

Scorpio Tankers Inc.  
Form 6-K  
October 28, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**  
**PURSUANT TO RULE 13A-16 OR 15D-16**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of October 2014**

**Commission File Number: 001-34677**

**SCORPIO TANKERS INC.**

**(Translation of registrant's name into English)**

**9, Boulevard Charles III, Monaco 98000**

**(Address of principal executive office)**

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.  
Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): .

**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): .

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

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**INFORMATION CONTAINED IN THIS FORM 6-K REPORT**

Attached to this Report on Form 6-K as Exhibit 1 is Management's Discussion and Analysis of Financial Condition and Results of Operations and the unaudited interim condensed consolidated financial statements and related information and data of Scorpio Tankers Inc. (the Company) as of and for the six months ended June 30, 2014.

This Report on Form 6-K is hereby incorporated by reference into the Company's Registration Statement on Form F-3 (Registration No. 333-186815) that was filed with the U.S. Securities and Exchange Commission with an effective date of February 25, 2013.

Table of ContentsExhibit 1**SCORPIO TANKERS INC. (NYSE: STNG)**

As used herein, we, us, our and the Company all refer to Scorpio Tankers Inc. and its subsidiaries. This management discussion and analysis of financial condition and results of operations should be read together with the discussion included in the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2013.

**Management's Discussion and Analysis of Financial Condition and Results of Operations for the six months ended June 30, 2014 and June 30, 2013**

*General*

We are a provider of marine transportation of petroleum products worldwide. We currently own and operate 48 tankers (four LR2 tankers, two LR1 tankers, 10 Handymax tankers, 31 MR tankers, and one post-Panamax tanker) that have a weighted average age of 1.5 years as of the date of this report, time charter-in and operate 24 tankers (eight LR2, five LR1, four MR and seven Handymax tankers) and have 27 newbuilding product tankers under construction. We also own approximately 16.3 % of Dorian LPG Ltd ( Dorian ). Dorian is a liquefied petroleum gas shipping company that owns five Very Large Gas Carriers ( VLGCs ) and one pressurized gas carrier and has 17 VLGCs under construction.

Since June 2011, we have entered into contracts with Hyundai Mipo Dockyard Co. Ltd. of South Korea, or HMD, SPP Shipbuilding Co., Ltd. of South Korea, or SPP, Hyundai Samho Heavy Industries Co., Ltd., or HSHI, and Daewoo Shipbuilding and Marine Engineering Co., Ltd., or DSME, for the construction of 89 tankers, which include 11 VLGCs under construction that were sold to Dorian in 2013 and seven Very Large Crude Carriers ( VLCCs ) under construction that were sold in March 2014. As a result of the sale of the VLCCs, we received net proceeds of \$141.7 million in cash and recorded a gain of \$51.4 million. We refer to our vessels under construction as our Newbuilding Program.

The first 45 of these newbuilding vessels have been delivered as of the date of this report, 13 newbuilding product tankers are scheduled for delivery in 2014 and the remaining 14 in the first and second quarters of 2015. The remaining 27 vessels under construction have an aggregate purchase price of \$1,051.5 million. Of this amount, we have paid \$329.2 million of installment payments in cash and \$39.5 million in common stock.

The following table presents summary information concerning our Operating Fleet as of the date of this report:

|   | Vessel Name          | Year Built | DWT    | Ice class | Employment | Vessel type |
|---|----------------------|------------|--------|-----------|------------|-------------|
|   | <i>Owned vessels</i> |            |        |           |            |             |
| 1 | STI Highlander       | 2007       | 37,145 | 1A        | SHTP (1)   | Handymax    |
| 2 | STI Brixton          | 2014       | 38,000 | 1A        | SHTP (1)   | Handymax    |
| 3 | STI Comandante       | 2014       | 38,000 | 1A        | SHTP (1)   | Handymax    |
| 4 | STI Pimlico          | 2014       | 38,000 | 1A        | Spot       | Handymax    |
| 5 | STI Hackney          | 2014       | 38,000 | 1A        | SHTP (1)   | Handymax    |

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|    |               |      |        |    |          |          |
|----|---------------|------|--------|----|----------|----------|
| 6  | STI Acton     | 2014 | 38,000 | 1A | Spot     | Handymax |
| 7  | STI Fulham    | 2014 | 38,000 | 1A | Spot     | Handymax |
| 8  | STI Camden    | 2014 | 38,000 | 1A | Spot     | Handymax |
| 9  | STI Battersea | 2014 | 38,000 | 1A | Spot     | Handymax |
| 10 | STI Wembley   | 2014 | 38,000 | 1A | Spot     | Handymax |
| 11 | STI Amber     | 2012 | 52,000 |    | SMRP (4) | MR       |
| 12 | STI Topaz     | 2012 | 52,000 |    | SMRP (4) | MR       |
| 13 | STI Ruby      | 2012 | 52,000 |    | SMRP (4) | MR       |
| 14 | STI Garnet    | 2012 | 52,000 |    | SMRP (4) | MR       |
| 15 | STI Onyx      | 2012 | 52,000 |    | SMRP (4) | MR       |
| 16 | STI Sapphire  | 2013 | 52,000 |    | SMRP (4) | MR       |

