BUSINESS REVIEW - RENEWABLES

Commentary by David Brunt, Chief Executive Officer, Renewables

RENEWABLES HIGHLIGHTS FYE 2022

GLOBAL PIPELINE

1.5 GW projects secured and in development, ready for construction within 12 to 24 months.

3 GW to 5 GW early stage global development pipeline.

12 countries with active development locations or management offices.

Collaborating with **9** development partners across **4** continents.

OPERATING ASSETS

175 MW operational renewable energy assets.

285 MW renewable energy assets under construction.

Approximately **USD700 million** in contracted revenues from PPAs.

MILESTONES

- Received Letter of Award to develop and operate 190 MWac (285 MWp) grid-connected solar PV project at the Nokh Solar Park, India.
- Agreement to collaborate with Verano for renewable energy projects in Chile, Colombia and Peru.
- Agreement with Plus Xnergy Services to jointly invest in and develop solar PV projects within and beyond Malaysia.
- Post year-end, acquired two large wind farms under development totalling 486 MW in Brazil.
- Secured and under development assets grew from 100 MW to 1.5 GW.

PERFORMANCE

300 GWh
Net power generated by Yinson's Bhadla assets (100% basis).

287,986 tonnes CO_2e
Carbon avoided on net basis by Yinson's Bhadla assets.

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YINSON RENEWABLES GOALS AND STRATEGIES

GOALS

- Be a significant standalone business within Yinson.
- Participate in the full renewables value chain.
- Participate globally by identifying and focusing on key core markets with scale/value potential.
- Deliver additional value through efficient capital recycling.

STRATEGIES

Short to medium-term (1 to 5 years)

- Develop significant presence in three markets and 3 GW project pipeline by FYE 2023.
- Deliver growth both organically and through acquisitions with focus on growth in core markets.
- Build a lean and experienced team.
- Leverage internal teams both locally and globally, investing in training and development.

Long-term (6 to 10 years)

- Establish operations in five to seven markets, with a combined development and operating portfolio of 5 to 10 GW, by FYE 2029.
- Achieve optimised operations through digitalisation and innovation.
- Adopt efficient capital recycling strategies and build strong equity and refinancing partnerships.

MARKET OVERVIEW

In 2021, global investment in the low-carbon energy transition grew to USD755 billion, an increase of 27% over the prior year and close to triple the investment a decade prior. This was the largest year-on-year growth since 2011. This includes investments in renewable energy, electrified heat/transport/storage, CCUS, hydrogen, sustainable materials and nuclear. Renewable energy was by far the largest sector with USD366 billion invested.

Generation from renewable energy sources (excluding nuclear) is expected to grow to 8,300 TWh by 2022 and 13,500 TWh by 2030. Over 70% of that growth will come from onshore wind and utility scale solar PV projects, with a further 10% coming from smaller scale solar PV systems. Renewable energy sources are forecasted to provide around 31% of total power generation on a global basis in 2022 increasing to around 43% in 2030.

While the largest markets in terms of investment remain China and USA, good investment opportunities are found in many other countries with the right combination of policy support and market access. Imbalances between policy targets and energy demand growth as well as the progress in that particular market for renewable energy rollout, can also be important selection criteria.

Two recent events have given extra impetus to renewable energy investments and opportunities. Firstly, the Covid-19 pandemic has resulted in many governments focusing on infrastructure investments to revitalise economies. Secondly, the energy crisis in Europe, which is largely attributed to the conflict in Ukraine, has resulted in gas shortages, further accelerating the build out pace of alternative energy sources such as renewable energy.

YEAR IN REVIEW

Development pipeline

This year we have focused on growing our pipeline of renewable energy projects to ensure it is a strong engine for growth in the years to come, while also driving forward several of the early opportunities we secured in 2021 towards being ready-to-build.

The renewables value chain spans early-stage opportunity evaluation, then development and consenting activity once the projects are secured. When consents are achieved, which can take between 2 to 5 years, and grid, financing and power sales opportunities secured, the projects are ready for construction.

We continued to work with between 3 GW to 5 GW of early-stage opportunities in both onshore wind and solar PV segments, but the rapid growth in projects under development & consenting has been the real achievement of 2022. As of March 2022, projects in this phase had grown from 100 MW to 1.5 GW over 12 months. These projects will progress to investment decision & construction in the coming years, resulting in profitable operating assets that deliver strong and stable cash flows over the long-term.

