

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

Total Fleet DWT 6,511,271

(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.

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.

(11) 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.

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

(13) 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.

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

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

(16) 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.

(17) These newbuilding vessels are being constructed at HMD (Hyundai Mipo Dockyard Co. Ltd. of South Korea).
(18) 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	Existing Fleet		Orderbook		2017	2018	2019	2020+
	(Dwt)No	M Dwt	No	M Dwt					% Fleet
	No	M Dwt	No	M Dwt	No	M Dwt	No	M Dwt

Crude Tankers (1)