5

STRATEGIC REVIEW


Lim Chern Yuan
Group Chief Executive Officer

MANAGEMENT DISCUSSION & ANALYSIS

FYE 2020 started with great promise, as new opportunities emerged in the FPSO industry and the oil and gas market performed steadily. The theme of this Annual Report, 'Geared for Growth', is a reflection of the investments and efforts Yinson put into building our project execution, financial and operational capacity in line with this growth. However, the global economy suffered an unprecedented setback in the Q1 2020, with the Covid-19 pandemic causing distress and disruption to world markets and the collapse of oil prices. Nevertheless, we are confident that Yinson remains resilient – attributed in part to our recent project wins, ongoing contracts with robust contractual terms and the investment that we have put into building the sustainability of our business. We will continue to stay true to our Core Values – R.O.A.D.S which strengthened our foundation throughout the period of stability post 2014, and we believe this will see us through the present period of uncertainty and into the future.

Market outlook

2019 was a positive year for the floating production systems market. Oil prices were relatively stable and the industry saw a ramp up in project bids and awards as the industry grew in confidence and made more capital expenditure budgets available for offshore projects, particularly deep water projects which our FPSOs are well placed to serve. There were 13 FPSO contract awards in 2019, an increase from the 12 units awarded in 2013, when Brent oil prices were hovering above USD100 per barrel. This was a positive signal of the years to come for the oil and gas industry, along with the expected increase in global energy consumption.

The start of 2020 saw an unprecedented turn of events that crippled the global economy. Mobility restrictions were imposed in many countries, and economic growth projections were revised downwards worldwide. The prolonged pandemic is expected to cause liquidity and growth concerns globally at a record scale with governments introducing economic stimulus programmes to mitigate their economies from sinking into recession.

Challenges to the oil and gas industry were made worse in March 2020 when Brent oil prices plunged from the USD50s to low USD20s per barrel level – the lowest since 2002. The market was facing a subdued demand for oil due to the Covid-19 pandemic, which contributed further to the price reduction. Just a few weeks later in April 2020, the oil price recovered mildly to the USD30s per barrel level, after oil producers finally agreed on their biggest output cut to date.

Despite the successful outcome of oil production output cuts, it is expected that oil prices will remain unpredictable for the time being as countries are still heavily invested in containing the Covid-19 situation, which may cause a further disruption to the global supply chain. This may dampen the demand for oil, which would further suppress prices in the shorter term.

Given the situation, oil companies have started to revaluate their capital expenditure in view of the oil price uncertainty, with most of the capital expenditure cuts directed at the exploration side of upstream activities. Nonetheless, it is expected that many of the 2020 FPSO project awards will be delayed into 2021 as operators seek to conserve capital. That said, projects will move forward as long as production remains cash generative or viable for the oil company, as evident from the recent project tender launched by Petrobras for Project Mero 4.

The reduction in capital expenditure by oil companies will naturally result in less tightness in the supply chain. This typically means the cost of operating and building assets will see a down trend. To capitalise on this, Yinson will be looking at both operations and construction cost optimisation.

Coming out of the last oil downturn, we have already seen less economical oil projects shuttered, with those remaining being either economical in the new oil price environment, or strategic to a country's economic activity. Fortunately, the long-term nature and robust contractual terms of our existing FPSO contracts provides us a solid foundation in such uncertain times and visibility on our cash flow up to 2048. Despite the expected decline in global demand in the short term, global energy consumption is still projected to grow exponentially in the long term and will continue to rely on the production of oil and gas and also the expanding platforms of renewable energy solutions to meet these demands. Gearing for growth and supporting our vision to be a sustainable global energy solutions provider, Yinson set up a renewable energy division to complement our existing FPSO and offshore marine businesses.

As we navigate and wait out the current storm, the Company will continue to remain vigilant and maintain a disciplined approach to market opportunities, and only bid for contracts that create value for our shareholders. We will adhere to our promise to be a reliable partner to our clients, and to provide consistent quality work on all our projects.

