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
x 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)

Mr. Emanuele Lauro
+377-9798-5716
info@scorpiotankers.com
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.

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 X 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 X

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 X 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 X No

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 x	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
X	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 X

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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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	For the year ended December 31,				
In thousands of U.S. dollars except per share and share data	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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	As of December 31,				
In thousands of U.S. dollars	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

	For the year ended December 31,				
In thousands of U.S. dollars	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)	(935,101)	(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 U.S. dollars)	Drawdown date	Collateral
$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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26	STI Ville	2013	49,990	—	SMRP(2)	MR
27	STI Duchessa	2014	49,990	—	SMRP(2)	MR
28	STI Opera	2014	49,990	—	SMRP(2)	MR
29	STI Texas City	2014	49,990	—	SMRP(2)	MR
30	STI Meraux	2014	49,990	—	SMRP(2)	MR
31	STI San Antonio	2014	49,990	—	SMRP(2)	MR
32	STI Venere	2014	49,990	—	SMRP(2)	MR
33	STI Virtus	2014	49,990	—	SMRP(2)	MR
34	STI Aqua	2014	49,990	—	SMRP(2)	MR
35	STI Dama	2014	49,990	—	SMRP(2)	MR
36	STI Benicia	2014	49,990	—	SMRP(2)	MR
37	STI Regina	2014	49,990	—	SMRP(2)	MR
38	STI St. Charles	2014	49,990	—	SMRP(2)	MR
39	STI Mayfair	2014	49,990	—	SMRP(2)	MR
40	STI Yorkville	2014	49,990	—	SMRP(2)	MR
41	STI Milwaukee	2014	49,990	—	SMRP(2)	MR
42	STI Battery	2014	49,990	—	SMRP(2)	MR
43	STI Soho	2014	49,990	—	SMRP(2)	MR
44	STI Memphis	2014	49,995	—	SMRP(2)	MR
45	STI Tribeca	2015	49,990	—	SMRP(2)	MR
46	STI Gramercy	2015	49,990	—	SMRP(2)	MR
47	STI Bronx	2015	49,990	—	SMRP(2)	MR
48	STI Pontiac	2015	49,990	—	SMRP(2)	MR
49	STI Manhattan	2015	49,990	—	SMRP(2)	MR
50	STI Queens	2015	49,990	—	SMRP(2)	MR
51	STI Osceola	2015	49,990	—	SMRP(2)	MR
52	STI Notting Hill	2015	49,687	1B	Time Charter (6)	MR
53	STI Seneca	2015	49,990	—	SMRP(2)	MR
54	STI Westminster	2015	49,687	1B	Time Charter (6)	MR
55	STI Brooklyn	2015	49,990	—	SMRP(2)	MR
56	STI Black Hawk	2015	49,990	—	SMRP(2)	MR
57	STI Elysees	2014	109,999	—	SLR2P (4)	LR2
58	STI Madison	2014	109,999	—	SLR2P (4)	LR2
59	STI Park	2014	109,999	—	SLR2P (4)	LR2
60	STI Orchard	2014	109,999	—	SLR2P (4)	LR2
61	STI Sloane	2014	109,999	—	SLR2P (4)	LR2
62	STI Broadway	2014	109,999	—	SLR2P (4)	LR2
63	STI Condotti	2014	109,999	—	SLR2P (4)	LR2
64	STI Rose	2015	109,999	—	Time Charter (7)	LR2
65	STI Veneto	2015	109,999	—	SLR2P (4)	LR2
66	STI Alexis	2015	109,999	—	SLR2P (4)	LR2
67	STI Winnie	2015	109,999	—	SLR2P (4)	LR2
68	STI Oxford	2015	109,999	—	SLR2P (4)	LR2
69	STI Lauren	2015	109,999	—	SLR2P (4)	LR2
70	STI 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

103	Hull 2605 - TBN STI San Telmo Hull 2606 - TBN STI Donald C Trauscht	HMD	(18)	52,000	MR

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104	Hull 2607 - TBN STI Esles II	HMD	(18)	52,000	MR
105	Hull 2608 - TBN STI Jardins	HMD	(18)	52,000	MR
106	Hull 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.