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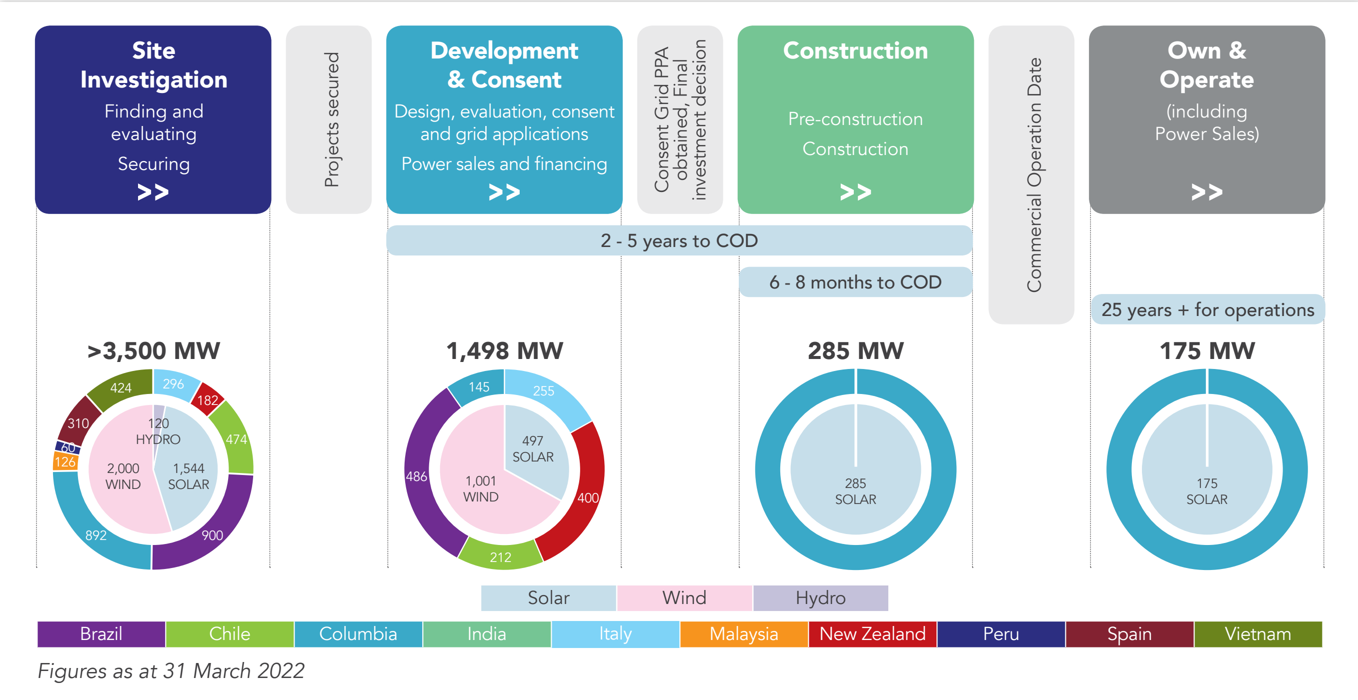
YINSON RENEWABLES PROJECT PIPELINE



The pipeline is now well balanced between solar PV opportunities and onshore wind and we have maintained our focus on establishing a critical mass in the three main core regions: Latin America, Europe and Asia Pacific. This has now been successfully achieved, however we will continue to grow the pipeline to deliver future growth.

