

BAKER TECHNOLOGY LIMITED
(Unique Entity No. 198100637D)
(Incorporated in the Republic of Singapore)

SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS
ANNUAL GENERAL MEETING 28 APRIL 2023

The Board of Directors (the "**Board**") of BAKER TECHNOLOGY LIMITED (the "**Company**") would like to thank shareholders for submitting their questions in advance of the Company's Annual General Meeting to be held on Friday, 28 April 2023 at 10.00 a.m.

The Board would like to inform shareholders that the responses to all substantial and relevant questions which have been submitted by shareholders are published in this announcement. The questions from shareholders have been reproduced in verbatim. However as some of the questions overlap, the Company has grouped some of the questions for ease of answering and reading.

Please refer to Appendix of this announcement for details.

By Order of the Board
Lim Mee Fun
Company Secretary
21 April 2023

APPENDIX

Financials

- 1) **Why did the gross profit margin for the second half of 2022 decline that drastically as compared to the first half of 2022? Should we be concerned about further deterioration in the gross profit margin for the first half of 2023?**

The decline in gross profit margin for the second half of 2022 as compared to the first half of 2022 was predominantly due to a reduction in vessel utilization for CH Offshore Ltd. We are unable to provide a forecast for the gross profit margin for the first half of 2023.

- 2) **Is there a reason for the almost doubling of provision for credit losses in the second half of 2022 as compared to the first half of 2022 despite revenue not growing at the same rate? Should we be concerned about further increase in losses provision for the first half of 2023?**

The higher ECL reflects receivables with low probability of receipt. This is typically due to non-payment of charterhire or fabrication revenue for a prolonged period and therefore a provision is made. Although we have conducted due diligence on our clients, a number of clients are still trying to recover from poorer markets pre and during covid. The positive impact on revenues that major oil players have enjoyed in 2022 has not necessarily been enjoyed by companies further down the supply chain including vessel owners. The continued imbalance in supply and demand has continued to weigh on charter hire though that imbalance is narrowing. A significant proportion of the increase in expected credit losses in the second half of 2022 is in relation to the arbitration that CH Offshore Ltd. is pursuing. The Company has in place policies and procedures to assess, manage and monitor client credit risk and these are regularly reviewed. Where appropriate and possible, additional procedures, such as advance payment, are included to mitigate such risk.

- 3) **(Refer to Pg 15) 5 years Financial Performance. Our Company's cash balances grew from \$28.9m in FY2018 to \$71.5m in FY2022. I would like to compliment the Board on this financial prudence. However, I am concerned that the Company might be too comfortable and not taking enough risk. The offshore service market is a cyclical market and uncertain times are usually a good time to allocate capital. Can the Board help elaborate on the Company's capital allocation strategy in the current market upcycle?**

As mentioned in a later question, the Company has fleet renewal plans which would require tapping into the cash balance. In addition, as our strategy continues to focus on designing and building new equipment and new vessels, such activity requires working capital and potentially equity participation. Further having a strong balance sheet enables us to have a competitive edge vis-à-vis other fabricators who may not survive long term.

Offshore Market Situation

- 4) **From the FY2021 AGM's QnA, the Company attributed to "the upcycle however has been variously attributed more to the geopolitical upheavals than to economic growth." Has the Company changed its view of the offshore market upcycle?**
- 5) **Where is the charter rate at right now as compared to six months and a year ago and where do you see it heading three months out?**

Our response in the FY2021 AGM's QnA was more in relation to the oil and gas market as a whole rather than specifically to the offshore market. As we had surmised, since June 2022, oil prices have fallen from a high (caused by geopolitical tensions) by about 30-40% in the last 9 months. Our view

in relation to the offshore market has not changed. We believe that the market is on an upcycle but not at the pace which major oil players have enjoyed over the last year or so.

Charter hire continues to be dependent on geographical locations, vessel specifications, length of charter period. Generally, current day rates are still below rates seen prior to the oil and gas downturn in circa 2014. The imbalance between supply and demand of vessels continued to weigh on charter rates in FY2022 though the imbalance has narrowed significantly.

6) Since last AGM, the jack-up market has seen higher utilization rate and day-rates. Kindly share on our Company's plan (if any) for fleet expansion or renewal?

Our fleet renewal policy remains the same as per previous years. Our main criteria in assessing vessels for acquisition is the ability of such vessel to generate immediate revenue rather than rely solely on later possible value appreciation for resale. We also focus on expected breakeven periods. Although we have considered many vessel purchase opportunities, we have not identified any vessels which meet our key criteria. However we continue to be on the look out for vessel purchase opportunities.

7) Is there an oversupply or shortage of AHT vessels currently in the market? What are factors contributing to the oversupply or shortage?

Demand for AHTS is dependent on geographical location, specification of AHTS and charter period. There is growing demand for more AHTS from both the oil and gas and renewables sectors. However on the supply side, there are limited orders for new vessels for several reasons. Firstly day rates are not high enough to justify a new build and with limited financing options especially in the oil and gas sector, funding for new builds is hard to come by. Secondly with sustainability being a major focus, it is difficult to future proof new builds as the choice of alternative fuel and the ability to refuel globally is still underdeveloped and highly uncertain.

8) From the FY2021 AGM's QnA, our Company plans to "Increase vessel management services" Please share more on the progress of our Company in this aspect of the offshore business.

We have developed close relationships with several vessel owners who work closely with us in bidding for tenders. Our profit in relation to third party vessel management has increased from FY2021.

Renewables Business

9) What percentage of our revenues is related to the Offshore Renewables Sector?

The percentage of Group revenue related to the offshore renewables sector is about 30%.

10) From the FY2021 AGM's QnA, our Company plans to "expand further into the renewables space". Please share more on the progress of our Company in renewables space.

The Company has developed more client relationships in the renewables sector and has completed more contracts with a variety of clients within this space in FY2022.

11) What are the opportunities and challenges that the company expects to face in expanding its client reach within the wind farm sector, and how does it plan to stay sustainable and competitive in this market?

The wind farm sector is still a growing sector especially in countries that are still at an early stage of wind farm development. The supply chain for this sector is very wide and complicated with many new players, joint venture structures and some oil & gas players. As per all our product offerings from fabrication to vessel design and build and vessel charter, we market ourselves as a leading provider of specialised equipment and services. We are focused on providing high quality work,

excellent service, being solutions provider with innovative ideas. Long term relationships and repeat clients are where we focus our attention to stay sustainable.

- 12) Which stage of offshore wind farm development does the Company supports its clients?**
13) What specific equipment and components does Baker Technology Limited design and construct for the wind farm sector?

The Company mainly focuses on fabricating bespoke wind farm installation equipment.

Blue Titanium

- 14) When did the current Blue Titanium charter contract starts? When will the contract ends?**

For contract confidentiality and to maintain a competitive edge, we are unable to give specific answers. However, we expect the Blue Titanium to be employed for the rest of the year.

- 15) At some point in the future, Blue Titanium will become obsolete. What the Board planning to replace the biggest single asset in our Company that has been a significant revenue contributor?**

Blue Titanium still has a long economic life and will not become obsolete for many years.

Financials/Investor Relations

- 16) In the context of the improving popularity of listed offshore companies (Kim Heng, Marco Polo Marine, Icon Offshore, Velesto etc), how can our Company further engage with the fund management/brokers community (roadshows, investors meetings and conference calls etc)?**

The Company is focused on operational excellence and growth and believes that good financial performance is the best marketing tool. We do not practise selective disclosure and endeavour to treat all shareholders fairly and equitably. Therefore save where there is a specific funding requirement, such engagement will be minimised.