FINANCIAL REVIEW

Commentary by Mr Guillaume Jest, Group Chief Financial Officer

In FYE 2023, the Group continued to deliver on its value creation objectives, producing its best performance to date in terms of revenue and PAT. Revenue was RM6.3 billion, a 75% increase compared to the RM3.6 billion recorded the year before. As a result, PAT also increased to RM588 million, 12% higher from RM524 million in FYE 2022. Notably, PAT growth was recorded despite one-off costs incurred and higher financing costs largely attributable to increased investments in our businesses.

STRATEGIC PROGRESS

In FYE 2023, we continued to build our financial foundation in alignment with our goal of advancing an inclusive transition.

Significant capital was allocated to our two business units that directly support the development of an economy powered by clean energy, YR and YGT, clearly demonstrating our commitment to the transition. As of 31 January 2023, the cumulative capital invested into developing these two business units, represented by their total asset values, amounted to RM1.1 billion since their establishment in 2019 and 2020 respectively.

We also actively invested in the decarbonisation of our core FPSO business, by studying, developing and implementing technologies to ensure that our FPSOs operate efficiently and in an environmentally responsible manner.

Thanks to these efforts, we are leading the energy transition in our industry and that we have established a solid organisational foundation that will support and future-proof our business.

In line with Yinson's expansion internationally, we recognise there will be costs incurred, especially given the Group's priority in ensuring a strong in-house talent base and sustained investments into systems and digitalisation. We believe these investments are necessary for our transformation and we will continuously monitor these costs to ensure that the Group's profitability is protected.

CHALLENGES AND MITIGATION

In FYE 2023, like most other businesses globally, the Group was subject to the two key market forces of inflation and interest rates. We continue to work actively to mitigate these market forces, with strategies and actions as described below.

Inflation

Project costs for EPCIC and Renewables projects have been rising, resulting in lower returns for committed projects under construction. We have already seen an impact with the recognition of an impairment loss of

RM117 million for the Nokh Solar Park project as we acted conservatively in factoring in these project cost increases. Nevertheless, the Nokh project is expected to be profitable following its commencement of operations, scheduled for Q3 FYE 2024.

To mitigate the impact of inflation, we conduct effective forecasting and cost management through strong collaborations between our Project and Finance teams. Wherever possible, we strive to lock in the prices of materials and major equipment in the initial phase of the contract. Inflation risk is also factored into our contracts through agreed rate escalation based on key market inflation benchmarks. In the FPSO business specifically, we manage inflation by diversifying the location of the construction, i.e. FPSO Anna Nery, FPSO Maria Quitéria and FPSO Agogo in China, and FPSO Atlanta in Dubai. We are also managing our inventories strategically by carrying buffer stocks to ensure the smooth operation of our FPSOs while minimising cost volatility.

FINANCIAL REVIEW

Interest rates

In FYE 2023, the three-month USD-LIBOR rate trended upwards significantly from 0.21% per annum at the beginning of the financial year to close at 4.81% per annum at the end of the year. This more than twentyfold increase was driven by US Federal Reserve policy tightening. While the global USD-LIBOR rate has increased significantly in the financial year under review, the increase in the Group's finance costs was moderated by the hedges that were put in place.

More than 80% of the Group's USD-LIBOR project financing loans are hedged via floating-to-fixed interest rate swaps, effectively limiting our interest rate exposure.

The increase in the Group's financing costs by RM189 million or 49% was driven by the above-mentioned increase in the global USD-LIBOR rate and higher drawdowns from project execution requirements with the commencement of two new FPSO projects, FPSO Maria Quitéria and FPSO Atlanta.

FINANCIAL PERFORMANCE

	FYE 2023	FYE 2022	CHANGE	
	RM million	RM million	RM million	%
Extract from Consolidated Income Statements				
Revenue	6,324	3,607	2,717	75.3%
Cost of sales	4,497	2,299	2,198	95.6%
Gross profit	1,827	1,308	519	39.7%
EBITDA	1,782	1,402	380	27.1%
Profit before tax	855	16	139	19.4%
PAT	588	524	64	12.2%
Core profit after tax	741	534	207	38.8%
Gross profit margin	28.9%	36.3%	-7.4%	-20.4%
Net profit margin	9.3%	14.5%	-5.2%	-35.9%
Core profit margin	11.7%	14.8%	-3.1%	-20.9%
Extract from Consolidated Statements of Financial Position				
Total assets	19,259	15,205	4,054	26.7%
Current assets	3,515	3,596	(81)	-2.3%
Liquid investments	153	14	139	992.9%
Cash and bank balances	1,507	2,859	(1,352)	-47.3%
Total liabilities	12,801	10,465	2,336	22.3%
Current liabilities	3,590	1,623	1,967	121.2%
Loans and borrowings	9,584	8,758	826	9.4%
Non-recourse borrowings	3,731	4,020	(289)	-7.2%
Total equity	6,458	4,740	1,718	36.2%
Extract from Consolidated Statements of Cash Flows				
Net cash flows used in operating activities	(1,225)	(987)	(238)	24.1%
Net cash flows used in investing activities#	(1,041)	(93)	(948)	1,019.4%
Net cash flows generated from financing activities	781	1,962	(1,181)	-60.2%

Note:

 # Refer to Note 3 to the Financial Statements for details of the restatement of prior year comparatives in the Statement of Cash Flows.