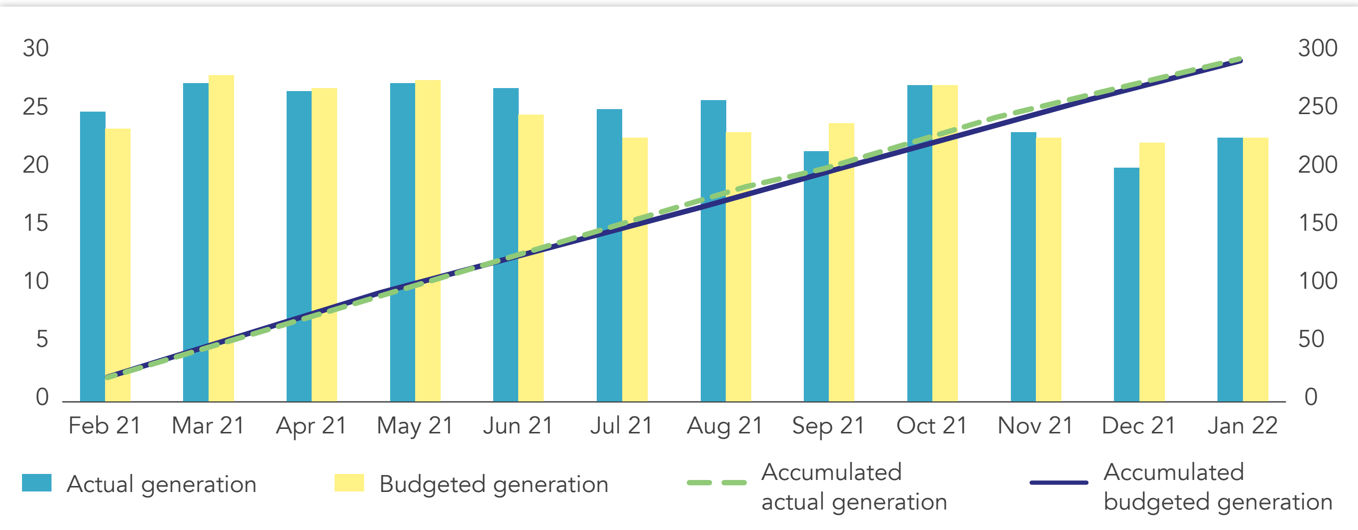
We manage our early stage and development & consenting activities through local development partners or service providers in each country. As of March 2022, we are collaborating with 9 different partners in addition to our majority-owned subsidiary Rising Sun Energy in India.

Assets in operation & under construction

The solar plants at Bhadla, in Rajasthan, India have continued to perform well, with stable generation and no significant operating incidents. Gross generation for FYE 2022 was 1.6% over what was forecasted, while EBIDTA was 16% over target, primarily due to higher-than-expected carbon credit prices.

During the year, the (non-recourse) project financing has also been refinanced, resulting in lower financing costs over a longer tenor and an improved bottom line contribution.

MONTHLY & ACCUMULATED NET POWER GENERATION (GWh)



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We continue to progress construction of the 285 MWp Nokh Project, also located in Rajasthan, India. Recent progress has been slow, relating to finalisation of the provision of agreed land and regulatory adoption of the tariff for power sales. However, these delays, caused in part by Covid-19 restrictions, are accepted by the PPA counterparty NTPC Limited, as the expected final commissioning date still falls within the terms of the project agreements.

Disruption to both commodity pricing, especially polysilicon, and logistics have also impacted PV module pricing negatively. However, we are working to mitigate these issues and are on track to deliver the project in accordance with stakeholder expectations.

EXTERNAL VARIABLES, RISKS & OPPORTUNITIES

EXTERNAL ENVIRONMENT

- The energy transition towards increased renewable sources and sustainability has been further strengthened by commitments made by nations at COP26 held in Glasgow in October 2021. The majority of nations increased their commitment levels and the conference has generated new momentum in many markets.
- Renewable energy sources remain the energy source of choice for new power generation due its low cost. Challenges remain in markets with high renewable energy power penetration as intermittent power needs to be balanced with other sources or mechanisms.
- The pandemic has encouraged increased national spending on infrastructure (especially energy) as a mechanism to revitalise lagging economies while delivering on COP26 commitments. However, it has had negative impacts on global commodity prices, logistics and supply chains, affecting some key components of renewal energy projects.
- Energy price and access concerns driven by the ongoing Ukraine crisis are anticipated to further supercharge the energy transition, especially in Europe.

RISKS

- Increased logistics and commodity pricing, arising as an impact of the pandemic, could affect the delivery of renewable energy projects.
- A general increase in competition in the segment could make it harder for renewable energy companies to secure projects.
- Renewable energy companies may face intermittency challenges related to high penetration of renewable energy generation sources in a single market.

OPPORTUNITIES

- Increased global and national renewable energy targets driving strong growth provides a wider range of opportunities for renewable energy companies.
- Renewable energy is underpinned by strong governmental policies, providing surety and incentives for the renewable energy supply chain.
- Renewables are an attractive secondary market investment, which can support effective capital recycling, opening up potential new pockets of capital for renewable energy players.

STRATEGIC RESPONSE TO OUR RISKS & OPPORTUNITIES

Creating value through growth & capital recycling

Yinson Renewables was set up to be Yinson's first step towards participating in the energy transition and contributing to the sustainability of the Group. The objective was to develop a standalone business stream delivering stable long-term cash flows, but just as importantly to deliver significant growth and value to our shareholders.

