FOURTH QUARTER AND FISCAL 2017 EARNINGS RESULTS CONFERENCE CALL

Company: **Teekay Tankers Ltd.**

Moderator: **Emily Yee**

Date: **Thursday, 22nd February 2018**

Conference Time: **13:00 ET**

Operator: Good day, welcome to Teekay Tanker Limited Fourth Quarter and Fiscal 2017 Earnings Results Conference Call. During the call, all participants will be in a listen-only mode. Afterwards you will be invited to participate in a question-and-answer session. At that time, if you have a question, please press star one to register for a question. For assistance during the call, please press star zero on your touchtone phone. As a reminder, this call is being recorded.

Now for opening remarks and introduction, I would like to turn the call over to Mr. Kevin Mackay, Teekay Tanker's Ltd's Chief Executive. Please go ahead, sir.

Lee Edwards: Before Kevin begins, I'd like to direct all participants to our website at www.teekaytankers.com, where you'll find a copy of the fourth quarter 2017 earnings presentation. Kevin will review this presentation during today's conference call. Please allow me to remind you that our discussion today contains forward-looking statements. Actual results may differ materially from the results projected by those forward-looking statements. Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements is contained in the fourth quarter 2017 earnings release and earnings presentation, available on our website.

I will now turn the call over to Kevin to begin.

Kevin Mackay: Thank you, Lee. Hello everyone and thank you very much for joining us today. With me here in Vancouver, I have Stewart Andrade, Teekay Tankers' newly appointed Chief Financial Officer. Stewart joined Teekay in 2002 and he has worked in a variety of increasingly senior roles across the organization. Most recently, Stewart was Vice President, Strategy and Business Development for Teekay Tankers. Vince Lok, whom Stewart is taking over from as CFO, continues in his role as CFO of Teekay Corporation. I'm also joined today by Christian Waldegrave, Head of Strategic Research at Teekay Corporation; and Brian Fortier, Group Controller of Teekay Corporation.

During today's call, I'll be taking you through Teekay Tankers' Fourth Quarter 2017 Earnings Results Presentation, which can be found on our website. Beginning with the recent highlights in slide three of the presentation, Teekay Tankers reported an adjusted net loss of $5.9 million or three cents per share in the fourth quarter of 2017, compared to an adjusted net loss of $14 million or eight cents per share in the third quarter. We generated cash flow from vessel operations of $32.1 million during the quarter compared to $20.6 million in the previous quarter.

While crude tanker spot rates increased in the fourth quarter of 2017, they did not experience the typical winter seasonal spike, which I will touch on in more detail later in the presentation. Teekay Tankers declared a dividend of three cents per share for the fourth quarter of 2017. And at the end of November, we completed our strategic merger with Tanker Investments Limited or TIL, increasing our fleet by 18 vessels to 58 conventional tankers. In addition to strengthening our balance sheet, the transaction also positions us to capitalize on a potential market turnaround through expanded scale and market presence, helping drive fleet utilization and improved earnings for the company.

The integration of TIL has been seamless as we were previously responsible for both the commercial and technical managements of the fleet. We concluded the plan refinancing of two of TIL debt facilities, which was oversubscribed, and which I will touch on in more detail on the next slide.

So turning to slide four, I will highlight proactive steps we are taking to further strengthen our balance sheet. In December, we re-financed two TIL debt facilities covering 14 vessels with a new five-year $270 million facility, which aligns the covenants with Teekay Tankers' more favourable covenant package, lowers the cost of this refinancing by 50 basis points while also significantly improving our debt profile through lower principle payments, lower revolver reductions and the extension in maturities from 2019 and 2020, out till the end of 2022.

The graph at the top of this slide shows our debt repayment profile before and after the refinancing and as can be seen, our schedule repayment and revolver amortization has been reduced by approximately $43 million over the next two years, with the majority of our debt maturities now occurring in 2021 or later.

