Scorpio Tankers Inc.
Form 20-F
March 29, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

o **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, 2012

OR

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

For the transition period from _________________ to _________________

OR

o **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

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,
+377-9898-5716
9, Boulevard Charles III Monaco 98000
(Name, Telephone Number 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 of $0.01 per share	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, 2012, there were 63,827,846 outstanding common shares with a par value $0.01 per share.

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

Yes x No o

If this report is an annual or transitional 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 o No x

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 o

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 o No o

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

Large accelerated filer o
Accelerated filer x
Non-accelerated filer o

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

U.S. GAAP o

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

Other o

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 o 18 o

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 o No x

Cautionary Statement Regarding Forward-Looking Statements

Matters discussed in this report may constitute 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. We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. The words believe, anticipate, intends, estimate, forecast, project, plan, potential, may, should, expect, pending and si 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, our 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 these important factors, other important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the failure of counterparties to fully perform their contracts with us, the strength of world economies and currencies, general market conditions, including fluctuations in charter rates and vessel values, changes in demand for tanker vessel capacity, changes in our operating expenses, including bunker prices, drydocking and insurance costs, the market for our vessels, availability of financing and refinancing, charter counterparty performance, ability to obtain financing and comply with covenants in such financing arrangements, changes in governmental rules and regulations or actions taken by regulatory authorities, 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 and other factors described from time to time in the reports we file with the SEC. We caution readers of this report not to place undue reliance on these forward-looking statements, which speak only as of their dates. We undertake no obligation to update or revise any forward-looking statements. 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. Please see our Risk Factors in Item 3.D 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.

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.

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, 2012, 2011, 2010, 2009 and 2008. 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, 2012, 2011 and 2010 and our consolidated balance sheets as of December 31, 2012 and 2011, together with the notes thereto, are presented herein. Our audited consolidated financial statements for the years ended December 31, 2009 and 2008 and our consolidated balance sheets as of December 31, 2010, 2009 and 2008, and the notes thereto, are not included herein.

We began our operations in October 2009, when Liberty Holding Company Ltd., or Liberty, a wholly-owned subsidiary of Simon Financial Limited, or Simon, a company owned and controlled by the Lolli-Ghetti family, of which our founder, Chairman and Chief Executive Officer, Mr. Emanuele Lauro, is a member, transferred to us three vessel owning and operating subsidiary companies. Prior to October 1, 2009, our historical consolidated financial statements were prepared on a carve-out basis from the financial statements of Liberty. These carve-out financial statements include all assets, liabilities and results of operations of the three vessel-owning subsidiaries owned by us, formerly subsidiaries of Liberty, for the periods presented. For the periods presented, certain of the expenses incurred by these subsidiaries for commercial, technical and administrative management services were under management agreements with other entities owned and controlled by the Lolli-Ghetti family, which we refer to collectively as the Scorpio Group, consisting of: (i) Scorpio Ship Management S.A.M., or SSM; and Scorpio Commercial Management S.A.M., or SCM; which provide us and third parties with technical and commercial management services, respectively; (ii) Liberty, which provided us with administrative services until March 13, 2012 when the administrative services agreement was assigned to Scorpio Services Holding Limited, or SSH, a company owned by the Lolli-Ghetti family; and (iii) other affiliated entities. Since agreements with related parties are by definition not at arms length, the expenses incurred under these agreements may have been different than the historical costs incurred if the subsidiaries had operated as unaffiliated entities during prior periods. Our estimates of any differences between historical expenses and the expenses that may have been incurred had the subsidiaries been stand-alone entities have been disclosed in the notes to our historical consolidated financial statements for those relevant years which are not presented herein.

In thousands of US dollars except per share and share data	For the year ended December 31, 2012	2011	2010	2009	2008
Consolidated income statement data					
Revenue:					
Vessel revenue	$ 115,381	$ 82,110	$ 38,798	$ 27,619	$ 39,274
Operating expenses:					
Vessel operating costs	(30,353)	(31,370)	(18,440)	(8,562)	(8,623)
Voyage expenses	(21,744)	(6,881)	(2,542)		
Charterhire	(43,701)	(22,750)	(276)	(3,073)	(6,722)
Impairment (1)		(66,611)		(4,512)	
Depreciation	(14,818)	(18,460)	(10,179)	(6,835)	(6,984)
Loss from sale of vessels	(10,404)				
General and administrative expenses	(11,536)	(11,637)	(6,200)	(417)	(600)
Total operating expenses	(132,556)	(157,708)	(37,637)	(23,399)	(22,930)
Operating (loss) / income	(17,175)	(75,599)	1,161	4,220	16,344
Other income and expense:					
Financial expenses	(8,512)	(7,060)	(3,231)	(699)	(1,711)
Earnings from profit or loss sharing agreements	443				
Realized loss on derivative financial instruments			(280)	(808)	(406)
Unrealized (loss) / gain on derivative financial instruments	(1,231)			956	(2,058)
Financial income	35	51	37	5	35
Other expense, net	(97)	(119)	(509)	(256)	(19)
Total other income and expense	(9,362)	(7,128)	(3,983)	(802)	(4,158)
Net (loss)/income	$ (26,537)	$ (82,727)	$ (2,822)	$ 3,418	$ 12,186
(Loss)/earnings per common share (2):					
Basic and diluted (loss)/earnings per share	$ (0.64)	$ (2.88)	$ (0.18)	$ 0.61	$ 2.18
Basic and diluted weighted average shares outstanding	41,413,339	28,704,876	15,600,813	5,589,147	5,589,147

In thousands of US dollars	As of December 31, 2012	2011	2010	2009	2008
Balance sheet data					
Cash and cash equivalents	$ 87,165	$ 36,833	$ 68,187	$ 444	$ 3,608
Vessels and drydock	395,412	322,458	333,425	99,594	109,260
Vessels under construction	50,251	60,333			
Total assets	573,280	448,230	412,268	104,423	117,112
Current and non-current bank loans	142,459	145,568	143,188	36,200	43,400
Shareholder payable(3)					22,028
Related party payable (3)					27,406
Shareholders equity	414,790	286,853	264,783	61,329	20,299

In thousands of US dollars	For the year ended December 31, 2012	2011	2010	2009	2008
Cash flow data					
Net cash inflow/(outflow)					
Operating activities	$ (1,928)	$ (12,452)	$ 4,907	$ 9,306	$ 24,838
Investing activities	(90,155)	(122,573)	(245,595)		
Financing activities	142,415	103,671	308,431	(12,469)	(22,384)

(1) In the years ended December 31, 2011 and December 31, 2009, we recorded an impairment charge of $66.6 million for our 12 owned vessels and $4.5 million for two of our owned vessels, respectively. See Item 5. Operating and Financial Review and Prospects.

(2) Basic 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 assuming, for the period prior to October 1, 2009, when our historical consolidated financial statements were prepared on a carve-out basis, that the reorganization described above was effective during the period. Diluted earnings per share are 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.

