

Scorpio Tankers Inc.
Form 20-F
March 16, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

Commission file number: 001-34677

SCORPIO TANKERS INC.

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

Republic of the Marshall Islands

(Jurisdiction of incorporation or organization)

9, Boulevard Charles III Monaco 98000

(Address of principal executive offices)

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9, Boulevard Charles III Monaco 98000

(Name, Telephone, E-mail and/or Facsimile, and address of Company Contact Person)

Securities registered or to be registered pursuant to section 12(b) of the Act.

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Title of each class	Name of each exchange on which registered
Common stock, par value \$0.01 per share	New York Stock Exchange
7.50% Senior Notes due 2017	New York Stock Exchange
6.75% Senior Notes due 2020	New York Stock Exchange

Securities registered or to be registered pursuant to section 12(g) of the Act.

NONE

(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

NONE

(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2016, there were 174,629,755 outstanding shares of common stock, par value \$0.01 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See the definitions of "large accelerated filer" and "accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated
filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board
Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. This document includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as “forward-looking statements.” We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are including this cautionary statement in connection therewith. This report and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance, and are not intended to give any assurance as to future results. We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. When used in this document, the words “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “target,” “project,” “likely,” “may,” “will,” and similar expressions, terms, or phrases may identify forward-looking statements.

The forward-looking statements in this report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management’s examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

In addition to important factors and matters discussed elsewhere in this report, and in the documents incorporated by reference herein, important factors that, in our view, could cause our actual results to differ materially from those discussed in the forward-looking statements include:

- the strength of world economies and currencies;
- general market conditions, including the market for our vessels, fluctuations in spot and charter rates and vessel values;
- availability of financing and refinancing;
- potential liability from pending or future litigation;
- general domestic and international political conditions;
- potential disruption of shipping routes due to accidents or political events;
- vessels breakdowns and instances of off-hires;
- competition within our industry;
- the supply of and demand for vessels comparable to ours;
- corruption, piracy, militant activities, political instability, terrorism, ethnic unrest in locations where we may operate;
- delays and cost overruns in construction projects;
- our level of indebtedness;
- our ability to obtain financing and to comply with the restrictive and other covenants in our financing arrangements;
- our need for cash to meet our debt service obligations;
- our levels of operating and maintenance costs, including bunker prices, drydocking and insurance costs;
- availability of skilled workers and the related labor costs;
- compliance with governmental, tax, environmental and safety regulation;
- any non-compliance with the U.S. Foreign Corrupt Practices Act of 1977 (FCPA) or other applicable regulations relating to bribery;
- general economic conditions and conditions in the oil and natural gas industry;
- effects of new products and new technology in our industry;
- the failure of counterparties to fully perform their contracts with us;
- our dependence on key personnel;
- adequacy of insurance coverage;
- our ability to obtain indemnities from customers;
- changes in laws, treaties or regulations;

the volatility of the price of our common shares and our other securities; and other factors described from time to time in the report we file and furnish with the U.S. Securities and Exchange Commission, or the SEC.

These factors and the other risk factors described in this report are not necessarily all of the important factors that could cause actual results or developments to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, there can be no assurance that actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. These forward looking statements are not guarantees of our future performance, and actual results and future developments may vary materially from those projected in the forward looking statements. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements, which speak only as of their dates. We undertake no obligation, and specifically decline any obligation, except as required by law, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Please see our Risk Factors in "Item 3. Key Information - D. Risk Factors" of this annual report for a more complete discussion of these and other risks and uncertainties.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

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ITEM 3. KEY INFORMATION

Unless the context otherwise requires, when used in this annual report, the terms “Scorpio Tankers,” the “Company,” “we,” “our” and “us” refer to Scorpio Tankers Inc. and its subsidiaries. “Scorpio Tankers Inc.” refers only to Scorpio Tankers Inc. and not its subsidiaries. Unless otherwise indicated, all references to “dollars,” “US dollars” and “\$” in this annual report are to the lawful currency of the United States. We use the term deadweight tons, or dwt, expressed in metric tons, each of which is equivalent to 1,000 kilograms, in describing the size of tankers.

As used herein, “SLR2P” refers to the Scorpio LR2 Pool, “SPTP” refers to the Scorpio Panamax Tanker Pool, “SMRP” refers to the Scorpio MR Pool, and “SHTP” refers to the Scorpio Handymax Tanker Pool, which are spot market-oriented tanker pools in which certain of our vessels operate. In addition, “HMD” refers to Hyundai Mipo Dockyard Co. Ltd. of South Korea and “SSME” refers to Sungdong Shipbuilding & Marine Engineering Co. Ltd.

A. Selected Financial Data

The following tables set forth our selected consolidated financial data and other operating data as of and for the years ended December 31, 2016, 2015, 2014, 2013 and 2012. The selected data is derived from our audited consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Our audited consolidated financial statements for the years ended December 31, 2016, 2015 and 2014 and our consolidated balance sheets as of December 31, 2016 and 2015, together with the notes thereto, are included herein. Our audited consolidated financial statements for the years ended December 31, 2013 and 2012 and our consolidated balance sheets as of December 31, 2014, 2013 and 2012, and the notes thereto, are not included herein.

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In thousands of U.S. dollars except per share and share data	For the year ended December 31,				
	2016	2015	2014	2013	2012
Consolidated income statement data					
Revenue					
Vessel revenue	\$522,747	\$ 755,711	\$ 342,807	\$ 207,580	\$ 115,381
Operating expenses					
Vessel operating costs	(187,120)	(174,556)	(78,823)	(40,204)	(30,353)
Voyage expenses	(1,578)	(4,432)	(7,533)	(4,846)	(21,744)
Charterhire	(78,862)	(96,865)	(139,168)	(115,543)	(43,701)
Depreciation	(121,461)	(107,356)	(42,617)	(23,595)	(14,818)
General and administrative expenses	(54,899)	(65,831)	(48,129)	(25,788)	(11,536)
Write down of vessels held for sale and net loss on sales of vessels	(2,078)	(35)	(3,978)	(21,187)	(10,404)
Write-off of vessel purchase options	—	(731)	—	—	—
Gain on sale of VLGCs	—	—	—	41,375	—
Gain on sale of VLCCs	—	—	51,419	—	—
Gain on sale of Dorian shares	—	1,179	10,924	—	—
Re-measurement of investment in Dorian	—	—	(13,895)	—	—
Total operating expenses	(445,998)	(448,627)	(271,800)	(189,788)	(132,556)
Operating income / (loss)	76,749	307,084	71,007	17,792	(17,175)
Other (expense) and income, net					
Financial expenses	(104,048)	(89,596)	\$(20,770)	(2,705)	(8,512)
Realized gain on derivative financial instruments	—	55	17	3	443
Unrealized gain / (loss) on derivative financial instruments	1,371	(1,255)	264	567	(1,231)
Financial income	1,213	145	203	1,147	35
Share of income from associate	—	—	1,473	369	—
Other expenses, net	(188)	1,316	(103)	(158)	(97)
Total other expense, net	(101,652)	(89,335)	(18,916)	(777)	(9,362)
Net (loss) / income	\$(24,903)	\$ 217,749	\$ 52,091	\$ 17,015	\$(26,537)
(Loss) / earnings per common share: ⁽¹⁾					
Basic (loss) / earnings per share	\$(0.15)	\$ 1.35	\$ 0.30	\$ 0.12	\$(0.64)
Diluted (loss) / earnings per share	\$(0.15)	\$ 1.20	\$ 0.30	\$ 0.11	\$(0.64)
Cash dividends declared per common share	\$0.500	\$ 0.495	\$ 0.390	\$ 0.130	—
Basic weighted average shares outstanding	161,118,654	161,436,449	171,851,061	146,504,055	41,413,339
Diluted weighted average shares outstanding	161,118,654	199,739,326	176,292,802	148,339,378	41,413,339

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In thousands of U.S. dollars	As of December 31,				
	2016	2015	2014	2013	2012
Balance sheet data					
Cash and cash equivalents	\$99,887	\$200,970	\$116,143	\$78,845	\$87,165
Vessels and drydock	2,913,254	3,087,753	1,971,878	530,270	395,412
Vessels under construction	137,917	132,218	404,877	649,526	50,251
Total assets	3,230,187	3,523,455	2,804,643	1,646,676	573,280
Current and non-current debt ⁽²⁾	1,882,681	2,049,989	1,571,522	167,129	142,459
Shareholders' equity	1,315,200	1,413,885	1,162,848	1,450,723	414,790

In thousands of U.S. dollars	For the year ended December 31,				
	2016	2015	2014	2013	2012
Cash flow data					
Net cash inflow/(outflow)					
Operating activities	\$178,511	\$391,975	\$93,916	\$(5,655)	\$(1,928)
Investing activities	31,333	(703,418)	(1,158,234)	(935,10)	(90,155)
Financing activities	(310,927)	396,270	1,101,616	932,436	142,415

(1) Basic (loss) / earnings per share is calculated by dividing the net (loss) / income attributable to equity holders of the parent by the weighted average number of common shares outstanding. Diluted earnings per share is calculated by adjusting the net (loss) / income attributable to equity holders of the parent and the weighted average number of common shares used for calculating basic earnings per share for the effects of all potentially dilutive shares. Such potentially dilutive common shares are excluded when the effect would be to increase earnings per share or reduce a loss per share.

(2) Current and non-current debt as of December 31, 2016, 2015, 2014, 2013 and 2012 is shown net of deferred financing fees of \$37.4 million, \$55.8 million, \$47.1 million, \$2.4 million and \$3.5 million, respectively.

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The following table sets forth our other operating data. This data should be read in conjunction with “Item 5. Operating and Financial Review and Prospects.”

	For the year ended December 31,				
	2016	2015	2014	2013	2012
Average Daily Results					
TCE per day ⁽¹⁾	\$ 15,783	\$ 23,163	\$ 15,935	\$ 14,369	\$ 12,960
Vessel operating costs per day ⁽²⁾	6,576	6,564	6,802	6,781	7,605
Aframax/LR2					
TCE per revenue day ⁽¹⁾	20,280	30,544	18,621	12,718	10,201
Vessel operating costs per day ⁽²⁾	6,734	6,865	6,789	8,203	8,436
LR1/Panamax					
TCE per revenue day ⁽¹⁾	17,277	21,804	16,857	12,599	14,264
Vessel operating costs per day ⁽²⁾⁽⁴⁾	—	8,440	8,332	7,756	7,714
MR					
TCE per revenue day ⁽¹⁾	14,898	21,803	15,297	16,546	12,289
Vessel operating costs per day ⁽²⁾	6,555	6,461	6,580	6,069	6,770
Handymax					
TCE per revenue day ⁽¹⁾	12,615	19,686	14,528	12,862	13,069
Vessel operating costs per day ⁽²⁾	6,404	6,473	6,704	6,852	7,594
Fleet data					
Average number of owned vessels ⁽³⁾	77.7	72.7	31.6	15.9	10.8
Average number of time chartered-in vessels ⁽³⁾	12.7	16.9	26.3	22.9	9.2
Drydock					
Expenditures for drydock (in thousands of U.S. dollars)	\$—	\$—	\$ 1,290	\$—	\$ 2,869

(1) Freight rates are commonly measured in the shipping industry in terms of time charter equivalent, or TCE (a non-IFRS measure), per revenue day. Vessels in the pool and on time charter do not incur significant voyage expenses; therefore, the revenue for pool vessels and time charter vessels is approximately the same as their TCE revenue. Please see “Item 5. Operating and Financial Review and Prospects- Important Financial and Operational Terms and Concepts” for a discussion of TCE revenue, revenue days and voyage expenses and “Item 5. Operating and Financial Review and Prospects - A. Operating Results” for a reconciliation of TCE revenue to vessel revenue.

(2) Vessel operating costs per day represent vessel operating costs, as such term is defined in “Item 5. Operating and Financial Review and Prospects-Important Financial and Operational Terms and Concepts,” divided by the number of days the vessel is owned during the period.

(3) For a definition of items listed under “Fleet Data,” please see the section of this annual report entitled “Item 5. Operating and Financial Review and Prospects.”

(4) We did not own or bareboat charter-in any LR1/Panamax vessels in 2016.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

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D. Risk Factors

The following risks relate principally to the industry in which we operate and our business in general. Other risks relate principally to the securities market and ownership of our securities. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results or cash available for the payment of dividends on our common shares and interest on our debt securities, or the trading price of our securities.

RISKS RELATED TO OUR INDUSTRY

The tanker industry is cyclical and volatile, which may adversely affect our earnings and available cash flow.

The tanker industry is both cyclical and volatile in terms of charter rates and profitability. A worsening of current global economic conditions may cause tanker charter rates to decline and thereby adversely affect our ability to charter or re-charter our vessels or to sell them on the expiration or termination of their charters, and the rates payable in respect of our vessels currently operating in tanker pools, or any renewal or replacement charters that we enter into, may not be sufficient to allow us to operate our vessels profitably. Fluctuations in charter rates and vessel values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for oil and oil products. The factors affecting the supply and demand for tankers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

The factors that influence demand for tanker capacity include:

- supply and demand for energy resources and oil and petroleum products;
- regional availability of refining capacity and inventories;
- global and regional economic and political conditions, including armed conflicts, terrorist activities, and strikes;
- the distance over which oil and oil products are to be moved by sea;
- changes in seaborne and other transportation patterns;
- environmental and other legal and regulatory developments;
- weather and natural disasters;
- competition from alternative sources of energy; and
- international sanctions, embargoes, import and export restrictions, nationalizations and wars.

The factors that influence the supply of tanker capacity include:

- supply and demand for energy resources and oil and petroleum products;
- the number of newbuilding orders and deliveries, including slippage in deliveries;
- the number of shipyards and ability of shipyards to deliver vessels;
- the scrapping rate of older vessels;
- conversion of tankers to other uses;
- the number of product tankers trading crude or "dirty" oil products (such as fuel oil);
- the number of vessels that are out of service, namely those that are laid up, drydocked, awaiting repairs or otherwise not available for hire;
- environmental concerns and regulations;
- product imbalances (affecting the level of trading activity);
- developments in international trade, including refinery additions and closures;
- port or canal congestion; and
- speed of vessel operation.

In addition to the prevailing and anticipated freight rates, factors that affect the rate of newbuilding, scrapping and laying-up, include newbuilding prices, secondhand vessel values in relation to scrap prices, costs of bunkers and other operating costs, costs associated with classification society surveys, normal maintenance costs, insurance coverage costs, the efficiency and age profile of the existing tanker fleet in the market, and government and industry regulation of maritime transportation practices, particularly environmental protection laws and regulations. These factors influencing the supply of and demand for shipping capacity are outside of our control, and we may not be able to correctly assess the nature, timing and degree of changes in industry conditions.

We anticipate that the future demand for our tankers will be dependent upon economic growth in the world's economies, seasonal and regional changes in demand, changes in the capacity of the global tanker fleet and the

sources and supply of oil and petroleum products to be transported by sea. Given the number of new tankers currently on order with the shipyards, the capacity of the global tanker fleet seems likely to increase and there can be no assurance as to the timing or extent of future economic growth. Adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

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We are dependent on spot-oriented pools and spot charters and any decrease in spot charter rates in the future may adversely affect our earnings.

As of March 15, 2017, all except five of our vessels were employed in either the spot market or in spot market-oriented tanker pools such as the SLR2P, SPTP, SMRP or SHTP, which we refer to collectively as the Scorpio Group Pools and which are managed by companies, which are members of the Scorpio Group, exposing us to fluctuations in spot market charter rates. The spot charter market may fluctuate significantly based upon tanker and oil supply and demand. The successful operation of our vessels in the competitive spot charter market, including within the Scorpio Group Pools, depends on, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to pick up cargo. The spot market is very volatile, and, in the past, there have been periods when spot charter rates have declined below the operating cost of vessels. If future spot charter rates decline, then we may be unable to operate our vessels trading in the spot market profitably, meet our obligations, including payments on indebtedness, or pay dividends in the future. Furthermore, as charter rates for spot charters are fixed for a single voyage which may last up to several weeks, during periods in which spot charter rates are rising, we will generally experience delays in realizing the benefits from such increases. Our ability to renew expiring charters or obtain new charters will depend on the prevailing market conditions at the time. If we are not able to obtain new charters in direct continuation with existing charters or upon taking delivery of a newly acquired vessel, or if new charters are entered into at charter rates substantially below the existing charter rates or on terms otherwise less favorable compared to existing charter terms, our revenues and profitability could be adversely affected.

An over-supply of tanker capacity may lead to a reduction in charter rates, vessel values, and profitability.

The market supply of tankers is affected by a number of factors, such as supply and demand for energy resources, including oil and petroleum products, supply and demand for seaborne transportation of such energy resources, and the current and expected purchase orders for newbuildings. If the capacity of new tankers delivered exceeds the capacity of tankers being scrapped and converted to non-trading tankers, tanker capacity will increase. According to Drewry Shipping Consultants Ltd., or Drewry, as of March 1, 2017, the newbuilding order book, which extends to 2020 and beyond, equaled approximately 12.4% of the existing world tanker fleet and the order book may increase further in proportion to the existing fleet. If the supply of tanker capacity increases and if the demand for tanker capacity does not increase correspondingly or declines, charter rates could materially decline. A reduction in charter rates and the value of our vessels may have a material adverse effect on our results of operations and available cash. In addition, product tankers may be "cleaned up" from "dirty/crude" trades and swapped back into the product tanker market which would increase the available product tanker tonnage which may affect the supply and demand balance for product tankers. This could have an adverse effect on our future performance, results of operations, cash flows and financial position.

Acts of piracy on ocean-going vessels could adversely affect our business.

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean, the Gulf of Guinea, the Gulf of Aden and the Sulu Sea. Sea piracy incidents continue to occur, with drybulk vessels and tankers particularly vulnerable to such attacks. If these piracy attacks result in regions in which our vessels are deployed being characterized by insurers as "war risk" zones by insurers or Joint War Committee "war and strikes" listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including costs which may be incurred to the extent we employ onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, results of operations, cash flows and financial condition and may result in loss of revenues, increased costs and decreased cash flows to our customers, which could impair their ability to make payments to us under our charters.

Changes in fuel, or bunkers, prices may adversely affect our profits.

Fuel, or bunkers, is typically the largest expense in our shipping operations for our vessels and changes in the price of fuel may adversely affect our profitability. The price and supply of fuel is unpredictable and fluctuates based on

events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the Organization of the Petroleum Exporting Countries, or OPEC, and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in the future, which may adversely affect the competitiveness of our business compared to other forms of transportation and reduce our profitability.

Tanker rates also fluctuate based on seasonal variations in demand.

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Tanker markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere but weaker in the summer months as a result of lower oil consumption in the northern hemisphere and refinery maintenance that is typically conducted in the summer months. In addition, unpredictable weather patterns during the winter months in the northern hemisphere tend to disrupt vessel routing and scheduling. The oil price volatility resulting from these factors has historically led to increased oil trading activities in the winter months. As a result, revenues generated by our vessels have historically been weaker during the quarters ended June 30 and September 30, and stronger in the quarters ended March 31 and December 31.

A shift in consumer demand from oil towards other energy sources or changes to trade patterns for refined oil products may have a material adverse effect on our business.

A significant portion of our earnings are related to the oil industry. A shift in the consumer demand from oil towards other energy resources such as wind energy, solar energy, or water energy will potentially affect the demand for our product tankers. This could have a material adverse effect on our future performance, results of operations, cash flows and financial position.

Seaborne trading and distribution patterns are primarily influenced by the relative advantage of the various sources of production, locations of consumption, pricing differentials and seasonality. Changes to the trade patterns of refined oil products may have a significant negative or positive impact on the ton-mile and therefore the demand for our product tankers. This could have a material adverse effect on our future performance, results of operations, cash flows and financial position.

An inability to effectively time investments in and divestments of vessels could prevent the implementation of our business strategy and negatively impact our results of operations and financial condition.

Our strategy is to own and operate a fleet large enough to provide global coverage, but no larger than what the demand for our services can support over a longer period by both contracting newbuildings and through acquisitions and disposals in the second-hand market. Our business is greatly influenced by the timing of investments and/or divestments and contracting of newbuildings. If we are unable able to identify the optimal timing of such investments, divestments or contracting of newbuildings in relation to the shipping value cycle due to capital restraints, this could have a material adverse effect on our competitive position, future performance, results of operations, cash flows and financial position.

If economic conditions throughout the world continue to be volatile, it could impede our operations.

Negative trends in the global economy that emerged in 2008 continue to adversely affect global economic conditions. In addition, the world economy continues to face a number of new challenges, including the effects of lower oil prices, continuing turmoil and hostilities in the Middle East, North Africa, and other geographic areas and countries, continuing economic weakness in the European Union and softening growth in China. There has historically been a strong link between the development of the world economy and demand for energy, including oil and gas. An extended period of deterioration in the outlook for the world economy could reduce the overall demand for oil and gas and for our services. Such changes could adversely affect our future performance, results of operations, cash flows and financial position.

The economies of the United States, the European Union and other parts of the world continue to experience relatively slow growth and exhibit weak economic trends. The credit markets in the United States and Europe have experienced significant contraction, de-leveraging and reduced liquidity, and the U.S. federal government and state governments and European authorities continue to implement a broad variety of governmental action and/or new regulation of the financial markets. Global financial markets and economic conditions have been, and continue to be, severely disrupted and volatile.

We face risks attendant to changes in economic environments, changes in interest rates, and instability in the banking and securities markets around the world, among other factors. We cannot predict how long the current market conditions will last. However, these recent and developing economic and governmental factors may have a material adverse effect on our results of operations and financial condition and may cause the price of our common shares to decline.

Continued economic slowdown in the Asia Pacific region, particularly in China, may exacerbate the effect on us. Before the global economic financial crisis that began in 2008, China had one of the world's fastest growing

economies in terms of GDP, which had a significant impact on shipping demand. According to the International Monetary Fund, the growth rate of China's GDP decreased to approximately 6.7% for the year ended December 31, 2016 and is expected to decrease to 6.5% for the year ended December 31, 2017, which is China's lowest growth rate for the past five years, and continues to remain below pre-2008 levels. While the recent slow-down in China's economy has been without significant immediate impact on product tanker freight rates, it is possible that China and other countries in the Asia Pacific region will continue to experience slowed or even negative economic growth in the near future. Moreover, the current economic slowdown in the economies of the United States, the European Union and other Asian countries may further adversely affect economic growth in China and elsewhere. Our business, financial condition and results of operations, ability to pay dividends, if any, as well as our future prospects, may be materially adversely affected by a further economic downturn in any of these countries.

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If we cannot meet our customers' quality and compliance requirements we may not be able to operate our vessels profitably which could have an adverse effect on our future performance, results of operations, cash flows and financial position.

Customers, and in particular those in the oil industry, have a high and increasing focus on quality and compliance standards with their suppliers across the entire value chain, including the shipping and transportation segment. Our continuous compliance with these standards and quality requirements is vital for our operations. Related risks could materialize in multiple ways, including a sudden and unexpected breach in quality and/or compliance concerning one or more vessels, a continuous decrease in the quality concerning one or more vessels occurring over time. Moreover, continuous increasing requirements from oil industry constituents can further complicate our ability to meet the standards. Any noncompliance by us, either suddenly or over a period of time, on one or more vessels, or an increase in requirements by oil operators above and beyond what we deliver, may have a material adverse effect on our future performance, results of operations, cash flows and financial position.

We may be required to make significant investments in ballast water management which may have a material adverse effect on our future performance, results of operations, and financial position.

The International Convention for the Control and Management of Vessels' Ballast Water and Sediments, or the BWM Convention, aims to prevent the spread of harmful aquatic organisms from one region to another, by establishing standards and procedures for the management and control of ships' ballast water and sediments. The BWM Convention calls for a phased introduction of mandatory ballast water exchange requirements to be replaced in time with mandatory concentration limits. The BWM Convention was ratified in September 2016 and enters in force in September 2017. The BWM convention requires that ballast water treatment systems be installed on vessels at the first renewal survey following its entry into force. Investments in ballast water treatment equipment may have a material adverse effect on our future performance, results of operations, cash flows, financial condition and available cash. Please also see "-We are subject to complex laws and regulations, including environmental laws and regulations that can adversely affect our business, results of operations, cash flows and financial condition, and our available cash" below for further information on these requirements.

We are subject to complex laws and regulations, including environmental laws and regulations that can adversely affect our business, results of operations, cash flows and financial condition, and our available cash.

Our operations are subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These requirements include, but are not limited to, the U.S. Oil Pollution Act of 1990, or OPA, the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, requirements of the U.S. Coast Guard or the USCG, and the U.S. Environmental Protection Agency, or EPA, the U.S. Clean Air Act, or the CAA, the U.S. Clean Water Act, or the CWA and the U.S. Marine Transportation Security Act of 2002, or the MTSA, European Union regulations, and regulations of the International Maritime Organization, or the IMO, including the International Convention for the Prevention of Pollution from Ships of 1973, as from time to time amended and generally referred to as MARPOL including the designation of Emission Control Areas, or ECAs, thereunder, the IMO International Convention for the Safety of Life at Sea of 1974, as from time to time amended and generally referred to as SOLAS, the International Convention on Load Lines of 1966, as from time to time amended, or the LL Convention, the International Convention of Civil Liability for Oil Pollution Damage of 1969, as from time to time amended and generally referred to as CLC, the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, and the International Ship and Port Facility Security Code, or the ISPS code.

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Compliance with such laws and regulations, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions including greenhouse gases, the management of ballast and bilge waters, maintenance and inspection, elimination of tin-based paint, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. For example, as discussed above, the BWM Convention aims to prevent the spread of harmful aquatic organisms from one region to another, by establishing standards and procedures for the management and control of ships' ballast water and sediments. The BWM Convention calls for a phased introduction of mandatory ballast water exchange requirements to be replaced in time with mandatory concentration limits. In order to comply with these living organism limits, vessel owners may have to install expensive ballast water treatment systems or make port facility disposal arrangements and modify existing vessels to accommodate those systems. The BWM Convention enters into force on September 8, 2017 and vessel owners must demonstrate compliance with the BWM Convention at each vessel's first International Oil Pollution Prevention survey occurring after such date. These surveys are required every five years. 16 of the vessels in our owned fleet currently have ballast water treatment systems installed, however we cannot be assured that these systems will be approved by the regulatory bodies of every jurisdiction in which we may wish to conduct our business. Accordingly, we may have to make additional investments in these vessels and we will have to make initial investments for the remaining vessels in our fleet that do not carry such equipment. The investment in ballast water treatment systems could have an adverse material impact on our business, financial condition, and results of operations depending on the available ballast water treatment systems and the extent to which existing vessels must be modified to accommodate such systems.

Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200-nautical mile exclusive economic zone around the United States (unless the spill results solely from, under certain limited circumstances, the act or omission of a third party, an act of God or an act of war). An oil spill could result in significant liability, including fines, penalties, criminal liability and remediation costs for natural resource damages under other international and U.S. federal, state and local laws, as well as third-party damages, including punitive damages, and could harm our reputation with current or potential charterers of our tankers.

We are required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although we have arranged insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, results of operations, cash flows and financial condition and available cash. Recent action by the IMO's Maritime Safety Committee and United States agencies indicate that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity threats. This might cause companies to cultivate additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. However, the impact of such regulations is hard to predict at this time.

If we fail to comply with international safety regulations, we may be subject to increased liability, which may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports. The operation of our vessels is affected by the requirements set forth in the IMO's International Management Code for the Safe Operation of Ships and for Pollution Prevention, or the ISM Code, promulgated by the IMO under SOLAS. The ISM Code requires the party with operational control of a vessel to develop and maintain an extensive "Safety Management System" that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. Failure to comply with the ISM code may subject us to increased liability and may invalidate existing insurance or decrease available insurance coverage for our affected vessels and such failure may result in a denial of access to, or detention in, certain ports.

We operate tankers worldwide, and as a result, we are exposed to inherent operational and international risks, which may adversely affect our business and financial condition.

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The operation of an ocean-going vessel carries inherent risks. Our vessels and their cargoes will be at risk of being damaged or lost because of events such as marine disasters, bad weather, and other acts of God, business interruptions caused by mechanical failures, grounding, fire, explosions and collisions, human error, war, terrorism, piracy and other circumstances or events. Changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. These hazards may result in death or injury to persons, loss of revenues or property, payment of ransoms, environmental damage, higher insurance rates, damage to our customer relationships, market disruptions, and interference with shipping routes (such as delay or rerouting), which may reduce our revenue or increase our expenses and also subject us to litigation. In addition, the operation of tankers has unique operational risks associated with the transportation of oil. An oil spill may cause significant environmental damage, and the associated costs could exceed the insurance coverage available to us. Compared to other types of vessels, tankers are exposed to a higher risk of damage and loss by fire, whether ignited by a terrorist attack, collision, or other cause, due to the high flammability and high volume of the oil transported in tankers.

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and may be substantial. We may have to pay drydocking costs that our insurance does not cover in full. The loss of revenues while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business and financial condition. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. We may be unable to find space at a suitable drydocking facility or our vessels may be forced to travel to a drydocking facility that is not conveniently located to our vessels' positions. The loss of earnings while these vessels are forced to wait for space or to travel to more distant drydocking facilities may adversely affect our business and financial condition. Further, the total loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs, or loss which could negatively impact our business, financial condition, results of operations and available cash.

Increased inspection procedures could increase costs and disrupt our business.

International shipping is subject to various security and customs inspection and related procedures in countries of origin and destination and trans-shipment points. Inspection procedures can result in the seizure of the cargo and/or our vessels, delays in the loading, offloading or delivery and the levying of customs duties, fines or other penalties against us. It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. Furthermore, changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.

Political instability, terrorist or other attacks, war or international hostilities can affect the tanker industry, which may adversely affect our business.

We conduct most of our operations outside of the United States, and our business, results of operations, cash flows, financial condition and available cash may be adversely affected by the effects of political instability, terrorist or other attacks, war or international hostilities. Continuing conflicts and recent developments in North Korea, Russia, and the Middle East, including Iran, Iraq, Syria, Egypt, and North Africa, including Libya, and the presence of the United States and other armed forces in these regions may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further world economic instability and uncertainty in global financial markets. As a result of the above, insurers have increased premiums and reduced or restricted coverage for losses caused by terrorist acts generally. Future terrorist attacks could result in increased volatility of the financial markets and negatively impact the U.S. and global economy. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all.

In the past, political instability has also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea, the Gulf of Guinea off the coast of West Africa, and the Gulf of Aden off the coast of Somalia. Any of these occurrences could have a material adverse impact on our business, results of

operations, cash flows, financial condition and available cash.

If our vessels call on ports located in countries that are subject to sanctions and embargos imposed by the U.S. or other governments, our reputation and the market for our securities may be adversely affected.

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Although no vessels owned or operated by us have called on ports located in countries subject to sanctions and embargoes imposed by the U.S. government and other authorities or countries identified by the U.S. government or other authorities as state sponsors of terrorism, such as Cuba, Iran, Sudan, and Syria, in the future, our vessels may call on ports in these countries from time to time on charterers' instructions. Sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which expanded the scope of the Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions of companies, such as ours, and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. In 2012, President Obama signed Executive Order 13608 which prohibits foreign persons from violating or attempting to violate, or causing a violation of any sanctions in effect against Iran or facilitating any deceptive transactions for or on behalf of any person subject to U.S. sanctions. Any persons found to be in violation of Executive Order 13608 will be deemed a foreign sanctions evader and will be banned from all contacts with the United States, including conducting business in US dollars. Also in 2012, President Obama signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012, or the Iran Threat Reduction Act, which created new sanctions and strengthened existing sanctions. Among other things, the Iran Threat Reduction Act intensifies existing sanctions regarding the provision of goods, services, infrastructure or technology to Iran's petroleum or petrochemical sector. The Iran Threat Reduction Act also includes a provision requiring the President of the United States to impose five or more sanctions from Section 6(a) of the Iran Sanctions Act, as amended, on a person the President determines is a controlling beneficial owner of, or otherwise owns, operates, or controls or insures a vessel that was used to transport crude oil from Iran to another country and (1) if the person is a controlling beneficial owner of the vessel, the person had actual knowledge the vessel was so used or (2) if the person otherwise owns, operates, or controls, or insures the vessel, the person knew or should have known the vessel was so used. Such a person could be subject to a variety of sanctions, including exclusion from U.S. capital markets, exclusion from financial transactions subject to U.S. jurisdiction, and exclusion of that person's vessels from U.S. ports for up to two years.

On November 24, 2013, the P5+1 (the United States, United Kingdom, Germany, France, Russia and China) entered into an interim agreement with Iran entitled the "Joint Plan of Action," or the JPOA. Under the JPOA it was agreed that, in exchange for Iran taking certain voluntary measures to ensure that its nuclear program is used only for peaceful purposes, the U.S. and E.U. would voluntarily suspend certain sanctions for a period of six months. On January 20, 2014, the U.S. and E.U. indicated that they would begin implementing the temporary relief measures provided for under the JPOA. These measures included, among other things, the suspension of certain sanctions on the Iranian petrochemicals, precious metals, and automotive industries from January 20, 2014 until July 20, 2014. The JPOA was subsequently extended twice.

On July 14, 2015, the P5+1 and the EU announced that they reached a landmark agreement with Iran titled the Joint Comprehensive Plan of Action regarding the Islamic Republic of Iran's Nuclear Program, or the JCPOA, which is intended to significantly restrict Iran's ability to develop and produce nuclear weapons for ten years while simultaneously easing sanctions directed toward non-U.S. persons for conduct involving Iran, but taking place outside of U.S. jurisdiction and does not involve U.S. persons. On January 16, 2016, which we refer to as Implementation Day, the United States joined the EU and the UN in lifting a significant number of their nuclear-related sanctions on Iran following an announcement by the International Atomic Energy Agency, or the IAEA, that Iran had satisfied its respective obligations under the JCPOA.

Although we believe that we have been in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines, penalties or other sanctions that could severely impact our ability to access U.S. capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. In addition, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have contracts with countries identified by the U.S.

government as state sponsors of terrorism. The determination by these investors not to invest in, or to divest from, our securities may adversely affect the price at which our securities trade. Additionally, some investors may decide to divest their interest, or not to invest, in our company simply because we do business with companies that do business in sanctioned countries. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. In addition, our reputation and the market for our securities may be adversely affected if we engage in certain other activities, such as entering into charters with individuals or entities in countries subject to U.S. sanctions and embargo laws that are not controlled by the governments of those countries, or engaging in operations associated with those countries pursuant to contracts with third parties that are unrelated to those countries or entities controlled by their governments. Investor perception of the value of our securities may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.

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We expect that our vessels will call in ports where smugglers attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims which could have an adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Maritime claimants could arrest or attach our vessels, which would have a negative effect on our cash flows.

Crew members, suppliers of goods and services to a vessel, shippers of cargo, lenders, and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting or attaching a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our business or require us to pay large sums of money to have the arrest lifted, which would have a negative effect on our cash flows.

In addition, in some jurisdictions, such as South Africa, under the “sister ship” theory of liability, a claimant may arrest both the vessel which is subject to the claimant’s maritime lien and any “associated” vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert “sister ship” liability against one vessel in our fleet for claims relating to another of our ships.

Governments could requisition our vessels during a period of war or emergency, which may negatively impact our business, financial condition, results of operations and available cash.

A government could requisition one or more of our vessels for title or hire. Requisition for title occurs when a government takes control of a vessel and becomes the owner. Also, a government could requisition our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels may negatively impact our business, financial condition, results of operations and available cash.

Technological innovation could reduce our charterhire income and the value of our vessels.

The charterhire rates and the value and operational life of a vessel are determined by a number of factors including the vessel’s efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to load and discharge cargo quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. The length of a vessel’s physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. If new tankers are built that are more efficient or more flexible or have longer physical lives than our vessels, competition from these more technologically advanced vessels could adversely affect the amount of charterhire payments we receive for our vessels and the resale value of our vessels could significantly decrease. As a result, our available cash could be adversely affected.

If labor interruptions are not resolved in a timely manner, they could have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.

We, indirectly through Scorpio Ship Management S.A.M., or SSM, our technical manager, employ masters, officers and crews to man our vessels. If not resolved in a timely and cost-effective manner, industrial action or other labor unrest could prevent or hinder our operations from being carried out as we expect and could have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.

RISKS RELATED TO OUR COMPANY

Newbuilding projects are subject to risks that could cause delays, cost overruns or cancellation of our newbuilding contracts.

As of March 15, 2017, we were party to newbuilding contracts with HMD and SSME for the construction of nine newbuilding vessels, of which eight are expected to be delivered to us throughout 2017 and one is expected to be delivered to us during the first quarter of 2018. As of the same date, we have made total yard payments with respect to these vessels in the amount of \$109.6 million. We are obligated to pay remaining yard installments in the amount of \$229.0 million before we take possession of all of these vessels. If we fail to make any or all of these installment payments, we may not take delivery of these vessels and we may forfeit all or a portion of the down payments we have already made under such contracts, and we may be sued for, among other things, any outstanding balances we are obligated to pay and other damages.

The delivery of such vessels or vessels that we may acquire in the future could be delayed, not completed or cancelled, which would delay or eliminate our expected receipt of revenues from the employment of such vessels. In addition, the yards or a seller could fail to deliver vessels to us as agreed, or we could cancel a purchase contract because such yard or seller has not met its obligations.

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If the delivery of any vessel is materially delayed or cancelled, especially if we have committed the vessel to a charter for which we become responsible for substantial liquidated damages to the customer as a result of the delay or cancellation, our business, financial condition and results of operations could be adversely affected.

In addition, in the event that HMD or SSME do not perform under their respective contracts and we are unable to enforce certain refund guarantees with third party banks for any reason, we may lose all or part of our investment, which would have a material adverse effect on our results of operations, financial condition and cash flows. Please also see “-We are subject to certain risks with respect to our counterparties on contracts, including, without limitation, our vessel employment arrangements and newbuilding contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or negatively impact our results of operations and cash flows.”

We cannot assure you that our internal controls and procedures over financial reporting will be sufficient.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the other rules and regulations of the SEC, including the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley. Section 404 of Sarbanes-Oxley requires that we evaluate and determine the effectiveness of our internal controls over financial reporting. If we have a material weakness in our internal controls over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We dedicate a significant amount of time and resources to ensure compliance with these regulatory requirements. We will continue to evaluate areas such as corporate governance, corporate control, internal audit, disclosure controls and procedures and financial reporting and accounting systems. We will make changes in any of these and other areas, including our internal control over financial reporting, which we believe are necessary. However, these and other measures we may take may not be sufficient to allow us to satisfy our obligations as a public company on a timely and reliable basis.

We may have difficulty managing our planned growth properly.

We may continue to grow by expanding our operations and adding to our fleet. Our future growth will primarily depend upon a number of factors, some of which may not be within our control, including our ability to effectively identify, purchase, finance, develop and integrate any tankers or businesses. Furthermore, the number of employees that perform services for us and our current operating and financial systems may not be adequate as we expand the size of our fleet, and we may not be able to effectively hire more employees or adequately improve those systems. Finally, acquisitions may require additional equity issuances or debt issuances (with amortization payments), both of which could lower our available cash. If any such events occur, our business, financial condition and results of operations may be adversely affected and the amount of cash available for distribution as dividends to our shareholders may be reduced.

Growing any business by acquisition presents numerous risks such as undisclosed liabilities and obligations, difficulty in obtaining additional qualified personnel and managing relationships with customers and suppliers and integrating newly acquired operations into existing infrastructures. The expansion of our fleet may impose significant additional responsibilities on our management and staff, and the management and staff of our commercial and technical managers, and may necessitate that we, and they, increase the number of personnel. We cannot give any assurance that we will be successful in executing our growth plans or that we will not incur significant expenses and losses in connection with our future growth.

If we purchase and operate secondhand vessels, we will be exposed to increased operating costs which could adversely affect our earnings and, as our fleet ages, the risks associated with older vessels could adversely affect our ability to obtain profitable charters.

Our current business strategy includes potential growth through the acquisition of new and secondhand vessels. To the extent we decide to purchase secondhand vessels, we would be entitled to inspect them prior to purchase and this would not provide us with the same knowledge about their condition that we would have had if these vessels had been built for and operated exclusively by us. Generally, we do not receive the benefit of warranties from the builders for the secondhand vessels that we acquire.

In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. Older vessels are typically less fuel-efficient than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers.

Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which the vessels may engage. As our vessels age, market conditions may not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

An increase in operating costs would decrease earnings and available cash.

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Under time charter agreements, the charterer is responsible for voyage costs and the owner is responsible for the vessel operating costs. We currently have five vessels on long-term time charter-out agreements (with initial terms of one year or greater) and 19 vessels on time or bareboat charter-in agreements. When our owned vessels are employed in one of the Scorpio Group Pools, the pool is responsible for voyage expenses and we are responsible for vessel costs. As of March 15, 2017, all of our owned vessels and 16 of our time or bareboat chartered-in vessels were employed through the Scorpio Group Pools. We had three bareboat chartered-in vessels operating directly in the spot market as of March 15, 2017, which are expected to join the Scorpio Handymax Pool prior to June 2017. When our vessels operate directly in the spot market, we are responsible for both voyage expenses and vessel operating costs. Our vessel operating costs include the costs of crew, fuel (for spot chartered vessels), provisions, deck and engine stores, insurance and maintenance and repairs, which depend on a variety of factors, many of which are beyond our control. Further, if our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydocking repairs are unpredictable and can be substantial. Increases in any of these expenses would decrease earnings and available cash. Please see “-We will be required to make additional capital expenditures to expand the number of vessels in our fleet and to maintain all our vessels.”

We will be required to make additional capital expenditures to expand the number of vessels in our fleet and to maintain all our vessels.

Our business strategy is based in part upon the expansion of our fleet through the purchase of additional vessels. If we are unable to fulfill our obligations under any memorandum of agreement for future vessel acquisitions, the sellers of such vessels may be permitted to terminate such contracts and we may forfeit all or a portion of the down payments we have already made under such contracts, and we may be sued for, among other things, any outstanding balances we are obligated to pay and other damages.

In addition, we will incur significant maintenance costs for our existing and any newly-acquired vessels. A newbuilding vessel must be drydocked within five years of its delivery from a shipyard, and vessels are typically drydocked every 30 months thereafter, not including any unexpected repairs. We estimate the cost to drydock a vessel to be between \$500,000 and \$1,000,000, depending on the size and condition of the vessel and the location of drydocking.

If we do not generate or reserve enough cash flow from operations to pay for our capital expenditures, we may need to incur additional indebtedness or enter into alternative financing arrangements, which may be on terms that are unfavorable to us. If we are unable to fund our obligations or to secure financing, it would have a material adverse effect on our results of operations.

Please also see "We are subject to complex laws and regulations, including environmental laws and regulations that can adversely affect our business, results of operations, cash flows and financial conditions, and our available cash." Declines in charter rates and other market deterioration could cause us to incur impairment charges.

We evaluate the carrying amounts of our vessels to determine if events have occurred that would require an impairment of their carrying amounts. The recoverable amount of vessels is reviewed based on events and changes in circumstances that would indicate that the carrying amount of the assets might not be recovered. The review for potential impairment indicators and projection of future cash flows related to the vessels is complex and requires us to make various estimates including future freight rates, earnings from the vessels and discount rates. All of these items have been historically volatile.

We evaluate the recoverable amount as the higher of fair value less costs to sell and value in use. If the recoverable amount is less than the carrying amount of the vessel, the vessel is deemed impaired. The carrying values of our vessels may not represent their fair market value at any point in time because the new market prices of secondhand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. For the year ended December 31, 2016, we evaluated the recoverable amount of our vessels and we did not recognize an impairment loss, however we recorded a \$2.1 million aggregate loss as a result of the sales of STI Lexington, STI Mythos, STI Chelsea, STI Powai and STI Olivia during the year. For the year ended December 31, 2015, we evaluated the recoverable amount of our vessels and we did not recognize an impairment loss, however we recorded a \$2.1 million loss as a result of the sale of STI Highlander during the year. We cannot assure you that there will not be further impairments in future years. Any additional impairment charges incurred as a result of further declines in charter rates could negatively affect our

business, financial condition, operating results or the trading price of our securities.

Please see “Item 5. Operating and Financial Review and Prospects-Critical Accounting Policies-Vessel Impairment.”

The market values of our vessels may decrease, which could limit the amount of funds that we can borrow or trigger certain financial covenants under our current or future debt facilities and we may incur a loss if we sell vessels following a decline in their market value.

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The fair market values of our vessels have generally experienced high volatility. The fair market values for tankers declined significantly from historically high levels reached in 2008, and remain at relatively low levels. Such prices may fluctuate depending on a number of factors including, but not limited to, the prevailing level of charter rates and day rates, general economic and market conditions affecting the international shipping industry, types, sizes and ages of vessels, supply and demand for vessels, availability of or developments in other modes of transportation, competition from other tanker companies, cost of newbuildings, applicable governmental or other regulations and technological advances. In addition, as vessels grow older, they generally decline in value. If the fair market values of our vessels decline, or decline further, the amount of funds we may draw down under our secured credit facilities may be limited and we may not be in compliance with certain covenants contained in our secured credit facilities, which may result in an event of default. In such circumstances, we may not be able to refinance our debt, obtain additional financing or make distributions to our shareholders and our subsidiaries may not be able to make distributions to us. The prepayment of certain debt facilities may be necessary to cause us to maintain compliance with certain covenants in the event that the value of the vessels falls below certain levels. If we are not able to comply with the covenants in our secured credit facilities, and are unable to remedy the relevant breach, our lenders could accelerate our debt and foreclose on our fleet.

Additionally, if we sell one or more of our vessels at a time when vessel prices have fallen, the sale price may be less than the vessel's carrying value on our consolidated financial statements, resulting in a loss on sale or an impairment loss being recognized, ultimately leading to a reduction in earnings. Furthermore, if vessel values fall significantly, this could indicate a decrease in the recoverable amount for the vessel which may result in an impairment adjustment in our financial statements, which could adversely affect our financial results and condition.

For further information, please see "Item 5. Operating and Financial Review and Prospects."

If we are unable to operate our vessels profitably, we may be unsuccessful in competing in the highly competitive international tanker market, which would negatively affect our financial condition and our ability to expand our business.

The operation of tanker vessels and transportation of crude and petroleum products is extremely competitive, in an industry that is capital intensive and highly fragmented. Demand for transportation of oil and oil products has declined, and could continue to decline, which could lead to increased competition. Competition arises primarily from other tanker owners, including major oil companies as well as independent tanker companies, some of whom have substantially greater resources than we do. Competition for the transportation of oil and oil products can be intense and depends on price, location, size, age, condition and the acceptability of the tanker and its operators to the charterers. We will have to compete with other tanker owners, including major oil companies as well as independent tanker companies.

Our market share may decrease in the future. We may not be able to compete profitably as we expand our business into new geographic regions or provide new services. New markets may require different skills, knowledge or strategies than we use in our current markets, and the competitors in those new markets may have greater financial strength and capital resources than we do.

If we do not set aside funds and are unable to borrow or raise funds for vessel replacement, at the end of a vessel's useful life our revenue will decline, which would adversely affect our business, results of operations, financial condition, and available cash.

If we do not set aside funds and are unable to borrow or raise funds for vessel replacement, we will be unable to replace the vessels in our fleet upon the expiration of their remaining useful lives, which we expect to occur between 2037 and 2043, depending on the vessel. Our cash flows and income are dependent on the revenues earned by the chartering of our vessels. If we are unable to replace the vessels in our fleet upon the expiration of their useful lives, our business, results of operations, financial condition, and available cash per share would be adversely affected. Any funds set aside for vessel replacement will reduce available cash.

Our ability to obtain additional financing may be dependent on the performance of our then existing charters and the creditworthiness of our charterers.

The actual or perceived credit quality of our charterers, and any defaults by them, may materially affect our ability to obtain the additional capital resources that we will require to purchase additional vessels or may significantly increase

our costs of obtaining such capital. Our inability to obtain additional financing at all or at a higher than anticipated cost may materially affect our results of operations and our ability to implement our business strategy.

We cannot guarantee that our Board of Directors will declare dividends.

Our Board of Directors may, in its sole discretion, from time to time, declare and pay cash dividends in accordance with our organizational documents and applicable law. Our Board of Directors makes determinations regarding the payment of dividends in its sole discretion, and there is no guarantee that we will continue to pay dividends in the future.

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In addition, the markets in which we operate our vessels are volatile and we cannot predict with certainty the amount of cash, if any, that will be available for distribution as dividends in any period. We may also incur expenses or liabilities or be subject to other circumstances in the future that reduce or eliminate the amount of cash that we have available for distribution as dividends, including as a result of the risks described herein. If additional financing is not available to us on acceptable terms, our Board of Directors may determine to finance or refinance asset acquisitions with cash from operations, which would reduce the amount of any cash available for the payment of dividends. United States tax authorities could treat us as a “passive foreign investment company,” which could have adverse United States federal income tax consequences to United States shareholders.

A foreign corporation will be treated as a “passive foreign investment company,” or PFIC, for United States federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of “passive income” or (2) at least 50% of the average value of the corporation’s assets produce or are held for the production of those types of “passive income.” For purposes of these tests, “passive income” includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute “passive income.” United States shareholders of a PFIC are subject to a disadvantageous United States federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on our current and proposed method of operation, we do not believe that we will be a PFIC with respect to any taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, our income from our time and voyage chartering activities should not constitute “passive income,” and the assets that we own and operate in connection with the production of that income should not constitute assets that produce or are held for the production of “passive income.”

There is substantial legal authority supporting this position, consisting of case law and United States Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, it should be noted that there is also authority that characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept this position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if the nature and extent of our operations change.

