

CHAIRMAN'S MESSAGE

“**AET's efforts to develop a well-diversified portfolio and financial strength through predictability in our annual cashflows will create long-term value for all stakeholders and ensure that AET is resilient against market uncertainties we saw in 2020 and beyond.**”

Alongside the unprecedented impact of COVID-19, the year has also underscored the importance and resilience of the maritime sector. The maritime industry has continued to move the cargo on which the world relies, despite the global pandemic.

2020 was, in many ways, also a true test of AET's resilience as a company. Notwithstanding the economic and social disruptions caused by the pandemic, AET adapted and adopted measures to safeguard our crew, cargo, and vessels and delivered a strong financial performance for the year.

Pursuing sustainable returns

Our financial strength, commercial responsiveness and operational readiness, however, did not happen by chance. At the core of it is AET's financial robustness that is the product of a deliberate strategy we committed ourselves to five years ago and have remained disciplined in delivering.

As part of this business strategy, we have stayed focused on reducing volatility in our business while building financial resilience through predictability in our annual cashflows. This strategy has been underlined by our core business pillars of DPSTs (Dynamic Positioning Shuttle Tankers), VLCCs, and Mid-Size Tankers (MSTs) supported by lightering contracts with strategic customers. Our presence in these three segments means that we have an advantaged and a well-diversified portfolio, where a majority of our vessels are providing us with longer term visibility of predictable and recurring cashflow, particularly from early 2022 and beyond.

Many will know that AET has its roots in lightering, which remains an important and



specialised business segment for us today. Our lightering services and expertise helps us fill a niche customer requirement of safe ship to ship transfer of cargo. While there is stability in lightering, as a growing business, we need a well-diversified portfolio with an emphasis on longer-term contracts.

To this end, we have conscientiously built and established our presence in DPSTs. DPSTs are crucial links in the offshore value chain for the safe evacuation and transportation of oil from producing FPSOs to their destinations. They serve a niche market that is geographically concentrated in two regions—the Brazilian Basin and the North Sea—and accessible to only a few technically competent operators capable of operating in extreme sea conditions. With each shuttle tanker purpose-built to a charterer's specific requirements, DPST charters tend to be long-term contracts. Today, AET is one of the world leaders in this highly specialised sector with a fleet of 11 DPSTs and six more under construction.

Regardless of the volatility of oil prices or supply, oil is an essential commodity that has to be moved from wells to refineries. VLCCs play a critical role in this cargo movement. Oil majors seeking the assurance of uninterrupted access to tonnage, enter into long-term contracts to secure the availability of these vessels. We decided to capture these profitable contracts and took the bold step to be among the first to invest in LNG dual-fuel VLCCs. These VLCCs will not only fulfil a gap in the rising demand for quality assets, but the greener vessels will also contribute towards the energy transition and low carbon agenda of our customers.

This strategy to invest in niche markets, such as DPSTs and lightering, and specialised assets, such as dual-fuel VLCCs and Aframax, has helped build a secured income portfolio for AET. The financial assurance and liquidity from these long-term contracts gave us the ability to withstand the volatility of oil prices and depressing charter rates in 2020. I believe this is just the start and that the hard work we have put in for the last five years will gear us up to take on the challenges of the next five years and beyond.

Pursuing a sustainable future

Beyond financial sustainability, our foremost challenge is to address decarbonisation and energy transition impacting the shipping industry. We are taking on this issue with a revised five-year sustainability programme based on the principles of Environment, Social and Governance (ESG).

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The shipping sector is traditionally a slow adopter of new technology and innovation, impacting its environmental sustainability ambitions. However, AET started right by investing in LNG dual-fuel Aframax in 2017, as part of our fleet rejuvenation plan. Despite doubts in certain sectors about the viability of LNG as an alternative fuel, we believe that LNG is one of the few options available today that can help reduce carbon emissions from our operations.

We took the bold step back then as we do now because of our conviction in our strategic outlook. We have, since then, delivered two LNG dual-fuel shuttle tankers for Equinor, signed an agreement with Total in 2020 to build and operate two dual-fuel VLCCs and another one with Shell in 2021 for three VLCCs. At the MISC Group level, we are involved in "The Castor Initiative" along with five other partners, to jointly develop commercially-viable deep-sea zero-emission vessels by 2030 using ammonia as a fuel. This, along with our investment in LNG dual-fuel vessels, illustrates our commitment at AET and at the MISC Group level to invest in solutions that will reduce our emissions in the short term, while contributing to help decarbonise the shipping sector over long-term.

On the social front, with acceleration in decarbonisation and digitalisation trends, talent development and capability building will be a high strategic priority for AET in the coming years. We will leverage ALAM, one of Asia's leading maritime education and training institutions operated by MISC, to develop the future-ready talent pool that AET as well as the shipping industry will need.

AET has done particularly well in building what I call a "trust bank" with our key stakeholders that include customers, partners, regulators, and financial institutions. Through the professionalism and integrity of our people, we have earned the trust and respect of the industry as a tanker owner-operator that delivers.

AET operates in a tightly regulated shipping industry where governance is a prerequisite. We have implemented a robust corporate governance and business ethics

framework and strictly comply with shipping regulations and industry standards in our worldwide operations.

Focus on being resilient

Moving into 2021 with pandemic headwinds still blowing strongly against the world, we are consolidating and replenishing our human and financial resources to gear up for the next phase of growth when the economies gradually restart. We will continue with our strategy of financial resilience and focus on executing the 11 newbuilding projects that are underway.

2021 will also be a crucial year for us as we roll out the new sustainability roadmap that aims to de-risk our business further. As the energy industry transitions, driven by powerful global trends, AET will explore and evaluate new business opportunities that will help us bridge the gap towards the low carbon energy system. To do this right, we have to provide sufficient time for ideation and experimentation. I am providing a longer runway with a plan outlining the desired outcomes that we want to achieve as a Group by 2050. It will provide clarity on the direction and allow AET to take progressive steps towards meeting these outcomes.

An ambitious venture of such grand scale as AET requires a strong and committed team. My sincere gratitude to our management, employees, and crew, as well as our customers and partners, who weathered the storms together to navigate AET safely through the rough seas of change.

I would also like to take this opportunity to remember the late Robert Frederic "Fritz" Klausner, one of AET's former Board members who passed away last year. The late Fritz was a mentor to me and he will always remain in my memory...the consummate professional.

Our voyage ahead promises to be rewarding but tough, and we will need all hands on the deck to succeed. I am confident that by working together as one, we will keep moving AET towards a bright and sustainable future.

YEE YANG CHIEN
Chairman