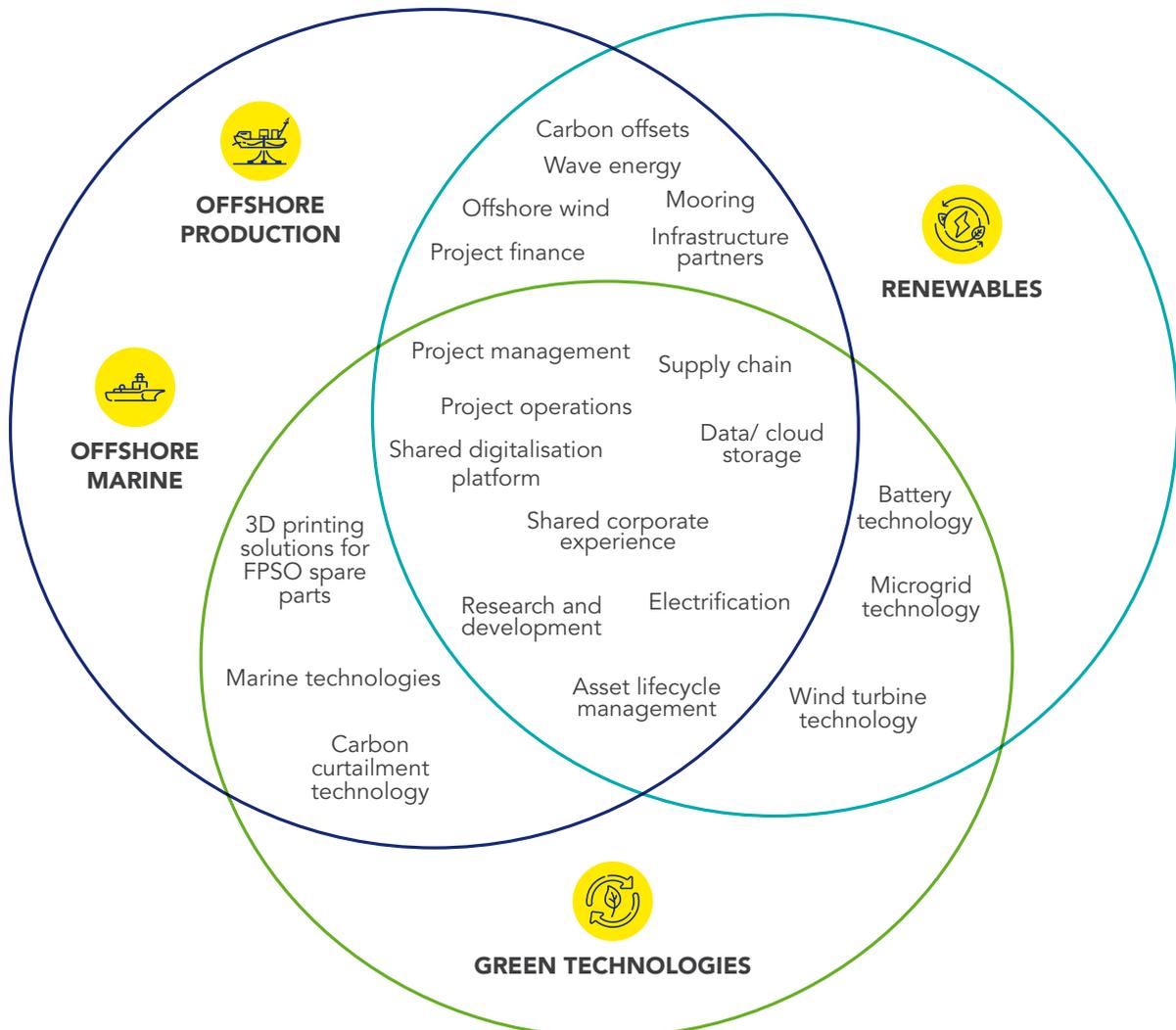
On the liquidity front, the Group's cash and bank balances and liquid investments increased 39.9% from RM1,465 million to RM2,050 million. That said, due to the additional loans and borrowings drawdown to fund our growth, the Group's current ratio decreased slightly from 1.45 times to 1.43 times and the other key liquidity indicator of net gearing ratio increased from 0.63 times to 1.01 times.



Financial Capital, pg 82

OUR STRATEGY FOR GROWTH

Yinson has had a unique journey over the past three decades or so, resulting today in four business divisions that have distinctive abilities to contribute to the energy and technology value chains. Our refreshed strategy framework highlights how the alignment between our six Group strategies and respective Divisional strategies can create synergies with and between our business divisions, to unlock even greater efficiencies and value.