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

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

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

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

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

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

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

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

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

Chartering Strategy

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

Commercial Pools

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

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

Time Charters

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

Spot Market

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

Management of our Fleet

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

Commercial and Technical Management

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

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

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

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

Amended Administrative Services Agreement

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

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

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

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

The International Oil Tanker Shipping Industry

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

Oil Tanker Demand

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

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

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World Seaborne Tanker Trade

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

* Provisional assessment
Source: Drewry

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

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World Oil Consumption: 1991-2016
(Million bpd)

* Provisional estimate
Source: Drewry

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

Oil Product Exports & Imports

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

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Oil Product Exports - Major Growth Regions

(Million Bpd)

Source: Drewry

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

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

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

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

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Oil Product Imports - Major Growth Regions
(Million bpd)

Source: Drewry

Current Tanker Fleet

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

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

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The Oil Tanker Fleet - March 1, 2017

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

Total Fleet	4,754	100.0	525.9	100.0

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

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Medium Range 2 (MR2)	40-54,999	1,004	48.5	81.0	4.0	8.1	8.2	56.0	2.8	19.0	0.9	6.0	0.3	—	—
Medium Range 1 (MR1)	25-39,999	315	11.7	13.0	0.5	4.1	4.3	12.0	0.4	1.0	0.1	—	—	—	—
Handy	10-24,999	39	0.6	—	—	—	—	—	—	—	—	—	—	—	—
Total Fleet		1,386	62.6	94.0	4.5	6.8	7.2	68.0	3.2	20.0	1.0	6.0	0.3	—	—
Product & Product/Chemical Fleet															
Long Range 3 (LR3)	120-199,999	16	2.5	4.0	0.6	25.0	24.0	2.0	0.3	2.0	0.3	—	—	—	—
Long Range 2 (LR2)	80,000-119,999	322	34.5	46.0	5.2	14.3	15.1	29.0	3.2	11.0	1.3	6.0	0.7	—	—
Long Range 1 (LR1)	55-79,999	343	25.1	42.0	3.1	12.2	12.4	25.0	1.8	14.0	1.0	1.0	0.1	2.0	0.2
Medium Range 2 (MR2)	40-54,999	1,433	68.6	119.0	5.9	8.3	8.6	60.0	3.0	28.0	1.3	24.0	1.2	7.0	0.4
Medium Range 1 (MR1)	25-39,999	429	15.6	13.0	0.5	3.0	3.2	12.0	0.4	1.0	0.1	—	—	—	—
Handy	10-24,999	181	2.6	8.0	0.2	4.4	7.7	5.0	0.1	3.0	0.1	—	—	—	—
Total Fleet		2,724	148.9	232.0	15.5	8.5	10.4	133.0	8.8	59.0	4.1	31.0	2.0	9.0	0.6
Crude, Product and Product/Chemical Tanker Fleet															
VLCC/ULCC	200,000+	712	218.9	86.0	26.6	12.1	12.2	36.0	11.0	47.0	14.6	3.0	1.0	—	—
Suezmax/LR3	120-199,999	533	82.8	83.0	13.0	15.6	15.7	62.0	9.7	21.0	3.3	—	—	—	—
Aframax/LR2	80-119,999	971	104.5	135.0	15.3	13.9	14.6	67.0	7.5	49.0	5.6	15.0	1.7	4.0	0.5
Panamax/LR1	55-79,999	430	31.1	48.0	3.5	11.2	11.2	31.0	2.2	14.0	1.0	1.0	0.1	2.0	0.2
Handy/Medium Range	40-54,999	1,450	69.4	121.0	6.0	8.3	8.6	62.0	3.1	28.0	1.3	24.0	1.2	7.0	0.4
Handy/Medium Range	25-39,999	441	16.0	13.0	0.5	2.9	3.1	12.0	0.4	1.0	0.1	—	—	—	—
Handy/Handymax	10-54,999	217	3.2	12.0	0.3	5.5	9.4	9.0	0.2	3.0	0.1	—	—	—	—
Total Fleet		4,754	525.9	498.0	65.2	10.5	12.4	279.0	34.1	163.0	26.0	43.0	4.0	13.0	1.1

(1) Included shuttle tankers and tankers on storage duties
(2) Product and product/chemical tankers only, excludes pure chemical tankers
Source: Drewry

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

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The Oil Tanker Freight Market

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

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

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

Source: Drewry

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

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

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

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

Oil Tanker Newbuilding Prices

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

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

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

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

Source: Drewry
Secondhand Prices

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

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

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

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Oil Tanker Secondhand Prices: 2001-2017
(In millions of U.S. Dollars)