(3) On November 18, 2009, the shareholder payable and the related party payable balances, as of that date, were converted to equity as a capital contribution.

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, 2012	2011	2010	2009	2008
Average Daily Results					
Time charter equivalent (TCE) per day(1)	$ 12,960	$ 12,898	$ 16,213	$ 23,423	$ 29,889
Vessel operating costs per day(2)	7,605	7,581	8,166	$ 7,819	$ 7,875
Aframax/LR2					
TCE per revenue day - pool	$ 10,201	$ 14,849	$ 12,460	$	$
TCE per revenue day - time charters		15,457			
Vessel operating costs per day(2)	8,436	6,960	8,293		
Panamax/LR1					
TCE per revenue day - pool	$ 14,242	$ 12,876	$ 15,213	$ 21,425	$ 36,049
TCE per revenue day - spot	15,147		2,839		
TCE per revenue day - time charters		23,962	22,729	$ 24,825	$ 24,992
Vessel operating costs per day(2)	7,714	7,891	8,189	7,819	7,875
MR					
TCE per revenue day - pool	$ 11,811	$	$	$	$
TCE per revenue day - spot	12,541	12,092			
Vessel operating costs per day(2)	6,770	6,748			
Handymax					
TCE per revenue day - pool	$ 13,166	$ 11,343	$ 9,965	$	$
TCE per revenue day - spot	11,201		8,077		
Vessel operating costs per day(2)	7,594	7,619	8,107		
Fleet data					
Average number of owned vessels	10.81	11.29	6.19	3.00	3.00
Average number of time chartered-in vessels	9.18	4.95	0.06	0.33	0.59

Drydock										
Expenditures for drydock (in thousands of US dollars)	$	2,869	$	2,624	$	974	$	1,681	$	

(1) Freight rates are commonly measured in the shipping industry in terms of time charter equivalent per revenue day. Vessels in the pool and on time charter do not have voyage expenses; therefore, the revenue for pool vessels and time charter vessels is the same as their TCE revenue. Please see Important financial and operational terms and concepts section below for a discussion of TCE revenue, revenue days and voyage expenses.
(2) Vessel operating costs per day represent vessel operating costs, as such term is defined in the Important financial and operational terms and concepts section below, 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.

B. Capitalization and indebtedness

Not applicable.

C. Reasons for the offer and use of proceeds

Not applicable.

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 common stock. 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 dividends or the trading price of our common stock.

RISKS RELATED TO OUR INDUSTRY

If the tanker industry, which historically has been cyclical, continues to be depressed in the future, our earnings and available cash flow may be adversely affected.

The tanker industry is both cyclical and volatile in terms of charter rates and profitability. A worsening of the current global economic conditions may adversely affect our ability to charter or recharter 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 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 deliveries;
- the scrapping rate of older vessels;
- conversion of tankers to other uses;
- the number of vessels that are out of service;
- environmental concerns and regulations; and
- port or canal congestion.

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 the date of this annual report, all of our vessels are employed in either the spot market or in spot market-oriented tanker pools, such as the Scorpio LR2 Pool, Scorpio Panamax Tanker Pool the Scorpio MR Pool, or the Scorpio Handymax Tanker Pool, which we refer to collectively as the Scorpio Group Pools, 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 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 the end of January 2013, the newbuilding order book, which extends to 2016, 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 decreases or does not increase correspondingly, 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.

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 and in the Gulf of Aden. Although the frequency of sea piracy worldwide decreased during 2012 to its lowest level since 2009, sea piracy incidents continue to occur, particularly in the Gulf of Aden off the coast of Somalia and increasingly in the Gulf of Guinea, 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.

The current state of the global financial markets and current economic conditions may adversely impact our ability to obtain additional financing on acceptable terms and otherwise negatively impact our business.

Global financial markets and economic conditions have been, and continue to be, volatile. In recent years, operating businesses in the global economy have faced tightening credit, weakening demand for goods and services, deteriorating international liquidity conditions, and declining markets. There has been a general decline in the willingness of banks and other financial institutions to extend credit, particularly in the shipping industry, due to the historically volatile asset values of vessels. As the shipping industry is highly dependent on the availability of credit to finance and expand operations, it has been negatively affected by this decline.

Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets has increased as many lenders have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at all or on terms similar to current debt and reduced, and in some cases ceased, to provide funding to borrowers. . We will need to secure additional debt or equity financing or both in addition to our 2013 Credit Facility (defined later) to fully fund the remaining balance of our obligations under our Newbuilding Program (defined later). Due to these factors, additional financing may not be available if needed and to the extent required, on acceptable terms or at all. If additional financing is not available when needed, or is available only on unfavorable terms, we may be unable to expand or meet our obligations as they come due or we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

If economic conditions throughout the world do not improve, it will 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 uncertainty related to the continuing discussions in the United States regarding the U.S. federal debt ceiling, mandatory reductions in federal spending, along with widespread skepticism about the implementation of any resulting agreements, continuing turmoil and hostilities in the Middle East, North Africa and other geographic areas and countries and continuing economic weakness in the European Union. 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 results of operations and cash flows.

The economies of the United States, the European Union and other parts of the world continue to experience relatively slow growth or remain in recession 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. Since 2008, lending by financial institutions worldwide remain at very low levels compared to the period preceding 2008.

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, together with the concurrent decline in charter rates and vessel values, may have a material adverse effect on our results of operations and may cause the price of our common stock to decline.

Changes in fuel, or bunkers, prices may adversely affect 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 reduce the profitability.

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, the U.S. Clean Air Act, U.S. Clean Water Act and the U.S. Marine Transportation Security Act of 2002, European Union Regulation, and regulations of the International Maritime Organization, or the IMO, including the International Convention for the Prevention of Pollution from Ships of 1975, the International Convention for the Prevention of Marine Pollution of 1973, the IMO International Convention for the Safety of Life at Sea of 1974, the International Convention on Load Lines of 1966, and the International Ship and Port Facility Security Code. 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 waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. The 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico may also result in additional regulatory initiatives or statutes or changes to existing laws that may affect our operations or require us to incur additional expenses to comply with such regulatory initiatives, statutes or laws.

These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition and our available cash. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. 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 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.

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 Pollution Prevention, or the ISM Code, promulgated by the IMO under the International Convention for the Safety of Life at Sea of 1974, or 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. If we fail to comply with the ISM Code, we may be subject to increased liability, 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.

Adverse market conditions could cause us to breach covenants in our credit facilities and adversely affect our operating results.