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OPERATIONALISE ESG

Putting our ESG commitments into action, coupled with robust sustainability governance, is an important part of our Group strategy. ESG performance helps investors to take into account the traditionally 'unmeasured' ESG impacts when making investment decisions, which are increasingly used along with financial analysis to gauge the long-term outlook of a business. The happiness of our workforce, security of our data, and our vulnerability to climate change are some examples of intangibles that have a material impact on our business. We also believe that strong ESG performance helps to insulate us against any crisis, as reflected by the consistent outperformance of ESG portfolios compared to traditional portfolios.

In Yinson, teams are given mandates to identify, develop and execute ESG initiatives that contribute towards our overall sustainability goals and commitments. The initiatives are included into each team's action plans, with progress measured against targets set. The Sustainability Committee, which I chair, meets every quarter (or more frequently if needed) to review the plans and progress, and ensure they're aligned with Group sustainability strategies. The Board maintains oversight of the overall progress of sustainability matters through reporting from the Board Risk Management Committee.

In FYE 2022, we will focus on strategically assessing methods to achieve our newly set Climate Goals. This is a Group-wide undertaking, with each business division taking ownership of their unique abilities to contribute towards the goal. In FYE 2021, in preparation for our increased focus on environmental performance, we implemented an ISO 14001-certified Environmental Management System ("EMS") for full environmental impact monitoring and control and enhanced our baseline for reporting based on internationally recognised practices and standards.

Externally, we are fully committed to improving our corporate disclosures. We believe that being open, accessible, and transparent on our strategy, achievements, plans and outlook, arms our external stakeholders with the knowledge that they need to make informed decisions about the Group. Gaining the confidence of our external stakeholders enables us to have meaningful engagements, leading to better business productivity.

Our corporate governance performance has been acknowledged through several recognitions, including the 2019 ASEAN Corporate Governance Scorecard Award, placement amongst the top 30% of Sustainalytics' ESG Risk Ratings Energy Services Industry group, and maintenance of our position on the FTSE4Good Index series. We will continually invest into strengthening our corporate governance, and have plans to significantly improve our disclosures in this area.



Approach to sustainability, pg 73; Sustainability governance, pg 108; Natural Capital, pg 143



FOREFRONT OF INNOVATION AND DISRUPTION

Encouraging innovation is our strategy for catalysing growth, keeping us relevant to the changing environment, and keeping our competitive edge. We encourage our people to think outside the box when faced with challenges, and never to be satisfied with the status quo, but to instead find ways to do a routine task better, faster, and more productively or even differently. When complemented by strong governance and balanced risk management, innovation brings about breakthroughs that can revolutionise and propel business performance, spreading outwards to disrupt the industry.

In FYE 2021, we significantly developed our Asset Lifecycle Management approach by initiating lifecycle programmes across Yinson, utilising available objective data to optimise the processes from business development to decommissioning or redeployment phases. These cross-department initiatives focus on collaboration and information-sharing across the organisation to increase productivity and efficiency to achieve optimised solutions.

We established a working group for Data Management which focuses on making lifecycle information and operational data available, supporting the transformation into a data driven business. This in turn enabled the development of a Lifecycle

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Yinson has undergone several transformation phases since being founded in 1983 as a humble transport agency in Malaysia. The first phase was transport and logistics, where we grew to become one of Malaysia's largest transport companies. We transitioned into our second phase of transformation, offshore production, through a JV with PetroVietnam Technical Services Corporation ("PTSC") Vietnam for the construction of FSO PTSC Bien Dong 01 and FPSO PTSC Lam Son. Having gained experience from constructing and financing these two Vietnamese assets, we identified offshore production as a niche segment with strong growth potential. We entered into our third phase as a full-fledged independent FPSO build, lease and operate service provider when we acquired established Norwegian FPSO company, Fred. Olsen Production ASA, and divested our non-oil & gas segments. Through dedication and hard work, we grew to become one of the largest independent FPSO leasing companies in the world. Cognisant of the rising global energy needs and demand for a more sustainable energy system, we evolved into our fourth stage of transformation as an energy infrastructure company. In line with this, we established our Renewables Division in 2019, and Green Technologies Division in 2020.

I shared this brief trip down memory lane to highlight Yinson's ability to adapt to changing external environments, seizing opportunities to deliver greater returns to our shareholders. One recent example of this is FPSO Abigail-Joseph – our most recent redeployment project. By redeploying an existing vessel in our fleet, and applying knowledge gained from previous redeployment projects, we were able to bring forward the project schedule, providing a more cost-effective solution for our clients and greater value for our shareholders. Similarly, our acquisition of RSE in India paved the way for us to win the Nokh contract – elaborated in more detail by my colleague in the Business Review for Renewables.