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|                 |                 |      |           |    |                  |              |  |
|-----------------|-----------------|------|-----------|----|------------------|--------------|--|
| 17              | STI Emerald     | 2013 | 52,000    |    | SMRP (4)         | MR           |  |
| 18              | STI Beryl       | 2013 | 52,000    |    | SMRP (4)         | MR           |  |
| 19              | STI Le Rocher   | 2013 | 52,000    |    | SMRP (4)         | MR           |  |
| 20              | STI Larvotto    | 2013 | 52,000    |    | SMRP (4)         | MR           |  |
| 21              | STI Fontvieille | 2013 | 52,000    |    | SMRP (4)         | MR           |  |
| 22              | STI Ville       | 2013 | 52,000    |    | SMRP (4)         | MR           |  |
| 23              | STI Duchessa    | 2014 | 52,000    |    | SMRP (4)         | MR           |  |
| 24              | STI Opera       | 2014 | 52,000    |    | SMRP (4)         | MR           |  |
| 25              | STI Texas City  | 2014 | 52,000    |    | Time Charter (5) | MR           |  |
| 26              | STI Meraux      | 2014 | 52,000    |    | Time Charter (6) | MR           |  |
| 27              | STI Chelsea     | 2014 | 52,000    |    | SMRP (4)         | MR           |  |
| 28              | STI Lexington   | 2014 | 52,000    |    | SMRP (4)         | MR           |  |
| 29              | STI San Antonio | 2014 | 52,000    |    | Time Charter (6) | MR           |  |
| 30              | STI Venere      | 2014 | 52,000    |    | SMRP (4)         | MR           |  |
| 31              | STI Virtus      | 2014 | 52,000    |    | Spot             | MR           |  |
| 32              | STI Powai       | 2014 | 52,000    |    | SMRP (4)         | MR           |  |
| 33              | STI Aqua        | 2014 | 52,000    |    | Spot             | MR           |  |
| 34              | STI Dama        | 2014 | 52,000    |    | SMRP (4)         | MR           |  |
| 35              | STI Olivia      | 2014 | 52,000    |    | SMRP (4)         | MR           |  |
| 36              | STI Mythos      | 2014 | 52,000    |    | Spot             | MR           |  |
| 37              | STI Benicia     | 2014 | 52,000    |    | Time Charter (6) | MR           |  |
| 38              | STI Regina      | 2014 | 52,000    |    | Spot             | MR           |  |
| 39              | STI St. Charles | 2014 | 52,000    |    | Spot             | MR           |  |
| 40              | STI Mayfair     | 2014 | 52,000    |    | Spot             | MR           |  |
| 41              | STI Yorkville   | 2014 | 52,000    |    | Spot             | MR           |  |
| 42              | STI Harmony     | 2007 | 73,919    | 1A | SPTP (2)         | LR1          |  |
| 43              | STI Heritage    | 2008 | 73,919    | 1A | SPTP (2)         | LR1          |  |
| 44              | Venice          | 2001 | 81,408    | 1C | SPTP (2)         | Post-Panamax |  |
| 45              | STI Elysees     | 2014 | 109,999   |    | SLR2P (3)        | LR2          |  |
| 46              | STI Madison     | 2014 | 109,999   |    | SLR2P (3)        | LR2          |  |
| 47              | STI Park        | 2014 | 109,999   |    | SLR2P (3)        | LR2          |  |
| 48              | STI Orchard     | 2014 | 109,999   |    | SLR2P (3)        | LR2          |  |
| Total owned DWT |                 |      | 2,660,387 |    |                  |              |  |

|                                  |                     |      |        |            |             | Daily    |                        |
|----------------------------------|---------------------|------|--------|------------|-------------|----------|------------------------|
|                                  |                     |      |        | Ice        |             |          | Base                   |
| Vessel Name                      | Year Built          | DWT  | class  | Employment | Vessel type | Rate     | Expiry (7)             |
| <i>Time chartered-in vessels</i> |                     |      |        |            |             |          |                        |
| 49                               | Kraslava            | 2007 | 37,258 | 1B         | SHTP (1)    | Handymax | \$13,650 18-May-15     |
| 50                               | Krisjanis Valdemars | 2007 | 37,266 | 1B         | SHTP (1)    | Handymax | \$13,650 14-Apr-15 (8) |
| 51                               | Jinan               | 2003 | 37,285 |            | SHTP (1)    | Handymax | \$12,600 28-Apr-15     |
| 52                               | Iver Prosperity     | 2007 | 37,412 |            | SHTP (1)    | Handymax | \$12,500 03-Mar-16 (9) |

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|    |               |      |        |          |          |          |           |
|----|---------------|------|--------|----------|----------|----------|-----------|
| 53 | Histria Azure | 2007 | 40,394 | SHTP (1) | Handymax | \$13,550 | 04-Apr-15 |
| 54 | Histria Coral | 2006 | 40,426 | SHTP (1) | Handymax | \$13,550 | 17-Jul-15 |

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|                             |                     |      |           |    |           |          |          |                |
|-----------------------------|---------------------|------|-----------|----|-----------|----------|----------|----------------|
| 55                          | Histria Perla       | 2005 | 40,471    |    | SHTP (1)  | Handymax | \$13,550 | 15-Jul-15      |
| 56                          | Targale             | 2007 | 49,999    |    | SMRP (4)  | MR       | \$14,850 | 17-May-15 (10) |
| 57                          | Nave Orion          | 2013 | 49,999    |    | SMRP (4)  | MR       | \$14,300 | 25-Mar-15 (11) |
| 58                          | Gan-Trust           | 2013 | 51,561    |    | SMRP (4)  | MR       | \$16,250 | 06-Jan-16 (12) |
| 59                          | Usma                | 2007 | 52,684    | 1B | SMRP (4)  | MR       | \$14,500 | 03-Jan-15      |
| 60                          | SN Federica         | 2003 | 72,344    |    | SPTP (2)  | LR1      | \$11,250 | 15-May-15 (13) |
| 61                          | SN Azzura           | 2003 | 72,344    |    | SPTP (2)  | LR1      | \$13,600 | 25-Dec-14      |
| 62                          | King Douglas        | 2008 | 73,666    |    | SPTP (2)  | LR1      | \$14,000 | 08-Nov-15 (14) |
| 63                          | Hellespont Progress | 2006 | 73,728    |    | SPTP (2)  | LR1      | \$15,000 | 18-Mar-15 (15) |
| 64                          | FPMC P Eagle        | 2009 | 73,800    |    | SPTP (2)  | LR1      | \$14,525 | 09-Sep-15      |
| 65                          | FPMC P Hero         | 2011 | 99,995    |    | SLR2P (3) | LR2      | \$15,250 | 02-May-15 (16) |
| 66                          | FPMC P Ideal        | 2012 | 99,993    |    | SLR2P (3) | LR2      | \$15,500 | 09-Jan-15      |
| 67                          | Swarna Jayanti      | 2010 | 104,895   |    | SLR2P (3) | LR2      | \$15,000 | 11-Mar-15 (17) |
| 68                          | TBN Densa Crocodile | 2015 | 105,408   |    | SLR2P (3) | LR2      | \$21,050 | 30-Jan-16 (18) |
| 69                          | Densa Alligator     | 2013 | 105,708   |    | SLR2P (3) | LR2      | \$17,550 | 17-Sep-15 (19) |
| 70                          | Khawr Aladid        | 2006 | 106,003   |    | SLR2P (3) | LR2      | \$15,400 | 11-Jul-15      |
| 71                          | Fair Seas           | 2008 | 115,406   |    | SLR2P (3) | LR2      | \$17,500 | 10-Mar-15      |
| 72                          | Southport           | 2008 | 115,462   |    | SLR2P (3) | LR2      | \$15,700 | 10-Dec-14      |
| Total time chartered-in DWT |                     |      | 1,693,507 |    |           |          |          |                |

