FINANCIAL REVIEW

Commentary by Guillaume Jest, Group Chief Financial Officer

In FYE 2022, we are pleased to announce that Yinson had its strongest performance yet. The Group's PAT was RM524 million, which represented about 14.5% of our revenue. This was a marked increase of 27.2% over FYE 2021's PAT of RM412 million. Looking back over a 2-year time horizon, Yinson's profit has more than doubled since FYE 2020, with our net profitability ratio increasing from 10.4% to 14.5% within that period.

It is important to note that we have significantly increased Yinson's profitability, despite the major global economic turbulences experienced in recent years.

Yinson's business environment, as similarly faced by most players of the world economy, has been affected by high volatility and uncertainty. This situation has been caused in no small part by the Covid-19 pandemic, rising inflation, soaring energy and commodity prices, and recent geopolitical tensions, especially the war in Europe between Russia and Ukraine.

We believe that Yinson's strong fundamentals played a big part in insulating us against these external challenges, allowing us to achieve steady growth in our revenues and profitability. These fundamentals are elaborated in detail by my fellow Senior Management team in the Strategy & Outlook section of this Report. They include a robust, adaptable business model, stable source of revenue and profit generated from our FPSO operations, backed by a strong and experienced management team.

Another noteworthy observation is that Yinson's profitability has continued to increase despite our continuous investment into high capital expenditure FPSO projects and new activities in renewables and green technologies. Additionally, our headcount growth to support these activities has also been significant, with nearly 25% new employees joining our global workforce in FYE 2022. This remarkable performance is a strong indication of our ability to carefully manage costs to ensure that our growth does not dilute our profitability.

We also devote great focus to our management of equity and debt funding. Yinson's Treasury function adheres to a prudent cash management and liquid assets policy, and puts solid long-term financing plans in place in cooperation with business leaders to ensure that we meet our business requirements. This highlights our ability to adapt our business model to capitalise on opportunities and cater for our fast growth. With our tight management of our cash forecast, we believe we are in a very strong position to meet our long-term financial commitments to our financing partners.

Looking back at our track record, bolstered further by our strong performance in FYE 2022, we are confident that Yinson is well poised to deliver on our growth and expansion plans despite the instability of the world economy.

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FINANCIAL PERFORMANCE

	FYE 2022	FYE 2021	CHANGE	
	RM million	RM million	RM million	%
Extract from Consolidated Income Statements				
Revenue	3,607	4,849	(1,242)	-25.6%
Cost of sales	2,299	3,548	(1,249)	-35.2%
Gross profit	1,308	1,301	7	0.5%
EBITDA*	1,402	1,236	166	13.4%
Profit before tax	716	580	136	23.4%
Profit after tax	524	412	112	27.2%
Core profit after tax	534	735	(201)	-27.3%
Gross profit margin	36.3%	26.8%	9.5%	35.4%
Net profit margin	14.5%	8.5%	6.0%	70.6%
Core profit margin	14.8%	15.2%	-0.4%	-2.6%
Extract from Consolidated Statements of Financial Position				
Total assets	15,205	11,886	3,319	27.9%
Current assets	3,596	2,678	918	34.3%
Liquid investments	14	229	(215)	-93.9%
Cash and bank balances	2,859	1,821	1,038	57.0%
Total liabilities	10,465	7,860	2,605	33.1%
Current liabilities	1,623	1,852	(229)	-12.4%
Loans and borrowings	8,758	6,106	2,652	43,4%
Non-recourse borrowings	4,020	2,985	1,035	34.7%
Total equity	4,740	4,026	714	17.7%
Extract from Consolidated Statements of Cash Flows				
Net cash flows used in operating activities	(987)	(775)	(212)	27.4%
Net cash flows used in investing activities	(857)	(287)	(570)	-198.6%
Net cash flows generated from financing activities	1,962	1,517	445	29.3%

	Q1 FYE 2022	Q2 FYE 2022	Q3 FYE 2022	Q4 FYE 2022
	RM million	RM million	RM million	RM million
Snapshot of quarterly announced results for FYE 2022				
Revenue	992	1,054	820	741
Cost of sales	668	705	506	420
Gross profit	324	349	314	321
EBITDA*	340	371	340	351
Profit before tax	187	208	166	155
Profit after tax	145	159	126	94
Core profit after tax	149	150	131	104