Throughout the various transformation phases and periods of economic volatility, we have maintained a steady return to shareholders. As part of our financial management strategy, we keep dividends to a fairly stable level as we are mindful of the need to balance between rewarding shareholders and ensuring there is sufficient retained capital in line with the Group's business expansion plans.

Cost model based on ISO 15663 that calculates the lifecycle cost of various alternatives, enabling us to make better decisions for the sustainable maintenance of our FPSOs.

We established an Operational Readiness & Assurance ("ORA") Department focusing on optimising the interface between operations and the early stages of the asset lifecycle. Additionally, Technical Authorities were established in all engineering disciplines to ensure that the technical decisions made are in line with the appropriate level of competence, quality, and consistency, to safeguard the technical integrity of our assets.

Yinson has achieved industry-leading innovation in this area. We have shared our knowledge in several conferences held in FYE 2021, with more engagements lined up in FYE 2022.

CREATE SUSTAINABLE SHAREHOLDER VALUE

Creation of sustainable shareholder value is a key strategy of Yinson. This demonstrates our continuous ability to provide good and steady returns to shareholders' investments and builds investors and stakeholders' confidence, who provided us strong support over our transformative years.

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YINSON'S TRANSFORMATIONAL PHASES

1983 - 2010	2011 - 2013	2014 - 2018	2019 to present
TRANSPORT AND LOGISTICS	OFFSHORE PRODUCTION	FULL-SCALE EXECUTION AND SERVICE FPSO PROVIDER	ENERGY INFRASTRUCTURE AND TECHNOLOGY COMPANY
Began as a transport agency in Johor Bahru, Malaysia. Grew to become one of Malaysia's largest transport companies	Ventured into offshore production through a JV with PTSC Vietnam to build an FPSO and an FSO	Acquired Fred. Olsen Production ASA and divested non-oil & gas subsidiaries. Increased fleet size to become 6 th largest independent FPSO leasing company globally	Established Renewables and Green Technologies Divisions. Ventured into new territories for Offshore Production. Established strategic collaborations for Offshore Marine
<ul style="list-style-type: none"> ▶ We paid RM700 million in shareholder returns (dividends and share buy backs) between FYE 2011 and FYE 2021. ▶ On a cumulative basis between FYE 2011 and FYE 2021, we paid 54.85 sen per share or RM525 million in total. ▶ Of this amount, 18.6 sen per share, or RM203 million related to special dividends which were paid out subsequent to major divestment or monetisation of assets by the Group. 			



About Yinson, pg 27; Financial Capital, pg 82

Going forward, we will continue to build up a diversified energy asset portfolio and tap into potential synergies between our businesses. We believe that the synergies between our Business Divisions can be leveraged upon to create distinctive opportunities for growth and expansion. Additionally, the synergies can generate significant efficiencies across the business through shared resources, knowledge and experience.

Some examples of current and planned synergies that exist between our Business Divisions are captured in the graphic on page 21, and elaborated in more detail within this Report.

TACTICAL FINANCIAL MANAGEMENT

The nature of our business is capital intensive, which is why tactical financial management is paramount to our continued success.

Counterparty strength is an important consideration for the long-term contracts that we enter into. We seek to conduct our business with reputable clients, which allows us to limit counterparty risk. The majority of our clients are investment grade or large national oil companies, which provides assurance to investors and lenders that the risk of credit default is low, even during periods of economic volatility

such as was experienced in FYE 2021. For counterparties that have yet to achieve investment ratings, Yinson manages credit exposure by negotiating upfront milestone payments of construction costs from the client. For example, for FPSO Abigail-Joseph, we took on minimal credit exposure as this was a redeployment project where our donor FPSO was already free from any encumbrances, and given that the client was a smaller independent oil company, we also negotiated for upfront milestone payments for the project conversion cost. Applying such a strategy allowed us to better manage our credit exposures and obtain an order book of USD769 million for 15 years (firm+options) with minimal fresh capital outlay.

At Yinson, we adopt a broad-based management approach with our business, corporate and financing partners, whom we work closely with to manage our financial requirements. We build strong partnerships where we are able to co-invest with our partners into projects and draw on each other's strengths for greater overall project returns. We also continuously grow and maintain strong relationships with our lender group and potential investors. The oversubscribed USD400 million FPSO Anna Nery bridge loan executed in the midst of a global lockdown is a clear statement of lender confidence.

Part of managing our financial requirements entails careful management of our current and future debts – in terms of monitoring loan covenants, gearing levels and loan drawdowns and repayment periods. Our Group Corporate Advisory Team provides strong support to the businesses to raise funds for each of our projects, to ensure that our projects and operations can progress as planned. We have also implemented strategies to increase velocity of our capital such as through equity sell-down, refinancing and re-leveraging order book backlogs, allowing us to better manage the cashflow requirements of our ongoing projects whilst building a substantial cash and cash equivalent reserve for our operations.