The market values of tankers have generally experienced high volatility. The market prices for tankers declined significantly from historically high levels reached in early 2008 and remain at relatively low levels. You should expect the market value of our vessels to fluctuate depending on general economic and market conditions affecting the shipping industry and prevailing charterhire rates, competition from other tanker companies and other modes of transportation, types, sizes and ages of vessels, applicable governmental regulations and the cost of newbuildings. We believe that the current aggregate market value of our vessels will be in excess of loan to value amounts required under our credit facilities. Our 2010 Revolving Credit Facility (defined later) and 2011 Credit Facility (defined later) each require that the fair market value of the vessels pledged as collateral never be less than 150% of the aggregate principal amount outstanding. Our Newbuilding Credit Facility (defined later) requires 140% (120% if the vessel is subject to acceptable long term employment) of the aggregate principal amount outstanding plus a pro rata amount of any allocable swap exposure. Our STI Spirit Credit Facility (defined later) requires that the charter-free market value of the *STI Spirit* be no less than 140% of the then outstanding loan balance and we made prepayments of $0.8 million in June 2012, and $1.3 million in December 2012 in order to stay in compliance with this covenant which will be applied to our next four quarterly payments.

In addition, each of our 2010 Revolving Credit Facility, 2011 Credit Facility and STI Spirit Credit Facility required us to maintain a ratio of EBITDA to interest expense of no less than 1.25 to 1.00 commencing with the fourth fiscal quarter of 2011 through the fourth quarter of 2012, at which time it increased to 1.50 to 1.00 for the first quarter of 2013, 1.75 to 1.00 for the second quarter of 2013, and 2.00 to 1.00 at all times thereafter. Our Newbuilding Credit Facility required us to maintain a ratio of EBITDA to interest expense of not less than 2.00 to 1.00 through the fourth quarter of 2012 and 2.50 to 1.00 at all times thereafter. Such ratio in all our credit facilities shall be calculated quarterly on a trailing four quarter basis. We expect to be subject to similar financial covenants under our 2013 Credit Facility.

A decrease in vessel values or a failure to meet these ratios could cause us to breach certain covenants in our existing credit facilities and future financing agreements that we may enter into from time to time. If we breach such covenants and are unable to remedy the relevant breach or obtain a waiver, our lenders could accelerate our debt and foreclose on our owned vessels. 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. For the year ended December 31, 2011, we evaluated the recoverable amount of our vessels, and we recognized a total impairment loss of $66.6 million for all of our owned vessels. For the year ended December 31, 2012, we did not recognize an impairment loss, however we did record a $4.5 million total loss from disposal on the sales of the *STI Conqueror*, *STI Gladiator* and *STI Matador* and a $5.9 million total loss from disposal on the sales of the *STI Diamond* and *STI Coral*. See Risks related to our indebtedness and Item 5.B. Liquidity and Capital Resources - Long-Term Debt Obligations and Credit Arrangements for a more comprehensive discussion of our current credit facilities and the related risks.

If our vessels suffer damage due to the inherent operational risks of the tanker industry, we may experience unexpected drydocking costs and delays or total loss of our vessels, which may adversely affect our business and financial condition.

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, the payment of ransoms, environmental damage, higher insurance rates, damage to our customer relationships, and market disruptions, delay or rerouting, which may 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.

We operate our vessels worldwide and as a result, our vessels are exposed to international risks which may reduce revenue or increase expenses.

The international shipping industry is an inherently risky business involving global operations. 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. In addition, 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 sorts of events could interfere with shipping routes and result in market disruptions which may reduce our revenue or increase our expenses.

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 the Middle East, including Egypt, and North Africa, including Libya, and the presence of the United States and other armed forces in Iraq and Afghanistan 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, such as the attack on the M/T *Limburg,* a very large crude carrier not related to us, in October 2002, 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 and the Gulf of Aden off the coast of Somalia. Any of these occurrences could have a material adverse impact on our business, financial condition, results of operations 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 that could adversely affect our reputation and the market for our common stock.

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.

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 common stock may adversely affect the price at which our common stock trades. 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 common stock 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.

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 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 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 SSM, 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 BUSINESS

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

We have entered into contracts with Hyundai Mipo Dockyard Co. Ltd., or HMD, SPP Shipbuilding Co., Ltd., or SPP, Hyundai Samho Heavy Industries Co. Ltd., or HSHI and Daewoo Shipbuilding & Marine Engineering Co., Ltd., or DSME for the construction of 33 newbuilding vessels with expected delivery between April 2013 and December 2014. As of the date of this annual report, we have made total yard payments in the amount of $124.7 million and we have remaining yard installments in the amount of $1,101.5 million before we take possession of all of these vessels.

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.

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 HMD, SPP, HSHI and DSME do not perform under their 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.

Obligations associated with being a public company require significant company resources and management attention.

In April 2010, we became 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 control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We will need to 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. In addition, compliance with reporting and other requirements applicable to public companies will create additional costs for us and will require the time and attention of management. Our limited management resources may exacerbate the difficulties in complying with these reporting and other requirements while focusing on executing our business strategy. Our incremental general and administrative expenses as a publicly traded corporation will include costs associated with annual reports to shareholders, tax returns, investor relations, registrar and transfer agent s fees, incremental director and officer liability insurance costs and director compensation. We cannot predict or estimate the amount of the additional costs we may incur, the timing of such costs or the degree of impact that our management s attention to these matters will have on our business.

We may have difficulty managing our planned growth properly.

One of our principal strategies is to 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. These factors include our ability to:

- identify suitable tankers and/or shipping companies for acquisitions at attractive prices;
- obtain required financing for our existing and new operations;
- identify businesses engaged in managing, operating or owning tankers for acquisitions or joint ventures;
- integrate any acquired tankers or businesses successfully with our existing operations, including obtaining any approvals and qualifications necessary to operate vessels that we acquire;
- hire, train and retain qualified personnel and crew to manage and operate our growing business and fleet;
- identify additional new markets;
- enhance our customer base; and
- improve our operating, financial and accounting systems and controls.

Our failure to effectively identify, purchase, develop and integrate any tankers or businesses could adversely affect our business, financial condition and results of operations. The number of employees that perform services for us and our current operating and financial systems may not be adequate as we implement our plan to 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 financial condition may be adversely affected.

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 additional growth through the acquisition of new and secondhand vessels. While we typically inspect secondhand vessels prior to purchase, this does 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.

Under time charter-out agreements, the charterer is responsible for voyage costs and the owner is responsible for the vessel operating costs. The same applies to time-charter-in agreements. With the exception of certain vessels on short-term time charter-out agreements, we currently have no vessels on long-term time charter-out agreements (greater than one year) and 21 vessels on time-charter-in agreements. When our owned vessels are employed under one of the Scorpio Group Pools, the pool is responsible for voyage expenses and we are responsible for vessel costs. As of the date of this annual report, we have 12 of our owned vessels and 15 of our time-chartered-in vessels employed through the Scorpio Group Pools. When our vessels operate in the spot market, we are responsible for both voyage expenses and vessel operating costs. As of the date of this annual report, four of the vessels in our Operating Fleet (defined later) operate in the spot market. 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.