** Earnings Before Interest, Tax, Depreciation and Amortisation*

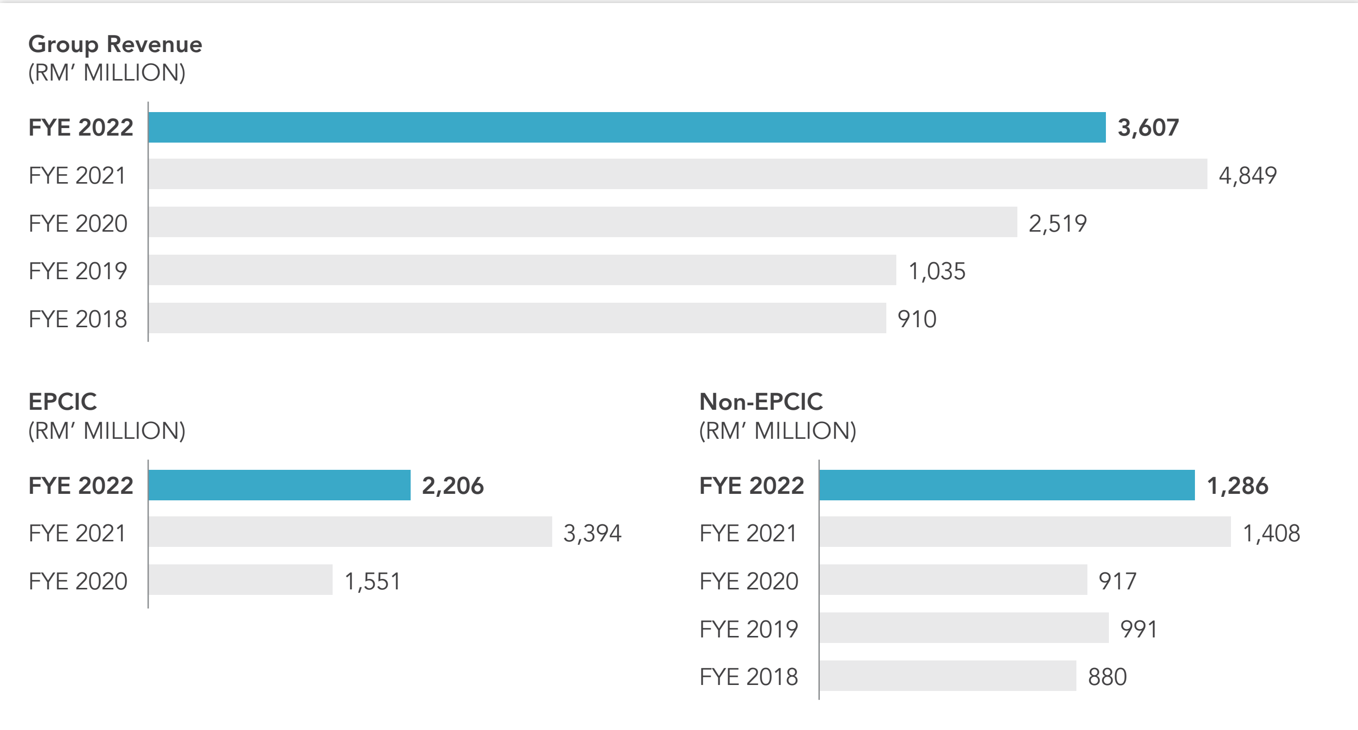
FINANCIAL REVIEW

FINANCIAL PERFORMANCE (CONT'D.)

	FYE 2022 RM million	FYE 2021 RM million	CHANGE RM million	%
Operating Results by Segments				
Offshore Production and Offshore Marine	1,186	1,110	76	6.8%
Renewables	34	1	33	3,300.0%
Other operations	(123)	(183)	60	-32.8%
Share of results of joint ventures and associates	7	(29)	36	-124.1%

REVENUE & PROFITABILITY

Group revenue



The Group's awarded lease contracts were systematically classified as finance leases in accordance with International Financial Reporting Standards ("IFRS") for accounting purposes. The revenue generated from the conversion of VLCCs into FPSOs, which is classified as Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC") revenue, is recognised either over time based on the progress of construction or at a point in time when the asset's rights of use are handed over to a lease client.

Lease revenues and profits are recognised during the construction phase of the asset under this accounting treatment. It is important to remember that the asset generates the cash only after construction and commissioning activities have been completed, as that is the point in time the Group is entitled to start receiving the lease payments. In the case of an operating lease, lease revenues and profits are recognised during the lease period, effectively more closely tracking cash receipts.

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The lease classification and timing of EPCIC revenue recognition (where relevant) for the Group's offshore assets which contributed to the Group's results in the financial year under review are set out below.

PROJECT	LEASE CLASSIFICATION	EPCIC RECOGNITION*	TIMING OF EPCIC RECOGNITION*
Owned by the Group			
FPSO Adoon	Operating lease	No	
FPSO JAK	Operating lease	No	
FPSO Helang	Finance lease	Yes	Point in time
FPSO Abigail-Joseph	Finance lease	Yes	Point in time
FPSO Anna Nery	Finance lease	Yes	Over time
Owned through joint venture arrangements			
FPSO PTSC Lam Son	Operating lease	No	
FSO PTSC Bien Dong 01	Operating lease	No	

* *Refer to the Group's accounting policy for EPCIC revenue recognition in Note 2.7(i) to the Financial Statements.*