MANAGEMENT DISCUSSION & ANALYSIS

Financial performance

	FYE 2020 RM'000	FYE 2019 RM'000	Change RM'000	Change %
Extract from Income Statements				
Revenue	2,519,340	1,034,899	1,484,441	143.44%
Cost of sales	1,929,736	440,454	1,489,282	338.12%
Gross profit	589,604	594,445	(4,841)	-0.81%
EBITDA *	770,195	801,160	(30,965)	-3.87%
Profit before tax	331,118	343,861	(12,743)	-3.71%
Profit after tax	261,297	264,379	(3,082)	-1.17%
Core profit after tax	292,850	295,811	(2,961)	-1.00%
Gross profit margin	23.40%	57.44%	-34.04%	-59.26%
Net profit margin	10.37%	25.55%	-15.18%	-59.41%
Core profit margin	11.62%	28.58%	-16.96%	-59.34%
Extract from Statements of Financial Position				
Total assets	9,515,405	8,083,300	1,432,105	17.72%
Current assets	2,194,419	1,848,842	345,577	18.69%
Liquid investments	188,762	72,226	116,536	161.35%
Cash and bank balances	1,276,190	1,217,279	58,911	4.84%
Total liabilities	5,741,536	4,459,323	1,282,213	28.75%
Current liabilities	1,514,321	1,318,707	195,614	14.83%
Loans and borrowings	3,830,403	3,149,730	680,673	21.61%
Total equity	3,773,869	3,623,977	149,892	4.14%
Extract from Statements of Cash Flow				
Net cash flows generated from operating activities	917,426	647,233	270,193	41.75%
Net cash flows used in investing activities	(1,234,675)	(730,874)	(503,801)	68.93%
Net cash flows generated from financing activities	477,189	507,168	(29,979)	-5.91%

Financial Indicators	FYE 2020	FYE 2019	Change	Change %
Return on equity	6.92%	7.30%	-0.38%	-5.21%
Current ratio (times)	1.45	1.40	0.05	3.57%
Gearing ratio (times)	1.01	0.87	0.14	16.09%
Net gearing ratio (times)	0.63	0.51	0.12	23.53%
Net debt/EBITDA ratio (times)	3.07	2.32	0.75	32.33%

* Earnings Before Interest, Tax, Depreciation & Amortisation

	FYE 2020	FYE 2019	Change	
	RM'000	RM'000	RM'000	%
Operating results by segment				
Offshore & Marine	519,426	520,553	(1,127)	-0.22%
Other operations	(331)	(3,942)	3,611	-91.60%
Share of results of joint ventures & associates	10,392	12,809	(2,417)	-18.87%

Yinson's success in achieving lease commencement of FPSO Helang on 6 December 2019 under a Finance Lease classification has resulted in a surge in revenue by 143.44% to RM2,519.34 million. The associated one-off revenue recognition effect included herein amounted to RM1,551.48 million. Whereas, Profit After Tax ("PAT") of RM261.30 million reported is marginally lower by 1.17%, mainly attributed to the loss in contribution due to the charter cessation of FPSO Allan in January 2019 and unfavourable foreign exchange movement. The deficit has been mainly alleviated by fresh contribution from FPSO Helang, continued stable contribution from other assets, lower impairment loss to assets and investment in joint venture.

	Q1	Q2	Q3	Q4
Snapshot of announced quarterly results for FYE 2020	RM'000	RM'000	RM'000	RM'000
Revenue	208,996	213,439	240,966	1,855,939
Cost of sales	88,529	81,278	104,696	1,655,233
Gross profit	120,467	132,161	136,270	200,706
EBITDA *	174,569	172,973	198,082	224,571
Profit before tax	79,677	71,547	83,682	96,212
Profit after tax	61,686	54,943	67,793	76,875
Core profit after tax	62,814	63,852	64,202	101,982

* Earnings Before Interest, Tax, Depreciation & Amortisation

Core profit after tax (RM'000)

MANAGEMENT DISCUSSION & ANALYSIS

The key performance indicator of Core Profit After Tax ("Core PAT") for 12 months remained stable at RM292.85 million compared to the previous financial year. Notably, Q4 FYE 2020 Reported Core PAT of RM101.98 million has been very encouraging with a significant increase of 58.85% compared to Q3 after FPSO Helang started contributing to the Group's results. Please refer to the table on the previous page for a snapshot of announced quarterly results for FYE 2020.