If the IRS were to find that we are or have been a PFIC for any taxable year, our United States shareholders would face adverse United States federal income tax consequences and incur certain information reporting obligations. Under the PFIC rules, unless those shareholders make an election available under the United States Internal Revenue Code of 1986, as amended, or the Code (which election could itself have adverse consequences for such shareholders), such shareholders would be subject to United States federal income tax at the then prevailing rates on ordinary income plus interest, in respect of excess distributions and upon any gain from the disposition of their common shares, as if the excess distribution or gain had been recognized ratably over the shareholder’s holding period of the common shares. See “Taxation-Passive Foreign Investment Company Status and Significant Tax Consequences” for a more comprehensive discussion of the United States federal income tax consequences to United States shareholders if we are treated as a PFIC.

We may have to pay tax on United States source shipping income, which would reduce our earnings.

Under the Code, 50% of the gross shipping income of a corporation that owns or charters vessels, as we and our subsidiaries do, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States may be subject to a 4% United States federal income tax without allowance for deductions, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the regulations promulgated thereunder by the United States Department of the Treasury.

We and our subsidiaries intend to take the position that we qualify for this statutory tax exemption for United States federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could

cause us to lose the benefit of this tax exemption and thereby become subject to United States federal income tax on our United States source shipping income. For example, we may no longer qualify for exemption under Section 883 of the Code for a particular taxable year if shareholders with a five percent or greater interest in our common shares, or 5% Shareholders, owned, in the aggregate, 50% or more of our outstanding common shares for more than half the days during the taxable year, and there do not exist sufficient 5% Shareholders that are qualified shareholders for purposes of Section 883 of the Code to preclude nonqualified 5% Shareholders from owning 50% or more of our common shares for more than half the number of days during such taxable year or we are unable to satisfy certain substantiation requirements with regard to our 5% Shareholders. Due to the factual nature of the issues involved, there can be no assurances on the tax-exempt status of us or any of our subsidiaries.

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If we or our subsidiaries were not entitled to exemption under Section 883 of the Code for any taxable year, we or our subsidiaries could be subject for such year to an effective 2% United States federal income tax on the shipping income we or they derive during such year which is attributable to the transport of cargoes to or from the United States. The imposition of this tax would have a negative effect on our business and would decrease our earnings available for distribution to our shareholders.

We are subject to certain risks with respect to our counterparties on contracts, including, without limitation, our vessel employment arrangements and newbuilding contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or negatively impact our results of operations and cash flows.

We have entered into, and may enter into in the future, various contracts, including, without limitation, charter and pooling agreements relating to the employment of our vessels, newbuilding contracts, debt facilities, and other agreements. Such agreements subject us to counterparty risks. The ability and willingness of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the maritime and offshore industries, and the overall financial condition of the counterparty.

In addition, with respect to our charter arrangements, in depressed market conditions, our charterers may no longer need a vessel that is then under charter or may be able to obtain a comparable vessel at lower rates. As a result, charterers may seek to renegotiate the terms of their existing charter agreements or avoid their obligations under those contracts. If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure in the spot market or on time charters may be at lower rates. As a result, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows, as well as our ability to pay dividends on our common shares and interest on our debt securities and comply with covenants in our credit facilities.

Our insurance may not be adequate to cover our losses that may result from our operations due to the inherent operational risks of the tanker industry.

We carry insurance to protect us against most of the accident-related risks involved in the conduct of our business, including marine hull and machinery insurance, protection and indemnity insurance, which include pollution risks, crew insurance and war risk insurance. However, we may not be adequately insured to cover losses from our operational risks, which could have a material adverse effect on us. Additionally, our insurers may refuse to pay particular claims and our insurance may be voidable by the insurers if we take, or fail to take, certain action, such as failing to maintain certification of our vessels with applicable maritime regulatory organizations. Any significant uninsured or under-insured loss or liability could have a material adverse effect on our business, results of operations, cash flows and financial condition and our available cash. In addition, we may not be able to obtain adequate insurance coverage at reasonable rates in the future during adverse insurance market conditions.

Changes in the insurance markets attributable to terrorist attacks may also make certain types of insurance more difficult for us to obtain due to increased premiums or reduced or restricted coverage for losses caused by terrorist acts generally.

Because we obtain some of our insurance through protection and indemnity associations, which result in significant expenses to us, we may be required to make additional premium payments.

We may be subject to increased premium payments, or calls, in amounts based on our claim records, the claim records of our managers, as well as the claim records of other members of the protection and indemnity associations through which we receive insurance coverage for tort liability, including pollution-related liability. In addition, our protection and indemnity associations may not have enough resources to cover claims made against them. Our payment of these calls could result in significant expense to us, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.

Failure to comply with the U.S. Foreign Corrupt Practices Act could result in fines, criminal penalties, contract terminations and an adverse effect on our business.

We may operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws and have adopted

a code of business conduct and ethics which is consistent and in full compliance with the U.S. Foreign Corrupt Practices Act of 1977, or the FCPA. We are subject, however, to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take actions determined to be in violation of such anti-corruption laws, including the FCPA. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties and curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

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We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law and, as a result, shareholders may have fewer rights and protections under Marshall Islands law than under a typical jurisdiction in the United States.

Our corporate affairs are governed by our articles of incorporation and bylaws and by the Marshall Islands Business Corporations Act, or BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain United States jurisdictions. Shareholder rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public shareholders may have more difficulty in protecting their interests in the face of actions by management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction.

It may be difficult to serve process on or enforce a United States judgment against us, our officers and our directors because we are a foreign corporation.

We are a corporation formed in the Republic of the Marshall Islands, and some of our directors and officers and certain of the experts named in this offering are located outside the United States. In addition, a substantial portion of our assets and the assets of our directors, officers and experts are located outside of the United States. As a result, you may have difficulty serving legal process within the United States upon us or any of these persons. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in U.S. courts against us or any of these persons in any action, including actions based upon the civil liability provisions of U.S. federal or state securities laws. Furthermore, there is substantial doubt that the courts of the Republic of the Marshall Islands or of the non-U.S. jurisdictions in which our offices are located would enter judgments in original actions brought in those courts predicated on U.S. federal or state securities laws.

The international nature of our operations may make the outcome of any bankruptcy proceedings difficult to predict. We are incorporated under the laws of the Republic of the Marshall Islands and we conduct operations in countries around the world. Consequently, in the event of any bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding involving us or any of our subsidiaries, bankruptcy laws other than those of the United States could apply. If we become a debtor under U.S. bankruptcy law, bankruptcy courts in the United States may seek to assert jurisdiction over all of our assets, wherever located, including property situated in other countries. There can be no assurance, however, that we would become a debtor in the United States, or that a U.S. bankruptcy court would be entitled to, or accept, jurisdiction over such a bankruptcy case, or that courts in other countries that have jurisdiction over us and our operations would recognize a U.S. bankruptcy court's jurisdiction if any other bankruptcy court would determine it had jurisdiction.

RISKS RELATED TO OUR RELATIONSHIP WITH SCORPIO GROUP AND ITS AFFILIATES

We are dependent on our managers and their ability to hire and retain key personnel, and there may be conflicts of interest between us and our managers that may not be resolved in our favor.

Our success depends to a significant extent upon the abilities and efforts of our technical manager, SSM, our commercial manager, Scorpio Commercial Management S.A.M., or SCM, and our management team. Our success will depend upon our and our managers' ability to hire and retain key members of our management team. The loss of any of these individuals could adversely affect our business prospects and financial condition.

In addition, difficulty in hiring and retaining personnel could adversely affect our results of operations. We do not maintain "key man" life insurance on any of our officers.

Our technical and commercial managers are members of the Scorpio Group, which is owned and controlled by the Lolli-Ghetti family, of which our founder, Chairman and Chief Executive Officer, Mr. Emanuele Lauro, and our Vice President, Mr. Filippo Lauro, are members. In addition, all of our executive officers serve in similar management positions in certain other companies within the Scorpio Group. These relationships may create conflicts of interest in matters involving or affecting us and our customers, including in the chartering, purchase, sale and operation of the vessels in our fleet versus vessels managed by other members of the Scorpio Group. Conflicts of interest may arise

between us, on the one hand, and our commercial and technical managers, on the other hand. As a result of these conflicts, our commercial and technical managers, who have limited contractual duties, may favor their own or other owner's interests over our interests. These conflicts may have unfavorable results for us.

Our founder, Chairman and Chief Executive Officer, and Vice President have affiliations with our administrator and commercial and technical managers which may create conflicts of interest.

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Emanuele Lauro, our founder, Chairman and Chief Executive Officer, and Filippo Lauro, our Vice President, are members of the Lolli-Ghetti family, which owns and controls our administrator and commercial and technical managers. These responsibilities and relationships could create conflicts of interest between us, on the one hand, and our administrator and/or commercial and technical managers, on the other hand. These conflicts may arise in connection with the chartering, purchase, sale and operations of the vessels in our fleet versus vessels managed by other companies affiliated with our commercial or technical managers. Our commercial and technical managers may give preferential treatment to vessels that are time chartered-in by related parties because our founder, Chairman and Chief Executive Officer and members of his family may receive greater economic benefits. In particular, as of the date of this annual report, our commercial and technical managers provide commercial and technical management services to approximately 127 and 76 vessels respectively, other than the vessels in our fleet, that are owned, operated or managed by entities affiliated with Messrs. Lauro, and such entities may acquire additional vessels that will compete with our vessels in the future. Such conflicts may have an adverse effect on our results of operations. In addition, certain members of the Scorpio Group may benefit from economies of scale all of which may not be passed along to us.

Certain of our officers do not devote all of their time to our business, which may hinder our ability to operate successfully.

Certain of our officers participate in business activities not associated with us, and as a result, they may devote less time to us than if they were not engaged in other business activities and may owe fiduciary duties to the shareholders of both us as well as shareholders of other companies which they may be affiliated, including other companies within the Scorpio Group. This may create conflicts of interest in matters involving or affecting us and our customers and it is not certain that any of these conflicts of interest will be resolved in our favor. This could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our commercial and technical managers are each privately held companies and there is little or no publicly available information about them.

SCM is our commercial manager and SSM is our technical manager. SCM's and SSM's ability to render management services will depend in part on their own financial strength. Circumstances beyond our control could impair our commercial manager's or technical manager's financial strength, and because each is a privately held company, information about the financial strength of our commercial manager and technical manager is not available. As a result, we and our shareholders might have little advance warning of financial or other problems affecting our commercial manager or technical manager even though their financial or other problems could have a material adverse effect on us.

RISKS RELATED TO OUR INDEBTEDNESS

Servicing our current or future indebtedness limits funds available for other purposes and if we cannot service our debt, we may lose our vessels.

Borrowing under our debt facilities requires us to dedicate a part of our cash flow from operations to paying interest on our indebtedness. These payments limit funds available for working capital, capital expenditures and other purposes, including further equity or debt financing in the future. Amounts borrowed under our secured debt facilities bear interest at variable rates. Increases in prevailing rates could increase the amounts that we would have to pay to our lenders, even though the outstanding principal amount remains the same, and our net income and cash flows would decrease. We expect our earnings and cash flow to vary from year to year due to the cyclical nature of the tanker industry. If we do not generate or reserve enough cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans, such as seeking to raise additional capital, refinancing or restructuring our debt, selling tankers, or reducing or delaying capital investments. However, these alternative financing plans, if necessary, may not be sufficient to allow us to meet our debt obligations.

If we are unable to meet our debt obligations or if some other default occurs under our debt facilities, our lenders could elect to declare that debt, together with accrued interest and fees, to be immediately due and payable and proceed against the collateral vessels securing that debt even though the majority of the proceeds used to purchase the collateral vessels did not come from our debt facilities.

Our debt agreements contain restrictive and financial covenants which may limit our ability to conduct certain activities, and further, we may be unable to comply with such covenants, which could result in a default under the terms of such agreements.

Our debt facilities impose operating and financial restrictions on us. These restrictions may limit our ability, or the ability of our subsidiaries party thereto to, among other things:

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- pay dividends and make capital expenditures if we do not repay amounts drawn under our debt facilities or if there is another default under our debt facilities;
- incur additional indebtedness, including the issuance of guarantees;
- create liens on our assets;
- change the flag, class or management of our vessels or terminate or materially amend the management agreement relating to each vessel;
- sell our vessels;
- merge or consolidate with, or transfer all or substantially all our assets to, another person; or
- enter into a new line of business.

Therefore, we will need to seek permission from our lenders in order to engage in some corporate actions. Our lenders' interests may be different from ours and we may not be able to obtain our lenders' permission when needed. This may limit our ability to pay dividends to you if we determine to do so in the future, finance our future operations or capital requirements, make acquisitions or pursue business opportunities.

In addition, our secured credit facilities require us to maintain specified financial ratios and satisfy financial covenants, including ratios and covenants based on the market value of the vessels in our fleet. Should our charter rates or vessel values materially decline in the future, we may seek to obtain waivers or amendments from our lenders with respect to such financial ratios and covenants, or we may be required to take action to reduce our debt or to act in a manner contrary to our business objectives to meet any such financial ratios and satisfy any such financial covenants. Events beyond our control, including changes in the economic and business conditions in the shipping markets in which we operate, may affect our ability to comply with these covenants. We cannot assure you that we will meet these ratios or satisfy these covenants or that our lenders will waive any failure to do so or amend these requirements. A breach of any of the covenants in, or our inability to maintain the required financial ratios under, our credit facilities would prevent us from borrowing additional money under our credit facilities and could result in a default under our credit facilities. If a default occurs under our credit facilities, the lenders could elect to declare the outstanding debt, together with accrued interest and other fees, to be immediately due and payable and foreclose on the collateral securing that debt, which could constitute all or substantially all of our assets. Moreover, in connection with any waivers or amendments to our credit facilities that we may obtain, our lenders may impose additional operating and financial restrictions on us or modify the terms of our existing credit facilities. These restrictions may further restrict our ability to, among other things, pay dividends, repurchase our common shares, make capital expenditures, or incur additional indebtedness.

Furthermore, our debt agreements contain cross-default provisions that may be triggered if we default under the terms of any one of our financing agreements. In the event of default by us under one of our debt agreements, the lenders under our other debt agreements could determine that we are in default under such other financing agreements. Such cross defaults could result in the acceleration of the maturity of such debt under these agreements and the lenders thereunder may foreclose upon any collateral securing that debt, including our vessels, even if we were to subsequently cure such default. In the event of such acceleration or foreclosure, we might not have sufficient funds or other assets to satisfy all of our obligations, which would have a material adverse effect on our business, results of operations and financial condition.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Scorpio Tankers Inc. was incorporated in the Republic of the Marshall Islands pursuant to the BCA on July 1, 2009. We provide seaborne transportation of refined petroleum products worldwide. We began our operations in October 2009 with three vessels and in April 2010, we completed our initial public offering and commenced trading on the New York Stock Exchange, or NYSE, under the symbol "STNG." We have since expanded our fleet and as of March 15, 2017, our fleet consisted of 78 wholly owned tankers (22 LR2, 14 Handymax and 42 MR) with a weighted average age of approximately 2.3 years, and 19 time or bareboat chartered-in tankers which we operate (one LR2, one LR1, eight MR and nine Handymax), which we refer to collectively as our Operating Fleet. In addition, we currently

have contracts for the construction of nine newbuilding product tankers, eight MR and one LR2, which we refer to as our Newbuilding Program. The LR2 is expected to be delivered to us before the end of March 2017 and the eight MRs are expected to be delivered to us throughout the remainder of 2017 and the first quarter of 2018.

Our principal executive offices are located at 9, Boulevard Charles III, Monaco 98000 and our telephone number at that address is +377-9798-5716.

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Fleet Development

For information regarding the development of our fleet, including vessel acquisitions and dispositions and the status of our Newbuilding Program, please see “Item 5. Operating and Financial Review and Prospects-B. Liquidity and Capital Resources-Capital Expenditures-Vessel Acquisitions and Dispositions.”

Recent Developments

Vessel Deliveries and Related Debt Drawdowns

In February 2017, we took delivery of STI Selatar, an LR2 product tanker that was under construction, from SSME and drew down \$29.4 million from our Credit Suisse Credit Facility to partially finance the purchase of this vessel. Additionally, in March 2017, we drew down \$29.0 million from our Credit Suisse Credit Facility to partially finance the purchase of STI Rambla, an LR2 product tanker that is currently under construction at SSME and is expected to be delivered before the end of March 2017. The drawdowns are summarized as follows:

Drawdown

amount

(in

millions

of Drawdown date Collateral

U.S.

dollars)

\$29.4 February 2017 STI Selatar

29.0 March 2017 STI Rambla⁽¹⁾

(1) Amount drawn to partially finance the expected delivery of this vessel from SSME, which is scheduled to occur before the end of March 2017.

Time and Bareboat Chartered-in Vessels (see definitions in Item 5)

In December 2016, we entered into agreements to bareboat-in seven Handymax ice-class 1A product tankers. The agreements include purchase options which can be exercised through December 31, 2018. If we do not exercise the purchase options, the bareboat-in agreements expire on March 31, 2019. Three of the vessels were previously time chartered-in by us for \$15,600 per day. These time charter-in contracts were canceled in January 2017 and replaced by the new bareboat contracts at a rate of \$7,500 per day. The remaining four vessels were chartered-in, on a bareboat basis, for \$6,000 per day. These vessels were delivered in February 2017.

In February 2017, we entered into a new time charter agreement on a 2013 built, LR2 product tanker, which we then time chartered-in, for an additional six months at \$14,360 per day effective February 2017. We also have the option to extend the charter for an additional six months at \$15,385 per day.

In February 2017, we entered into new time charter agreements on two 2007-built ice-class 1B Handymax product tankers, which we then time chartered-in, each for one year at \$11,250 per day. One agreement is effective in March 2017 and the other is effective in May 2017. We also have options to extend these charters for an additional year at \$13,250 per day each.

New Credit Facilities

2017 Credit Facility

In March 2017, we executed a senior secured term loan facility with a group of financial institutions led by Macquarie Bank Limited (London Branch) for a loan facility of up to \$172.0 million, or the 2017 Credit Facility. The 2017 Credit Facility consists of five tranches; including two commercial tranches of \$15.0 million and \$25.0 million, a KEXIM Guaranteed Tranche of \$48.0 million, a KEXIM Funded Tranche of \$52.0 million, and a GIEK Guaranteed Tranche of \$32.0 million.

The 2017 Credit Facility is expected to be used to partially finance the purchase of eight MR product tankers that are currently under construction at HMD. Drawdowns are available at an amount equal to the lower of 60% of the contract price and 60% of the fair market value of each respective vessel. Other key terms are as follows:

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The first commercial tranche of \$15.0 million has a final maturity of six years from the drawdown date of each vessel, bears interest at LIBOR plus a margin of 2.25% per annum, and has a 15 year repayment profile.

The second commercial tranche of \$25.0 million has a final maturity of nine years from the drawdown date of each vessel (assuming KEXIM or GIEK have not exercised their option to call for prepayment of the KEXIM and GIEK funded and guaranteed tranches by the date falling two months prior to the maturity of the first commercial tranche and in the event that the first commercial tranche has not been extended), bears interest at LIBOR plus a margin of 2.25% per annum, and has a 15 year repayment profile.

The KEXIM Funded Tranche and GIEK Guaranteed Tranche have a final maturity of 12 years from the drawdown date of each vessel (assuming the commercial tranches are refinanced through that date), bear interest at LIBOR plus a margin of 2.15% per annum, and have a 12 year repayment profile.

The KEXIM Guaranteed Tranche has a final maturity of 12 years from the drawdown date of each vessel (assuming the commercial tranches are refinanced through that date), bears interest at LIBOR plus a margin of 1.60% per annum, and has a 12 year repayment profile.

The remaining terms and conditions, including financial covenants, are similar to those in our existing credit facilities. BNP Paribas Credit Facility

In January 2017, we refinanced the outstanding indebtedness related to STI Sapphire and STI Emerald by repaying an aggregate of \$26.3 million on our 2011 Credit Facility and drawing down an aggregate amount of \$27.6 million under our BNP Paribas Credit Facility. The drawdown amounts and dates were as follows:

Drawdown amount (in millions of U.S. dollars)	Drawdown date	Collateral
\$13.8	January 2017	STI Sapphire
13.8	February 2017	STI Emerald

HSH Nordbank Credit Facility
In January 2017, we entered into a senior secured term loan facility agreement with HSH Nordbank AG for \$31.1 million, or the HSH Nordbank Credit Facility. In February 2017, we refinanced the outstanding indebtedness related to STI Duchessa and STI Onyx by repaying an aggregate of \$23.7 million on our 2011 Credit Facility and drawing down an aggregate of \$31.1 million under this facility as follows:

Drawdown amount (in millions of U.S. dollars)	Drawdown date	Collateral
\$16.5	February 2017	STI Duchessa
14.6	February 2017	STI Onyx

Repayments on all borrowings under the HSH Nordbank Credit Facility are scheduled to be made in 20 consecutive quarterly installments. The first eight repayment installments shall be \$745,669 each and the next 12 repayment installments shall be \$648,408 each, the last of which shall be payable together with an additional balloon installment equal to the then outstanding balance of the loan. The facility has a final maturity of five years from the first drawdown date, and bears interest at LIBOR plus a margin of 2.50% per annum. The remaining terms and conditions, including financial covenants, are similar to those in our existing credit facilities.

DVB 2017 Credit Facility

In January 2017, we received a commitment for a credit facility of up to \$81.4 million from DVB Bank SE, or the DVB 2017 Credit Facility, to refinance our previous facility with DVB Bank SE. The DVB 2017 Credit Facility is expected to be used to refinance the existing indebtedness on four product tankers, have a final maturity of December 2021, and bear interest at LIBOR plus a margin of 2.75% per annum. The available borrowings may be used to finance up to 63% of the fair market value of the respective vessels.

The remaining terms and conditions, including financial covenants, are expected to be similar to those in our existing credit facilities. The DVB 2017 Credit Facility is subject to customary conditions precedent and the execution of definitive documentation.

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For further information about these credit facilities, please see "Item 5. Operating and Financial Review and Prospects - B. Liquidity and Capital Resources - Long -Term Debt Obligations and Credit Agreements."

Convertible Senior Notes Due 2019

On February 23, 2017, the conversion rate of our convertible senior notes due 2019, or the Convertible Notes, was adjusted to reflect a cash dividend with respect to our common shares. The new conversion rate for the Convertible Notes was adjusted to 97.9316 of our common shares per \$1,000 principal amount of the Convertible Notes, representing an increase of the prior conversion rate of 0.2277 shares per \$1,000 principal amount of the Convertible Notes.

Dividend Declaration

On February 13, 2017, our Board of Directors declared a quarterly cash dividend of \$0.01 per share, payable on or about March 30, 2017 to all shareholders of record as of February 23, 2017.

B. Business Overview

We provide seaborne transportation of refined petroleum products worldwide. As of March 15, 2017, our fleet consisted of 78 wholly owned tankers (22 LR2, 14 Handymax and 42 MR) with a weighted average age of approximately 2.3 years, and 19 time or bareboat chartered-in tankers which we operate (nine Handymax, eight MR, one LR1 and one LR2), which we refer to collectively as our Operating Fleet. In addition, we currently have contracts for the construction of one LR2 tanker and eight MR tankers, which we refer to as our Newbuilding Program. The LR2 is expected to be delivered to us before the end of March 2017 and the eight MRs are expected to be delivered to us throughout the remainder of 2017 and first quarter of 2018.

The following table sets forth certain information regarding our fleet as of March 15, 2017:

Vessel Name	Year Built	DWT	Ice class	Employment	Vessel type
Owned vessels					
1 STI Brixton	2014	38,734	1A	SHTP (1)	Handymax
2 STI Comandante	2014	38,734	1A	SHTP (1)	Handymax
3 STI Pimlico	2014	38,734	1A	Time Charter (5)	Handymax
4 STI Hackney	2014	38,734	1A	SHTP (1)	Handymax
5 STI Acton	2014	38,734	1A	SHTP (1)	Handymax
6 STI Fulham	2014	38,734	1A	SHTP (1)	Handymax
7 STI Camden	2014	38,734	1A	SHTP (1)	Handymax
8 STI Battersea	2014	38,734	1A	SHTP (1)	Handymax
9 STI Wembley	2014	38,734	1A	SHTP (1)	Handymax
10 STI Finchley	2014	38,734	1A	SHTP (1)	Handymax
11 STI Clapham	2014	38,734	1A	SHTP (1)	Handymax
12 STI Poplar	2014	38,734	1A	Time Charter (5)	Handymax
13 STI Hammersmith	2015	38,734	1A	SHTP (1)	Handymax
14 STI Rotherhithe	2015	38,734	1A	SHTP (1)	Handymax
15 STI Amber	2012	49,990	—	SMRP(2)	MR
16 STI Topaz	2012	49,990	—	SMRP(2)	MR
17 STI Ruby	2012	49,990	—	SMRP(2)	MR
18 STI Garnet	2012	49,990	—	SMRP(2)	MR
19 STI Onyx	2012	49,990	—	SMRP(2)	MR
20 STI Sapphire	2013	49,990	—	SMRP(2)	MR
21 STI Emerald	2013	49,990	—	SMRP(2)	MR
22 STI Beryl	2013	49,990	—	SMRP(2)	MR
23 STI Le Rocher	2013	49,990	—	SMRP(2)	MR
24 STI Larvotto	2013	49,990	—	SMRP(2)	MR
25 STI Fontvieille	2013	49,990	—	SMRP(2)	MR

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26STI Ville	2013	49,990	—	SMRP(2)	MR
27STI Duchessa	2014	49,990	—	SMRP(2)	MR
28STI Opera	2014	49,990	—	SMRP(2)	MR
29STI Texas City	2014	49,990	—	SMRP(2)	MR
30STI Meraux	2014	49,990	—	SMRP(2)	MR
31STI San Antonio	2014	49,990	—	SMRP(2)	MR
32STI Venere	2014	49,990	—	SMRP(2)	MR
33STI Virtus	2014	49,990	—	SMRP(2)	MR
34STI Aqua	2014	49,990	—	SMRP(2)	MR
35STI Dama	2014	49,990	—	SMRP(2)	MR
36STI Benicia	2014	49,990	—	SMRP(2)	MR
37STI Regina	2014	49,990	—	SMRP(2)	MR
38STI St. Charles	2014	49,990	—	SMRP(2)	MR
39STI Mayfair	2014	49,990	—	SMRP(2)	MR
40STI Yorkville	2014	49,990	—	SMRP(2)	MR
41STI Milwaukee	2014	49,990	—	SMRP(2)	MR
42STI Battery	2014	49,990	—	SMRP(2)	MR
43STI Soho	2014	49,990	—	SMRP(2)	MR
44STI Memphis	2014	49,995	—	SMRP(2)	MR
45STI Tribeca	2015	49,990	—	SMRP(2)	MR
46STI Gramercy	2015	49,990	—	SMRP(2)	MR
47STI Bronx	2015	49,990	—	SMRP(2)	MR
48STI Pontiac	2015	49,990	—	SMRP(2)	MR
49STI Manhattan	2015	49,990	—	SMRP(2)	MR
50STI Queens	2015	49,990	—	SMRP(2)	MR
51STI Osceola	2015	49,990	—	SMRP(2)	MR
52STI Notting Hill	2015	49,687	1B	Time Charter (6)	MR
53STI Seneca	2015	49,990	—	SMRP(2)	MR
54STI Westminster	2015	49,687	1B	Time Charter (6)	MR
55STI Brooklyn	2015	49,990	—	SMRP(2)	MR
56STI Black Hawk	2015	49,990	—	SMRP(2)	MR
57STI Elysees	2014	109,999	—	SLR2P (4)	LR2
58STI Madison	2014	109,999	—	SLR2P (4)	LR2
59STI Park	2014	109,999	—	SLR2P (4)	LR2
60STI Orchard	2014	109,999	—	SLR2P (4)	LR2
61STI Sloane	2014	109,999	—	SLR2P (4)	LR2
62STI Broadway	2014	109,999	—	SLR2P (4)	LR2
63STI Condotti	2014	109,999	—	SLR2P (4)	LR2
64STI Rose	2015	109,999	—	Time Charter (7)	LR2
65STI Veneto	2015	109,999	—	SLR2P (4)	LR2
66STI Alexis	2015	109,999	—	SLR2P (4)	LR2
67STI Winnie	2015	109,999	—	SLR2P (4)	LR2
68STI Oxford	2015	109,999	—	SLR2P (4)	LR2
69STI Lauren	2015	109,999	—	SLR2P (4)	LR2
70STI Connaught	2015	109,999	—	SLR2P (4)	LR2

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71	STI Spiga	2015	109,999	—	SLR2P (4)	LR2
72	STI Savile Row	2015	109,999	—	SLR2P (4)	LR2
73	STI Kingsway	2015	109,999	—	SLR2P (4)	LR2
74	STI Carnaby	2015	109,999	—	SLR2P (4)	LR2
75	STI Lombard	2015	109,999	—	SLR2P (4)	LR2
76	STI Grace	2016	109,999	—	SLR2P (4)	LR2
77	STI Jermyn	2016	109,999	—	SLR2P (4)	LR2
78	STI Selatar	2017	109,999	—	SLR2P (4)	LR2

Total owned DWT 5,061,233

Vessel Name	Year Built	DWT	Ice class	Employment	Vessel type	Daily Base Rate	Expiry (8)
Time or bareboat chartered-in vessels							
79	Kraslava	2007	37,258	1B	SHTP (1)	Handymax \$17,000	13-May-18 (9)
80	Krisjanis Valdemars	2007	37,266	1B	SHTP (1)	Handymax \$11,250	13-Mar-18 (10)
81	Silent	2007	37,847	1A	SHTP (1)	Handymax \$7,500	31-Mar-19 (11)
82	Single	2007	37,847	1A	SHTP (1)	Handymax \$7,500	31-Mar-19 (11)
83	Star I	2007	37,847	1A	SHTP (1)	Handymax \$7,500	31-Mar-19 (11)
84	Sky	2007	37,847	1A	SHTP (1)	Handymax \$6,000	31-Mar-19 (12)
85	Steel	2008	37,847	1A	SHTP (1)	Handymax \$6,000	31-Mar-19 (12)
86	Stone I	2008	37,847	1A	SHTP (1)	Handymax \$6,000	31-Mar-19 (12)
87	Style	2008	37,847	1A	SHTP (1)	Handymax \$6,000	31-Mar-19 (12)
88	Miss Mariarosaria	2011	47,499	—	SMRP(2)	MR \$16,350	26-May-17
89	Vukovar	2015	49,990	—	SMRP(2)	MR \$17,034	01-May-18
90	Targale	2007	49,999	—	SMRP(2)	MR \$16,200	17-May-17
91	Zefyros	2013	49,999	—	SMRP(2)	MR \$15,800	08-Jul-17 (13)
92	Gan-Trust	2013	51,561	—	SMRP(2)	MR \$13,050	06-Jan-18 (14)
93	CPO New Zealand	2011	51,717	—	SMRP(2)	MR \$15,250	12-Sep-18 (15)
94	CPO Australia	2011	51,763	—	SMRP(2)	MR \$15,250	01-Sep-18 (15)
95	Ance	2006	52,622	—	SMRP(2)	MR \$13,500	12-Oct-17 (16)
96	Hellespont Progress	2006	73,728	—	SPTP (3)	LR1 \$17,250	13-Apr-17
97	Densa Alligator	2013	105,708	—	SLR2P (4)	LR2 \$14,360	17-Aug-17 (17)

Total time or bareboat chartered-in DWT 924,039

Newbuildings currently under construction

Vessel Name	Yard	DWT	Vessel type
98 Hull 2601 - TBN STI Galata	HMD	(18)52,000	MR
99 Hull 2602 - TBN STI Bosphorus	HMD	(18)52,000	MR
100 Hull 2603 - TBN STI Leblon	HMD	(18)52,000	MR
101 Hull 2604 - TBN STI La Boca	HMD	(18)52,000	MR
102	HMD	(18)52,000	MR

Hull 2605 - TBN STI San

Telmo

103 Hull 2606 - TBN STI Donald

C Trauscht

HMD (18)52,000

MR

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104Hull 2607 - TBN STI Esles II	HMD (18)52,000	MR
105Hull 2608 - TBN STI Jardins	HMD (18)52,000	MR
106Hull S3121 - TBN STI Rambla	SSME(19)109,999	LR2

Total newbuilding product tankers DWT	525,999
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Total Fleet DWT	6,511,271
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(1) This vessel operates in or is expected to operate in the Scorpio Handymax Tanker Pool (SHTP). SHTP is operated by Scorpio Commercial Management (SCM). SHTP and SCM are related parties to the Company.

(2) This vessel operates in or is expected to operate in the Scorpio MR Pool (SMRP). SMRP is operated by SCM. SMRP is a related party to the Company.

(3) This vessel operates in or is expected to operate in the Scorpio Panamax Tanker Pool (SPTP). SPTP is operated by SCM. SPTP is a related party to the Company.

(4) This vessel operates in or is expected to operate in the Scorpio LR2 Pool (SLR2P). SLR2P is operated by SCM. SLR2P is a related party to the Company

(5) This vessel is currently time chartered-out to an unrelated third-party for three years at \$18,000 per day. This time charter is scheduled to expire in January 2019.

(6) This vessel is currently time chartered-out to an unrelated third-party for three years at \$20,500 per day. This time charter is scheduled to expire in December 2018.

(7) This vessel is currently time chartered-out to an unrelated third-party for three years at \$28,000 per day. This time charter is scheduled to expire in February 2019.

(8) Redelivery from the charterer is plus or minus 30 days from the expiry date.

(9) In February 2017, we entered into a new charter agreement for one year at \$11,250 per day effective May 2017. We have an option to extend the charter for an additional year at \$13,250 per day.

(10) In February 2017, we entered into a new charter agreement for one year at \$11,250 per day effective March 2017. We have an option to extend the charter for an additional year at \$13,250 per day.

(11) In December 2016, we entered into an agreement to bareboat-in this vessel, which was previously time chartered-in by the Company for \$15,600 per day. The time charter-in contract was cancelled in January 2017 and replaced by the new bareboat contract at a rate of \$7,500 per day. The agreement includes a purchase option which can be exercised through December 31, 2018. If the purchase option is not exercised, the bareboat-in agreement will expire on March 31, 2019.

(12) In December 2016, we entered into an agreement to bareboat-in this vessel at a rate of \$6,000 per day. The agreement includes a purchase option which can be exercised through December 31, 2018. If the purchase option is not exercised, the bareboat-in agreement will expire on March 31, 2019.

(13) We have an option to extend the charter for an additional year at \$17,000 per day.

(14) In November 2016, we entered into a new charter agreement for one year at \$13,050 per day effective January 2017. We have an option to extend the charter for an additional year at \$15,000 per day.

(15) We have an option to extend the charter for an additional year at \$16,000 per day.

(16) We have an option to extend the charter for an additional year at \$15,000 per day.

(17) In February 2017, we entered into a new charter agreement for six months at \$14,360 per day. We have an option to extend the charter for an additional six months at \$15,385 per day.

(18) These newbuilding vessels are being constructed at HMD (Hyundai Mipo Dockyard Co. Ltd. of South Korea). Seven vessels are expected to be delivered throughout the remainder of 2017 and one vessel is expected to be delivered in the first quarter of 2018.

(19) This newbuilding vessel was constructed at SSME (Sungdong Shipbuilding & Marine Engineering Co., Ltd) and is expected to be delivered before the end of March 2017.

Chartering Strategy

Generally, we operate our vessels in commercial pools, on time charters or in the spot market.

Commercial Pools

To increase vessel utilization and thereby revenues, we participate in commercial pools with other shipowners of similar modern, well-maintained vessels. As of March 15, 2017, 92 of the vessels in our Operating Fleet operate in, or are expected to operate in, one of the Scorpio Group Pools. By operating a large number of vessels as an integrated transportation system, commercial pools offer customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Pools employ experienced commercial managers and operators who have close working relationships with customers and brokers, while

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technical management is performed by each shipowner. Pools negotiate charters with customers primarily in the spot market, but may also arrange time charter agreements. The size and scope of these pools enable them to enhance utilization rates for pool vessels by securing backhaul voyages and contracts of affreightment, or COAs, thus generating higher effective TCE revenues than otherwise might be obtainable in the spot market.

Time Charters

Time charters give us a fixed and stable cash flow for a known period of time. Time charters also mitigate in part the seasonality of the spot market business, which is generally weaker in the second and third quarters of the year. In the future, we may opportunistically look to enter our vessels into time charter contracts. We may also enter into time charter contracts with profit sharing agreements, which enable us to benefit if the spot market increases. As of the date of this annual report, five of the vessels in our Operating Fleet are employed under long-term time charters (with initial terms of one year or greater).

Spot Market

A spot market voyage charter is generally a contract to carry a specific cargo from a load port to a discharge port for an agreed freight per ton of cargo or a specified total amount. Under spot market voyage charters, we pay voyage expenses such as port, canal and bunker costs. Spot charter rates are volatile and fluctuate on a seasonal and year-to-year basis. Fluctuations derive from imbalances in the availability of cargoes for shipment and the number of vessels available at any given time to transport these cargoes. Vessels operating in the spot market generate revenue that is less predictable, but may enable us to capture increased profit margins during periods of improvements in tanker rates. As of March 15, 2017, three of the bareboat chartered-in vessels in our Operating Fleet were operating directly in the spot market. These vessels are temporarily operating in the spot market prior to their expected entrance into the Scorpio Handymax Tanker Pool.

Management of our Fleet

On September 29, 2016, we agreed to amend our administrative services agreement, or the Administrative Services Agreement, with Scorpio Services Holding Limited, or SSH, and our master agreement, or the Master Agreement, with SCM and SSM under a deed of amendment, or the Deed of Amendment. Pursuant to the terms of the Deed of Amendment, on November 15, 2016, we entered into definitive documentation to memorialize the agreed amendments to the Master Agreement, or the Amended and Restated Master Agreement. The Amended and Restated Master Agreement and the Administrative Services Agreement as amended by the Deed of Amendment, or the Amended Administrative Services Agreement, are effective as from September 29, 2016. Under the terms of the amendments, (i) the fee of 1% payable to SSH upon any future vessel sale or purchase was eliminated and (ii) in the event of the sale of one or more vessels, a notice period of three months and a payment equal to three months of management fees will apply, provided that the termination does not amount to a change of control, including a sale of all or substantially all of our vessels, in which case a payment equal to 24 months of management fees will apply. There was no consideration paid by us for these amendments.

Commercial and Technical Management

Our vessels are commercially managed by SCM and technically managed by SSM pursuant to the Amended and Restated Master Agreement, which may be terminated by either party upon 24 months' notice, unless terminated earlier in accordance with the provisions of the Amended and Restated Master Agreement. In the event of the sale of one or more vessels, a notice period of three months and a payment equal to three months of management fees will apply, provided that the termination does not amount to a change in control, including a sale of all or substantially all of our vessels, in which case a payment equal to 24 months of management fees will apply. SCM and SSM are related parties of ours. We expect that additional vessels that we may acquire in the future will also be managed under the Amended and Restated Master Agreement or on substantially similar terms.

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SCM's services include securing employment, in the spot market and on time charters, for our vessels. SCM also manages the Scorpio Group Pools. When our vessels are operating in one of the Scorpio Group Pools, SCM, the pool manager, charges fees of \$300 per vessel per day with respect to our LR1/Panamax vessels, \$250 per vessel per day with respect to our LR2 vessels, and \$325 per vessel per day with respect to each of our Handymax and MR vessels, plus 1.50% commission on gross revenues per charter fixture. These are the same fees that SCM charges other vessel owners in these pools, including third-party owned vessels. For commercial management of our vessels that are not operating in any of the Scorpio Group Pools, we pay SCM a fee of \$250 per vessel per day for each LR1/Panamax and LR2 vessel and \$300 per vessel per day for each Handymax and MR vessel, plus 1.25% commission on gross revenues per charter fixture.

SSM's services include day-to-day vessel operations, performing general maintenance, monitoring regulatory and classification society compliance, customer vetting procedures, supervising the maintenance and general efficiency of vessels, arranging the hiring of qualified officers and crew, arranging and supervising drydocking and repairs, purchasing supplies, spare parts and new equipment for vessels, appointing supervisors and technical consultants and providing technical support. We currently pay SSM \$685 per vessel per day to provide technical management services for each of our vessels. This fee is based on contracted rates that were the same as those charged to other, third party vessels managed by SSM at the time the management agreements were entered into.

During 2016, we paid a termination fee in the aggregate amount of \$2.7 million under our commercial management agreement with SCM and a termination fee in the aggregate amount of \$2.5 million under our technical management agreement with SSM, as a result of the sales of STI Lexington, STI Mythos, STI Chelsea, STI Powai and STI Olivia.

Amended Administrative Services Agreement

We have an Amended Administrative Services Agreement with SSH, or our Administrator, for the provision of administrative staff and office space, and administrative services, including accounting, legal compliance, financial and information technology services. SSH is a related party of us. We reimburse our Administrator for the reasonable direct or indirect expenses it incurs in providing us with the administrative services described above. The services provided to us by our Administrator may be sub-contracted to other entities within the Scorpio Group.

Prior to September 29, 2016, we paid SSH a fee for arranging vessel purchases and sales, on our behalf, equal to 1% of the gross purchase or sale price, payable upon the consummation of any such purchase or sale. As described above, this fee was eliminated for all vessel purchase or sale agreements entered into after September 29, 2016. For the year ended December 31, 2016, we paid our Administrator \$1.7 million, in aggregate, in connection with the sales of five MRs.

Further, pursuant to our Amended Administrative Services Agreement, our Administrator, on behalf of itself and other members of the Scorpio Group, has agreed that it will not directly own product or crude tankers ranging in size from 35,000 dwt to 200,000 dwt.

Our Amended Administrative Services Agreement may be terminated by us upon two years notice.

The International Oil Tanker Shipping Industry

All the information and data presented in this section, including the analysis of the oil tanker shipping industry, has been provided by Drewry. The statistical and graphical information contained herein is drawn from Drewry's database and other sources. According to Drewry: (i) certain information in Drewry's database is derived from estimates or subjective judgments; (ii) the information in the databases of other maritime data collection agencies may differ from the information in Drewry's database; and (iii) while Drewry has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures.

Oil Tanker Demand

In broad terms, demand for oil products traded by sea is principally affected by global and regional economic conditions, as well as other factors such as changes in the location of productive capacity, and variations in regional prices. Demand for shipping capacity is a product of the physical quantity of the cargo (measured, depending on the cargo in terms of tons or cubic metrics) together with the distance the cargo is carried. Demand cycles move broadly in line with developments in global economy, with demand for products slowing significantly in the period immediately after the onset of the global economic downturn in late 2008, before recovering gradually from 2011

onwards with the general improvement in the macro-economic environment.

In 2016, 3.2 billion tons of crude oil, products and vegetable oils/chemicals were moved by sea. Of this, crude shipments constituted 2.0 billion tons of cargo, products 1.0 billion tons, with the balance made up of other bulk liquids, including vegetable oils, chemicals and associated products.

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World Seaborne Tanker Trade

Year	Crude Oil		Products		Veg Oils/ Chemicals		Total		
	Mill T	% Y-o-Y	Mill T	% Y-o-Y	Mill T	% Y-o-Y	Mill T	% Y-o-Y	
2001	1,751	3.2	% 518	3.0	% 121	3.5	% 2,390	3.2	%
2002	1,756	0.3	% 519	0.3	% 129	6.6	% 2,404	0.6	%
2003	1,860	5.9	% 550	6.0	% 136	4.9	% 2,545	5.9	%
2004	1,963	5.6	% 599	8.8	% 146	7.2	% 2,707	6.4	%
2005	1,994	1.6	% 646	8.0	% 161	10.3	% 2,801	3.5	%
2006	1,996	0.1	% 677	4.7	% 171	6.3	% 2,844	1.5	%
2007	2,008	0.6	% 723	6.8	% 175	2.8	% 2,907	2.2	%
2008	2,014	0.3	% 765	5.8	% 178	1.5	% 2,956	1.7	%
2009	1,928	(4.2)	)% 777	1.6	% 184	3.2	% 2,888	(2.3)	%
2010	1,997	3.6	% 810	4.2	% 196	6.4	% 3,002	3.9	%
2011	1,941	(2.8)	)% 860	6.3	% 205	4.9	% 3,007	0.1	%
2012	1,988	2.4	% 859	(0.2)	)% 210	2.5	% 3,057	1.7	%
2013	1,918	(3.5)	)% 904	5.3	% 217	3.3	% 3,040	(0.6)	%
2014	1,895	(1.2)	)% 912	0.8	% 221	1.6	% 3,027	(0.4)	%
2015	1,957	3.3	% 953	4.5	% 231	4.8	% 3,142	3.8	%
2016 *	2,016	3.0	% 987	3.6	% 229	(0.8)	)% 3,233	2.9	%
CAGR (2011-2016)	0.8%		2.8%		2.3%		1.5%		
CAGR (2006-2016)	0.1%		3.8%		3.0%		1.3%		

* Provisional assessment

Source: Drewry

The volume of oil moved by sea was affected by the economic recession in 2008 and 2009, but since then renewed growth in the world economy and in oil demand has had a positive impact on seaborne trade. Oil demand has benefited from economic growth in Asia, especially in China, where oil consumption increased by a compound average growth rate (CAGR) of 5.4% to 11.9 million barrels per day (mbpd) between 2006 and 2016. Low per capita oil consumption in developing countries such as China and India compared to the developed world provides scope for higher oil consumption in these economies. Conversely, oil consumption in developed OECD economies has been in decline for much of the last decade, although provisional data for the United States (U.S.) and some European countries indicates that this trend was reversed in 2015 and 2016. This was almost certainly due to the positive impact of lower oil prices on demand for products such as gasoline.

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World Oil Consumption: 1991-2016

(Million bpd)

* Provisional estimate

Source: Drewry

Provisional estimates suggest that world oil demand in 2016 was 96.5 million bpd, an increase of 1.5% from 2015, and between 2006 and 2016, world oil demand grew by a CAGR of 1.3%.

Oil Product Exports & Imports

Product trades have increased in the last decade as a result of developments in the U.S. energy economy. In the U.S., as a result of the development of shale oil deposits, domestic crude oil production increased by a CAGR of 10.2% between 2008 and 2015 to reach just in excess of 9.0 million bpd, however provisional estimates suggest a marginal decline to 8.9 million bpd in 2016. Horizontal drilling and hydraulic fracturing have triggered a shale oil revolution and rising crude oil production has also ensured the availability of cheaper feedstocks to local refineries. As a result, the U.S. has become a major net exporter of products (see chart below).

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Oil Product Exports - Major Growth Regions

(Million Bpd)

Source: Drewry

In a short span of time, the U.S. has become the largest exporter of refined products in the world, with supplies from U.S. Gulf Coast terminals heading to most parts of the globe. By way of illustration, U.S. product exports to South America were close to 8.8 million tons in 2006, but had increased to 63.2 million tons by 2016, owing to strong import demand and the growth in U.S. products availability. Most of these exports were carried by MR product tankers, which constitute approximately 58% of global product tanker fleet capacity and have been the mainstay of seaborne trade in refined petroleum products. However, lower crude oil prices in 2015 and 2016 have adversely impacted U.S. shale oil producers and accordingly crude production in the region has been declining since May 2015. In November 2016 U.S. crude oil production was 8.9 million bpd, compared with 9.3 million bpd in November 2015. Declining crude oil production in addition to the lifting of the ban on crude oil exports in December 2015 has limited the availability of feedstocks to domestic refineries and in turn may limit the export of refined products from the U.S.

The shift in the location of global oil production is also being accompanied by a shift in the location of global refinery capacity and throughput. In short, capacity and throughput are moving from the developed to the developing world. Between 2006 and 2016 total OECD refining throughput declined by 4.3%, largely as a result of cutbacks in OECD Europe and OECD Asia Oceania. On the other hand, throughput in the OECD Americas in the same period was up by 1.9% to 18.9 million bpd. In 2016, refining throughput of OECD countries stood at 37.6 million bpd and accounted for 47.5% of global refinery throughput.

Asia (excluding China) and the Middle East added over 0.9 million bpd of export-oriented refinery capacity in 2015 whereas 0.4 million bpd new capacity came online in the U.S. during the year. For 2016, approximately 0.4 million bpd of new refining capacity was scheduled to be added in the U.S. and another 0.3 million bpd in Middle East. As a result of these developments countries such as India, Saudi Arabia and the U.S. have become major exporters of refined products.

Export-oriented refineries in India and the Middle East, coupled with the closure of refining capacity in the developed world, have prompted longer-haul shipments to meet product demand.

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Oil Product Imports - Major Growth Regions
(Million bpd)

Source: Drewry

Current Tanker Fleet

Crude oil is transported in uncoated vessels, which range upwards in size from 55,000 dwt. Products are carried predominately in coated ships and include commodities such as fuel oil and vacuum gas oil (often referred to as “dirty products”), gas oil, gasoline, jet fuel, kerosene and naphtha (often referred to as “clean products”). In addition, some product tankers are also able to carry bulk liquid chemicals and edible oils and fats if they have the appropriate International Maritime Organization (IMO) certification. These vessels are classified as product/chemical tankers and as such they represent a swing element in supply, having the ability to move between trades depending on market conditions. Clean petroleum products are therefore carried by non-IMO product tankers and IMO certified product/chemical tankers. IMO tankers will also carry, depending on their tank coatings, a range of other products including organic and inorganic bulk liquid chemicals, vegetable oils and animal fats and special products such as molasses.

As of March 1, 2017, the total oil tanker fleet (crude, products and product/chemical tankers) consisted of 4,754 ships with a combined capacity of 525.9 million dwt.