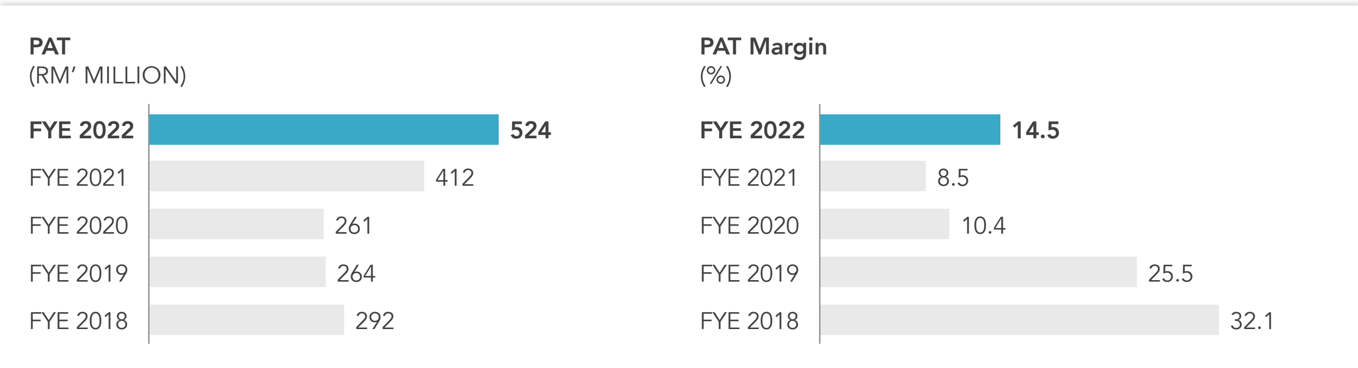
Due to the nature of the accounting treatment, the Group charted a 25.6% decrease in revenue in FYE 2022 compared to FYE 2021, from RM4.8 billion to RM3.6 billion. This is mainly attributable to the one-off outright sale recognition of RM1.0 billion from FPSO Abigail-Joseph upon its lease commencement in October 2020. FPSO Abigail-Joseph's lease classification is finance lease in nature, where one-off outright sale revenue was recognised at a point in time when the asset's use is handed over to the client. Therefore, it is important to note that this revenue decrease is the consequence of a change in the timing of revenue recognition and does not mean that our activity has decreased during this period. Quite on the contrary, we have been actively growing our Offshore Production, Renewables and Green Technologies businesses, with healthy business development activities and new projects secured.

Business development, pg 99; Development pipeline, pg 106; Strategic green technology investments, pg 115

The revenue contributions from the Group's joint venture arrangements in Vietnam and Ghana are presented separately as adjusted revenue and accounted for in accordance with the Group's equity ownership.

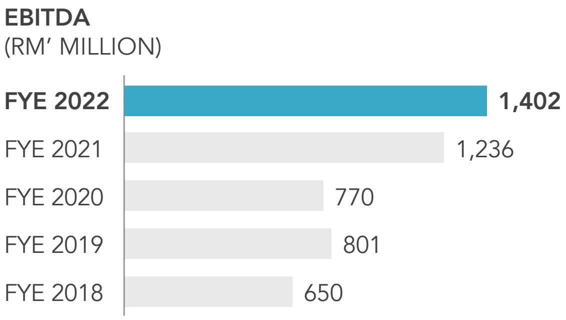
Group profitability

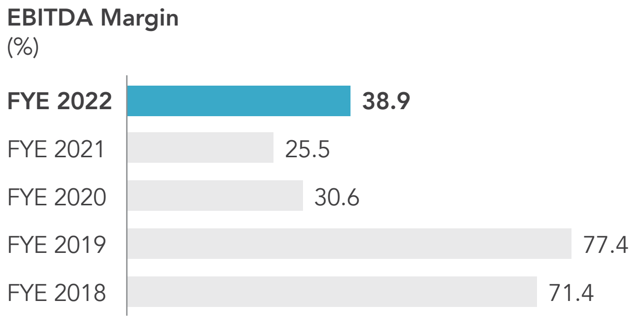
GROUP PAT & EBITDA



FINANCIAL REVIEW

GROUP PAT & EBITDA (CONT'D.)

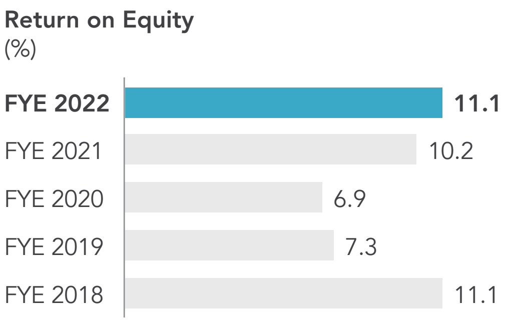




These ratio improvements confirm our strong profitable growth. Despite significant challenges in the global economic environment and supply chain in FYE 2022 due to the pandemic, we are pleased that the Group's profitability benchmark indicators continued to grow in FYE 2022. The Group's EBITDA was RM1,402 million and PAT was RM524 million, which were 13.5% and 27.2% higher than the previous financial year respectively – our best performance yet.

Our healthy profitability is even more noteworthy when considered against the one-off exceptional cost incurred in FYE 2022 arising from a fair value loss on other investments of RM29 million, and the increase in our finance costs of RM69 million. The higher finance costs supported our increased investments into our Offshore Production and Renewables segments, in line with our business plans.

GROUP RETURN ON EQUITY



Return on equity represents the percentage of investor dollars that have been converted into earnings. The return on equity ratio increased to 11.1% in FYE 2022 from 10.2% in the previous financial year, showing how efficiently the Group is allocating and utilising its capital to generate income.