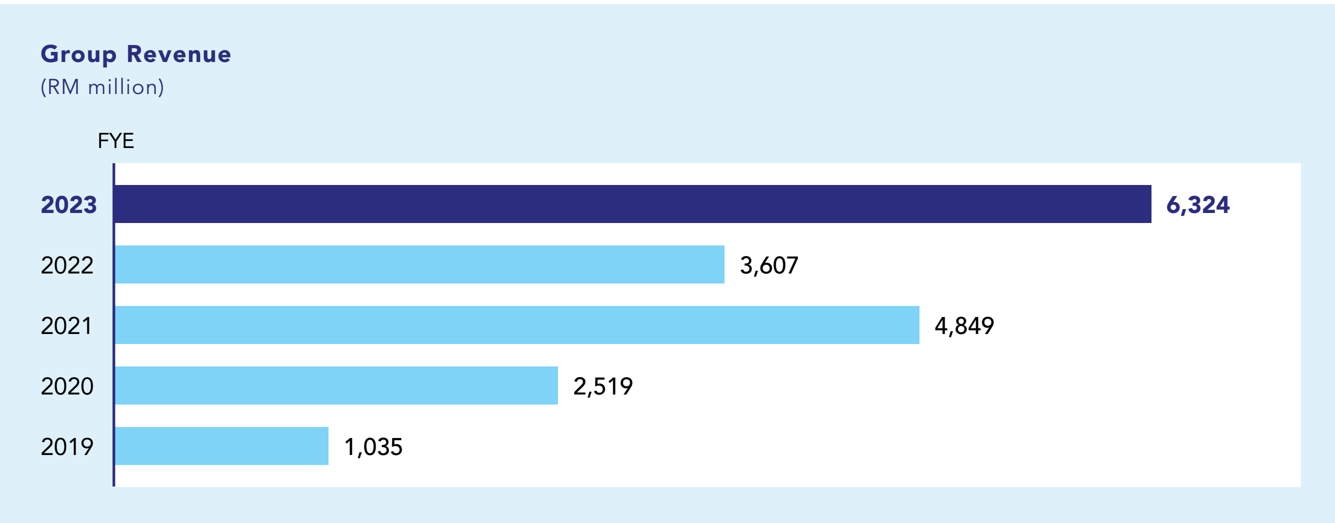
FINANCIAL REVIEW

	Q1 FYE 2023 RM million	Q2 FYE 2023 RM million	Q3 FYE 2023 RM million	Q4 FYE 2023 RM million
Snapshot of quarterly results for FYE 2023				
Revenue	1,005	1,620	1,737	1,962
Cost of sales	643	1,151	1,232	1,471
Gross profit	362	469	505	491
EBITDA	388	470	509	415
Profit before tax	190	247	258	160
PAT	139	163	177	109
Core profit after tax	126	162	171	282

	FYE 2023	FYE 2022	CHANGE	
	RM million	RM million	RM million	%
Operating results by segment				
Offshore Production and Offshore Marine	1,675	1,186	489	41.2%
Renewables	(129)	34	(163)	-479.4%
Other operations	(98)	(123)	25	20.3%
Share of results of joint ventures and associates	(16)	7	(23)	-328.6%

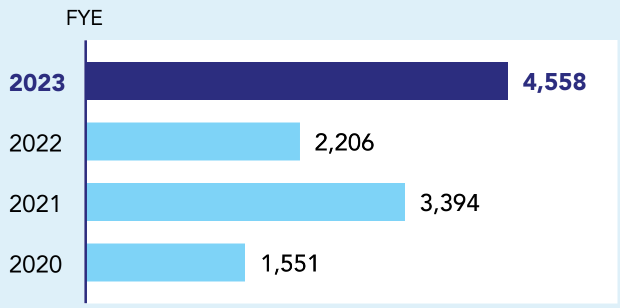
REVENUE AND PROFITABILITY

Group revenue

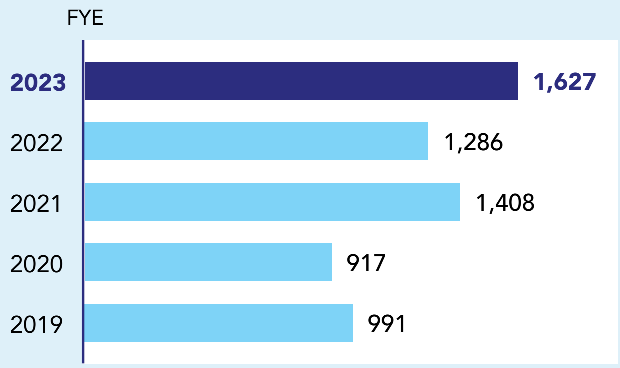


FINANCIAL REVIEW

EPCIC
(RM million)



FPSO Operations
(RM million)



The Group's awarded FPSO contracts are systematically classified as finance leases or service contracts in accordance with the International Financial Reporting Standards ("IFRS") for accounting purposes. The revenue generated from the conversion of VLCCs to FPSOs, which is classified as 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.

EPCIC revenues and profits are recognised during the construction phase of the asset under this accounting treatment. Except for advance payments received for certain FPSO contracts, it is important to remember that the asset generates cash only after construction and commissioning activities are 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.

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

Project	Equity ownership	Accounting classification	EPCIC recognition*	Timing of EPCIC recognition*
Owned by the Group				
FPSO JAK	74%	Operating lease	No	
FPSO Helang	100%	Finance lease	Yes	Point in time (Q4 FYE 2020)
FPSO Abigail-Joseph	100%	Finance lease	Yes	Point in time (Q3 FYE 2021)
FPSO Anna Nery	75%	Finance lease	Yes	Over time
FPSO Maria Quitéria	100%	Finance lease	Yes	Over time
FPSO Atlanta	100%	Accounted for as a service contract under IFRS 15	Yes	Over time
Owned through joint venture arrangements				
FPSO PTSC Lam Son	49%	Operating lease	No	
FSO PTSC Bien Dong 01	49%	Operating lease	No	