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The Oil Tanker Fleet - March 1, 2017

Vessel Type	Deadweight Tons (Dwt)	Number of Vessels	% of Fleet	Capacity (m Dwt)	% of Fleet
Crude Tankers (1)					
VLCC/ULCC	200,000+	712	35.1	218.9	58.1
Suezmax	120-199,999	517	25.5	80.3	21.3
Aframax	80-119,999	649	32.0	70.0	18.6
Panamax	55-79,999	87	4.3	6.0	1.6
Handymax	40-54,999	17	0.8	0.8	0.2
Handy	25-39,999	12	0.6	0.4	0.1
Handy	10-24,999	36	1.8	0.6	0.2
Total Fleet		2,030	100.0	377.0	100.0
Product Tankers					
Long Range 3 (LR3)	120-199,999	16	1.2	2.5	2.9
Long Range 2 (LR2)	80,000-119,999	319	23.8	34.5	40.0
Long Range 1 (LR1)	55-79,999	318	23.8	23.3	27.0
Medium Range 2 (MR2)	40-54,999	429	32.1	20.1	23.3
Medium Range 1 (MR1)	25-39,999	114	8.5	3.9	4.5
Handy	10-24,999	142	10.6	2.0	2.3
Total Fleet		1,338	100.0	86.3	100.0
Product/Chemical Tankers (2)					
Long Range 3 (LR3)	120-199,999	—	—	—	—
Long Range 2 (LR2)	80,000-119,999	3	0.2	—	—
Long Range 1 (LR1)	55-79,999	25	1.8	1.8	2.9
Medium Range 2 (MR2)	40-54,999	1,004	72.4	48.5	77.4
Medium Range 1 (MR1)	25-39,999	315	22.7	11.7	18.7
Handy	10-24,999	39	2.8	0.6	1.0
Total Fleet		1,386	100.0	62.6	100.0
Product & Product/Chemical Fleet					
Long Range 3 (LR3)	120-199,999	16	0.6	2.5	1.7
Long Range 2 (LR2)	80,000-119,999	322	11.8	34.5	23.2
Long Range 1 (LR1)	55-79,999	343	12.6	25.1	16.9
Medium Range 2 (MR2)	40-54,999	1,433	52.6	68.6	46.1
Medium Range 1 (MR1)	25-39,999	429	15.7	15.6	10.5
Handy	10-24,999	181	6.6	2.6	1.7
Total Fleet		2,724	100.0	148.9	100.0
Crude, Product and Product/Chemical Tanker Fleet					
VLCC/ULCC	200,000+	712	15.0	218.9	41.6
Suezmax/LR3	120-199,999	533	11.2	82.8	15.7
Aframax/LR2	80-119,999	971	20.4	104.5	19.9
Panamax/LR1	55-79,999	430	9.0	31.1	5.9
Handy/Medium Range	40-54,999	1450	30.5	69.4	13.2
Handy/Medium Range	25-39,999	441	9.3	16.0	3.0
Handy/Handymax	10-54,999	217	4.6	3.2	0.6

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Total Fleet	4,754	100.0	525.9	100.0
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(1)Included shuttle tankers and tankers on storage duties

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(2) Includes product and product/chemical tankers, excludes chemical tankers

Source: Drewry

The world product tanker fleet as of March 1, 2017 consisted of 2,724 ships with a combined capacity of 148.9 million dwt. The breakdown of the fleet by type (product and product/chemical) and by size together with the orderbook for newbuilding tankers as of March 1, 2017, is illustrated in the table below.

The World Tanker Fleet⁽¹⁾ & Orderbook - March 1, 2017

Vessel Type	(Dwt)	Existing Fleet		Orderbook		Orderbook % Fleet		2017		2018		2019		2020+	
		No	M Dwt	No	M Dwt	No	Dwt	No	M Dwt	No	M Dwt	No	M Dwt	No	M Dwt
Crude Tankers (1)															
VLCC/ULCC	200,000+	712	218.9	86.0	26.6	12.1	12.2	36.0	11.0	47.0	14.6	3.0	1.0	—	—
Suezmax	120-199,999	517	80.3	79.0	12.4	15.3	15.4	60.0	9.4	19.0	3.0	—	—	—	—
Aframax	80-119,999	649	70.0	89.0	10.1	13.7	14.4	38.0	4.3	38.0	4.3	9.0	1.0	4.0	0.5
Panamax	55-79,999	87	6.0	6.0	0.4	6.9	6.7	6.0	0.4	—	—	—	—	—	—
Handymax	40-54,999	17	0.8	2.0	0.1	11.8	12.5	2.0	0.1	—	—	—	—	—	—
Handy	25-39,999	12	0.4	—	—	—	—	—	—	—	—	—	—	—	—
Handy	10-24,999	36	0.6	4.0	0.1	11.1	16.7	4.0	0.1	—	—	—	—	—	—
Total Fleet		2,030	377.0	266.0	49.7	13.1	13.2	146.0	25.3	104.0	21.9	12.0	2.0	4.0	0.5
Product Tankers															
Long Range 3 (LR3)	120-199,999	16	2.5	4.0	0.6	25.0	24.0	2.0	0.3	2.0	0.3	—	—	—	—
Long Range 2 (LR2)	80,000-119,999	319	34.5	46.0	5.2	14.4	15.1	29.0	3.2	11.0	1.3	6.0	0.7	—	—
Long Range 1 (LR1)	55-79,999	318	23.3	42.0	3.1	13.2	13.3	25.0	1.8	14.0	1.0	1.0	0.1	2.0	0.2
Medium Range 2 (MR2)	40-54,999	429	20.1	38.0	1.9	8.9	9.5	4.0	0.2	9.0	0.4	18.0	0.9	7.0	0.4
Medium Range 1 (MR1)	25-39,999	114	3.9	—	—	—	—	—	—	—	—	—	—	—	—
Handy	10-24,999	142	2.0	8.0	0.2	5.6	10.0	5.0	0.1	3.0	0.1	—	—	—	—
Total Fleet		1,338	86.3	138.0	11.0	10.3	12.7	65.0	5.6	39.0	3.1	25.0	1.7	9.0	0.6
Product/Chemical Tankers (2)															
Long Range 3 (LR3)	120-199,999	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Long Range 2 (LR2)	80,000-119,999	3	—	—	—	—	—	—	—	—	—	—	—	—	—
Long Range 1 (LR1)	55-79,999	25	1.8	—	—	—	—	—	—	—	—	—	—	—	—

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Medium Range 2 (MR2) 40-54,999	1,004	48.5	81.0	4.0	8.1	8.2	56.0	2.8	19.0	0.9	6.0	0.3	—	—
Medium Range 1 (MR1) 25-39,999	315	11.7	13.0	0.5	4.1	4.3	12.0	0.4	1.0	0.1	—	—	—	—
Handy 10-24,999	39	0.6	—	—	—	—	—	—	—	—	—	—	—	—
Total Fleet	1,386	62.6	94.0	4.5	6.8	7.2	68.0	3.2	20.0	1.0	6.0	0.3	—	—

Product & Product/Chemical Fleet

Long Range 3 (LR3) 120-199,999	16	2.5	4.0	0.6	25.0	24.0	2.0	0.3	2.0	0.3	—	—	—	—
Long Range 2 (LR2) 80,000-119,999	322	34.5	46.0	5.2	14.3	15.1	29.0	3.2	11.0	1.3	6.0	0.7	—	—
Long Range 1 (LR1) 55-79,999	343	25.1	42.0	3.1	12.2	12.4	25.0	1.8	14.0	1.0	1.0	0.1	2.0	0.2
Medium Range 2 (MR2) 40-54,999	1,433	68.6	119.0	5.9	8.3	8.6	60.0	3.0	28.0	1.3	24.0	1.2	7.0	0.4
Medium Range 1 (MR1) 25-39,999	429	15.6	13.0	0.5	3.0	3.2	12.0	0.4	1.0	0.1	—	—	—	—
Handy 10-24,999	181	2.6	8.0	0.2	4.4	7.7	5.0	0.1	3.0	0.1	—	—	—	—
Total Fleet	2,724	148.9	232.0	15.5	8.5	10.4	133.0	8.8	59.0	4.1	31.0	2.0	9.0	0.6

Crude, Product and Product/Chemical Tanker

Fleet

VLCC/ULCC 200,000+	712	218.9	86.0	26.6	12.1	12.2	36.0	11.0	47.0	14.6	3.0	1.0	—	—
Suezmax/LR3 120-199,999	533	82.8	83.0	13.0	15.6	15.7	62.0	9.7	21.0	3.3	—	—	—	—
Aframax/LR2 80-119,999	971	104.5	135.0	15.3	13.9	14.6	67.0	7.5	49.0	5.6	15.0	1.7	4.0	0.5
Panamax/LR1 55-79,999	430	31.1	48.0	3.5	11.2	11.2	31.0	2.2	14.0	1.0	1.0	0.1	2.0	0.2
Handy/Medium Range 40-54,999	1,450	69.4	121.0	6.0	8.3	8.6	62.0	3.1	28.0	1.3	24.0	1.2	7.0	0.4
Handy/Medium Range 25-39,999	441	16.0	13.0	0.5	2.9	3.1	12.0	0.4	1.0	0.1	—	—	—	—
Handy/Handymax 10-54,999	217	3.2	12.0	0.3	5.5	9.4	9.0	0.2	3.0	0.1	—	—	—	—
Total Fleet	4,754	525.9	498.0	65.2	10.5	12.4	279.0	34.1	163.0	26.0	43.0	4.0	13.0	1.1

(1) Included shuttle tankers and tankers on storage duties

(2) Product and product/chemical tankers only, excludes pure chemical tankers

Source: Drewry

As of March 1, 2017, the orderbook for product and product/chemical tankers for vessels above 10,000 dwt comprised 232 ships with a combined capacity of 15.5 million dwt, equivalent to 10.4% of the existing fleet. Based on the total orderbook and scheduled deliveries, approximately 8.8 million dwt is expected to be delivered in 2017, followed by 4.1 million dwt in 2018 and the remaining 2.6 million dwt will be delivered in 2019 and beyond. In recent years, however, the orderbook has been affected by the non-delivery of vessels (sometimes referred to as “slippage”). Some of this slippage resulted from delays, either through mutual agreement or through shipyard problems, while some was due to vessel cancellations. Slippage is likely to remain an issue going forward and, as such, it will have a moderating effect over product tanker fleet growth in 2017 and 2018.

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The Oil Tanker Freight Market

Tanker charter hire rates and vessel values for all tankers are influenced by the supply and demand for tanker capacity. Also, in general terms, time charter rates are less volatile than spot rates, because they reflect the fact that the vessel is fixed for a longer period of time. In the spot market, rates will reflect the immediate underlying conditions in vessel supply and demand and are thus prone to more volatility. The trend in spot rates since 2001 for the main vessel classes is shown in the table below.

Oil Tanker - Spot (TCE) Rates: 2001-2017
(US\$/Day)

Year	Caribs USAC 40-70,000 DWT	NW Europe NW Europe 70-100,000 DWT	West Africa Caribs/USES 150-160,000 DWT	AG Japan 280-300,000 DWT
2001	26,300	35,308	31,992	36,891
2002	16,567	22,800	19,325	21,667
2003	28,833	41,883	37,367	49,342
2004	42,158	55,408	64,792	95,258
2005	34,933	57,517	40,883	59,125
2006	28,792	47,067	40,142	51,142
2007	30,100	41,975	35,392	45,475
2008	36,992	56,408	52,650	89,300
2009	13,450	19,883	20,242	29,483
2010	17,950	27,825	19,658	40,408
2011	5,558	12,183	12,508	10,100
2012	9,042	10,617	13,825	12,775
2013	10,417	12,908	12,900	12,325
2014	18,217	33,075	21,200	24,892
2015	28,533	44,567	40,942	68,600
2016	16,633	32,875	23,433	41,792
Feb-17	14,500	38,200	11,300	28,500

Source: Drewry

After a period of favorable market conditions between 2004 and 2008, demand for products fell as the world economy went into recession in the latter half of 2008 and there was a negative impact on product tanker demand. With supply at the same time increasing at a fast pace, falling utilization levels pushed tanker freight rates downwards in 2009. A modest recovery took place in the early part of 2010, but this was short-lived and rates started to fall once more in mid-2012 before rebounding in 2014.

Freight rates in the tanker sector started to improve in the second half of 2014 as result of low growth in vessel supply and rising vessel demand. In the products sector a number of factors combined to push up rates, including:

- Increased trade due to higher stocking activity and improved demand for oil products
- Longer voyage distances because of refining capacity additions in Asia
- Product tankers also carrying crude encouraged by firm freight rates for dirty tankers
- Lower bunker prices contributing to higher net earnings

Freight rates remained firm throughout 2015 and first half of 2016 and this led to greater revenue and improved profitability for ship-owners. However, in the second half of 2016 tanker freight rates declined sharply as a result of the increase tanker supply outweighing the demand for tankers.

Oil Tanker Newbuilding Prices

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Newbuilding prices increased significantly between 2003 and 2007 primarily as a result of increased tanker demand. Thereafter prices weakened in the face of a poor freight market and lower levels of new ordering. In late 2013, prices started to recover and they continued to edge up slowly during 2014 before falling marginally in late 2015. Moreover, newbuilding prices fell further in 2016 because of excess capacity available at shipyards accompanied with low steel prices. New orders declined on account of diminishing earnings potential of oil tankers, and mandatory compliance to Tier III emission for ships ordered on or after January 1, 2016.

For most oil tanker sizes, newbuilding prices are well below the peaks reported at the height of the market boom in 2007-08 and also below long-term averages.

Oil Tankers: Newbuilding Prices: 2001-2017
(In millions of U.S. Dollars)

Year End	30,000 DWT	50,000 DWT	75,000 DWT	110,000 DWT	160,000 DWT	300,000 DWT
2001	25.0	27.0	33.5	38.0	47.0	72.0
2002	24.5	26.5	31.0	36.0	44.0	66.0
2003	28.5	30.5	34.5	40.0	52.0	73.0
2004	34.0	39.0	41.0	57.0	68.0	105.0
2005	37.5	42.0	43.0	59.0	71.0	120.0
2006	40.5	47.5	50.0	65.0	78.0	128.0
2007	46.0	54.0	64.0	78.0	90.0	146.0
2008	40.0	46.5	57.0	71.5	87.0	142.0
2009	31.0	36.0	42.5	52.0	62.0	101.0
2010	33.0	36.0	46.0	57.0	67.0	105.0
2011	31.5	36.0	44.0	52.8	61.7	99.0
2012	30.0	33.0	42.0	48.0	56.5	92.0
2013	31.0	35.0	43.0	51.5	59.0	93.5
2014	33.0	37.0	45.5	54.0	65.0	97.0
2015	32.0	35.5	45.0	51.5	63.0	94.0
2016	24.0	32.0	39.0	45.0	54.0	83.0
Feb-17	21.0	32.0	39.0	43.0	55.0	81.0
Long-term average	32.6	37.1	43.8	53.5	64.1	101.0

Source: Drewry
Secondhand Prices

Secondhand values primarily, albeit with a lag, reflect prevailing and expected charter rates. During extended periods of high charter rates vessel values tend to appreciate and vice versa. However vessel values are also influenced by other factors, including the age of the vessel. Prices for young vessels, those approximately up to five years old, are also influenced by newbuilding prices while prices for old vessels, near the end of their useful economic life, those approximately at or in excess of 25 years, are influenced by the value of scrap steel.

The table below illustrates the movements of prices for secondhand oil tankers from 2001 to January 2017. In late 2013, prices for all modern tankers increased as a result of improvement in freight rates and positive market sentiment and further gains were recorded in 2014 and 2015. However in 2016, second hand prices saw a double-digit decline on weakening freight rates. For example, the secondhand price of a five year old LR vessel of 95,000 dwt capacity fell by

35% from \$46 million in 2015 to \$30 million in 2016. As of February 2017 secondhand prices for oil tankers were also still well below their long-term averages for every vessel class.

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Oil Tanker Secondhand Prices: 2001-2017

(In millions of U.S. Dollars)

Year End	30,000	45,000	75,000	95,000	150,000	300,000
	DWT	DWT	DWT	DWT	DWT	DWT
Age	5 Yrs	5 Yrs	5 Yrs	5 Yrs	5 Yrs	5 Yrs
2001	25.0	25.0	25.5	34.5	41.5	63.0
2002	21.5	21.5	21.0	29.5	39.0	55.0
2003	29.5	29.5	24.0	37.0	47.0	70.0
2004	42.0	42.0	38.0	57.0	73.0	112.0
2005	40.0	45.5	46.5	58.0	75.0	110.0
2006	42.0	47.5	48.0	63.0	77.0	115.0
2007	40.5	52.0	59.0	68.5	87.0	130.0
2008	36.5	42.0	46.0	55.0	77.0	110.0
2009	20.5	24.0	32.5	38.0	53.0	77.5
2010	21.5	24.0	35.0	42.0	58.0	85.5
2011	22.5	27.0	32.0	33.5	45.5	58.0
2012	20.0	24.0	25.0	27.5	40.0	57.0
2013	25.0	29.0	31.0	33.0	42.0	60.0
2014	20.0	24.0	33.5	42.0	57.0	76.0
2015	23.0	27.0	36.0	46.0	60.0	80.0
2016	15.0	22.0	28.0	30.0	42.0	60.0
Feb-21	15.0	22.0	28.0	29.0	40.0	60.0
Long-term average	27.8	31.6	35.1	43.4	57.1	82.4

Source: Drewry

Environmental and Other Regulations

Government laws and regulations significantly affect the ownership and operation of our vessels. We are subject to various international conventions, laws and regulations in force in the countries in which our vessels may operate or are registered. Compliance with such laws, regulations and other requirements entails significant expense, including vessel modification and implementation costs.

A variety of government, quasi-governmental and private organizations subject our vessels to both scheduled and unscheduled inspections. These organizations include the local port authorities, national authorities, harbor masters or equivalent entities, classification societies, relevant flag state (country of registry) and charterers, particularly terminal operators and oil companies. Some of these entities require us to obtain permits, licenses, certificates and approvals for the operation of our vessels. Our failure to maintain necessary permits, licenses, certificates or approvals could require us to incur substantial costs or temporarily suspend operation of one or more of the vessels in our fleet, or lead to the invalidation or reduction of our insurance coverage.

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We believe that the heightened levels of environmental and quality concerns among insurance underwriters, regulators and charterers have led to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for tankers that conform to stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with applicable local, national and international environmental laws and regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations; however, because such laws and regulations are frequently changed and may impose increasingly strict requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident that results in significant oil pollution, release of hazardous substances, loss of life, or otherwise causes significant adverse environmental impact, such as the 2010 Deepwater Horizon oil spill in the Gulf of Mexico, could result in additional legislation, regulation, or other requirements that could negatively affect our profitability.

International Maritime Organization

The IMO is the United Nations agency for maritime safety and the prevention of pollution by ships. The IMO has adopted several international conventions that regulate the international shipping industry, including but not limited to the CLC, the Bunker Convention and MARPOL. MARPOL is broken into six Annexes, each of which establishes environmental standards relating to different sources of pollution: Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried, in bulk, in liquid or packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, adopted by the IMO in September of 1997, relates to air emissions.

In 2012, the IMO Marine Environment Protection Committee, or the MEPC, adopted by resolution amendments to the International Code for the Construction and Equipment of Ships carrying Dangerous Chemicals in Bulk, or the IBC Code. The provisions of the IBC Code are mandatory under MARPOL and SOLAS. These amendments, which entered into force in June 2014, pertain to revised international certificates of fitness for the carriage of dangerous chemicals in bulk and identifying new products that fall under the IBC Code. We may need to make certain financial expenditures to comply with these amendments. As of January 1, 2016, amendments to Annex I, the IBC Code, requires that all chemical tankers must be fitted with approved stability instruments capable of verifying compliance with both intact and damage stability.

In 2013, the MEPC adopted by resolution amendments to the MARPOL Annex I Condition Assessment Scheme, or CAS. The amendments, which became effective on October 1, 2014 are intended to complement inspections for bulk carriers and tankers set forth in the 2011 International Code, on the Enhanced Programme of Inspections during Surveys of Bulk Carriers and Oil Tankers and enhances the program of inspection for certain tankers. We may need to make certain financial expenditures to comply with these amendments.

Air Emissions

In September of 1997, the IMO adopted Annex VI to MARPOL to address air pollution. Effective May 2005, Annex VI sets limits on nitrogen oxide emissions from ships whose diesel engines were constructed (or underwent major conversions) on or after January 1, 2000. It also prohibits “deliberate emissions” of “ozone depleting substances,” defined to include certain halons and chlorofluorocarbons. “Deliberate emissions” are not limited to times when the ship is at sea; they can for example include discharges occurring in the course of the ship’s repair and maintenance. Emissions of “volatile organic compounds” from certain tankers, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls) are also prohibited. Annex VI also includes

a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls of sulfur emissions known in ECAs.

The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. As of January 1, 2012, the amended Annex VI requires that fuel oil contain no more than 3.5% sulfur. On October 27, 2016, at its 70th session, MEPC 70, MEPC announced its decision concerning the implementation of regulations mandating a reduction in sulfur emissions from the current 3.5% to 0.5% as of the beginning of 2020 rather than pushing the deadline back to 2025. By 2020 ships will now have to either reduce sulfur from emissions through the installation and use of emission scrubbers or buy fuel with lower sulfur content. Consequently, complying with MEPC 70 could result in a significant capital expenditure or a significant increase in the cost of bunkers. The Company is currently reviewing alternatives to comply with MEPC 70 when it enters into force.

Sulfur content standards are even stricter within certain ECAs. As of January 1, 2015, ships operating within an ECA were not permitted to use fuel with sulfur content of 0.10%. Amended Annex VI establishes procedures for designating new ECAs.

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Currently, the Baltic Sea and the North Sea have been so designated. On August 1, 2012, certain coastal areas of North America were designated ECAs and effective January 1, 2014, the applicable areas of the U.S. Caribbean Sea were designated ECAs. If other ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the EPA or the states where we operate, compliance with these regulations could entail significant capital expenditures, operational changes, or otherwise increase the costs of our operations.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. At MEPC 70, MEPC approved the North Sea and Baltic Sea as ECAs for nitrogen oxides, effective January 1, 2021. It is expected that these areas will be formally designated after draft amendments are presented at MEPC's next session. The EPA promulgated equivalent (and in some senses stricter) emissions standards in late 2009. As a result of these designations or similar future designations, we may be required to incur additional operating or other costs.

Ballast Water Management

The IMO adopted the BWM Convention, in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. All ships will also have to carry a ballast water record book and an International Ballast Water Management Certificate. The BWM Convention enters into force 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping. On September 8, 2016, this threshold was met (with 52 contracting parties making up 35.14%). Thus, the BWM Convention will enter into force on September 8, 2017. Many of the implementation dates in the BWM Convention have already passed, so that once the BWM Convention enters into force, the period of installation of mandatory ballast water exchange requirements would be extremely short, with several thousand ships a year needing to install ballast water management systems, or BWMS. For this reason, on December 4, 2013, the IMO Assembly passed a resolution revising the application dates of the BWM Convention so that they are triggered by the entry into force date and not the dates originally in the BWM Convention. This, in effect, makes all vessels constructed before the entry into force date "existing vessels" and allows for the installation of a BWMS on such vessels at the first renewal survey following entry into force of the convention. At MEPC 70, MEPC adopted updated "guidelines for approval of ballast water managements systems (G8)." G8 updates previous guidelines concerning procedures to approve BWMS. Once mid-ocean ballast exchange or ballast water treatment requirements become mandatory, the cost of compliance could increase for ocean carriers and the costs of ballast water treatments may be material. However, many countries already regulate the discharge of ballast water carried by vessels from country to country to prevent the introduction of invasive and harmful species via such discharges. The United States for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternate measure, and to comply with certain reporting requirements. Although we do not believe that the costs of such compliance would be material, it is difficult to predict the overall impact of such a requirement on our operations.

Safety Management System Requirements

The IMO also adopted SOLAS and the LL Convention, which impose a variety of standards that regulate the design and operational features of ships. The IMO periodically revises the SOLAS and LL standards. May 2012 SOLAS amendments entered into force as of January 1, 2014. The Convention on Limitation for Maritime Claims of 1976 as amended, or LLMC, was recently amended and the amendments went into effect on June 8, 2015. The amendments alter the limits of liability for a loss of life or personal injury claim and a property claim against ship owners.

Our operations are also subject to environmental standards and requirements contained in the ISM Code promulgated by the IMO under Chapter IX of SOLAS. The ISM Code requires the owner of a vessel, or any person who has taken responsibility for operation of a vessel, to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that has been developed for our vessels for compliance with the ISM Code. The failure of a ship-owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may

decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

The ISM Code requires that vessel operators also obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with code requirements for a safety management system. No vessel can obtain a certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. Our managers have obtained documents of compliance for their offices and safety management certificates for all of our vessels for which the certificates are required by the ISM Code. These documents of compliance and safety management certificates are renewed as required.

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Non-compliance with the ISM Code and other IMO regulations may subject the shipowner or bareboat charterer to increased liability, may lead to decreases in, or invalidation of, available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports.

Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatory nations to such conventions. For example, many countries have ratified and follow the liability plan adopted by the IMO and set out in the CLC of 1969, as amended by different Protocols in 1976, 1984, and 1992, and amended in 2000. Under the CLC and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain exceptions. The 1992 Protocol changed certain limits on liability, expressed using the International Monetary Fund currency unit of Special Drawing Rights. The limits on liability have since been amended so that compensation limits on liability were raised. The right to limit liability is forfeited under the CLC where the spill is caused by the shipowner's personal fault and under the 1992 Protocol where the spill is caused by the shipowner's personal act or omission by intentional or reckless conduct where the shipowner knew pollution damage would probably result. The CLC requires ships covered by it to maintain insurance covering the liability of the owner in a sum equivalent to an owner's liability for a single incident. We believe that our protection and indemnity insurance will cover the liability under the plan adopted by the IMO.

The IMO adopted the Bunker Convention to impose strict liability on shipowners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the LLMC. With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in ship's bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

United States Regulations

OPA established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all "owners and operators" whose vessels trade in the U.S., its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S. territorial sea and its 200 nautical mile exclusive economic zone. The U.S. has also enacted the CERCLA, which applies to the discharge of hazardous substances (including certain forms of oil) whether on land or at sea. OPA and CERCLA both define "owner and operator" "in the case of a vessel, as any person owning, operating or chartering by demise, the vessel." Accordingly, both OPA and CERCLA impact our operations.

Under OPA, vessel owners and operators are "responsible parties" and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third-party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels. OPA defines these other damages broadly to include:

- injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;
- injury to, or economic losses resulting from, the destruction of real and personal property;
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net loss of taxes, royalties, rents, fees or net profits resulting from injury, destruction or loss of real or personal property, or natural resources;

• loss of subsistence use of natural resources that are injured, destroyed or lost;

• lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and

• net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective December 21, 2015, the USCG adjusted the limits of OPA liability to the greater of \$2,200 per gross ton or \$18,796,800 (subject to periodic adjustment for inflation) for tankers greater than 3,000 gross tons, other than a single hull tanker, such as double hull tankers, and our fleet is entirely composed of vessels of this size class. These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident

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where the responsibility party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

CERCLA contains a similar liability regime whereby owners and operators of vessels are liable for cleanup, removal and remedial costs, as well as damage for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing same, and health assessments or health effects studies. There is no liability if the discharge of a hazardous substance results solely from the act or omission of a third-party, an act of God or an act of war. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$5 million for vessels carrying a hazardous substance as cargo or residue and the greater of \$300 per gross ton or \$500,000 for any other vessel. These limits do not apply (rendering the responsible person liable for the total cost of response and damages) if the release or threat of release of a hazardous substance resulted from willful misconduct or negligence, or the primary cause of the release was a violation of applicable safety, construction or operating standards or regulations. The limitation on liability also does not apply if the responsible person fails or refused to provide all reasonable cooperation and assistance as requested in connection with response activities where the vessel is subject to OPA.

OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law.

OPA and CERCLA both require owners and operators of vessels to establish and maintain with the USCG evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee. We have provided such evidence and received certificates of financial responsibility from the USCG for each of our vessels that is required to have one.

OPA permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA. Some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters, however, in some cases, states which have enacted this type of legislation have not yet issued implementing regulations defining tanker owners' responsibilities under these laws.

The 2010 Deepwater Horizon oil spill in the Gulf of Mexico may also result in additional regulatory initiatives or statutes, including the raising of liability caps under OPA. For example, on August 15, 2012, the U.S. Bureau of Safety and Environmental Enforcement, or the BSEE, issued a final drilling safety rule for offshore oil and gas operations that strengthens the requirements for safety equipment, well control systems, and blowout prevention practices. A new rule issued by the U.S. Bureau of Ocean Energy Management that increased the limits of liability of damages for offshore facilities under OPA based on inflation took effect in January 2015. In April 2015, it was announced that new regulations are expected to be imposed in the U.S. regarding offshore oil and gas drilling and the BSEE announced a new Well Control Rule in April 2016. In December 2015, the BSEE announced a new pilot inspection program for offshore facilities. Compliance with any new requirements of OPA may substantially impact our cost of operations or require us to incur additional expenses to comply with any new regulatory initiatives or statutes.

Through our P&I Club membership, we expect to maintain pollution liability coverage insurance in the amount of \$1 billion per incident for each of our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The CWA prohibits the discharge of oil, hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. Furthermore, many in the U.S. that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law.

The EPA and USCG have enacted rules relating to ballast water discharge, compliance with which requires the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, and/or otherwise restrict our vessels from entering United States waters.

The EPA regulates the discharge of ballast and bilge water and other substances in U.S. waters under the CWA. The EPA regulations require vessels 79 feet in length or longer (other than commercial fishing vessels and recreational vessels) to comply with a Vessel General Permit for Discharges Incidental to the Normal Operation of Vessels, or the VGP, authorizing ballast and bilge water discharges and other discharges incidental to the operation of vessels. For a new vessel delivered to an owner or operator after September 19, 2009 to be covered by the VGP, the owner must submit a Notice of Intent at least 30 days before the vessel operates in U.S. waters. The VGP imposes technology and water-quality based effluent limits for certain types of discharges and establishes specific inspection, monitoring, record-keeping and reporting requirements to ensure the effluent limits are met. On March 28, 2013, the EPA re-issued the VGP for another five years, effective from December 19, 2013. The new VGP focuses

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on authorizing discharges incidental to operations of commercial vessels, and contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters, more stringent requirements for exhaust gas scrubbers, and the use of environmentally acceptable lubricants.

In addition, under Section 401 of the CWA, the VGP must be certified by the state where the discharge is to take place. Certain states have enacted additional discharge standards as conditions to their certification of the VGP. These local standards bring the VGP into compliance with more stringent state requirements, such as those further restricting ballast water discharges and preventing the introduction of non-indigenous species considered to be invasive. The VGP and its state-specific regulations and any similar restrictions enacted in the future will increase the costs of operating in the relevant waters.

USCG regulations adopted under the U.S. National Invasive Species Act also impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters that require the installation of equipment to treat ballast water before it is discharged in U.S. waters or, in the alternative, the implementation of other port facility disposal arrangements or procedures. Vessels not complying with these regulations are restricted from entering U.S. waters. As of June 21, 2012, the USCG implemented revised regulations on ballast water management by establishing standards on the allowable concentration of living organisms in ballast water discharged from ships in U.S. waters. The USCG must approve any technology before it is placed on a vessel.

As of January 1, 2014, vessels are technically subject to the phasing-in of these standards. However, it was not until December 2016 that the USCG first approved technology to treat ballast water. The USCG previously provided waivers to vessels that could not install the as-yet unapproved technology and vessels now requiring a waiver will need to show why they cannot install the approved technology. The EPA, on the other hand, has taken a different approach to enforcing ballast discharge standards under the VGP. On December 27, 2013, the EPA issued an enforcement response policy in connection with the new VGP in which the EPA indicated that it would take into account the reasons why vessels do not have the requisite technology installed, but will not grant any waivers.

It should also be noted that in October 2015, the Second Circuit Court of Appeals issued a ruling that directed the EPA to redraft the sections of the 2013 VGP that address ballast water. However, the Second Circuit stated that 2013 VGP will remain in effect until the EPA issues a new VGP. In the fall of 2016, sources reported that the EPA indicated it was working on a new VGP. It presently remains unclear how the ballast water requirements set forth by the EPA, the USCG, and IMO BWM Convention, some of which are in effect and some which are pending, will co-exist.

The CAA, requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels will be subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas. Our vessels that operate in such port areas with restricted cargoes will be equipped with vapor recovery systems that satisfy these requirements. The CAA also requires states to adopt State Implementation Plans, or SIPs, designed to attain national health-based air quality standards in primarily major metropolitan and/or industrial areas. Several SIPs regulate emissions resulting from vessel loading and unloading operations by requiring the installation of vapor control equipment. As indicated above, our vessels operating in covered port areas will be equipped with vapor recovery systems that satisfy these existing requirements.

Compliance with the EPA and the USCG regulations could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, and/or otherwise restrict our vessels from entering U.S. waters.

European Union Regulations

In October 2009, the EU amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. Member States were required to enact laws or regulations to comply with the directive by the end of 2010. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims.

The EU has adopted several regulations and directives requiring, among other things, more frequent inspections of high-risk ships, as determined by type, age, flag, and the number of times the ship has been detained. The EU also adopted and then extended a ban on substandard ships and enacted a minimum ban period and a definitive ban for repeated offenses. The regulation also provided the EU with greater authority and control over classification societies, by imposing more requirements on classification societies and providing for fines or penalty payments for organizations that failed to comply.

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Greenhouse Gas Regulation

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions. The 2015 United Nations Convention on Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016. The Paris Agreement does not result in an agreement that directly limited greenhouse gas emissions for ships. As of January 1, 2013, all new ships must comply with new sets of mandatory requirements to address greenhouse gas emissions from ships adopted by MEPC, in July 2011 relating to greenhouse gas emissions. Under those measures, by 2025, all new ships built will be 30% more energy efficient than those built in 2014. All ships are required to develop and follow a Ship Energy Efficiency Management Plans, and minimum energy efficiency levels per capacity mile, outlined in the Energy Efficiency Design Index, will apply to new ships. These requirements could cause us to incur additional compliance costs. The IMO is also planning to implement market-based mechanisms to reduce greenhouse gas emissions from ships at an upcoming MEPC session. The EU has indicated that it intends to propose an expansion of the existing EU emissions trading scheme to include emissions of greenhouse gases from marine vessels, and in January 2012, the EU launched a public consultation on possible measures to reduce greenhouse gas emissions from ships. In April 2015, a regulation was adopted requiring that large ships (over 5,000 gross tons) calling at EU ports from January 2018 collect and publish data on carbon dioxide emissions and other information. For 2020, the EU made a unilateral commitment to reduce overall greenhouse gas emissions from its member states from 20% of 1990 levels. The EU also committed to reduce its emissions by 20% under the Kyoto Protocol's second period, from 2013 to 2020. In the U.S., the EPA has issued a finding that greenhouse gases endanger the public health and safety and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and large stationary sources. Although the mobile source emissions regulations do not apply to greenhouse gas emissions from vessels, such regulation of vessels is foreseeable, and the EPA has received petitions from the California Attorney General and various environmental groups seeking such regulation. Moreover, in the U.S. individual states can also enact environmental regulations. For example, California has introduced caps for greenhouse gas emissions and, in the end of 2016, signaled it may take additional action regarding climate change. Any passage of climate control legislation or other regulatory initiatives by the IMO, EU, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol or Paris Agreement, that restrict emissions of greenhouse gases could require us to make significant financial expenditures, including capital expenditures to upgrade our vessels, which we cannot predict with certainty at this time.

International Labour Organization

The International Labour Organization, or the ILO, is a specialized agency of the UN with headquarters in Geneva, Switzerland. The ILO has adopted the Maritime Labor Convention 2006, or the MLC 2006. A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance will be required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. The MLC 2006 entered into force on August 20, 2013. Amendments to MLC 2006 were adopted in 2014 and 2016. The MLC 2006 requires us to develop new procedures to ensure full compliance with its requirements.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the MTSA came into effect. To implement certain portions of the MTSA, in July 2003, the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the U.S. The regulations also impose requirements on certain ports and facilities, some of which are regulated by the EPA.

Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new Chapter XI-2 became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, and mandates compliance with the ISPS Code. The ISPS Code is designed to enhance the security of ports and ships against terrorism.

To trade internationally, a vessel must attain an ISSC from a recognized security organization approved by the vessel's flag state. The following are among the various requirements some of which are found in SOLAS:

- on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;

- on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;

- the development of vessel security plans;

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- ship identification number to be permanently marked on a vessel's hull;
 - a continuous synopsis record kept onboard showing a vessel's history, including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and
- compliance with flag state security certification requirements.

Ships operating without a valid certificate, may be detained at port until it obtains an ISSC, or it may be expelled from port, or refused entry at port.

The USCG regulations, intended to align with international maritime security standards, exempt from MTSA vessel security measures non U.S. vessels provided that such vessels have on board a valid ISSC that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code. We have implemented the various security measures addressed by MTSA, SOLAS and the ISPS Code, and our fleet is in compliance with applicable security requirements.

Inspection by classification societies

Every seagoing vessel must be "classed" by a classification society. The classification society certifies that the vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For maintenance of the class, regular and extraordinary surveys of hull, machinery, including the electrical plant, and any special equipment classed are required to be performed as follows:

Annual Surveys. For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant, and where applicable for special equipment classed, within three months before or after each anniversary date of the date of commencement of the class period indicated in the certificate.

Intermediate Surveys. Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys are to be carried out at or between the occasion of the second or third annual survey.

Class Renewal Surveys. Class renewal surveys, also known as special surveys, are carried out for the ship's hull, machinery, including the electrical plant, and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one-year grace period for completion of the special survey. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a vessel owner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle.

At an owner's application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years.

Most vessels are also dry-docked every 30 to 36 months for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a "recommendation" which must be rectified by the ship owner within prescribed time limits.

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Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as “in-class” by a classification society which is a member of the International Association of Classification Societies, or IACS. In December 2013 the IACS adopted new harmonized Common Structure Rules which will apply to oil tankers and bulk carriers to be constructed on or after July 1, 2015. All our vessels are certified as being “in-class” by American Bureau of Shipping or Det Norske Veritas or Lloyds Register. All new and secondhand vessels that we purchase must be certified prior to their delivery under our standard purchase contracts and memoranda of agreement. If the vessel is not certified on the scheduled date of closing, we have no obligation to take delivery of the vessel.

In addition to the classification inspections, many of our customers regularly inspect our vessels as a precondition to chartering them for voyages. We believe that our well-maintained, high-quality vessels provide us with a competitive advantage in the current environment of increasing regulation and customer emphasis on quality.

Risk of Loss and Liability Insurance

General

The operation of any cargo vessel includes risks such as mechanical failure, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which in certain circumstances imposes virtually unlimited liability upon owners, operators and demise charterers of any vessel trading in the United States exclusive economic zone for certain oil pollution accidents in the U.S., has made liability insurance more expensive for vessel-owners and operators trading in the U.S. market. While we believe that our present insurance coverage is adequate, not all risks can be insured against, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

Marine and War Risks Insurance

We have in force marine and war risks insurance for all of our vessels. Our marine hull and machinery insurance covers risks of particular average and actual or constructive total loss from collision, fire, grounding, engine breakdown and other insured named perils up to an agreed amount per vessel. Our war risks insurance covers the risks of particular average and actual or constructive total loss from confiscation, seizure, capture, vandalism, sabotage, and other war-related named perils. Each vessel is covered up to at least its fair market value at the time of the insurance attachment and subject to a fixed deductible per each single accident or occurrence, but excluding actual or constructive total loss.

Protection and Indemnity Insurance

Protection and indemnity (P&I) insurance is provided by mutual protection and indemnity associations, commonly referred to as P&I Clubs, and provides unlimited coverage, except for pollution which is capped as discussed below. P&I insurance covers our third-party liabilities in connection with our shipping activities. This includes liability and other related expenses resulting from injury, illness or death of crew, passengers and other third parties, loss of or damage to cargo, claims arising from collisions with other vessels, damage to third-party property including piers and other fixed or floating objects, pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal.

As a member of a P&I Club that is, in turn, a member of the International Group of P&I Clubs we carry protection and indemnity insurance coverage for pollution of \$1 billion per vessel per incident. The P&I Clubs that comprise the International Group insure approximately 90% of the world’s commercial tonnage and have entered into a pooling agreement to reinsure each Club’s liabilities. Although the P&I Clubs compete with each other for business, they have found it beneficial to pool their larger risks under the auspices of the International Group. This pooling is regulated by a contractual agreement which defines the risks that are to be pooled and exactly how these risks are to be shared by the participating P&I Clubs. We are subject to calls payable to the Clubs of which we are members based on its claim records as well as the claim records of all other members of the individual Clubs and members of the pool of P&I Clubs comprising the International Group.

C. Organizational Structure

Please see Exhibit 8.1 to this annual report for a list of our current significant subsidiaries.

D. Property, Plants and Equipment

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For a description of our fleet, see “Item 4. Information on the Company—B. Business Overview.”

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following presentation of management’s discussion and analysis of results of operations and financial condition should be read in conjunction with our consolidated financial statements, accompanying notes thereto and other financial information appearing in Item 18. “Financial Statements.” You should also carefully read the following discussion with the sections of this annual report entitled “Item 3. Key Information—D. Risk Factors,” “Item 4. Information on the Company—B. Business Overview—The International Oil Tanker Shipping Industry,” and “Cautionary Statement Regarding Forward-Looking Statements.” Our consolidated financial statements as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 have been prepared in accordance with IFRS as issued by the IASB. Our consolidated financial statements are presented in U.S. dollars (\$) unless otherwise indicated. Any amounts converted from another non-U.S. currency to U.S. dollars in this annual report are at the rate applicable at the relevant date, or the average rate during the applicable period.

We generate revenues by charging customers for the transportation of their refined oil and other petroleum products using our vessels. Historically, these services generally have been provided under the following basic types of contractual relationships:

• Voyage charters, which are charters for short intervals that are priced on current, or “spot,” market rates.

• Time charters, which are chartered to customers for a fixed period of time at rates that are generally fixed, but may contain a variable component based on inflation, interest rates, or current market rates.

• Commercial Pools, whereby we participate with other shipowners to operate a large number of vessels as an integrated transportation system, which offers customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Pools negotiate charters primarily in the spot market, but may also arrange time charter agreements. The size and scope of these pools enable them to enhance utilization rates for pool vessels by securing backhaul voyages and COAs (described below), thus generating higher effective TCE revenues than otherwise might be obtainable in the spot market.

• For all types of vessels in contractual relationships, we are responsible for crewing and other vessel operating costs for our owned vessels and the charterhire expense for vessels that we time charter-in.

The table below illustrates the primary distinctions among these different employment arrangements:

	Voyage Charter	Time Charter	Commercial Pool
Typical contract length	Single voyage	One year or more	Varies
Hire rate basis ⁽¹⁾	Varies	Daily	Varies
Voyage expenses ⁽²⁾	We pay	Customer pays	Pool pays
Vessel operating costs for owned vessels or bareboat chartered-in ⁽³⁾	We pay	We pay	We pay
Charterhire expense for vessels time or bareboat chartered-in ⁽³⁾	We pay	We pay	We pay
Off-hire ⁽⁴⁾	Customer does not pay	Customer does not pay	Pool does not pay

(1) “Hire rate” refers to the basic payment from the charterer for the use of the vessel.

“Voyage expenses” refers to expenses incurred due to a vessel’s traveling from a loading port to a discharging port, (2) such as fuel (bunker) cost, port expenses, agent’s fees, canal dues and extra war risk insurance, as well as commissions.

(3) “Vessel operating costs” and “Charterhire expense” are defined below under “—Important Financial and Operational Terms and Concepts.”

(4)

“Off-hire” refers to the time a vessel is not available for service due primarily to scheduled and unscheduled repairs or drydockings. For time chartered-in vessels, we do not pay the charterhire expense when the vessel is off-hire.

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As of March 15, 2017, all of our owned vessels were operating in the Scorpio Group Pools except STI Notting Hill, STI Westminster, STI Poplar, STI Pimlico and STI Rose. These vessels are on time charter-out agreements that are scheduled to expire in the fourth quarter of 2018 and the first quarter of 2019. Furthermore, all of our time or bareboat chartered-in vessels were operating in the Scorpio Group Pools except Steel, Stone I and Style, which are currently operating in the spot market and are expected to join the Scorpio Handymax Tanker Pool before June 2017.

Important Financial and Operational Terms and Concepts

We use a variety of financial and operational terms and concepts. These include the following:

Vessel revenues. Vessel revenues primarily include revenues from time charters, pool revenues and voyage charters (in the spot market). Vessel revenues are affected by hire rates and the number of days a vessel operates. Vessel revenues are also affected by the mix of business between vessels on time charter, vessels in pools and vessels operating on voyage charter. Revenues from vessels in pools and on voyage charter are more volatile, as they are typically tied to prevailing market rates.

Voyage charters. Voyage charters or spot voyages are charters under which the customer pays a transportation charge for the movement of a specific cargo between two or more specified ports. We pay all of the voyage expenses under these charters.

Voyage expenses. Voyage expenses primarily include bunkers, port charges, canal tolls, cargo handling operations and brokerage commissions paid by us under voyage charters. These expenses are subtracted from voyage charter revenues to calculate TCE revenues.

Vessel operating costs. For our owned and bareboat chartered-in vessels, we are responsible for vessel operating costs, which include crewing, repairs and maintenance, insurance, spares and stores, lube oils, communication expenses, and technical management fees. The three largest components of our vessel operating costs are crewing, spares and stores and repairs and maintenance. Expenses for repairs and maintenance tend to fluctuate from period to period because most repairs and maintenance typically occur during periodic drydocking. Please read "Drydocking" below. We expect these expenses to increase as our fleet matures and to the extent that it expands.

Additionally, these costs include technical management fees that we paid to SSM, which is controlled by the Lolli-Ghetti family. Pursuant to our Amended and Restated Master Agreement, SSM provides us with technical services, and we provide them with the ability to subcontract technical management of our vessels with our approval.

Charterhire. Charterhire is the amount we pay the owner for time or bareboat chartered-in vessels. The amount is usually for a fixed period of time at rates that are generally fixed, but may contain a variable component based on inflation, interest rates, or current market rates.

- Time chartered-in vessels. The vessel's owner is responsible for the vessel operating costs.

- Bareboat chartered-in vessels. The charterer is responsible for the vessel operating costs.

Drydocking. We periodically drydock each of our owned vessels for inspection, repairs and maintenance and any modifications to comply with industry certification or governmental requirements. Generally, each vessel is drydocked every 30 months to 60 months. We capitalize a substantial portion of the costs incurred during drydocking and amortize those costs on a straight-line basis from the completion of a drydocking to the estimated completion of the next drydocking. We immediately expense costs for routine repairs and maintenance performed during drydocking that do not improve or extend the useful lives of the assets. The number of drydockings undertaken in a given period and the nature of the work performed determine the level of drydocking expenditures.

Depreciation. Depreciation expense typically consists of:

- charges related to the depreciation of the historical cost of our owned vessels (less an estimated residual value) over the estimated useful lives of the vessels; and

- charges related to the amortization of drydocking expenditures over the estimated number of years to the next scheduled drydocking.

Time charter equivalent (TCE) revenue or rates. We report TCE revenues, a non-IFRS measure, because (i) we believe it provides additional meaningful information in conjunction with voyage revenues and voyage expenses, the most directly comparable IFRS measure, (ii) it assists our management in making decisions regarding the deployment and use of our vessels and in evaluating their financial performance, (iii) it is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance

irrespective of changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods, and (iv) we believe that it presents useful information to investors. TCE revenue is vessel revenue less voyage expenses, including bunkers and port charges. The TCE rate achieved on a given voyage is expressed in U.S. dollars/day and is generally calculated by taking TCE revenue and dividing that figure by the number of revenue days in the period. For a reconciliation of TCE revenue, deduct voyage expenses from revenue on our consolidated statements of income or loss.

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Revenue days. Revenue days are the total number of calendar days our vessels were in our possession during a period, less the total number of off-hire days during the period associated with major repairs or drydockings. Consequently, revenue days represent the total number of days available for the vessel to earn revenue. Idle days, which are days when a vessel is available to earn revenue, yet is not employed, are included in revenue days. We use revenue days to show changes in net vessel revenues between periods.

Average number of vessels. Historical average number of owned vessels consists of the average number of vessels that were in our possession during a period. We use average number of vessels primarily to highlight changes in vessel operating costs and depreciation and amortization.

Contract of affreightment. A contract of affreightment, or COA, relates to the carriage of specific quantities of cargo with multiple voyages over the same route and over a specific period of time which usually spans a number of years. A COA does not designate the specific vessels or voyage schedules that will transport the cargo, thereby providing both the charterer and shipowner greater operating flexibility than with voyage charters alone. The charterer has the flexibility to determine the individual voyage scheduling at a future date while the shipowner may use different vessels to perform these individual voyages. As a result, COAs are mostly entered into by large fleet operators, such as pools or shipowners with large fleets of the same vessel type. We pay the voyage expenses while the freight rate normally is agreed on a per cargo ton basis.

Commercial pools. To increase vessel utilization and revenues, we participate in commercial pools with other shipowners and operators of similar modern, well-maintained vessels. By operating a large number of vessels as an integrated transportation system, commercial pools offer customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Pools employ experienced commercial charterers and operators who have close working relationships with customers and brokers, while technical management is performed by each shipowner. Pools negotiate charters with customers primarily in the spot market, but may also arrange time charter agreements. The size and scope of these pools enable them to enhance utilization rates for pool vessels by securing backhaul voyages and COAs, thus generating higher effective TCE revenues than otherwise might be obtainable in the spot market while providing a higher level of service offerings to customers.

Operating days. Operating days are the total number of available days in a period with respect to the owned or bareboat chartered-in vessels, before deducting available days due to off-hire days and days in drydock. Operating days is a measurement that is only applicable to our owned or bareboat chartered-in vessels, not our time chartered-in vessels.