We are tightly monitoring these ratios in order to ensure that we maintain this healthy profitability growth in the future.

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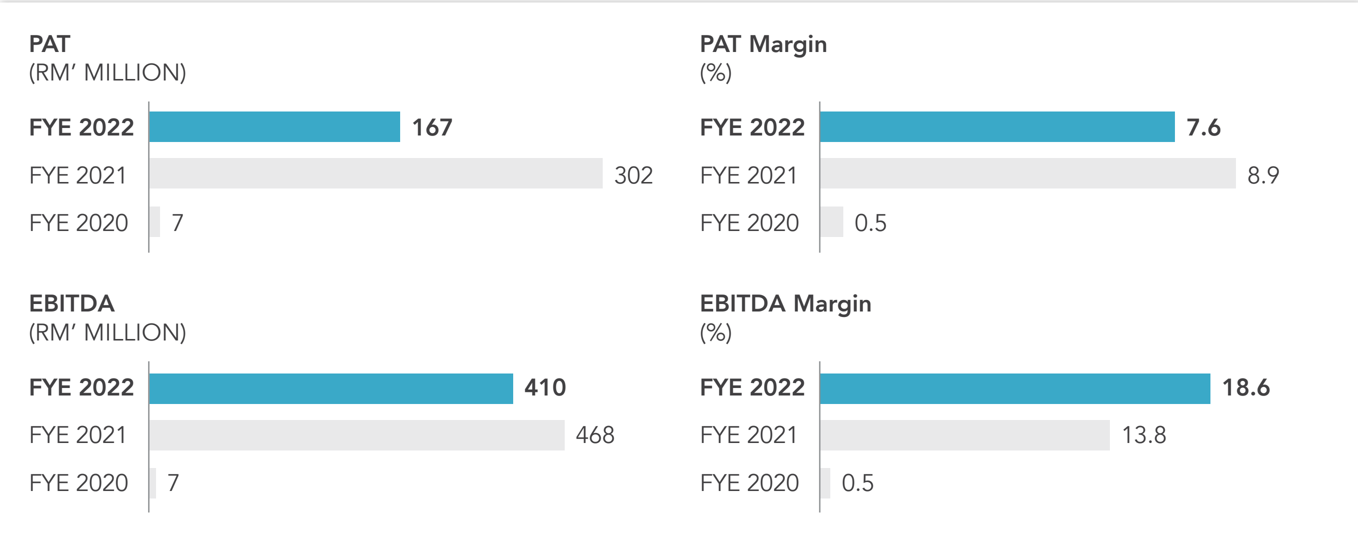
EPCIC revenue & profitability

FPSO Anna Nery is the only EPCIC project undertaken by the Group in FYE 2022. The ongoing FPSO Anna Nery project contains an EPCIC component where such revenue and profits are recognised over time, based on the progress of construction until Q1 2023.

EPCIC PROFITABILITY



In line with the progress of construction in the current financial year, the Group experienced a lower contribution from EPCIC business activities related to FPSO Anna Nery in FYE 2022. It is indeed noteworthy that with our team's hard work and adaptability, as well as the close working relationships with our clients, vendors and shipyards, we were able to mitigate the additional risks brought on by Covid-19, which is still causing significant challenges in China. Even with the pandemic, our progress on the project remains on schedule as planned. Moreover, the recent inflation spike has not affected our costs, thanks to a strong project management team and effective cooperation with the Finance team.

The PAT margin for EPCIC activities decreased as a result of higher finance costs, while the EBITDA margin improved on the back of more effective project cost management and forecasting.