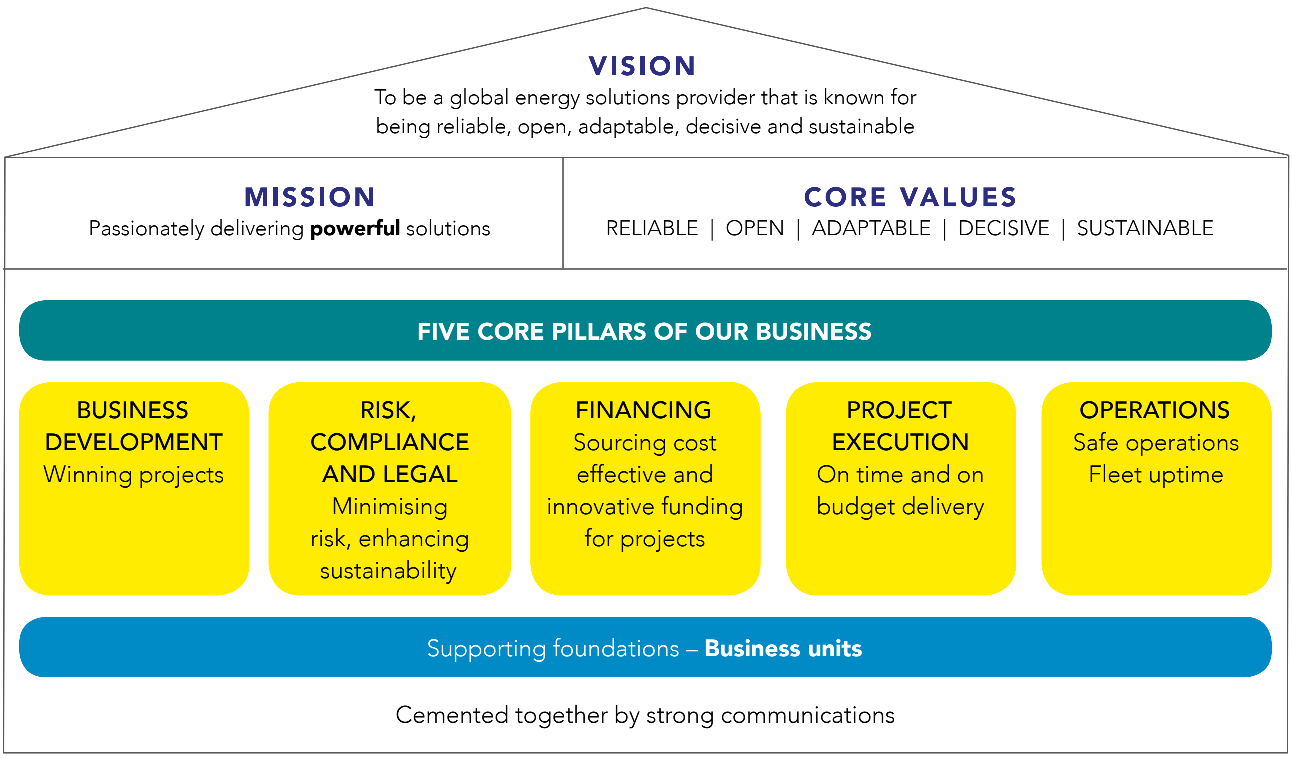
Financial position for FYE 2020 is a reflection of the Group's undertaking of two FPSO projects, FPSO Helang and FPSO Abigail-Joseph, and preparation for its maiden Brazil FPSO project, FPSO Anna Nery. These developments increased the Group's total liabilities by 28.75% to RM5,741.54 million, mainly attributed to a higher loans and borrowings position of RM680.67 million or 21.61% against the previous financial year through various financing facilities drawn-down. It is, however, important to take note that included there-in total liabilities is RM765.74 million of deferred income (in Note 36 to the Financial Statements) which represent non-refundable upfront receipts relating to projects. Concurrently, we see total assets of the Group increasing by 17.72% to RM9,515.41 million due to projects' activities undertaken.