With the exponential growth in renewable energy globally, it was key for us to select the right markets and position ourselves in the value chain to create a competitive advantage.

We are focused on participating across the full value chain as an independent power producer – originating, developing, building and operating projects and then selling power over the long-term. In order to maximise value, this means being involved in greenfield developments, i.e. getting in early, finding project sites, evaluating and optimising them, and then taking the best projects forward to gain building and environmental consents prior to taking a final investment decision. Following this, we would manage construction prior to starting commercial operations.

When an asset is operational, additional value can then be created by recycling capital in the secondary markets by bringing in investment partners at a project, country or platform level. By entering the value chain early, we can use our experience and expertise to manage the early phase risks, offering the investors a de-risked investment opportunity with stable returns.

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The attractiveness of renewable energy projects has already created an extensive secondary market for renewable assets and platforms, enabling efficient use and recycling of capital. I will provide more details on this in when I elaborate on 'Building the platform to create value' further on in this commentary.

Market positioning

As noted in the summary of our external environment, the renewables segment is growing fast, driven by government policy, international commitments and the recovery from the pandemic. This leads to increased competition, not least from large players such as oil companies and major utilities.

Our market positioning has been to seek smaller projects – a market which we believe offers a more suitable competitive landscape to our growth plans. This generally leads us away from the intensively competitive offshore renewables space, which tends to have a higher entry cost and risk profile, compared to onshore renewables projects.

We anticipate that onshore renewables will experience one of the highest growths in the renewables segment in the coming decades, measured in absolute terms. This growth gives us ample opportunity to capture good projects while balancing risk across a wider portfolio of projects. That said, we may still consider offshore renewables projects if they meet the considerations of our investment policy and are in alignment with our strategic plans for growth.

Market selection

Finding the right markets in which to participate is as important as the right market positioning. The largest markets may offer good potential, but often the best opportunities for Yinson can be found in smaller markets. We mainly focus on geographies where we believe we can establish a large enough operating portfolio (i.e. above 300 MW) to provide economies of scale and efficiency in operation. Currently, our prime geographies are Europe, Latin America and Asia Pacific. The combination of these regions gives a good balance of mature versus emerging markets, which enables us to have a balanced risk reward profile.

In addition to the above, we undertake a rigorous review focusing on the regulatory and political context whilst also ensuring the strong fundamentals of the market.

Project selection & local partners

When we find markets with potential, we opt to work with the right local partners or service providers who have good on-the-ground experience and knowledge of local conditions. Our local partners help to source new projects and provide local development services in order to bring the projects to ready-to-build status. We perform due diligence on all projects before taking them into our portfolio.

The strategy has been very successful, and we now have alliances with 9 local developers in 7 countries. This has delivered significant growth in our pipeline during the last 12 months which we will describe more in the next subsection.

In line with our Core Value of being Reliable, we place great priority on building credibility with our local partners by establishing great working relationships and delivering on our commitments. This is crucial, as it catalyses an already symbiotic relationship and positions us as a preferred partner when new prospects arise. As the saying goes, 'success breeds confidence, trust and more success'.

Building the platform to create value

Over the past 24 months, we have successfully laid the foundations for a strong growth business based around a pipeline of good development projects. Over the next 24 months, multiple projects from our development pipeline will be ready to start construction, adding on to our existing portfolio of assets in operation and under construction. This will grow our portfolio of operating assets and open the door to bringing greater value to the Group, including optimising our capital recycling plans.

During the early days of renewable energy, it was tangible operating assets that were attractive to secondary market investors – and that was where the value was made and extracted. As the market matured, investors began putting significant value on assets under construction and secured development assets – i.e. those with up to a 4 to 5 year time horizon until they deliver income. Now as the market expands more rapidly, in line with the energy transition, investors are also attributing considerable value to early-stage pipeline assets. The value at early-stage developments can be increased if they are managed by teams with a strong track record of converting prospects to generating assets and a strong organisation behind the team providing financial and corporate support.