After this refinancing, we only have one near term maturity of $64 million. We are actively working with lenders to refinance the three vessels within this facility, which matures in August 2018. We expect to finalize the term sheet in the coming weeks and complete the transactions over the next few months.

Our liquidity position, as of 31st December was $162 million and our current liquidity balance is approximately $155 million. We continue to monitor our liquidity position, and should the tanker market remain under pressure, we have several options available to further strengthen our balance sheet including further sale lease backs, select asset sales, obtaining financing our services business and an evaluation of our minimum quarterly dividend.

Turning to slide five, we look at recent developments in the tanker spot market. 2017 proved to be a difficult year for the tanker market with the rates sinking to cyclical lows as shown by the chart on the top left of the slide. The two main factors that drove rates lower were higher fleet growth, and OPEC supply cuts. The tanker fleet grew by almost 5% in 2017 following net growth of 6% in 2016. In addition, the number of ships returned to the trading fleet from floating storage as accrued futures curve moved into backwardation further adding to fleet supply. On the demand side, OPEC was able to achieve 95% compliance with their 1.2 million barrels per day production cut implemented in January of last year. This led to reduced demand for tankers, and forced VLCCs into the Atlantic market to compete with Suezmax for cargos, thus putting pressure on mid-sized tanker rates. An increase in US exports to a record high of 2 million barrels per day by October 2017 gave some support to crude tanker demand, however this was not enough to offset the negative impact of OPEC supply cuts.

We were particularly disappointed by a lack of a strong winter spot market this year with rates falling through the course of the fourth quarter. Lower OPEC production, supply outages and a lack of significant winter weather delays were the main reasons behind this decline and crude tanker rates have remained relatively week into the early part of 2018.

Turning to slide six, we look at tanker supply and demand fundamentals, and why we believe it in a tightening market starting later in 2018. Beginning on the supply side, tanker fleet growth is set to fall just over 3% net this year and around 2% in 2019, as the order book starts to roll off. Shipyards are now mostly full for 2019 delivery due to a pick up in ordering from other ship types. which means the order book for the next two years is almost set. Scrapping in 2017 was the highest in five years, at around 11.5 million deadweight tons and importantly it has remained strong since the start of 2018 was five VLCCs and six Aftermaxs scrapped already this year. In a low fright environment and with scrap prices at relatively firm levels, we expect scrapping to remain strong in the coming months.

On the demand side, global oil markets are rebalancing. Global oil demand remained strong with estimated growth of around 1.5 billion barrels per day this year and oil inventories are rapidly falling back to five-year average levels. With oil inventories declining and prices finding support, we believe that OPEC may revisit their supply agreement during the second half of this year in order to keep oil markets relatively balanced.

In addition, we expect US crude exports to continue to rise as US production reaches new record highs, and this should provide additional tanker tone mile demand throughout the year. In summary, we remain encouraged by both supply and demand developments and believe that these tightening fundamentals will drive an eventual tanker market recovery later in the year and into 2019.

Turning to slide seven, we will briefly look at tanker asset values, which appeared to have found a floor. As shown by the charts in the slide, tanker new build and second-hand prices have bottomed out. New build prices are increasing, as shipyards get more comfortable with the forward order books, while second hand prices are showing resistance despite a weak spot market. Second hand tanker values are currently around 35% below long-term average levels, which means there are significant upside potential for asset prices as the market recovers.

Turning to slide eight, we believe Teekay Tankers is well positioned to capitalise on the potential market recovery and our current share price represents a compelling value proposition to investors. At the current share price, Teekay Tankers shares trade a discount on net asset value or NAV reflecting the challenges affecting the overall tanker market.

Given the high degree of operating leverage through Teekay Tankers' position as the world's largest publicly listed mid-sized tanker company, the benefits of a recovery are very attractive. Based on our 2018 operating leverage, $5,000 per day movement in time-charter equivalent Aframax rates equates to approximately $0.32 in free cash flow per share. A return to mid cycle tanker rates would increase our free cash flow to approximately $1.05 per share, which is extremely attractive relative to our current share price of $1.10 per share. Similarly, an increase in vessel values to mid cycle levels would increase our NAV by over 140%.