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, 2011, charter rates in the oil and petroleum products charter market declined along with second hand vessel values. Due to these indicators of potential impairment, in the year ended December 31, 2011, we evaluated the recoverable amount of our vessels, and we recognized a total impairment loss of $66.6 million for all of our owned vessels. For the year ended December 31, 2012, we did not recognize an impairment loss, however, we cannot assure you that there will be 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 common shares.

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. The recent global financial crisis may reduce the demand for transportation of oil and oil products 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 2026 to 2038, 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 operation and our ability to implement our business strategy.

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 does 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.

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 taxation would have a negative effect on our business and would decrease our earnings available for distribution to our shareholders.

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

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 already made under such contracts, and we may be sued for any outstanding balance.

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.

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.

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, 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.

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 affiliates of Scorpio Group, which is owned and controlled by the Lolli-Ghetti family, of which our founder, Chairman and Chief Executive Officer, Mr. Emanuele Lauro, is a member. 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 their owner s interests over our interests. These conflicts may have unfavorable results for us.

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

Emanuele Lauro, our founder, Chairman and Chief Executive Officer, is a member of the Lolli-Ghetti family which owns and controls our commercial and technical managers. These responsibilities and relationships could create conflicts of interest between us, on the one hand, and our 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 59 and 8 vessels respectively, other than the vessels in our fleet, that are owned or operated by entities affiliated with Mr. 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.

Our Chief Executive Officer and President do not devote all of their time to our business, which may hinder our ability to operate successfully.

Messrs. Lauro and Bugbee, our Chief Executive Officer and President, respectively, participate in business activities not associated with us. As a result, Messrs. Lauro and Bugbee may devote less time to us than if they were not engaged in other business activities and may owe fiduciary duties to the shareholders of both us as well as shareholders of other companies which they may be affiliated, including other Scorpio Group companies. This may create conflicts of interest in matters involving or affecting us and our customers and it is not certain that any of these conflicts of interest will be resolved in our favor. 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.

We are subject to certain risks with respect to our counterparties on 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 in the future, various contracts, including, charter agreements and credit facilities. Such agreements subject us to counterparty risks. The ability 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, the overall financial condition of the counterparty, charter rates received for specific types of vessels, and various expenses. For example, the combination of a reduction of cash flow resulting from declines in world trade, a reduction in borrowing bases under reserve-based credit facilities and the lack of availability of debt or equity financing may result in a significant reduction in the ability of our charterers to make charter payments to us. In addition, in depressed market conditions, our charterers and customers may no longer need a vessel that is currently under charter or contract or may be able to obtain a comparable vessel at lower rates. As a result, charterers and customers may seek to renegotiate the terms of their existing charter agreements or avoid their obligations under those contracts. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The failure of our charterers to meet their obligations under our charter agreements, on which we depend for our revenues, could cause us to suffer losses or otherwise adversely affect our business.

As of the date of this annual report, we do not employ any vessels under a long-term time charter agreement but we may enter into such agreements in the future. The ability and willingness of each of our counterparties to perform their obligations under a time charter, spot voyage or other agreement 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 tanker shipping industry and the overall financial condition of the counterparties. Charterers are sensitive to the commodity markets and may be impacted by market forces affecting commodities such oil. In addition, in depressed market conditions, there have been reports of charterers renegotiating their charters or defaulting on their obligations under charters. Our customers may fail to pay charterhire or attempt to renegotiate charter rates. Should a counterparty fail to honor its obligations under agreements with us, 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 given currently decreased tanker charter rate levels. When we employ a vessel in the spot charter market, we generally place such vessel in a tanker pool managed by our commercial manager that pertains to that vessel s size class. If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, 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, if any, in the future, and compliance 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.

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 credit 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 credit 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 credit 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 credit facilities.

Our credit facilities contain restrictive covenants which limit the amount of cash that we may use for other corporate activities, which could negatively affect our growth and cause our financial performance to suffer.

Our credit facilities impose operating and financial restrictions on us. These restrictions limit our ability, or the ability of our subsidiaries party thereto to:

- pay dividends and make capital expenditures if we do not repay amounts drawn under our credit facilities or if there is another default under our credit 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.

If the recent volatility in LIBOR rates continues, it will affect the interest rate under our existing credit facilities or future credit facilities which could affect our profitability, earnings and cash flow.

Amounts borrowed under our credit facilities are tied to LIBOR rates. LIBOR rates have recently been volatile, with the spread between those rates and prime lending rates widening significantly at times. These conditions are the result of the recent disruptions in the international credit markets. Because the interest rates borne by amounts that we may drawdown under our existing credit facilities or future credit facilities fluctuate with changes in the LIBOR rates, if this volatility were to continue, it would affect the amount of interest payable on amounts that we were to draw down from our existing credit facilities or future credit facilities, which in turn, would have an adverse effect on our profitability, earnings and cash flow.

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 Marshall Islands Business Corporations Act on July 1, 2009. Our principal executive offices are located at 9, Boulevard Charles III, Monaco 98000 and our telephone number at that location is +377-9798-5716.We provide seaborne transportation of refined petroleum products and crude oil worldwide. We began our operations in October 2009 with three vessel owning and operating subsidiary companies. In April 2010, we completed our initial public offering of 12,500,000 shares of common stock at a public offering price of $13.00 per share and commenced trading on the New York Stock Exchange, or NYSE, under the symbol STNG . We have since expanded our fleet and as of the date of this annual report, our fleet consists of 14 wholly owned tankers (one LR2 tanker, four LR1 tankers, one Handymax tanker, seven MR tankers, and one post-Panamax tanker) with a weighted average age of approximately 4.4 years compared to a weighted average age of approximately 9.1 years for the global fleet (according to Drewry) and time charter-in and operate 21 tankers (six Handymax tankers, seven MR tankers, three LR1 tankers and five LR2 tankers, including four vessels we expect to be delivered to us by April 2013), which we refer to collectively as our Operating Fleet. Additionally, we currently have contracts for the construction of 33 newbuilding vessels (19 MR tankers, six Handymax ice class 1-A tankers and eight LR2 tankers), of which, one is expected to be delivered to us in April 2013 and the remaining 32 within 2014.

Fleet development

Newbuilding vessels

Since June 2011, we have entered into contracts for the construction of 40 fuel efficient newbuilding product tankers with shipyards, including HMD, HSHI, SPP and DSME, which we refer to as our Newbuilding Program. As of the date of this annual report, seven of the vessels in our Newbuilding Program have been delivered to us. We currently have contracts for the construction of 33 vessels, consisting of 11 MR tankers with HMD for an aggregate purchase price of $368.6 million, eight MR product tankers with SPP for an aggregate purchase price of $267.0 million, six Handymax ice class-1A tankers with HMD for an aggregate purchase price of $187.5 million, six LR2 product tankers with HSHI for an aggregate purchase price of $303.0 million and two LR2 product tankers with DSME for an aggregate purchase price of $100.0 million. One vessel in our Newbuilding Program is expected to be delivered to us by April 2013 and the remaining 32 within 2014. We also have fixed-price options to construct additional newbuilding product tankers at these yards.