*Newbuildings currently under construction*

|                        |                                  | Ice      |        |             |          |
|------------------------|----------------------------------|----------|--------|-------------|----------|
| Vessel Name            | Yard                             | DWT      | class  | Vessel type |          |
| <i>Product tankers</i> |                                  |          |        |             |          |
| 73                     | Hull 2477 - TBN STI Finchley     | HMD (20) | 38,000 | 1A          | Handymax |
| 74                     | Hull 2478 - TBN STI Clapham      | HMD (20) | 38,000 | 1A          | Handymax |
| 75                     | Hull 2479 - TBN STI Poplar       | HMD (20) | 38,000 | 1A          | Handymax |
| 76                     | Hull 2499 - TBN STI Hammersmith  | HMD (20) | 38,000 | 1A          | Handymax |
| 77                     | Hull 2500 - TBN STI Rotherhithe  | HMD (20) | 38,000 | 1A          | Handymax |
| 78                     | Hull 2445 - TBN STI Milwaukee    | HMD (20) | 52,000 |             | MR       |
| 79                     | Hull 2461 - TBN STI Battery      | HMD (20) | 52,000 |             | MR       |
| 80                     | Hull 2474 - TBN STI Pontiac      | HMD (20) | 52,000 |             | MR       |
| 81                     | Hull 2490 - TBN STI Osceola      | HMD (20) | 52,000 |             | MR       |
| 82                     | Hull 2492 - TBN STI Notting Hill | HMD (20) | 52,000 |             | MR       |
| 83                     | Hull 2493 - TBN STI Westminster  | HMD (20) | 52,000 |             | MR       |
| 84                     | Hull 2475 - TBN STI Seneca       | HMD (20) | 52,000 |             | MR       |
| 85                     | Hull S1143 - TBN STI Tribeca     | SPP (21) | 52,000 |             | MR       |
| 86                     | Hull S1144 - TBN STI Soho        | SPP (21) | 52,000 |             | MR       |
| 87                     | Hull S1169 - TBN STI Manhattan   | SPP (21) | 52,000 |             | MR       |
| 88                     | Hull S1170 - TBN STI Queens      | SPP (21) | 52,000 |             | MR       |





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|    |                                       |           |           |     |
|----|---------------------------------------|-----------|-----------|-----|
| 89 | Hull S1145 - TBN STI Gramercy         | SPP (21)  | 52,000    | MR  |
| 90 | Hull S1167 - TBN STI Bronx            | SPP (21)  | 52,000    | MR  |
| 91 | Hull S1168 - TBN STI Brooklyn         | SPP (21)  | 52,000    | MR  |
| 92 | Hull S706 - TBN STI Sloane            | HSHI (22) | 109,999   | LR2 |
| 93 | Hull S709 - TBN STI Condotti          | HSHI (22) | 109,999   | LR2 |
| 94 | Hull S710 - TBN STI Veneto            | HSHI (22) | 109,999   | LR2 |
| 95 | Hull S715 - TBN STI Oxford            | HSHI (22) | 109,999   | LR2 |
| 96 | Hull S716 - TBN STI Connaught         | HSHI (22) | 109,999   | LR2 |
| 97 | Hull 5395 - TBN STI Broadway          | DSME (23) | 109,999   | LR2 |
| 98 | Hull 5398 - TBN STI Winnie            | DSME (23) | 109,999   | LR2 |
| 99 | Hull 5399 - TBN STI Lauren            | DSME (23) | 109,999   | LR2 |
|    | Total newbuilding product tankers DWT |           | 1,797,992 |     |
|    | Total Fleet DWT                       |           | 6,151,886 |     |

- (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) This vessel is on a time charter agreement for two years, which also contains a 50% profit sharing provision whereby we split all of the vessel's profits above the daily base rate with the charterer.
- (6) This vessel is on a time charter agreement for one year, which also contains a 50% profit sharing provision whereby we split all of the vessel's profits above the daily base rate with the charterer.
- (7) Redelivery from the charterer is plus or minus 30 days from the expiry date.
- (8) 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 September 2014, we declared an option to extend the charter for an additional year at \$13,500 per day effective March 3, 2015.
- (10) We have options to extend the charter for up to two consecutive one year periods at \$15,200 per day and \$16,200 per day, respectively.
- (11) We have an option to extend the charter for an additional year at \$15,700 per day.
- (12) The daily base rate for the first year was \$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.
- (13) 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 vessel's owner whereby we split all of the vessel's profits above the daily base rate.
- (14) In September 2014, we declared an option to extend the charter for an additional year at \$15,000 per day effective November 8, 2014.
- (15) We have options to extend the charter for up to two consecutive one year periods at \$16,250 per day and \$17,250 per day, respectively.
- (16)

In September 2014, we declared an option to extend the charter for an additional six months at \$15,500 per day effective November 2, 2014.

- (17) We have an option to extend the charter for an additional six months at \$16,250 per day.
- (18) This vessel is currently under construction and is scheduled to be delivered in January 2015. We have an option to extend the charter for an additional year at \$22,600 per day.
- (19) In July 2014, we declared an option to extend the charter for an additional twelve months. Under the option the rate increased from \$16,500 per day to \$17,550 per day on September 17, 2014.
- (20) These newbuilding vessels are being constructed at HMD (Hyundai Mipo Dockyard Co. Ltd. of South Korea). Six vessels are expected to be delivered in 2014 and six vessels in the first and second quarters of 2015.
- (21) These newbuilding vessels are being constructed at SPP (SPP Shipbuilding Co., Ltd. of South Korea). Three vessels are expected to be delivered in 2014 and four vessels in the first and second quarters of 2015.
- (22) These newbuilding vessels are being constructed at HSHI (Hyundai Samho Heavy Industries Co., Ltd). Three vessels are expected to be delivered in 2014 and two vessels in the first quarter of 2015.
- (23) These newbuilding vessels are being constructed at DSME (Daewoo Shipbuilding and Marine Engineering). One vessel is expected to be delivered in the fourth quarter of 2014 and two vessels in the second quarter of 2015.

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In August 2014, we reached an agreement with an unrelated third party to purchase an MR product tanker that was then under construction at SPP. The purchase price of the vessel is \$37.1 million and we took delivery of the vessel in September 2014.