With a combined fleet of 58 tankers operating in key global markets, Teekay Tankers is well positioned to capitalize on a potential market turnaround through both scale and market presence.

Turning to slide nine, I'll provide an update on spot tanker rates for the first quarter of 2018 to date. Based on approximately 63% and 60% of spot revenue days booked, Teekay Tankers' first quarter-to-date

Suezmax and Aframax bookings have averaged approximately $13,400 and $12,700 per day, respectively. For our LR2 segments with approximately 50% spot revenue days booked, first quarter-to-date bookings have averaged approximately $13,900 per day.

With that operator, we are now available to take questions.

Operator: Thank you, sir. Ladies and gentlemen, if you would like to ask a question, please press star one at this time. And we will take our first question from Magnus Fyhr with Seaport Global.

Magnus Fyhr: Thank you. Good afternoon. Just one question to follow up on the capital allocation strategy going forward. Looking at the current cash position of $70 million and you have some additional liquidity on the revolver, but basically, using some, you know $17,000 a day for Suezmaxes, you still wouldn't generate more than $90 million of cash in 2018 and that would barely cover the dividend and also the debt repayments even after the $64 balloon payment. What is it going to take to address that dividend because it seems like you are borrowing money now to pay the dividend?

Kevin Mackay: Hi, Magnus, it's a good question. The – as we said in our remarks, you know, we have taken steps following the TIL transaction which did bolster our liquidity position quite significantly. We have taken steps to refinance those finances, which also put us in a better place. But going forward, I think you're right, this market is currently very weak. And if it was to continue at these levels, we would have to look at the different levers that are available to us, which doesn't only include the capital allocation piece, but it also looks at the potential for additional sale of lease packs, financing of our services business, even assets sales in some of our qualified assets.

So, it's a mixture of levers that we can pull. Dividends is obviously one of those levers and it's something that we talk to the board about on a regular basis. And if the market continues, it's something that we would – we'd certainly take into consideration. But there's – even with the dividend itself, we can look at a different ways of approaching that. And it's really just looking at what we do to make sure the sustainability of the organization is there through this weak period as we face a much better and improved market towards the back end of the year.

So, we're factoring a lot of those things. And I'm quite comfortable that we can write through this portion of the cycle and come out strong with a much bigger fleet of 58 tankers going into stronger market.

Stewart Andrade: Hi Magnus, it's Stewart. Just to add a little bit to that. So, for 2018, we have approximately $103 million of principal repayments. You'll see on the schedule that on Page Four that we have the $64,000 – the $64 million balloon, which is due this year, which we're currently in the process of refinancing and working through the refinancing on that. And we're confident that we'll have that refinanced before the maturity in August.

So, with the $155 million of liquidity that we currently have, plus the cash flow from operations which you've mentioned, the refinancing of that $64 million facility and few other options that we have for raising liquidity that Kevin has mentioned, we feel confident on our liquidity position through 2018 at the levels you had mentioned.

Magnus Fyhr: Yeah, you mentioned $103 million of repayments. Is it $24 million something that will be refinanced too on that bar chart for 2018?

Stewart Andrade: Now, the $24 million is actually amortization of undrawn revolver capacity. So, it is a reduction of capacity, but it's not a repayment.

Magnus Fyhr: All right, okay. All right, thanks for clarifying. And then just kind of one last question on the – I mean, it seems like you get a little bit more bullish on the outlook for recovery by the end of 2018. You signed a time charter for Suezmax here at $17,200. When was that done and are there – I'm sure, I mean if it was done prior to the New Year that those rates probably wouldn't be there right now.

Kevin Mackay: Yeah, that was a short-term hedge that we took on based on our outlook with the first and second quarter of year. So, it's a six-month time-charter of that we did at the backend of last year. It commenced in early January and we rolled off – if it's a six-month streak, it will roll off in July. And if the customer exercises the three-month option, it would roll off in September.