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

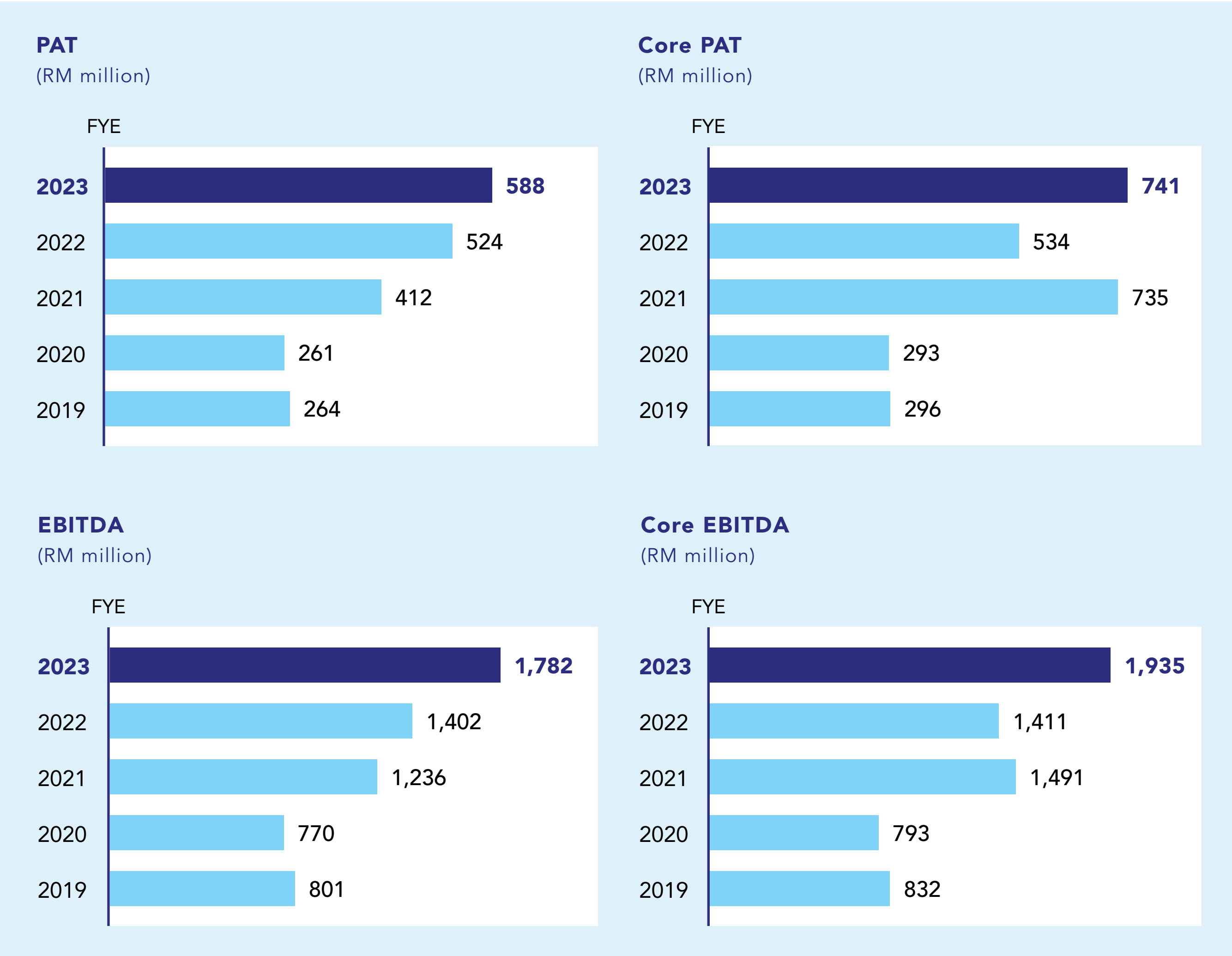
FINANCIAL REVIEW

The Group charted a 75% increase in revenue in FYE 2023 compared to FYE 2022, from RM3.6 billion to RM6.3 billion, which was mainly attributable to the commencement of EPCIC activities for FPSO Maria Quitéria and FPSO Atlanta, and higher contribution from the Group's FPSO operations in the financial year under review.

In addition, we have been actively building our Renewables and Green Technologies business units, with healthy business development activities and new projects secured.

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

Group profitability



The Group's profitability benchmark indicators continued to grow in FYE 2023 with higher contributions from EPCIC and FPSO Operations business activities (refer to EPCIC and FPSO Operations profitability sections), and ongoing global recovery from the effects of the Covid-19 pandemic. The Group's EBITDA was RM1.8 million and PAT was RM588 million, which were 27% and 12% higher than the previous financial year respectively – our best performance yet.

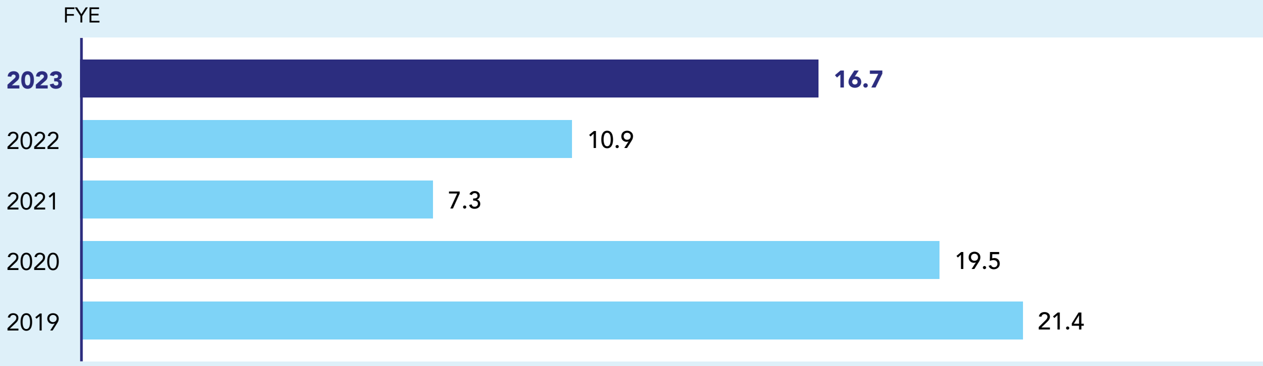
In FYE 2023, the Group was subject to two key market forces, cost inflation and a global increase in interest rates. The Group works actively to mitigate the impacts arising from these market forces through our robust risk, internal control and cost control measures. Nevertheless, the Group incurred exceptional or non-core costs in FYE 2023, including an impairment loss on property, plant and equipment of RM117 million to factor in project cost increases due to solar panel price increases and net foreign exchange loss of RM44 million.