*Newbuilding vessel deliveries*

The following table sets forth our vessel deliveries under our Newbuilding Program from June 30, 2014 through the date of this report:

|    | Name                             | Month<br>delivered | Type     |
|----|----------------------------------|--------------------|----------|
| 1  | <i>STI Powai</i>                 | July 2014          | MR       |
| 2  | <i>STI Aqua</i>                  | July 2014          | MR       |
| 3  | <i>STI Pimlico</i>               | July 2014          | Handymax |
| 4  | <i>STI Elysees</i>               | July 2014          | LR2      |
| 5  | <i>STI Dama</i>                  | August 2014        | MR       |
| 6  | <i>STI Olivia</i>                | August 2014        | MR       |
| 7  | <i>STI Mythos</i>                | August 2014        | MR       |
| 8  | <i>STI Hackney</i>               | August 2014        | Handymax |
| 9  | <i>STI Acton</i>                 | September 2014     | Handymax |
| 10 | <i>STI Fulham</i>                | September 2014     | Handymax |
| 11 | <i>STI Camden</i>                | September 2014     | Handymax |
| 12 | <i>STI Benicia<sup>(1)</sup></i> | September 2014     | MR       |
| 13 | <i>STI Regina</i>                | September 2014     | MR       |
| 14 | <i>STI St. Charles</i>           | September 2014     | MR       |
| 15 | <i>STI Madison</i>               | September 2014     | LR2      |
| 16 | <i>STI Park</i>                  | September 2014     | LR2      |
| 17 | <i>STI Orchard</i>               | September 2014     | LR2      |
| 18 | <i>STI Mayfair</i>               | October 2014       | MR       |
| 19 | <i>STI Yorkville</i>             | October 2014       | MR       |
| 20 | <i>STI Battersea</i>             | October 2014       | Handymax |
| 21 | <i>STI Wembley</i>               | October 2014       | Handymax |

(1) After delivery, this vessel began a one year time charter at a rate level consistent with current one year time charter contracts which includes a profit sharing mechanism whereby earnings in excess of the base time charter rate are split between the Company and charterer.

*Dividend Payment*

On July 28, 2014, the board of directors declared a quarterly cash dividend of \$0.10 per share, which was paid on September 10, 2014 to all shareholders of record as of August 22, 2014.



**Table of Contents***Stock Buyback Program*

In July 2014, the board of directors approved a new stock buyback program with authorization to purchase up to \$150 million of shares of the Company's common stock. This program replaced the Company's stock buyback program that was approved in June 2014.

During 2014 (through the date of this report), we acquired 36,729,136 common shares that are being held as treasury shares, which includes (i) 19,101,536 common shares that were purchased in the open market at an average price of \$9.06 per share, (ii) 7,500,000 common shares that were acquired in exchange for 3,422,665 shares in Dorian owned by the Company and (iii) 10,127,600 common shares that were acquired in conjunction with the Company's offering of \$360 million of Convertible Senior Notes. As of the date of this report, the remaining amount under our stock buyback program is \$82.5 million.

We expect to repurchase shares under the buy-back program in the open market, at times and prices that we consider to be appropriate, but are not obligated under the terms of the program to repurchase any shares.

*Time Chartered-in Vessels*

In July 2014, we extended the time charter on an LR2 tanker that is currently time chartered-in. The term of the agreement is for one year at \$17,550 per day beginning in September 2014.

In August 2014, we extended the time charter on an LR2 tanker that is currently time chartered-in. The term of the agreement is for six months at \$17,500 per day beginning in September 2014.

In August 2014, we extended the time charter on an LR2 tanker that is currently time chartered-in. The term of the agreement is for six months at \$15,500 per day effective November 2014.

In September 2014, we extended the time charter on an Handymax tanker that is currently time chartered-in. The term of the agreement is for an additional year at \$13,500 per day beginning in March 2015.

In September 2014, we extended the time charter on an LR1 tanker that is currently time chartered-in. The term of the agreement is for one year at \$15,000 per day beginning in November 2014.

In September 2014, we time chartered-in an LR2 tanker that is currently under construction in South Korea with delivery expected in January 2015. Upon delivery from the shipyard, the vessel will be chartered-in for one year at \$21,050 per day. We also have an option to extend the charter for one year at \$22,600 per day.

*Debt drawdowns*

We made the following drawdowns from our credit facilities in July, August, September and October 2014:

|   | Credit facility      | Drawdown amount<br>(in \$ millions) | Drawdown date | Collateral |
|---|----------------------|-------------------------------------|---------------|------------|
| 1 | 2013 Credit Facility | \$ 19.8                             | July 2014     | STI Aqua   |
| 2 | 2013 Credit Facility | 19.8                                | August 2014   | STI Dama   |
| 3 | 2013 Credit Facility | 19.5                                | August 2014   | STI Mythos |

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|    |                       |      |                |                 |
|----|-----------------------|------|----------------|-----------------|
| 4  | 2013 Credit Facility  | 19.5 | August 2014    | STI Benicia     |
| 5  | 2013 Credit Facility  | 19.8 | September 2014 | STI Regina      |
| 6  | 2013 Credit Facility  | 19.5 | September 2014 | STI St. Charles |
| 7  | 2013 Credit Facility  | 19.5 | October 2014   | STI Yorkville   |
| 8  | 2013 Credit Facility  | 18.0 | October 2014   | STI Wembley     |
| 9  | KEXIM Credit Facility | 18.8 | July 2014      | STI Pimlico     |
| 10 | KEXIM Credit Facility | 30.3 | July 2014      | STI Elysees     |
| 11 | KEXIM Credit Facility | 30.3 | August 2014    | STI Madison     |

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|    |                        |      |                |               |
|----|------------------------|------|----------------|---------------|
| 12 | KEXIM Credit Facility  | 18.8 | September 2014 | STI Hackney   |
| 13 | KEXIM Credit Facility  | 19.0 | September 2014 | STI Acton     |
| 14 | KEXIM Credit Facility  | 18.8 | September 2014 | STI Fulham    |
| 15 | KEXIM Credit Facility  | 30.3 | September 2014 | STI Park      |
| 16 | KEXIM Credit Facility  | 29.7 | September 2014 | STI Orchard   |
| 17 | KEXIM Credit Facility  | 18.8 | September 2014 | STI Camden    |
| 18 | K-Sure Credit Facility | 19.8 | July 2014      | STI Powai     |
| 19 | K-Sure Credit Facility | 19.8 | August 2014    | STI Olivia    |
| 20 | K-Sure Credit Facility | 20.4 | October 2014   | STI Mayfair   |
| 21 | K-Sure Credit Facility | 18.9 | October 2014   | STI Battersea |