Items You Should Consider When Evaluating Our Results

You should consider the following factors when evaluating our historical financial performance and assessing our future prospects:

Our vessel revenues are affected by cyclicity in the tanker markets. The cyclical nature of the tanker industry causes significant increases or decreases in the revenue we earn from our vessels, particularly those vessels we trade in the spot market or in spot market oriented pools. We employ a chartering strategy to capture upside opportunities in the spot market while using fixed-rate time charters to reduce downside risks, depending on SCM's outlook for freight rates, oil tanker market conditions and global economic conditions. Historically, the tanker industry has been cyclical, experiencing volatility in profitability due to changes in the supply of, and demand for, tanker capacity. The supply of tanker capacity is influenced by the number and size of new vessels built, vessels scrapped, converted and lost, the number of vessels that are out of service, and regulations that may effectively cause early obsolescence of tonnage. The demand for tanker capacity is influenced by, among other factors:

- global and regional economic and political conditions;
- increases and decreases in production of and demand for crude oil and petroleum products;
- increases and decreases in OPEC oil production quotas;
- the distance crude oil and petroleum products need to be transported by sea; and
- developments in international trade and changes in seaborne and other transportation patterns.

Tanker rates also fluctuate based on seasonal variations in demand. Tanker markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere but weaker in the summer months as a result of lower oil consumption in the northern hemisphere and refinery maintenance that is typically conducted in the

summer months. In addition, unpredictable weather patterns during the winter months in the northern hemisphere tend to disrupt vessel routing and scheduling. The oil price volatility resulting from these factors has historically led to increased oil trading activities in the winter months. As a result, revenues generated by our vessels have historically been weaker during the quarters ended June 30 and September 30, and stronger in the quarters ended March 31 and December 31.

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Our expenses were affected by the fees we pay SCM, SSM, and SSH for commercial management, technical management and administrative services, respectively. SCM, SSM and SSH, companies controlled by the Lolli-Ghetti family of which our founder, Chairman and Chief Executive Officer and our Vice President are members, provide commercial, technical and administrative management services to us, respectively. We pay fees under our Master Agreement with SCM and SSM (which was amended and restated effective September 29, 2016, as described below), for our vessels that operate both within and outside of the Scorpio Group Pools. The fees charged to our vessels operating within the Scorpio Group Pools are identical to what SCM charges third-party owned vessels operating within the Scorpio Group Pools. The fees charged to our vessels for technical management services provided by SSM are \$685 per vessel per day, which are the same as those charged to other vessels managed by SSM at the time the management agreements were entered into. We also reimburse our Administrator for the reasonable direct or indirect expenses it incurs in providing us with the administrative services described in "Item 4 - Information on the Company".

On September 29, 2016, we agreed to amend our administrative services agreement, or the Administrative Services Agreement, with SSH, and our master agreement, or the Master Agreement, with SCM and SSM under a deed of amendment, or the Deed of Amendment. Pursuant to the terms of the Deed of Amendment, on November 15, 2016, we entered into definitive documentation to memorialize the agreed amendments to the Master Agreement, or the Amended and Restated Master Agreement. The Amended and Restated Master Agreement and the Administrative Services Agreement as amended by the Deed of Amendment, or the Amended Administrative Services Agreement, are effective as from September 29, 2016. Under the terms of the amendments, (i) the fee of 1% payable to SSH upon any future vessel sale or purchase was eliminated and (ii) in the event of the sale of one or more vessels, a notice period of three months and a payment equal to three months of management fees will apply, provided that the termination does not amount to a change of control, including a sale of substantially all vessels, in which case a payment equal to 24 months of management fees will apply. There was no consideration paid by us for these amendments.

Critical Accounting Policies

In the application of the accounting policies, we are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgments and estimates are as follows:

Revenue recognition

We currently generate most of our revenue from vessels operating in pools or on long-term time charters. Revenue recognition for time charters and pools is generally not as complex or as subjective as voyage charters (spot voyages). Time charters are for a specific period of time at a specific rate per day. For long-term time charters, revenue is recognized on a straight-line basis over the term of the charter. Pool revenues are determined by the pool managers from the total revenues and expenses of the pool and allocated to pool participants using a mechanism set out in the pool agreement.

We did not generate revenue from spot voyages during the year ended December 31, 2016. Within the shipping industry, there are two methods used to account for spot voyage revenue: (1) ratably over the estimated length of each voyage or (2) completed voyage. The recognition of voyage revenues ratably over the estimated length of each voyage is the most prevalent method of accounting for voyage revenues and the method used by us. Under each method, voyages may be calculated on either a load-to-load or discharge-to-discharge basis. In applying our revenue recognition method, we believe that the discharge-to-discharge basis of calculating voyages more accurately estimates voyage results than the load-to-load basis. In the application of this policy, we do not begin recognizing revenue until (i) the amount of revenue can be measured reliably, (ii) it is probable that the economic benefits associated with the transaction will flow to the entity, (iii) the transactions stage of completion at the balance sheet date can be measured

reliably and (iv) the costs incurred and the costs to complete the transaction can be measured reliably.

Vessel impairment

Impairment methodology

The carrying values of our vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels fluctuate with changes in charter rates and the cost of constructing new vessels. At each reporting period end date, we review the carrying amounts of our vessels to determine whether there is any indication that those vessels may have suffered an impairment loss. In this regard, fluctuations in market values below carrying values are considered to represent an impairment triggering event that necessitates performance of a full impairment review.

Impairment losses are calculated as the excess of a vessel's carrying amount over its recoverable amount. Under IFRS, the recoverable amount is the higher of an asset's (i) fair value less costs to sell and (ii) value in use. Fair value less costs to sell is defined by IFRS as "the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable,

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willing parties, less the costs of disposal.” When we calculate value in use, we discount the expected future cash flows to be generated by our vessels to their net present value.

Our impairment evaluation is performed on an individual vessel basis when there are indications of impairments. First, we assess the fair value less the cost to sell our vessels taking into consideration vessel valuations from leading, independent and internationally recognized ship brokers. We then compare that estimate of market values (less an estimate of selling costs) to each vessel’s carrying value and, if the carrying value exceeds the vessel’s market value, an indicator of impairment exists. The indicator of impairment prompts us to perform a calculation of the potentially impaired vessel’s value in use, in order to appropriately determine the ‘higher of’ the two values.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. In developing estimates of future cash flows, we make assumptions about future charter rates, vessel operating expenses, the estimated remaining useful lives of the vessels and the discount rate. These assumptions are based on historical trends as well as future expectations. Although management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective. Reasonable changes in the assumptions for the discount rate or future charter rates could lead to a value in use for some of our vessels that is equal to or less than the carrying amount for such vessels. All of the aforementioned assumptions have been highly volatile in both the current market and historically.

At December 31, 2016, we had 77 vessels in our fleet and ten vessels under construction:

- All of our 77 owned vessels had fair values less costs to sell less than their carrying amount. We prepared a value in use calculation for each these vessels which resulted in no impairment being recognized.

- We did not obtain independent broker valuations for our ten vessels under construction. To assess their carrying values for impairment, we prepared value in use calculations which resulted in no impairment being recognized.

At December 31, 2015, we had 80 vessels in our fleet (including STI Lombard, which was bareboat chartered-in under a finance lease arrangement) and 12 vessels under construction:

- 50 vessels had fair values less costs to sell in excess of their carrying amount.

- 30 vessels had fair values less costs to sell less than their carrying amount. We prepared a value in use calculation for each these vessels which resulted in no impairment being recognized.

- We did not obtain independent broker valuations for our 12 vessels under construction. To assess their carrying values for impairment, we prepared value in use calculations which resulted in no impairment being recognized.

Our Fleet—Illustrative comparison of excess of carrying amounts over estimated charter-free market value of certain vessels

During the past few years, the market values of vessels have experienced particular volatility and as a result, the charter-free market value, or basic market value, of certain of our vessels may have declined below the carrying amounts of those vessels. After undergoing the impairment analysis discussed above, we have concluded that no impairment is required at December 31, 2016.

The table set forth below indicates the carrying amount of each of our vessels as of December 31, 2016 and December 31, 2015 and the aggregate difference between the carrying amount and the market value represented by such vessels (see footnotes to the table set forth below). This aggregate difference represents the approximate analysis of the amount by which we believe we would record a loss if we sold those vessels, in the current environment, on industry standard terms, in cash transactions and to a willing buyer where we are not under any compulsion to sell, and where the buyer is not under any compulsion to buy. For purposes of this calculation, we have assumed that the vessels would be sold at a price that reflects our estimate of their basic market values.

Our estimate of basic market value assumes that our vessels are all in good and seaworthy condition without need for repair and if inspected would be certified in class without notations of any kind. Our estimates are based on information available from various industry sources, including:

- reports by industry analysts and data providers that focus on our industry and related dynamics affecting vessel values;

- news and industry reports of similar vessel sales;

-

news and industry reports of sales of vessels that are not similar to our vessels where we have made certain adjustments in an attempt to derive information that can be used as part of our estimates;
• approximate market values for our vessels or similar vessels that we have received from shipbrokers, whether solicited or unsolicited, or that shipbrokers have generally disseminated;
• offers that we may have received from potential purchasers of our vessels; and
• vessel sale prices and values of which we are aware through both formal and informal communications with shipowners, shipbrokers, industry analysts and various other shipping industry participants and observers.

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As we obtain information from various industry and other sources, our estimates of basic market value are inherently uncertain. In addition, vessel values and revenues are highly volatile; as such, our estimates may not be indicative of the current or future basic market value of our vessels or prices that we could achieve if we were to sell them.

Vessel Name	Year Built	Carrying value as of,	
		December 31, 2016	December 31, 2015
1 STI Amber	2012	\$2.5	34.0
2 STI Topaz	2012	\$2.6	34.1
3 STI Ruby	2012	\$2.7	34.2
4 STI Garnet	2012	\$2.7	34.3
5 STI Onyx	2012	\$2.7	34.3
6 STI Sapphire	2013	\$2.6	34.1
7 STI Emerald	2013	\$2.5	34.0
8 STI Beryl	2013	\$1.7	33.2
9 STI Le Rocher	2013	\$2.2	33.7
10 STI Larvotto	2013	\$2.2	33.7
11 STI Fontvieille	2013	\$2.3	33.7
12 STI Ville	2013	\$2.5	34.0
13 STI Duchessa	2014	\$0.8	32.2
14 STI Wembley	2014	\$0.2	31.5
15 STI Opera	2014	\$0.6	32.0
16 STI Texas City	2014	\$4.9	36.4
17 STI Meraux	2014	\$5.3	36.8
18 STI San Antonio	2014	\$5.3	36.9
19 STI Venere	2014	\$0.7	32.0
20 STI Virtus	2014	\$0.8	32.1
21 STI Aqua	2014	\$1.0	32.3
22 STI Dama	2014	\$1.0	32.3
23 STI Mythos	2014	N/A	32.0
24 STI Benicia	2014	\$6.2	37.7
25 STI Regina	2014	\$1.2	32.5
26 STI St. Charles	2014	\$4.8	36.3
27 STI Yorkville	2014	\$1.6	32.9
28 STI Milwaukee	2014	\$7.3	38.9
29 STI Battery	2014	\$1.8	33.1
30 STI Brixton	2014	\$9.6	30.9
31 STI Comandante	2014	\$9.5	30.7
32 STI Pimlico	2014	\$9.7	31.0
33 STI Hackney	2014	\$9.6	30.9
34 STI Acton	2014	\$0.2	31.5
35 STI Fulham	2014	\$0.0	31.2
36 STI Camden	2014	\$9.8	31.1
37 STI Finchley	2014	\$0.1	31.4
38 STI Clapham	2014	\$0.4	31.7
39 STI Poplar	2014	\$0.4	31.7
40 STI Elysees	2014	\$8.1	50.1
41 STI Madison	2014	\$8.5	50.4

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42 STI Park	2014	48.5	(1)	50.4	
43 STI Orchard	2014	48.1	(1)	50.0	
44 STI Sloane	2014	49.0	(1)	50.9	
45 STI Broadway	2014	48.0	(1)	49.9	
46 STI Condotti	2014	49.0	(1)	50.9	
47 STI Battersea	2014	30.0	(1)	31.2	
48 STI Chelsea	2014	N/A	(3)	32.2	
49 STI Lexington	2014	N/A	(3)	32.2	
50 STI Memphis	2014	35.6	(1)	37.1	
51 STI Powai	2014	N/A	(3)	32.2	
52 STI Mayfair	2014	32.1	(1)	33.5	
53 STI Soho	2014	31.7	(1)	33.0	
54 STI Olivia	2014	N/A	(3)	32.3	
55 STI Tribeca	2015	32.6	(1)	34.0	
56 STI Hammersmith	2015	30.8	(1)	32.1	
57 STI Rotherhithe	2015	30.9	(1)	32.2	
58 STI Rose	2015	56.7	(1)	59.1	
59 STI Gramercy	2015	31.8	(1)	33.2	
60 STI Veneto	2015	49.2	(1)	51.1	
61 STI Alexis	2015	57.0	(1)	59.3	
62 STI Bronx	2015	32.6	(1)	34.0	
63 STI Pontiac	2015	37.4	(1)	38.9	
64 STI Manhattan	2015	32.6	(1)	33.9	
65 STI Winnie	2015	50.2	(1)	52.1	
66 STI Oxford	2015	50.3	(1)	52.3	
67 STI Queens	2015	32.6	(1)	33.9	
68 STI Osceola	2015	37.7	(1)	39.3	
69 STI Lauren	2015	50.3	(1)	52.3	
70 STI Connaught	2015	50.0	(1)	52.0	
71 STI Notting Hill	2015	36.2	(1)	37.7	
72 STI Spiga	2015	56.1	(1)	58.3	
73 STI Seneca	2015	37.8	(1)	39.4	
74 STI Savile Row	2015	57.2	(1)	59.5	
75 STI Westminster	2015	36.4	(1)	37.9	
76 STI Brooklyn	2015	32.7	(1)	34.1	
77 STI Kingsway	2015	57.5	(1)	59.8	
78 STI Lombard	2015	58.4	(1)	60.1	
79 STI Carnaby	2015	57.7	(1)	60.1	
80 STI Black Hawk	2015	36.0	(1)	37.5	
81 STI Grace	2016	51.5	(1)	N/A	(2)
82 STI Jermyn	2016	52.5	(1)	N/A	(2)

\$2,913.3 \$3,087.7

(1) As of December 31, 2016, the basic charter-free market value is lower than each vessel's carrying value. We believe that the aggregate carrying value of these vessels exceeds their aggregate basic charter-free market value by approximately \$312.7 million.

(2) These vessels were acquired during the year ended December 31, 2016.

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(3) These vessels were sold during the year ended December 31, 2016.

The impairment test that we conduct is most sensitive to variances in the discount rate and future time charter rates. Based on the sensitivity analysis performed for December 31, 2016, a 1.0% increase in the discount rate would result in an impairment of \$20.2 million being recognized. Alternatively, a 5% decrease in forecasted time charter rates would result in an impairment of \$22.4 million being recognized.

We refer you to the discussion herein under “Item 3. Key Information—D. Risk Factors—Risks Related to our Industry,” including the risk factor entitled “Declines in charter rates and other market deterioration could cause us to incur impairment charges.”

Vessel lives and residual value

The carrying value of each of our vessels represents its original cost at the time it was delivered or purchased less depreciation and impairment. We depreciate our vessels to their residual value on a straight-line basis over their estimated useful lives of 25 years. The estimated useful life of 25 years is management’s best estimate and is also consistent with industry practice for similar vessels. The residual value is estimated as the lightweight tonnage of each vessel multiplied by a forecast scrap value per ton. The scrap value per ton is estimated by taking into consideration the historical four year scrap market rate average, which we update annually.

An increase in the estimated useful life of a vessel or in its scrap value would have the effect of decreasing the annual depreciation charge and extending it into later periods. A decrease in the useful life of a vessel or scrap value would have the effect of increasing the annual depreciation charge.

When regulations place significant limitations over the ability of a vessel to trade on a worldwide basis, the vessel’s useful life is adjusted to end at the date such regulations become effective. No such regulations have been identified that would have impacted the estimated useful life of our vessels. The estimated salvage value of the vessels may not represent the fair market value at any one time since market prices of scrap values tend to fluctuate.

Deferred drydock cost

We recognize drydock costs as a separate component of the vessels’ carrying amounts and amortize the drydock cost on a straight-line basis over the estimated period until the next drydock. We use judgment when estimating the period between which drydocks are performed, which can result in adjustments to the estimated amortization of the drydock expense. If the vessel is disposed of before the next drydock, the remaining balance of the deferred drydock is written-off and forms part of the gain or loss recognized upon disposal of vessels in the period when contracted. We expect that our vessels will be required to be drydocked approximately every 30 to 60 months for major repairs and maintenance that cannot be performed while the vessels are operating. Costs capitalized as part of the drydock include actual costs incurred at the drydock yard and parts and supplies used in making such repairs. We only include in deferred drydocking costs those direct costs that are incurred as part of the drydocking to meet regulatory requirements, or are expenditures that add economic life to the vessel, increase the vessel’s earnings capacity or improve the vessel’s efficiency. Direct costs include shipyard costs as well as the costs of placing the vessel in the shipyard. Expenditures for normal maintenance and repairs, whether incurred as part of the drydocking or not, are expensed as incurred.

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A. Operating Results

Results of Operations for the year ended December 31, 2016 compared to the year ended December 31, 2015

In thousands of U.S. dollars	For the year ended December 31,		Change favorable / (unfavorable)	Percentage Change
	2016	2015		
Vessel revenue	\$522,747	\$755,711	\$ (232,964)	(31)%
Vessel operating costs	(187,120)	(174,556)	(12,564)	(7)%
Voyage expenses	(1,578)	(4,432)	2,854	64 %
Charterhire	(78,862)	(96,865)	18,003	19 %
Depreciation	(121,461)	(107,356)	(14,105)	(13)%
General and administrative expenses	(54,899)	(65,831)	10,932	17 %
Loss on sales of vessels	(2,078)	(35)	(2,043)	(5,837)%
Write-off of vessel purchase options	—	(731)	731	100 %
Gain on sale of Dorian shares	—	1,179	(1,179)	(100)%
Financial expenses	(104,048)	(89,596)	(14,452)	(16)%
Realized gain on derivative financial instruments	—	55	(55)	(100)%
Unrealized gain / (loss) on derivative financial instruments	1,371	(1,255)	2,626	209 %
Financial income	1,213	145	1,068	737 %
Other expenses, net	(188)	1,316	(1,504)	(114)%
Net (loss) / income	\$(24,903)	\$217,749	\$ (242,652)	(111)%

Net (loss) / income. Net loss for the year ended December 31, 2016 was \$24.9 million, a decrease of \$242.7 million, or 111%, from net income of \$217.7 million for the year ended December 31, 2015. The differences between the two periods are discussed below.

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Vessel revenue. Vessel revenue for the year ended December 31, 2016 was \$522.7 million, a decrease of \$233.0 million, or 31%, from vessel revenue of \$755.7 million for the year ended December 31, 2015. Overall revenue decreases were driven by a decrease in overall TCE revenue per day to \$15,783 per day during the year ended December 31, 2016 from \$23,163 per day during the year ended December 31, 2015. This decrease is discussed below by operating segment.

The following is a summary of our consolidated revenue by revenue type, in addition to TCE revenue per day and total revenue days.

In thousands of U.S. dollars	For the year ended December 31,		Change favorable / (unfavorable)	Percentage Change	
	2016	2015			
Pool revenue by operating segment					
MR	\$248,974	\$315,925	\$ (66,951)	(21)	%
LR2	156,503	208,132	(51,629)	(25)	%
Handymax	73,683	138,736	(65,053)	(47)	%
LR1/Panamax	5,843	34,613	(28,770)	(83)	%
Total pool revenue	485,003	697,406	(212,403)	(30)	%
Voyage revenue (spot market)	—	38,441	(38,441)	(100)	%
Time charter-out revenue	36,694	19,714	16,980	86	%
Other revenue	1,050	150	900	600	%
Gross revenue	522,747	755,711	(232,964)	(31)	%
Voyage expenses	(1,578)	(4,432)	2,854	64	%
TCE revenue ⁽¹⁾	\$521,169	\$751,279	\$ (230,110)	(31)	%

Daily pool TCE by operating segment: ⁽¹⁾

MR pool	\$14,711	\$22,400	\$ (7,689)	(34)	%
LR2 pool	20,019	30,611	(10,592)	(35)	%
Handymax pool	12,101	19,902	(7,801)	(39)	%
LR1/Panamax pool	17,277	21,991	(4,714)	(21)	%
Consolidated daily pool TCE	15,561	23,689	(8,128)	(34)	%
Voyage (spot market) - daily TCE	—	17,596	(17,596)	(100)	%
Time charter-out - daily TCE	19,599	18,553	1,046	6	%
Consolidated daily TCE	15,783	23,163	(7,380)	(32)	%

Pool revenue days per operating segment

MR	16,915	14,104	2,811	20	%
LR2	7,814	6,800	1,014	15	%
Handymax	6,079	6,971	(892)	(13)	%
LR1/Panamax	337	1,574	(1,237)	(79)	%
Total pool revenue days	31,145	29,449	1,696	6	%
Voyage (spot market) revenue days	—	1,967	(1,967)	(100)	%
Time charter-out revenue days	1,810	1,027	783	76	%
Total revenue days	32,955	32,443	512	2	%

(1) We report TCE revenues, a non-IFRS measure, because (i) we believe it provides additional meaningful information in conjunction with voyage revenues and voyage expenses, the most directly comparable IFRS measure, (ii) it assists our management in making decisions regarding the deployment and use of our vessels and in evaluating their financial performance, (iii) it is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance

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irrespective of changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods, and (iv) we believe that it presents useful information to investors. Pool revenue. Pool revenue for the year ended December 31, 2016 was \$485.0 million, a decrease of \$212.4 million, or 30% from \$697.4 million for the year ended December 31, 2015. The decrease in pool revenue was due to a decrease in pool TCE per day across all of our operating segments. Global product tanker demand declined during 2016 as the robust refinery margins that occurred during 2015 resulted in the build-up of product inventories and the deferral of refinery maintenance into 2016, which has led to low refining margins and a lack of arbitrage opportunities, negatively impacting the demand for our vessels.

MR pool revenue. MR pool revenue for the year ended December 31, 2016 was \$249.0 million, a decrease of \$67.0 million, or 21%, from \$315.9 million for the year ended December 31, 2015. The decrease in pool revenue was driven by a decrease in daily TCE revenue to \$14,711 per day from \$22,400 per day during the year ended December 31, 2016 and 2015, respectively. This was the result of the decline in global product tanker demand during 2016 as mentioned above. In particular, refinery utilization in the U.S. Gulf Coast refineries decreased during the year ended December 31, 2016 as overdue maintenance was performed, which had a corresponding negative impact on MR product tankers trading in the Atlantic Basin (one of the primary trading areas for MR product tankers).

The decrease in pool revenue was offset by an increase in pool revenue days to 16,915 from 14,104 days during the years ended December 31, 2016 and 2015, respectively. 24 of our MR tankers joined the MR pool during the year ended December 31, 2015 and thus operated in the pool for a portion of that period. In addition, five of our MR tankers joined the MR pool during the year ended December 31, 2016. These additions were offset by the exit of two vessels from the MR pool to commence long-term time charters during the fourth quarter of 2015, in addition to the sales of five MRs during the year ended December 31, 2016.

LR2 pool revenue. Pool revenue from LR2 vessels for the year ended December 31, 2016 was \$156.5 million, a decrease of \$51.6 million, or 25% from \$208.1 million for the year ended December 31, 2015. The decrease in pool revenue was primarily driven by a decrease in daily TCE revenue to \$20,019 per day from \$30,611 per day during the years ended December 31, 2016 and 2015, respectively. This decrease was the result of the decline in global product tanker demand as described above, particularly driven by a reduced naphtha trade on Middle East to Far East voyages, which had a consequential impact on global ton-mile demand for LR2 tankers.

The decrease in pool TCE revenue was offset by an increase in pool revenue days to 7,814 from 6,800 days during the years ended December 31, 2016 and 2015, respectively. The increase in pool revenue days was the result of the delivery of 15 vessels into the LR2 pool, consisting of 13 during the year ended December 31, 2015 and two during the year ended December 31, 2016. This increase was partially offset by a reduction in the average number of time chartered-in LR2 vessels to 2.0 from 4.0 during the years ended December 31, 2016 and 2015, respectively, in addition to one LR2 commencing a time charter in the first quarter of 2016.

Handymax pool revenue. Handymax pool revenue for the year ended December 31, 2016 was \$73.7 million, a decrease of \$65.1 million, or 47% from \$138.7 million for the year ended December 31, 2015. The decrease in pool revenue was driven by a decrease in daily TCE revenue to \$12,101 per day from \$19,902 per day during the years ended December 31, 2016 and 2015, respectively. In addition to the reduction in global product tanker demand described above for the year ended December 31, 2016, this decrease was also due to the mild winter in the northern hemisphere, which dampened demand for ice-class Handymax tankers.

The decrease in pool revenue was also driven by a decrease in pool revenue days to 6,079 from 6,971 during the years ended December 31, 2016 and 2015, respectively. This decrease was the result of a reduction in the number of time chartered-in Handymax tankers to an average of 4.6 from 5.4 during the years ended December 31, 2016 and 2015, respectively, two Handymaxes commencing long term time charter contracts in the first quarter of 2016, and the sale of STI Highlander in October 2015.

LR1/Panamax pool revenue. Pool revenue from LR1/Panamax vessels for the year ended December 31, 2016 was \$5.8 million, a decrease of \$28.8 million, or 83% from \$34.6 million for the year ended December 31, 2015. The decrease in pool revenue was primarily due to a decrease in pool revenue days to 337 days from 1,574 days during the years ended December 31, 2016 and 2015, respectively. The decrease in pool revenue days was the result of the sales of three vessels in 2015, in addition to a reduction in the average number of time chartered-in vessels to 0.9 from 3.9

during the years ended December 31, 2016 and 2015, respectively.

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Voyage revenue (spot market). Voyage revenue (spot revenue) for the year ended December 31, 2015 was \$38.4 million. This revenue can be broken down as follows:

In thousands of U.S. dollars	For the	Change	Percentage
	year ended December 31,		
	2015	favorable / (unfavorable)	Change
MR	\$32,564	\$ (32,564)	(100)%
LR2	—122	(122)	(100)%
Handymax	—3,693	(3,693)	(100)%
LR1/Panamax	—2,062	(2,062)	(100)%
Total voyage revenue (spot market)	\$38,441	\$ (38,441)	(100)%

Short-term time charters: We consider short-term time charters (less than one year) as spot market voyages. Most of our vessels delivered under our Newbuilding Program and one of our time chartered-in vessels were employed on short-term time charters (ranging from 45 to 120 days) upon delivery from the shipyards. These short-term time charters accounted for 1,914 revenue days during the year ended December 31, 2015. There were no vessels employed on short-term time charters during the year ended December 31, 2016.

Spot market voyages: One of our time chartered-in vessels operated in the spot market for 53 days during the year ended December 31, 2015. There were no vessels employed in the spot market during the year ended December 31, 2016.

Time charter-out revenue. Time charter-out revenue (representing time charters with initial terms of one year or greater) for the year ended December 31, 2016 was \$36.7 million, an increase of \$17.0 million, or 86%, from \$19.7 million for the year ended December 31, 2015. The increase in time charter-out revenue is the result of an increase in time charter-out revenue days to 1,810 days from 1,027 days and an increase in the overall daily TCE revenue earned on these time charters to \$19,599 per day from \$18,553 per day for the years ended December 31, 2016 and 2015, respectively. Time charter-out revenue, by operating segment, consists of the following:

In thousands of U.S. dollars	For the year		Change	Percentage
	ended December 31,	ended December 31,		
	2016	2015	favorable / (unfavorable)	Change
MR	\$16,046	\$19,714	\$ (3,668)	(19)%
Handymax	11,895	—	11,895	N/A
LR2	8,753	—	8,753	N/A
LR1/Panamax	—	—	—	N/A
Total time charter-out revenue	\$36,694	\$19,714	\$ 16,980	86 %

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The following table summarizes the terms of our time chartered-out vessels during the years ended December 31, 2016 and 2015, respectively.

Name	Year built	Type	Delivery Date to the Charterer	Charter Expiration	Rate (\$/day)
1 STI Pimlico	2014	Handymax	February-16	February-19 ⁽¹⁾	\$ 18,000
2 STI Poplar	2014	Handymax	January-16	January-19 ⁽¹⁾	\$ 18,000
3 STI Notting Hill	2015	MR	November-15	November-18 ⁽²⁾	\$ 20,500
4 STI Westminster	2015	MR	December-15	December-18 ⁽²⁾	\$ 20,500
5 STI Rose	2015	LR2	February-16	February-19 ⁽²⁾	\$ 28,000
6 STI Benicia	2014	MR	September-14	September-15	\$ 15,500 ⁽³⁾
7 STI Meraux	2014	MR	May-14	May-15	\$ 15,500 ⁽³⁾
8 STI San Antonio	2014	MR	June-15	June-15	\$ 15,500 ⁽³⁾
9 STI Texas City	2014	MR	March-14	April-16	\$ 16,000 ⁽³⁾

⁽¹⁾ Redelivery is plus 30 days or minus 10 days from the expiry date.

⁽²⁾ Redelivery is plus or minus 30 days from the expiry date.

⁽³⁾ The charter had a 50% profit sharing provision whereby we received 50% of the vessel's profits above the daily base rate from the charterer.

Vessel operating costs. Vessel operating costs for the year ended December 31, 2016 were \$187.1 million, an increase of \$12.6 million, or 7%, from \$174.6 million for the year ended December 31, 2015. Vessel operating days increased to 28,454 days from 26,547 days for the years ended December 31, 2016 and 2015, respectively.

The following table is a summary of our vessel operating costs by operating segment:

In thousands of U.S. dollars	For the year ended December 31,		Change favorable / (unfavorable)	Percentage change	
	2016	2015			
Vessel operating costs					
MR	\$ 104,242	\$ 100,477	\$ (3,765)	(4)	%
LR2	50,028	36,681	(13,347)	(36)	%
Handymax	32,817	35,254	2,437	7	%
LR1/Panamax	33	2,144	2,111	98	%
Total vessel operating costs	\$ 187,120	\$ 174,556	\$ (12,564)	(7)	%
Vessel operating costs per day					
MR	\$ 6,555	\$ 6,461	\$ (94)	(1)	%
LR2	6,734	6,865	131	2	%
Handymax	6,404	6,473	69	1	%
LR1/Panamax	—	⁽¹⁾ 8,440	8,440	100	%
Consolidated vessel operating costs per day	6,576	6,564	(12)	—	%
Operating days					
MR	15,900	15,550	350	2	%
LR2	7,430	5,343	2,087	39	%
Handymax	5,124	5,400	(276)	(5)	%
LR1/Panamax	—	254	(254)	(100)	%
Total operating days	28,454	26,547	1,907	7	%

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⁽¹⁾ We did not own or bareboat charter-in any LR1/Panamax vessels in 2016.

MR vessel operating costs. Vessel operating costs for our MR segment for the year ended December 31, 2016 were \$104.2 million, an increase of \$3.8 million, or 4%, from \$100.5 million for the year ended December 31, 2015. This was primarily driven by an increase in operating days to 15,900 days from 15,550 days during the year ended December 31, 2016 and 2015, respectively. We took delivery of 13 MRs during the year ended December 31, 2015, which operated for the entire year ended December 31, 2016 as compared to the partial period during the year ended December 31, 2015. This was offset by the sales of five MRs during the year ended December 31, 2016.

LR2 vessel operating costs. Vessel operating costs for our LR2 segment for the year ended December 31, 2016 were \$50.0 million, an increase of \$13.3 million, or 36% from \$36.7 million for the year ended December 31, 2015. The increase in operating costs was driven by an increase of 2,087 operating days. We took delivery of 11 LR2 vessels during the year ended December 31, 2015, which operated for the entire year ended December 31, 2016 as compared to the partial period during the year ended December 31, 2015. In addition, we also took delivery of two LR2 vessels, STI Grace and STI Jermyn, during 2016.

Handymax vessel operating costs. Vessel operating costs for our Handymax segment for the year ended December 31, 2016 were \$32.8 million, a decrease of \$2.4 million, or 7%, from \$35.3 million for the year ended December 31, 2015. Vessel operating days decreased to 5,124 days from 5,400 days during the year ended December 31, 2016 and 2015, respectively, due to the sale of STI Highlander in October 2015.

LR1/Panamax vessel operating costs. Vessel operating costs for our LR1/Panamax segment for the year ended December 31, 2015 were \$2.1 million. We sold three LR1/Panamax vessels during the year ended December 31, 2015, and we did not own or bareboat charter-in any vessels in this operating segment during the year ended December 31, 2016.

Voyage expenses. Voyage expenses for the year ended December 31, 2016 were \$1.6 million, a decrease of \$2.9 million, or 64%, from \$4.4 million during the year ended December 31, 2015. This reduction was the result of a decrease in the number of days our vessels operated in the spot market to zero from 1,967 days during the years ended December 31, 2016 and 2015, respectively. Voyage expenses during the year ended December 31, 2016 relate to broker commissions and commercial management fees incurred on vessels time chartered-out during this period.

Charterhire. Charterhire expense for the year ended December 31, 2016 was \$78.9 million, a decrease of \$18.0 million, or 19%, from \$96.9 million during the year ended December 31, 2015. This decrease was the result of a decrease in the average number of time chartered-in vessels to 12.7 from 16.9 during the years ended December 31, 2016 and 2015, respectively.

Depreciation. Depreciation expense for the year ended December 31, 2016 was \$121.5 million, an increase of \$14.1 million, or 13%, from \$107.4 million during the year ended December 31, 2015. The increase was the result of an increase in the average number of owned vessels to 77.7 from 72.7 vessels for the years ended December 31, 2016 and 2015, respectively. This increase was partially offset by the sales of five MRs during the year ended December 31, 2016.

General and administrative expenses. General and administrative expenses for the year ended December 31, 2016 were \$54.9 million, a decrease of \$10.9 million, or 17%, from \$65.8 million during the year ended December 31, 2015. The change was primarily driven by reductions in compensation expense, which includes a \$3.5 million reduction in restricted stock amortization.

Loss on sales of vessels. Loss on sales of vessels for the year ended December 31, 2016 was \$2.1 million, an increase of \$2.0 million from \$35,000 during the year ended December 31, 2015.

During the year ended December 31, 2016, we recorded an aggregate loss of \$2.1 million on the sales of STI Lexington, STI Mythos, STI Chelsea, STI Powai and STI Olivia. Two of these sales closed in March 2016, one in April 2016 and two in May 2016.

During the year ended December 31, 2015, we recorded a loss of \$2.1 million on the sale of STI Highlander in October 2015. This loss was offset by an aggregate gain of \$2.0 million recorded for the sales of Venice, STI Harmony and STI Heritage, which were sold in March 2015, April 2015 and April 2015, respectively.

Write-off of vessel purchase options. Write-off of vessel purchase options of \$0.7 million during the year ended December 31, 2015 was the result of the write-off of deposits made for options to construct MR product tankers that

expired unexercised in December 2015.

Gain on sale of Dorian shares. Gain on sale of shares held in Dorian of \$1.2 million during the year ended December 31, 2015 relates to the sale of our investment in Dorian LPG Ltd., or Dorian, to two unrelated third parties in July 2015.

Financial expenses. Financial expenses for the year ended December 31, 2016 were \$104.0 million, an increase of \$14.5 million, or 16%, from \$89.6 million during the year ended December 31, 2015. The change was driven by: an aggregate write-off of \$14.5 million of deferred financing fees as a result of (i) \$3.2 million for the sales and corresponding debt repayments on the amounts borrowed for STI Lexington, STI Mythos, STI Chelsea, STI Olivia and STI Powai, which were

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sold during 2016, (ii) \$11.1 million for the refinancing of the amounts borrowed for 24 vessels and (iii) \$0.2 million for the repurchase of \$10.0 million aggregate principal amount of Convertible Notes.

an increase in average debt outstanding to \$2.0 billion from \$1.9 billion for the years ended December 31, 2016 and 2015, respectively, in addition to an increase in LIBOR rates over those same periods.

Financial expenses for the year ended December 31, 2016 primarily consisted of interest expense of \$75.4 million, amortization of loan fees of \$14.1 million and the write-off of deferred financing fees of \$14.5 million.

Financial expenses for the year ended December 31, 2015 primarily consisted of interest expense of \$72.2 million, amortization of loan fees \$14.7 million and the write-off of deferred financing fees of \$2.7 million.

Unrealized gain / (loss) on derivative financial instruments. Unrealized gain on derivative financial instruments for the year ended December 31, 2016 was \$1.4 million, an increase of \$2.6 million, or 209% from an unrealized loss of \$1.2 million during the year ended December 31, 2015. Unrealized gain / (loss) on derivative financial instruments relates to the change in the fair value of the profit or loss agreement on Densa Crocodile, with a third party who neither owns nor operates this vessel.

Financial income. Financial income for the year ended December 31, 2016 was \$1.2 million, an increase of \$1.1 million, or 737% from \$0.1 million during the year ended December 31, 2015. This primarily relates to the gains recorded on the repurchase of \$10.0 million aggregate principal amount of our Convertible Notes for an average price of \$839.28 per \$1,000 principal amount during the year ended December 31, 2016.

Other expenses, net. Other expenses, net, for the year ended December 31, 2016 was a loss of \$0.2 million, a decrease of \$1.5 million, or 114% from other income of \$1.3 million during the year ended December 31, 2015. This primarily relates to a \$1.4 million gain recorded as a result of a termination fee received when the owner of one of the Company's time chartered-in vessels canceled the contract prior to its expiration date during the year ended December 31, 2015.

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Results of Operations for the year ended December 31, 2015 compared to the year ended December 31, 2014

In thousands of U.S. dollars	For the year ended December 31,		Change favorable / (unfavorable)	Percentage Change	
	2015	2014			
Vessel revenue	\$755,711	\$342,807	\$ 412,904	120	%
Vessel operating costs	(174,556)	(78,823)	(95,733)	(121)	%
Voyage expenses	(4,432)	(7,533)	3,101	41	%
Charterhire	(96,865)	(139,168)	42,303	30	%
Depreciation	(107,356)	(42,617)	(64,739)	(152)	%
General and administrative expenses	(65,831)	(48,129)	(17,702)	(37)	%
Write down of vessels held for sale and net loss from sales of vessels	(35)	(3,978)	3,943	99	%
Write-off of vessel purchase options	(731)	—	(731)	N/A	
Gain on sale of VLCCs	—	51,419	(51,419)	(100)	%
Gain on sale of Dorian shares	1,179	10,924	(9,745)	(89)	%
Re-measurement of investment in Dorian	—	(13,895)	13,895	100	%
Financial expenses	(89,596)	(20,770)	(68,826)	(331)	%
Realized gain on derivative financial instruments	55	17	38	224	%
Unrealized (loss) / gain on derivative financial instruments	(1,255)	264	(1,519)	(575)	%
Financial income	145	203	(58)	(29)	%
Share of income from associate	—	1,473	(1,473)	(100)	%
Other income (expenses), net	1,316	(103)	1,419	1,378	%
Net income	\$217,749	\$52,091	\$ 165,658	318	%

Net income. Net income for the year ended December 31, 2015 was \$217.7 million, an increase of \$165.7 million, or 318%, from net income of \$52.1 million for the year ended December 31, 2014. The differences between the two periods are discussed below.

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Vessel revenue. Vessel revenue for the year ended December 31, 2015 was \$755.7 million, an increase of \$412.9 million, or 120%, from vessel revenue of \$342.8 million for the year ended December 31, 2014. Overall revenue increases were driven by an increase in the average number of operating vessels (owned and time chartered-in) to 89.6 from 57.9 vessels in addition to an increase in overall TCE revenue per day to \$23,163 per day from \$15,935 per day during the years ended December 31, 2015 and 2014, respectively.

The following is a summary of our consolidated revenue by revenue type, in addition to TCE revenue per day and total revenue days.

In thousands of U.S. dollars	For the year ended December 31,		Change favorable / (unfavorable)	Percentage Change	
	2015	2014			
Pool revenue by operating segment					
MR	\$315,925	\$112,826	\$203,099	180	%
LR2	208,132	67,054	141,078	210	%
Handymax	138,736	54,052	84,684	157	%
LR1/Panamax	34,613	46,925	(12,312)	(26))%
Total pool revenue	\$697,406	\$280,857	\$416,549	148	%
Voyage (spot market)	38,441	48,112	(9,671)	(20))%
Time charter-out	19,714	13,538	6,176	46	%
Other revenue	150	300	(150)	(50))%
Gross revenue	755,711	342,807	412,904	120	%
Voyage expenses	(4,432)	(7,533)	(3,101)	(41))%
TCE revenue ⁽¹⁾	\$751,279	\$335,274	\$416,005	124	%
Daily pool TCE by operating segment: ⁽¹⁾					
MR pool	\$22,400	\$14,897	\$7,503	50	%
LR2 pool	30,611	18,621	11,990	64	%
Handymax pool	19,902	14,737	5,165	35	%
LR1/Panamax pool	21,991	16,201	5,790	36	%
Consolidated daily pool TCE	23,689	15,837	7,852	50	%
Voyage (spot market) - daily TCE	17,596	16,798	798	5	%
Time charter-out - daily TCE	18,553	15,194	3,359	22	%
Consolidated daily TCE	23,163	15,935	7,228	45	%
Pool revenue days per operating segment					
MR	14,104	7,573	6,531	86	%
LR2	6,800	3,601	3,199	89	%
Handymax	6,971	3,668	3,303	90	%
LR1/Panamax	1,574	2,892	(1,318)	(46))%
Total pool revenue days	29,449	17,734	11,715	66	%
Voyage (spot market) revenue days	1,967	2,451	(484)	(20))%
Time charter-out revenue days	1,027	852	175	21	%
Total revenue days	32,443	21,037	11,406	54	%

(1) We report TCE revenues, a non-IFRS measure, because (i) we believe it provides additional meaningful information in conjunction with voyage revenues and voyage expenses, the most directly comparable IFRS measure, (ii) it assists our management in

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making decisions regarding the deployment and use of our vessels and in evaluating their financial performance, (iii) it is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance irrespective of changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods, and (iv) we believe that it presents useful information to investors.

Pool revenue. Pool revenue for the year ended December 31, 2015 was \$697.4 million, an increase of \$416.5 million, or 148% from \$280.9 million for the year ended December 31, 2014. The increase in pool revenue was due to the growth of our fleet and improved market conditions across all of our operating segments. 27 vessels were delivered in 2015 (including 26 delivered under our Newbuilding Program) which resulted in our average number of owned vessels increasing to 72.7 from 31.6 vessels during the years ended December 31, 2015 and 2014, respectively. The growth of our owned fleet was offset by a decrease in the size of our time chartered-in fleet to an average of 16.9 from 26.3 vessels during the years ended December 31, 2015 and 2014, respectively. Furthermore, pool TCE revenue per day also improved to \$23,689 per day from \$15,837 per day, during the years ended December 31, 2015 and 2014, respectively, as we experienced improved market conditions in each of our vessel classes throughout 2015. The drivers of these improvements are discussed below.

MR pool revenue. MR pool revenue for the year ended December 31, 2015 was \$315.9 million, an increase of \$203.1 million, or 180%, from \$112.8 million for the year ended December 31, 2014. The increase in pool revenue was driven by an increase in pool revenue days to 14,104 from 7,573 during the years ended December 31, 2015 and 2014, respectively. The increase in pool revenue days was due to an increase in the average number of owned vessels to 42.6 from 21.8 during the years ended December 31, 2015 and 2014, respectively. The MRs that were delivered during 2015 were as follows:

Name	Delivery Date
1 STI Tribeca	January 2015
2 STI Gramercy	January 2015
3 STI Bronx	February 2015
4 STI Pontiac	March 2015
5 STI Manhattan	March 2015
6 STI Queens	April 2015
7 STI Osceola	April 2015
8 STI Notting Hill	May 2015
9 STI Seneca	June 2015
10 STI Westminster	June 2015
11 STI Brooklyn	July 2015
12 STI Memphis	August 2015
13 STI Black Hawk	September 2015

The increase in pool revenue was also driven by an increase in pool TCE per revenue day to \$22,400 from \$14,897 during the years ended December 31, 2015 and 2014, respectively. This increase was the result of improvements in the worldwide demand for our vessels. During 2015, the glut of crude oil supplies led to lower worldwide oil prices and thus higher demand for refined products. As such, export oriented refineries, particularly in the U.S. Gulf Coast, operated at higher utilization rates which led to increased demand for our vessels in that region and within the broader Atlantic Basin (one of the primary trading areas for MR product tankers). This had a consequent impact on the demand for MRs throughout the world. Additionally, all of our operating segments benefited from a decrease in bunker prices as a result of the decline in oil prices, which had a positive impact on TCE revenue earned from our vessels operating in the Scorpio Group pools.

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LR2 pool revenue. Pool revenue from LR2 vessels for the year ended December 31, 2015 was \$208.1 million, an increase of \$141.1 million, or 210% from \$67.1 million for the year ended December 31, 2014. The increase was due to both an increase in TCE revenue per day and an increase in revenue days as a result of the growth in our LR2 fleet. We took delivery of the following LR2 product tankers under our Newbuilding Program during 2015:

Name	Delivery Date
1 STI Rose	January 2015
2 STI Veneto	February 2015
3 STI Alexis	February 2015
4 STI Winnie	March 2015
5 STI Oxford	April 2015
6 STI Lauren	May 2015
7 STI Connaught	May 2015
8 STI Spiga	June 2015
9 STI Savile Row	June 2015
10 STI Kingsway	August 2015
11 STI Lombard	August 2015 ⁽¹⁾
12 STI Carnaby	September 2015

STI Lombard was delivered in August 2015 under a bareboat charter-in agreement for up to nine months at (1) \$10,000 per day. We purchased the vessel at the conclusion of the bareboat charter in April 2016 and paid the remaining 90% of the contract price, or \$53.1 million.

TCE revenue per day increased to \$30,611 from \$18,621 per day during the years ended December 31, 2015 and 2014, respectively. This improvement was driven by an increase in worldwide demand for larger product tankers such as LR2s and LR1s as new refinery openings in the Middle East and India resulted in longer haul voyages from those regions thus increasing overall ton-mile demand. Additionally, all of our operating segments benefited from a decrease in bunker prices as a result of the decline in oil prices, which had a positive impact on TCE revenue earned from our vessels operating in the Scorpio Group pools.

Handymax pool revenue. Handymax pool revenue for the year ended December 31, 2015 was \$138.7 million, an increase of \$84.7 million, or 157% from \$54.1 million for the year ended December 31, 2014. The increase was driven by an increase in the number of pool revenue days to 6,971 from 3,668 days during the years ended December 31, 2015 and 2014, respectively. Two Handymax ice-class 1A product tankers were delivered during the year ended December 31, 2015 and 12 were delivered during the year ended December 31, 2014. The Handymax ice class 1A vessels delivered during 2015 were as follows:

Name	Delivery Date
1 STI Hammersmith	January 2015
2 STI Rotherhithe	January 2015

Pool TCE revenue per day increased to \$19,902 from \$14,737 per day during the years ended December 31, 2015 and 2014, respectively. This increase was the result of increases in demand for our Handymax ice class 1A vessels across most trading routes as these vessels benefited from the aforementioned improvement in global product tanker demand and lower bunker costs during 2015.

LR1/Panamax pool revenue. Pool revenue from LR1/Panamax vessels for the year ended December 31, 2015 was \$34.6 million, a decrease of \$12.3 million, or 26% from \$46.9 million for the year ended December 31, 2014. The decrease in pool revenue was primarily due to a decrease in pool revenue days to 1,574 from 2,892 days during the years ended December 31, 2015 and 2014, respectively. The decrease in pool revenue days was the result of the sales of three vessels in 2015, in addition to a reduction in the average number of time chartered-in vessels to 3.9 from 5.3 during the years ended December 31, 2015 and 2014, respectively. The decrease in pool revenue was offset by an increase in pool TCE revenue per day to \$21,991 from \$16,201 during the years ended December 31, 2015 and 2014, respectively.

Voyage revenue (spot market). Voyage revenue (spot revenue) for the year ended December 31, 2015 was \$38.4 million, a decrease of \$9.7 million, or 20%, from \$48.1 million for the year ended December 31, 2014. This revenue

can be broken down as follows:

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In thousands of U.S. dollars	For the year ended December 31,		Change favorable / (unfavorable)	Percentage Change	
	2015	2014			
MR	\$32,564	\$25,353	\$ 7,211	28	%
LR2	122	70	52	74	%
Handymax	3,693	11,715	(8,022)	(68)	%
LR1/Panamax	2,062	10,974	(8,912)	(81)	%
Total voyage revenue (spot market)	\$38,441	\$48,112	\$ (9,671)	(20)	%

Voyage (spot) market revenue consists of the following:

Short-term time charters: We consider short-term time charters (less than one year) as spot market voyages. Vessels delivered under our Newbuilding Program during 2015 and one of our time chartered-in vessels were employed on short-term time charters (up to 120 days) for a total of 1,914 days during the year ended December 31, 2015 and earned TCE revenues of \$18,124 per day. Vessels delivered under our Newbuilding Program were employed on similar short-term time charters for a total of 2,177 days during the year ended December 31, 2014 and earned TCE revenues of \$16,089 per day.

Spot market voyages: One vessel operated in the spot voyage for 53 days during the year ended December 31, 2015 and three vessels operated in the spot market for a total of 274 days during the year ended December 31, 2014.

Time charter-out revenue. Time charter-out revenue (representing time charters with initial terms of one year or greater) for the year ended December 31, 2015 was \$19.7 million, an increase of \$6.2 million, or 46%, from \$13.5 million for the year ended December 31, 2014. The increase in time charter-out revenue was the result of an increase in time charter-out revenue days to 1,027 days from 852 days and an increase in the TCE revenue earned to \$18,553 per day from \$15,194 per day for the years ended December 31, 2015 and 2014, respectively. Our time charter-out revenue is summarized as follows:

In thousands of U.S. dollars	For the year ended December 31,		Change favorable / (unfavorable)	Percentage Change	
	2015	2014			
MR	\$19,714	\$13,538	\$ 6,176	46	%
LR2	—	—	—	N/A	
Handymax	—	—	—	N/A	
LR1/Panamax	—	—	—	N/A	
Total time charter-out revenue	\$19,714	\$13,538	\$ 6,176	46	%

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The following table summarizes the terms of our time chartered-out vessels during the years ended December 31, 2015 and 2014, respectively.