Magnus Fyhr: All right. Thank you. That's it for me.

Kevin Mackay: Thanks, Magnus.

Operator: Our next question comes to us from Gregory Lewis with Credit Suisse.

Gregory Lewis: Yes, hi. Thank you and good afternoon.

Kevin Mackay: Hi, Gregory.

Gregory Lewis: I would just like to follow up – I mean as part of your response to Magnus's comment, you talked about various levers and you mentioned the potential sale and/or lease of, I guess unencumbered assets. Could you talk a little – I mean not expecting you to give specific vessels, but could you talk a little bit about what that fleet of unencumbered assets that you could pull levers on looks like?

Stewart Andrade: Well, we do have mortgages on all the vessels in the fleet. But, as you saw last year when we did the sales lease back on four vessels, there is a market there with lessors to do sale leaseback transactions. So, that's certainly one of the avenues that we have to raising liquidity. And there's a fair amount of liquidity in the fleet that we could tap into. In addition, we have our pool and our global lightering service businesses, which currently don't have any financing. And there's also a possibility to raise financing to support those operations, which could inject additional liquidity as well.

Gregory Lewis: Okay, great. And then just kind of curious that this is on sort of – clearly the market has been backwardated. That looks to be having a negative impact on supply. Do you kind of have a sense for where we are today in the backwardated market versus where we – where the last time we saw contango in the market in terms of what vessel speeds for the fleet might have looked like? And I'm trying to understand if the fleet is being more efficient in a backwardated market.

Kevin Mackay: I think one of the key points that people have to be aware of in a backwardated market isn't so much about the relativity of the owner's reaction to that. It's what happens to the supply of vessels. And what we've seen – especially and importantly this added to the effect of the fourth quarter lagging rates, the backwardation in the oil [inaudible] [00:19:36] sort of unwinding of a large position in the floating storage area. And if you look back to the beginning of 2017, we had about 4% of the crude tanker fleet under floating storage conditions. And by February of 2008, that number dropped under 1% of the crude tanker fleet.

So, you're effectively adding a significant number of vessels to the trading fleet. And we've particularly saw that post summer months when all those vessels were unwound and that those positions were taken out. I think the backwardated market really drives the storage story in front of how owners then react in terms of slower speeds and things like that.

Gregory Lewis: Perfect. Thank you guys very much.

Kevin Mackay: Thanks.

Operator: And we have a question from Jon Chappell with Evercore.

Jon Chappell: Thank you. Kevin, just on the way that you've led out this backdrop, let's call 6 to 9 challenging months and then an improvement maybe back after this, but maybe more realistically 2019, obviously, we're going to be integrating the TIL fleet, which shouldn't be too difficult, because under Teekay umbrella before, how do you think about strategy whether it's getting exposure do an upturn in the market, through more chartering, this is the only one left, versus, not a lot of probably wiggle room on acquiring ships right now, but kind of flexing the fleet through ownership or time charter based on how you proceed the market for the next 12 to 18 months?

Kevin Mackay: Yeah. Hi, Jon, it's a good question. I think the TIL acquisition has really helped as we said on previous calls, not just from a scale of perspective, but also the various other aspects including the financial strength it gave us. But it's positioned us well with a bigger fleet to increase our leverage as the markets starts to pickup. I think you are correct in saying that we're not in a position and we were not looking to do a repeat of the TIL transaction or to go out and order new builds or buy second hand at this point unless there is some compelling case that we couldn't turn down. But at this point in time and foreseeable future, I don't see that arriving.

So, it's really concentrating on the fleet we've got. You've seen in our supporting documents that our time charter out fleet is starting to roll off in 2018, and that's another vehicle that we'll look at to increase our exposure to a strengthening spot market as we moved through backend of this year into next year.