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

Source: Drewry

Environmental and Other Regulations

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

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

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

International Maritime Organization

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

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

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

Air Emissions

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

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

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

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

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

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

Ballast Water Management

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

Safety Management System Requirements

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

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

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

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

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

Pollution Control and Liability Requirements

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

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

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

United States Regulations

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

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

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

net loss of taxes, royalties, rents, fees or net profits resulting from injury, destruction or loss of real or personal property, or natural resources;

- loss of subsistence use of natural resources that are injured, destroyed or lost;
- lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and
- net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

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

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

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

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

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

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

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

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

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

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

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

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on authorizing discharges incidental to operations of commercial vessels, and contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters, more stringent requirements for exhaust gas scrubbers, and the use of environmentally acceptable lubricants.
In addition, under Section 401 of the CWA, the VGP must be certified by the state where the discharge is to take place. Certain states have enacted additional discharge standards as conditions to their certification of the VGP. These local standards bring the VGP into compliance with more stringent state requirements, such as those further restricting ballast water discharges and preventing the introduction of non-indigenous species considered to be invasive. The VGP and its state-specific regulations and any similar restrictions enacted in the future will increase the costs of operating in the relevant waters.

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

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

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

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

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

European Union Regulations

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

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

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Greenhouse Gas Regulation

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

International Labour Organization

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

Vessel Security Regulations

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

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

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

- on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;
- on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;
- the development of vessel security plans;

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

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

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

Inspection by classification societies

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

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

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

- Annual Surveys. For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant, and where applicable for special equipment classed, within three months before or after each anniversary date of the date of commencement of the class period indicated in the certificate.
- Intermediate Surveys. Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys are to be carried out at or between the occasion of the second or third annual survey.
- Class Renewal Surveys. Class renewal surveys, also known as special surveys, are carried out for the ship's hull, machinery, including the electrical plant, and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one-year grace period for completion of the special survey. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a vessel owner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle.

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

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

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

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

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

Risk of Loss and Liability Insurance

General

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

Marine and War Risks Insurance

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

Protection and Indemnity Insurance

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

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

C. Organizational Structure

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

D. Property, Plants and Equipment

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

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

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

- Voyage charters, which are charters for short intervals that are priced on current, or “spot,” market rates.
- Time charters, which are chartered to customers for a fixed period of time at rates that are generally fixed, but may contain a variable component based on inflation, interest rates, or current market rates.
- Commercial Pools, whereby we participate with other shipowners to operate a large number of vessels as an integrated transportation system, which offers customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Pools negotiate charters primarily in the spot market, but may also arrange time charter agreements. The size and scope of these pools enable them to enhance utilization rates for pool vessels by securing backhaul voyages and COAs (described below), thus generating higher effective TCE revenues than otherwise might be obtainable in the spot market.
- For all types of vessels in contractual relationships, we are responsible for crewing and other vessel operating costs for our owned vessels and the charterhire expense for vessels that we time charter-in.

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

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

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

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

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

(4)

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

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

Important Financial and Operational Terms and Concepts

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

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

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

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

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

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

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

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

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

Depreciation. Depreciation expense typically consists of:

- charges related to the depreciation of the historical cost of our owned vessels (less an estimated residual value) over the estimated useful lives of the vessels; and
- charges related to the amortization of drydocking expenditures over the estimated number of years to the next scheduled drydocking.

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

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

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

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

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

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

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

Items You Should Consider When Evaluating Our Results

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

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

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

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

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

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

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

Critical Accounting Policies

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

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

The significant judgments and estimates are as follows:

Revenue recognition

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

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

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

Vessel impairment

Impairment methodology

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

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

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

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

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

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

- All of our 77 owned vessels had fair values less costs to sell less than their carrying amount. We prepared a value in use calculation for each these vessels which resulted in no impairment being recognized.
- We did not obtain independent broker valuations for our ten vessels under construction. To assess their carrying values for impairment, we prepared value in use calculations which resulted in no impairment being recognized.

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

- 50 vessels had fair values less costs to sell in excess of their carrying amount.
- 30 vessels had fair values less costs to sell less than their carrying amount. We prepared a value in use calculation for each these vessels which resulted in no impairment being recognized.
- We did not obtain independent broker valuations for our 12 vessels under construction. To assess their carrying values for impairment, we prepared value in use calculations which resulted in no impairment being recognized.

