

Press release

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Interim result Q1 2017: Maersk Tankers delivers lower, but positive result in challenging market

Maersk Tankers delivered an underlying profit of USD 9m (USD 46m) and a ROIC of 2.3% (11.5%) in the first quarter of 2017.

The result was positively impacted by a 15% reduction in daily running cost and an increase in the number of vessels Maersk Tankers operates for other vessel owners. However, the result was negatively impacted by challenging markets where freight rates declined by 28%. As a result, Maersk Tankers' average Time Charter Equivalent (TCE) earnings decreased by 22% across product segments compared to Q1 2016.

"In order to retain our strong market position, despite the 28% decline in freight rates, we continued our use of digitisation in commercial decisions. This helps us increase accuracy in forecasting the markets and cargoes that yield the highest earnings, enabling us to position vessels accordingly and improving the services to our customers," says Maersk Tankers' CEO, Christian M. Ingerslev.

Maersk Tankers reduced daily running cost and continues to seek cost reduction opportunities through process efficiencies and improved procurement. Relationships with new partners were developed, adding 12 new vessels to the third party services fleet.

"In an asset-heavy industry, our operation of other owners' vessels for a fee generates both income and scale without the need for investment. In the first quarter of the year, we attracted new partners, and through this, added 12 new vessels to our third party service business," says Ingerslev.

Maersk Tankers renewed its fleet by taking delivery of two mid-range newbuildings. These are part of a planned investment programme to sustain a competitive fleet. The order book totals nine remaining vessels, of which an additional two will be delivered during 2017, and the last seven in 2018.

"We expect the markets to remain difficult in 2017. Our response is to deliver on our day-to-day business while positioning our business for the longer term. Advancing our digital commercial platform to help us take advantage of market opportunities will continue to play a key role," says Ingerslev.

Q1 financial highlights:

- In a first quarter impacted by declining freight rates, Maersk Tankers delivered an underlying profit of USD 9m.
- Return on invested capital (ROIC) was 2.3%.
- A reduction in daily running cost by 15% and an increase of 12 new third party service vessels contributed positively to mitigate the impact of the negative market conditions.

Contact:

Kis Sjøgaard, Head of Communications
Phone: +45 2493 7168
Email: kis.soegaard@maersktankers.com

About Maersk Tankers:

Maersk Tankers owns and operates one of the largest product tanker fleets in the industry. The first vessel was acquired in 1928. Today, the fleet consists of 159 owned and commercially managed product tanker vessels, serving customers globally. Maersk Tankers employs 3,000 employees and generated an underlying profit of USD 58m in 2016.