Also, I think the commercial guys are talking on a continual basis around how do we rebuild our in charter portfolio, as we so successfully did in 2014. But, at this point in time, until we get further clarity on what OPEC is doing around production cuts, I don't think you'll see us move in a large way in the coming weeks. Now that obviously is a moving dynamic and we continue to assess that on a daily basis almost. But, essentially, you're correct, that is the main – the two main levers is the out-charter portfolio which diminishes and the in-charter portfolio that we will look to rebuild.

Jon Chappell: Great, that makes a lot of sense. And then also on the capital deployment again, I understand the concerns in this kind of deep downturn to play defence. And I guess it's questionable whether a 10% yield is an efficient use of capital, but you didn't give your NAV specifically, but you put out there as a discount and based on our numbers, the discount is quite steep. Have you thought about or has it come up with the board to the extent that you can talk about it? A combination of return to shareholders of dividend and by back or maybe even a shift more by back in a period where there are such strong value in your shares they are trading today?

Kevin Mackay: Yeah, I think we have those discussions on an ongoing basis not something that is just coming up, because of the stay of the market. We do on our quarterly basis and sometimes in-between quarters; discuss these things with the board with a view to rewarding shareholders for owning our shares. We also have to be prudent and we have to realize that current spot rates that are trading below OPECs levels in some regions, our primary goal at this point is to make sure that the health of the company is maintained, so we can get to that improving spot market. I think you could expect us to have those ongoing conversations with the board. And, as you said, it's not just a question of rewarding shareholders through dividends. We have to consider buybacks, we have to consider other issues of capital. And all of those come into the equation and it is things that we will consider.

Jon Chappell: Okay. That's really helpful. Thanks, Kevin.

Kevin Mackay: Thanks, Jon.

Operator: And we'll take our next question from Mike Webber with Wells Fargo. Please check your mute function, we're unable to hear you.

Mike Webber: Hey, good morning, guys. How are you?

Kevin Mackay: Good morning, Mike.

Mike Webber: Good. I have sorted that. Just – I think verdict I touched on most of the outlook questions, but I'm just curious when it comes to asset values particularly given the shares sensitivity to its NAV. It seems like the idea of the market kind of growing its way out of a supply driven trough in 2018 rather than 2019, certainly it seems like it's getting more traction now than it was three or six months ago.

And I'm just curious, if you can get that chart, I think, it's on slide seven, kind of showing the assets like all and it looks like we are sitting kind of 5% or 10% below or above kind of absolute trough if you will. Do you think that the degree of optimism that's kind of crept into the market for an '18 recovery has worked its way into the S&P market to the extent that we won't see the additional downside asset values even if rates kind of stay whether they are at for the balance of the first half of the year or do you think – I think we basically hit bottom in that optimism that's script into the S&P and expect that it supports here now, I guess.

Kevin Mackay: Yeah, I think it's a very good question, Mike. I think if we take the two elements of the graphs that we've shown on the new build site, we definitely feel we've bottomed. There has been an uptick in ordering across the other segment and containers gas in bulk. And there's also been a lot of rationalization and the new building capacity at the yard. So, I think the yards were a lot more confident than they were six or nine months ago and we are starting to see that in the new built price. So, yes, I think new builds have bottomed and we'll uptick from here especially with labour cost increasing and oil price is going up.

On the second-hand side, I think it's been a story of really three segments of the vessel classes it's – we saw the greater confidence in newer vessels earlier in 2017, while the ten-year old and the 15 year old prices continue to slide. I think as we've moved over through the end of 2017 and 2018, we then saw the ten-year price stop sliding and now we're seeing the 15-year price stop sliding. So I think our view is it's been a progression and we're at a point now where people can see the light at the end of the tunnel and are maybe not overly confident, but certainly more bullish than what they were six months ago.

Mike Webber: Okay. All right, this is helpful. And then finally, I don't know how relevant it's for you guys with your ship to ship transfer business. Saw the first export cargo directly loaded by loop earlier in

February. I'm just curious as that continues to kind of grow and evolve what kind of impact you that's actually going to have on your business down there?