FINANCIAL REVIEW

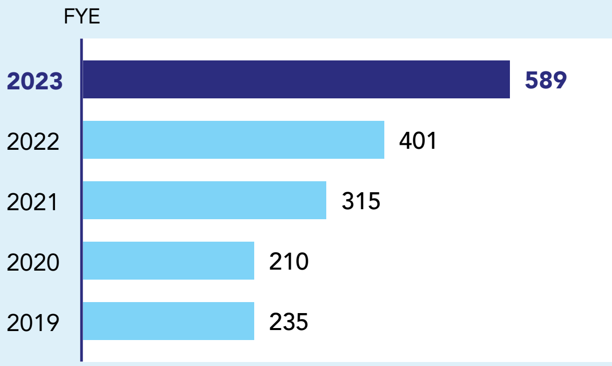
The Core EBITDA and Core PAT, which exclude the impact of exceptional or non-core items, were 37% and 39% higher at RM1.9 billion and RM741 million respectively.

Our healthy profitability is even more noteworthy when considered against these non-core items incurred in FYE 2023, and the increase in our finance costs of RM189 million. The higher finance costs supported our increased investments into YP, YR and YGT, in line with our business plans.

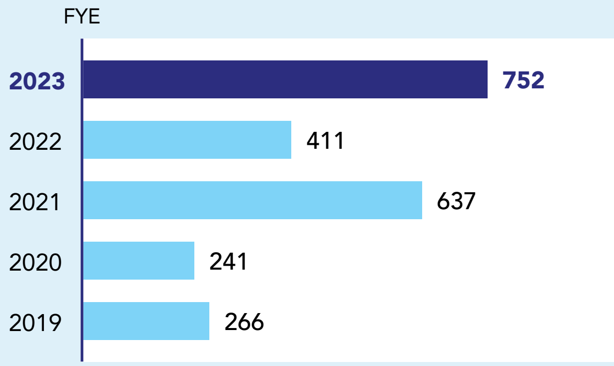
Basic Earnings Per Share*
(sen)



PATAMI
(RM million)



Core PATAMI
(RM million)



Note:

* *FYE 2021 and FYE 2021 adjusted to reflect the bonus issue of 1 bonus share for every 1 existing ordinary share, which was completed on 14 April 2022, the bonus element of the rights issue of 2 rights shares for every 5 existing ordinary shares, which was completed on 28 June 2022, and distributions declared to holders of perpetual securities in determining the profits attributable to ordinary equity shareholders. Refer to Note 14 to the Financial Statements for further details.*

It is the Group's strategy to invite strategic partners to participate in our projects to manage our overall portfolio mix and maximise shareholder value. Thus, shareholders should refer to PATAMI to determine the amount of profit attributable to them.

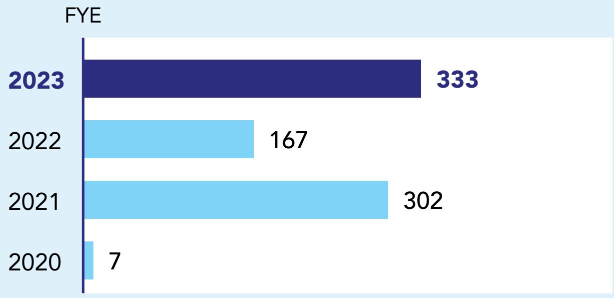
The Group recorded higher PATAMI and Core PATAMI in FYE 2023 of RM589 million and RM752 million respectively due to factors disclosed in the previous profitability section. The Group's Basic Earnings Per Share, computed based on PATAMI (less distributions declared to holders of perpetual securities), reflected similar trends.

FINANCIAL REVIEW

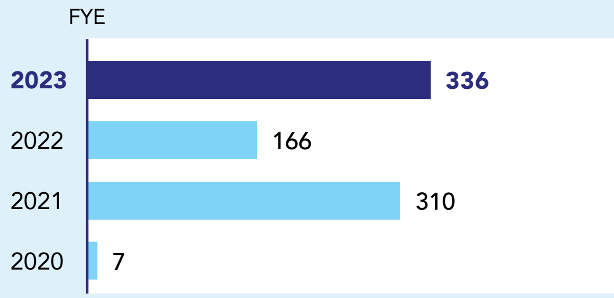
EPCIC profitability

FPSO Anna Nery, FPSO Maria Quitéria and FPSO Atlanta comprised the three EPCIC projects undertaken by the Group in FYE 2023. The ongoing projects contain an EPCIC component where such revenue is recognised over time, based on the progress of construction.

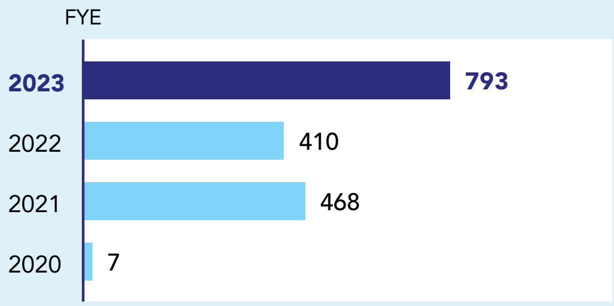
PAT
(RM million)



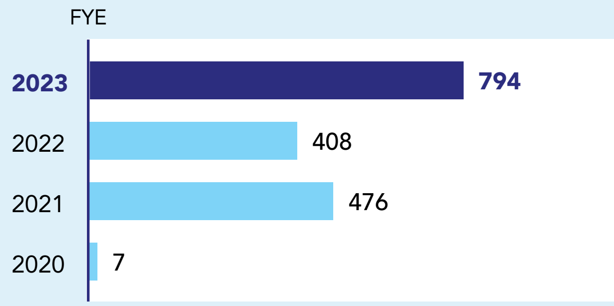
Core PAT
(RM million)



EBITDA
(RM million)



Core EBITDA
(RM million)



In line with the commencement of EPCIC activities for FPSO Maria Quitéria and FPSO Atlanta and the progress of construction in the current financial year, the Group experienced a higher contribution from EPCIC business activities in FYE 2023. The status of the Group's FPSOs that were under construction as at 31 January 2023 is summarised in the following table.

Vessel	Client	Percentage of completion	Expected first oil (calendar year)
FPSO Anna Nery	Petróleo Brasileiro S.A.	Achieved first oil on 7 May 2023	
FPSO Atlanta	Enauta Energia S.A.	25% - 50%	2024
FPSO Maria Quitéria	Petróleo Brasileiro S.A.	25% - 50%	2024

FPSO Anna Nery achieved final acceptance and first oil on 7 May 2023, marking the commencement of the 25-year firm charter period until 2048. 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 achieve this significant milestone for our first FPSO project in Brazil. Our progress on FPSO Maria Quitéria and FPSO Atlanta remain on schedule as planned.