*KEXIM Guaranteed Notes due 2019*

On July 18, 2014, Seven and Seven Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the Issuer), completed an offering of \$125,250,000 in aggregate principal amount of floating rate guaranteed notes due 2019 (the KEXIM Notes) in a private offering to qualified institutional buyers in accordance with Rule 144A of the Securities Act and in offshore transactions complying with Regulation S of the Securities Act. The KEXIM Notes were issued in connection with the Company's KEXIM Credit Facility and will reduce KEXIM's funding obligations and the Company's borrowing costs under such facility by 1.55% per year. Seven and Seven Ltd. was incorporated for the purpose of facilitating this transaction and servicing the bonds until maturity.

Payment of 100% of all regularly scheduled installments of principal of, and interest on, the KEXIM Notes are guaranteed by The Export-Import Bank of Korea (KEXIM), a statutory juridical entity established under The Export-Import Bank of Korea Act of 1969, as amended, in the Republic of Korea.

The proceeds from the initial sale of the KEXIM Notes were deposited into a deposit account and were periodically distributed, subject to the satisfaction or waiver of applicable conditions, to the facility agent under the Company's KEXIM Credit Facility to finance advances to the borrowers thereunder to fund a portion of the purchase price of 18 new vessels, 10 of which are Handymax tankers and eight of which are LR2 tankers. Seven ice class Handymax tankers, *STI Comandante*, *STI Brixton*, *STI Pimlico*, *STI Hackney*, *STI Acton*, *STI Fulham* and *STI Camden* and four LR2 tankers, *STI Elysees*, *STI Madison*, *STI Park* and *STI Orchard* were delivered between May and September 2014. The remaining seven vessels are expected to be delivered to the respective borrowers between November 2014 and December 2014.

The KEXIM Notes are currently listed on the Singapore Exchange Securities Trading Limited (the SGX-ST). The KEXIM Notes are not listed on any other securities exchange, listing authority or quotation system.

*2013 Equity Incentive Plan*

In September 2014, we amended the 2013 Equity Incentive Plan to increase the number of common shares eligible for issuance by 1,088,131 common shares. All other terms of the plan remained unchanged.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

*The following presentation of management's discussion and analysis of results of operations and financial condition should be read in conjunction with our unaudited condensed consolidated financial statements, accompanying notes thereto and other financial information, appearing elsewhere in this report. The unaudited condensed consolidated financial statements as of June 30, 2014 and for the six months ended June 30, 2014 and 2013 have been prepared in accordance with International Accounting Standards IAS 34 Interim Financial Reporting, or IAS 34. The unaudited condensed consolidated financial statements are presented in U.S. Dollars unless otherwise indicated. Any amounts converted from another non-U.S. currency to U.S. Dollars in this filing are at the rate applicable at the relevant date or the average rate during the applicable period or to the extent it relates to the balance sheet at the balance sheet date.*

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

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

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

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

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

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

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

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

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

(3) Defined below under Important Financial and Operational Terms and Concepts.

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

Please see our fleet list for a description of the employment arrangement for each of our vessels.

## **Important Financial and Operational Terms and Concepts**

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

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

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

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

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

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

***Charterhire.*** Charterhire is the amount we pay the owner for time chartered-in vessels. The amount is usually for a fixed period of time at rates that are generally fixed, but may contain a variable component based on inflation, interest rates, or current market rates. The vessel's owner is responsible for crewing and other vessel operating costs.

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

***Depreciation.*** Depreciation expense typically consists of:

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

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

***Time charter equivalent (TCE) revenue or rates.*** We report time charter equivalent, or TCE revenues, a non-IFRS measure, because (i) we believe it provides additional meaningful information in conjunction with voyage revenues and voyage expenses, the most directly comparable IFRS measure, (ii) it assists our management in making decisions regarding the deployment and use of our vessels and in evaluating their financial performance, (iii) it is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance irrespective of changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods, and (iv) we believe that it presents useful information to investors. TCE revenue is vessel revenue less voyage expenses, including bunkers and port charges. The TCE rate achieved on a given voyage is expressed in US dollars/day and is generally calculated by taking TCE revenue and dividing that figure by the number of revenue days in the period. For a reconciliation of TCE revenue, deduct voyage expenses from revenue on our Statement of Income or Loss.

|   | For the year ended December 31, |           | For the six months ended June 30, |           |
|---|---------------------------------|-----------|-----------------------------------|-----------|
|   | 2013                            | 2012      | 2014                              | 2013      |
| <b>Average Daily Results</b>                  |                                 |           |                                   |           |
| Time charter equivalent per day               | \$ 14,369                       | \$ 12,960 | \$ 14,339                         | \$ 15,943 |
| Vessel operating costs per day <sup>(1)</sup> | 6,781                           | 7,605     | 7,052                             | 6,529     |
| <i>Aframax/LR2</i>                            |                                 |           |                                   |           |
| TCE per revenue day                           | 12,718                          | 10,201    | 14,986                            | 14,680    |
| Vessel operating costs per day <sup>(1)</sup> | 8,203                           | 8,436     | 8,233                             | 7,131     |

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|   |        |          |          |        |
|---|--------|----------|----------|--------|
| <i>Panamax/LR1</i>                                      |        |          |          |        |
| TCE per revenue day                                     | 12,599 | 14,264   | 16,556   | 13,600 |
| Vessel operating costs per day <sup>(1)</sup>           | 7,756  | 7,714    | 8,729    | 7,264  |
| <i>MR</i>   |        |          |          |        |
| TCE per revenue day                                     | 16,546 | 12,289   | 13,066   | 18,000 |
| Vessel operating costs per day <sup>(1)</sup>           | 6,069  | 6,770    | 6,462    | 5,905  |
| <i>Handymax</i>   |        |          |          |        |
| TCE per revenue day                                     | 12,862 | 13,069   | 14,421   | 14,979 |
| Vessel operating costs per day <sup>(1)</sup>           | 6,852  | 7,594    | 8,464    | 6,453  |
| <b>Fleet data</b>                                       |        |          |          |        |
| Average number of owned vessels                         | 15.9   | 10.8     | 20.9     | 13.7   |
| Average number of time chartered-in vessels             | 22.9   | 9.2      | 29.1     | 19.0   |
| <b>Drydock</b>  |        |          |          |        |
| Expenditures for drydock (in thousands of U.S. dollars) |        | \$ 2,869 | \$ 1,290 |        |

(1) Vessel operating costs per day represent vessel operating costs divided by the number of days the vessel is owned during the period.