As of March 28, 2013, we have paid $124.7 million of installment payments related to these newbuilding product tankers, and are committed to make additional installment payments of $1,101.5 million. We will need to secure additional debt or equity financing or both in addition to our 2013 Credit Facility to fully fund the remaining balance of our obligations under our newbuilding program.

Owned vessels

We currently have 14 wholly-owned vessels and contracts for the construction of 33 additional vessels.

We sold three Handymax vessels in 2012, *STI Conqueror* for $21.0 million in March 2012, *STI Matador* for $16.2 million in April 2012, and *STI Gladiator* for $16.2 million in May 2012 and recorded a $4.5 million loss from disposal in connection with the sales of these vessels. We also completed the sales of two MR product tankers, *STI Diamond* and *STI Coral* in August 2012 and September 2012, respectively, for $25.25 million each and recorded a $5.9 million loss from disposal in connection with the sales of these vessels.

In 2012, we took delivery of the first five vessels in our Newbuilding Program, *STI Amber*, *STI Topaz STI Ruby, STI Garnet* and *STI Onyx*, and in January 2013 and March 2013, we took delivery of the sixth and seventh vessels in our Newbuilding Program, *STI Sapphire* and *STI Emerald*, respectively.

Time chartered-in vessels

During 2012, we time chartered-in 21 vessels (six Handymax tankers, eight MR tankers, three LR1 tankers and four LR2 tankers), compared to 11 vessels in 2011. We currently have 21 vessels on time charter-in agreements as of the date of this annual report (six Handymax tankers, seven MR tankers, three LR1 tankers and five LR2 tankers, including four vessels we expect to be delivered to us by April 2013).

Please see our fleet list under Item 4.B. Business Overview for further information regarding our time chartered-in vessels.

Recent Developments

In January 2013, we reached an agreement with HMD for the construction of two additional MR product tankers for approximately $32.5 million each. These vessels will be delivered in May and June 2014.

In January 2013, we took delivery of the sixth vessel under our newbuilding program, *STI Sapphire*. Upon delivery, the vessel began a time charter for up to 80 days at $20,750 per day. The vessel was partially financed under our 2011 Credit Facility.

In February 2013, we closed on the sale 30,672,000 shares of common stock in a registered direct placement of common shares at an offering price of $7.50 per share. We received net proceeds of $222.1 million, after deducting placement agents discounts and offering expenses.

In February 2013, we reached an agreement with SPP for the construction of four MR product tankers for approximately $32.5 million each, two of which are the exercise of options from a previous contract. The vessels are expected to be delivered in the third and fourth quarters of 2014, respectively.

In February 2013, we exercised options with HMD for the construction of four MR product tankers for $33.0 million each and six Handymax ice class-1A tankers for approximately $31.3 million each. Two of the MR product tankers are expected to be delivered in the second quarter of 2014, with the third and fourth MR product tankers expected to be delivered in the third and fourth quarter of 2014, respectively. The six Handymax vessels are expected to be delivered in the third quarter of 2014.

In February 2013, we signed a commitment letter for a $267.0 million credit facility, or the 2013 Credit Facility, with Nordea Bank Finland plc, acting through its New York branch, ABN AMRO Bank N.V, and Skandinaviska Enskilda Banken AB.

In March 2013, we closed on the sale of 29,012,000 shares of common stock in a registered direct placement of common shares at an offering price of $8.10 per share. We received net proceeds of $226.7 million, after deducting placement agents discounts and offering expenses.

In March 2013, we reached an agreement with HSHI for the construction of six 114,000 dwt LR2 product tankers for approximately $50.5 million each. These vessels are expected to be delivered to us within 2014.

In March 2013, we reached an agreement with DSME for the construction of two 114,000 dwt LR2 product tankers for approximately $50.0 million each. These vessels are expected to be delivered to us within 2014.

In March 2013, we took delivery of the seventh vessel under our newbuilding program, *STI Emerald*. Upon delivery, the vessel began a time charter for up to 80 days at $19,500 per day. The vessel was partially financed under our 2011 Credit Facility.

In March 2013, we agreed to time charter-in two LR2 product tankers (one 115,756 dwt, 2011 built, and one 115,592 dwt, 2010 built) each for one year at $16,125 per day with expected deliveries by the middle of April 2013. We also agreed to time charter-in a Handymax product tanker, ice-class 1B, (37,217 dwt, 2004 built) for one year at approximately $12,700 per day. We have an option to extend the charter for an additional year at $14,000 per day. This vessel is expected to be delivered by the middle of April 2013.

B. Business Overview

We provide seaborne transportation of refined petroleum products and crude oil worldwide. We began our operations in October 2009 with three vessel-owning and operating subsidiary companies. In April 2010, we completed our initial public offering of 12,500,000 shares of common stock at a public offering price of $13.00 per share and commenced trading on the NYSE under the symbol STNG. We have since expanded our fleet, and as of the date of this annual report, our fleet consists of 14 wholly owned tankers (one LR2 tanker, four LR1 tankers, one Handymax tanker, seven MR tankers, and one post-Panamax tanker) with a weighted average age of approximately 4.4 years and 21 time chartered-in tankers (five LR2 tankers, three LR1 tankers, seven MR tankers and six Handymax tankers), which we refer to collectively as our Operating Fleet. Additionally, we currently have contracts for 33 newbuilding vessels (six Handymax ice class 1-A tankers, 19 MR tankers and eight LR2 tankers), of which one MR is expected to be delivered by April 2013 and the remaining 32 within 2014.

The following table sets forth certain information regarding our fleet as of the date of this annual report:

	Vessel Name	Year Built	DWT	Ice Class	Employment	Vessel type
	Owned vessels					
1	STI Highlander	2007	37,145	1A	SHTP (1)	Handymax
2	STI Amber	2012	52,000		SMRP(4)	MR
3	STI Topaz	2012	52,000		SMRP(4)	MR
4	STI Ruby	2012	52,000		SMRP(4)	MR
5	STI Garnet	2012	52,000		SMRP(4)	MR
6	STI Onyx	2012	52,000		SMRP(4)	MR
7	STI Sapphire	2013	52,000		Spot	MR
8	STI Emerald	2013	52,000		Spot	MR
9	Noemi	2004	72,515		SPTP (2)	LR1
10	Senatore	2004	72,514		SPTP (2)	LR1
11	STI Harmony	2007	73,919	1A	SPTP (2)	LR1
12	STI Heritage	2008	73,919	1A	SPTP (2)	LR1
13	Venice	2001	81,408	1C	SPTP (2)	Post-Panamax
14	STI Spirit	2008	113,100		SLR2P (3)	LR2
	Total owned DWT		888,520			