From the liquidity perspective, the Group's liquidity indicator of Current Ratio has strengthened to 1.45 times from 1.40 times, primarily due to the recognition of finance lease receivables related to FPSO Helang after lease commencement. The other key liquidity indicator of Net Gearing Ratio weakened to 0.63 times from 0.51 times mainly attributed to the earlier mentioned higher loans and borrowings position.

Yinson's five core pillars

The illustration below outlines Yinson's business framework and strategy through the five core pillars of our business, namely business development, risk, compliance and legal, financing, project execution and operations. The constant communication and collaboration amongst the pillars is key to the success of the Group.

The pillars sit on a foundation that consists of all the business structures and teams that support them. Above the structure are our Vision, Mission and Core Values, which serve as a guidance for decisions made at every level.



Business development

Since the oil and gas sector's downturn in 2014, Yinson has fared well by focussing on the business fundamentals, building up our project execution, operational and financial strengths. We took on good FPSO projects and delivered them with excellence. We continued to be a reliable partner to our clients, which brought about greater shared successes. Furthermore, with the growing confidence and increased stability in the oil and gas industry over the last few years, Yinson grew exponentially in the FPSO industry and became one of the largest FPSO providers globally.

Entering FYE 2020, we were optimistic the worst was over and that there would be increased capital expenditure into the FPSO market. Indeed, the financial year saw capital expenditure for FPSO orders worldwide increasing by 30% to USD16 billion. The discovery of deepwater assets in offshore Africa and Brazil and relatively stable crude prices at that time added to the positive sentiment.

In preparation for this uptake, Yinson remained steadfast on our plans laid in 2018 to focus on bids in Brazil and Ghana for FYE 2019. We focused our efforts on projects that best matched our ability to deliver them, considering factors such as project specifications, client profile and overall risks and rewards.

We were successful in our bid and entered into two LOIs in October 2019 and subsequently firm contracts on 23 March 2020 with Petrobras

for the charter, operations and maintenance of an FPSO for the Marlim revitalisation project, in the north-eastern part of the Campos Basin. The FPSO for this project, FPSO Anna Nery (previously referred to as FPSO Marlim 2), cements Yinson's first step into Brazil and is our largest project to date. The estimated aggregate value of the contracts is USD5.4 billion, with a contract period of 25 years from the date of final acceptance, which is expected to occur in Q2 2023.

The Marlim project award boosted the Group's orderbook over firm and option periods to sit above USD10 billion as at the end of FYE 2020. This is a major milestone for Yinson, and a testament to the confidence our clients have in Yinson as a reliable and preferred FPSO provider to perform and deliver on these projects with good quality. We managed to not only qualify, but win a project in our first attempt in Brazil – the world's largest FPSO market.

The award of the LOI by Aker Energy for Project Pecan in Q1 FYE 2020 was another feather in our cap for Yinson. Regrettably, the LOI was terminated due to the client's plan to postpone the project amid the Covid-19 pandemic. We are currently in process of settling the termination in accordance with our contractual rights.

MANAGEMENT DISCUSSION & ANALYSIS

We are currently awaiting the outcome of our bid for the Parque das Baleias FPSO project, by Petrobras, as the sole remaining bidder of the project. We remain confident that we will be successful in obtaining the project award in Q2 2020.

Bidding is a Group-wide effort, with all five core pillars and supporting business infrastructure playing crucial roles in formulating a winning bid. To qualify and be awarded, the Group needs to demonstrate a strong track record in both project delivery and operations, plus provide a comprehensive plan for delivering the awarded project. The multifaceted collaboration also involves close partnership with our local partners in respective countries, which allows Yinson to tap on their expertise and networks to achieve greater heights of successes together.

Risk, compliance and legal

The world's risk landscape is rapidly evolving. According to the World Economic Forum's Global Risk Report, three of today's top 5 global risks are environment-related: extreme weather events, natural disasters, and failure of climate-change mitigation and adaptation. In 2013, only two of the top 5 risks were related to the environment, and five years earlier in 2008, environment-related risks were not in the top 5 at all.

