

Business Review



Stolt Tankers

After another challenging year, the outlook is improving for 2019



“We expect 2019 to be a transition year, preceding a significant strengthening of the market by 2020, as the balance between tonnage supply and demand improves.”

Mark F. Martecchini
President
Stolt Tankers

Stolt Tankers (ST) is the leading operator of sophisticated international deep-sea and regional chemical tankers in the world, delivering the utmost in quality, reliability and flexibility to leading manufacturers and consumers of chemicals and other bulk liquids. ST's global fleet of deep-sea tankers is fully integrated with regional fleets in Europe, Asia and the Caribbean, as well as inland barging services in Europe and the US Gulf, giving customers access to key hubs and markets around the world. The size and reach of the fleet provides unparalleled options to meet the often-changing needs of customers' global supply chains.

HIGHLIGHTS FOR 2018

Market conditions remained challenging in 2018. While full-year revenue increased to \$1.22 billion, operating income declined to \$66.6 million. This was largely attributable to an oversupply of tonnage driven by the ongoing surge in chemical tanker newbuilding deliveries that started in 2017. That situation was exacerbated by the presence of swing tonnage – predominantly MR tankers – that shifted over to the chemical market because of the extremely low rates in the product markets normally served by those ships. As a result of the oversupply of tonnage, spot rates remained low, even as bunker prices rose in 2018, with the average price of intermediate fuel oil/low sulphur fuel

consumed climbing to \$413 per tonne in 2018 from \$314 per tonne in 2017. Contracts of affreightment were renewed at slightly reduced rates during 2018. Rates overall were down slightly year-on-year. For the Stolt Tankers Joint Service deep-sea pool, sailing days rose by 4.4%, while total volume was up only 2.3%, causing utilisation to fall by 2.0%.

During 2018, Stolt Tankers took actions aimed at enhanced cost management, focusing on crewing costs, A&G and improvements in operational efficiency. With the increase in bunker fuel prices, Stolt Tankers redoubled its efforts to optimise efficiencies in voyage management, with an emphasis on reducing fuel consumption via improved weather routing, scheduling and speed adjustments. Actions to reduce port time also yielded positive results in the latter months of the year.

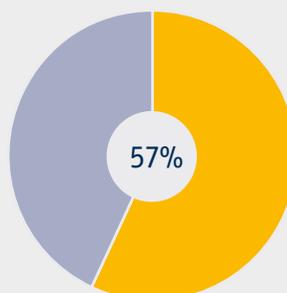
Stolt Tankers launched a new safety initiative in 2018, *Slashed Zero*, to complement its Safety Excellence Programme, with the goal of reducing shipboard safety incidents to zero. The new programme includes enhanced monitoring and training. (Read more on page 19).

Performance

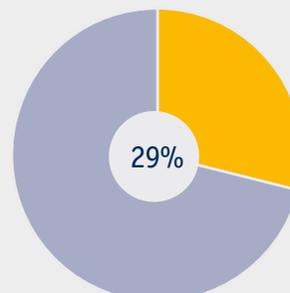
(US \$ millions)	2018	2017	2016
Operating Revenue	1,219	1,158	1,061
Operating Profit	67	111	138

Percentage of group total

of total revenue



of total operating profit*



* Excludes Corporate and other \$40 million loss



OUTLOOK

2019 will be a transition year for the chemical tanker market, with the number of new ships coming into the market slowing, and with continued expected growth in demand. Market improvements are expected to be further supported, at least in the near term, by the departure of swing tonnage from the chemical market, provided that spot rates in the clean petroleum market maintain the gains achieved towards the end of 2018.

With less new tonnage entering the market, along with the expected reduction of swing tonnage, spot prices in the chemical tanker markets should improve, ultimately driving increases in rates for contracts of affreightment going forward. The exact timing of that turning point is difficult to predict, and industry forecasts vary, but Stolt Tankers expects the picture to improve before the end of the year, leading to a distinct improvement in market conditions in 2020. Nevertheless, we remain cautious, given current political risks and other uncertainties, including both the future direction of bunker fuel costs and the impact of IMO 2020 fuel regulations.

Mark F. Martecchini
President
Stolt Tankers



71 deep-sea
parcel tankers
84 coastal and
inland tankers

3m total deadweight
tonnes

Markets

- Provides the world's leading manufacturers and consumers of chemicals, edible oils, acids and other bulk liquids with safe, reliable, high quality and flexible transportation services.
- Global deep-sea transportation services, combined with integrated regional capabilities in Europe, Asia Pacific, the Indian Ocean, the Caribbean and the US, provide added value and supply-chain efficiencies.

Strategy

Stolt Tankers leverages its industry-leading global scale and assets to provide customers with unrivalled access to key hubs and markets around the world, while working collaboratively with its customers and Stolthaven Terminals to offer value-added solutions that enhance bulk-liquid supply-chain efficiency.

Outlook

2019 will be a transition year, leading to improved market conditions by 2020, as the balance between tonnage supply and market demand improves. Stolt Tankers continues to focus on increasing efficiency, managing costs, and delivering superior service to customers, all while ensuring safety for people and the environment.