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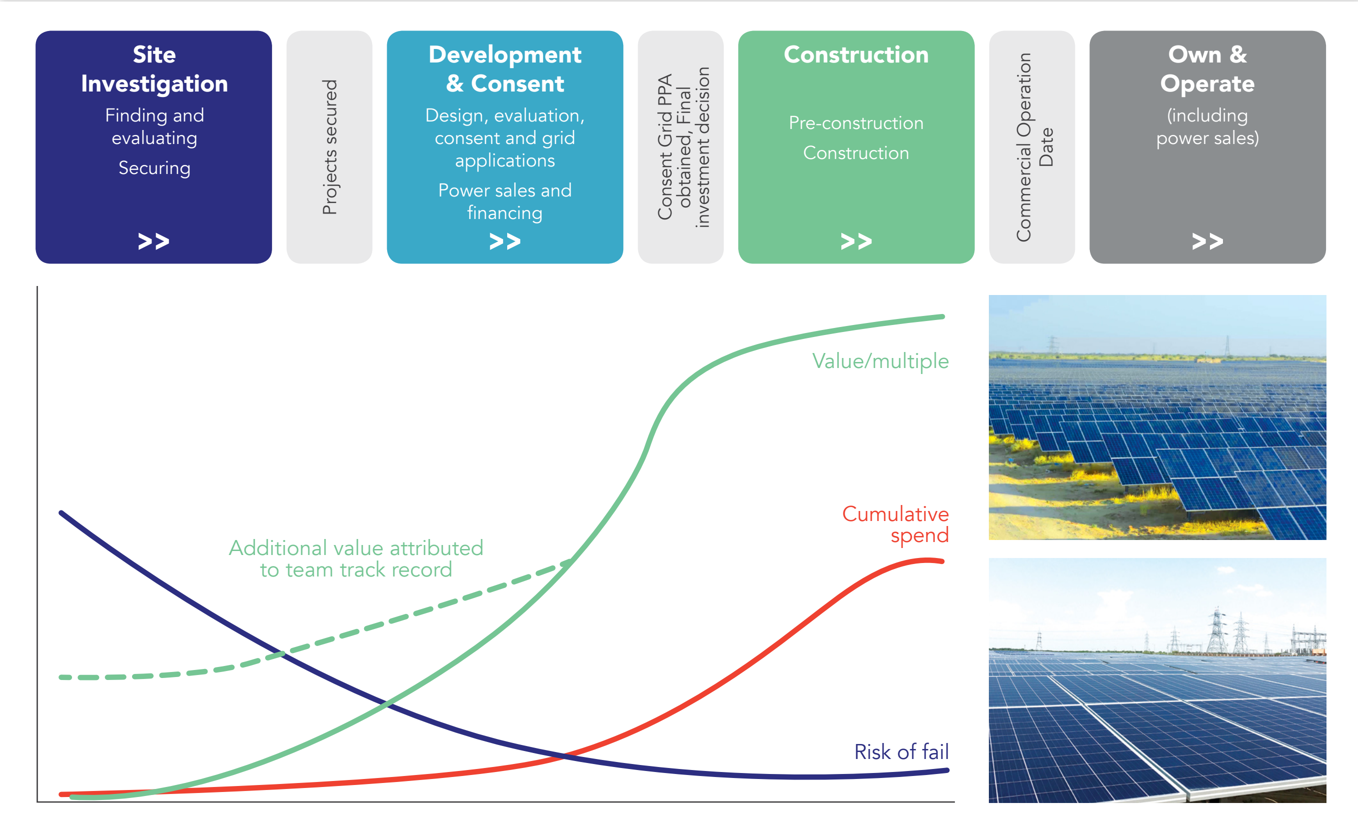
INDICATIVE MEASURES OF VALUE, SPEND AND RISK OF A TYPICAL RENEWABLES PROJECT OVER TIME



The current Yinson Renewables team is lean, but agile and with extensive experience in these markets and across the entire renewables value chain, leading to the ability to make informed and timely strategic decisions. We have also established partnerships with capable local development partners. These partnerships, coupled with our strong in-house skills and capabilities, give us confidence in our ability to manage and deliver in our early phase project pipeline. As we move into more construction activity and as our assets in operation expands, we plan to grow our team in accordance with the necessary skills needed and leverage on the resources available in the wider Yinson organisation.

CLOSING REMARKS

Whilst we are a young renewables company, we have a strong and experienced team which is delivering and already surpassing the business goals that have been set. We have generated a significant pipeline of projects across three different continents, with a number of these projects expected to be move into construction fairly soon and subsequently into operation.

As we continue to grow, we will add further projects to our pipeline across our existing markets, with a possibility of expanding into one or two new markets. Over the next few months and years, more projects from our pipeline will move into the construction phase and our operational asset base will grow. This is when the ultimate value in the current pipeline portfolio will crystallise. With our current team and the strong support of the Group, we are confident that we can deliver on our promises.