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

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

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

**Commercial pools.** To increase vessel utilization and revenues, we participate in commercial pools with other shipowners and operators of similar modern, well-maintained vessels. By operating a large number of vessels as an integrated transportation system, commercial pools offer customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Pools employ experienced commercial charterers and operators who have close working relationships with customers and brokers, while technical management is performed by each

shipowner. Pools negotiate charters with customers primarily in the spot market. The size and scope of these pools enable them to enhance utilization rates for pool vessels by securing backhaul voyages and COAs, thus generating higher effective TCE revenues than otherwise might be obtainable in the spot market while providing a higher level of service offerings to customers.

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

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### Items You Should Consider When Evaluating Our Results

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

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

global and regional economic and political conditions;

increases and decreases in production of and demand for crude oil and petroleum products;

increases and decreases in OPEC oil production quotas;

the distance crude oil and petroleum products need to be transported by sea; and

developments in international trade and changes in seaborne and other transportation patterns.

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

***Our general and administrative expenses were affected by the fees we pay SCM and SSH for commercial management and administrative services respectively.*** SCM and SSH, companies controlled by the Lolli-Ghetti family of which our founder, Chairman and Chief Executive Officer is a member, provide commercial and administrative management services to us, respectively. We pay fees under our Master Agreement with SCM, which are identical to what SCM charges to its pool participants, including third-party owned vessels. We reimburse our Administrator for the reasonable direct or indirect expenses it incurs in providing us with the administrative services described above. We also 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. We believe this 1% fee on purchases and sales is customary in the tanker industry.



**Results of Operations*****Results of Operations for the six months ended June 30, 2014 compared to the six months ended June 30, 2013***

| <i>In thousands of U.S. dollars</i>                 | <b>For the six months ended June 30,</b> |             |               | <b>Percentage</b> |
|---|--|-------------|---------------|-------------------|
|   | <b>2014</b>                              | <b>2013</b> | <b>Change</b> | <b>Change</b>     |
| Vessel revenue                                      | \$ 134,179                               | \$ 96,457   | \$ 37,722     | 39%               |
| Vessel operating costs                              | (26,750)                                 | (16,498)    | (10,252)      | (62%)             |
| Voyage expenses                                     | (4,525)                                  | (2,533)     | (1,992)       | (79%)             |
| Charterhire   | (76,393)                                 | (47,469)    | (28,924)      | (61%)             |
| Depreciation  | (13,322)                                 | (10,288)    | (3,034)       | (29%)             |
| General and administrative expenses                 | (22,615)                                 | (8,049)     | (14,566)      | (181%)            |
| Gain on sale of VLCCs                               | 51,419                                   |             | 51,419        | 100%              |
| Gain on sale of Dorian shares                       | 10,924                                   |             | 10,924        | 100%              |
| Financial expenses                                  | (871)                                    | (1,875)     | 1,004         | 54%               |
| Realized gain on derivative financial instruments   | 17                                       | 23          | (6)           | (26%)             |
| Unrealized gain on derivative financial instruments | 112                                      | 365         | (253)         | (69%)             |

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|                                    |           |           |           |       |
|------------------------------------|-----------|-----------|-----------|-------|
| Financial income                   | 69        | 550       | (481)     | (87%) |
| Share of net income from associate | 573       |           | 573       | 100%  |
| Other expense, net                 | (53)      | (107)     | 54        | 50%   |
| Net income                         | \$ 52,764 | \$ 10,576 | \$ 42,188 | 399%  |

**Net income.** Net income for the six months ended June 30, 2014 was \$52.8 million, an increase of \$42.2 million or 399% from net income of \$10.6 million for the six months ended June 30, 2013. The differences between the two periods are discussed below.

**Vessel revenue.** Revenue for the six months ended June 30, 2014 was \$134.2 million, an increase of \$37.7 million or 39% from revenue of \$96.5 million for the six months ended June 30, 2013. Overall revenue increases were driven by growth in our fleet of both owned and time chartered-in vessels to an average of 20.9 owned and 29.1 time chartered-in vessels during the six months ended June 30, 2014 from an average of 13.7 owned and 19.0 time chartered-in vessels during the six months ended June 30, 2013. These increases were offset by an overall decrease in revenue per day to \$14,339 per day from \$15,943 per day during the six months ended June 30, 2014 and 2013, respectively.

The following table summarizes our revenue:

| <i>In thousands of U.S. dollars</i> | For the six months ended June 30, |                  |                  | Percentage |
|-------------------------------------|-----------------------------------|------------------|------------------|------------|
|                                     | 2014                              | 2013             | Change           | Change     |
| <b>Owned vessels</b>                |                                   |                  |                  |            |
| Pool revenue                        | \$ 41,167                         | \$ 37,201        | \$ 3,966         | 11%        |
| Voyage revenue (spot market)        | 15,611                            | 3,360            | 12,251           | 365%       |
| Time charter revenue                | 3,007                             |                  | 3,007            | 100%       |
| <b>Time chartered-in vessels</b>    |                                   |                  |                  |            |
| Pool revenue                        | 74,094                            | 49,837           | 24,257           | 49%        |
| Voyage revenue (spot market)        |                                   | 6,059            | (6,059)          | (100%)     |
| Other revenue                       | 300                               |                  | 300              | 100%       |
| <b>Total revenue</b>                | <b>\$ 134,179</b>                 | <b>\$ 96,457</b> | <b>\$ 37,722</b> | <b>39%</b> |

**Owned vessels Pool revenue.** Pool revenue for owned vessels for the six months ended June 30, 2014 was \$41.2 million, an increase of \$4.0 million or 11% from \$37.2 million during the six months ended June 30, 2013. The increase was primarily driven by an increase in the number of pool revenue days to 3,021 from 2,281 during the six months ended June 30, 2014 and 2013, respectively. The increase in pool revenue days was primarily driven by our MR operating segment which contributed 13 vessels delivered under our Newbuilding Program into the Scorpio MR Pool throughout 2013 and during the first half of 2014. The increase in pool revenue days was offset by a decrease in pool revenue per day to \$13,625 from \$16,306 per day during the six months ended June 30, 2014 and 2013, respectively.