Non-EPCIC revenue & profitability

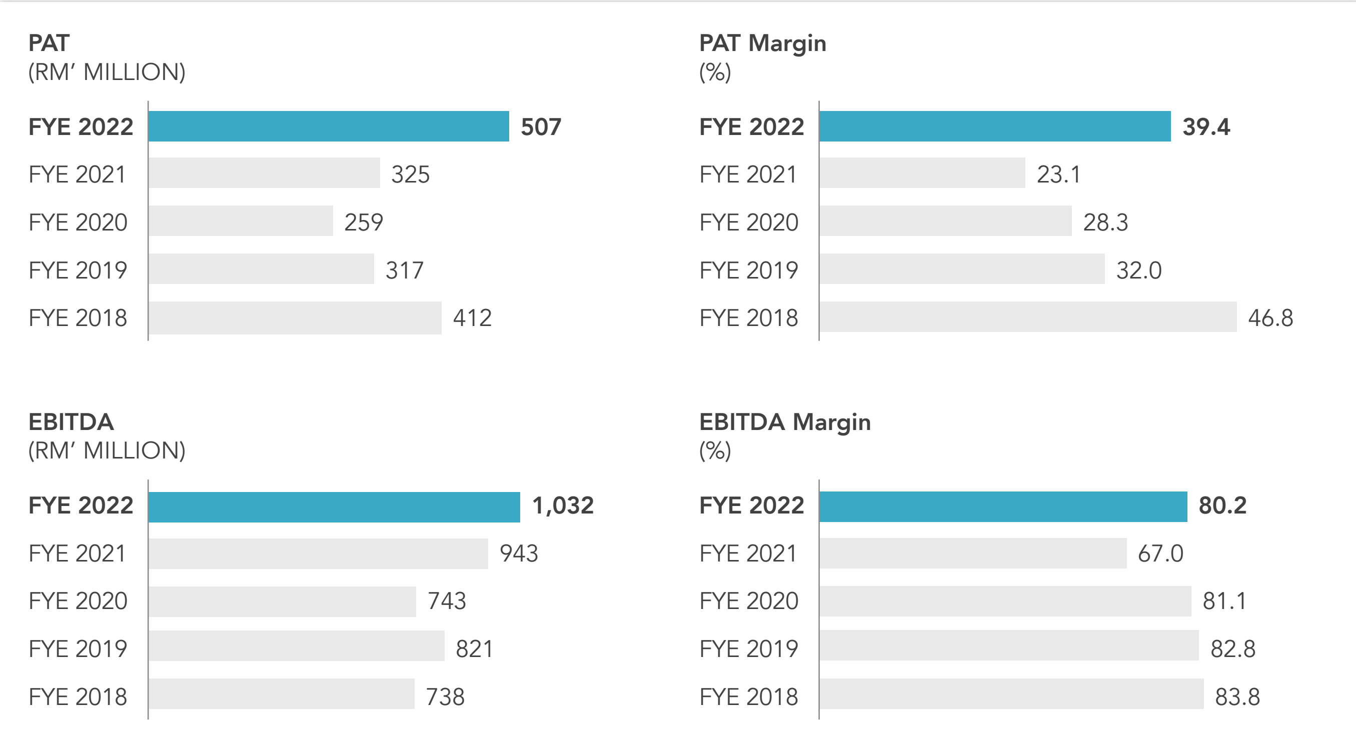
Non-EPCIC business activities represent the Group's Offshore Production operating activities, comprising the leasing of vessels and marine-related services. These are areas in which the Group has extensive experience and a strong track record.

The Group has five operating FPSOs and one operating FSO on charter lease as at FYE 2022. FYE 2022 witnessed a full year's revenue contribution from FPSO Abigail-Joseph, which partially offset the effect of lower contributions from the charter of VLCC tankers as the remaining tanker was deployed to a project secured in the current financial year.

The first full year of operations for FPSO Abigail-Joseph generated profitability and cash flows for the Group, which met our expectations for the FPSO in the current financial year.

FINANCIAL REVIEW

NON-EPCIC PROFITABILITY



In FYE 2022, non-EPCIC EBITDA and PAT grew by 9.4% and 56.0% respectively as compared to FYE 2021. The growth is driven primarily by FPSO Abigail-Joseph completing its first full financial year of operations and the absence of certain one-off costs incurred in the previous financial year. Our joint ventures have also collectively contributed share of profit of RM10 million in the financial year under review as compared to share of loss of RM29 million in the previous financial year, mainly due to recovery of certain operating overheads and absence of impairment loss on an FPSO incurred in the previous year.

Our PAT and EBITDA margins for non-EPCIC business activities have also increased significantly in FYE 2022 to 39.4% and 80.2% respectively, as compared to 23.1% and 67.0% in the previous financial year, which is yet another indication of our profitable business model.

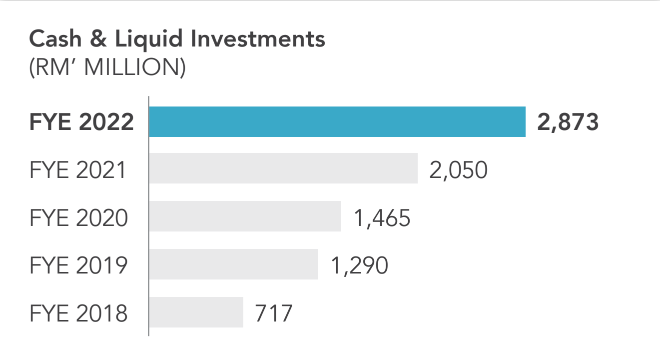
Our industry-leading safety and uptime performance undertaken by our global operations teams, which resulted in 100% commercial uptime across our fleet in FYE 2022; together with high oil prices resulting in more favourable charter rates and cash flows, has allowed us to maintain the asset values of our offshore production assets.

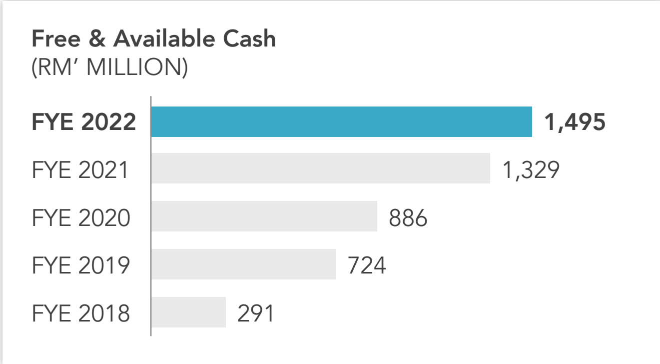
Operational performance, pg 101

Elsewhere, it was good news for FPSO PTSC Lam Son as we received a 6-month extension to the Bareboat Charter Contract until 30 June 2022. This is the twelfth time that PTSC has renewed the charter contract with Yinson, and our continued partnership with PTSC on FPSO PTSC Lam Son has contributed positively to the Group's FYE 2022 results through our 49% investment in the asset.