	Time Chartered-In vessels Vessel Name	Year Built	DWT	Ice Class	Employment	Vessel type	Time Charter Info Daily Base Rate	Expiry (5)	
15	Freja Polaris	2004	37,217	1B	SHTP (1)	Handymax	$ 12,700	10-Apr-14	(6)
16	Kraslava	2007	37,258	1B	SHTP (1)	Handymax	$ 12,070	18-Jul-13	(7)
17	Krisjanis Valdemars	2007	37,266	1B	SHTP (1)	Handymax	$ 12,000	14-Jun-13	(8)
18	Histria Azure	2007	40,394		SHTP (1)	Handymax	$ 12,000	04-Apr-14	(9)
19	Histria Coral	2006	40,426		SHTP (1)	Handymax	$ 13,000	17-Jul-13	(10)
20	Histria Perla	2005	40,471		SHTP (1)	Handymax	$ 13,000	15-Jul-13	(10)
21	STX Ace 6	2007	46,161		SMRP(4)	MR	$ 14,150	17-May-14	(11)
22	Targale	2007	49,999		SMRP(4)	MR	$ 14,500	17-May-14	(12)
23	Ugale	2007	49,999	1B	SMRP(4)	MR	$ 14,000	15-Jan-14	(13)
24	Nave Orion	2013	49,999		Spot	MR	$ 14,300	25-Mar-15	(14)
25	Freja Lupus	2012	50,385		SMRP(4)	MR	$ 14,760	26-Apr-14	(15)

26	Gan-Trust	2013	51,561		SMRP(4)	MR	$	16,250	06-Jan-16	(16)
27	Usma	2007	52,684	1B	SMRP(4)	MR	$	13,500	03-Jan-14	(17)
28	SN Federica	2003	72,344		Spot	LR1	$	11,250	28-Feb-15	(18)
29	Hellespont Promise	2007	73,669		SPTP (2)	LR1	$	12,500	16-Dec-13	(19)
30	FPMC P Eagle	2009	73,800		SPTP (2)	LR1	$	12,800	09-Sep-13	(20)
31	FPMC P Hero	2011	99,995		SLR2P (3)	LR2	$	14,750	19-Oct-13	(21)
32	FPMC P Ideal	2012	99,993		SLR2P (3)	LR2	$	14,750	09-Jul-13	(21)
33	Fair Seas	2008	115,406		SLR2P (3)	LR2	$	16,000	27-Jul-13	(22)
34	Pink Stars	2010	115,592		SLR2P (3)	LR2	$	16,125	01-Apr-14	(23)
35	Orange Stars	2011	115,756		SLR2P (3)	LR2	$	16,125	01-Apr-14	(23)
	Total time chartered-in DWT		1,350,375							

Newbuildings currently under construction

	Vessel Name	DWT	Ice Class	Vessel type	
36	Hull 2451	38,000	1A	Handymax	(24)
37	Hull 2452	38,000	1A	Handymax	(24)
38	Hull 2453	38,000	1A	Handymax	(24)
39	Hull 2454	38,000	1A	Handymax	(24)
40	Hull 2462	38,000	1A	Handymax	(24)
41	Hull 2463	38,000	1A	Handymax	(24)
42	Hull 2369	52,000		MR	(24)
43	Hull 2389	52,000		MR	(24)
44	Hull 2390	52,000		MR	(24)
45	Hull 2391	52,000		MR	(24)
46	Hull 2392	52,000		MR	(24)
47	Hull 2449	52,000		MR	(24)
48	Hull 2450	52,000		MR	(24)
49	Hull 2458	52,000		MR	(24)
50	Hull 2459	52,000		MR	(24)
51	Hull 2460	52,000		MR	(24)
52	Hull 2461	52,000		MR	(24)
53	Hull S1138	52,000		MR	(25)
54	Hull S1139	52,000		MR	(25)
55	Hull S1140	52,000		MR	(25)
56	Hull S1141	52,000		MR	(25)
57	Hull S1142	52,000		MR	(25)
58	Hull S1143	52,000		MR	(25)
59	Hull S1144	52,000		MR	(25)
60	Hull S1145	52,000		MR	(25)
61	Hull S703	114,000		LR2	(26)
62	Hull S704	114,000		LR2	(26)
63	Hull S705	114,000		LR2	(26)
64	Hull S706	114,000		LR2	(26)
65	Hull S709	114,000		LR2	(26)
66	Hull S710	114,000		LR2	(26)
67	LR2 #1	114,000		LR2	(27)
68	LR2 #2	114,000		LR2	(27)
	Total newbuilding DWT	2,128,000			
	Total DWT	4,366,895			

(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 Panamax Tanker Pool (SPTP). SPTP is operated by SCM. SPTP is a related party to the Company.

(3) 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.

(4) 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.

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

(6) We have an option to extend the charter for an additional year at $14,000 per day. This vessel is expected to be delivered in April 2013.

(7) We have an option to extend the charter for an additional year at $13,070 per day.

(8) We have an option to extend the charter for an additional year at $13,000 per day. The agreement also contains a 50% profit and loss sharing provision whereby we split all of the vessel s profits and losses above or below the daily base rate with the vessel s owner.

(9) In April 2013, the daily base rate will increase to $12,600 per day for one year thereafter. We have an option to extend the term of the charter for an additional year at $13,550 per day.

(10) Represents the average rate for the two year duration of the agreement. The rate for the first year is $12,750 per day and the rate for the second year is $13,250 per day. We have an option to extend the charter for an additional year at $14,500 per day.

(11) We have an option to extend the charter for an additional year at $15,150 per day.

(12) We have options to extend the charter for up to three consecutive one year periods at $14,850 per day, $15,200 per day and $16,200 per day, respectively.

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

(14) We have an option to extend the charter for an additional year at $15,700 per day.

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

(16) The daily base rate represents the average rate for the three year duration of the agreement. The rate for the first year is $15,750 per day, the rate for the second year is $16,250 per day, and the rate for the third year is $16,750 per day. We have options to extend the charter for up to two consecutive one year periods at $17,500 per day and $18,000 per day, respectively.

(17) We have an option to extend the charter for an additional year at $14,500 per day.

(18) We have an option to extend the charter for an additional year at $12,500 per day. We have also entered into an agreement with the owner whereby we split all of the vessel s profits above the daily base rate.

(19) We have an option to extend the charter for an additional six months at $14,250 per day.

(20) We have options to extend the charter for up to two consecutive one year periods at $13,400 per day and $14,400 per day, respectively. We have also entered into an agreement with a third party whereby we split all of the vessel s profits and losses above or below the daily base rate.

(21) We have options to extend the charters for three consecutive six month periods at $15,000 per day, $15,250 per day, and $15,500 per day respectively. *FPMC P Hero* is expected to be delivered in April 2013 and *FPMC P Ideal* was delivered in January 2013.

(22) We have options to extend the charter for three consecutive six month periods at $16,250 per day, $16,500 per day, and $16,750 per day respectively.