Risks in the supply chain that are typically driven by ESG factors include the depletion of raw materials and natural resources; workforce health and safety incidents; abuse of human and labour rights; and corruption and bribery – leading directly to reputational, operational and financial risks. These risks directly affect how effectively all five core pillars of our business perform.

Yinson's commitment to building a culture of compliance and transparency across the Group comes from the top, with our Board and Key Management championing compliance extensively and sustainably throughout the Group.

Governance (pg 69)

We have made significant strides in terms of strengthening our compliance culture at Yinson in FYE 2020, particularly in managing our ESG risks:

- We've increased our disclosures on raw materials and natural resources. This sets a firmer reporting baseline upon which we can identify improvement measures in the coming years.

Natural Capital (pg 120)

- Workforce health and safety continues to be one of the most important focuses for Yinson, both for onshore employees and offshore crew. We continue to invest significant resources on mitigating safety and health-related risks, resulting in very strong safety record across our offices, projects and operations.
- We continued to prioritise the personal and professional development of our people and improve employee engagement through the rolling out of Yinson's Training and Development Policy, staff engagement surveys, and enhancement of staff benefits.

Human Capital (pg 84)

- Our HLR Policy was approved by the Board in March 2020, further strengthening how Yinson maintains and promotes fundamental human rights. We also implemented stronger personal data protection measures across the Group, including the appointment of DPOs in all our offices to drive personal data protection effectively at a local level.
- To further mitigate the risk of corruption and bribery, we extended our awareness and training initiatives to include vendors and other third parties. Additionally, we brought our ABAC employee awareness training online.

Review and strengthen Group-level governance (pg 69)

- Project concentration risk has also been amongst Yinson's top 5 risks, and one that we are seeking to mitigate by identifying additional sources of income and diversification.

Looking to the future (pg 139)

Financing

Yinson's business is capital-intensive in nature. With the recent award of the FPSO Anna Nery project in Brazil, and a few potential new projects and acquisitions in the coming financial year, securing funding to finance these projects is crucial.

The Group's capital strategy hinges on securing long term capital partners in both debt and equity markets, with partnerships being built on trust and cooperation. In 2017 we began an exercise to divest a 26% stake in FPSO JAK to a consortium led by Sumitomo. When selecting a partner for the project, which was our largest project at that time, we considered both the quantitative and qualitative aspects of the offers we received for the stake. In Sumitomo, we saw a partner that, like us, was seeking long-term strategic partnership, and not just financial returns on a single project. That transaction was the first step toward a deeper partnership which was cemented with a 10-year MoU for collaboration on FPSO and FSO projects in 2018.

As a result of the partnership, we now have a capital partner to embark on future, larger projects. Jointly, Yinson and Sumitomo with a 25% stake, won the bid for FPSO Anna Nery project in Brazil.

Partners (pg 119)

Yinson also aims to enlarge our banking network to broaden our financial resources for future growth. In November 2019, Yinson sealed a USD800 million refinancing project finance loan agreement with 13 local and global banks to refinance FPSO JAK, allowing us to enjoy lower interest rates while freeing up capital to be invested in future projects. The deal was oversubscribed by over 45%, an indication of the strong support Yinson receives from the financial community. Additionally, as part of our financing strategy for our Brazil project, we are in discussion with several Export Credit Agencies to provide guarantees in support of the project finance loan which would allow greater liquidity for participating commercial lenders.

Refinancing existing project financing, Engaging with Export Credit Agencies (pg 53)

As part of our capital strategy to enhance equity and maximise leverage potential without the need for further cash calls on our equity holders, we continue to utilise Perpetual Securities and other Hybrid Equity Instruments to raise capital for the Group, with the most recent being a USD120 million Perpetual Security issued in 2019. Our deals have earned us several accolades throughout the years, including awards from IFN, IFR, Alpha Southeast Asia and Asset Asia. While some may be concerned about such instruments, we are constantly stress testing our future cash flows to ensure serviceability of all outstanding instruments. The Perpetual Securities are raised for equity injection into projects and have minimum non-call period of 5 years on launching. The use of these financial instruments keeps to Yinson's strategy to provide liquidity during project execution and to be velocitised at a later stage to achieve the optimal returns for each project.