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

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

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

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

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

news and industry reports of sales of vessels that are not similar to our vessels where we have made certain adjustments in an attempt to derive information that can be used as part of our estimates;

- approximate market values for our vessels or similar vessels that we have received from shipbrokers, whether solicited or unsolicited, or that shipbrokers have generally disseminated;
- offers that we may have received from potential purchasers of our vessels; and
- vessel sale prices and values of which we are aware through both formal and informal communications with shipowners, shipbrokers, industry analysts and various other shipping industry participants and observers.

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

	Vessel Name	Year Built	Carrying value as of, December 31, 2016	December 31, 2015
1	STI Amber	2012	$32.5	34.0
2	STI Topaz	2012	$32.6	34.1
3	STI Ruby	2012	$32.7	34.2
4	STI Garnet	2012	$32.7	34.3
5	STI Onyx	2012	$32.7	34.3
6	STI Sapphire	2013	$32.6	34.1
7	STI Emerald	2013	$32.5	34.0
8	STI Beryl	2013	$31.7	33.2
9	STI Le Rocher	2013	$32.2	33.7
10	STI Larvotto	2013	$32.2	33.7
11	STI Fontvieille	2013	$32.3	33.7
12	STI Ville	2013	$32.5	34.0
13	STI Duchessa	2014	$30.8	32.2
14	STI Wembley	2014	$30.2	31.5
15	STI Opera	2014	$30.6	32.0
16	STI Texas City	2014	$34.9	36.4
17	STI Meraux	2014	$35.3	36.8
18	STI San Antonio	2014	$35.3	36.9
19	STI Venere	2014	$30.7	32.0
20	STI Virtus	2014	$30.8	32.1
21	STI Aqua	2014	$31.0	32.3
22	STI Dama	2014	$31.0	32.3
23	STI Mythos	2014	N/A	32.0
24	STI Benicia	2014	$36.2	37.7
25	STI Regina	2014	$31.2	32.5
26	STI St. Charles	2014	$34.8	36.3
27	STI Yorkville	2014	$31.6	32.9
28	STI Milwaukee	2014	$37.3	38.9
29	STI Battery	2014	$31.8	33.1
30	STI Brixton	2014	$29.6	30.9
31	STI Comandante	2014	$29.5	30.7
32	STI Pimlico	2014	$29.7	31.0
33	STI Hackney	2014	$29.6	30.9
34	STI Acton	2014	$30.2	31.5
35	STI Fulham	2014	$30.0	31.2
36	STI Camden	2014	$29.8	31.1
37	STI Finchley	2014	$30.1	31.4
38	STI Clapham	2014	$30.4	31.7
39	STI Poplar	2014	$30.4	31.7
40	STI Elysees	2014	$48.1	50.1
41	STI Madison	2014	$48.5	50.4

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42	STI Park	2014	48.5	(1)	50.4	
43	STI Orchard	2014	48.1	(1)	50.0	
44	STI Sloane	2014	49.0	(1)	50.9	
45	STI Broadway	2014	48.0	(1)	49.9	
46	STI Condotti	2014	49.0	(1)	50.9	
47	STI Battersea	2014	30.0	(1)	31.2	
48	STI Chelsea	2014	N/A	(3)	32.2	
49	STI Lexington	2014	N/A	(3)	32.2	
50	STI Memphis	2014	35.6	(1)	37.1	
51	STI Powai	2014	N/A	(3)	32.2	
52	STI Mayfair	2014	32.1	(1)	33.5	
53	STI Soho	2014	31.7	(1)	33.0	
54	STI Olivia	2014	N/A	(3)	32.3	
55	STI Tribeca	2015	32.6	(1)	34.0	
56	STI Hammersmith	2015	30.8	(1)	32.1	
57	STI Rotherhithe	2015	30.9	(1)	32.2	
58	STI Rose	2015	56.7	(1)	59.1	
59	STI Gramercy	2015	31.8	(1)	33.2	
60	STI Veneto	2015	49.2	(1)	51.1	
61	STI Alexis	2015	57.0	(1)	59.3	
62	STI Bronx	2015	32.6	(1)	34.0	
63	STI Pontiac	2015	37.4	(1)	38.9	
64	STI Manhattan	2015	32.6	(1)	33.9	
65	STI Winnie	2015	50.2	(1)	52.1	
66	STI Oxford	2015	50.3	(1)	52.3	
67	STI Queens	2015	32.6	(1)	33.9	
68	STI Osceola	2015	37.7	(1)	39.3	
69	STI Lauren	2015	50.3	(1)	52.3	
70	STI Connaught	2015	50.0	(1)	52.0	
71	STI Notting Hill	2015	36.2	(1)	37.7	
72	STI Spiga	2015	56.1	(1)	58.3	
73	STI Seneca	2015	37.8	(1)	39.4	
74	STI Savile Row	2015	57.2	(1)	59.5	
75	STI Westminster	2015	36.4	(1)	37.9	
76	STI Brooklyn	2015	32.7	(1)	34.1	
77	STI Kingsway	2015	57.5	(1)	59.8	
78	STI Lombard	2015	58.4	(1)	60.1	
79	STI Carnaby	2015	57.7	(1)	60.1	
80	STI Black Hawk	2015	36.0	(1)	37.5	
81	STI Grace	2016	51.5	(1)	N/A	(2)
82	STI Jermyn	2016	52.5	(1)	N/A	(2)
			$2,913.3		$3,087.7	