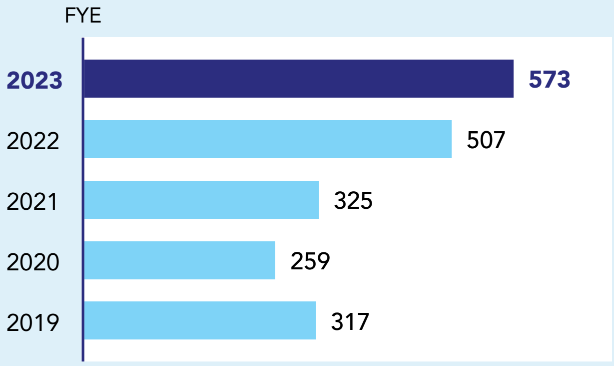
FINANCIAL REVIEW

FPSO Operations profitability

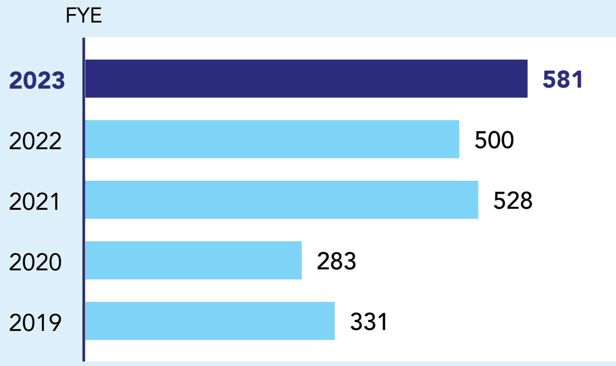
FPSO Operations represent YP's core operating activities, comprising the leasing of vessels and marine-related services. These are areas in which the Group has extensive experience and a strong track record.

The Group had four operating FPSOs and one operating FSO on charter as at 31 January 2023. After 16 years and 3 months of highly successful operations in Nigeria, FPSO Adoon was sold and handed over to the new owner on 11 January 2023.

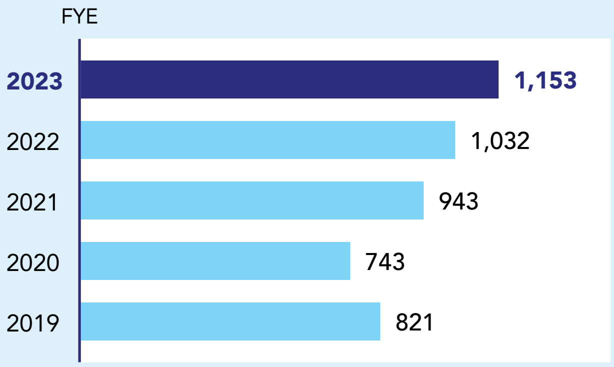
PAT
(RM million)



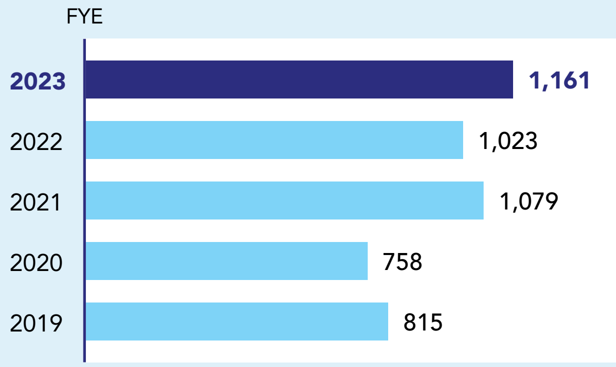
Core PAT
(RM million)



EBITDA
(RM million)



Core EBITDA
(RM million)



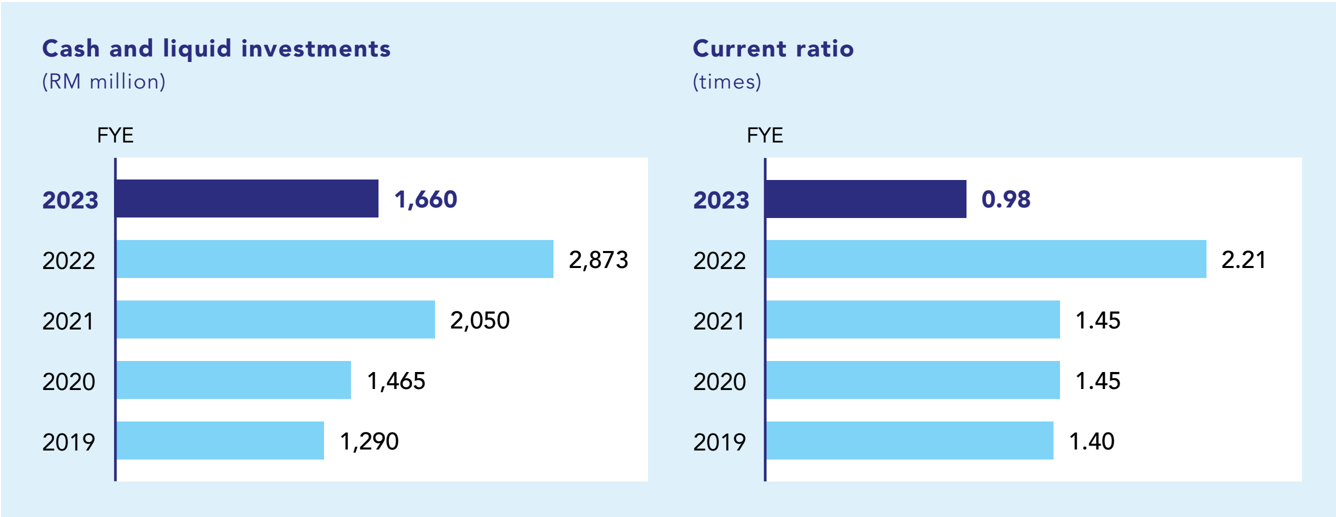
In FYE 2023, FPSO Operations' EBITDA and PAT grew by 12% and 13% respectively as compared to FYE 2022. The growth was driven primarily by rate escalation to reflect inflation and oil price increases in line with our operations agreements and a one-off gain on the sale of FPSO Adoon of RM22 million.