**Owned vessels Voyage revenue.** Voyage revenue for owned vessels for the six months ended June 30, 2014 was \$15.6 million, an increase of \$12.3 million or 365% from \$3.4 million during the six months ended June 30, 2013. The increase was the result of an increase in the number of days vessels operated in the spot market to 533 days from 168 days during the six months ended June 30, 2014 and 2013, respectively and an improvement in average daily

voyage revenue for vessels operating in the spot market.

During the six months ended June 30, 2014, *Senatore* and *Noemi* operated in the spot market for an aggregate of 124 days prior to their respective sales. Additionally, *Venice* operated in the spot market for 101 days and seven vessels delivered under our Newbuilding Program operated in the spot market for an aggregate of 308 days during the six months ended June 30, 2014.

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During the six months ended June 30, 2013, *STI Emerald*, *STI Sapphire* and *STI Beryl* operated in the spot market for 168 days on short term time charters which commenced upon their deliveries from the shipyard.

***Owned vessels Time charter revenue.*** Time charter revenue for owned vessels for the six months ended June 30, 2014 was \$3.0 million. This revenue relates to *STI Texas City*, *STI Meraux* and *STI San Antonio*, which are MR tankers that were delivered under our Newbuilding Program during the six months ended June 30, 2014. In March 2014, *STI Texas City* began a two year time charter, and in May 2014, *STI Meraux* and *STI San Antonio* each began one year time charters. Each of the three time charters has a 50% profit sharing provision whereby we split all of the vessel's profits above the daily base rate with the charterer.

***Time chartered-in vessels Pool revenue.*** Pool revenue for time chartered-in vessels for the six months ended June 30, 2014 was \$74.1 million, an increase of \$24.3 million or 49% from \$49.8 million during the six months ended June 30, 2013. Pool revenue days for time chartered-in vessels increased to 5,274 from 3,233 during the six months ended June 30, 2014 and 2013, respectively as a result of growth in our time chartered-in fleet to an average of 29.1 vessels from 19.0 vessels. The increase in pool revenue days for time chartered-in vessels was offset by a decrease in pool revenue per day to \$14,025 from \$15,417 per day during the six months ended June 30, 2014 and 2013, respectively.

***Time chartered-in vessels Voyage revenue.*** No time chartered-in vessels operated in the spot market during the six months ended June 30, 2014, whereas *SN Federica*, *Gan-Trust* and *Nave Orion* operated in the spot market during the six months ended June 30, 2013.

***Vessel operating costs.*** Vessel operating costs for the six months ended June 30, 2014 were \$26.8 million, an increase of \$10.3 million or 62% from \$16.5 million for six months ended June 30, 2013. Operating days increased to 3,780 days from 2,485 days and vessel operating costs increased to \$7,052 per day from \$6,529 per day for the six months ended June 30, 2014 and 2013, respectively. The increase in operating days was due to an increase in the average number of owned vessels to 20.9 from 13.7 for the six months ended June 30, 2014 and 2013, respectively, which was the result of the deliveries of 18 vessels under our Newbuilding Program throughout 2013 and in the first half of 2014. Vessel operating costs per day increased primarily as a result of increased operating costs among our older vessels in our LR2, LR1 and Handymax segments. Three of these vessels, *Noemi*, *Senatore* and *STI Spirit* were sold during the six months ended June 30, 2014.

***Voyage expenses.*** Voyage expenses for the six months ended June 30, 2014 were \$4.5 million, an increase of \$2.0 million, or 79% from \$2.5 million during the six months ended June 30, 2013. The increase was the result of an increase in the number of days vessels operated in the spot market to 533 days from 377 days during the six months ended June 30, 2014 and 2013, respectively.

Furthermore, six vessels delivered under our Newbuilding Program (*STI Opera*, *STI Duchessa*, *STI Ville*, *STI Chelsea*, *STI Lexington* and *STI Comandante*) were employed on short-term time charters (ranging from 45 to 120 days) for a total of 304 days during the six months ended June 30, 2014. The vessels delivered under our Newbuilding Program during 2013 were employed on similar short-term time charters for a total of 168 days during the six months ended June 30, 2013. These short term time charters were agreed to at fixed TCE rates, where only nominal voyage expenses were incurred.

Vessels that were not on short term time charter include *Noemi*, *Senatore* and *Venice* which operated in the spot market for 224 days during the six months ended June 30, 2014 and *Nave Orion*, *Gan-Trust* and *SN Federica* which operated in the spot market for 209 days during the six months ended June 30, 2013. Also, voyage expenses for the six months ended June 30, 2014 were higher because *Noemi* (LR1), *Senatore* (LR1) and *Venice* (post-panamax), are larger vessels that incur higher fuel (bunker) costs than smaller vessels such as *Nave Orion* (MR) and *Gan-Trust*

(MR).

**Charterhire.** Charterhire expense for the six months ended June 30, 2014 was \$76.4 million, an increase of \$28.9 million, or 61% from \$47.5 million during the six months ended June 30, 2013. The change was the result of an increase in the average number of time chartered-in vessels to 29.1 from 19.0 during the six months ended June 30, 2014 and 2013, respectively.

**Depreciation.** Depreciation expense for the six months ended June 30, 2014 was \$13.3 million, an increase of \$3.0 million, or 29% from \$10.3 million during the six months ended June 30, 2013. The increase was the result of an increase in the average number of owned vessels to 20.9 from 13.7 for the six months ended June 30, 2014 and 2013, respectively. The increase in depreciation expense was offset by four vessels, *Noemi*, *Senatore*, *Venice* and *STI Spirit*, which were designated as held for sale at December 31, 2013 and ceased depreciation at that date when they were written down to their estimated disposal value.

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**General and administrative expenses.** General and administrative expenses for the six months ended June 30, 2014 were \$22.6 million, an increase of \$14.6 million, or 181% from \$8.0 million during the six months ended June 30, 2013. The change was driven by a \$11.6 million increase in restricted stock amortization (non-cash) and additional general and administrative expenses due to the significant growth of the Company.

**Gain on sale of VLCCs.** Gain on sale of VLCCs of \$51.4 million during the six months ended June 30, 2014 was from the sale of the seven VLCCs under construction for cash in March 2014. We received net proceeds of \$141.7 million as a result of the sale; the book value of these assets at the time of sale (primarily consisting of installment payments made to date) was \$90.3 million.