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

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

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

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

Vessel lives and residual value

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

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

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

Deferred drydock cost

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

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A. Operating Results

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

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

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

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

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

	For the year ended December 31,		Change	Percentage
In thousands of U.S. dollars	2016	2015	favorable / (unfavorable)	Change
Pool revenue by operating segment				
MR	$248,974	$315,925	$ (66,951)	(21)%
LR2	156,503	208,132	(51,629)	(25)%
Handymax	73,683	138,736	(65,053)	(47)%
LR1/Panamax	5,843	34,613	(28,770)	(83)%
Total pool revenue	485,003	697,406	(212,403)	(30)%
Voyage revenue (spot market)	—	38,441	(38,441)	(100)%
Time charter-out revenue	36,694	19,714	16,980	86 %
Other revenue	1,050	150	900	600 %
Gross revenue	522,747	755,711	(232,964)	(31)%
Voyage expenses	(1,578)	(4,432)	2,854	64 %
TCE revenue [1]	$521,169	$751,279	$ (230,110)	(31)%
Daily pool TCE by operating segment: [1]				
MR pool	$14,711	$22,400	$ (7,689)	(34)%
LR2 pool	20,019	30,611	(10,592)	(35)%
Handymax pool	12,101	19,902	(7,801)	(39)%
LR1/Panamax pool	17,277	21,991	(4,714)	(21)%
Consolidated daily pool TCE	15,561	23,689	(8,128)	(34)%
Voyage (spot market) - daily TCE	—	17,596	(17,596)	(100)%
Time charter-out - daily TCE	19,599	18,553	1,046	6 %
Consolidated daily TCE	15,783	23,163	(7,380)	(32)%
Pool revenue days per operating segment				
MR	16,915	14,104	2,811	20 %
LR2	7,814	6,800	1,014	15 %
Handymax	6,079	6,971	(892)	(13)%
LR1/Panamax	337	1,574	(1,237)	(79)%
Total pool revenue days	31,145	29,449	1,696	6 %
Voyage (spot market) revenue days	—	1,967	(1,967)	(100)%
Time charter-out revenue days	1,810	1,027	783	76 %
Total revenue days	32,955	32,443	512	2 %

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

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irrespective of changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods, and (iv) we believe that it presents useful information to investors.

Pool revenue. Pool revenue for the year ended December 31, 2016 was $485.0 million, a decrease of $212.4 million, or 30% from $697.4 million for the year ended December 31, 2015. The decrease in pool revenue was due to a decrease in pool TCE per day across all of our operating segments. Global product tanker demand declined during 2016 as the robust refinery margins that occurred during 2015 resulted in the build-up of product inventories and the deferral of refinery maintenance into 2016, which has led to low refining margins and a lack of arbitrage opportunities, negatively impacting the demand for our vessels.