(23) These vessels are expected to be delivered in April 2013.

(24) These Newbuilding vessels are being constructed at HMD (Hyundai Mipo Dockyard Co., Ltd. of South Korea). One vessel is expected to be delivered in April 2013, and the remaining 16 vessels are expected to be delivered by the end of 2014.

(25) These Newbuilding vessels are being constructed at SPP (SPP Shipbuilding Co., Ltd. of South Korea). These eight vessels are expected to be delivered during the second, third and fourth quarters of 2014.

(26) These Newbuilding vessels are being constructed at HSHI (Hyundai Samho Heavy Industries Co., Ltd.). These six vessels are expected to be delivered in the third and fourth quarters of 2014.

(27) These Newbuilding vessels are being constructed at DSME (Daewoo Shipbuilding and Marine Engineering Co., Ltd.). These two vessels are expected to be delivered in the fourth quarter of 2014.

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 the date of this annual report, 27 of the vessels in our Operating Fleet 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 technical management is performed by each shipowner. Pools negotiate charters with customers primarily in the spot market. 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, none of the vessels in our Operating Fleet operate under long-term time charters (greater than one year).

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 the date of this annual report, four of the vessels in our Operating Fleet, *STI Sapphire*, *STI Emerald*, *Nave Orion*, and *SN Federica*, operate in the spot market.

Management of our fleet

Commercial and Technical Management

Our vessels are commercially managed by Scorpio Commercial Management S.A.M., or SCM and technically managed by Scorpio Ship Management S.A.M., or SSM, pursuant to a Master Agreement (which may be terminated upon a two year notice). 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 Master Agreement or on substantially similar terms.

SCM s services include securing employment, in the spot market and on time charters, for our vessels. SCM also manages the Scorpio Group Pools. For commercial management of our vessels that do not operate in any of the Scorpio Group Pools, we pay SCM a fee of $250 per vessel per day for each Panamax, LR1 and LR2 vessel and $300 per vessel per day for each Handymax and MR vessels, plus 1.25% commission on gross revenues per charter fixture. Effective January 1, 2013, all participants in the Scorpio Group Pools collectively pay SCM a pool management fee of $250 per vessel per day with respect to our LR2 vessels, $300 per vessel per day with respect to each of our Panamax vessels and $325 per vessel per day with respect to each of our Handymax and MR vessels, plus 1.50% commission on gross revenues per charter fixture. These are the same fees that SCM charges other vessels in these pools, including third party owned vessels.

SSM s services include day-to-day vessel operation, performing general maintenance, monitoring regulatory and classification society compliance, customer vetting procedures, supervising the maintenance and general efficiency of vessels, arranging the hiring of qualified officers and crew, arranging and supervising drydocking and repairs, purchasing supplies, spare parts and new equipment for vessels, appointing supervisors and technical consultants and providing technical support. We currently pay SSM $548 per vessel per day to provide technical management services for each of our vessels. This fee is lower than that charged to third parties by SSM.

Administrative Services Agreement

We have an Administrative Services Agreement with Scorpio Services Holding Limited, or SSH, or our Administrator, for the provision of administrative staff and office space, and administrative services, including accounting, legal compliance, financial and information technology services. SSH is a related party of ours. Liberty, a company affiliated with us, acted as our Administrator until March 13, 2012 when the Administrative Services Agreement was novated to SSH. The effective date of the novation was November 9, 2009, the date that we first entered into the agreement with Liberty. We reimburse our current Administrator for the reasonable direct or indirect expenses it incurs in providing us with the administrative services described above. Our Administrator also arranges vessel sales and purchases for us. The services provided to us by our Administrator may be sub-contracted to other entities within the Scorpio Group.

We pay our Administrator a fee for arranging vessel purchases and sales for us, equal to 1% of the gross purchase or sale price, payable upon the consummation of any such purchase or sale. For the years ended December 31, 2012 and 2011, we paid our Administrator $2.4 million and $0.7 million in fees, respectively, relating to vessel acquisitions and sales. We believe this 1% fee on purchases and sales is customary in the tanker industry.

Further, pursuant to our 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 administrative services agreement, whose effective commencement began in December 2009, was automatically renewed on December 31, 2012 for an additional term of two years.

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 Shipping Consultants Ltd., or 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

Demand for crude oil and refined petroleum products is affected by a number of factors including general economic conditions (such as increases and decreases in industrial production), oil prices, environmental concerns, weather conditions, and competition from alternative energy sources.

The world economy grew continuously from 2000 to 2008, but growth came to a halt in 2009 when the world went into a global economic recession. Since 2009, the world economy has returned to a state of growth, with a 3.1% increase in global GDP in 2012, generated largely by China and India.

World oil consumption has followed a similar pattern. From 2000 to 2007, world oil consumption grew considerably, but receded in 2008 and 2009 due to global economic downturn. World oil consumption has since recovered, with consumption rising to 89.7 million bpd in 2012. Since 2000, world oil consumption has grown at a compound annual growth rate, or CAGR, of approximately 1.4%.

World Oil Consumption: 1990 2012(1)
(Million Barrels Per Day)

(1) Provisional
Source: Drewry Maritime Research

Oil consumption is either static or declining in most of the developed world, but is increasing in most of the developing world. In recent years, Asia, particularly China, has been the main generator of additional demand for oil.

Traditional sources, such as oil from the Middle East, have largely fulfilled this demand. From 2000 to 2012, Chinese oil consumption grew by a CAGR of 5.9%, reaching 9.54 million barrels per day. Notably, oil consumption on a per capita basis is still low in countries such as China and India as compared to the United States and Western Europe.

Seasonal trends also affect world oil consumption and, consequently, oil tanker demand. While trends in consumption do vary with season, peaks in tanker demand frequently precede seasonal consumption peaks due to anticipated consumer demand by refiners and suppliers. Seasonal peaks in oil demand can be broadly classified into two categories: increased demand prior to winter in the Northern Hemisphere, during which heating oil consumption increases, and increased demand for gasoline prior to the summer driving season in the United States.

Production trends have generally followed oil consumption patterns, though changes in oil inventories also play a part in determining production levels.

Production and exports from the Middle East, particularly countries that are members of the Organization of the Petroleum Exporting Countries, or OPEC, have historically had a significant impact on the demand for tanker capacity, and, consequently, on tanker charter hire rates, due to the relatively long distances between the Middle East and typical destination ports. Oil exports from short-haul regions, such as Latin America and the North Sea, are significantly closer to ports used by the primary consumers of such exports, which results in shorter average voyage length as compared to oil exports from the Middle East. Therefore, production in short-haul regions has historically increased the demand for vessels in the Handy, Panamax and Aframax market segments, but has had less of an impact on the demand for larger vessels.

Oil Refinery Capacity

Oil refineries also vary greatly in the quantity, variety and specification of products that they produce, and it is common for tankers to take products into and out of the same refinery. This global multi-directional trade pattern enables owners and operators of product tankers to engage in charters of triangulation, thereby maximizing revenue.