Kevin Mackay: Yeah. I think they loaded their first VLCC as similar to what we saw in Corpus Christi as an experiment, it could be done. Loop is an interesting proposition at the face of it, but when you get down to the details, I think it will be a challenging load port to actually drive a lot of crude export through. Currently there is only, there's one pipeline the [inaudible] pipeline I believe that goes from West Texas across to into Luciana. And by the time you get past all the refinery off ticks the reason not much left by the time it gets to loop, to build an export capacity there.

So, we are really looking at the potential of loop being driven by an increase in flows from a cap line reversal on the marathon pipeline. And at the moment, the indications are that their gauging interest from shippers, but that wouldn't be an event that would take place little closer to 2020 where you see a rateable supply of export through that line.

I think in the meantime your general export market is obviously going to grow with greater production increases in the U.S., So the significant of loop I don't see as being a major factor. And just looking at the way exports are channelled at the moment, we only see about 15% of the export volume coming down the Mississippi anyway. The majority that of Christi and Houston sort of [inaudible].

Mike Webber: Okay, helpful colour, I appreciate your guys. Thanks.

Kevin Mackay: Thanks, Mike.

Operator: Our next question comes from Amit Mehrotra with Deutsche Bank.

Chris Snyder: Hi, this is Chris Snyder on the line for Amit.

Kevin Mackay: Hey, Chris.

Chris Snider: So, my first question is around kind of the fleet development. I think I counted you guys have about 10 vessels built in 2002 to 2004, which are coming up on their 15-year survey over the next 24 months. I was just kind of wondering what is your – kind of how do you view these vessels going forward, just obviously given the low crude rates and the high scrap prices, just how do you think about that?

Kevin Mackay: Yeah, I think obviously our Aframax fleet is a little bit of a younger – our older generation sorry than our Suezmax fleet. So, it's an area that we are focused. Our perspective is the regions in which we are trading those vessels, for example, the US gulf lightering trade. Those vessels are actually very economical in the trade pattern that they're being used for. So, from our perspective, looking forward, yes, the ships aren't getting older and we have to think longer term but in the meantime their assets that we can continue to milk. And the returns that we expect over the next few years will definitely cover the dry-docking expense that we would expect to incur for those.

Chris Snider: Okay. Thanks. Can you actually may provide any colour just on what you think that dry-dock expense, as it's either the 15 years or the 17.5-year intermediate survey. What you would kind of expect on a per vessel basis?

Kevin Mackay: I think it varies a great deal depending on the asset itself, whether we build it, we bought it, which part of the world it's traded in, what kind of harsh trading conditions it's had or no had. So it really varies between sort of the upper 1.75 million toward at 2.5 million depending on what – how much money has been put into the vessel in pervious dry dockings and how the maintenance profile has checked up over the life of the asset.

Chris Snider: Okay. Thank you, it's very helpful. And then the next question is just kind of about global you know refining capacity additions. It seems like over the next couple years, there is a lot of refining capacity coming online and a lot of this is in the Middle East, which seems generally bad for crude tankers. And then, also a lot coming online in Asia, where I think the impact on the crude tanker market is a little more uncertain. I'm please if you can talk about how you guys are thinking about this and how you, you know, expected to play out in terms of crude sea born trade.

Kevin Mackay: Do you want to take that one question?

Christian Waldegrave: Yeah. Sure. You're right, there is a lot of a new refining capacity coming online in the next three or four years. And the next wave of Middle East expansion really comes kind of 2019 to 2021. And it will change the dynamics of global trade a bit, it should be quite positive for the product market for example, in terms of long range product export so that should be positive for the LR2 sector, because I think what you will see is, the Middle East becoming a more of an export hub for things like high spec low sales of diesel going into Europe and into Asia.