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

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

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

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

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

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

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

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

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

In thousands of U.S. dollars	For the year ended December 31, 2016	2015	Change favorable / (unfavorable)	Percentage Change
MR	$—	$32,564	$ (32,564)	(100)%
LR2	—	122	(122)	(100)%
Handymax	—	3,693	(3,693)	(100)%
LR1/Panamax	—	2,062	(2,062)	(100)%
Total voyage revenue (spot market)	$—	$38,441	$ (38,441)	(100)%

- Short-term time charters: We consider short-term time charters (less than one year) as spot market voyages. Most of our vessels delivered under our Newbuilding Program and one of our time chartered-in vessels were employed on short-term time charters (ranging from 45 to 120 days) upon delivery from the shipyards. These short-term time charters accounted for 1,914 revenue days during the year ended December 31, 2015. There were no vessels employed on short-term time charters during the year ended December 31, 2016.
- Spot market voyages: One of our time chartered-in vessels operated in the spot market for 53 days during the year ended December 31, 2015. There were no vessels employed in the spot market during the year ended December 31, 2016.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- During the year ended December 31, 2016, we recorded an aggregate loss of $2.1 million on the sales of STI Lexington, STI Mythos, STI Chelsea, STI Powai and STI Olivia. Two of these sales closed in March 2016, one in April 2016 and two in May 2016.
- During the year ended December 31, 2015, we recorded a loss of $2.1 million on the sale of STI Highlander in October 2015. This loss was offset by an aggregate gain of $2.0 million recorded for the sales of Venice, STI Harmony and STI Heritage, which were sold in March 2015, April 2015 and April 2015, respectively.

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

expired unexercised in December 2015.

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

Financial expenses. Financial expenses for the year ended December 31, 2016 were $104.0 million, an increase of $14.5 million, or 16%, from $89.6 million during the year ended December 31, 2015. The change was driven by:

- an aggregate write-off of $14.5 million of deferred financing fees as a result of (i) $3.2 million for the sales and corresponding debt repayments on the amounts borrowed for STI Lexington, STI Mythos, STI Chelsea, STI Olivia and STI Powai, which were

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

can be broken down as follows:

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

Voyage (spot) market revenue consists of the following:

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

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

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

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

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

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

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

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

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

	For the year ended December 31,		Change	Percentage
In thousands of U.S. dollars	2015	2014	favorable / (unfavorable)	Change
Vessel operating costs				
MR	$100,477	$52,561	$ (47,916)	(91)%
LR2	36,681	4,830	(31,851)	(659)%
Handymax	35,254	10,902	(24,352)	(223)%
LR1/Panamax	2,144	10,530	8,386	80 %
Total vessel operating costs	$174,556	$78,823	$ (95,733)	(121)%
Vessel operating costs per day				
MR	$6,461	$6,580	$ 119	2 %
LR2	6,865	6,789	(76)	(1)%
Handymax	6,473	6,706	233	3 %
LR1/Panamax	8,440	8,332	(108)	(1)%
Consolidated vessel operating costs per day	6,564	6,802	238	3 %
Operating days				
MR	15,550	7,957	7,593	95 %
LR2	5,343	707	4,636	656 %
Handymax	5,400	1,620	3,780	233 %
LR1/Panamax	254	1,264	(1,010)	(80)%
Total operating days	26,547	11,548	14,999	130 %

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

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

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

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

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

- A reduction in the number of days for vessels employed on short-term time charter-out arrangements to 1,914 days from 2,177 days for the years ended December 31, 2015 and 2014, respectively. Newbuilding vessels delivered (including vessels under our Newbuilding Program and one time chartered-in vessel) commenced short-term time charters (less than 120 days) upon their deliveries from the shipyard during 2015 and 2014. While these time charters are agreed to at fixed TCE rates, they incurred voyage costs prior to their entry into the Scorpio Group Pools for items such as bunker expenses (to their first port of loading) and tank cleaning costs.
- A decrease in the number of days vessels operated in the spot market (excluding short term time charters) to 53 days from 274 days during the years ended December 31, 2015 and 2014, respectively.
- These decreases were offset by an increase in commercial management fees paid to SCM, a related party, for vessels employed on long-term time charters (with initial terms of one year or greater) to $0.7 million from $0.3 million during the years ended December 31, 2015 and 2014, respectively.

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

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

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

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

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

- During the year ended December 31, 2015, we recorded a loss of $2.1 million on the sale of STI Highlander in October 2015. This loss was offset by an aggregate gain of $2.0 million recorded for the sales of Venice, STI Harmony and STI Heritage, which were sold in March 2015, April 2015 and April 2015, respectively.
- During the year ended December 31, 2014, we recorded a $4.0 million write-down as a result of the designation of STI Heritage and STI Harmony as held for sale and the corresponding write-down to the lower of their carrying value and fair value less estimated costs to sell at that date.