Changes in refinery throughput are somewhat driven by changes in the location of refinery capacity. Capacity increases are taking place mostly in the developing world, especially in Asia, and this is leading to changes in voyage patterns and longer voyages.

In response to growing domestic demand, Chinese refinery throughput has grown at the fastest rate of any global region in the last decade, ahead of the Middle East and other emerging economies. By contrast, refinery throughput in North America has actually declined in the last decade.

The shift in global refinery capacity from the developed to the developing world is likely to continue as refinery development plans are heavily focused on areas such as Asia and the Middle East, with relatively little capacity additions planned for North America and Europe.

World Oil Trades

World oil trades are naturally the result of geographical imbalances between areas of oil consumption and production, although in some sectors, such as refined petroleum products, arbitrage can have an impact on trade flows.

The volume of crude oil moved by sea each year also reflects underlying changes in world oil consumption and production. Seaborne trade in crude oil in 2012 is provisionally estimated at 2.1 billion tons, while refined petroleum products movement is provisionally estimated at 910 million tons.

Demand for oil tankers is primarily determined by the volume of crude oil and refined petroleum products transported and the distances over which they are transported. Tanker demand is generally expressed in ton miles, which are calculated as the number of metric tons of oil carried multiplied by the miles over which the oil is carried.

The transportation of crude oil is typically unidirectional as most oil is transported from a few areas of production to many regions of consumption, where it is refined into petroleum products. Conversely, the transportation of refined petroleum products and associated cargoes is multidirectional as there are several areas of both production and consumption.

In terms of ton miles, geographical changes in the pattern of trade have had a positive impact on tanker demand despite only modest growth in the volume of oil moved by sea since 2000. From 2000 to 2012, ton mile demand in the tanker sector grew at a CAGR of 2.6%, whereas the overall increase in trade over the same period was equivalent to a CAGR of 2.2%.

As a result of changes in patterns of trade, the average loaded voyage haul length of refined product trades has risen from a recent market low of 2,283 miles in 2000 to 2,800 miles in 2012, equivalent to a CAGR of 1.7%.

Oil Tanker Supply

The world oil tanker fleet is generally divided into five major types of vessel classifications based on vessel carrying capacity. Additionally, the tanker fleet is divided between crude tankers that carry dirty products, such as crude oil or residual fuel oil, and product tankers that carry clean products, such as refined petroleum products, including gasoline, jet fuel, kerosene, naphtha and gas oil.

While product tankers can carry dirty products, they generally do not switch between clean and dirty cargoes because a vessel s tank must be cleaned prior to loading a different cargo type. Product tankers do not form a distinct vessel classification, but are identified on the basis of various factors, including technical and trading histories.

A number of tankers also have the capability to carry chemicals as well as refined petroleum products. These ships are sometimes referred to as product/chemical tankers and may switch between the carriage of chemicals or refined petroleum products depending on market conditions and employment opportunities.

The supply of tankers is measured in deadweight tons, or dwt. The supply of tanker capacity is determined by the age and size of the existing global fleet, the number of vessels on order and the number of ships removed from the fleet by scrapping and international regulations. Other factors which can affect the short-term supply of tankers include the number of combined carriers (which are vessels capable of trading wet and dry cargoes) trading in the oil market and the number of tankers in storage, dry-docked, awaiting repairs or otherwise out of commission.

There are eight main fleet categories within the oil tanker fleet: Small, Handy, Handymax (which include MR product tankers), Panamax (which include LR1 product tankers), Aframax (which include LR2 product tankers), Suezmax, Very Large Crude Carrier, or VLCC, and Ultra Large Crude Carrier, or ULCC.

The oil tanker fleet at the end of January 2013 consisted of 3,166 vessels with a combined capacity of 413.4 million dwt.

Oil Tanker Fleet January 31, 2013

Sector	Deadweight Tons (dwt)	Number of Vessels	% of Fleet	Capacity (million dwt)	% of Fleet
Small	10-29,999	228	7.2	4.1	1.0
Handy	30-41,999	152	4.8	5.6	1.4
Handymax	42-54,999	407	12.9	19.2	4.6
Panamax	55-79,999	397	12.5	28.5	6.9
Aframax	80-119,999	902	28.5	96.6	23.4
Suezmax	120-199,999	470	14.8	72.7	17.6
VLCC	200-320,000	574	18.1	174.9	42.3
ULCC	320,000+	36	1.1	11.8	2.9
		3,166	**100.0**	**413.4**	**100.0**

Source: Drewry Maritime Research

Between the end of 2000 and January 2013 the size of the total tanker fleet grew by 54%, with increases in fleet size taking place across all sectors.

The Product Tanker Fleet

The product tanker fleet as of January 31, 2013 comprises 1,239 ships of 70.9 million dwt.

World Product(1) Tanker Fleet January 31, 2013

Sector	Deadweight Tons (dwt)	Number of Vessels	% of Fleet	Capacity (million dwt)	% of Fleet
Small	10-29,999	209	16.9	3.7	5.2
Handy (MR1)	30-41,999	135	10.9	5	7.1
Handymax (MR2)	42-54,999	403	32.5	18.9	26.7
Panamax (LR1)	55-79,999	293	23.6	21.3	30.0
Aframax (LR2)	80,000+	199	16.1	22	31.0
		1,239	**100.0**	**70.9**	**100.0**

(1) Excludes chemical tankers

Source: Drewry Maritime Research

The supply of the smallest product tanker category fleet (tankers with 10,000-29,999 dwt) has declined in favor of larger ships that are more suited to long-haul routes.

World Product Tanker Fleet: Age Profile, January 31, 2013

Left Hand Scale = Million Dwt; Right Hand Scale = No of Ships

Source: Drewry Maritime Research

Oil Tanker Orderbook

As of January 31, 2013, the oil tanker orderbook amounted to 362 tankers of 51.3 million dwt, equivalent to 12.4% of the current fleet. At its peak in 2008, the orderbook to existing fleet ratio was just over 40%. The decrease to its current level is due to deliveries from the orderbook outpacing new orders being placed. The current total tanker orderbook, including crude tankers and product tankers, and the schedule of deliveries are shown below.

The Total Tanker Fleet & Orderbook: January 31, 2013

Size	Existing Fleet		2013		2014		2015		2016+		Total		% Existing Fleet	
	No.	Dwt	*No.*	Dwt	No.	Dwt	No.	Dwt	No.	Dwt	No.	Dwt	No	Dwt
10-29,999	228	4.1	7	0.1	0	0.0	0	0.0	0	0.0	**7**	**0.1**	**3.1%**	**2.4%**
30-41,999	152	5.6	7	0.2	2	0.1	0	0.0	0	0.0	**9**	**0.3**	**5.9%**	**5.4%**
42-54,999														