Core EBITDA and Core PAT were 14% and 16% higher at RM1.2 billion and RM581 million respectively, which highlights the fact that our business model is both stable and profitable.

Our industry-leading safety and uptime performance undertaken by our global operations teams, which resulted in 100% commercial uptime across our fleet in FYE 2023, together with higher oil prices resulting in more favourable charter rates and cash flows, allowed us to maintain the asset values of our offshore production assets.

FINANCIAL REVIEW

CASH FLOWS AND LIQUIDITY



Our commitment is to maintain a cash balance to cover our working capital and meet our financial requirements for the years to come. 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.

The Group's cash and bank balances and liquid investments decreased by 42% from RM2.9 billion to RM1.7 billion in FYE 2023. This was mainly due to the redemption of USD100 million (RM465 million) perpetual securities and higher project expenditure for EPCIC business activities and the construction of the Nokh Solar Park to build our portfolio of assets in the current financial year.

The Group's current ratio decreased from 2.21 times to 0.98 times in FYE 2023, mainly as a result of the lower cash position and increased payables to fund the EPCIC business activities and construction of the Nokh Solar Park at the end of the current financial year. The decrease is also in line with our prudent cash and working capital management policy as explained below.

During the construction period of our FPSOs, there is a trade-off between maintaining our short-term payables, and drawing down our financing facilities to settle these payables. In the current high interest rate environment, it is more prudent for us to maintain our short-term liabilities rather than incurring additional financing costs.

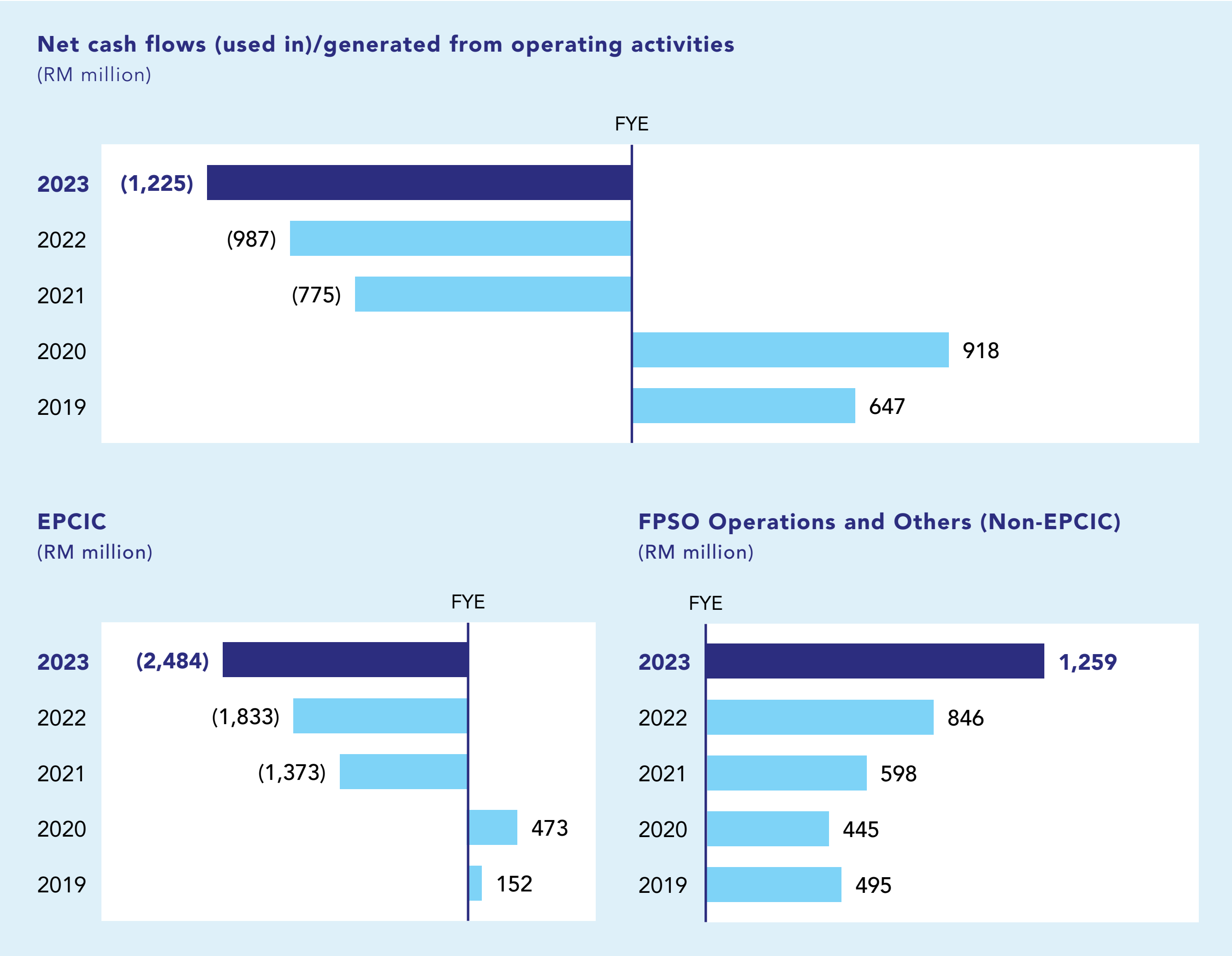
Included within the Group's cash and bank balances and liquid investments of RM1.7 billion are bank balances and deposits of RM476 million which are pledged to banks or lenders and can only be used for the servicing of debts or the payment of suppliers relating to the construction of certain FPSO projects. The remaining balance of RM1.2 billion represents Yinson's free and available cash position, which provides flexibility for expansion and an adequate buffer to meet any unforeseen cash requirements. Free and available cash is derived from cash flows from operations, the raising of financial capital and the drawdown of loans and borrowings pending deployment for projects. It is important to note that the cash flows generated from our operations have been extremely stable in recent years.