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

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

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

- In July 2015, we sold our investment in Dorian to two unrelated third parties and recorded an aggregate gain of $1.2 million.
- In June 2014, we acquired 7,500,000 of our common shares from an existing shareholder in exchange for 3,422,665 common shares of Dorian in a privately negotiated transaction. As a result of the disposal of the Dorian shares, we recognized a gain of $10.9 million.

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

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

- Financial expenses for the year ended December 31, 2015 primarily consisted of interest expense of $72.2 million and amortization of loan fees of $17.4 million.
- Financial expenses for the year ended December 31, 2014 primarily consisted of interest expense of $15.9 million and amortization of loan fees of $4.8 million.

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

- The unrealized loss for the year ended December 31, 2015 results from the unrealized loss recorded on a profit and loss sharing arrangement whereby 50% of the profits and losses above or below the charterhire rate relating to an LR2 vessel that was time chartered-in by us, were shared with a third-party that neither owns nor operates this vessel. This agreement was recorded as a derivative, recorded at fair value, with any resultant gain or loss recognized in the consolidated statement of income.
- The unrealized gain for the year ended December 31, 2014 relates to the adjustment to record interest rate swaps that did not qualify for hedge accounting, to their fair market value. These swaps were terminated in March 2015.

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

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

B. Liquidity and Capital Resources

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

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

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

Assuming we successfully refinance the aforementioned debt that is maturing in 2017, we believe that our cash flows from operations, amounts available for borrowing under our various credit facilities and our cash balance will be sufficient to meet our existing liquidity needs for the next 12 months from the date of this annual report. A deterioration in economic conditions or a failure to refinance our debt that is maturing could cause us to breach our debt covenants and could have a material adverse effect on our business, results of operations, cash flows and financial condition. A discussion and analysis of our key risks, including sensitivities thereto, can be found in "Item 3. Key Information - D. Risk Factors" and "Item 11 - Quantitative and Qualitative Disclosures About Market Risk".

We continuously monitor the market for transactions that may add value for our shareholders, including the acquisition or disposition of vessels and other entities. In connection with any transaction, we may enter into additional financing arrangements, refinance existing arrangements or, subject to favorable market conditions, raise capital through public or private debt or equity offerings of our securities. There is no guarantee that we will grow the size of our fleet or enter into transactions that are accretive to our shareholders.

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

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

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

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

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

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

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

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

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

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Cash Flows

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

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

Cash flow from operating activities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Cash flow from investing activities

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

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

(1) Net proceeds from the sales of vessels in 2016 represents the net proceeds received for the sales of STI Chelsea, STI Lexington, STI Powai, STI Olivia and STI Mythos. Net proceeds from the sales of vessels in 2015 represents the net proceeds received for the sales of Venice, STI Harmony, STI Heritage and STI Highlander.
(2) In July 2015, we sold our investment in Dorian to two unrelated third parties for aggregate net proceeds of $142.4 million. As a result of these sales, we recognized a gain of $1.2 million during the year ended December 31, 2015.
(3) Represents installment payments and other capitalized costs (including capitalized interest) associated with vessels that were under construction and/or delivered during the years ended December 31, 2016 and 2015.
(4) In 2014, we received a $31.3 million deposit pursuant to an agreement to purchase four LR2 tankers from Scorpio Bulkers Inc., a related party. We received this deposit as security for the scheduled installment payments that were expected to occur prior to the closing date of the transaction. The transaction closed, and the deposit was returned, in July 2015.

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

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

(1) In July 2015, we sold our investment in Dorian to two unrelated third parties for aggregate net proceeds of $142.4 million. As a result of these sales, we recognized a gain of $1.2 million during the year ended December 31, 2015.
(2) Represents the net proceeds received from the sale of our seven VLCCs under construction in March 2014. We received net proceeds in cash of $141.7 million and the book value of these assets at the time of sale (primarily consisting of installment payments made to date) was $90.3 million.
(3) Net proceeds received from the sales of vessels in 2015 represents the net proceeds received from the sales of Venice, STI Harmony, STI Heritage and STI Highlander. Net proceeds from the sales of vessels in 2014 represents the net proceeds received from the sales of Noemi, Senatore and STI Spirit.
(4) Represents installment payments and other capitalized costs (including capitalized interest) associated with vessels that were under construction and/or delivered during the years ended December 31, 2015 and 2014.
(5) In 2014, we received a $31.3 million deposit pursuant to an agreement to purchase four LR2 tankers from Scorpio Bulkers Inc., a related party. We received this deposit as security for the scheduled installment payments that were expected to occur prior to the closing date of the transaction. The transaction closed, and the deposit was returned, in July 2015.