Name	Year built	Type	Delivery Date to the Charterer	Charter Expiration	Rate (\$/day)
1 STI Notting Hill	2015	MR	November-15	November-18 ⁽¹⁾	\$ 20,500
2 STI Westminster	2015	MR	December-15	December-18 ⁽¹⁾	\$ 20,500
3 STI Benicia	2014	MR	September-14	September-15	\$ 15,500 ⁽²⁾
4 STI Meraux	2014	MR	May-14	May-15	\$ 15,500 ⁽²⁾
5 STI San Antonio	2014	MR	June-15	June-15	\$ 15,500 ⁽²⁾
6 STI Texas City	2014	MR	March-14	April-16	\$ 16,000 ⁽²⁾

⁽¹⁾ Redelivery is plus or minus 30 days from the expiry date.

⁽²⁾ The charter had a 50% profit sharing provision whereby we received 50% of the vessel's profits above the daily base rate from the charterer.

Vessel operating costs. Vessel operating costs for the year ended December 31, 2015 were \$174.6 million, an increase of \$95.8 million, or 121%, from \$78.8 million for the year ended December 31, 2014. Vessel operating days increased to 26,547 days from 11,548 days for the years ended December 31, 2015 and 2014, respectively. The increase in vessel operating days was offset by a decrease in vessel operating costs per day to \$6,564 per day compared to \$6,802 per day for the years ended December 31, 2015 and 2014, respectively. The increase in operating days was the result of the deliveries of 27 vessels (including 26 under our Newbuilding Program) throughout 2015 and 41 vessels throughout 2014, which operated for a full year during 2015.

In thousands of U.S. dollars	For the year ended December 31,		Change	Percentage Change	
	2015	2014				favorable / (unfavorable)
Vessel operating costs					
MR	\$100,477	\$52,561	\$ (47,916)	(91)	%
LR2	36,681	4,830	(31,851)	(659)	%
Handymax	35,254	10,902	(24,352)	(223)	%
LR1/Panamax	2,144	10,530	8,386	80	%
Total vessel operating costs	\$174,556	\$78,823	\$ (95,733)	(121)	%

Vessel operating costs per day

MR	\$6,461	\$6,580	\$ 119	2	%
LR2	6,865	6,789	(76)	(1)	%
Handymax	6,473	6,706	233	3	%
LR1/Panamax	8,440	8,332	(108)	(1)	%
Consolidated vessel operating costs per day	6,564	6,802	238	3	%

Operating days

MR	15,550	7,957	7,593	95	%
LR2	5,343	707	4,636	656	%
Handymax	5,400	1,620	3,780	233	%
LR1/Panamax	254	1,264	(1,010)	(80)	%
Total operating days	26,547	11,548	14,999	130	%

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MR vessel operating costs. Vessel operating costs for the MR segment for the year ended December 31, 2015 were \$100.5 million, an increase of \$47.9 million, or 91%, from the year ended December 31, 2014. This was primarily due to an increase in operating days to 15,550 days from 7,957 days during the years ended December 31, 2015 and 2014, respectively, as we took delivery of 13 MRs throughout 2015 and 22 MRs throughout 2014.

LR2 vessel operating costs. Vessel operating costs for the LR2 segment for the year ended December 31, 2015 were \$36.7 million, an increase of \$31.9 million, or 659%, from the year ended December 31, 2014. The increase was primarily due to an increase of operating days to 5,343 from 707 operating days for the years ended December 31, 2015 and 2014, respectively, which was the result of the delivery of 12 LR2s throughout 2015 and seven LR2s throughout 2014.

Handymax vessel operating costs. Vessel operating costs for the Handymax segment for the year ended December 31, 2015 were \$35.3 million, an increase of \$24.4 million, or 223%, from the year ended December 31, 2014. This increase was primarily due to an increase in vessel operating days to 5,400 from 1,620 days during the years ended December 31, 2015 and 2014, respectively which was due to the delivery of two Handymax ice class 1A product tankers throughout 2015 and 12 throughout 2014.

LR1/Panamax vessel operating costs. Vessel operating costs for the LR1/Panamax segment for the year ended December 31, 2015 were \$2.1 million, a decrease of \$8.4 million, or 80%, from the year ended December 31, 2014. This decrease was due to a decrease in vessel operating days to 254 days from 1,264 days for the years ended December 31, 2015 and 2014, respectively. This was the result of the sales of Noemi and Senatore in March and April 2014, respectively and the sales of Venice, STI Harmony and STI Heritage in March 2015, April 2015 and April 2015, respectively.

Voyage expenses. Voyage expenses for the year ended December 31, 2015 were \$4.4 million, a decrease of \$3.1 million, or 41%, from \$7.5 million during the year ended December 31, 2014. The decrease in voyage expenses is primarily the result of the following:

A reduction in the number of days for vessels employed on short-term time charter-out arrangements to 1,914 days from 2,177 days for the years ended December 31, 2015 and 2014, respectively. Newbuilding vessels delivered (including vessels under our Newbuilding Program and one time chartered-in vessel) commenced short-term time charters (less than 120 days) upon their deliveries from the shipyard during 2015 and 2014. While these time charters are agreed to at fixed TCE rates, they incurred voyage costs prior to their entry into the Scorpio Group Pools for items such as bunker expenses (to their first port of loading) and tank cleaning costs.

A decrease in the number of days vessels operated in the spot market (excluding short term time charters) to 53 days from 274 days during the years ended December 31, 2015 and 2014, respectively.

These decreases were offset by an increase in commercial management fees paid to SCM, a related party, for vessels employed on long-term time charters (with initial terms of one year or greater) to \$0.7 million from \$0.3 million during the years ended December 31, 2015 and 2014, respectively.

Charterhire. Charterhire expense for the year ended December 31, 2015 was \$96.9 million, a decrease of \$42.3 million, or 30%, from \$139.2 million during the year ended December 31, 2014. This decrease was the result of a decrease in the average number of time chartered-in vessels to 16.9 from 26.3 during the years ended December 31, 2015 and 2014, respectively.

Depreciation. Depreciation expense for the year ended December 31, 2015 was \$107.4 million, an increase of \$64.7 million, or 152%, from \$42.6 million during the year ended December 31, 2014. The increase was the result of an increase in the average number of owned vessels to 72.7 from 31.6 for the years ended December 31, 2015 and 2014, respectively.

General and administrative expenses. General and administrative expenses for the year ended December 31, 2015 were \$65.8 million, an increase of \$17.7 million, or 37%, from \$48.1 million during the year ended December 31, 2014. The change was primarily driven by the growth of our fleet to an average of 89.6 owned and time chartered-in vessels from an average of 57.9 owned and time chartered-in vessels for the years ended December 31, 2015 and 2014, respectively.

Write down of vessels held for sale and net loss from sales of vessels. Write down of vessels held for sale and loss from sales of vessels for the year ended December 31, 2015 was \$35,000, a decrease of \$4.0 million, or 99%, from

\$4.0 million during the year ended December 31, 2014.

During the year ended December 31, 2015, we recorded a loss of \$2.1 million on the sale of STI Highlander in October 2015. This loss was offset by an aggregate gain of \$2.0 million recorded for the sales of Venice, STI Harmony and STI Heritage, which were sold in March 2015, April 2015 and April 2015, respectively.

During the year ended December 31, 2014, we recorded a \$4.0 million write-down as a result of the designation of STI Heritage and STI Harmony as held for sale and the corresponding write-down to the lower of their carrying value and fair value less estimated costs to sell at that date.

Write-off of vessel purchase options. Write-off of vessel purchase options of \$0.7 million during the year ended December 31, 2015 was the result of the write-off of deposits made for options to construct MR product tankers that expired unexercised in December 2015.

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Gain on sale of VLCCs. Gain on sale of VLCCs of \$51.4 million during the year ended December 31, 2014 was the result of the sale of our seven VLCCs under construction in March 2014. As a result of the sale, we received net proceeds in cash of \$141.7 million and the book value of these assets at the time of sale (primarily consisting of installment payments made to date) was \$90.3 million.

Gain on sale of Dorian shares. Gain on sale of Dorian shares for the year ended December 31, 2015 was \$1.2 million, a decrease of \$9.7 million or 89% from \$10.9 million during the year ended December 31, 2014.

In July 2015, we sold our investment in Dorian to two unrelated third parties and recorded an aggregate gain of \$1.2 million.

In June 2014, we acquired 7,500,000 of our common shares from an existing shareholder in exchange for 3,422,665 common shares of Dorian in a privately negotiated transaction. As a result of the disposal of the Dorian shares, we recognized a gain of \$10.9 million.

Re-measurement of investment in Dorian. Re-measurement of our investment in Dorian of \$13.9 million during the year ended December 31, 2014 relates to a change in the accounting method for our investment in Dorian from the equity method to the available for sale method. On October 29, 2014, Robert Bugbee, our President, resigned from Dorian's board of directors. Accordingly, we determined that we no longer had significant influence over Dorian's financial and operating decisions as of that date. As such, we remeasured our investment to its fair market value on October 29, 2014, which resulted in a write down of \$13.9 million.

Financial expenses. Financial expenses for the year ended December 31, 2015 were \$89.6 million, an increase of \$68.8 million, or 331%, from \$20.8 million during the year ended December 31, 2014. The change was primarily due to an increase in our average debt outstanding which increased to \$1.9 billion from \$783.9 million for the years ended December 31, 2015 and 2014, respectively. Additionally, the amount of interest capitalized decreased to \$5.6 million from \$17.5 million for the years ended December 31, 2015 and 2014, respectively, as a result of the decrease in the number of vessels under construction under our Newbuilding Program during those years.

Financial expenses for the year ended December 31, 2015 primarily consisted of interest expense of \$72.2 million and amortization of loan fees of \$17.4 million.

Financial expenses for the year ended December 31, 2014 primarily consisted of interest expense of \$15.9 million and amortization of loan fees of \$4.8 million.

Unrealized (loss) / gain on derivative financial instruments. Unrealized (loss) / gain on derivative financial instruments was a loss of \$1.3 million for the year ended December 31, 2015 and a gain of \$0.3 million for the year ended December 31, 2014.

The unrealized loss for the year ended December 31, 2015 results from the unrealized loss recorded on a profit and loss sharing arrangement whereby 50% of the profits and losses above or below the charterhire rate relating to an LR2 vessel that was time chartered-in by us, were shared with a third-party that neither owns nor operates this vessel. This agreement was recorded as a derivative, recorded at fair value, with any resultant gain or loss recognized in the consolidated statement of income.

The unrealized gain for the year ended December 31, 2014 relates to the adjustment to record interest rate swaps that did not qualify for hedge accounting, to their fair market value. These swaps were terminated in March 2015.

Share of income from associate. Share of income from associate for the year ended December 31, 2014 of \$1.5 million represents our share of Dorian's income from January 1, 2014 through October 29, 2014, which is the date we lost significant influence of Dorian's financial and operating decisions and changed the accounting for this investment to the available for sale method from the equity method.

Other expenses, net. Other expenses, net, representing income of \$1.3 million during the year ended December 31, 2015, was primarily the result of a \$1.4 million gain recorded as a result of a termination fee received when the owner of one of the Company's time chartered-in vessels cancelled the contract prior to its expiration date.

B. Liquidity and Capital Resources

Our primary source of funds for our short-term and long-term liquidity needs will be the cash flows generated from our vessels, which primarily operate in Scorpio Group Pools, in the spot market or on time charter, in addition to availability under our secured credit facilities with existing drawdown availability and cash on hand. We believe that the Scorpio Group Pools reduce volatility because (i) they aggregate the revenues and expenses of all pool participants

and distribute net earnings to the participants based on an agreed upon formula and (ii) some of the vessels in the pool are on time charter. Furthermore, spot charters provide flexibility and allow us to fix vessels at prevailing rates. Current economic conditions make forecasting difficult, and there is the possibility that our actual trading performance during the coming year may be materially different from expectations. As described below, our 2011 Credit Facility and our DVB Credit Facility are scheduled to mature in May 2017 and August 2017, respectively. In 2017, we refinanced four of the seven vessels collateralized under the 2011 Credit Facility. In addition, we received an offer to refinance the remaining amounts under the 2011 Credit Facility (via the non-binding offer to sell and leaseback three vessels as described further below) and a commitment to refinance our DVB Credit Facility which remain subject to the execution of definitive documentation and customary conditions

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precedent. Furthermore, it is also likely that additional, currently uncommitted sources of financing will be required to meet the financial commitment relating to the scheduled maturity of our Senior Unsecured Notes Due 2017, which are scheduled to mature in October 2017. We could also pursue other means to raise liquidity, such as through the sale of vessels, to meet our obligations however there can be no assurance that these or other measures will be successful.

Assuming we successfully refinance the aforementioned debt that is maturing in 2017, we believe that our cash flows from operations, amounts available for borrowing under our various credit facilities and our cash balance will be sufficient to meet our existing liquidity needs for the next 12 months from the date of this annual report. A deterioration in economic conditions or a failure to refinance our debt that is maturing could cause us to breach our debt covenants and could have a material adverse effect on our business, results of operations, cash flows and financial condition. A discussion and analysis of our key risks, including sensitivities thereto, can be found in "Item 3. Key Information - D. Risk Factors" and "Item 11 - Quantitative and Qualitative Disclosures About Market Risk". We continuously monitor the market for transactions that may add value for our shareholders, including the acquisition or disposition of vessels and other entities. In connection with any transaction, we may enter into additional financing arrangements, refinance existing arrangements or, subject to favorable market conditions, raise capital through public or private debt or equity offerings of our securities. There is no guarantee that we will grow the size of our fleet or enter into transactions that are accretive to our shareholders.

As of December 31, 2016, our cash balance was \$99.9 million, which was less than our cash balance of \$201.0 million as of December 31, 2015. As of March 15, 2017 and December 31, 2016, we had \$2.0 billion and \$2.0 billion in aggregate outstanding indebtedness, respectively, and \$172.0 million and \$88.8 million in availability under our secured credit facilities, respectively. All of our credit facilities are described below under Long-Term Debt Obligations and Credit Arrangements.

As of December 31, 2016, our long-term liquidity needs were comprised of our debt repayment obligations for our secured credit facilities, Senior Unsecured Notes Due 2020 and 2017 (defined below), Convertible Notes (defined below), our obligations under construction contracts related to the vessels in our Newbuilding Program, and obligations under our time and bareboat charter-in arrangements.

We have drawn \$117.1 million from our secured credit facilities in 2017 as follows:

Credit Facility	Drawdown amount (in millions of U.S. Dollars)	Drawdown date	Collateral
1 BNP Paribas Credit Facility	\$ 13.8	January 2017	STI Sapphire ⁽¹⁾
2 Credit Suisse Credit Facility	29.4	February 2017	STI Selatar ⁽²⁾
3 BNP Paribas Credit Facility	13.8	February 2017	STI Emerald ⁽³⁾
4 HSH Credit Facility	16.5	February 2017	STI Duchessa ⁽⁴⁾
5 HSH Credit Facility	14.6	February 2017	STI Onyx ⁽⁴⁾
6 Credit Suisse Credit Facility	29.0	March 2017	STI Rambla ⁽⁵⁾

(1) We refinanced the outstanding indebtedness related to STI Sapphire by repaying \$13.0 million on our 2011 Credit Facility in January 2017 and drawing down \$13.8 million from our BNP Paribas Credit Facility.

(2) In February 2017, we drew down \$29.4 million from our Credit Suisse Credit Facility to partially finance the purchase of STI Selatar.

(3) We refinanced the outstanding indebtedness related to STI Emerald by repaying \$13.3 million on our 2011 Credit Facility in February 2017 and drawing down \$13.8 million from our BNP Paribas Credit Facility.

(4) We refinanced the outstanding indebtedness related to STI Duchessa and STI Onyx by repaying an aggregate amount of \$23.7 million on our 2011 Credit Facility in February 2017 and drawing down \$31.1 million from our HSH Credit Facility.

(5) In March 2017, we drew down \$29.0 million on our Credit Suisse Credit Facility to partially finance the purchase of STI Rambla, which is scheduled to be delivered before the end of March 2017.

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Cash Flows

The table below summarizes our sources and uses of cash for the periods presented:

	For the year ended December 31,		
In thousands of U.S. dollars	2016	2015	2014
Cash flow data			
Net cash inflow/(outflow)			
Operating activities	\$178,511	\$391,975	\$93,916
Investing activities	31,333	(703,418)	(1,158,234)
Financing activities	(310,927)	396,270	1,101,616

Cash flow from operating activities

Fiscal year ended December 31, 2016 compared to fiscal year ended December 31, 2015

Operating cash flows are driven by our results of operations along with movements in working capital. Both of these components were driven by our growth during 2016 and 2015. The following table sets forth the components of our operating cash flow for the years ended December 31, 2016 and December 31, 2015:

	For the year ended December 31,		Change	Percentage
In thousands of U.S. dollars	2016	2015	favorable / (unfavorable)	Change
Vessel revenue	\$522,747	\$755,711	\$ (232,964)	(31)%
Vessel operating costs	(187,120)	(174,556)	(12,564)	(7)%
Voyage expenses	(1,578)	(4,432)	2,854	64 %
Charterhire	(78,862)	(96,865)	18,003	19 %
General and administrative expenses - cash	(24,692)	(32,144)	7,452	23 %
Financial expenses - cash	(63,858)	(61,082)	(2,776)	(5)%
Change in working capital	11,778	3,360	8,418	251 %
Other	96	1,983	(1,887)	(95)%
Operating cash flow	\$178,511	\$391,975	\$ (213,464)	(54)%

(1) See “Item 5. Operating and Financial Review and Prospects- A. Operating Results” for information on these variations for the years ended December 31, 2016 and 2015.

(2) Cash general and administrative expenses are general and administrative expenses from our consolidated statements of income or loss excluding the amortization of restricted stock of \$30.2 million and \$33.7 million for the years ended December 31, 2016 and 2015, respectively.

(3) Cash financial expenses are financial expenses from our consolidated statements of income or loss excluding the amortization of deferred financing fees of \$28.6 million and \$17.4 million for the years ended December 31, 2016 and 2015, respectively, and the accretion of our Convertible Notes of \$11.6 million and \$11.1 million over these same periods. The amortization of deferred financing fees in the years ended December 31, 2016 and 2015 included charges of \$14.4 million and \$2.7 million, respectively, for the write-offs of deferred financing fees during those periods.

(4) The change in working capital in 2016 was primarily driven by a decrease in accounts receivable offset by an increase in prepaid expense and other current assets and a decrease in accrued expenses. The decrease in accounts receivable was driven by an overall decrease in revenue across all of our operating segments. The increase in prepaid expense was driven by advances made for vessel operating expenses (such as crew wages) and the increase in other assets was driven by working capital contributions to the Scorpio Group Pools. The decrease in accrued expenses was driven by an overall decline in accrued short-term employee benefits. The change in working capital in 2015 was primarily driven by an increase in accrued expenses and a decrease in accounts receivable, offset by increases in inventory, other current assets and non-current assets.

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Fiscal year ended December 31, 2015 compared to fiscal year ended December 31, 2014

The following table sets forth the components of our operating cash flows for the years ended December 31, 2015 and December 31, 2014:

In thousands of U.S. dollars	For the year ended December 31,		Change favorable / (unfavorable)	Percentage Change	
	2015	2014			
Vessel revenue	\$755,711	\$342,807	\$ 412,904	120	% (1)
Vessel operating costs	(174,556)	(78,823)	(95,733)	(121)	% (1)
Voyage expenses	(4,432)	(7,533)	3,101	41	% (1)
Charterhire	(96,865)	(139,168)	42,303	30	% (1)
General and administrative expenses - cash	(32,144)	(18,403)	(13,741)	(75)	% (1) (2)
Financial expenses - cash	(61,082)	(10,606)	(50,476)	(476)	% (1) (3)
Drydock payments	—	(1,290)	1,290	100	%
Change in working capital	3,360	6,334	(2,974)	(47)	% (4)
Other	1,983	598	1,385	232	% (5)
Operating cash flow	\$391,975	\$93,916	\$ 298,059	317	%

(1) See “Item 5. Operating and Financial Review and Prospects- A. Operating Results” for information on these variations for the years ended December 31, 2015 and 2014.

(2) Cash general and administrative expenses are general and administrative expenses from our consolidated statements of income or loss excluding the amortization of restricted stock of \$33.7 million and \$29.7 million for the years ended December 31, 2015 and 2014, respectively.

(3) Cash financial expenses are financial expenses from our consolidated statements of income or loss excluding the amortization of deferred financing fees of \$17.4 million and \$4.8 million for the years ended December 31, 2015 and 2014, respectively, and the accretion of our Convertible Notes of \$11.1 million and \$5.3 million for the years ended December 31, 2015 and 2014, respectively. The amortization of deferred financing fees in the years ended December 31, 2015 and 2014 included charges of \$2.7 million and \$0.5 million, respectively, for the write-offs of deferred financing fees during those periods.

(4) The change in working capital in 2015 was primarily driven by the growth in accrued expenses and the decrease of accounts receivable, which were driven by growth in accrued short-term employee benefits and the timing of receipt of payments from the Scorpio Group Pools, respectively. These movements were offset by increases in inventory, other current assets and non-current assets which were impacted by working capital contributions made for our vessels operating in the Scorpio Group Pools. The change in working capital in 2014 was primarily driven by growth in accrued expenses and accounts payable which were impacted by the timing of payments to suppliers and growth in accrued interest.

(5) The increase in other operating cash flows in 2015 was primarily related to a \$1.4 million gain recorded as a result of a termination fee received when the owner of one of the Company's time chartered-in vessels cancelled the contract prior to its expiration date.

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Cash flow from investing activities

The following table sets forth the components of our investing cash flows for the years ended December 31, 2016 and December 31, 2015:

In thousands of U.S. dollars	For the year ended December 31,		Change favorable / (unfavorable)	Percentage Change	
	2016	2015			
Cash inflows					
Net proceeds from the sales of vessels	\$ 158,175	\$ 90,820	\$ 67,355	74	% ⁽¹⁾
Net proceeds from the sale of our shares in Dorian	—	142,436	(142,436)	(100)	% ⁽²⁾
Investing cash inflows total	158,175	233,256	(75,081)	(32)	%
Cash outflows					
Acquisition of vessels and payments for vessels under construction	(126,842)	(905,397)	778,555	86	% ⁽³⁾
Deposit returned for vessel purchases	—	(31,277)	31,277	100	% ⁽⁴⁾
Total investing cash outflows	(126,842)	(936,674)	809,832	86	%
Net cash inflow / (outflow) from investing activities	\$ 31,333	\$ (703,418)	\$ 734,751	104	%

(1) Net proceeds from the sales of vessels in 2016 represents the net proceeds received for the sales of STI Chelsea, STI Lexington, STI Powai, STI Olivia and STI Mythos. Net proceeds from the sales of vessels in 2015 represents the net proceeds received for the sales of Venice, STI Harmony, STI Heritage and STI Highlander.

(2) In July 2015, we sold our investment in Dorian to two unrelated third parties for aggregate net proceeds of \$142.4 million. As a result of these sales, we recognized a gain of \$1.2 million during the year ended December 31, 2015.

(3) Represents installment payments and other capitalized costs (including capitalized interest) associated with vessels that were under construction and/or delivered during the years ended December 31, 2016 and 2015.

(4) In 2014, we received a \$31.3 million deposit pursuant to an agreement to purchase four LR2 tankers from Scorpio Bulk Inc., a related party. We received this deposit as security for the scheduled installment payments that were expected to occur prior to the closing date of the transaction. The transaction closed, and the deposit was returned, in July 2015.

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The following table sets forth the components of our investing cash flows for the years ended December 31, 2015 and December 31, 2014:

In thousands of U.S. dollars	For the year ended December 31,		Change favorable / (unfavorable)	Percentage Change	
	2015	2014			
Cash inflows					
Net proceeds from the sale of our shares held in Dorian	\$ 142,436	\$—	\$ 142,436	N/A	(1)
Net proceeds from the sale of our seven VLCCs under construction	—	141,710	(141,710)	(100)%	(2)
Net proceeds from the sales of vessels	90,820	71,960	18,860	26 %	(3)
Deposits received for vessel purchases	—	31,277	(31,277)	(100)%	(5)
Total investing cash inflows	233,256	244,947	(11,691)	(5)%	
Cash outflows					
Acquisition of vessels and payments for vessels under construction	(905,397)	(1,403,181)	497,784	35 %	(4)
Deposit returned for vessel purchases	(31,277)	—	(31,277)	N/A	(5)
Total investing cash outflows	(936,674)	(1,403,181)	466,507	33 %	
Net cash outflow from investing activities	\$(703,418)	\$(1,158,234)	\$ 454,816	39 %	

(1) In July 2015, we sold our investment in Dorian to two unrelated third parties for aggregate net proceeds of \$142.4 million. As a result of these sales, we recognized a gain of \$1.2 million during the year ended December 31, 2015.

(2) Represents the net proceeds received from the sale of our seven VLCCs under construction in March 2014. We received net proceeds in cash of \$141.7 million and the book value of these assets at the time of sale (primarily consisting of installment payments made to date) was \$90.3 million.

(3) Net proceeds received from the sales of vessels in 2015 represents the net proceeds received from the sales of Venice, STI Harmony, STI Heritage and STI Highlander. Net proceeds from the sales of vessels in 2014 represents the net proceeds received from the sales of Noemi, Senatore and STI Spirit.

(4) Represents installment payments and other capitalized costs (including capitalized interest) associated with vessels that were under construction and/or delivered during the years ended December 31, 2015 and 2014.

(5) In 2014, we received a \$31.3 million deposit pursuant to an agreement to purchase four LR2 tankers from Scorpio Bulkers Inc., a related party. We received this deposit as security for the scheduled installment payments that were expected to occur prior to the closing date of the transaction. The transaction closed, and the deposit was returned, in July 2015.

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Cash flow from financing activities

Cash flows from financing activities primarily consist of the issuance, repayment and costs related to our secured and unsecured debt, the issuance and costs related to our common stock, the payment of dividends to our common shareholders and activity within our Securities Repurchase Program. The following table sets forth the components of our financing cash flows for the years ended December 31, 2016 and December 31, 2015:

In thousands of U.S. dollars	For the year ended December 31,		Change favorable / (unfavorable)	Percentage Change
	2016	2015		
Cash inflows				
Drawdowns from our secured credit facilities	\$565,028	\$643,550	\$ (78,522)	(12)% ⁽¹⁾
Gross proceeds from the issuance of common stock	—	159,747	(159,747)	(100)% ⁽²⁾
Total financing cash inflows	565,028	803,297	(238,269)	(30)%
Cash outflows				
Repayments on our secured credit facilities	(753,431)	(226,260)	(527,171)	(233)% ⁽¹⁾
Dividend payments	(86,923)	(87,056)	133	— % ⁽³⁾
Common stock repurchases	(16,505)	(76,028)	59,523	78 % ⁽⁴⁾
Debt issuance costs	(10,679)	(8,497)	(2,182)	(26)% ⁽⁵⁾
Repurchase of Convertible Notes	(8,393)	(1,632)	(6,761)	(414)% ⁽⁶⁾
Equity issuance costs	(24)	(7,554)	7,530	100 % ⁽²⁾
Total financing cash outflows	(875,955)	(407,027)	(468,928)	(115)%
Net cash (outflow) / inflow from financing activities	\$(310,927)	\$396,270	\$(707,197)	(178)%

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(1) Drawdowns from and repayments on our secured credit facilities in 2016 and 2015 consisted of:

	2016		2015	
	Drawdown	Repayments	Drawdown	Repayments
In thousands of U.S. dollars				
2010 Revolving Credit Facility	\$—	\$—	\$—	\$(41,456)
2011 Credit Facility	—	(7,935)	—	(7,935)
Newbuilding Credit Facility	—	(71,843)	—	(5,998)
2013 Credit Facility	—	(428,253)	127,700	(83,970)
K-Sure Credit Facility	—	(125,968)	261,100	(18,261)
KEXIM Credit Facility	—	(33,650)	30,300	(29,350)
Nomura Term Margin Loan Facility	—	—	30,000	(30,000)
ABN AMRO Credit Facility	—	(13,480)	142,200	(2,370)
ING Credit Facility	95,640	(6,058)	35,000	(292)
BNP Paribas Credit Facility	17,250	(2,300)	17,250	—
Scotiabank Credit Facility	33,300	(1,110)	—	—
NIBC Credit Facility	40,838	(1,021)	—	—
2016 Credit Facility	288,000	(6,816)	—	—
DVB Credit Facility	90,000	(1,625)	—	—
Finance lease payments - STI Lombard	—	(53,372)	—	(6,628)
	\$565,028	\$(753,431)	\$643,550	\$(226,260)

(2) In May 2015, we closed on the sale of 15,000,000 newly issued shares of common stock in an underwritten offering of common shares at an offering price of \$9.30 per share. In addition, the underwriters also exercised a portion of their over-allotment option to purchase 2,177,123 additional common shares at the public offering price. Gross proceeds from the issuance were \$159.7 million and associated equity issuance costs were \$7.6 million.

(3) Dividend payments to shareholders were \$86.9 million and \$87.1 million for the years ended December 31, 2016 and 2015, respectively. These dividends represent total dividends of \$0.50 and \$0.495 per share for the years ended December 31, 2016 and 2015, respectively.

(4) Common stock repurchases in 2016 included the purchase of 2,956,760 common shares in the open market at an average price of \$5.58 per share. Common stock repurchase in 2015 included the purchase of 8,273,709 common shares in the open market at an average price of \$9.19 per share.

(5) Debt issuance costs relates to costs incurred for our secured credit facilities.

(6) During the year ended December 31, 2016, we repurchased an aggregate of \$10.0 million aggregate principal amount of our Convertible Notes at an average price of \$839.28 per \$1,000 principal amount. During the year ended December 31, 2015, we repurchased an aggregate of \$1.5 million aggregate principal amount of our Convertible Notes at \$1,088.10 per \$1,000 principal amount.

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The following table sets forth the components of our financing cash flows for the years ended December 31, 2015 and December 31, 2014:

In thousands of U.S. dollars	For the year ended December 31,		Change favorable / (unfavorable)	Percentage Change	
	2015	2014			
Cash inflows					
Drawdowns from our secured credit facilities	\$643,550	\$1,114,284	\$(470,734)	(42)	%(1)
Gross proceeds from the issuance of our Convertible Notes	—	360,000	(360,000)	(100)	%(2)
Gross proceeds from the issuance of our senior unsecured notes due 2020 and 2017	—	105,500	(105,500)	(100)	%(3)
Gross proceeds from the issuance of common stock	159,747	—	159,747	N/A	(4)
Total financing cash inflows	803,297	1,579,784	(776,487)	(49)	%
Cash outflows					
Repayments on our secured credit facilities	(226,260)	(74,674)	(151,586)	(203)	%(1)
Dividend payments	(87,056)	(70,495)	(16,561)	(23)	%(5)
Common stock repurchases	(76,028)	(276,294)	200,266	72	%(6)
Debt issuance costs	(8,497)	(45,670)	37,173	81	%(7)
Equity issuance costs	(7,554)	(42)	(7,512)	(17,886)	%(4)
Repurchase of our Convertible Notes	(1,632)	—	(1,632)	N/A	(8)
Convertible Notes issuance costs	—	(10,993)	10,993	100	%(2)
Total financing cash outflows	(407,027)	(478,168)	71,141	15	%
Net cash inflow from financing activities	\$396,270	\$1,101,616	\$(705,346)	(64)	%

(1) Drawdowns from and repayments on our secured facilities in 2015 and 2014 consisted of:

In thousands of U.S. dollars	2015		2014	
	Drawdowns	Repayments	Drawdowns	Repayments
2010 Revolving Credit Facility	\$—	\$(41,456)	\$72,416	\$(30,960)
2011 Credit Facility	—	(7,935)	52,008	(7,103)
STI Spirit Credit Facility	—	—	—	(21,736)
Newbuilding Credit Facility	—	(5,998)	—	(5,998)
2013 Credit Facility	127,700	(83,970)	393,400	(8,877)
K-Sure Credit Facility	261,100	(18,261)	197,160	—
KEXIM Credit Facility	30,300	(29,350)	399,300	—
Nomura Term Margin Loan Facility	30,000	(30,000)	—	—
ABN AMRO Credit Facility	142,200	(2,370)	—	—
ING Credit Facility	35,000	(292)	—	—
BNP Paribas Credit Facility	17,250	—	—	—
Finance lease payments - STI Lombard	—	(6,628)	—	—
	\$643,550	\$(226,260)	\$1,114,284	\$(74,674)

(2) In June 2014, we issued \$360.0 million in aggregate principal amount of convertible senior notes due 2019, or the Convertible Notes, in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act. This amount includes the

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full exercise of the initial purchasers' option to purchase an additional \$60.0 million in aggregate principal amount of the Convertible Notes in connection with the offering. Initial purchasers' discounts, commissions and offering expenses for the Convertible Notes were \$11.0 million.

(3) We issued \$53.75 million of Unsecured Senior Notes in May 2014 and \$51.75 million of Unsecured Senior Notes in October 2014.

(4) In May 2015, we closed on the sale of 15,000,000 newly issued shares of common stock in an underwritten offering of common shares at an offering price of \$9.30 per share. In addition, the underwriters also exercised a portion of their over-allotment option to purchase 2,177,123 additional common shares at the public offering price. Gross proceeds from the issuance were \$159.7 million and associated equity issuance costs were \$7.6 million.

(5) Dividend payments to shareholders were \$87.1 million and \$75.0 million for the years ended December 31, 2015 and 2014, respectively. These dividends represent total dividends of \$0.495 and \$0.39 per share for the years ended December 31, 2015 and 2014, respectively.

(6) Common stock repurchases in 2015 included the purchase of 8,273,709 common shares in the open market at an average price of \$9.19 per share. Common stock repurchases in 2014 included the purchase of 19,951,536 common shares in the open market at an average price of \$9.09 per share and the purchase of 10,127,600 common shares at \$9.38 per share using a portion of the proceeds of our Convertible Notes.

(7) Debt issuance costs relates to costs incurred for our secured credit facilities and senior unsecured notes due 2020 and 2017.

(8) During the year ended December 31, 2015, we repurchased an aggregate of \$1.5 million aggregate principal amount of our Convertible Notes at \$1,088.10 per \$1,000 principal amount.

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Long-Term Debt Obligations and Credit Arrangements

The following is a discussion of the key terms and conditions of our secured credit facilities, unsecured senior notes, finance lease and our Convertible Notes. Our secured credit facilities may be secured by, among other things:

- a first priority mortgage over the relevant collateralized vessels;
- a first priority assignment of earnings, insurances and charters from the mortgaged vessels for the specific facility;
- a pledge of earnings generated by the mortgaged vessels for the specific facility; and
- a pledge of the equity interests of each vessel owning subsidiary under the specific facility.

Our credit facilities require us to comply with a number of covenants, including financial covenants related to liquidity, consolidated net worth, minimum interest coverage, maximum leverage ratios, loan to value ratios and collateral maintenance; delivery of quarterly and annual financial statements and annual projections; maintenance of adequate insurances; compliance with laws (including environmental); compliance with the Employee Retirement Income and Security Act, or ERISA; maintenance of flag and class of the initial vessels; restrictions on consolidations, mergers or sales of assets; approvals on changes in the manager of the vessels; limitations on liens; limitations on additional indebtedness; prohibitions on paying dividends if a covenant breach or an event of default has occurred or would occur as a result of payment of a dividend; prohibitions on transactions with affiliates; and other customary covenants.

The following is a table summarizing our indebtedness as of December 31, 2016 and March 15, 2017:

In thousands of U.S. dollars	Amount outstanding at December 31, 2016	Amount Outstanding at March 15, 2017	Availability as of March 15, 2017
2011 Credit Facility ⁽¹⁾	\$93,041	\$43,006	\$ —
K-Sure Credit Facility	314,032	299,104	—
KEXIM Credit Facility	366,600	349,775	—
Credit Suisse Credit Facility ⁽²⁾	—	58,350	—
ABN AMRO Credit Facility	126,350	124,053	—
ING Credit Facility	124,290	122,353	—
BNP Paribas Credit Facility ⁽³⁾	32,200	59,800	—
Scotiabank Credit Facility	32,190	31,635	—
NIBC Credit Facility	39,817	38,796	—
2016 Credit Facility	281,184	274,368	—
DVB Credit Facility	88,375	88,375	—
HSH Nordbank Credit Facility ⁽⁴⁾	—	31,125	—
2017 Credit Facility ⁽⁵⁾	—	—	172,000
Senior unsecured notes	105,500	105,500	—
Convertible Notes	348,500	348,500	—
Total	\$1,952,079	\$1,974,740	\$172,000

(1) Activity for the 2011 Credit Facility includes the following repayments in connection with the refinancing of outstanding borrowings thereunder (i) \$13.0 million related to STI Sapphire, which was refinanced in January 2017, (ii) \$13.3 million related to STI Emerald, which was refinanced in February 2017, (iii) \$13.7 million related to STI Duchess, which was refinanced in February 2017, and (iv) \$10.1 million related to STI Onyx, which was refinanced in February 2017.

(2) In February and March 2017, we drew down an aggregate \$58.4 million from this credit facility to partially finance the delivery of STI Selatar and upcoming delivery of STI Rambla, LR2 product tankers from SSME. STI Rambla is expected to be delivered before the end of March 2017.

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(3) In December 2016, we upsized our existing credit facility with BNP Paribas by \$27.6 million. The upsized loan facility was fully drawn in January and February 2017, and the aggregate proceeds of \$27.6 million were used to refinance the existing indebtedness on STI Sapphire and STI Emerald, which were previously financed under the 2011 Credit Facility.

(4) In January 2017, we executed a loan facility with HSH Nordbank AG. The facility has a maturity of five years from the agreement date and bears interest at LIBOR plus a margin of 2.50% per annum. This facility was fully drawn in February 2017, and the proceeds were used to refinance the existing indebtedness on STI Duchessa and STI Onyx, which were previously financed under the 2011 Credit Facility.

(5) In March 2017, we executed a senior secured term loan facility with a group of financial institutions led by Macquarie Bank Limited (London Branch) for up to \$172.0 million, or the 2017 Credit Facility. The 2017 Credit Facility consists of five tranches; including two commercial tranches of \$15.0 million and \$25.0 million each, a KEXIM Guaranteed Tranche of \$48.0 million, a KEXIM Funded Tranche of \$52.0 million, and a GIEK Guaranteed Tranche of \$32.0 million. The 2017 Credit Facility is expected to be used to partially finance the purchase of eight MR product tankers that are currently under construction at HMD. Drawdowns are available at an amount equal to the lower of 60% of the contract price and 60% of the fair market value of each respective vessel. The remaining terms and conditions, including financial covenants, are similar to those in our existing credit facilities.

2011 Credit Facility

On May 3, 2011, we executed a credit facility with Nordea Bank Finland plc, acting through its New York branch, DNB Bank ASA, acting through its New York branch, and ABN AMRO Bank N.V., for a senior secured term loan facility of up to \$150.0 million.

This credit facility bears interest at LIBOR plus an applicable margin of (i) 3.25% per annum when our debt to capitalization (total debt plus equity) ratio is equal to or less than 50% and (ii) 3.50% per annum when our debt to capitalization ratio is greater than 50%. The credit facility matures on May 3, 2017, and the availability under this credit facility expired on January 31, 2014.

Borrowings for each vessel financed under this facility represent a separate tranche, with repayment terms dependent on the age of the vessel at acquisition. Each tranche under the credit facility is repayable in equal quarterly installments, with a lump sum payment at maturity, based on a full repayment of such tranche when the vessel to which it relates is 16 years of age. Our subsidiaries, which may at any time, own one or more of our vessels, act as guarantors under the credit facility.

In July 2016, we amended certain of the financial covenants under the 2011 Credit Facility. These financial covenants require us to maintain:

• The ratio of net debt to capitalization shall be no greater than 0.60 to 1.00.

Consolidated tangible net worth was revised to no less than \$1.0 billion plus 25% of cumulative positive net income (on a consolidated basis) for each fiscal quarter from January 1, 2016 going forward and 50% of the net proceeds of any new equity issues occurring on or after January 1, 2016.

The ratio of EBITDA to interest expense (excluding non-cash items) shall be no less than 2.00 to 1.00. Such ratio shall be calculated quarterly on a trailing four quarter basis. In addition, we are restricted from paying dividends unless our EBITDA to interest expense ratio is 2.00 to 1.00 or greater. EBITDA, as defined in the loan agreement, excludes non-cash charges such as impairment.

Consolidated liquidity (defined as cash and cash equivalents) was revised to less than the greater of \$25.0 million or \$500,000 per each owned vessel plus \$250,000 per each time chartered-in vessel.

The aggregate fair market value of the collateral vessels shall at all times be no less than 150% of the then aggregate outstanding principal amount of loans under the credit facility.

The outstanding balances at December 31, 2016 and December 31, 2015 were \$93.0 million and \$101.0 million, respectively. We were in compliance with the financial covenants relating to this facility as of December 31, 2016.

Newbuilding Credit Facility

On December 21, 2011, we executed a credit facility agreement with Credit Agricole Corporate and Investment Bank and Skandinaviska Enskilda Banken AB for a senior secured term loan facility of up to \$92.0 million.

In September 2016, we refinanced all the amounts borrowed under the Newbuilding Credit Facility by repaying an aggregate of \$68.8 million. The vessels previously financed under this facility, STI Amber, STI Topaz, STI Ruby, and STI Garnet, were refinanced under our 2016 Credit Facility, which is described below.

This transaction was accounted for as a debt extinguishment. As a result, the Newbuilding Credit Facility was fully repaid and an aggregate of \$1.1 million of deferred financing fees was written off during the year ended December 31, 2016.

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2013 Credit Facility

On July 2, 2013, we entered into a senior secured revolving credit facility and term loan facility with Nordea Bank Finland plc and the other lenders named therein of up to \$525.0 million to finance the acquisition of certain vessels for which we previously entered into newbuilding contracts.

During the year ended December 31, 2016, we refinanced all amounts outstanding under the 2013 Credit Facility by repaying an aggregate of \$414.9 million. Of the total repayments, the borrowings related to 21 vessels were refinanced into other credit facilities and the borrowings related to one vessel, STI Mythos, was repaid as a result of the sale of that vessel. The repayments are summarized as follows:

Collateral	Repayment amount (in millions of U.S. dollars)	Repayment date
1 STI Battery	\$ 18.2	January 2016
2 STI Mythos	17.9	March 2016 ⁽¹⁾
3 STI Osceola	18.3	April 2016
4 STI Rose	32.5	June 2016
5 STI Fontvieille	18.4	July 2016
6 STI Ville	18.5	July 2016
7 STI Opera	17.4	September 2016
8 STI Texas City	17.4	September 2016
9 STI Meraux	16.7	September 2016
10 STI San Antonio	16.7	September 2016
11 STI Virtus	17.2	September 2016
12 STI Venere	16.9	September 2016
13 STI Aqua	17.5	September 2016
14 STI Dama	17.5	September 2016
15 STI Benicia	17.2	September 2016
16 STI Regina	17.5	September 2016
17 STI St. Charles	17.2	September 2016
18 STI Yorkville	17.6	September 2016
19 STI Wembley	16.2	September 2016
20 STI Alexis	32.5	September 2016
21 STI Milwaukee	18.4	September 2016
22 STI Seneca	17.2	September 2016

⁽¹⁾ STI Mythos was sold in March 2016.

All of these transactions were accounted for as debt extinguishments. As a result, the 2013 Credit Facility was fully repaid and an aggregate of \$10.4 million of deferred financing fees was written off during the year ended December 31, 2016.

K-Sure Credit Facility

In February 2014, we entered into a \$458.3 million senior secured term loan facility which consists of a \$358.3 million tranche with a group of financial institutions that is being 95% covered by Korea Trade Insurance Corporation, or the K-Sure Tranche, and a \$100.0 million commercial tranche with a group of financial institutions led by DNB Bank ASA, or the Commercial Tranche. We refer to this credit facility as our K-Sure Credit Facility. Drawdowns under the K-Sure Credit Facility occurred in connection with the delivery of certain of our newbuilding vessels as specified in the agreement.

Repayments will be made in equal consecutive six month repayment installments in accordance with a 15 year repayment profile under the Commercial Tranche and a 12 year repayment profile under the K-Sure Tranche.

Repayments commenced in July 2015 for the K-Sure Tranche and September 2015 for the Commercial Tranche. The Commercial Tranche matures in July 2021, and the K-Sure Tranche matures in January 2027 assuming the Commercial Tranche is refinanced through that date.

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Borrowings under the K-Sure tranche bear interest at LIBOR plus an applicable margin of 2.25%. Borrowings under the Commercial Tranche bear interest at LIBOR plus an applicable margin of 3.25% from the effective date of the agreement to the fifth anniversary thereof and 3.75% thereafter until the maturity date in respect of the Commercial Tranche. A commitment fee equal to 40% of the applicable margin was payable on the unused daily portion of the credit facility.

In July 2016, we amended certain of the financial covenants under the K-Sure Credit Facility. These financial covenants require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.

Consolidated tangible net worth was revised to no less than \$1.0 billion plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of new equity issues occurring on or after January 1, 2016.

- The ratio of EBITDA to net interest expense (excluding non-cash items) greater than 2.50 to 1.00 calculated on a trailing four quarter basis.

- Minimum liquidity was revised to not less than the greater of \$25.0 million or \$500,000 per each owned vessel plus \$250,000 per each time chartered-in vessel.

- The minimum threshold for the aggregate fair market value of the vessels as a percentage of the then aggregate principal amount in each facility was also revised and shall at all times be no less than the following:

From	To	Minimum ratio
01-Jan-16	31-Dec-16	165%
01-Jan-17	31-Dec-17	160%
01-Jan-18	31-Dec-18	155%
01-Jan-19	31-Dec-19	150%
01-Jan-20	Thereafter	145%

These amendments were accounted for as a debt modification and accordingly, no deferred financing fees were written off as a result.

During the year ended December 31, 2016, we made scheduled principal payments of \$36.5 million on the K-Sure Credit Facility. Additionally, we made an aggregate payment of \$73.5 million as part of the sales of STI Chelsea, STI Lexington, STI Powai, and STI Olivia and an unscheduled repayment of \$16.0 million as a result of amendments made to certain financial covenants as described above. We wrote off an aggregate of \$2.7 million of deferred financing fees as a result of the vessel sales.

The amounts outstanding relating to this facility as of December 31, 2016 and 2015 were \$314.0 million and \$440.0 million, respectively. We were in compliance with the financial covenants relating to this facility as of December 31, 2016.

KEXIM Credit Facility

In February 2014, we executed a senior secured term loan facility for \$429.6 million, or the KEXIM Credit Facility, with a group of financial institutions led by DNB Bank ASA and Skandinaviska Enskilda Banken AB (publ) and from the Export-Import Bank of Korea, or KEXIM, a statutory juridical entity established under The Export-Import Bank of Korea Act of 1969, as amended, in the Republic of Korea. This KEXIM Credit Facility includes commitments from KEXIM of \$300.6 million, or the KEXIM Tranche, and a group of financial institutions led by DNB Bank ASA and Skandinaviska Enskilda Banken AB (publ) of \$129.0 million, or the Commercial Tranche.

Drawdowns under the KEXIM Credit Facility occurred in connection with the delivery of 18 vessels under our Newbuilding Program as specified in the loan agreement.

In addition to KEXIM's commitment of up to \$300.6 million, KEXIM also provided an optional guarantee for a five year amortizing note of \$125.25 million, the proceeds of which reduced the \$300.6 million KEXIM Tranche. These notes were issued on July 18, 2014 when Seven and Seven Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Islands, or the Issuer, completed an offering of \$125,250,000 in aggregate principal amount of floating rate guaranteed notes due 2019, or the KEXIM Notes, in a private offering to qualified institutional buyers pursuant to the Securities Act and in offshore transactions complying with Regulation S under the Securities Act. The KEXIM Notes were issued in connection with the KEXIM Tranche and reduced KEXIM's funding

obligations and our borrowing costs under the KEXIM Tranche by 1.55% per year. Seven and Seven Ltd. is an unaffiliated company that was incorporated for the purpose of facilitating this transaction and servicing the bonds until maturity.

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Payment of 100% of all regularly scheduled installments of principal of, and interest on, the KEXIM Notes are guaranteed by KEXIM. The vessels in the loan are the collateral for the KEXIM Credit Facility, which includes the KEXIM Notes. The KEXIM Notes are currently listed to the Singapore Exchange Securities Trading Limited. The KEXIM Notes are not listed on any other securities exchange, listing authority or quotation system.

The Commercial Tranche matures on the sixth anniversary of the delivery date of the last vessel specified under the loan (January 2021), and the KEXIM Tranche matures on the 12th anniversary of the weighted average delivery date of the vessels specified under the loan assuming the Commercial Tranche is refinanced through that date (September 2026).

Repayments will be made in equal consecutive semi-annual repayment installments in accordance with a 15 year repayment profile under the Commercial Tranche and a 12 year repayment profile under the KEXIM Tranche (which includes the KEXIM Notes). Repayments under the KEXIM Tranche will first be applied to the KEXIM Notes until the maturity of those notes in September 2019 and all subsequent repayments will be applied to the remaining amounts outstanding under KEXIM Tranche until the maturity of that tranche in September 2026 (assuming the Commercial Tranche is refinanced through that date). Repayments commenced in March 2015 for the KEXIM Tranche and in July 2015 for the Commercial Tranche.

Borrowings under the KEXIM Tranche bear interest at LIBOR plus an applicable margin of 3.25%. Borrowings under the Commercial Tranche bear interest at LIBOR plus an applicable margin of 3.25% from the effective date of the agreement to the fifth anniversary thereof and 3.75% thereafter until the maturity date in respect of the Commercial Tranche.

In June 2016, we amended certain of the financial covenants under the KEXIM Credit Facility. These financial covenants require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.