So, from a product market perspective that should be fairly positive. Like you say it could take away from a little bit of export capacity on the crude side in the Middle East all though very minor [inaudible] [00:34:08] have quite a bit of spare production capacity. So they could decide to channel their crude both into the refineries, but also maintain their crude exports. And then like you say, the refineries that are coming online in the Far East, in India and China where they are serving for the domestic consumption that should be a net positive for crude tanker. So, actually I think, when you netted out over the next three or four years, we should see positive benefits from both the crude and the products.

Chris Snyder: Thank you for that and that's all from me.

Kevin Mackay: Thanks, Chris.

Operator: And we'll take our final question from Fotis Giannakoulis with Morgan Stanley.

Fotis Giannakoulis: Yes. Hey, there. Thank you. I want to ask you if in your analysis about your liquidity, you have included the CapEx for ballast water or if you can give us some guidance for ballast water. And also, if you can comment, how are you going to deal with new low sulphur regulations, are you considering at this point to install any scrubbers and what is going to be the impact for the market and that it should have ship on our stores this regulation?

Stewart Andrade: Hi Fotis, this is Stewart. So on the ballast water, we're not anticipate – we won't have any expenses related to ballast water in 2018. In 2019, we are working through on a ship-by-ship basis to determine if we need to install any ballast water treatment systems during those dry-docks. At the moment, we have allocated approximately 18 million to ballast water for 2019, but we think there is actually a reasonably good chance that we won't have to incur that expenses for a variety of reasons on those vessels which we can update you on as things progress. And then, really, it's out into 2020 when we would start incurring that expense related to ballast water treatment systems.

Fotis Giannakoulis: Can you also comment about low sulphur, yeah.

Kevin Mackay: Yeah. On your second question, Fotis, at this point we don't have plans to install scrubbers on our fleet. We feel that our trading patterns for example our ships in the US gulf are already trading at a neck of zone and the emissions change won't materially affect the areas in which we are trading. I think it's an interesting topic because it's described as a – and the focus of the emissions regulations tends to always come up around scrubbers. And to my mind there is not really a scrubber issue, it's – it's not really even the shipping issue. It's an oil industry issue, because this is going to have a significant effect on trade patterns, not just around distillers[?] and diesels flows, but also around crude purchasing and around fuel oil trades, because it really is a refraining issue in terms of how do they reduce the fuel oil yields through the refining process and that will drive different crude purchasing measures and possibly trade patterns from that.

The fuel oil that they do produce is high sulphur that can't be decupled, that has to then be transported to these newer and more sophisticated refineries in the middle east and in Asia. So that's going to drive new trade patterns, they currently don't exist today. So, as sort of a high-level answer, I'm fairly positive on the impact of this regulation on tanker demand. But it's going to be interesting how it plays out in terms of areas of the world that maybe challenged to supply the low sulphur fuel such as South America.

Fotis Giannakoulis: Can you also comment what is the average speed of your fleet? Is the speed of your fleet right now during the weakness that we have been experiencing the last few months versus to what it was a year ago? And if you think that the implementation of the low sulphur regulation will have any impact on the speed that the charter that will require from ship owners by reducing, in order to reduce their fuel expense.

Kevin Mackay: I'll tell your second point first. I think owner's reaction to beating up or slowing down has really got function of price and what the freight rates are offering. So if we are in a strong rate environment, I don't see the impact being owner slowing down too much. In terms of our specific speed parameters on our fleet, it depends on the vessel trade and the region they are in. I think, as a general comment, I'd say you will have seen our Suezmax fleet slow down marginally, less so on the Aframax which are much more short run where the speed up or slow down effect is less significant. So our US gulf and our [inaudible] we haven't done much to change anything.

Fotis Giannakoulis: Thank you very much. I appreciate your answers.

Kevin Mackay: Thanks, Fotis.

Operator: And there are no further questions in the queue at this time. I would like to turn the conference back over to Kevin Mackay, for any closing remarks.

Kevin Mackay: Thank you for joining us today everybody and we look forward to speaking to you next quarter.

Operator: And once again ladies and gentleman, that concludes today's conference. We appreciate your participation today.