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Cash flow from financing activities

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

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

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

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

(2) In May 2015, we closed on the sale of 15,000,000 newly issued shares of common stock in an underwritten offering of common shares at an offering price of $9.30 per share. In addition, the underwriters also exercised a portion of their over-allotment option to purchase 2,177,123 additional common shares at the public offering price. Gross proceeds from the issuance were $159.7 million and associated equity issuance costs were $7.6 million.
(3) Dividend payments to shareholders were $86.9 million and $87.1 million for the years ended December 31, 2016 and 2015, respectively. These dividends represent total dividends of $0.50 and $0.495 per share for the years ended December 31, 2016 and 2015, respectively.
(4) Common stock repurchases in 2016 included the purchase of 2,956,760 common shares in the open market at an average price of $5.58 per share. Common stock repurchase in 2015 included the purchase of 8,273,709 common shares in the open market at an average price of $9.19 per share.
(5) Debt issuance costs relates to costs incurred for our secured credit facilities.
(6) During the year ended December 31, 2016, we repurchased an aggregate of $10.0 million aggregate principal amount of our Convertible Notes at an average price of $839.28 per $1,000 principal amount. During the year ended December 31, 2015, we repurchased an aggregate of $1.5 million aggregate principal amount of our Convertible Notes at $1,088.10 per $1,000 principal amount.

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

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

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

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

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

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full exercise of the initial purchasers' option to purchase an additional $60.0 million in aggregate principal amount of the Convertible Notes in connection with the offering. Initial purchasers' discounts, commissions and offering expenses for the Convertible Notes were $11.0 million.
(3) We issued $53.75 million of Unsecured Senior Notes in May 2014 and $51.75 million of Unsecured Senior Notes in October 2014.
(4) In May 2015, we closed on the sale of 15,000,000 newly issued shares of common stock in an underwritten offering of common shares at an offering price of $9.30 per share. In addition, the underwriters also exercised a portion of their over-allotment option to purchase 2,177,123 additional common shares at the public offering price. Gross proceeds from the issuance were $159.7 million and associated equity issuance costs were $7.6 million.
(5) Dividend payments to shareholders were $87.1 million and $75.0 million for the years ended December 31, 2015 and 2014, respectively. These dividends represent total dividends of $0.495 and $0.39 per share for the years ended December 31, 2015 and 2014, respectively.
(6) Common stock repurchases in 2015 included the purchase of 8,273,709 common shares in the open market at an average price of $9.19 per share. Common stock repurchases in 2014 included the purchase of 19,951,536 common shares in the open market at an average price of $9.09 per share and the purchase of 10,127,600 common shares at $9.38 per share using a portion of the proceeds of our Convertible Notes.
(7) Debt issuance costs relates to costs incurred for our secured credit facilities and senior unsecured notes due 2020 and 2017.
(8) During the year ended December 31, 2015, we repurchased an aggregate of $1.5 million aggregate principal amount of our Convertible Notes at $1,088.10 per $1,000 principal amount.

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Long-Term Debt Obligations and Credit Arrangements

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

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

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

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

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

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

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

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(3) In December 2016, we upsized our existing credit facility with BNP Paribas by $27.6 million. The upsized loan facility was fully drawn in January and February 2017, and the aggregate proceeds of $27.6 million were used to refinance the existing indebtedness on STI Sapphire and STI Emerald, which were previously financed under the 2011 Credit Facility.
(4) In January 2017, we executed a loan facility with HSH Nordbank AG. The facility has a maturity of five years from the agreement date and bears interest at LIBOR plus a margin of 2.50% per annum. This facility was fully drawn in February 2017, and the proceeds were used to refinance the existing indebtedness on STI Duchessa and STI Onyx, which were previously financed under the 2011 Credit Facility.
(5) In March 2017, we executed a senior secured term loan facility with a group of financial institutions led by Macquarie Bank Limited (London Branch) for up to $172.0 million, or the 2017 Credit Facility. The 2017 Credit Facility consists of five tranches; including two commercial tranches of $15.0 million and $25.0 million ea