Consolidated tangible net worth was revised to no less than \$1.0 billion plus (i) 25% of cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of any new equity issues occurring on or after January 1, 2016.

- The ratio of EBITDA to net interest expense (excluding non-cash items) greater than 2.50 to 1.00 calculated on a trailing four quarter basis.

- Minimum liquidity was revised to not less than the greater of \$25.0 million or \$500,000 per each owned vessel plus \$250,000 per each time chartered-in vessel.

- The minimum threshold for the aggregate fair market value of the vessels as a percentage of the then aggregate principal amount in each facility was revised and shall at all times be no less than the following:

From	To	Minimum ratio
01-Jan-16	31-Dec-16	165%
01-Jan-17	31-Dec-17	160%
01-Jan-18	31-Dec-18	155%
01-Jan-19	31-Dec-19	150%
01-Jan-20	Thereafter	145%

These amendments were accounted for as a debt modification and accordingly, no deferred financing fees were written off as a result.

The amounts outstanding relating to this facility (which includes the KEXIM Notes) as of December 31, 2016 and 2015 were \$366.6 million and \$400.3 million respectively. We were in compliance with the financial covenants relating to this facility as of December 31, 2016.

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ABN AMRO Credit Facility

In July 2015, we executed a senior secured term loan facility with ABN AMRO Bank N.V. and DVB Bank SE for up to \$142.2 million. This facility was fully drawn in 2015 to partially finance the purchases of STI Savile Row, STI Kingsway and STI Carnaby and to refinance the existing indebtedness on STI Spiga. We refer to this credit facility as our ABN AMRO Credit Facility.

Repayments under the ABN AMRO Credit Facility will be made in equal consecutive quarterly repayment installments in accordance with a 15 year repayment profile. Repayments commenced three months after the drawdown date of each vessel. Each tranche matures on the fifth anniversary of the initial drawdown date and a balloon installment payment is due on the maturity date of each tranche. Borrowings under the ABN AMRO Credit Facility bear interest at LIBOR plus an applicable margin of 2.15%.

Our ABN AMRO Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.

- Consolidated tangible net worth no less than \$677.3 million plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after October 1, 2013 and (ii) 50% of the net proceeds of new equity issues occurring on or after October 1, 2013.

- The ratio of EBITDA to net interest expense (excluding non-cash items) greater than 2.50 to 1.00 calculated on a trailing four quarter basis.

- Minimum liquidity of not less than the greater of \$25.0 million or \$500,000 per each owned vessel.

- The aggregate of the FMV of the vessels provided as collateral under the facility shall at all times be no less than 140% of the then aggregate outstanding principal amount of the loans under the credit facility.

During the year ended December 31, 2016, we made scheduled principal payments of \$9.5 million and an unscheduled prepayment of \$4.0 million on this credit facility. The amounts outstanding relating to this facility as of December 31, 2016 and 2015 were \$126.4 million and \$139.8 million, respectively. We were in compliance with the financial covenants relating to this facility as of December 31, 2016.

ING Credit Facility

In June 2015, we executed a senior secured term loan facility with ING Bank N.V., London Branch for a credit facility of up to \$52.0 million. In September 2015, we amended and restated the facility to increase the borrowing capacity to \$87.0 million, and in March 2016, we amended and restated the facility to further increase the borrowing capacity to \$132.5 million.

We made the following drawdowns from our ING Credit Facility during the year ended December 31, 2016:

Drawdown

amount

(in

millions

of Drawdown date Collateral

U.S.

dollars)

\$26.0	March 2016	STI Grace
26.5	April 2016	STI Lombard
17.1	April 2016	STI Osceola ⁽¹⁾
26.0	June 2016	STI Jermyn

⁽¹⁾ In April 2016, we refinanced the amount borrowed relating to STI Osceola by repaying \$18.3 million on our 2013 Credit Facility and drawing down \$17.1 million from our ING Credit Facility.

Repayments on all borrowings will be made in equal consecutive quarterly installments, in accordance with a 15 year repayment profile with the first installment falling due three calendar months after the drawdown date and a balloon installment payment, which is due on the maturity dates of March 4, 2021 for STI Lombard and STI Osceola and June 24, 2022 for STI Grace, STI Jermyn, STI Black Hawk and STI Pontiac.

Borrowings under the ING Credit Facility bear interest at LIBOR plus a margin of 1.95% per annum. A commitment fee equal to 40% of the applicable margin is payable on the unused daily portion of the credit facility.

Our ING Credit Facility includes financial covenants that require us to maintain:

• The ratio of net debt to total capitalization not more than 0.60 to 1:00.

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Consolidated tangible net worth of not less than \$677.3 million plus (a) 25% of the positive consolidated net income for each fiscal quarter commencing on or after October 1, 2013 and (b) 50% of the net proceeds of new equity issues occurring on or after October 1, 2013.

- The ratio of EBITDA to net interest expense (excluding non-cash items) greater than 2.50 to 1.00 calculated on a trailing four quarter basis.

• Minimum liquidity of not less than the greater of \$25.0 million or \$500,000 per each owned vessel.

• The aggregate of the FMV of the vessels provided as collateral under the facility shall at all times be no less than 135% of the then aggregate outstanding principal amount of the loans under the credit facility.

The amounts outstanding relating to this facility as of December 31, 2016 and 2015 were \$124.3 million and \$34.7 million, respectively. We were in compliance with the financial covenants relating to this facility as of December 31, 2016.

Credit Suisse Credit Facility

In October 2015, we executed a senior secured term loan facility with Credit Suisse AG, Switzerland. The proceeds of this facility of \$58.4 million were used to finance a portion of the purchase price of STI Selatar and STI Rambla.

These vessels are owned individually by certain of our subsidiaries, who together are the borrowers under this credit facility, and Scorpio Tankers Inc. is the guarantor. We refer to this facility as our Credit Suisse Credit Facility.

Repayments will be made in accordance with a 15 year repayment profile and will commence three calendar months after the drawdown date in respect of each tranche with subsequent installments falling due at consecutive intervals of three calendar months thereafter. A balloon payment is due on the maturity date of five years from the date of delivery of each vessel.

The facility will bear interest at LIBOR plus a margin of 2.40% per annum and a commitment fee equal to 1% of the amounts available was payable on the unused daily portion of this facility.

Our Credit Suisse Credit Facility includes financial covenants that require us to maintain:

• The ratio of net debt to total capitalization no greater than 0.60 to 1.00.

Consolidated tangible net worth no less than \$677.3 million plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after October 1, 2013 and (ii) 50% of the net proceeds of new equity issues occurring on or after October 1, 2013.

- The ratio of EBITDA to net interest expense (excluding non-cash items) greater than 2.50 to 1.00 calculated on a trailing four quarter basis.

• Minimum liquidity of not less than the greater of \$25.0 million or \$500,000 per each owned vessel.

• The aggregate of the FMV of the vessels provided as collateral under the facility shall at all times be no less than 135% of the then aggregate outstanding principal amount of the loans under the credit facility.

There were no amounts borrowed as of December 31, 2016. We were in compliance with the financial covenants relating to this facility as of December 31, 2016. In February and March 2017, we drew down a total of \$29.4 million and \$29.0 million, respectively, from this facility to partially finance the deliveries of STI Selatar in February 2017 and STI Rambla which is expected to be delivered before the end of March 2017.

BNP Paribas Credit Facility

In December 2015, we executed a senior secured term loan facility with BNP Paribas SA for up to \$34.5 million, and in December 2016, we amended and restated the facility to increase the borrowing capacity by a further \$27.6 million to \$62.1 million. These vessels are owned individually by certain of our subsidiaries, who together are the borrowers under this credit facility, and Scorpio Tankers Inc. is the guarantor. We refer to this facility as our BNP Paribas Credit Facility.

Repayments on all borrowings will be made in ten equal consecutive semi-annual installments of \$0.6 million per tranche, in accordance with a 15 year repayment profile with the first installment falling due on June 15, 2017 and subsequent installments falling due at consecutive intervals of six calendar months thereafter. A final balloon payment of \$38.0 million is due on the maturity date of December 15, 2021. The original facility of \$34.5 million bears interest at LIBOR plus a margin of 1.95% per annum, and the upsized facility of \$27.6 million bears interest at LIBOR plus a margin of 2.30% per annum. A commitment fee equal to 40% of the applicable margin was payable on the unused daily portion of the credit facility.

Our BNP Paribas Credit Facility includes financial covenants that require us to maintain:

• The ratio of net debt to total capitalization no greater than 0.60 to 1.00.

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Consolidated tangible net worth no less than \$677.3 million plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after October 1, 2013 and (ii) 50% of the net proceeds of new equity issues occurring on or after October 1, 2013.

- The ratio of EBITDA to net interest expense (excluding non-cash items) greater than 2.50 to 1.00 calculated on a trailing four quarter basis.

• Minimum liquidity of not less than the greater of \$25.0 million or \$500,000 per each owned vessel.

• The aggregate of the FMV of the vessels provided as collateral under the facility shall at all times be no less than 140% of the then aggregate outstanding principal amount of the loans under the credit facility.

We made the following drawdown from our BNP Paribas Credit Facility during the year ended December 31, 2016:

Drawdown

amount

(in

millions

of Drawdown date Collateral

U.S.

dollars)

\$17.3 February 2016 STI Battery ⁽¹⁾

⁽¹⁾ In February 2016, we refinanced the amount borrowed relating to STI Battery by repaying \$18.2 million on our 2013 Credit Facility and drawing down \$17.3 million from our BNP Paribas Credit Facility.

The amounts outstanding relating to this facility as of December 31, 2016 and 2015 were \$32.2 million and \$17.3 million respectively, and there was \$27.6 million available to draw as of that date. We were in compliance with the financial covenants relating to this facility as of December 31, 2016.

Furthermore, in January and February 2017, we refinanced the outstanding indebtedness related to STI Sapphire and STI Emerald by repaying an aggregate of \$26.3 million on our 2011 Credit Facility and drawing down \$27.6 million from our BNP Paribas Credit Facility.

Scotiabank Credit Facility

In June 2016, we executed a senior secured term loan facility with Scotiabank Europe plc. The loan facility was fully drawn in June 2016, and the proceeds of \$33.3 million were used to refinance the existing indebtedness on STI Rose, which was previously financed under the 2013 Credit Facility. We refer to this facility as our Scotiabank Credit Facility.

Repayments on all borrowings will be made in 12 equal consecutive quarterly installments of \$0.6 million each with the first installment paid on September 7, 2016 and subsequent installments falling due at consecutive intervals of three calendar months thereafter. A final balloon payment is due on the maturity date of June 7, 2019. The facility bears interest at LIBOR plus a margin of 1.50% per annum, and a commitment fee equal to 35% of the applicable margin was payable on the unused daily portion of the credit facility.

Our Scotiabank Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.

Consolidated tangible net worth no less than \$1.0 billion plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of new equity issues occurring on or after January 1, 2016.

- The ratio of EBITDA to net interest expense (excluding non-cash items) greater than 2.50 to 1.00 calculated on a trailing four quarter basis.

• Minimum liquidity of not less than the greater of \$25.0 million or \$500,000 per each owned vessel.

• The aggregate of the fair market value of the vessels provided as collateral under the facility shall at all times be no less than 125% of the then aggregate outstanding principal amount of the loans under the credit facility.

As of December 31, 2016, the outstanding balance was \$32.2 million, and we were in compliance with the financial covenants relating to this facility as of that date.

NIBC Credit Facility

In June 2016, we executed a senior secured term loan facility with NIBC Bank N.V. This facility was fully drawn in July 2016, and the aggregate proceeds of \$40.8 million were used to refinance the existing indebtedness on STI Ville and STI Fontvieille, which were previously financed under our 2013 Credit Facility. We refer to this facility as our NIBC Credit Facility.

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The facility is separated into two tranches (one per vessel), and the repayment of the tranche relating to the respective vessel will commence three calendar months after the respective drawdown date. Repayments will be made in equal, consecutive quarterly installments of \$0.5 million per tranche through July 2018 and \$0.4 million per tranche for each quarter thereafter with a final balloon payment due at the maturity date of June 2021. The facility bears interest at LIBOR plus a margin of 2.50% per annum. A commitment fee equal to 35% of the applicable margin was payable on the unused daily portion of the credit facility.

Our NIBC Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.

Consolidated tangible net worth no less than \$1.0 billion plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of new equity issues occurring on or after January 1, 2016.

- The ratio of EBITDA to net interest expense (excluding non-cash items) greater than 2.50 to 1.00 calculated on a trailing four quarter basis.

- Minimum liquidity of not less than the greater of \$25.0 million or \$500,000 per each owned vessel plus \$250,000 per each time chartered-in vessel.

The aggregate of the fair market value of the vessels provided as collateral under the facility shall be: 130% from the first drawdown date and ending on the second anniversary of the first drawdown date; 135% from the second anniversary of the first drawdown date and expiring on the fourth anniversary of the first drawdown date; and 140% at all times thereafter.

We made the following drawdowns from our NIBC Credit Facility during the year ended December 31, 2016:

Drawdown

amount

(in

millions

of Drawdown date Collateral

U.S.

dollars)

\$20.4	July 2016	STI Fontvieille ⁽¹⁾
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20.4	July 2016	STI Ville ⁽¹⁾
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⁽¹⁾ In July 2016, we refinanced the amounts borrowed relating to STI Fontvieille and STI Ville by repaying an aggregate of \$36.9 million on our 2013 Credit Facility and drawing down \$40.8 million from our NIBC Credit Facility.

As of December 31, 2016, the outstanding balance was \$39.8 million, and we were in compliance with the financial covenants relating to this facility as of that date.

2016 Credit Facility

In August 2016, we executed a senior secured loan facility with ABN AMRO Bank N.V., Nordea Bank Finland plc, acting through its New York branch, and Skandinaviska Enskilda Banken AB. The loan facility was fully drawn in September 2016, and the aggregate proceeds of \$288.0 million were used to refinance the existing indebtedness on 16 MR product tankers, which were previously financed under the 2013 Credit Facility (STI Opera, STI Texas City, STI Meraux, STI San Antonio, STI Virtus, STI Venere, STI Aqua, STI Dama, STI Benicia, STI Regina, STI St. Charles, and STI Yorkville) and Newbuilding Credit Facility (STI Amber, STI Topaz, STI Ruby and STI Garnet). This credit facility is comprised of a term loan up to \$192.0 million and a revolver up to \$96.0 million. We refer to this credit facility as our 2016 Credit Facility.

Repayments on the term loan facility will be made in equal, consecutive quarterly installments of \$6.8 million through September 2018 and \$6.0 million for each quarter thereafter with a final balloon payment due at the maturity date of September 2021. All amounts borrowed under the revolving credit facility are due at the maturity date of September 2021. The facility bears interest at LIBOR plus a margin of 2.50% per annum, and a commitment fee equal to 40% of the applicable margin was payable on the unused daily portion of the credit facility.

Our 2016 Credit Facility includes financial covenants that require us to maintain:

• The ratio of net debt to total capitalization no greater than 0.60 to 1.00.

Consolidated tangible net worth no less than \$1.0 billion plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of new equity issues occurring on or after January 1, 2016.

- The ratio of EBITDA to net interest expense (excluding non-cash items) greater than 2.50 to 1.00 calculated on a trailing four quarter basis.

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Minimum liquidity of not less than the greater of \$25.0 million or \$500,000 per each owned vessel plus \$250,000 per each time chartered-in vessel.

The aggregate of the fair market value of the vessels provided as collateral under the facility shall at all times be no less than 140% of the then aggregate outstanding principal amount of the loans under the credit facility.

We made the following drawdowns from our 2016 Credit Facility during the year ended December 31, 2016:

Drawdown amount (in millions of U.S. dollars)	Drawdown date	Collateral	
\$18.5	September 2016	STI Opera	(1)
18.5	September 2016	STI Texas City	(1)
18.5	September 2016	STI Meraux	(1)
18.5	September 2016	STI San Antonio	(1)
18.5	September 2016	STI Virtus	(1)
18.5	September 2016	STI Venere	(1)
18.5	September 2016	STI Aqua	(1)
18.5	September 2016	STI Dama	(1)
18.5	September 2016	STI Benicia	(1)
18.5	September 2016	STI Regina	(1)
18.5	September 2016	STI St. Charles	(1)
18.5	September 2016	STI Yorkville	(1)
16.7	September 2016	STI Amber	(2)
16.7	September 2016	STI Topaz	(2)
16.7	September 2016	STI Ruby	(2)
16.7	September 2016	STI Garnet	(2)

(1) In September 2016, we refinanced the amounts borrowed on the 12 MR product tankers listed above by repaying an aggregate of \$206.8 million on our 2013 Credit Facility and drawing down \$221.4 million from our 2016 Credit Facility.

(2) In September 2016, we refinanced the amounts borrowed on the four MR product tankers listed above by repaying an aggregate of \$68.8 million on our Newbuilding Credit Facility and drawing down \$66.6 million from our 2016 Credit Facility.

As of December 31, 2016, the outstanding balance was \$281.2 million, and we were in compliance with the financial covenants relating to this facility as of that date.

DVB Credit Facility

In September 2016, we executed a senior secured term loan facility with DVB Bank SE. The loan facility was fully drawn in September 2016, and the proceeds of \$90.0 million were used to refinance the existing indebtedness on four product tankers (STI Alexis, STI Milwaukee, STI Seneca, and STI Wembley), which were previously financed under the 2013 Credit Facility. We refer to this credit facility as our DVB Credit Facility.

The facility will be repaid in equal, quarterly principal repayments of \$1.6 million, has a final maturity of August 2017, and bears interest at LIBOR plus a margin of 1.60% per annum.

Our DVB Credit Facility includes financial covenants that require us to maintain:

• The ratio of net debt to total capitalization no greater than 0.60 to 1.00.

• Consolidated tangible net worth no less than \$677.3 million plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after October 1, 2013 and (ii) 50% of the net proceeds of

new equity issues occurring on or after October 1, 2013.

- The ratio of EBITDA to net interest expense (excluding non-cash items) greater than 2.50 to 1.00 calculated on a trailing four quarter basis.

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Minimum liquidity of not less than the greater of \$25.0 million or \$500,000 per each owned vessel. The aggregate of the fair market value of the vessels provided as collateral under the facility shall at all times be no less than 140% of the then aggregate outstanding principal amount of the loans under the credit facility.

We made the following drawdowns from our DVB Credit Facility during the year ended December 31, 2016:

Drawdown

amount

(in

millions

of Drawdown date Collateral

U.S.

dollars)

\$18.5 September 2016 STI Wembley (1)

19.5 September 2016 STI Milwaukee (1)

20.5 September 2016 STI Seneca (1)

31.5 September 2016 STI Alexis (1)

(1) In September 2016, we refinanced the amounts borrowed on the four product tankers listed above by repaying an aggregate of \$84.3 million into our 2013 Credit Facility and drawing down \$90.0 million from our DVB Credit Facility.

As of December 31, 2016, the outstanding balance was \$88.4 million, and we were in compliance with the financial covenants relating to this facility as of that date.

2017 Credit Facility

In March 2017, we executed a senior secured term loan facility with a group of financial institutions led by Macquarie Bank Limited (London Branch) for up to \$172.0 million, or the 2017 Credit Facility. The 2017 Credit Facility consists of five tranches; including two commercial tranches of \$15.0 million and \$25.0 million, a KEXIM Guaranteed Tranche of \$48.0 million, a KEXIM Funded Tranche of \$52.0 million, and a GIEK Guaranteed Tranche of \$32.0 million.

The 2017 Credit Facility is expected to be used to partially finance the purchase of eight MR product tankers that are currently under construction at HMD. Drawdowns will be available at an amount equal to the lower of 60% of the contract price and 60% of the fair market value of each respective vessel. Other key terms are as follows:

The first commercial tranche of \$15.0 million has a final maturity of six years from the drawdown date of each vessel, bears interest at LIBOR plus a margin of 2.25% per annum, and has a 15 year repayment profile.

The second commercial tranche of \$25.0 million has a final maturity of nine years from the drawdown date of each vessel (assuming KEXIM or GIEK have not exercised their option to call for prepayment of the KEXIM and GIEK funded and guaranteed tranches by the date falling two months prior to the maturity of the first commercial tranche and in the event that the first commercial tranche has not been extended), bears interest at LIBOR plus a margin of 2.25% per annum, and has a 15 year repayment profile.

The KEXIM Funded Tranche and GIEK Guaranteed Tranche have a final maturity of 12 years from the drawdown date of each vessel (assuming the commercial tranches are refinanced through that date), bear interest at LIBOR plus a margin of 2.15% per annum, and have a 12 year repayment profile.

The KEXIM Guaranteed Tranche has a final maturity of 12 years from the drawdown date of each vessel (assuming the commercial tranches are refinanced through that date), bears interest at LIBOR plus a margin of 1.60% per annum, and has a 12 year repayment profile.

The credit facility contains financial and restrictive covenants, which require us to, among other things, comply with certain financial tests (described below); deliver quarterly and annual financial statements and annual projections; maintain adequate insurances; comply with laws (including environmental laws and ERISA); maintain flag and class of our vessels. Other such covenants may, among other things, restrict consolidations, mergers or sales of our assets; require us to obtain lender approval on changes in our vessel manager; limit our ability to place liens on our assets; limit our ability to incur additional indebtedness; prohibit us from paying dividends if there is a covenant breach under the loan or an event of default has occurred or would occur as a result of payment of such dividend; prohibit our

transactions with affiliates.

Our 2017 Credit Facility includes financial covenants that require us to maintain:

• The ratio of net debt to total capitalization no greater than 0.60 to 1.00.

Consolidated tangible net worth no less than \$1.0 billion plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of new equity issues occurring on or after January 1, 2016.

• The ratio of EBITDA to net interest expense (excluding non-cash items) greater than 2.50 to 1.00 calculated on a trailing four quarter basis.

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- Minimum liquidity of not less than the greater of \$25.0 million or \$500,000 per each owned vessel and \$250,000 each time chartered-in vessel.

The aggregate of the FMV of the vessels provided as collateral under the facility shall at all times be no less than 135% of the then aggregate outstanding principal amount of the loans under the credit facility.

HSH Nordbank Credit Facility

In January 2017, we entered into a senior secured credit facility agreement with HSH Nordbank AG for \$31.1 million, or the HSH Nordbank Credit Facility. In February 2017, we refinanced the outstanding indebtedness related to STI Duchessa and STI Onyx by repaying an aggregate of \$23.7 million on our 2011 Credit Facility and drawing down an aggregate of \$31.1 million from this facility as follows:

Drawdown

amount

(in

millions

of Drawdown date Collateral

U.S.

dollars)

\$16.5 February 2017 STI Duchessa

14.6 February 2017 STI Onyx

Repayments on all borrowings under the HSH Nordbank Credit Facility are scheduled to be made in 20 consecutive quarterly installments. The first eight repayment installments shall be \$745,669 each and the next 12 repayment installments shall be \$648,408 each, the last of which shall be payable together with an additional balloon installment equal to the then outstanding balance of the loan. The facility has a final maturity of five years from the first drawdown date, and bears interest at LIBOR plus a margin of 2.50% per annum.

The credit facility contains financial and restrictive covenants, which require us to, among other things, comply with certain financial tests (described below); deliver quarterly and annual financial statements and annual projections; maintain adequate insurances; comply with laws (including environmental laws and ERISA); maintain flag and class of our vessels. Other such covenants may, among other things, restrict consolidations, mergers or sales of our assets; require us to obtain lender approval on changes in our vessel manager; limit our ability to place liens on our assets; limit our ability to incur additional indebtedness; prohibit us from paying dividends if there is a covenant breach under the loan or an event of default has occurred or would occur as a result of payment of such dividend; prohibit our transactions with affiliates.

Our HSH Nordbank Credit Facility includes financial covenants that require us to maintain:

• The ratio of net debt to total capitalization no greater than 0.60 to 1.00.

Consolidated tangible net worth no less than \$1.0 billion plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of new equity issues occurring on or after January 1, 2016.

- The ratio of EBITDA to net interest expense (excluding non-cash items) greater than 2.50 to 1.00 calculated on a trailing four quarter basis.

- Minimum liquidity of not less than the greater of \$25.0 million or \$500,000 per each owned vessel and \$250,000 each time chartered-in vessel.

The aggregate of the FMV of the vessels provided as collateral under the facility shall at all times be no less than 140% of the then aggregate outstanding principal amount of the loans under the credit facility.

Unsecured Senior Notes Due 2020

On May 12, 2014, we issued \$50.0 million in aggregate principal amount of 6.75% Senior Notes due May 2020, or our Senior Notes Due 2020, and on June 9, 2014, we issued an additional \$3.75 million aggregate principal amount of Senior Notes Due 2020 when the underwriters partially exercised their option to purchase additional Senior Notes Due 2020 on the same terms and conditions. The net proceeds from the issuance of the Senior Notes Due 2020 were \$51.8 million after deducting the underwriters' discounts, commissions and offering expenses.

The Senior Notes Due 2020 bear interest at a coupon rate of 6.75% per year, payable quarterly in arrears on the 15th day of February, May, August and November of each year. Coupon payments commenced on August 15, 2014. The Senior Notes Due 2020 are redeemable at our option, in whole or in part, at any time on or after May 15, 2017 at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

The Senior Notes Due 2020 are our senior unsecured obligations and rank equally with all of our existing and future senior unsecured and unsubordinated debt and are effectively subordinated to our existing and future secured debt, to the extent of the value of the assets securing such debt, and will be structurally subordinated to all existing and future debt and other liabilities of our subsidiaries. No sinking fund is provided for the Senior Notes Due 2020. The Senior Notes Due 2020 were issued in minimum denominations of \$25.00 and integral multiples of \$25.00 in excess thereof and are listed on the NYSE under the symbol "SBNA."

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The Senior Notes Due 2020 require us to comply with certain covenants, including financial covenants; restrictions on consolidations, mergers or sales of assets and prohibitions on paying dividends or returning capital to equity holders if a covenant breach or an event of default has occurred or would occur as a result of such payment. If we undergo a change of control, holders may require us to repurchase for cash all or any portion of their notes at a change of control repurchase price equal to 101% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the change of control purchase date.

The financial covenants under our Senior Notes Due 2020 include:

Net borrowings shall not equal or exceed 70% of total assets.

Net worth shall always exceed \$650.0 million.

The outstanding balance was \$53.75 million as of December 31, 2016 and December 31, 2015, and we were in compliance with the financial covenants relating to the Senior Notes Due 2020 as of that date.

Convertible Senior Notes Due 2019

In June 2014, we issued \$360.0 million in aggregate principal amount of convertible senior notes due 2019, or the Convertible Notes, in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act. This amount includes the full exercise of the initial purchasers' option to purchase an additional \$60.0 million in aggregate principal amount of the Convertible Notes in connection with the offering. The net proceeds we received from the issuance of the Convertible Notes after the exercise of the initial purchasers' option to purchase additional Convertible Notes were \$349.0 million after deducting the initial purchasers' discounts, commissions and offering expenses of \$11.0 million. As part of the transaction, we used a portion of the net proceeds to repurchase \$95.0 million of our common stock, or 10,127,600 shares, at \$9.38 per share in a privately negotiated transaction.

The Convertible Notes bear interest at a coupon rate of 2.375% per annum, and are payable semi-annually in arrears on January 1 and July 1 of each year beginning on January 1, 2015. The Convertible Notes will mature on July 1, 2019, unless earlier converted, redeemed or repurchased. At issuance, the Convertible Notes were convertible in certain circumstances and during certain periods at an initial conversion rate of 82.0075 shares of common stock per \$1,000 (which represents an initial conversion price of approximately \$12.19 per share of common stock), subject to adjustment in certain circumstances as set forth in the indenture governing the Convertible Notes. Adjustments were made during years ended December 31, 2016 and 2015 to the initial conversion rate as a result of the issuance of dividends to our common stockholders. The table below details the dividends declared from the issuance of the Convertible Notes through March 15, 2017 and their corresponding effect to the conversion rate of the Convertible Notes. The conversion rate as of December 31, 2016 was 97.7039.

Record Date	Dividends per share	Share Adjusted Conversion Rate ⁽¹⁾
August 22, 2014	\$ 0.100	82.8556
November 25, 2014	\$ 0.120	84.0184
March 13, 2015	\$ 0.120	85.2216
May 21, 2015	\$ 0.125	86.3738
August 14, 2015	\$ 0.125	87.4349
November 24, 2015	\$ 0.125	88.6790
March 10, 2016	\$ 0.125	90.5311
May 11, 2016	\$ 0.125	92.5323
September 15, 2016	\$ 0.125	94.9345
November 25, 2016	\$ 0.125	97.7039
February 23, 2017	\$ 0.010	97.9316

⁽¹⁾ Per \$1,000 principal amount.

Holders may convert their notes at their option at any time prior to the close of business on the business day immediately preceding January 1, 2019 only under the following circumstances:

during any calendar quarter commencing after the calendar quarter ending on September 30, 2014 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 15 trading days (whether or not consecutive) during a period of 25 consecutive trading days ending on the last trading day of the immediately

preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;

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during the five business day period after any five consecutive trading day period, or the Measurement Period, in which the trading price (as defined below) per \$1,000 principal amount of Convertible Notes for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day;

• if the Company calls any or all of the Convertible Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or

• upon the occurrence of specified corporate events as defined in the indenture (e.g. consolidations, mergers, a binding share exchange or the transfer or lease of all or substantially all of our assets).

We may not redeem the Convertible Notes prior to July 6, 2017. We may redeem for cash all or any portion of the notes, at our option, on or after July 6, 2017 if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 15 trading days (whether or not consecutive) during any 25 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the Convertible Notes.

The Convertible Notes require us to comply with certain covenants such as restrictions on consolidations, mergers or sales of assets. Additionally, if we undergo a fundamental change, holders may require us to repurchase for cash all or any portion of their notes at a fundamental change repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

We determined the initial carrying value of the liability component of the Convertible Notes to be \$298.7 million based on the fair value of a similar liability that does not have any associated conversion feature. We used our Senior Notes Due 2020 issued in May 2014 as the basis for this determination. The difference between the fair value of the liability component and the face value of the Convertible Notes is being amortized over the term of the Convertible Notes under the effective interest method and recorded as part of financial expenses. The residual value of \$61.3 million (the conversion feature) was recorded to additional paid-in capital.

In July 2015, we repurchased \$1.5 million face value of our Convertible Notes at an average price of \$1,088.10 per \$1,000 principal amount. As a result of this transaction, we reduced the liability and equity components of the Convertible Notes by \$1.3 million and \$0.4 million, respectively and recorded a gain of \$46,273. We also wrote off \$30,880 of deferred financing fees as a result of this transaction.

In March 2016, we repurchased \$5.0 million face value of our Convertible Notes at an average price of \$831.05 per \$1,000 principal amount, or \$4.2 million. As a result of this transaction, we reduced the liability and equity components of the Convertible Notes by \$4.4 million and \$0.3 million, respectively and we recorded a gain of \$0.6 million, which is recorded within financial income of the consolidated statement of income or loss. We also wrote off \$0.1 million of deferred financing fees as a result of this transaction.

In May 2016, we repurchased \$5.0 million face value of our Convertible Notes at an average price of \$847.50 per \$1,000 principal amount, or \$4.2 million. As a result of this transaction, we reduced the liability and equity components of the Convertible Notes by \$4.4 million and \$0.2 million, respectively and we recorded a gain of \$0.4 million, which is recorded within financial income of the consolidated statement of income or loss. We also wrote off \$0.1 million of deferred financing fees as a result of this transaction.

The carrying values of the liability component of the Convertible Notes as of December 31, 2016 and 2015, were \$316.5 million and \$313.8 million, respectively. We incurred \$8.3 million of coupon interest and \$11.6 million of non-cash accretion of our Convertible Notes during the year ended December 31, 2016. We incurred \$8.5 million of coupon interest and \$11.1 million of non-cash accretion of our Convertible Notes during the year ended December 31, 2015.

We were in compliance with the covenants related to the Convertible Notes as of December 31, 2016.

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Unsecured Senior Notes Due 2017

On October 31, 2014, we issued \$45.0 million aggregate principal amount of 7.50% Unsecured Senior Notes due October 15, 2017, or the Senior Notes Due 2017, and on November 17, 2014, we issued an additional \$6.75 million aggregate principal amount of Senior Notes Due 2017 when the underwriters exercised their option to purchase additional Senior Notes Due 2017 on the same terms and conditions. The net proceeds from the issuance of the Senior Notes Due 2017 were approximately \$49.9 million after deducting the underwriters' discounts, commissions and offering expenses.

All terms mentioned are defined in the indenture.

The Senior Notes Due 2017 bear interest at a coupon rate of 7.50% per year, payable quarterly in arrears on the 15th day of January, April, July and October of each year, commencing on January 15, 2015.

The Senior Notes Due 2017 are our senior unsecured obligations and rank equally with all of our existing and future senior unsecured and unsubordinated debt. The Senior Notes Due 2017 are effectively subordinated to our existing and future secured debt, to the extent of the value of the assets securing such debt, and structurally subordinated to all existing and future debt and other liabilities of our subsidiaries. The Senior Notes Due 2017 were issued in minimum denominations of \$25.00 and integral multiples of \$25.00 in excess thereof and are listed on the NYSE under the symbol "SBNB."

The Senior Notes Due 2017 require us to comply with certain covenants, including financial covenants; restrictions on consolidations, mergers or sales of assets and prohibitions on paying dividends or returning capital to equity holders if a covenant breach or an event of default has occurred or would occur as a result of such payment. If we undergo a change of control, holders may require us to repurchase for cash all or any portion of their notes at a change of control repurchase price equal to 101% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the change of control purchase date.

The financial covenants include:

Net borrowings shall not equal or exceed 70% of total assets.

Net worth shall always exceed \$650.0 million.

The outstanding balance was \$51.75 million as of December 31, 2016 and December 31, 2015 and we were in compliance with the financial covenants as of those dates.

Finance Lease Accounting

In July 2015, we entered into an agreement with an unrelated third-party to purchase STI Lombard, an LR2 product tanker, which was under construction at DSME, for approximately \$59.0 million. As part of this agreement, we agreed to make a deposit of \$5.9 million and to bareboat charter-in the vessel for up to nine months, at \$10,000 per day. STI Lombard was delivered to us under the bareboat agreement in August 2015. This transaction was accounted for as a finance lease as of December 31, 2015 and the finance lease liability was \$53.4 million at that date. In April 2016, we took ownership of this vessel at the conclusion of the bareboat agreement and paid the remaining 90% of the purchase price, or \$53.1 million, as part of this transaction. Accordingly, all amounts due under the finance lease were settled at that date.

Capital Expenditures

Vessel Acquisitions and Dispositions

Newbuilding vessel acquisitions

In March and June 2016, we took delivery of two LR2 product tankers under our Newbuilding Program, STI Grace and STI Jermyn, respectively, and reclassified \$106.7 million, in aggregate, from "Vessels under construction" to "Vessels".

In April 2016, we took ownership of STI Lombard, an LR2 product tanker that was previously bareboat chartered-in, and paid the remaining 90% of the purchase price, or \$53.1 million, upon delivery. We drew down \$26.5 million from our ING Credit Facility to partially finance this transaction.

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As of March 15, 2017, we had nine newbuilding vessels under construction, of which eight MRs are expected to be delivered throughout the remainder of 2017 and the first quarter of 2018 and one LR2 is expected to be delivered in the first quarter of 2017. These nine newbuilding vessels under construction have an aggregate purchase price of \$338.5 million. Of this amount, \$109.6 million has been paid as of March 15, 2017.

The following table is a timeline of future expected payments and dates for our vessels under construction as of as of March 15, 2017*

	In millions of U.S. Dollars
Q1 2017 - installment payments made	\$ 29.2
Q1 2017 - remaining installment payments	52.7
Q2 2017	35.9
Q3 2017	68.2
Q4 2017	50.5
Q1 2018	21.6
 Total	 \$ 258.1

* These are estimates only and are subject to change as construction progresses.

Sale of vessels

In February 2016, we reached an agreement with an unrelated third party to sell five 2014 built MR product tankers; STI Lexington, STI Mythos, STI Chelsea, STI Olivia, and STI Powai. Two vessels were sold in March 2016, one vessel was sold in April 2016 and two vessels were sold in May 2016. The aggregate net proceeds were \$158.2 million and we recorded an aggregate loss of \$2.1 million as part of these sales.

As part of these sales of STI Lexington, STI Chelsea, STI Olivia and STI Powai, we made an aggregate repayment of \$73.5 million on our K-Sure Credit Facility, and as part of the sale of STI Mythos, we repaid \$17.9 million on our 2013 Credit Facility. We also wrote off an aggregate of \$3.2 million of deferred financing fees as part of these repayments.

In December 2016, we signed a non-binding term sheet with an unaffiliated third party to sell and leaseback, on a bareboat basis, three 2013 built MR product tankers. The selling price is \$29.0 million per vessel and we expect to bareboat-in the vessels for a period of up to eight years for \$8,800 per day per vessel. Upon completion, our liquidity is expected to increase by approximately \$29.0 million after the repayment of debt. We expect to have the option to repurchase these vessels beginning at the end of the fifth year of the agreement through the end of the eighth year of the agreement. This transaction is subject customary conditions precedent and the execution of definitive documentation.

Drydock

During 2015 and 2016, none of our vessels were drydocked.

As our fleet matures and expands, our drydock expenses will likely increase. Ongoing costs for compliance with environmental regulations and society classification survey costs are a component of our vessel operating costs. With the exception of the recent ratification of the ballast water treatment convention as described in "Item 3. Key Information - D. Risk Factors", we are not currently aware of any regulatory changes or environmental liabilities that we anticipate will have a material impact on our results of operations or financial condition.

C. Research and Development, Patents and Licenses, Etc.

Not applicable.

D. Trend Information

See "Item 4. Information on the Company—B. Business Overview—The International Oil Tanker Shipping Industry."

E. Off-Balance Sheet Arrangements

As of December 31, 2016, we were committed to make charter-hire payments to third parties for certain chartered-in vessels. These arrangements are accounted for as operating leases. Additionally, we are committed to make payments

on our newbuilding vessel orders. See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources” for further information.

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F. Tabular Disclosure of Contractual Obligations

The following table sets forth our total contractual obligations at December 31, 2016:

In thousands of U.S. dollars	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Secured bank loans ⁽¹⁾	\$305,562	\$268,434	\$870,874	\$ 53,208
Estimated interest payments on secured bank loans ⁽²⁾	56,215	97,396	58,758	1,122
Bank loans - commitment fees ⁽³⁾	200	—	—	—
Time and bareboat charter-in commitments ⁽⁴⁾	57,018	30,933	—	—
Technical management fees ⁽⁵⁾	10,727	—	—	—
Commercial management fees ⁽⁶⁾	10,149	—	—	—
Newbuilding installments ⁽⁷⁾	236,483	21,638	—	—
Convertible Notes ⁽⁸⁾	—	348,500	—	—
Convertible Notes - estimated interest payments ⁽⁹⁾	8,277	16,554	—	—
Senior unsecured notes ⁽¹⁰⁾	51,750	—	53,750	—
Senior unsecured notes - estimated interest payments ⁽¹¹⁾	7,509	7,256	1,784	—
Total	\$743,890	\$790,711	\$985,166	\$ 54,330

Represents principal payments due on our secured credit facilities, as described above in "Item 5B. Liquidity and (1)Capital Resources - Long-Term Debt Obligations and Credit Arrangements". These payments are based on our outstanding borrowings as of December 31, 2016.

Represents estimated interest payments on our secured credit facilities. These payments were estimated by taking (2)into consideration: (i) the margin on each credit facility and (ii) the forward interest rate curve calculated from interest swap rates, as published by a third party, as of December 31, 2016.

The forward curve was calculated as follows as of December 31, 2016:

Year 1 1.19%

Year 2 1.75%

Year 3 2.15%

Year 4 2.34%

Year 5 2.44%

Year 6 2.51% (1)

Year 7 2.69%

(1) Third party published six year interest swap rates were unavailable. As such, we interpolated the year six forward rate using an average of the five and seven year published swap rates from the third party.

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The margins on each credit facility that have amounts outstanding at December 31, 2016 are as follows:

Facility	Margin
2011 Credit Facility	3.50 %
KEXIM	3.25 %
KEXIM Commercial Tranche	3.25 % ⁽¹⁾
KEXIM Guarantee Notes	1.70 %
K-Sure	2.25 %
K-Sure Commercial Tranche	3.25 % ⁽²⁾
ABN AMRO Credit Facility	2.15 %
ING Credit Facility	1.95 %
BNP Paribas Credit Facility	1.95 %
Scotiabank Credit Facility	1.50 %
NIBC Credit Facility	2.50 %
2016 Credit Facility	2.50 %
DVB Credit Facility	1.60 %

(1) Borrowings under the KEXIM Commercial Tranche bear interest at LIBOR plus an applicable margin of 3.25% from the effective date of the agreement to the fifth anniversary thereof and 3.75% thereafter until the maturity date.

Borrowings under the K-Sure Commercial Tranche bear interest at LIBOR plus an applicable margin of 3.25% (2) from the effective date of the agreement to the fifth anniversary thereof and 3.75% thereafter until the maturity date in respect of the Commercial Tranche.

Interest was then estimated using the above mentioned rates multiplied by the amounts outstanding under our various credit facilities using the balance as of December 31, 2016 and taking into consideration the scheduled amortization of such facilities going forward until their respective maturities.

As of December 31, 2016, a commitment fee equal to 40% of the applicable margin was payable on the unused daily portion of our BNP Paribas Credit Facility (which was upsized in December 2016) and a commitment fee equal to 1% of the amounts available was payable on the unused daily portion of our Credit Suisse Credit Facility. (3) Our 2011 Credit Facility, KEXIM Credit Facility, K-Sure Credit Facility ING Credit Facility, ABN AMRO Credit Facility, 2016 Credit Facility, Scotiabank Credit Facility, NIBC Credit Facility and DVB Credit Facility were fully drawn as of December 31, 2016.

(4) Represents amounts due under our time and bareboat charter-in agreements as of December 31, 2016.

We pay our technical manager, SSM, \$685 per day per owned vessel. These fees are subject to a notice period of three months and a payment equal to three months of management fees which would be due and payable upon the sale of a vessel, so long as such termination does not amount to a change of control of the Company, including a sale of all or substantially all vessels, in which case, a payment equal to 24 months of management fees will apply. (5)

We pay our commercial manager, SCM, \$250 per vessel per day for LR2 vessels, \$300 per vessel per day for LR1 vessels, \$325 per vessel per day for MR and Handymax vessels plus a 1.50% commission on gross revenue for vessels that are in one of the Scorpio Group Pools. When the vessels are not in the pools, SCM charges fees of \$250 per vessel per day for the LR1 and LR2 vessels, \$300 per vessel per day for the Handymax and MR vessels plus a 1.25% commission on gross revenue. These fees are subject to a notice period of three months and a payment equal to three months of management fees which would be due and payable upon the sale of a vessel, so long as such termination does not amount to a change of control of the Company, including a sale of all or substantially all vessels, in which case, a payment equal to 24 months of management fees will apply. (6)

Represents obligations under our agreements with HMD for the construction of eight MRs and with SSME for the construction of two LR2s under our Newbuilding Program as of December 31, 2016. (7)

(8) Represents the principal due at maturity on our Convertible Notes as of December 31, 2016.

(9) Represents estimated coupon interest payments on our Convertible Notes. The Convertible Notes bear interest at a coupon rate of 2.375% per annum and mature in July 2019.

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- (10) Represents the principal due at maturity on our Senior Unsecured Notes Due 2020 and our Senior Unsecured Notes Due 2017 as of December 31, 2016.
- (11) Represents estimated coupon interest payments on our Senior Unsecured Notes Due 2020 and our Senior Unsecured Notes Due 2017 as of December 31, 2016. These notes bear interest at coupon rates of 6.75% and 7.50%, respectively.

G. Safe Harbor

See “Cautionary Statement Regarding Forward-Looking Statements” at the beginning of this annual report.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Set forth below are the names, ages and positions of our directors and executive officers as of the date of this annual report. Our board of directors is elected annually, and each director elected holds office for a three-year term or until his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal or the earlier termination of his term of office. The terms of our Class I directors expire at the 2017 annual meeting of shareholders, the terms of our Class II directors expire at the 2018 annual meeting of shareholders, and the terms of our Class III directors expire at the 2019 annual meeting of shareholders. Officers are elected from time to time by vote of our board of directors and hold office until a successor is elected. The business address for each director and executive officer is the address of our principal executive office which is Scorpio Tankers Inc., 9, Boulevard Charles III, Monaco 98000.

Certain of our officers participate in business activities not associated with us. As a result, they may devote less time to us than if they were not engaged in other business activities and may owe fiduciary duties to the shareholders of both us as well as shareholders of other companies which they may be affiliated, including other Scorpio Group companies. This may create conflicts of interest in matters involving or affecting us and our customers and it is not certain that any of these conflicts of interest will be resolved in our favor. While there will be no formal requirements or guidelines for the allocation of their time between our business and the business of members of the Scorpio Group, their performance of their duties will be subject to the ongoing oversight of our board of directors.

Name	Age	Position
Emanuele A. Lauro	38	Chairman, Class I Director, and Chief Executive Officer
Robert Bugbee	56	President and Class II Director
Cameron Mackey	48	Chief Operating Officer and Class III Director
Brian Lee	50	Chief Financial Officer
Filippo Lauro	40	Vice President
Luca Forgione	40	General Counsel
Anoushka Kachelo	37	Secretary
Alexandre Albertini	40	Class III Director
Ademaro Lanzara	74	Class I Director
Marianne Økland	54	Class III Director
Jose Tarruella	45	Class II Director
Reidar Brekke	55	Class II Director

On March 9, 2016, Mr. Sergio Gianfranchi retired from his position as Vice President, Vessel Operations of the Company.

On November 13, 2016, Mr. Donald C. Trauscht, an independent member of the Company's board of directors and a member of the Company's Audit Committee, passed away.

Effective as of December 16, 2016, the Board of Directors of the Company unanimously appointed Reidar C. Brekke to serve as a Class II Director to fill the vacancy resulting from the death of Mr. Donald Trauscht. Mr. Brekke was also appointed to the Company's Audit Committee and as Chairman of the Compensation Committee, effective December 19, 2016. The Board has determined that Mr. Brekke is an “independent director” as such term is defined

under the Securities Exchange Act of 1934, as amended, and the New York Exchange Listing Manual.

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Biographical information concerning the directors and executive officers listed above is set forth below.

Emanuele A. Lauro, Chairman and Chief Executive Officer

Emanuele A. Lauro, the Company's founder, serves and has served as Chairman, and Chief Executive Officer since the closing of our initial public offering in April 2010. Mr. Lauro also co-founded and serves as Chairman and Chief Executive Officer of Scorpio Bulkers (NYSE: SALT), which was formed in 2013. He joined the Scorpio group of companies, or the Scorpio Group, in 2003 and has continued to serve there in a senior management position since 2004. Under Mr. Lauro's leadership, Scorpio Group has grown from an owner of three vessels in 2003 to become a leading operator and manager of over 210 vessels in 2016. Over the course of the last several years, Mr. Lauro has founded and developed all of the Scorpio Group Pools in addition to several other ventures such as Scorpio Logistics, which owns and operates specialized assets engaged in the transshipment of dry cargo commodities and invests in coastal transportation and port infrastructure developments in Asia and Africa since 2007. Mr. Lauro has a degree in international business from the European Business School, London. Mr. Lauro is the brother of our Vice President, Mr. Filippo Lauro.

Robert Bugbee, President and Director

Robert Bugbee serves and has served as a Director and President since the closing of our initial public offering in April 2010. He has more than 30 years of experience in the shipping industry. Mr. Bugbee also co-founded and serves as President and Director of Scorpio Bulkers. He joined the Scorpio Group in February 2009 and has continued to serve there in a senior management position. Prior to joining Scorpio Group, Mr. Bugbee was a partner at Ospraie Management LLP between 2007 and 2008, a company which advises and invests in commodities and basic industry. From 1995 to 2007, Mr. Bugbee was employed at OMI Corporation, or OMI, a NYSE-listed tanker company which was sold in 2007. While at OMI, Mr. Bugbee served as President from January 2002 until the sale of the company, and before that served as Executive Vice President since January 2001, Chief Operating Officer since March 2000, and Senior Vice President from August 1995 to June 1998. Mr. Bugbee joined OMI in February 1995. Prior to this, he was employed by Gotaas-Larsen Shipping Corporation since 1984. During this time he took a two year sabbatical beginning 1987 for the M.I.B. Program at the Norwegian School for Economics and Business administration in Bergen. He has a B.A. (Honors) from London University.

Cameron Mackey, Chief Operating Officer and Director

Cameron Mackey serves and has served as our Chief Operating Officer since the closing of our initial public offering in April 2010 and as a Director since May 2013. Mr. Mackey also serves as Chief Operating Officer of Scorpio Bulkers. He joined Scorpio Group in March 2009, where he continues to serve in a senior management position. Prior to joining Scorpio Group, he was an equity and commodity analyst at Ospraie Management LLC from 2007 to 2008. Prior to that, he was Senior Vice President of OMI Marine Services LLC from 2004 to 2007, where he was also in Business Development from 2002 to 2004. He has been employed in the shipping industry since 1994 and, earlier in his career, was employed in unlicensed and licensed positions in the merchant navy, primarily on tankers in the international fleet of Mobil Oil Corporation, where he held the qualification of Master Mariner. He has an M.B.A. from the Sloan School of Management at the Massachusetts Institute of Technology, a B.S. from the Massachusetts Maritime Academy and a B.A. from Princeton University.

Brian Lee, Chief Financial Officer

Brian Lee serves and has served as Chief Financial Officer since the closing of our initial public offering in April 2010. He joined Scorpio Group in April 2009 where he continues to serve in a senior management position. He has been employed in the shipping industry since 1998. Prior to joining Scorpio Group, he was the Controller of OMI from 2001 until the sale of the company in 2007. Mr. Lee has an M.B.A. from the University of Connecticut and has a B.S. in Business Administration from the University at Buffalo, State University of New York.