FINANCIAL REVIEW

CASH FLOWS & LIQUIDITY





Our objective is to maintain an adequate cash balance to be able to cover our working capital and meet our financial commitments for the years to come. In other words, we place continuous focus on both improving our free cash flow position and increasing our long-term borrowings to finance our future growth. We are committed to maintaining this prudent and forward-looking approach, as it has been a crucial strategy for the achievement of our success thus far, and we believe it will continue to safeguard the growth plans that we have ahead.

In line with this strategy, the Group's cash and bank balances and liquid investments increased by 40.1% from RM2,050 million to RM2,873 million in FYE 2022. This was partially fueled by the drawdown of the RM1.0 billion 5-year Sustainability-Linked Sukuk Wakalah in December 2021.

Sustainable financing highlight, pg 55

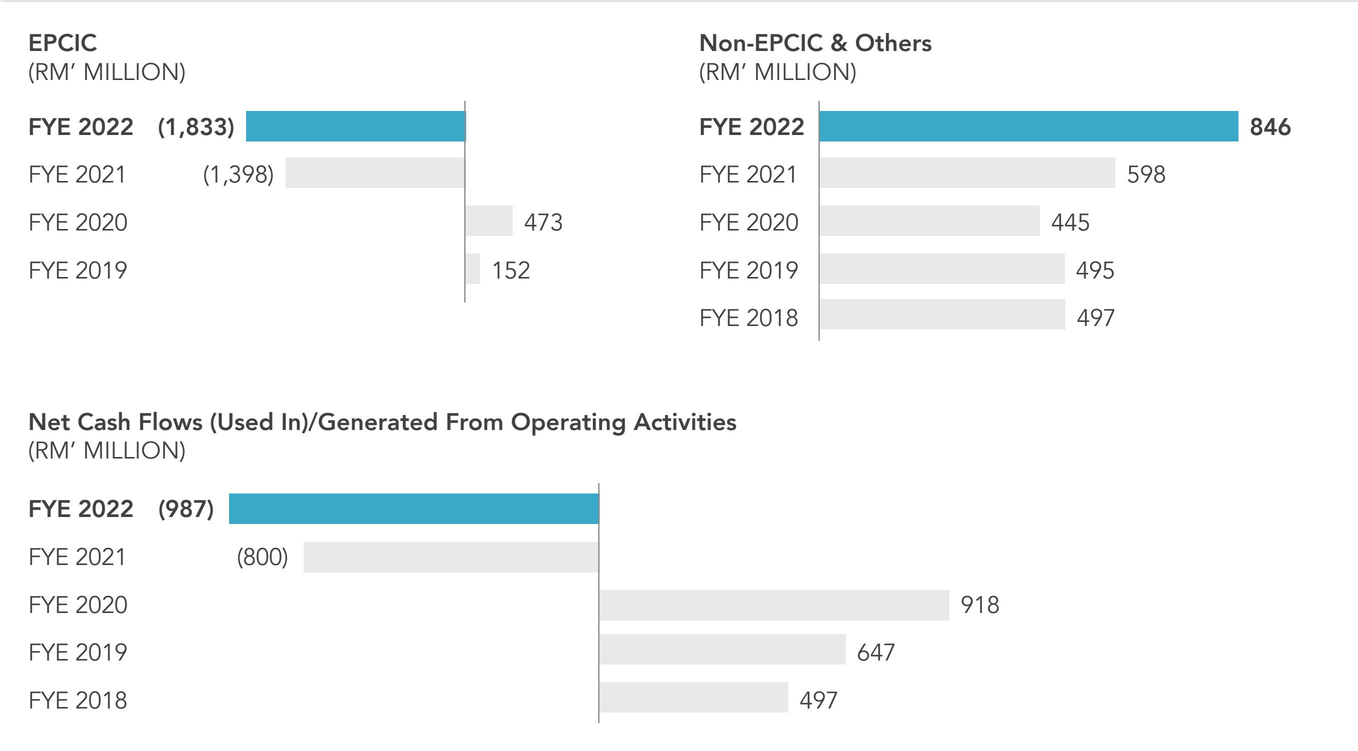
Yinson's free and available cash position of RM1,495 million provides flexibility for expansion and adequate buffer to meet any unforeseen cash requirements. Free and available cash is derived through cash flows from operations, raising of financial capital and drawdown of loans and borrowings pending deployment for projects. It is important to note that the cash flows generated from our non-EPCIC operations has been growing in recent years, despite the turbulences of the economy and oil price crunch in 2020.

As part of how we prudently manage our liquidity, our free and available cash is mainly held in time deposits and interest-bearing accounts and is managed with a goal of capital preservation and liquidity so that funds are available at the required time buckets based on cash flow projections.