Financial Capital, pg 82; Intellectual Capital, pg 103; Social & Relationships Capital, pg 130

BUILD A PLATFORM FOR GROWTH

Our strategy for growth centres on the scalability of our support functions and strategic workforce planning.

As our business grows into new areas and territories, coupled with the rapidly evolving global economic environment, we will continually enhance our systems and processes to scale well under the increasing operational demands and scope. We recognise technology and digitalisation as key enablers of scalability, and invest in implementing modern, technically robust digital systems that strengthen integrity and deliver efficiency.

Yinson proactively implements strategic workforce planning, as we believe that planning ahead for current and future hiring needs is critical to ensuring that we have the resources to meet our strategic goals. Through ongoing business analytics, and as part of our integrated business planning, we aim to identify our workforce planning strategies across each area of the business to address our current and future skill and capability needs.

Attracting and retaining the right people is another important consideration in strategic workforce planning. Following a comprehensive exercise to gather inputs from all our global offices, we developed and launched our HR Transformation Plan in FYE 2021. We believe that the effective rollout of the plan will be instrumental in our ability to attract and retain the talent to drive our business forward.



Covid-19: Yinson's new normal, pg 69; Intellectual Capital, pg 103; Human Capital, pg 112

EMPOWER INFORMED DECISION-MAKING

Theodore Roosevelt once said, "In any moment of decision, the best thing you can do is the right thing, the next best thing is the wrong thing, and the worst thing you can do is nothing".

'Decisive' and 'Open' are two of Yinson's five Core Values, which create the foundation on which we encourage Yinsonites to make decisions. We aim to create an open working environment where everyone has access to information, tools and resources that they need to make sound and sensible decisions and recommendations. Further, we aim to minimise bureaucratic roadblocks to decision-making by empowering Yinsonites to take ownership of decision points, while simultaneously providing avenues for escalation, if needed. We encourage all employees – especially the junior ones - not to consider anything as 'above their paygrade', but to see themselves as important contributors to the decision-making process. We believe that this approach makes work meaningful and fulfilling to our employees and increases business productivity and quality.

Digitalisation, once again, plays an important part by providing the platforms that allow efficient collaboration, communication, data analysis and reporting process. As the Group grows, it becomes increasingly important to invest in digital platforms that connect business areas cohesively. In the Intellectual Capital chapter of this Report, we disclose our achievements and plans in terms of digitalisation for business systems and processes.



Business systems and processes, pg 110; Governance, pg 154

CLOSING REMARKS

Yinson is no stranger to economic volatility, having weathered many challenging periods since we started up in 1983. Through adherence to our values and business strategies, we emerged from these difficult times stronger, wiser and more resilient, determined to learn from our experiences and improve. The challenges we faced in FYE 2021 were unprecedented, but we did not deviate from our tried and tested fundamentals, continuously aligning everything we did to bring greater value to our stakeholders. Guided by our Core Values, we believe that taking these steps puts us on the surest path to ensuring the long-term sustainability of our business.

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This marks the third year since Yinson first embarked on our Integrated Reporting journey. In the first year, we focused on delivering a robust Sustainability Statement. Last year, we greatly increased the quantity and quality of our disclosures, including how we manage our material topics and capitals. Our efforts were rewarded with several international design awards, and a silver placing at the prestigious NACRA 2020's Excellence Award. This year, we focused on improving the connectivity of the various sections of our Report and further enhanced the quality of our disclosures to be more balanced, concise, comparable and meaningful. We hope this helps you to get a good idea of our strategy and outlook, so you can make informed decisions about the Group.

As mentioned earlier in this Report, climate action is no longer a luxury but a necessity. There is already a major and inevitable transition occurring in the energy sector to more sustainable energy sources. With sustainability as a Core Value close to our hearts, Yinson sees this as an opportunity to adapt and participate in this global shift towards a more sustainable energy future. In coming years, we will focus on reducing our carbon intensity and invest more into the energy

transition, making this a core part of our strategy moving forward.

In the Business Review section of this Report, the leaders of our four Business Divisions will provide you with updates and insights into their business areas.

In closing, on behalf of our Board, Management and employees, I would like to thank our clients and business partners for trusting us with your investment and business. To our vendors and suppliers, thank you for partnering with us to deliver our projects successfully. To our shareholders, bankers, financiers and investors, thank you for your continued support and confidence.

Last but certainly not least, a sincere thank you to our employees and crew, as well as your families. Truly, your commitment, ownership and dedication has enabled us to 'Passionately deliver **powerful** solutions'.

LIM CHERN YUAN
Group Chief Executive Officer