Filippo Lauro, Vice President

Mr. Filippo Lauro serves and has served as an executive officer of the Company with the title of Vice President since May 27, 2015. Mr. Lauro also serves as Vice President of Scorpio Bulkers. He joined Scorpio Group in 2010 and has continued to serve there in a senior management position. Prior to joining Scorpio Group, Mr. Lauro was the founder of and held senior executive roles in several private companies, primarily active in real estate, golf courses and resorts development. Mr. Lauro is the brother of our Chairman and Chief Executive Officer, Mr. Emanuele Lauro.

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Luca Forgione, General Counsel

Luca Forgione serves and has served as General Counsel since the closing of our initial public offering in April 2010 and has served as Secretary until December 2, 2013. Mr. Forgione also serves as General Counsel of Scorpio Bulkers. He joined Scorpio Group in August 2009 where he continues to serve as General Counsel. He is licensed as a lawyer in his native Italy and as a Solicitor of the Supreme Court of England & Wales. Mr. Forgione has more than ten years of shipping industry experience and has worked in the fields of shipping, offshore logistics, commodity trading and energy since the beginning of his in-house career, most recently with Constellation Energy Commodities Group Ltd. in London, and now part of Exelon (NYSE: EXC) from 2007 to 2009, and previously with Coeclerici S.p.a. in Milan from 2004 to 2007. He has experience with all aspects of the supply chain of drybulk and energy commodities (upstream and downstream), and has developed considerable understanding of the regulatory and compliance regimes surrounding the trading of physical and financial commodities as well as the owning, managing and chartering of vessels. Mr. Forgione was a Tutor in International Trade Law and Admiralty Law at University College London (U.K.) and more recently a Visiting Lecturer in International Trade Law at King's College (U.K.). He has a Master's Degree in Maritime Law from the University of Southampton (U.K.) and a Law Degree from the University of Genoa (Italy).

Anoushka Kachelo, Secretary

Anoushka Kachelo serves and has served as our Secretary since December 2, 2013. Mrs. Kachelo also serves as Secretary of Scorpio Bulkers. She joined Scorpio Group in September 2010 as Senior Legal Counsel. Mrs. Kachelo is a Solicitor of the Supreme Court of England & Wales and has worked in the fields of commodity trading, energy and asset finance. Prior to joining the Scorpio Group, Mrs. Kachelo was Legal Counsel for the Commodities Team at JPMorgan (London) and prior to that in private practice for the London office of McDermott Will & Emery and Linklaters. She has a BA in Jurisprudence from the University of Oxford (U.K.).

Ademaro Lanzara, Director

Ademaro Lanzara serves and has served on our board of directors since the closing of our initial public offering in April 2010. Mr. Lanzara serves and has served as Chairman of BPV Finance (International) Plc Dublin since 2008. He also serves and has served as the deputy Chairman and Chairman of the Audit Committee of Cattolica Life Inc. Dublin since 2011, and as Chairman of NEM Sgr SpA Vicenza since November 2013. Mr. Lanzara previously served as Chairman of BPVI Fondi Sgr SpA, Milano from April 2012 until November 2013. From 1963 to 2006, Mr. Lanzara held a number of positions with BNL spa Rome, a leading Italian banking group, including Deputy Group CEO, acting as the Chairman of the Credit Committee and Chairman of the Finance Committee. He also served as Chairman and/or director of a number of BNL controlled banks or financial companies in Europe, the United States and South America. He formerly served as a director of each of Istituto dell'Enciclopedia Italiana fondata da Giovanni Treccani Spa, Rome, Italy, the Institute of International Finance Inc. in Washington DC, Compagnie Financiere Edmond de Rothschild Banque, in Paris, France, ABI-Italian Banking Association in Rome, Italy, FITD-Interbank deposit Protection Fund, in Rome, Italy, ICC International Chamber of Commerce Italian section, Rome, Italy and Co-Chairman Round Table of Bankers and Small and Medium Enterprises, European Commission, in Brussels, Belgium. Mr. Lanzara has an economics degree (graduated magna cum laude) from the University of Naples, a law degree from the University of Naples and completed the Program for Management Development (PMD) at Harvard Business School.

Alexandre Albertini, Director

Alexandre Albertini serves and has served on our board of directors since the closing of our initial public offering in April 2010. Mr. Albertini has more than 20 years of experience in the shipping industry. He has been employed by Marfin Management SAM, a drybulk ship management company, since 1997 and has served as its CEO since October 2010. Marfin operates 13 vessels, providing services such as technical, commercial, and crew management as well as insurance, legal, financial, and information technology. He also serves as President of Ant. Topic srl, a vessel and crewing agent based in Trieste, Italy. Mr. Albertini serves on the board of a private company in addition to various trade associations; BIMCO, Monaco Chamber of Shipping, Intermanager, FEDEM and was recently appointed as a Director of The Steamship Mutual Underwriting Association (Bermuda) Limited.

Marianne Økland, Director

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Marianne Økland serves and has served on our board of directors since April 2013. Ms. Økland is also a Managing Director of Avista Partners, a London based consultancy company that provides advisory services and raises capital. In addition, she is a non-executive director at each of IDFC Limited, IDFC NOFHC, IDFC Alternatives (India), and the National Bank of Greece. She also serves on the Audit Committees of IDFC Limited and the National Bank of Greece. Previously, she was a non-executive director at NLB (Slovenia) and Islandsbanki (Iceland). Between 1993 and 2008, Ms. Økland held various investment banking positions at JP Morgan Chase & Co. and UBS where she focused on debt capital raising and structuring. Ms. Økland has led many transactions for large Nordic banks and insurance companies, including some of the most significant mergers and acquisitions in these sectors. Between 1988 and 1993, Ms. Økland headed European operations of Marsoft, a Boston, Oslo and London based consulting firm that advises banks and large shipping, oil and raw material companies on shipping strategies and investments. Ms. Økland holds a M.Sc. degree in Finance and Economics from the Norwegian School of Economics and Business Administration where she also worked as a researcher and taught mathematics and statistics.

Jose Tarruella, Director

Jose Tarruella serves and has served on our board of directors since May 2013. Mr. Tarruella is also the founder and Chairman of Camino de Esles s.l., a high-end restaurant chain with franchises throughout Madrid, Spain, since 2007. Prior to forming Camino de Esles, Mr. Tarruella was a Director in Group Tragaluz, which owns and operates restaurants throughout Spain. Mr. Tarruella also acted as a consultant for the Spanish interests of Rank Group plc (LSE: RNK.L) a leading European gaming-based entertainment business. He has been involved in corporate relations for Esade Business School in Madrid. He earned an International MBA from Esade Business School in Barcelona and an MA from the University of Navarre in Spain.

Reidar C. Brekke, Director

Reidar C. Brekke serves and has served on our board of directors since December 2016. Mr. Brekke has over 20 years' experience in the international energy, container logistics and transportation sector. He also serves as a member of the board of directors of Diana Containerships Inc. (NASDAQ: DCIX), a position he has held since June 2010. Mr. Brekke has served as a board member and President of Intermodal Holdings LP, a New York based portfolio company that invests in and operates marine containers, since 2012, and is currently a board member of two other privately-held companies involved in container logistics and drybulk shipping. From 2008 to 2012, Mr. Brekke served as President of Energy Capital Solution Inc., a company that provides strategic and financial advisory services to international shipping, logistics and energy related companies. From 2003 to 2008, he served as Manager of Poten Capital Services LLC, a registered broker-dealer specialized in the maritime sector. Prior to 2003, Mr. Brekke served as Chief Financial Officer, then President and Chief Operating Officer, of SynchroNet Marine, a logistics service provider to the global container transportation industry. He also held various senior positions with AMA Capital Partners LLC (formerly American Marine Advisers), a merchant banking firm focused on the maritime and energy industries. Furthermore, Mr. Brekke has been an adjunct professor at Columbia University's School of International and Public Affairs - Center for Energy, Marine Transportation and Public Policy. Mr. Brekke graduated from the New Mexico Military Institute in 1986 and has an MBA from the University of Nevada, Reno.

B. Compensation

We paid an aggregate compensation of \$34.4 million, \$42.5 million and \$31.0 million to our senior executive officers in 2016, 2015, and 2014, respectively. Executive management remuneration was as follows during these periods:

	For the year ended December 31,		
In thousands of US dollars	2016	2015	2014
Short-term employee benefits (salaries)	\$8,786	\$15,601	\$7,454
Share-based compensation ⁽¹⁾	25,575	26,911	23,553
Total	\$34,361	\$42,512	\$31,007

⁽¹⁾ Represents the amortization of restricted stock issued under our equity incentive plans. See Note 14 to our Consolidated Financial Statements included herein for further description.

Each of our non-employee directors receive cash compensation in the aggregate amount of \$60,000 annually, plus an additional fee of \$10,000 for each committee on which a director serves plus an additional fee of \$25,000 for each committee for which a director serves as Chairman, per year, plus an additional fee of \$35,000 to the lead independent director, plus \$2,000 for each meeting, plus reimbursements for actual expenses incurred while acting in their capacity as a director. During the year ended December 31, 2016 and 2015, we paid an aggregate compensation of \$0.8 million and \$0.8 million to our directors, respectively. Our officers and directors are eligible to receive awards under our equity incentive plan which is described below under “—2010 Equity Incentive Plan and 2013 Equity Incentive Plan.”

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We believe that it is important to align the interests of our directors and management with that of our shareholders. In this regard, we have determined that it will generally be beneficial to us and to our shareholders for our directors and management to have a stake in our long-term performance. We expect to have a meaningful component of our compensation package for our directors and management consisted of equity interests in us in order to provide them on an on-going basis with a meaningful percentage of ownership in us.

We do not have a retirement plan for our officers or directors.

2010 Equity Incentive Plan

In 2010, we adopted an equity incentive plan, which we refer to as the 2010 Equity Incentive Plan, under which directors, officers, employees, consultants and service providers of us and our subsidiaries and affiliates were eligible to receive incentive stock options and non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and unrestricted common stock. The 2010 Equity Incentive Plan was administered by our compensation committee. We reserved a total of 1,148,916 common shares for issuance under the 2010 Equity Incentive Plan and no shares remain available for issuance.

Under the terms of the 2010 Equity Incentive Plan, stock options and stock appreciation rights granted under the 2010 Equity Incentive Plan have an exercise price equal to the fair market value of a common share on the date of grant, unless otherwise determined by the plan administrator, but in no event will the exercise price be less than the fair market value of a common share on the date of grant. Options and stock appreciation rights are exercisable at times and under conditions as determined by the plan administrator, but in no event will they be exercisable later than ten years from the date of grant.

The restricted shares granted under the 2010 Equity Incentive Plan were subject to vesting, forfeiture and other terms and conditions as determined by the plan administrator. Adjustments would have been made to outstanding awards in the event of a corporate transaction or change in capitalization or other extraordinary event. In the event of a “change in control” (as defined in the 2010 Equity Incentive Plan), unless otherwise provided by the plan administrator in an award agreement, awards then outstanding would have become fully vested and exercisable in full.

Our board of directors may amend or terminate the 2010 Equity Incentive Plan and may have amended outstanding awards, provided that no such amendment or termination would have been made that would materially impair any rights, or materially increase any obligations, of a grantee under an outstanding award. Shareholder approval of plan amendments would have been required under certain circumstances. Unless terminated earlier by our board of directors, the 2010 Equity Incentive Plan expires ten years from the date it was adopted.

2013 Equity Incentive Plan

In April 2013, we adopted an equity incentive plan, which was amended in March 2014 and which we refer to as the 2013 Equity Incentive Plan, under which directors, officers, employees, consultants and service providers of us and our subsidiaries and affiliates are eligible to receive incentive stock options and non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and unrestricted common stock. We initially reserved a total of 5,000,000 common shares for issuance under the 2013 Equity Incentive Plan which was subsequently revised as follows:

• In October 2013, we reserved an additional 6,376,044 common shares, par value \$0.01 per share, for issuance pursuant to the 2013 Equity Incentive Plan. All other terms of the 2013 Equity Incentive Plan remained unchanged.

• In September 2014, we reserved an additional 1,088,131 common shares, par value \$0.01 per share, for issuance pursuant to the 2013 Equity Incentive Plan. All other terms of the 2013 Equity Incentive Plan remained unchanged.

• In May 2015, we reserved an additional 1,755,443 common shares, par value \$0.01 per share, for issuance pursuant to the 2013 Equity Incentive Plan. All other terms of the 2013 Equity Incentive Plan remained unchanged.

• In June 2016, we reserved an additional 2,301,115 common shares, par value \$0.01 per share, for issuance pursuant to the 2013 Equity Incentive Plan. All other terms of the 2013 Equity Incentive Plan remained unchanged.

• In December 2016, we reserved an additional 1,348,992 common shares, par value \$0.01 per share, for issuance pursuant to the 2013 Equity Incentive Plan. All other terms of the 2013 Equity Incentive Plan remained unchanged.

Under the terms of the 2013 Equity Incentive Plan, stock options and stock appreciation rights granted under the 2013 Equity Incentive Plan will have an exercise price equal to the fair market value of a common share on the date of grant, unless otherwise determined by the plan administrator, but in no event will the exercise price be less than the

fair market value of a common share on the date of grant. Options and stock appreciation rights will be exercisable at times and under conditions as determined by the plan administrator, but in no event will they be exercisable later than ten years from the date of grant.

The plan administrator may grant shares of restricted stock and awards of restricted stock units subject to vesting, forfeiture and other terms and conditions as determined by the plan administrator. Following the vesting of a restricted stock unit, the award recipient will be paid an amount equal to the number of vested restricted stock units multiplied by the fair market value of a common share on the date of vesting, which payment may be paid in the form of cash or common shares or a combination

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of both, as determined by the plan administrator. The plan administrator may grant dividend equivalents with respect to grants of restricted stock units.

Adjustments may be made to outstanding awards in the event of a corporate transaction or change in capitalization or other extraordinary event. In the event of a “change in control” (as defined in the 2013 Equity Incentive Plan), unless otherwise provided by the plan administrator in an award agreement, awards then outstanding will become fully vested and exercisable in full.

Our board of directors may amend or terminate the 2013 Equity Incentive Plan and may amend outstanding awards, provided that no such amendment or termination may be made that would materially impair any rights, or materially increase any obligations, of a grantee under an outstanding award. Shareholder approval of plan amendments will be required under certain circumstances. Unless terminated earlier by our board of directors, the 2013 Equity Incentive Plan will expire ten years from the date the plan is adopted.

In the second quarter of 2013, we issued 4,610,000 shares of restricted stock to our employees and 390,000 shares to our independent directors for no cash consideration. The weighted average share price on the issuance dates was \$8.69 per share. The vesting schedule of the restricted stock to our employees is (i) one-third of the shares vested on March 10, 2016, (ii) one-third of the shares vest on March 10, 2017, and (iii) one-third of the shares vest on March 10, 2018. The vesting schedule of the restricted stock to our independent directors is (i) one-third of the shares vested on March 10, 2014, (ii) one-third of the shares vested on March 10, 2015, and (iii) one-third of the shares vested on March 10, 2016.

In October 2013, we issued 3,749,998 shares of restricted stock to our employees and 250,000 shares to our independent directors for no cash consideration. The weighted average share price on the issuance date was \$9.85 per share. The vesting schedule of the restricted stock to our employees is (i) one-third of the shares vested on October 11, 2016, (ii) one-third of the shares vest on October 11, 2017, and (iii) one-third of the shares vest on October 11, 2018. The vesting schedule of the restricted stock to our independent directors is (i) one-half of the shares vested on October 11, 2014 and (ii) one-half of the shares vested on October 11, 2015.

In February 2014, we issued 2,011,000 shares of restricted stock to our employees and 145,045 shares to our independent directors for no cash consideration. The weighted average share price on the issuance date was \$9.30 per share. The vesting schedule of the restricted stock to our employees is (i) one-third of the shares vested on February 21, 2017, (ii) one-third of the shares vest on February 21, 2018, and (iii) one-third of the shares vest on February 21, 2019. The vesting schedule of the restricted stock to our independent directors is (i) one-third of the shares vested on February 21, 2015, (ii) one-third of the shares vested on February 21, 2016, and (iii) one-third of the shares vested on February 21, 2017.

In May and September 2014, we issued 213,000 and 5,000 shares of restricted stock to SSH employees, respectively, for no cash consideration. The share prices on the issuance dates were \$8.89 per share and \$9.13 per share, respectively. The vesting schedule of the restricted stock to SSH employees is (i) one-third of the shares vested on February 21, 2017, (ii) one-third of the shares vest on February 21, 2018, and (iii) one-third of the shares vest on February 21, 2019.

In November 2014, we issued 938,131 shares of restricted stock to our employees and 50,000 shares to our independent directors for no cash consideration. The share price on the issuance date was \$8.57 per share. The vesting schedule of the restricted stock to our employees is (i) one-third of the shares vest on November 18, 2017, (ii) one-third of the shares vest on November 18, 2018, and (iii) one-third of the shares vest on November 18, 2019. The restricted shares issued to our independent directors vested on November 18, 2015.

In July 2015, we issued 1,466,944 shares of restricted stock to our employees, 100,000 shares to our directors and 290,500 to SSH employees for no cash consideration. The share price on the issuance date was \$10.32 per share. The vesting schedule of the restricted stock issued to our employees and SSH employees is (i) one-third of the shares vest on June 4, 2018, (ii) one-third of the shares vest on June 4, 2019, and (iii) one-third of the shares vest on June 4, 2020. The restricted shares issued to our directors vested on June 4, 2016.

In July 2016, we issued 1,864,615 shares of restricted stock to our employees, 150,000 shares to our directors and 286,500 shares to SSH employees for no cash consideration. The share price on the issuance date was \$4.74 per share. The vesting schedule of the restricted stock issued to our employees and SSH employees is (i) one-third of the shares

vest on June 5, 2019, (ii) one-third of the shares vest on June 5, 2020, and (iii) one-third of the shares vest on June 5, 2021. The restricted shares issued to our directors vest on June 5, 2017.

1,398,992 shares remained eligible for issuance under the 2013 Equity Incentive Plan as of December 31, 2016.

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Employment Agreements

We have entered into employment agreements with the majority of our executives. These employment agreements remain in effect until terminated in accordance with their terms upon not less than between 24 months and 36 months prior written notice, depending on the terms of the employment agreement applicable to each executive. Pursuant to the terms of their respective employment agreements, our executives are prohibited from disclosing or unlawfully using any of our material confidential information.

Upon a change in control of us, the annual bonus provided under the employment agreement becomes a fixed bonus of between 150% and 250% of the executive's base salary and the executive may receive an assurance bonus equal to the fixed bonus, depending on the terms of the employment agreement applicable to each executive.

Any such executive may be entitled to receive upon termination an assurance bonus equal to such fixed bonus and an immediate lump-sum payment in an amount equal to three times the sum of the executive's then current base salary and the assurance bonus, and he will continue to receive all salary, compensation payment and benefits, including additional bonus payments, otherwise due to him, to the extent permitted by applicable law, for the remaining balance of his then-existing employment period. If an executive's employment is terminated for cause or voluntarily by the employee, he shall not be entitled to any salary, benefits or reimbursements beyond those accrued through the date of his termination, unless he voluntarily terminated his employment in connection with certain conditions. Those conditions include a change in control combined with a significant geographic relocation of his office, a material diminution of his duties and responsibilities, and other conditions identified in the employment agreement.

C. Board Practices

Our board of directors currently consists of eight directors, five of whom have been determined by our board of directors to be independent under the rules of the NYSE and the rules and regulations of the SEC. Our board of directors has an Audit Committee, a Nominating and Corporate Governance Committee, a Compensation Committee and a Regulatory and Compliance Committee, each of which is comprised of certain of our independent directors, who are Messrs. Alexandre Albertini, Ademaro Lanzara, Jose Tarruella, Reidar Brekke and Mrs. Marianne Økland. The Audit Committee, among other things, reviews our external financial reporting, engages our external auditors and oversees our internal audit activities, procedures and the adequacy of our internal controls. In addition, provided that no member of the Audit Committee has a material interest in such transaction, the Audit Committee is responsible for reviewing transactions that we may enter into in the future with other members of the Scorpio Group that our board believes may present potential conflicts of interests between us and the Scorpio Group. The Nominating and Corporate Governance Committee is responsible for recommending to the board of directors nominees for director and directors for appointment to board committees and advising the board with regard to corporate governance practices. The Compensation Committee oversees our equity incentive plan and recommends director and senior employee compensation. The Regulatory and Compliance Committee oversees our operations to minimize the environmental impact by the constant monitoring and measuring progress of our vessels. Our shareholders may also nominate directors in accordance with procedures set forth in our bylaws.

D. Employees

As of December 31, 2016 and 2015, we had 19 and 17 shore based employees, respectively. SSM and SCM were responsible for our commercial and technical management.

E. Share Ownership

The following table sets forth information regarding the share ownership of our common stock as of March 15, 2017 by our directors and executive officers, including the restricted shares issued to our executive officers and to our independent directors as well as shares purchased in the open market.

Name	No. of Shares	% Owned (5)
Emanuele A. Lauro ⁽¹⁾	3,464,086	1.98 %
Robert Bugbee ⁽²⁾	3,097,419	1.77 %
Cameron Mackey ⁽³⁾	2,749,376	1.57 %
Brian M. Lee ⁽⁴⁾	2,088,399	1.20 %

All other executive officers and directors individually * *

- (1) Includes 2,507,988 shares of restricted stock from the 2013 Equity Incentive Plan.
- (2) Includes 2,507,988 shares of restricted stock from the 2013 Equity Incentive Plan.
- (3) Includes 1,702,314 shares of restricted stock from the 2013 Equity Incentive Plan.
- (4) Includes 1,229,351 shares of restricted stock from the 2013 Equity Incentive Plan.

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(5) Based on 174,629,755 common shares outstanding as of March 15, 2017.

* The remaining executive officers and directors individually each own less than 1% of our outstanding shares of common stock.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.

A. Major shareholders.

The following table sets forth information regarding beneficial ownership of our common stock for owners of more than five percent of our common stock, of which we are aware as of March 15, 2017.

Name	No. of Shares	% Owned (4)
Wellington Management Group LLP*	19,248,982 ⁽¹⁾	11.0 %
FMR LLC	18,696,116 ⁽²⁾	10.7 %
Dimensional Fund Advisors LP*	14,273,545 ⁽³⁾	8.2 %

(1) This information is derived from Schedule 13G/A filed with the SEC on February 9, 2017.

(2) This information is derived from Schedule 13G/A filed with the SEC on February 14, 2017.

(3) This information is derived from Schedule 13G filed with the SEC on February 9, 2017.

(4) Based on 174,629,755 common shares outstanding as of March 15, 2017.

*Includes certain funds managed thereby.

**On behalf of itself and certain investment advisers and funds.

As of March 15, 2017, we had 65 shareholders of record, 17 of which were located in the United States and held an aggregate of 169,362,155 shares of our common stock, representing 96.9% of our outstanding shares of common stock. However, one of the U.S. shareholders of record is Cede & Co., a nominee of The Depository Trust Company, which held 161,212,252 shares of our common stock, as of March 15, 2017.

Additionally, SSH currently owns 1,975,000 common shares of the Company, which it purchased through open market transactions between November 2016 and March 2017.

B. Related Party Transactions

Management of Our Fleet

On September 29, 2016, we agreed to amend our administrative services agreement, or the Administrative Services Agreement, with SSH, and our master agreement, or the Master Agreement, with SCM and SSM under a deed of amendment, or the Deed of Amendment. Pursuant to the terms of the Deed of Amendment, on November 15, 2016, we entered into definitive documentation to memorialize the agreed amendments to the Master Agreement, or the Amended and Restated Master Agreement. The Amended and Restated Master Agreement and the Administrative Services Agreement as amended by the Deed of Amendment, or the Amended Administrative Services Agreement, are effective as from September 29, 2016. Under the terms of the amendments, (i) the fee of 1% payable to SSH upon any future vessel sale or purchase was eliminated and (ii) in the event of the sale of one or more vessels, a notice period of three months and a payment equal to three months of management fees will apply, provided that the termination does not amount to a change of control, including a sale of all or substantially all of our vessels, in which case a payment equal to 24 months of management fees will apply. There was no consideration paid by us for these amendments.

The independent members of our Board of Directors unanimously approved the Amended Administrative Services Agreement and Amended and Restated Master Agreement described in the preceding paragraph.

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Commercial and Technical Management

Our vessels are commercially managed by SCM and technically managed by SSM pursuant to the aforementioned Amended and Restated Master Agreement, which may be terminated by either party upon 24 months' notice, unless terminated earlier in accordance with the provisions of the Amended and Restated Master Agreement. In the event of the sale of one or more vessels, a notice period of three months and a payment equal to three months of management fees will apply, provided that the termination does not amount to a change in control, including a sale of all or substantially all of our vessels, in which case a payment equal to 24 months of management fees will apply. SCM and SSM are related parties of ours. We expect that additional vessels that we may acquire in the future will also be managed under the Amended and Restated Master Agreement or on substantially similar terms.

SCM's services include securing employment, in the spot market and on time charters, for our vessels. SCM also manages the Scorpio Group Pools. When our vessels are in the Pools, SCM, the pool manager, charges fees of \$300 per vessel per day with respect to our LR1/Panamax vessels, \$250 per vessel per day with respect to our LR2 vessels, and \$325 per vessel per day with respect to each of our Handymax and MR vessels, plus 1.50% commission on gross revenues per charter fixture. These are the same fees that SCM charges other vessels in these pools, including third-party owned vessels. For commercial management of our vessels that do not operate in any of the Scorpio Group Pools, we pay SCM a fee of \$250 per vessel per day for each LR1/Panamax and LR2 vessel and \$300 per vessel per day for each Handymax and MR vessel, plus 1.25% commission on gross revenues per charter fixture.

SSM's services include day-to-day vessel operation, performing general maintenance, monitoring regulatory and classification society compliance, customer vetting procedures, supervising the maintenance and general efficiency of vessels, arranging the hiring of qualified officers and crew, arranging and supervising drydocking and repairs, purchasing supplies, spare parts and new equipment for vessels, appointing supervisors and technical consultants and providing technical support. We currently pay SSM \$685 per vessel per day to provide technical management services for each of our vessels. This fee is based on contracted rates that were the same as those charged to other, third party vessels managed by SSM at the time the management agreements were entered into.

In 2016, we paid a termination fee in the aggregate amount of \$2.7 million under our commercial management agreement with SCM and a termination fee in the aggregate amount of \$2.5 million under our technical management agreement with SSM as a result of the sales of STI Lexington, STI Mythos, STI Chelsea, STI Powai and STI Olivia, which occurred prior to the September 2016 amendments to the Amended and Restated Master Agreement.

Amended Administrative Services Agreement

We have an Amended Administrative Services Agreement with SSH or our Administrator, for the provision of administrative staff and office space, and administrative services, including accounting, legal compliance, financial and information technology services. SSH is a related party of ours. We reimburse our current Administrator for the reasonable direct or indirect expenses it incurs in providing us with the administrative services described above. The services provided to us by our Administrator may be sub-contracted to other entities within the Scorpio Group.

Prior to September 29, 2016, we paid SSH a fee for arranging vessel purchases and sales, on our behalf, equal to 1% of the gross purchase or sale price, payable upon the consummation of any such purchase or sale. As described above, this fee was eliminated for all vessel purchase or sale agreements entered into after September 29, 2016. For the year ended December 31, 2016, we paid our Administrator \$1.7 million in connection with the sales of STI Lexington, STI Mythos, STI Chelsea, STI Powai and STI Olivia and a fee of \$0.6 million for the purchase and delivery of STI Lombard. For the year ended December 31, 2015, we paid our Administrator \$12.6 million in connection with our purchase and taking delivery of 29 vessels and our sale of four vessels.

Further, pursuant to our Amended Administrative Services Agreement, our Administrator, on behalf of itself and other members of the Scorpio Group, has agreed that it will not directly own product or crude tankers ranging in size from 35,000 dwt to 200,000 dwt.

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Tanker pools

To increase vessel utilization and thereby revenues, we participate in commercial pools with other shipowners of similar modern, well-maintained vessels. By operating a large number of vessels as an integrated transportation system, commercial pools offer customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Pools employ experienced commercial charterers and operators who have close working relationships with customers and brokers, while technical management is performed by each shipowner. The managers of the pools negotiate charters with customers primarily in the spot market, but may also arrange time charter agreements. The size and scope of these pools enable them to enhance utilization rates for pool vessels by securing backhaul voyages and COAs, thus generating higher effective TCE revenues than otherwise might be obtainable in the spot market while providing a higher level of service offerings to customers. When we employ a vessel in the spot charter market, we generally place such vessel in a tanker pool managed by our commercial manager that pertains to that vessel's size class. The earnings allocated to vessels (charterhire expense for the pool) are aggregated and divided on the basis of a weighted scale, or Pool Points, which reflect comparative voyage results on hypothetical benchmark routes. The Pool Point system generally favors those vessels with greater cargo-carrying capacity and those with better fuel consumption. Pool Points are also awarded to vessels capable of carrying clean products and to vessels capable of trading in certain ice conditions. We currently participate in four pools: the Scorpio LR2 Pool, the Scorpio Panamax Tanker Pool, the Scorpio MR Pool and the Scorpio Handymax Tanker Pool.

SCM is responsible for the commercial management of participating vessels in the pools, including the marketing, chartering, operating and bunker (fuel oil) purchases of the vessels. The Scorpio LR2 Pool is administered by Scorpio LR2 Pool Ltd., the Scorpio Panamax Tanker Pool is administered by Scorpio Panamax Tanker Pool Ltd., the Scorpio MR Pool is administered by Scorpio MR Pool Ltd. and the Scorpio Handymax Tanker Pool is administered by Scorpio Handymax Tanker Pool Ltd. Our founder, Chairman and Chief Executive Officer and Vice President are members of the Lolli-Ghetti family which owns all issued and outstanding stock of Scorpio LR2 Pool Ltd., Scorpio Panamax Tanker Pool Ltd., Scorpio MR Pool Ltd., and Scorpio Handymax Tanker Pool Ltd., or the Pool Entities. Taking into account the recommendations of a pool committee and a technical committee, each of which is comprised of representatives of each pool participant, the Pool Entities set the respective pool policies and issue directives to the pool participants and SCM. The pool participants remain responsible for all other costs including the financing, insurance, manning and technical management of their vessels. The earnings of all of the vessels are aggregated and divided according to the relative performance capabilities of the vessel and the actual earning days for which each vessel is available.

Our Relationship with the Scorpio Group and its Affiliates

The Scorpio Group is owned and controlled by the Lolli-Ghetti family, of which Messrs. Emanuele Lauro and Filippo Lauro are members. We are not affiliated with any other entities in the shipping industry other than those that are members of the Scorpio Group.

In addition, Mr. Emanuele Lauro, Mr. Bugbee and other members of our senior management have a minority equity interest in SSH, our Administrator, a member of the Scorpio Group.

SCM and SSM, our commercial manager and technical manager, respectively, are also members of the Scorpio Group. For information regarding the details regarding our relationship with SCM, SSM and SSH, please see “– Management of our Fleet.”

Our board of directors consists of eight individuals, five of whom are independent directors. Three of the independent directors form the board's Audit Committee and, pursuant to the Audit Committee charter, are required to review all potential conflicts of interest between us and related parties, including the Scorpio Group. Our three non-independent directors and all of our executive officers serve in senior management positions in certain other companies within the Scorpio Group.

Transactions with Related Parties

Transactions with entities controlled by the Lolli-Ghetti family (herein referred to as related party affiliates) in the consolidated statements of income and balance sheet are as follows:

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In thousands of U.S. dollars	For the year ended December 31,		
	2016	2015	2014
Pool revenue ⁽¹⁾			
Scorpio MR Pool Limited	\$248,974	\$315,925	\$112,826
Scorpio LR2 Pool Limited	156,503	208,132	67,054
Scorpio Handymax Tanker Pool Limited	73,683	138,736	54,052
Scorpio Panamax Tanker Pool Limited	5,843	34,613	46,925
Voyage expenses ⁽²⁾	(1,128)	(2,127)	(2,052)
Vessel operating costs ⁽³⁾	(19,484)	(18,393)	(7,947)
Administrative expenses ⁽⁴⁾	(9,462)	(7,950)	(3,542)

(1) These transactions relate to revenue earned in the Scorpio Group Pools. The Scorpio Group Pools are related party affiliates. When our vessels are in the Scorpio Group Pools, SCM, the pool manager, charges fees of \$300 per vessel per day with respect to our LR1/Panamax vessels, \$250 per vessel per day with respect to our LR2 vessels, and \$325 per vessel per day with respect to each of our Handymax and MR vessels, plus a commission of 1.50% on gross revenue per charter fixture. These are the same fees that SCM charges other vessels in these pools, including third party owned vessels.

(2) These transactions represent the expense due to SCM, a related party affiliate, for commissions related to the commercial management services provided by SCM under the Commercial Management Agreement for vessels that are not in one of the Scorpio Group Pools. When not in one of the Scorpio Group Pools, each vessel pays (i) flat fees of \$250 per day for LR1/Panamax and LR2 vessels and \$300 per day for Handymax and MR vessels and (ii) commissions of 1.25% of their gross revenue. These expenses are included in voyage expenses in the consolidated statements of income or loss.

(3) These transactions represent technical management fees charged by SSM, a related party affiliate, which are included in vessel operating costs in the consolidated statements of income or loss. We believe our technical management fees are at arms-length rates as they were based on contracted rates that were the same as those charged to other vessels managed by SSM at the time the management agreements were entered into. This fee is \$685 per vessel per day.

(4) We have an Amended Administrative Services Agreement with SSH, for the provision of administrative staff and office space, and administrative services, including accounting, legal compliance, financial and information technology services. SSH is a related party to us. We reimburse SSH for the reasonable direct or indirect expenses that are incurred on our behalf. SSH also arranges vessel sales and purchases for us. The services provided to us by SSH may be sub-contracted to other entities within the Scorpio Group. The expenses incurred under this agreement were as follows, and were recorded in general and administrative expenses in the consolidated statements of income or loss.

The expense for the year ended December 31, 2016 of \$9.5 million included (i) administrative fees of \$7.3 million charged by SSH, (ii) restricted stock amortization of \$1.6 million, which relates to the issuance of an aggregate of 795,000 shares of restricted stock to SSH employees for no cash consideration in May 2014, September 2014, July 2015 and July 2016, and (iii) the reimbursement of expenses of \$0.6 million.

The expense for the year ended December 31, 2015 of \$7.9 million included (i) administrative fees of \$6.8 million charged by SSH, (ii) restricted stock amortization of \$0.9 million, which relates to the issuance of an aggregate of 508,500 shares of restricted stock to SSH employees for no cash consideration in May 2014, September 2014 and July 2015 and (iv) the reimbursement expenses of \$0.2 million.

The expense for the year ended December 31, 2014 of \$3.5 million included (i) administrative fees of \$3.1 million charged by SSH, (ii) restricted stock amortization of \$0.3 million, which relates to the issuance of an aggregate 218,000 shares of restricted stock to SSH employees for no cash consideration in May and September 2014 and (iii) the reimbursement of expenses of \$0.1 million.

We had the following balances with related parties, which have been included in the consolidated balance sheets:

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In thousands of U.S. dollars	As of December	
	2016	2015
Assets:		
Accounts receivable (due from the Scorpio Group Pools) ⁽¹⁾	\$40,680	\$59,475
Accounts receivable and prepaid expenses (SSM) ⁽²⁾	4,233	2,348
Other assets (pool working capital contributions) ⁽³⁾	19,217	19,256
Liabilities:		
Accounts payable and accrued expenses (SSM)	653	484
Accounts payable and accrued expenses (SSH)	90	77
Accounts payable and accrued expenses (SCM)	53	175
Accounts payable and accrued expenses (owed to the Scorpio Group Pools)	15	610

Accounts receivable due from the Scorpio Group Pools relate to hire receivables for revenues earned and receivables from working capital contributions. The amounts as of December 2016 and 2015 include \$24.1 million and \$8.6 million, respectively, of working capital contributions made on behalf of our vessels to the Scorpio Group ⁽¹⁾ Pools. Upon entrance into such pools, all vessels are required to make working capital contributions of both cash and bunkers. Additional working capital contributions can be made from time to time based on the operating needs of the pools. These amounts are accounted for and repaid as follows:

For vessels in the Scorpio Handymax Tanker Pool, the initial contribution amount is repaid, without interest, upon a vessel's exit from each pool no later than six months after the exit date. Bunkers on board a vessel exiting the pool are credited against such repayment at the actual invoice price of the bunkers. For all owned vessels we assume that these contributions will not be repaid within 12 months and are thus classified as non-current within other assets on the consolidated balance sheets. For time chartered-in vessels we classify the initial contributions as current (within accounts receivable) or non-current (within other assets) according to the expiration of the contract. Any additional working capital contributions are repaid when sufficient net revenues become available to cover such amounts.

For vessels in the Scorpio MR Pool and Scorpio Panamax Tanker Pool, any contributions are repaid, without interest, when such vessel has earned sufficient net revenues to cover the value of such working capital contributed. Accordingly, we classify such amounts as current (within accounts receivable).

For vessels in the Scorpio LR2 Pool, the initial contribution amount is repaid, without interest, upon a vessel's exit from each pool. Bunkers on board a vessel exiting the pool are credited against such repayment at the actual invoice price of the bunkers. For all owned vessels we assume that these contributions will not be repaid within 12 months and are thus classified as non-current within other assets on the consolidated balance sheets. For time chartered-in vessels we classify the initial contributions as current (within accounts receivable) or non-current (within other assets) according to the expiration of the contract. Any additional working capital contributions are repaid when sufficient net revenues become available to cover such amounts.

⁽²⁾ Accounts receivable and prepaid expenses from SSM relate to advances made for vessel operating expenses (such as crew wages) that will either be reimbursed or applied against future costs.

⁽³⁾ Represents the non-current portion of working capital receivables as described above.

Prior to September 29, 2016, we paid SSH a fee for arranging vessel purchases and sales, on our behalf, equal to 1% of the gross purchase or sale price, payable upon the consummation of any such purchase or sale. As described above, this fee was eliminated for all vessel purchase or sale agreements entered into after September 29, 2016. These fees are capitalized as part of the carrying value of the related vessel for a vessel purchase and are included as part of the gain or loss on sale for a vessel disposal.

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During the year ended December 31, 2016, we paid SSH an aggregate fee of \$1.7 million in connection with the sales of STI Lexington, STI Mythos, STI Chelsea, STI Powai, and STI Olivia and a fee of \$0.6 million for the purchase and delivery of STI Lombard. Additionally, we paid SCM an aggregate termination fee of \$2.7 million that was due under the commercial management agreements and we paid SSM an aggregate termination fee of \$2.5 million that was due under the technical management agreements as a result of the aforementioned vessel sales. The agreements to sell and acquire the aforementioned vessels were entered into prior to the September 29, 2016 amendments to the Master Agreement and Administrative Service Agreement. The aggregate fees paid to SCM, SSH and SSM are recorded within loss on sales of the vessels within the consolidated statements of income or loss.

During the year ended December 31, 2015, we paid SSH an aggregate fee of \$12.6 million in connection with the purchase and delivery of 29 vessels and the sales of four vessels. Additionally, as a result of the sale of STI Highlander in 2015, we paid a \$0.5 million termination fee due under the vessel's commercial management agreement with SCM and a \$0.5 million termination fee due under the vessel's technical management agreement with SSM.

During the year ended December 31, 2014, we paid SSH an aggregate fee of \$26.1 million, which consisted of \$11.7 million related to the purchase and delivery of 33 vessels under our Newbuilding Program, \$14.0 million relating to the purchase and sale of our seven VLCCs under construction, and \$0.4 million relating to the sales of two vessels. In 2011, we also entered into an agreement to reimburse costs to SSM as part of its supervision agreement for vessels under our Newbuilding Program. During the years ended December 31, 2014, we were charged \$0.02 million under this agreement. There were no costs incurred under this agreement during the years ended December 31, 2016 and 2015. Please see "Item 3. Key Information - D. Risk Factors - Risks Related to our Relationship with the Scorpio Group and its Affiliates."

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See "Item 18. Financial Statements."

Legal Proceedings

To our knowledge, we are not currently a party to any lawsuit that, if adversely determined, would have a material adverse effect on our financial position, results of operations or liquidity. As such, we do not believe that pending legal proceedings, taken as a whole, should have any significant impact on our financial statements. From time to time in the future we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. While we expect that these claims would be covered by our existing insurance policies, those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. We have not been involved in any legal proceedings which may have, or have had, a significant effect on our financial position, results of operations or liquidity, nor are we aware of any proceedings that are pending or threatened which may have a significant effect on our financial position, results of operations or liquidity.

Dividend Policy

The declaration and payment of dividends is subject at all times to the discretion of our board of directors. The timing and amount of dividends, if any, depends on, among other things, our earnings, financial condition, cash requirements and availability, fleet renewal and expansion, restrictions in our loan agreements, the provisions of Marshall Islands law affecting the payment of dividends and other factors.

We are a holding company with no material assets other than the equity interests in our wholly-owned subsidiaries. As a result, our ability to pay dividends, if any, depends on our subsidiaries and their ability to distribute funds to us. Our credit facilities have restrictions on our ability, and the ability of certain of our subsidiaries, to pay dividends in the event of a default or breach of covenants under the credit facility agreement. Under such circumstances, we or our subsidiaries may not be able to pay dividends so long as we are in default or have breached certain covenants of the credit facility without our lender's consent or waiver of the default or breach. In addition, Marshall Islands law generally prohibits the payment of dividends (i) other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares) or (ii) when a company is insolvent or

(iii) if the payment of the dividend would render the company insolvent.

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In addition, we may incur expenses or liabilities, including extraordinary expenses, decreases in revenues, including as a result of unanticipated off-hire days or loss of a vessel, or increased cash needs that could reduce or eliminate the amount of cash that we have available for distribution as dividends.

Any dividends paid by us will be income to a United States shareholder. Please see “Item 10. Additional Information - E. Taxation” for additional information relating to the United States federal income tax treatment of our dividend payments, if any are declared in the future.

During the period from our initial public offering in April 2010 through April 2013, we did not declare or pay any dividends to our shareholders. For the years ended December 31, 2016, 2015 and 2014, we paid aggregate dividends to our shareholders in the amount of \$86.9 million, \$87.1 million and \$70.5 million, respectively. We have paid the following dividends per share in respect of the periods set forth below:

Date Paid	Dividends per Share
March 26, 2014	\$0.080
June 12, 2014	\$0.090
September 10, 2014	\$0.100
December 12, 2014	\$0.120
March 30, 2015	\$0.120
June 10, 2015	\$0.125
September 4, 2015	\$0.125
December 11, 2015	\$0.125
March 30, 2016	\$0.125
June 24, 2016	\$0.125
September 29, 2016	\$0.125
December 22, 2016	\$0.125
March 30, 2017*	\$0.01

*Dividend is scheduled to be paid on or about March 30, 2017.

B. Significant Changes

There have been no significant changes since the date of the annual consolidated financial statements included in this report, other than as described in Note 23-Subsequent Events to our consolidated financial statements included herein.

ITEM 9. OFFER AND THE LISTING

A. Offer and Listing Details

Since our initial public offering, our shares of common stock have traded on the NYSE under the symbol “STNG”. The high and low market prices for our shares of common stock on the NYSE are presented for the periods listed below:

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For the Year Ended	High	Low
December 31, 2012	\$7.50	\$4.93
December 31, 2013	12.48	6.92
December 31, 2014	11.91	6.48
December 31, 2015	11.64	7.50
December 31, 2016	7.99	3.61

For the Quarter Ended:	High	Low
March 31, 2015	\$9.64	\$7.64
June 30, 2015	10.51	8.92
September 30, 2015	11.64	8.34
December 31, 2015	10.33	7.50
March 31, 2016	7.99	4.66
June 30, 2016	6.70	4.10
September 30, 2016	5.53	4.05
December 31, 2016	5.00	3.61
March 31, 2017 (through and including March 15, 2017)	4.93	3.50

Most Recent Six Months:	High	Low
September 2016	\$5.33	\$4.51
October 2016	5.00	3.68
November 2016	4.63	3.61
December 2016	4.82	3.92
January 2017	4.93	3.66
February 2017	4.48	3.50
March 2017 (through and including March 15, 2017)	4.17	3.73

B. Plan of Distribution

Not applicable

C. Markets

Our common shares are listed for trading on the NYSE under the symbol "STNG." In addition, our Senior Notes Due 2020 are listed for trading on the NYSE under the symbol "SBNA", and our Senior Notes Due 2017 are listed for trading on the NYSE under the symbol "SBNB."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

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Our amended and restated articles of incorporation have been filed as Exhibit 3.1 to Amendment No. 2 to our Registration Statement on Form F-1 (Registration No. 333-164940), filed with the SEC on March 18, 2010. Our amended and restated bylaws are filed as Exhibit 1.2 to our Annual Report on Form 20-F filed with the SEC on June 29, 2010. In June 2014, after receiving shareholder approval, we amended our Amended and Restated Articles of Incorporation to increase our authorized common stock to 400,000,000 from 250,000,000. This amendment to our Amended and Restated Articles of Incorporation is filed as Exhibit 1.3 to our Annual Report on Form 20-F filed with the SEC on March 31, 2015. The information contained in these exhibits is incorporated by reference herein. Below is a summary of the description of our capital stock, including the rights, preferences and restrictions attaching to each class of stock. Because the following is a summary, it does not contain all information that you may find useful. For more complete information, you should read our amended and restated articles of incorporation and amended and restated bylaws, which are incorporated by reference herein.

Purpose

Our purpose, as stated in our amended and restated articles of incorporation, is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the BCA. Our amended and restated articles of incorporation and amended and restated bylaws do not impose any limitations on the ownership rights of our shareholders.

Authorized capitalization

Under our amended and restated articles of incorporation, as amended, we have authorized 425,000,000 registered shares, consisting of 400,000,000 common shares, par value \$0.01 per share, of which 174,629,755 shares were issued and outstanding as of March 15, 2017, and 25,000,000 preferred shares, par value \$0.01 per share, of which no shares are issued and outstanding.

Description of Common Shares

Each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders. Subject to preferences that may be applicable to any outstanding preferred shares, holders of our common shares are entitled to receive ratably all dividends, if any, declared by our board of directors out of funds legally available for dividends. Upon our dissolution or liquidation or the sale of all or substantially all of our assets, after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any, the holders of our common shares are entitled to receive pro rata our remaining assets available for distribution. Holders of our common shares do not have conversion, redemption or pre-emptive rights to subscribe to any of our securities. The rights, preferences and privileges of holders of our common shares are subject to the rights of the holders of any preferred shares, which we may issue in the future.

Description of Preferred Shares

Our amended and restated articles of incorporation authorize our board of directors to establish one or more series of preferred stock and to determine, with respect to any series of preferred stock, the terms and rights of that series, including the designation of the series, the number of shares of the series, the preferences and relative, participating, option or other special rights, if any, and any qualifications, limitations or restrictions of such series, and the voting rights, if any, of the holders of the series.

Directors

Our directors are elected by a plurality of the votes cast by shareholders entitled to vote. There is no provision for cumulative voting.

Our amended and restated articles of incorporation require our board of directors to consist of at least one member. Our board of directors consists of eight members. Our amended and restated bylaws may be amended by the vote of a majority of our entire board of directors.

Directors are elected annually on a staggered basis, and each shall serve for a three year term and until his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal, or the earlier termination of his term of office. Our board of directors, as advised by our Compensation Committee, has the authority to fix the amounts which shall be payable to the members of the board of directors for attendance at any meeting or for services rendered to us.

Shareholder Meetings

Under our amended and restated bylaws, annual meetings of shareholders will be held at a time and place selected by our board of directors. The meetings may be held in or outside of the Republic of the Marshall Islands. Special meetings may be called at any time by a majority of our board of directors, the chairman of our board of directors or an officer of the Company who is also a director. Our board of directors may set a record date between 15 and 60 days before the date of any meeting to determine the shareholders that will be eligible to receive notice and vote at the meeting. One or more shareholders representing

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at least one-third of the total voting rights of our total issued and outstanding shares present in person or by proxy at a shareholder meeting shall constitute a quorum for the purposes of the meeting.

Dissenters' Rights of Appraisal and Payment

Under the BCA, our shareholders have the right to dissent from various corporate actions, and receive payment of the fair market value of their shares. In the event of any further amendment of our amended and restated articles of incorporation, a shareholder also has the right to dissent and receive payment for his or her shares if the amendment alters certain rights in respect of those shares. The dissenting shareholder must follow the procedures set forth in the BCA to receive payment. In the event that we and any dissenting shareholder fail to agree on a price for the shares, the BCA procedures involve, among other things, the institution of proceedings in the high court of the Republic of the Marshall Islands or in any appropriate court in any jurisdiction in which our shares are primarily traded on a local or national securities exchange.

Shareholders' Derivative Actions

Under the BCA, any of our shareholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the shareholder bringing the action is a holder of common shares both at the time the derivative action is commenced and at the time of the transaction to which the action relates.

Limitations on Liability and Indemnification of Officers and Directors

The BCA authorizes corporations to limit or eliminate the personal liability of directors to corporations and their shareholders for monetary damages for certain breaches of directors' fiduciary duties. Our amended and restated bylaws include a provision that eliminates the personal liability of directors for actions taken as a director to the fullest extent permitted by law.

Our amended and restated bylaws provide that we must indemnify our directors and officers to the fullest extent authorized by law. We are also expressly authorized to advance certain expenses (including attorney's fees and disbursements and court costs) to our directors and officers and carry directors' and officers' insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification provisions and this insurance are useful to attract and retain qualified directors and executive officers. The limitation of liability and indemnification provisions in our amended and restated bylaws may discourage shareholders from bringing a lawsuit against directors for breach of their fiduciary duties. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our shareholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

Anti-Takeover Effect of Certain Provisions of our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws

Several provisions of our amended and restated articles of incorporation and amended and restated bylaws, which are summarized below, may have anti-takeover effects. These provisions are intended to avoid costly takeover battles, lessen our vulnerability to a hostile change of control and enhance the ability of our board of directors to maximize shareholder value in connection with any unsolicited offer to acquire us. However, these anti-takeover provisions, which are summarized below, could also discourage, delay or prevent (i) the merger or acquisition of us by means of a tender offer, a proxy contest or otherwise that a shareholder may consider in its best interest and (ii) the removal of incumbent officers and directors.