Financial capital, pg 137

FINANCIAL REVIEW

CASH FLOWS FROM OPERATING ACTIVITIES



EPCIC operating cash flows

During the FPSO conversion period prior to lease commencement, EPCIC business activities do not generate cash for the Group, except in instances where our clients provide advance funding for the FPSO conversion or where there are normal timing differences arising on payments to our vendors. In FYE 2022, the EPCIC net operating cash outflow represents our continued investment into the conversion of FPSO Anna Nery, where the costs incurred are in line with our expectations. Our investment into the project during the conversion phase will be recovered through the bareboat charter payments received during the operations period. FPSO Anna Nery is expected to commence its lease in Q1 2023.

Non-EPCIC operating cash flows

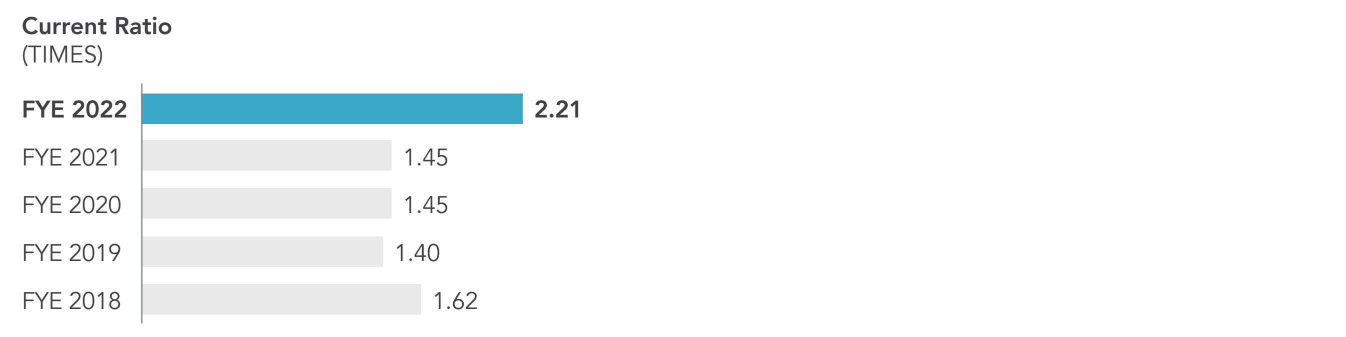
The Group's business model of earning stable recurring income from asset-leasing contracts is evidenced by the steady growth of our non-EPCIC activities' cash flows from operations and our cash position over the past years. In FYE 2022, the net cash flows generated from operating activities for non-EPCIC activities was RM846 million, a 41.5% increase from the previous year. Looking back over a 2-year time horizon, Yinson's operating cash flow from non-EPCIC activities has almost doubled since FYE 2020.

CASH FLOWS FROM INVESTING & FINANCING ACTIVITIES

During FYE 2022, cash flows generated from financing activities primarily through drawdown of loans and borrowings were deployed towards funding the project execution and investing activities of the Group as presented in the Statements of Cash Flows from pages 225 to 229.