Perpetual securities holders (pg 52)

In the global shift to a low carbon economy, we continue to adapt and develop our energy business to be more sustainable with due consideration to all our stakeholders. We continue to devote significant resources to improving our sustainability performance.

Sustainability Statement (pg 42)

MANAGEMENT DISCUSSION & ANALYSIS

Related to this, Yinson was selected by HSBC Amanah in November 2019 to be an early adopter of Malaysia's first sustainability-linked financing ("SLF"), with a RM200 million revolving credit facility. The financing allows us to benefit from preferential pricing upon achieving agreed sustainability performance targets. In the global shift to a low carbon economy, we believe that SLF will play a major part in encouraging businesses to strengthen their ESG practices. We are proud to be able to embrace our values further in developing these aspects of our business.

Sustainability-linked financing (pg 53)

Project execution

Project execution went smoothly for the three assets we had under construction during the financial year – FPSO Helang, FPSO Abigail-Joseph and FPSO Anna Nery.

Projects (pg 65)

FPSO Helang achieved on-time delivery of first gas production 19 months after signing the contract with client JX Nippon with charter period commencing on 6 December 2019. This was achieved with zero LTIs throughout the 6.025 million man hours clocked throughout the conversion and commissioning of the vessel.

The naming ceremony for FPSO Helang, held in Jiangsu, China on 25 July 2019, was a grand and joyful occasion - an opportunity for us to celebrate the success of the project together with our client and subcontractors. This project is particularly momentous for Yinson, as it marks our entry into the Malaysian oil and gas market. We are honoured to be contributing back to the energy infrastructure of the country where Yinson was founded, and is currently headquartered.

Conversion works for FPSO Abigail-Joseph was completed safely within seven months – making it one of the world's fastest deliveries of a brownfield FPSO modification and upgrading project. The conversion clocked 1.239 million man hours, with zero LTIs.

FPSO Abigail-Joseph, chartered by First Exploration and Petroleum Development Company, is a redeployment of one of Yinson's existing vessels, FPSO Allan, which had previously operated for nearly 10 years in the Olowi Field in Gabon. This strategy has enabled us to bring forward the project schedule, and at the same time deliver a more cost-effective solution for our client.

At the time of writing, FPSO Abigail-Joseph is enroute to offshore Nigeria, where she will undergo final commissioning works. Start-up of production is scheduled for end of Q2 FYE 2021.

Works on FPSO Anna Nery is well underway following the project award in October 2019. Critical path long lead items have been placed, and early works engineering contracts commenced as per project schedule. We also established the project's operations offices in Rio de Janeiro, Brazil; and The Hague, Netherlands.

Building up competent in-house project management teams and systems has always been Yinson's strength, and forms part of our Group business strategy. We pair

this with a co-sourcing strategy – focussing on long-term, one-to-one business collaborations where both parties have a mutual interest in the outcomes.

We believe that keeping our team leaner and specialised allows us to be flexible and reactive, enabling us to sustain and position ourselves through industry downturns and upcycles. Through this strategy, we also endeavor to provide job stability for our employees while building long-term partnerships that complement our business.

Human Capital (pg 84)

Operations

Offshore Production Division

Upon the achievement of the first hydrocarbon, the FPSO is then handed over to Yinson's Operations team, who will manage the production of hydrocarbons and maintenance of the vessel for the contract duration.

Yinson's FPSO operations are headquartered in Oslo, with base offices in the country where the vessel is in operation. The contract durations for Yinson's FPSOs are typically long – our current average remaining duration is 13 years, with the longest being 25 years.

Key assets (pg 16)

Maintaining excellent fleet uptime and safety performance while controlling and limiting our environmental footprint are key priorities during the Operations phase and where Yinson aims to achieve a competitive edge in the industry. A good operations performance track record not only fulfils our contractual obligations but also inspires confidence in Yinson for potential clients and investors.