Blank Check Preferred Stock

Under the terms of our amended and restated articles of incorporation, our board of directors has authority, without any further vote or action by our shareholders, to issue up to 25 million shares of blank check preferred stock. Our

board of directors may issue preferred shares on terms calculated to discourage, delay or prevent a change of control of us or the removal of our management.

Election and Removal of Directors

Our amended and restated articles of incorporation prohibit cumulative voting in the election of directors. Our amended and restated bylaws require parties other than the board of directors to give advance written notice of nominations for the election of directors. Our amended and restated articles of incorporation also provide that our directors may be removed for cause upon

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the affirmative vote of not less than two-thirds of the outstanding shares of our capital stock entitled to vote for those directors. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

Limited Actions by Shareholders

Our amended and restated articles of incorporation and our amended and restated bylaws provide that any action required or permitted to be taken by our shareholders must be effected at an annual or special meeting of shareholders or by the unanimous written consent of our shareholders. Our amended and restated bylaws provide that, unless otherwise prescribed by law, only a majority of our board of directors, the chairman of our board of directors or an officer of the Company who is also a director may call special meetings of our shareholders and the business transacted at the special meeting is limited to the purposes stated in the notice. Accordingly, a shareholder may be prevented from calling a special meeting for shareholder consideration of a proposal over the opposition of our board of directors and shareholder consideration of a proposal may be delayed until the next annual meeting.

Advance notice requirements for shareholder proposals and director nominations

Our amended and restated bylaws provide that shareholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of shareholders must provide timely notice of their proposal in writing to the corporate secretary. Generally, to be timely, a shareholder's notice must be received at our principal executive offices not less than 150 days nor more than 180 days prior to the one year anniversary of the immediately preceding annual meeting of shareholders. Our amended and restated bylaws also specify requirements as to the form and content of a shareholder's notice. These provisions may impede shareholders' ability to bring matters before an annual meeting of shareholders or make nominations for directors at an annual meeting of shareholders.

Classified board of directors

As described above, our amended and restated articles of incorporation provide for the division of our board of directors into three classes of directors, with each class as nearly equal in number as possible, serving staggered three year terms. Accordingly, approximately one-third of our board of directors will be elected each year. This classified board provision could discourage a third party from making a tender offer for our shares or attempting to obtain control of us. It could also delay shareholders who do not agree with the policies of our board of directors from removing a majority of our board of directors for two years.

Business combinations

Although the BCA does not contain specific provisions regarding "business combinations" between companies organized under the laws of the Marshall Islands and "interested shareholders," we have included these provisions in our amended and restated articles of incorporation. Specifically, our amended and restated articles of incorporation prohibit us from engaging in a "business combination" with certain persons for three years following the date the person becomes an interested shareholder. Interested shareholders generally include:

- any person who is the beneficial owner of 15% or more of our outstanding voting stock; or
- any person who is our affiliate or associate and who held 15% or more of our outstanding voting stock at any time within three years before the date on which the person's status as an interested shareholder is determined, and the affiliates and associates of such person.

Subject to certain exceptions, a business combination includes, among other things:

- certain mergers or consolidations of us or any direct or indirect majority-owned subsidiary of ours;
- any sale, lease, exchange, mortgage, pledge, transfer or other disposition of our assets or of any subsidiary of ours having an aggregate fair market value equal to 10% or more of either the aggregate fair market value of all of our assets, determined on a combined basis, or the aggregate value of all of our outstanding stock;
- certain transactions that result in the issuance or transfer by us of any stock of ours to the interested shareholder;
- any transaction involving us or any of our subsidiaries that has the effect of increasing the proportionate share of any class or series of stock, or securities convertible into any class or series of stock, of ours or any such subsidiary that is owned directly or indirectly by the interested shareholder or any affiliate or associate of the interested shareholder;
- and

- any receipt by the interested shareholder of the benefit directly or indirectly (except proportionately as a shareholder) of any loans, advances, guarantees, pledges or other financial benefits provided by or through us.

These provisions of our amended and restated articles of incorporation do not apply to a business combination if:

before a person became an interested shareholder, our board of directors approved either the business combination or the transaction in which the shareholder became an interested shareholder;

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upon consummation of the transaction which resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, other than certain excluded shares;

- at or following the transaction in which the person became an interested shareholder, the business combination is approved by our board of directors and authorized at an annual or special meeting of shareholders, and not by written consent, by the affirmative vote of the holders of at least two-thirds of our outstanding voting stock that is not owned by the interest shareholder;

the shareholder was or became an interested shareholder prior to the closing of our initial public offering in 2010; a shareholder became an interested shareholder inadvertently and (i) as soon as practicable divested itself of ownership of sufficient shares so that the shareholder ceased to be an interested shareholder; and (ii) would not, at any time within the three-year period immediately prior to a business combination between us and such shareholder, have been an interested shareholder but for the inadvertent acquisition of ownership; or

the business combination is proposed prior to the consummation or abandonment of and subsequent to the earlier of the public announcement or the notice required under our amended and restated articles of incorporation which (i) constitutes one of the transactions described in the following sentence; (ii) is with or by a person who either was not an interested shareholder during the previous three years or who became an interested shareholder with the approval of the board; and (iii) is approved or not opposed by a majority of the members of the board of directors then in office (but not less than one) who were directors prior to any person becoming an interested shareholder during the previous three years or were recommended for election or elected to succeed such directors by a majority of such directors. The proposed transactions referred to in the preceding sentence are limited to:

- (i) a merger or consolidation of us (except for a merger in respect of which, pursuant to the BCA, no vote of our shareholders is required);
 - a sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), whether as part of a dissolution or otherwise, of assets of us or of any direct or indirect
- (ii) majority-owned subsidiary of ours (other than to any direct or indirect wholly-owned subsidiary or to us) having an aggregate fair market value equal to 50% or more of either the aggregate fair market value of all of our assets determined on a consolidated basis or the aggregate fair market value of all the outstanding shares; or
- (iii) a proposed tender or exchange offer for 50% or more of our outstanding voting stock.

Registrar and Transfer Agent

The registrar and transfer agent for our common shares is Computershare Trust Company, N.A.

Listing

Our common shares are listed on the New York Stock Exchange under the symbol "STNG."

C. Material Contracts

Attached as exhibits to this annual report are the contracts we consider to be both material and outside the ordinary course of business during the two-year period immediately preceding the date of this annual report. We refer you to "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Long-Term Debt Obligations and Credit Arrangements" and "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions" for a discussion of these agreements.

Other than as set forth above, there were no material contracts, other than contracts entered into in the ordinary course of business, to which we were a party during the two year period immediately preceding the date of this annual report.

D. Exchange Controls

Under Marshall Islands law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our common shares.

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E. Taxation

United States Federal Income Tax Considerations

In the opinion of Seward & Kissel LLP, the following are the material United States federal income tax consequences to us of our activities and to United States Holders and Non-United States Holders, each as defined below, of the ownership of common shares. The following discussion of United States federal income tax matters is based on the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the United States Department of the Treasury, or the Treasury Regulations, all of which are subject to change, possibly with retroactive effect. The discussion below is based, in part, on the description of our business in this Report and assumes that we conduct our business as described herein. References in the following discussion to the “Company,” “we,” “our” and “us” are to Scorpio Tankers Inc. and its subsidiaries on a consolidated basis.

United States Federal Income Taxation of Operating Income: In General

We earn and anticipate that we will continue to earn substantially all our income from the hiring or leasing of vessels for use on a time charter basis, from participation in a pool or from the performance of services directly related to those uses, all of which we refer to as Shipping Income.

Unless exempt from United States federal income taxation under the rules of Section 883 of the Code, or Section 883, as discussed below, a foreign corporation such as us will be subject to United States federal income taxation on its Shipping Income that is treated as derived from sources within the United States, which we refer to as “United States Source Shipping Income.” For United States federal income tax purposes, “United States Source Shipping Income” includes 50% of shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States.

Shipping Income attributable to transportation exclusively between non-United States ports will be considered to be 100% derived from sources entirely outside the United States. Shipping Income derived from sources outside the United States will not be subject to any United States federal income tax.

Shipping Income attributable to transportation exclusively between United States ports is considered to be 100% derived from United States sources. However, we are not permitted by United States law to engage in the transportation of cargoes that produces 100% United States Source Shipping Income.

Unless exempt from tax under Section 883, our gross United States Source Shipping Income would be subject to a 4% tax imposed without allowance for deductions, as described more fully below.

Exemption of Operating Income from United States Federal Income Taxation

Under Section 883 and the Treasury Regulations thereunder, a foreign corporation will be exempt from United States federal income taxation on its United States Source Shipping Income if:

(1) it is organized in a “qualified foreign country,” which is one that grants an “equivalent exemption” from tax to corporations organized in the United States in respect of each category of shipping income for which exemption is being claimed under Section 883; and

(2) one of the following tests is met:

(A) more than 50% of the value of its shares is beneficially owned, directly or indirectly, by “qualified shareholders,” which as defined includes individuals who are “residents” of a qualified foreign country, which we refer to as the “50% Ownership Test”; or

(B) its shares are “primarily and regularly traded on an established securities market” in a qualified foreign country or in the United States, to which we refer as the “Publicly-Traded Test”.

The Republic of the Marshall Islands, the jurisdiction where we and our ship-owning subsidiaries are incorporated, has been officially recognized by the IRS as a qualified foreign country that grants the requisite “equivalent exemption” from tax in respect of each category of shipping income we earn and currently expect to earn in the future. Therefore, we will be exempt from United States federal income taxation with respect to our United States Source Shipping Income if we satisfy either the 50% Ownership Test or the Publicly-Traded Test.

For our 2016 taxable tax year, we intend to take the position that we satisfy the Publicly-Traded Test and we anticipate that we will continue to satisfy the Publicly-Traded Test for future taxable years. However, as discussed below, this is a factual determination made on an annual basis. We do not currently anticipate a circumstance under which we would be able to satisfy the 50% Ownership Test.

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Publicly-Traded Test

The Treasury Regulations under Section 883 provide, in pertinent part, that shares of a foreign corporation will be considered to be “primarily traded” on an established securities market in a country if the number of shares of each class of stock that are traded during any taxable year on all established securities markets in that country exceeds the number of shares in each such class that are traded during that year on established securities markets in any other single country. Our common shares, which constitute our sole class of issued and outstanding stock, are “primarily traded” on the NYSE.

Under the Treasury Regulations, our common shares will be considered to be “regularly traded” on an established securities market if one or more classes of our stock representing more than 50% of our outstanding stock, by both total combined voting power of all classes of stock entitled to vote and total value, are listed on such market, to which we refer as the “Listing Threshold.” Since our common shares are listed on the NYSE, we expect to satisfy the Listing Threshold.

It is further required that with respect to each class of stock relied upon to meet the Listing Threshold, (i) such class of stock is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or one-sixth of the days in a short taxable year, or the “Trading Frequency Test”; and (ii) the aggregate number of shares of such class of stock traded on such market during the taxable year is at least 10% of the average number of shares of such class of stock outstanding during such year or as appropriately adjusted in the case of a short taxable year, or the “Trading Volume Test.” We currently satisfy and anticipate that we will continue to satisfy the Trading Frequency Test and Trading Volume Test. Even if this were not the case, the Treasury Regulations provide that the Trading Frequency Test and Trading Volume Tests will be deemed satisfied if, as is the case with our common shares, such class of stock is traded on an established securities market in the United States and such class of stock is regularly quoted by dealers making a market in such stock.

Notwithstanding the foregoing, the Treasury Regulations provide, in pertinent part, that a class of stock will not be considered to be “regularly traded” on an established securities market for any taxable year during which 50% or more of the vote and value of the outstanding shares of such class are owned, actually or constructively under specified attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the vote and value of such class of outstanding shares, to which we refer as the “5% Override Rule.”

For purposes of being able to determine the persons who actually or constructively own 5% or more of the vote and value of our common shares, or “5% Shareholders,” the Treasury Regulations permit us to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the SEC as owning 5% or more of our common shares. The Treasury Regulations further provide that an investment company which is registered under the Investment Company Act of 1940, as amended, will not be treated as a 5% Shareholder for such purposes.

In the event the 5% Override Rule is triggered, the Treasury Regulations provide that the 5% Override Rule will nevertheless not apply if we can establish that within the group of 5% Shareholders, there are sufficient qualified shareholders for purposes of Section 883 to preclude non-qualified shareholders in such group from owning 50% or more of our common shares for more than half the number of days during the taxable year. In order to benefit from this exception to the 5% Override Rule, we must satisfy certain substantiation requirements in regards to the identity of its 5% Shareholders.

We believe that we currently satisfy the Publicly-Traded Test and intend to take this position on our United States federal income tax return for the 2016 taxable year. However, there are factual circumstances beyond our control that could cause us to lose the benefit of the Section 883 exemption. For example, if we trigger the 5% Override Rule for any future taxable year, there is no assurance that we will have sufficient qualified 5% Shareholders to preclude nonqualified 5% Shareholders from owning 50% or more of our common shares for more than half the number of days during such taxable year, or that we will be able to satisfy the substantiation requirements in regards to our 5% Shareholders.

United States Federal Income Taxation in Absence of Section 883 Exemption

If the benefits of Section 883 are unavailable, our United States source shipping income would be subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions, which we refer to as the “4% Gross Basis Tax Regime,” to the extent that such income is not considered to be “effectively connected” with the conduct

of a United States trade or business, as described below. Since under the sourcing rules described above, no more than 50% of our shipping income would be treated as being United States source shipping income, the maximum effective rate of United States federal income tax on our shipping income would never exceed 2% under the 4% Gross Basis Tax Regime.

To the extent our United States source shipping income is considered to be “effectively connected” with the conduct of a United States trade or business, as described below, any such “effectively connected” United States source shipping income, net of applicable deductions, would be subject to United States federal income tax, currently imposed at rates of up to 35%. In addition, we would generally be subject to the 30% “branch profits” tax on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of our United States trade or business.

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Our United States Source Shipping Income would be considered “effectively connected” with the conduct of a United States trade or business only if:

• we have, or are considered to have, a fixed place of business in the United States involved in the earning of United States Source Shipping Income; and

• substantially all of our United States Source Shipping Income is attributable to regularly scheduled transportation, such as the operation of a vessel that follows a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the United States.

We do not currently have, intend to have, or permit circumstances that would result in having, any vessel sailing to or from the United States on a regularly scheduled basis. Based on the foregoing and on the expected mode of our shipping operations and other activities, it is anticipated that none of our United States source shipping income will be “effectively connected” with the conduct of a United States trade or business.

United States Federal Income Taxation of Gain on Sale of Vessels

If we qualify for exemption from tax under Section 883 in respect of the shipping income derived from the international operation of our vessels, then a gain from the sale of any such vessel should likewise be exempt from United States federal income tax under Section 883. If, however, our shipping income from such vessels does not for whatever reason qualify for exemption under Section 883, then any gain on the sale of a vessel will be subject to United States federal income tax if such sale occurs in the United States. To the extent possible, we intend to structure the sales of our vessels so that the gain therefrom is not subject to United States federal income tax. However, there is no assurance we will be able to do so.

United States Federal Income Taxation of United States Holders

The following is a discussion of the material United States federal income tax considerations relevant to an investment decision by a United States Holder, as defined below, with respect to our common shares. This discussion does not purport to deal with the tax consequences of owning common shares to all categories of investors, some of which may be subject to special rules. This discussion only addresses considerations relevant to those United States Holders who hold the common shares as capital assets, that is, generally for investment purposes. You are encouraged to consult your own tax advisors concerning the overall tax consequences arising in your own particular situation under United States federal, state, local or foreign law of the ownership of common shares.

As used herein, the term United States Holder means a beneficial owner of common shares that is an individual United States citizen or resident, a United States corporation or other United States entity taxable as a corporation, an estate the income of which is subject to United States federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

If a partnership holds our common shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding common shares, you are encouraged to consult your tax advisor.

Distributions

Subject to the discussion of passive foreign investment companies below, any distributions made by us with respect to our common shares to a United States Holder will generally constitute dividends to the extent of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Distributions in excess of such earnings and profits will be treated first as a nontaxable return of capital to the extent of the United States Holder’s tax basis in his common shares on a dollar-for-dollar basis and thereafter as capital gain. Because we are not a United States corporation, United States Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common shares will generally be treated as “passive category income” for purposes of computing allowable foreign tax credits for United States foreign tax credit purposes.

Dividends paid on our common shares to a United States Holder who is an individual, trust or estate, or a United States Non-Corporate Holder, will generally be treated as “qualified dividend income” that is taxable to such United States Non-Corporate Holder at preferential tax rates provided that (1) the common shares are readily tradable on an established securities market in the United States (such as the NYSE, on which our common shares are traded); (2) we

are not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (which, as discussed below, we believe we have not been, we believe we are not and do not anticipate being in the future); (3) the United States Non-Corporate Holder has owned the common shares for more than 60 days in the 121-day period beginning 60 days before the date on which the common shares become ex-dividend; and (4) the United States Non-Corporate Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. Any distributions out of earnings and profits we pay which are not eligible for these preferential rates will be taxed as ordinary income to a United States Non-Corporate Holder.

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Special rules may apply to any “extraordinary dividend”—generally, a dividend in an amount which is equal to or in excess of 10% of a shareholder’s adjusted tax basis in his common shares—paid by us. If we pay an “extraordinary dividend” on our common shares that is treated as “qualified dividend income,” then any loss derived by a United States Non-Corporate Holder from the sale or exchange of such common shares will be treated as long-term capital loss to the extent of such dividend.

Sale, Exchange or Other Disposition of Common Shares

Assuming we do not constitute a passive foreign investment company for any taxable year, a United States Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common shares in an amount equal to the difference between the amount realized by the United States Holder from such sale, exchange or other disposition and the United States Holder’s tax basis in such shares. Such gain or loss will be treated as long-term capital gain or loss if the United States Holder’s holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as United States source income or loss, as applicable, for United States foreign tax credit purposes. Long-term capital gains of United States Non-Corporate Holders are currently eligible for reduced rates of taxation. A United States Holder’s ability to deduct capital losses is subject to certain limitations.

Passive Foreign Investment Company Status and Significant Tax Consequences

Special United States federal income tax rules apply to a United States Holder that holds shares in a foreign corporation classified as a “passive foreign investment company”, or a PFIC, for United States federal income tax purposes. In general, we will be treated as a PFIC with respect to a United States Holder if, for any taxable year in which such Holder holds our common shares, either:

- at least 75% of our gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or
- at least 50% of the average value of our assets during such taxable year produce, or are held for the production of, passive income.

For purposes of determining whether we are a PFIC, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own at least 25% of the value of the subsidiary’s stock. Income earned, or deemed earned, by us in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute “passive income” unless we were treated under specific rules as deriving our rental income in the active conduct of a trade or business.

Based on our current operations and future projections, we do not believe that we have been, are, nor do we expect to become, a PFIC with respect to any taxable year. Although there is no legal authority directly on point, our belief is based principally on the position that, for purposes of determining whether we are a PFIC, the gross income we derive or are deemed to derive from the time chartering and voyage chartering activities of our wholly-owned subsidiaries should constitute services income, rather than rental income. Accordingly, such income should not constitute passive income, and the assets that we own and operate in connection with the production of such income, in particular, the vessels, should not constitute assets that produce or are held for the production of passive income for purposes of determining whether we are a PFIC. Therefore, based on our current operations and future projections, we should not be treated as a PFIC with respect to any taxable year. There is substantial legal authority supporting this position, consisting of case law and IRS pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, there is also authority that characterizes time charter income as rental income rather than services income for other tax purposes. It should be noted that in the absence of any legal authority specifically relating to the statutory provisions governing PFICs, the IRS or a court could disagree with our position. Furthermore, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC with respect to any taxable year, we cannot assure you that the nature of our operations will not change in the future.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a United States Holder would be subject to different United States federal income taxation rules depending on whether the United States Holder makes an election to treat us as a “Qualified Electing Fund,” which election we refer to as a “QEF election.” As an alternative to making a QEF election, a United States Holder should be able to make a “mark-to-market” election with

respect to our common shares, as discussed below. In addition, if we were to be treated as a PFIC for any taxable year, a United States Holder will generally be required to file an annual report with the IRS for that year with respect to such Holder's common shares.

Taxation of United States Holders Making a Timely QEF Election

If a United States Holder makes a timely QEF election, which United States Holder we refer to as an Electing Holder, the Electing Holder must report for United States federal income tax purposes his pro rata share of our ordinary earnings and net capital gain, if any, for each of our taxable years during which we are a PFIC that ends with or within the taxable year of the Electing Holder, regardless of whether distributions were received from us by the Electing Holder. No portion of any such inclusions of ordinary earnings will be treated as "qualified dividend income." Net capital gain inclusions of United States Non-Corporate

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Holders would be eligible for preferential capital gain tax rates. The Electing Holder's adjusted tax basis in the common shares will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in the common shares and will not be taxed again once distributed. An Electing Holder would not, however, be entitled to a deduction for its pro rata share of any losses that we incur with respect to any taxable year. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of our common shares. A United States Holder would make a timely QEF election for our shares by filing one copy of IRS Form 8621 with his United States federal income tax return for the first year in which he held such shares when we were a PFIC. If we were to be treated as a PFIC for any taxable year, we would provide each United States Holder with all necessary information in order to make the QEF election described above.

Taxation of United States Holders Making a "Mark-to-Market" Election

Alternatively, if we were to be treated as a PFIC for any taxable year and, as we anticipate will be the case, our common shares are treated as "marketable stock," a United States Holder would be allowed to make a "mark-to-market" election with respect to our common shares, provided the United States Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made, the United States Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common shares at the end of the taxable year over such Holder's adjusted tax basis in the common shares. The United States Holder would also be permitted an ordinary loss in respect of the excess, if any, of the United States Holder's adjusted tax basis in the common shares over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A United States Holder's tax basis in his common shares would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of our common shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common shares would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the United States Holder.

Taxation of United States Holders Not Making a Timely QEF or Mark-to-Market Election

Finally, if we were to be treated as a PFIC for any taxable year, a United States Holder who does not make either a QEF election or a "mark-to-market" election for that year, whom we refer to as a Non-Electing Holder, would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on the common shares in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common shares), and (2) any gain realized on the sale, exchange or other disposition of our common shares. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for the common shares;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, would be taxed as ordinary income and would not be "qualified dividend income"; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed tax deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

United States Federal Income Taxation of Non-United States Holders

A beneficial owner of common shares (other than a partnership) that is not a United States Holder is referred to herein as a Non-United States Holder.

If a partnership holds common shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding common shares, you are encouraged to consult your tax advisor.

Dividends on Common Stock

A Non-United States Holder generally will not be subject to United States federal income tax or withholding tax on dividends received from us with respect to his common shares, unless that income is effectively connected with the Non-United States Holder's conduct of a trade or business in the United States. If the Non-United States Holder is

entitled to the benefits of a United States income tax treaty with respect to those dividends, that income is subject to United States federal income tax only if it is attributable to a permanent establishment maintained by the Non-United States Holder in the United States.

Sale, Exchange or Other Disposition of Common Shares

Non-United States Holders generally will not be subject to United States federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of our common shares, unless:

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the gain is effectively connected with the Non-United States Holder's conduct of a trade or business in the United States (and, if the Non-United States Holder is entitled to the benefits of a United States income tax treaty with respect to that gain, that gain is attributable to a permanent establishment maintained by the Non-United States Holder in the United States); or

- the Non-United States Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-United States Holder is engaged in a United States trade or business for United States federal income tax purposes, dividends on the common shares, and gains from the sale, exchange or other disposition of such shares, that are effectively connected with the conduct of that trade or business will generally be subject to regular United States federal income tax in the same manner as discussed in the previous section relating to the taxation of United States Holders. In addition, if you are a corporate Non-United States Holder, your earnings and profits that are attributable to the effectively connected income, subject to certain adjustments, may be subject to an additional "branch profits" tax at a rate of 30%, or at a lower rate as may be specified by an applicable United States income tax treaty.

Backup Withholding and Information Reporting

In general, dividend payments, or other taxable distributions, made within the United States to you will be subject to information reporting requirements if you are a non-corporate United States Holder. Such payments or distributions may also be subject to backup withholding if you are a non-corporate United States Holder and you:

- fail to provide an accurate taxpayer identification number;
- are notified by the IRS that you have failed to report all interest or dividends required to be shown on your United States federal income tax returns; or
- in certain circumstances, fail to comply with applicable certification requirements.

Non-United States Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on an appropriate IRS Form W-8.

If you are a Non-United States Holder and you sell your common shares to or through a United States office of a broker, the payment of the proceeds is subject to both United States backup withholding and information reporting unless you certify that you are a non-United States person, under penalties of perjury, or you otherwise establish an exemption. If you sell your common shares through a non-United States office of a non-United States broker and the sales proceeds are paid to you outside the United States, then information reporting and backup withholding generally will not apply to that payment. However, United States information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made to you outside the United States, if you sell your common shares through a non-United States office of a broker that is a United States person or has some other contacts with the United States. Such information reporting requirements will not apply, however, if the broker has documentary evidence in its records that you are a non-United States person and certain other conditions are met, or you otherwise establish an exemption.

Backup withholding is not an additional tax. Rather, you generally may obtain a refund of any amounts withheld under backup withholding rules that exceed your United States federal income tax liability by filing a refund claim with the IRS.

Individuals who are United States Holders (and to the extent specified in applicable Treasury Regulations, certain individuals who are Non-United States Holders and certain United States entities) who hold "specified foreign financial assets" (as defined in Section 6038D of the Code) are required to file IRS Form 8938 with information relating to the asset for each taxable year in which the aggregate value of all such assets exceeds \$75,000 at any time during the taxable year or \$50,000 on the last day of the taxable year (or such higher dollar amount as prescribed by applicable Treasury regulations). Specified foreign financial assets would include, among other assets, our common shares, unless the shares are held through an account maintained with a United States financial institution. Substantial penalties apply to any failure to timely file IRS Form 8938, unless the failure is shown to be due to reasonable cause and not due to willful neglect. Additionally, in the event an individual United States Holder (and to the extent specified in applicable Treasury Regulations, an individual Non-United States Holder or a United States entity) that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of United States federal income taxes of such holder for the related tax year may not close until three years after the date

that the required IRS Form 8938 is filed. United States Holders (including United States entities) and Non- United States Holders are encouraged consult their own tax advisors regarding their reporting obligations under this legislation.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

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Not applicable.

H. Documents on Display

We file reports and other information with the SEC. These materials, including this annual report and the accompanying exhibits, may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E. Washington, D.C. 20549, or from its website <http://www.sec.gov>. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330, and you may obtain copies at prescribed rates. Shareholders may also visit the Investor Relations section of our website at www.scorpiotankers.com or request a copy of our filings at no cost, by writing or telephoning us at the following address: Scorpio Tankers Inc., 9, Boulevard Charles III Monaco 98000, +377-9898-5716.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We are exposed to the impact of interest rate changes primarily through our unhedged variable-rate borrowings. Significant increases in interest rates could adversely affect our operating margins, results of operations and our ability to service our debt. From time to time, we will use interest rate swaps to reduce our exposure to market risk from changes in interest rates. The principal objective of these contracts is to minimize the risks and costs associated with our variable-rate debt and are not for speculative or trading purposes.

Based on the floating rate debt at December 31, 2016 and 2015, a one-percentage point increase in the floating interest rate would increase interest expense by \$15.0 million and \$16.3 million per year, respectively. The following table presents the due dates for the principal payments on our fixed and floating rate debt:

In thousands of U.S. dollars	As of December 31,			
	2017	2018 - 2019	2020 - 2021	Thereafter
Principal payments floating rate debt (unhedged)	\$305,562	\$268,434	\$870,874	\$53,208
Principal payments fixed rate debt	51,750	348,500	53,750	—
Total principal payments on outstanding debt	\$357,312	\$616,934	\$924,624	\$53,208

Spot Market Rate Risk

The cyclical nature of the tanker industry causes significant increases or decreases in the revenue that we earn from our vessels, particularly those vessels that operate in the spot market or participate in pools that are concentrated in the spot market such as the Scorpio Group Pools. We currently have five vessels on time charter contracts. Additionally, we have the ability to remove our vessels from the pools on relatively short notice if attractive time charter opportunities arise. A \$1,000 per day increase or decrease in spot rates for all of our vessel classes would have increased or decreased our operating income by \$31.1 million and \$31.4 million for the years ended December 31, 2016 and 2015, respectively.

Foreign Exchange Rate Risk

Our primary economic environment is the international shipping market. This market utilizes the US dollar as its functional currency. Consequently, virtually all of our revenues and the majority of our operating expenses are in US dollars. However, we incur some of our combined expenses in other currencies, particularly the Euro. The amount and frequency of some of these expenses (such as vessel repairs, supplies and stores) may fluctuate from period to period. Depreciation in the value of the US dollar relative to other currencies will increase the US dollar cost of us paying such expenses. The portion of our business conducted in other currencies could increase in the future, which could expand our exposure to losses arising from currency fluctuations.

There is a risk that currency fluctuations will have a negative effect on our cash flows. We have not entered into any hedging contracts to protect against currency fluctuations. However, we have some ability to shift the purchase of goods and services from one country to another and, thus, from one currency to another, on relatively short notice. We may seek to hedge this currency fluctuation risk in the future.

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Bunker Price Risk

Our operating results are affected by movement in the price of fuel oil consumed by the vessels – known in the industry as bunkers. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in the future, which may reduce the profitability. We do not hedge our exposure to bunker price risk.

Inflation

We do not expect inflation to be a significant risk to direct expenses in the current and foreseeable economic environment.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

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PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Our controls and procedures are designed to provide reasonable assurance of achieving their objectives. We carried out an evaluation under the supervision, and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15e) as of December 31, 2016. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2016 to provide reasonable assurance that (1) information required to be disclosed by us in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

B. Management's Annual Report on Internal Control Over Financial Reporting

In accordance with Rule 13a-15(f) of the Exchange Act, the management of the Company is responsible for the establishment and maintenance of adequate internal controls over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. Management has performed an assessment of the effectiveness of the Company's internal controls over financial reporting as of December 31, 2016 based on the provisions of Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, in 2013. Based on our assessment, management determined that the Company's internal controls over financial reporting was effective as of December 31, 2016 based on the criteria in Internal Control—Integrated Framework issued by COSO (2013).

The Company's internal control over financial reporting, at December 31, 2016, has been audited by PricewaterhouseCoopers Audit, an independent registered public accounting firm, who also audited the Company's consolidated financial statements for that year. Their audit report on the effectiveness of internal control over financial reporting is presented in "Item 18. Financial Statements."

C. Attestation Report of the Registered Public Accounting Firm

The attestation report of the Registered Public Accounting Firm is presented on page F-2 of the Financial Statements filed as part of this annual report.

D. Changes in Internal Control Over Financial Reporting

None

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ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Mr. Ademaro Lanzara, who serves on the Audit Committee, qualifies as an “audit committee financial expert” and that he is “independent” in accordance with SEC rules.

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics applicable to our officers, directors, employees and agents, which complies with applicable guidelines issued by the SEC. Our code of ethics as in effect on the date hereof, has been filed as an exhibit to this annual report and is also available on our website at www.scorpiotankers.com.

ITEM 16C. PRINCIPAL ACCOUNTING FEES AND SERVICES

A. Audit Fees

Our principal accountant for fiscal years ended December 31, 2016 and 2015 was PricewaterhouseCoopers Audit (Marseille, France) and the audit fee for those periods was \$601,037 and \$553,000, respectively.

During 2015, our principal accountant, PricewaterhouseCoopers Audit, provided additional services related to our May 2015 underwritten offering of common stock. The fee for this service was \$47,189.

B. Audit-Related Fees

None

C. Tax Fees

None

D. All Other Fees

None

E. Audit Committee’s Pre-Approval Policies and Procedures

Our Audit Committee pre-approves all audit, audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees prior to the engagement of the independent auditor with respect to such services.

F. Audit Work Performed by Other Than Principal Accountant if Greater Than 50%

Not applicable.

ITEM 16D. EXEMPTIONS FROM LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

In May 2015, our Board of Directors authorized a new Securities Repurchase Program to purchase up to an aggregate of \$250 million of our common stock and bonds, which currently consist of our (i) Convertible Notes (ii) Senior Notes Due 2020 (NYSE: SBNA), and (iii) Senior Notes Due 2017 (NYSE: SBNB). This program replaced our stock buyback program that was previously announced in July 2014 and was terminated in conjunction with this new repurchase program.

During the year ended December 31, 2016, we have repurchased the following:

• an aggregate of 2,956,760 of our common shares that are being held as treasury shares at an average price of \$5.58 per share.

• \$10.0 million aggregate principal amount of our Convertible Notes at an average price of \$839.28 per \$1,000 principal amount.

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The amounts of our common shares purchased in 2016 by month, including commissions, are set out in the table below:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced program	Maximum amount that may yet be expected on share repurchases under program
January 2016	2,299,606	\$ 5.96	2,299,606	\$ 164,539,494
July 2016	657,154	\$ 4.26	657,154	\$ 153,348,320 ⁽¹⁾
Total	2,956,760	\$ 5.58	2,956,760	\$ 153,348,320

⁽¹⁾ The amount authorized for repurchase was reduced by \$8.4 million as we repurchased \$10.0 million face value of our Convertible Notes in March 2016 and June 2016 at an average price of \$839.28 per \$1,000 principal amount under this program. This repurchase is not reflected in the above table.

We had \$153.3 million remaining available under our Securities Repurchase Program as of March 15, 2017. We expect to repurchase any securities in the open market, at times and prices that are considered to be appropriate, but we are not obligated under the terms of the program to repurchase any securities.

There were 174,629,755 common shares outstanding as of March 15, 2017.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

Pursuant to an exception for foreign private issuers, we, as a Marshall Islands company, are not required to comply with the corporate governance practices followed by U.S. companies under the NYSE listing standards. We believe that our established practices in the area of corporate governance are in line with the spirit of the NYSE standards and provide adequate protection to our shareholders. In this respect, we have voluntarily adopted NYSE required practices, such as (i) having a majority of independent directors, (ii) establishing audit, compensation and nominating committees and (iii) adopting a Code of Ethics.

There are two significant differences between our corporate governance practices and the practices required by the NYSE. The NYSE requires that non-management directors meet regularly in executive sessions without management. The NYSE also requires that all independent directors meet in an executive session at least once a year. The Marshall Islands law and our bylaws do not require our non-management directors to regularly hold executive sessions without management. During 2016 and through the date of this annual report, our non-management directors met in executive session five times. The NYSE requires companies to adopt and disclose corporate governance guidelines. The guidelines must address, among other things: director qualification standards, director responsibilities, director access to management and independent advisers, director compensation, director orientation and continuing education, management succession and an annual performance evaluation. We are not required to adopt such guidelines under Marshall Islands law and we have not adopted such guidelines.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

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PART III

ITEM 17. FINANCIAL STATEMENTS

See “Item 18. Financial Statements.”

ITEM 18. FINANCIAL STATEMENTS

The financial information required by this Item is set forth beginning on page F-1 and is filed as part of this annual report.

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ITEM 19. EXHIBITS

Exhibit Number	Description
1.1	Amended and Restated Articles of Incorporation of the Company (1)
1.2	Amended and Restated Bylaws of the Company (3)
1.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company (11)
2.1	Form of Stock Certificate (1)
2.3	Form of Senior Debt Securities Indenture (5)
2.4	Form of Subordinated Debt Securities Indenture (5)
2.5	Base Indenture, dated May 12, 2014, by and between the Company and Deutsche Bank Trust Company (9)
2.6	Supplemental Indenture to the Base Indenture, dated May 12, 2014, by and between the Company and Deutsche Bank Trust Company Americas, as trustee, relating to the Company's 6.75% Senior Notes due 2020 (9)
2.7	Indenture, dated June 30, 2014, by and between the Company and Deutsche Bank Trust Company Americas, as trustee, relating to the Company's 2.375% Convertible Notes due 2019 (11)
2.8	Second Supplemental Indenture to the Base Indenture, dated October 31, 2014, by and between the Company and Deutsche Bank Trust Company Americas, as trustee, relating to the Company's 7.50% Senior Notes due 2017 (10)
4.1	2010 Revolving Credit Facility, as amended and restated on July 12, 2011 (6)
4.2	Letter Agreement to 2010 Revolving Credit Facility (as amended and restated on July 12, 2011), dated September 22, 2011 (6)
4.3	First Amendatory Agreement to 2010 Revolving Credit Facility (as amended and restated on July 12, 2011), dated December 22, 2011 (6)
4.4	2010 Equity Incentive Plan (3)
4.5	2013 Amended and Restated Equity Incentive Plan (8)
4.6	Administrative Services Agreement between the Company and Liberty Holding Company Ltd. (2)
4.6(a)	Deed of Amendment between the Company, SSH, SCM and SSM dated September 29, 2016
4.7	Master Agreement between the Company, SSM and SCM dated January 24, 2013 (7)
4.7(a)	Amended and Restated Master Agreement between the Company, SSM and SCM dated November 15, 2016
4.8	STI Spirit Credit Facility, dated March 9, 2011 (4)
4.9	Letter Agreement to STI Spirit Credit Facility, dated September 28, 2011 (6)
4.10	First Amendatory Agreement to STI Spirit Credit Facility, dated December 30, 2011 (6)
4.11	2011 Credit Facility, dated May 3, 2011 (6)
4.12	Letter Agreement to 2011 Credit Facility, dated September 22, 2011 (6)
4.12(a)	Letter Agreement to 2011 Credit Facility, dated August 9, 2016
4.13	First Amendatory Agreement to 2011 Credit Facility, dated June 27, 2011 (6)
4.14	Second Amendatory Agreement to 2011 Credit Facility, dated December 22, 2011 (6)
4.15	Newbuilding Credit Facility, dated December 21, 2011 (6)
4.16	2013 Credit Facility, dated July 2, 2013 (8)
4.17	KEXIM Credit Facility, dated February 28, 2014 (8)
4.17(a)	Second Amendment Agreement to KEXIM Credit Facility, dated June 1, 2016
4.18	K-Sure Credit Facility, dated February 24, 2014 (8)
4.18(a)	Letter Agreement to KSURE Credit Facility, dated July 15, 2016
4.19	Second Supplemental Agreement to ING Credit Facility, dated February 29, 2016 (12)
4.20	ABN AMRO Credit Facility, dated July 16, 2015 (12)
4.21	First Amendment Agreement to ABN AMRO Credit Facility, dated September 15, 2015 (12)
4.22	Second Amendment Agreement to ABN AMRO Credit Facility, dated October 20, 2015 (12)
4.23	Credit Suisse Credit Facility, dated October 30, 2015 (12)
4.24	BNP Paribas Credit Facility, dated December 18, 2015 (12)

4.24(a) Amendment and Restatement to BNP Paribas Credit Facility, dated December 29, 2016

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4.25 Scotiabank Credit Facility, dated June 2, 2016
 4.25(a) Guarantee, dated June 2, 2016, relating to the Scotiabank Credit Facility
 4.26 NIBC Credit Facility, dated June 30, 2016
 4.26(a) Guarantee, dated June 30, 2016, relating to the NIBC Credit Facility
 4.27 2016 Credit Facility, dated August 30, 2016
 4.28 DVB Credit Facility, dated September 8, 2016
 4.29 HSH Nordbank Credit Facility, dated January 26, 2017
 4.30 2017 Credit Facility, dated March 10, 2017
 8.1 Subsidiaries of the Company
 11.1 Code of Ethics
 11.2 Whistleblower Policy (8)
 11.3 Whistleblower Policy - Environmental (8)
 12.1 Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
 12.2 Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
 13.1 Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
 13.2 Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
 15.1 Consent of Independent Registered Public Accounting Firm
 15.2 Consent of Drewry Shipping Consultants, Ltd.

- (1) Filed as an Exhibit to the Company's Amended Registration Statement on Form F-1/A (Amendment No. 1) (File No. 333-164940) on March 10, 2010, and incorporated by reference herein.
- (2) Filed as an Exhibit to the Company's Amended Registration Statement on Form F-1/A (Amendment No. 2) (File No. 333-164940) on March 18, 2010, and incorporated by reference herein.
- (3) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on June 29, 2010, and incorporated by reference herein.
- (4) Filed as an Exhibit to the Company's Annual Report filed on Form 20-F on April 21, 2011, and incorporated by reference herein.
- (5) Filed as an Exhibit to the Company's Registration Statement on Form F-3 (File No. 333-173929) on May 4, 2011, and incorporated by reference herein.
- (6) Filed as an Exhibit to the Company's Annual Report on Form 20-F on April 13, 2012, as amended, and incorporated by reference herein.
- (7) Filed as an Exhibit to the Company's Annual Report on Form 20-F on March 29, 2013, and incorporated by reference herein.
- (8) Filed as an Exhibit to the Company's Annual Report on Form 20-F on March 31, 2014, and incorporated by reference herein.
- (9) Filed as an Exhibit to the Company's Report on Form 6-K on May 13, 2014, and incorporated by reference herein.
- (10) Filed as an Exhibit to the Company's Report on Form 6-K on October 31, 2014, and incorporated by reference herein.
- (11) Filed as an Exhibit to the Company's Annual Report on Form 20-F on March 31, 2015, and incorporated by reference herein.
- (12) Filed as an Exhibit to the Company's Annual Report on Form 20-F on March 18, 2016, and incorporated by reference herein.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this annual report on its behalf.

Dated March 16, 2017

Scorpio Tankers Inc.
(Registrant)

/s/ Emanuele Lauro
Emanuele Lauro
Chief Executive Officer

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SCORPIO TANKERS INC. AND SUBSIDIARIES
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Scorpio Tankers Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows present fairly, in all material respects, the financial position of Scorpio Tankers Inc. and its subsidiaries at December 31, 2016 and December 31, 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, appearing under Item 15. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Monaco, Principality of Monaco

March 16, 2017

/s/ PricewaterhouseCoopers Audit

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Table of ContentsScorpio Tankers Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2016 and 2015

In thousands of U.S. dollars	Notes	As of December 31, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents	2	\$99,887	\$ 200,970
Accounts receivable	3	42,329	69,017
Prepaid expenses and other current assets		9,067	3,585
Derivative financial instruments	12	116	—
Inventories		6,122	6,575
Total current assets		157,521	280,147
Non-current assets			
Vessels and drydock	4/6	2,913,254	3,087,753
Vessels under construction	5/6	137,917	132,218
Other assets	7	21,495	23,337
Total non-current assets		3,072,666	3,243,308
Total assets		\$3,230,187	\$ 3,523,455
Current liabilities			
Current portion of long-term debt	11	353,012	124,503
Finance lease liability	11	—	53,372
Accounts payable	9	9,282	25,683
Accrued expenses	10	23,024	32,643
Derivative financial instruments	12	—	1,175
Total current liabilities		385,318	237,376
Non-current liabilities			
Long-term debt	11	1,529,669	1,872,114
Derivative financial instruments	12	—	80
Total non-current liabilities		1,529,669	1,872,194
Total liabilities		1,914,987	2,109,570
Shareholders' equity			
Issued, authorized and fully paid-in share capital:			
Common stock, \$0.01 par value per share; 400,000,000 shares authorized; 174,629,755 and 175,335,400 issued and outstanding shares as of December 31, 2016 and December 31, 2015, respectively.	14	2,247	2,224
Additional paid-in capital	14	1,756,769	1,729,314
Treasury shares	14	(443,816)	(427,311)
Retained earnings		—	109,658
Total shareholders' equity		1,315,200	1,413,885
Total liabilities and shareholders' equity		\$3,230,187	\$ 3,523,455

The accompanying notes are an integral part of these consolidated financial statements.

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Scorpio Tankers Inc. and Subsidiaries
Consolidated Statements of Income or Loss
For the years ended December 31, 2016, 2015 and 2014

In thousands of U.S. dollars except per share and share data	Notes	For the year ended December 31,		
		2016	2015	2014
Revenue				
Vessel revenue	16	\$522,747	\$755,711	\$342,807
Operating expenses				
Vessel operating costs		(187,120)	(174,556)	(78,823)
Voyage expenses		(1,578)	(4,432)	(7,533)
Charterhire	17	(78,862)	(96,865)	(139,168)
Depreciation	4	(121,461)	(107,356)	(42,617)
General and administrative expenses	18	(54,899)	(65,831)	(48,129)
Write down of vessels held for sale and net loss on sales of vessels	4	(2,078)	(35)	(3,978)
Write-off of vessel purchase options	5	—	(731)	—
Gain on sale of VLCCs	5	—	—	51,419
Gain on sale of Dorian shares	8	—	1,179	10,924
Re-measurement of investment in Dorian	8	—	—	(13,895)
Total operating expenses		(445,998)	(448,627)	(271,800)
Operating income		76,749	307,084	71,007
Other (expense) and income, net				
Financial expenses	19	(104,048)	(89,596)	(20,770)
Realized gain on derivative financial instruments	12	—	55	17
Unrealized gain / (loss) on derivative financial instruments	12	1,371	(1,255)	264
Financial income		1,213	145	203
Share of income from associate	8	—	—	1,473
Other expenses, net		(188)	1,316	(103)
Total other expense, net		(101,652)	(89,335)	(18,916)
Net (loss) / income		\$(24,903)	\$217,749	\$52,091
Attributable to:				
Equity holders of the parent		\$(24,903)	\$217,749	\$52,091
(Loss) / earnings per share				
Basic	21	\$(0.15)	\$1.35	\$0.30
Diluted	21	\$(0.15)	\$1.20	\$0.30
Basic weighted average shares outstanding	21	161,118,654	161,436,449	171,851,061
Diluted weighted average shares outstanding	21	161,118,654	199,739,326	176,292,802

The accompanying notes are an integral part of these consolidated financial statements.

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Scorpio Tankers Inc. and Subsidiaries
 Consolidated Statements of Comprehensive Income or Loss
 For the years ended December 31, 2016, 2015 and 2014

In thousands of U.S. dollars	Notes	For the year ended December 31,		
		2016	2015	2014
Net (loss) / income		\$(24,903)	\$217,749	\$52,091
Other comprehensive income / (loss):				
Items that may be reclassified subsequently to profit or loss				
Change in value of available for sale investment	8	—	10,801	(10,801)
Cash flow hedges				
Unrealized gain on derivative financial instruments	12	—	77	135
Other comprehensive income / (loss)		—	10,878	(10,666)
Total comprehensive (loss) / income		\$(24,903)	\$228,627	\$41,425
Attributable to:				
Equity holders of the parent		\$(24,903)	\$228,627	\$41,425

The accompanying notes are an integral part of these consolidated financial statements.

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Scorpio Tankers Inc. and Subsidiaries
 Consolidated Statements of Changes in Shareholders' Equity
 For the years ended December 31, 2016, 2015 and 2014

In thousands of U.S. dollars except share data	Number of shares outstanding	Share capital	Additional paid-in capital	Treasury shares	(Accumulated deficit) / retained earnings	Accumulated other comprehensive (loss) / income	Total
Balance as of January 1, 2014	198,791,502	\$ 1,999	\$ 1,536,945	\$(7,938)	\$(80,071)	\$(212)	\$ 1,450,723
Net income for the period	—	—	—	—	52,091	—	52,091
Other comprehensive loss	—	—	—	—	—	(10,666)	(10,666)
Issuance of restricted stock	3,362,176	34	(34)	—	—	—	—
Amortization of restricted stock	—	—	29,726	—	—	—	29,726
Dividends paid, \$0.39 per share ⁽¹⁾	—	—	(70,495)	—	—	—	(70,495)
Purchase of treasury shares (37,579,136)	—	—	—	(343,345)	—	—	(343,345)
Equity component of the Convertible Notes, net of issuance costs (see Note 11)	—	—	59,464	—	—	—	59,464
Shares issued for acquisition of vessels	—	—	(4,650)	—	—	—	(4,650)
Balance as of December 31, 2014	164,574,542	\$ 2,033	\$ 1,550,956	\$(351,283)	\$(27,980)	\$(10,878)	\$ 1,162,848
Balance as of January 1, 2015	164,574,542	\$ 2,033	\$ 1,550,956	\$(351,283)	\$(27,980)	\$(10,878)	\$ 1,162,848
Net income for the period	—	—	—	—	217,749	—	217,749
Other comprehensive income	—	—	—	—	—	10,878	10,878
Net proceeds from follow on offerings	17,177,123	172	152,022	—	—	—	152,194
Issuance of restricted stock	1,857,444	19	(19)	—	—	—	—
Amortization of restricted stock	—	—	33,687	—	—	—	33,687
Dividends paid, \$0.495 per share ⁽¹⁾	—	—	(6,945)	—	(80,111)	—	(87,056)
Purchase of treasury shares (8,273,709)	—	—	—	(76,028)	—	—	(76,028)
Equity component of repurchase of the Convertible Notes (see Note 11)	—	—	(387)	—	—	—	(387)
Balance as of December 31, 2015	175,335,400	\$ 2,224	\$ 1,729,314	\$(427,311)	\$ 109,658	\$ —	\$ 1,413,885
Balance as of January 1, 2016	175,335,400	\$ 2,224	\$ 1,729,314	\$(427,311)	\$ 109,658	\$ —	\$ 1,413,885

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Net loss for the period	—	—	—	—	(24,903) —	(24,903)
Issuance of restricted stock, net of forfeitures	2,251,115	23	(23) —	—	—	—	
Amortization of restricted stock, net of forfeitures	—	—	30,207	—	—	—	30,207	
Dividends paid, \$0.50 per share ⁽¹⁾	—	—	(2,168	) —	(84,755	) —	(86,923)
Purchase of treasury shares	(2,956,760	) —	—	(16,505	) —	—	(16,505)
Equity issuance costs	—	—	(24) —	—	—		