As part of how we prudently manage our liquidity risk, 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. Our strategy for managing liquidity includes:

- Maintaining an appropriate mix of high-quality liquid investments and adequate cash buffers to meet unexpected cash outflows.
- Maintaining and monitoring 5-year cash flow projections to match the allocation of long-term financial capital with project capital expenditure needs.
- Using reasonable assumptions on continuing operations and financing of projects secured, Yinson's liquidity is sufficient for at least the next 5 years.
- Conducting monthly stress testing to assess cash flow vulnerability under stressed situations and deploying the necessary action plans.

FINANCIAL REVIEW

Cash flows from operating activities



EPCIC 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 advanced funding for the FPSO conversion or where there are normal timing differences arising on payments to our vendors. In FYE 2023, the EPCIC net operating cash outflow primarily represented our continued investment into the conversion of FPSO Anna Nery, FPSO Maria Quitéria and FPSO Atlanta, where the costs incurred were in line with our expectations. Our investment into the projects during the conversion phase will be recovered through the bareboat charter payments received during the operations period. Subsequent to achieving final acceptance and first oil on 7 May 2023, FPSO Anna Nery will contribute positively to the Group's operating cash flows during its operations period.

Non-EPCIC cash flows

Yinson's order book represents RM97 billion for the next 25 years. This provides a stable revenue outlook for the foreseeable future, giving us confidence that we will be able to comfortably meet our operational needs.

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 over the past years. In FYE 2023, the net cash flows generated from operating activities for non-EPCIC activities was RM1.3 billion, a 49% increase from the previous year. Looking back over a 2-year time horizon, Yinson's operating cash flows from non-EPCIC activities have more than doubled since FYE 2021.

FINANCIAL REVIEW

Cash flows from investing and financing activities

In FYE 2023, cash flows generated from financing activities, primarily through the drawdown of loans and borrowings and the rights issue completed on 28 June 2022, were deployed towards funding the project execution and investing activities of the Group, as presented in the Statements of Cash Flows from pages 184 to 188, which is in line with the Group's strategy of building a diverse portfolio of assets by growing and developing new businesses.

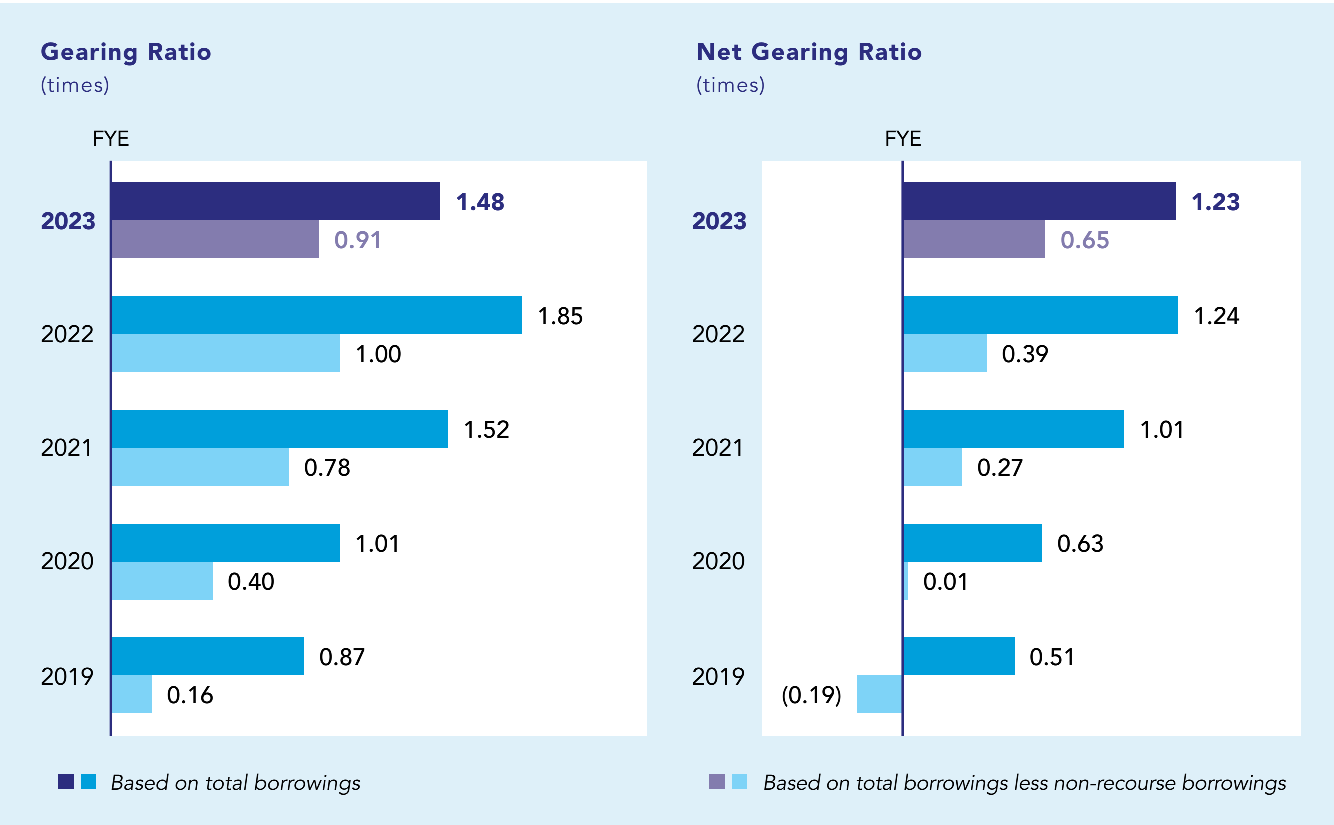
As at 31 January 2023, the Group's total undrawn borrowing facilities and perpetual securities amounted to RM5.3 billion, which comprised a project financing term loan facility of RM3.2 billion, Perpetual Sukuk of RM1.8 billion and revolving credit facilities of RM296 million. These facilities are secured primarily to finance the Group's ongoing and new FPSO projects, and expansion in the Renewables and Green Technologies businesses.

Our purpose for these increased borrowings is to finance our growth and to strengthen 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.