During the period under review, we are pleased to report an average fleet uptime of 99.9% for the four vessels that were in operation throughout FYE 2020.

Fleet uptimes for FYE 2020

FPSO Adoon	100%
FPSO JAK	99.9%
FSO PTSC Bien Dong 01	100%
FPSO PTSC Lam Son	99.7%
Average fleet uptime for FYE 2020	**99.9%**

We are also pleased to report that Yinson's fleet uptime since 2014 for the assets that we operate is 99.8%. This includes FPSO Marc Lorenceau (until Q1 2017), FPSO Allan (until Q4 2018), FPSO Adoon and FPSO JAK (from Q2 2017). These statistics are recorded by calendar year.

MANAGEMENT DISCUSSION & ANALYSIS

Average fleet uptime since 2014 for vessels that Yinson operates

FPSO Adoon
100%

FPSO Allan
99.6%

FPSO JAK
99.8%

FPSO Marc Lorenceau
100%

Average fleet uptime since 2014
99.8%

Operations (pg 67)

In terms of safety, Yinson's Offshore Production Division maintained a solid performance this financial year, with an LTI frequency of 0.71 and TRI frequency of 1.42.

Whenever a safety incident occurs on our vessels, thorough investigations are carried out to define the root cause and develop and implement lessons learnt to reduce the risk of similar incidents happening again.

Health and safety (pg 95)

A significant portion of Yinson's environmental impact in terms of energy, pollution, water, waste and materials are attributed to our offshore operations, due in part to the nature of our operations as well as the long-term nature of our contracts. As a responsible global citizen, we aim to manage our environmental impacts well. This is

further explained in our expanded disclosure on environmental impacts from both our offices and our offshore operating units.

Natural Capital (pg 120)

Offshore Marine Division

FYE 2020 went smoothly for our Offshore Marine Division, with a fleet utilisation rate of 92.69% over the financial year. We continued a strong safety performance with zero LTIs and TRIs in FYE 2020, earning acknowledgement from our client, Repsol through the receipt of the 'Best HSE Performance 2019' and 'Marine Vessel Safety and Operation Excellence Award'.

Operations (pg 67)
Health and safety (pg 95)

Group-wide improvement strategies

In recent years, Yinson has focused on digitalisation as a strategy to improve business performance and form new, differentiating business capabilities.

As an example, our ERP system was upgraded during the financial year, allowing synchronised, real-time accounting data across all our offices. Our projects and operations teams have also harnessed digitalisation tools to enhance the quality, integrity and efficiency of their workflows – for example through the digitalisation of our supply chain management process, enhancing offshore communication system and strengthening of our document control system. In FYE 2020, we

> In recent years, Yinson has focused on digitalisation as a strategy to improve business performance and form new, differentiating business capabilities.

established a new Asset Lifecycle Management ("ALM") team, which is tasked to identify potential inefficient processes in each stage of our assets' lifecycles. Data is drawn from several of our key systems into our ALM platform, which via computer-based analysis and modelling, provides objective data-based recommendations for performance, learning and development through all phases of an asset.

Business systems and processes (pg 74)

Building up our people is another key focus of ours as having an engaged and experienced workforce – and retaining them – is essential to us achieving our goals. We frame the investment that we put into our people by six priority areas – recruitment and retention, adding value through work life balance, localisation, leveraging on digital technologies, and health and safety.

Human Capital (pg 84)

The efforts that we put into creating a happy workforce goes hand in hand with our emphasis on our corporate culture. FYE 2020 has seen a structured and deliberate integration of our corporate culture into daily lives at Yinson, including the measures such as brand awareness campaigns, the launch of our corporate intranet, a restructuring of our appraisal and hiring process to be aligned with our Core Values and the establishment of various communication channels, tools and platforms to encourage openness and transparency.

Company culture and communication (pg 82)

Looking to the future

It is our vision to be a global energy solution provider that meets the world's growing demand for energy in a safe, and a socially and environmentally responsible way.