FINANCIAL REVIEW

LIQUIDITY INDICATORS

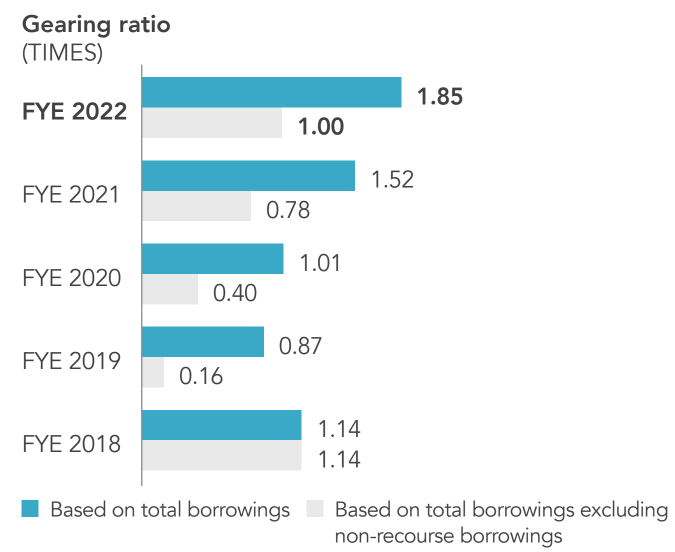


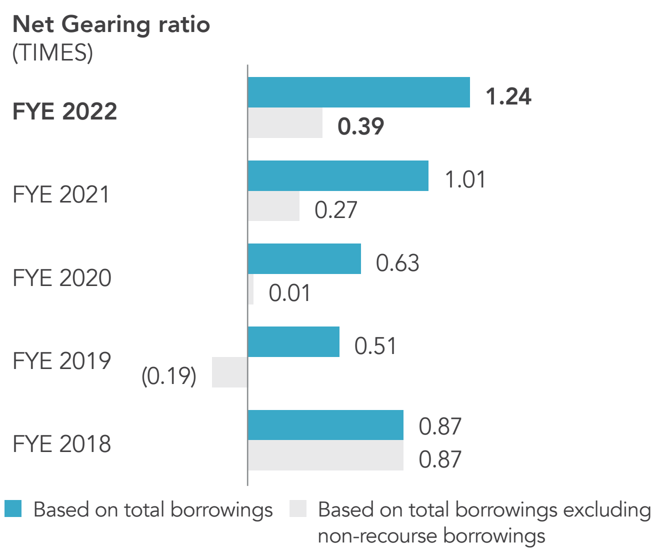
Financing Innovation Highlight, pg 53

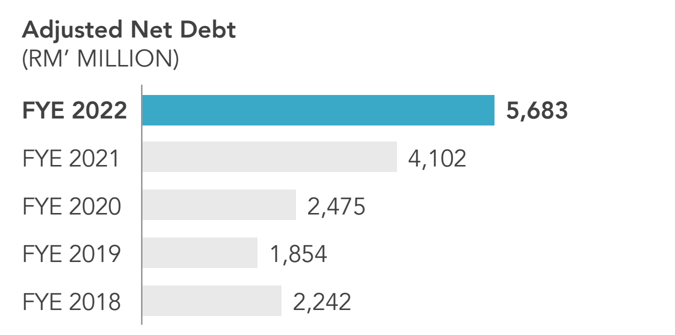
Yinson has a strong order book that provides a stable revenue outlook for the next few decades, providing confidence that we would be able to comfortably meet our operational needs. Our purpose for these increased borrowings is to finance our growth, not as working capital. With the increase, we are also strengthening our cash position, providing assurance of our ability to service our debts and pay our bondholders in future. Structuring our finances with a long-term vision also allows us to secure funding at a lower cost.

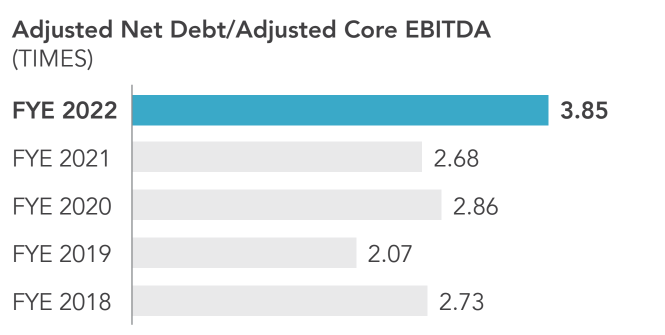
FINANCING ACTIVITIES

LEVERAGE INDICATORS









FINANCIAL REVIEW

The Group applies Net Gearing Ratio (calculated as 'Total Loans and Borrowings' less 'Cash and Bank Balances plus Liquid Investments' divided by 'Total Equity') as a key indicator to manage its operation funding structure. This ratio increased to 1.24 times in FYE 2022 in tandem with the progressive execution of the FPSO Anna Nery project. This ratio will continue trending upwards until the beginning of 2023, when FPSO Anna Nery is expected to commence its 25-year lease tenure.

Although our Net Gearing Ratio has increased, debt levels remain manageable. As at 31 January 2022, RM6,566 million of loans and borrowings are project financing loans for FPSO JAK, FPSO Helang, FPSO Anna Nery and Rising Bhadla 1 & 2 Solar Parks, which are structured to ensure smooth repayment over the course of the assets' contracted periods. Some key features of Yinson's project financing loans are as below:

- Project financing loans are non-recourse to Yinson once operational with Yinson's guarantee being released from the project financing loan, which minimises the risk of these loans to Yinson's liquidity.
- The project financing lenders are only entitled to repayment from cash flows of the projects the loan is financing, and not from any other assets of Yinson.
- Project financing loans for FPSO JAK, FPSO Helang and Rising Bhadla 1 & 2 Solar Parks are non-recourse. The project financing loan for FPSO Anna Nery is expected to become non-recourse in FYE 2024.

In assessing the Group's ability to repay its loans and borrowings, the Management refers to the Adjusted Net Debt/Adjusted Core EBITDA ratio. This ratio indicates the number of years' profits that is needed to cover outstanding loans and borrowings. Management expects FYE 2023's ratio to be higher than FYE 2022's ratio of 3.85 times, as the FPSO Anna Nery project nears completion. During the construction of FPSO Anna Nery, this ratio is temporarily elevated as collections from its operations has not yet commenced whereas its project financing loan is being drawn to finance its construction. This increase in Adjusted Net Debt/Adjusted Core EBITDA ratio is manageable because FPSO Anna Nery's project financing loan repayments are only scheduled to commence after first oil is expected to be achieved.

As the Group continues to grow, we will continuously assess and determine the appropriate financing strategy for the Group to ensure an optimal mix of funding of debt and equity markets to support future projects.

For further information on our management of our Financial Capital, including our capital strategy, funding and financing partners, our cash and liquidity management, and how we manage financial risks, please read the Financial Capital chapter in this Report.

Financial capital, pg 137

CLOSING REMARKS

Looking at our track record and our strong performance in FYE 2022, we are excited that Yinson is well-poised financially to execute our growth plans.

Rest assured that Yinson does not take our stable financial position for granted. Rather, it is the result of the hard work put in from every area of our business to ensure that we responsibly handle the trust and confidence that has been placed in us by all our stakeholders. As a safeguard against complacency, we are determined to continue reinforcing our team, innovating and improving how we manage our financial capital in order to continue generating value for our stakeholders.