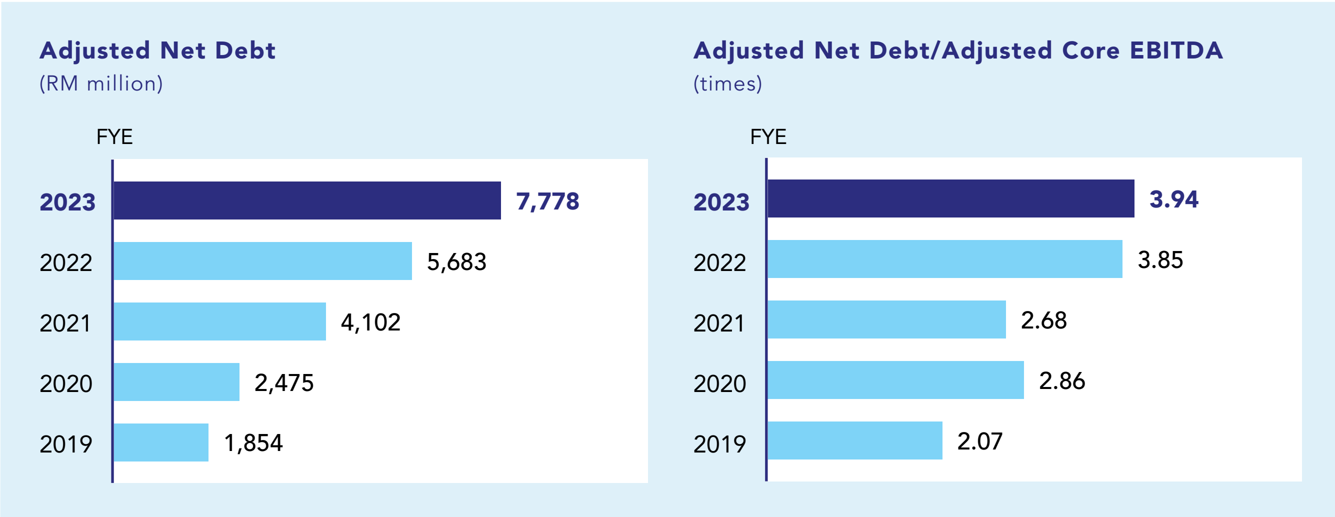
With our strong order book and the continued availability of these borrowing facilities and perpetual securities to support our current level of operations, the Group is confident that it has sufficient liquidity to meet its liabilities in the foreseeable future.

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 operations funding structure. Despite the higher leverage on additional loans drawn down to fund project execution needs, the ratio remained stable at 1.23 times in FYE 2023 due to the Group's enhanced total equity position of RM6.5 billion subsequent to the rights issue completed on 28 June 2022.

As at 31 January 2023, RM6.7 billion of loans and borrowings comprised project financing loans for FPSO JAK, FPSO Helang, FPSO Anna Nery, Rising Bhadla 1 & 2 Solar Parks and Nokh Solar Park, which were structured to ensure smooth repayment over the course of the assets' contracted periods. Some key features of Yinson's project financing loans are listed 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.
- Once the project financing loans become non-recourse, the project financing lenders are only entitled to repayments from cash flows of the projects the loan is financing, and not from any other assets of Yinson.
- The 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, we refer to the Adjusted Net Debt/Adjusted Core EBITDA ratio. This ratio indicates the number of years' profits that are needed to cover outstanding loans and borrowings. FYE 2023's ratio increased to 3.94 times as compared to 3.85 times in FYE 2022, as the FPSO Anna Nery project neared completion and the FPSO Maria Quitéria and FPSO Atlanta projects commenced construction in the current financial year. During the construction phase, this ratio is temporarily elevated as collections from operations have not yet commenced whereas the project financing loan is being drawn to finance the 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 debt and equity funding to support future projects.

FINANCIAL REVIEW

CLOSING REMARKS

Yinson's strong focus on energy transition is reflected in our financial performance for FYE 2023, with significant investments made into YR and YGT as well as the implementation of low-carbon emitting technologies in our core FPSO business. Despite facing challenges from market forces such as inflation and interest rates, our profitability has continued to improve year-on-year, which demonstrates the stability and resilience of our business and our robust risk management measures.

By reinforcing our finance function, we can better address the risks identified and provide affordable and clean energy by building a sustainable and profitable operation focused on the energy transition. One of the big steps we have taken towards strengthening the finance function at the business unit level is the engagement of new Chief Financial Officers ("CFOs"). I would like to welcome Markus, Christian and Wan Yin who have joined as the CFOs of YP, YR and YGT respectively. I have asked my new colleagues to share a few words with us about their plans for the business units.

We remain committed to our strategy and view our continued investments into the business as growth enablers that will add to profitability over the long term.

Mr Markus Wenker
CFO, Yinson Production

In the last few years, YP has grown to become one of the leading independent owners and operators of FPSOs worldwide. The reorganisation of Yinson Group and increased autonomy of the different businesses provides YP more flexibility to work along the entire capital structure and across capital instruments, unlocking further growth and value creation for our shareholders. Whilst we are building YP's finance organisation, our focus will be on increasing capital velocity, optimising the capital structure and cost of capital, as well as expanding our banking relationships and broadening our funding base.

Mr Christian Rykke
CFO, Yinson Renewables

YR is an Independent Power Producer ("IPP") focusing on onshore renewable energy production through development, construction and operations of utility scale wind and solar plants. As I have only just joined the team, let me express my genuine excitement about joining the Yinson team, contributing to YR's growth and the Group's transition pathway. I arrive at a pivotal time for YR with a large project pipeline that we look forward to maturing into production assets. As such, our near-term focus is to operationalise the YR core team and to deliver on our targets to become a key IPP in our markets.

Ms Chan Wan Yin
CFO, Yinson GreenTech

YGT is all about electrification, from marine to mobility to charging infrastructure. Our goal is to enable Yinson's transition to net zero, as well as that of our shareholders, partners and community, in line with our SDGs. With the increased autonomy of decision-making to the business units, we are focused on establishing systems and processes that allow us to be agile and nimble. This year, we will focus on building YGT's financial, tax, legal and treasury infrastructure to support the growth of our various businesses.