Energy is linked to well-being and prosperity around the globe - it supports economic and social progress and builds better quality of life, particularly in developing countries. In Ghana, where FPSO JAK operates, all of the gas produced is channeled back for the country's energy needs, contributing towards a reliable power supply that supports the country's industries, agriculture, trade and transportation. We believe that these are the building blocks that help people escape poverty and create better lives. With sufficient energy, industries can develop and jobs can be created.

In addition to providing the energy that powers the nations, we want to go a step further by getting directly involved in helping the local communities where we operate. We hope that our CSR efforts will be able to build local capacity, encouraging social mobility and empowerment.

Corporate Social Responsibility (pg 110)

Renewables – a new focus area

Yinson's commitment to sustainable growth is also demonstrated through our decision to establish a Renewables Division. Our long-term objective is to establish a global business operating renewable energy generation assets, which can also pursue related opportunities in a rapidly growing, and technologically advanced segment of the energy industry.

The renewables business is expected to contribute to Yinson's financial performance, while also enabling diversification of both risk and revenue. It will support achievement of our social and environmental goals with a minimal carbon footprint and ability to provide cheaper energy to remote communities or developing countries.

Renewables is now in a period of rapid growth worldwide as the all-in cost of new renewable generation

MANAGEMENT DISCUSSION & ANALYSIS

has fallen below the cost of energy produced by fossil-based resources, with India as a good example. With increasing power demand in many developing economies, renewable energy has become the option of choice for new expansion. Yinson intends to participate in this growth and to facilitate the energy transition globally.

In the near term, the renewables team is focused on establishing a portfolio of operating assets together with new greenfield development opportunities in selected regions. This portfolio will provide a core platform for further growth and development of a strong project and operating culture. In addition, Yinson will deploy its expertise in debt financing and partnering with equity investors to efficiently recycle capital, thereby delivering increased value to our stakeholders.

Yinson closed a transaction at the end of March 2020 to acquire a 37.5% in Rising Sun Energy Private Limited ("RSE"), an India-incorporated company with two operational solar plants in the Bhadla Solar Park, Rajasthan, India.

This acquisition marks the start of Yinson's move into renewables and is the first renewable asset in Yinson's portfolio. We have successfully built a global FPSO business leveraging the platform we acquired through the acquisition of Fred. Olsen Production in 2014. We aim to repeat the same success for our renewables business.

Renewables assets (pg 21), Renewables (pg 68)

Closing remarks

Looking back, the oil price plunge from 2014 to 2016 was a trying situation for the entire industry, and no less for Yinson – a relative newcomer to the FPSO industry at that time.

We weathered through the volatility by adhering closely to our business principles. We focused on delivering our project at hand, FPSO JAK, and did so three months ahead of schedule. We built a lean, but very experienced project management team, while co-sourcing where it made the most sense. We strengthened our operations team, delivering industry-leading uptime and safety records. We practised disciplined business and financial management.

We emerged stronger after that volatile period, determined to learn from our experiences and improve.

In the years following the downturn, we continued aligning everything we did towards bringing greater value to all our stakeholders, because we believe that taking these steps puts us on the surest path to ensuring the long-term sustainability of our business.

We invested in our people and in becoming an employer of choice. We saw the importance of being a values-based organisation, making our Vision, Mission and Core Values an integral part of our employees' daily decision-making process. We continued to operate prudently, improving our financial strength and bolstering our balance sheet. We invested in our systems, processes and building a capable support team and infrastructure to our five core pillars. All of these measures were taken with a single aim in mind – to ensure the sustainability of the business so we can continue to bring

value to all our stakeholders for many years to come.

Indeed, we hope and believe that everything we have invested into creating a sustainable business will see us through these current trying times.

Last financial year, we took our first step towards producing an Integrated Annual Report by introducing a more robust Sustainability Statement. With this year's report, we progress further on our Integrated Reporting

journey by increasing disclosure on our Material Matters, summarised largely within the 'Our Capitals' section of this report. We are committed to improving the quality of our disclosures every year. We also encourage open communication to all stakeholders to give us feedback on their views through our various engagement methods.

Social & Relationships Capital (pg 102)

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 in our Company.

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