**Gain on sale of Dorian shares.** Gain on sale of Dorian shares of \$10.9 million during the six months ended June 30, 2014 relates to the acquisition of 7,500,000 of our common shares from an existing shareholder in exchange for the sale to said shareholder of 3,422,665 common shares in Dorian in a privately negotiated transaction. As a result of the disposal of the Dorian shares, the Company recognized a gain of approximately \$10.9 million during the second quarter of 2014, and its ownership in Dorian was reduced to 9.4 million shares, or approximately 16.3% of Dorian's total outstanding shares.

**Financial expenses.** Financial expenses for the six months ended June 30, 2014 were \$0.9 million, a decrease of \$1.0 million, or 54% from \$1.9 million during the six months ended June 30, 2013. The decrease was due to an increase in interest capitalized during the six months ended June 30, 2014 as a result of the significant growth in our Newbuilding Program.

Financial expenses for the six months ended June 30, 2014 consisted of interest expense on our bank loans (\$0.2 million), commitment fees on the undrawn portions of our credit facilities (\$0.05 million), amortization of loan fees (\$0.5 million) and amortization of agency fees (\$0.2 million).

Financial expenses for the six months ended June 30, 2013 consisted of interest expense on our bank loans (\$0.8 million), commitment fees on the undrawn portions of our credit facilities (\$0.7 million) and amortization of loan fees (\$0.3 million).

**Share of income from associate.** Share of income from associate, representing our share of Dorian's net income, was \$0.6 million for the six months ended June 30, 2014. The closing date of our investment in Dorian was November 26, 2013 and accordingly, no income or loss was incurred for the six months ended June 30, 2013.

**Results of operations – segment analysis****LR2 segment**

The following table summarizes segment profit or loss for our LR2 segment.

| <i>In thousands of U.S. dollars</i> | <b>For the six months ended June 30, 2014</b> |             |               | <b>Percentage Change</b> |
|-------------------------------------|---|-------------|---------------|--------------------------|
|                                     | <b>2014</b>                                   | <b>2013</b> | <b>Change</b> |                          |
| Vessel revenue                      | \$ 25,390                                     | \$ 10,188   | \$ 15,202     | 149%                     |
| Vessel operating costs              | (876)   | (1,354)     | 478           | 35%                      |
| Voyage expenses                     | (106)   |             | (106)         | (100%)                   |

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|                                     |            |          |          |        |
|-------------------------------------|------------|----------|----------|--------|
| Charterhire                         | (24,993)   | (8,258)  | (16,735) | (203%) |
| Depreciation                        |            | (871)    | 871      | 100%   |
| General and administrative expenses | (61)       | (77)     | 16       | 21%    |
| Financial expenses                  | (509)      | (430)    | (79)     | (18%)  |
| Other expenses, net                 |            | (10)     | 10       | 100%   |
| Segment (loss) / profit             | (\$ 1,155) | (\$ 812) | (\$ 343) | (42%)  |

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|   |           |           |         |       |
|---|-----------|-----------|---------|-------|
| TCE per revenue day                         | \$ 14,986 | \$ 14,680 | \$ 306  | 2%    |
| Owned vessel operating costs per day        | 8,233     | 7,131     | (1,102) | (15%) |
| Revenue days                                | 1,687     | 694       | 993     | 143%  |
| Owned vessel operating days                 | 106       | 181       | (75)    | (41%) |
| Average number of owned vessels             | 0.6       | 1.0       | (0.4)   | (41%) |
| Average number of time chartered-in vessels | 8.7       | 2.9       | 5.8     | 196%  |

**Vessel revenue.** Vessel revenue for the six months ended June 30, 2014 was \$25.4 million, an increase of \$15.2 million or 149% from the six months ended June 30, 2013. The increase was primarily driven by an increase in revenue days to 1,687 days from 694 days as a result of the increase in the average number of time chartered-in vessels in this segment to 8.7 from 2.9 during the six months ended June 30, 2014 and 2013, respectively. This increase was partially offset by the reduction of revenue days due to the sale of *STI Spirit* in April 2014.

**Vessel operating costs.** Vessel operating costs were \$0.9 million for the six months ended June 30, 2014, a decrease of \$0.5 million, or 35% from the six months ended June 30, 2013. The decrease is due to the sale of *STI Spirit* in April 2014 which, was the only owned vessel in this operating segment during both periods.

**Charterhire.** Charterhire expense for the six months ended June 30, 2014 was \$25.0 million, an increase of \$16.7 million or 203%, from the six months ended June 30, 2013. The increase was due to an increase in the average number of time chartered-in vessels to 8.7 from 2.9 during the six months ended June 30, 2014 and 2013, respectively. During the six months ended June 30, 2013, *FPMC Ideal*, *FPMC Hero*, *Fair Seas*, *Pink Stars* and *Orange Stars* were time chartered-in for all or a portion of the period. In addition to the five vessels, chartered-in during the first half of 2013, *Khawr Aladid*, *Densa Alligator*, *Four Sky*, *Southport* and *Swarma Jayanti* were also time chartered-in for all or a portion of the six months ended June 30, 2014.

**Depreciation.** Depreciation expense decreased \$0.9 million or 100% from the six months ended June 30, 2013. The decrease was from *STI Spirit*, which ceased being depreciated and was written down to its estimated disposal value at December 31, 2013, the date the vessel was designated as held for sale. *STI Spirit* was sold for \$30.2 million in April 2014.

**Financial expenses.** Financial expenses for the LR2 segment relate to interest expense on our *STI Spirit* Credit Facility. We repaid the entire outstanding amount of \$21.4 million under this facility in April 2014 as a result of the sale of *STI Spirit*.

**Panamax / LR1 segment**

The following table summarizes segment profit for our Panamax / LR1 segment.

| <i>Panamax/LR1 segment</i><br><i>In thousands of U.S. dollars</i> | For the six months<br>ended June 30, |           |           | Percentage<br>Change |
|---|--------------------------------------|-----------|-----------|----------------------|
|   | 2014                                 | 2013      | Change    |                      |
| Vessel revenue  | \$ 31,861                            | \$ 20,694 | \$ 11,167 | 54%                  |
| Vessel operating costs  | (6,216)                              | (6,629)   | 413       | 6%                   |
| Voyage expenses   | (4,003)                              | (1,802)   | (2,201)   | (122%)               |
| Charterhire   | (13,896)                             | (6,118)   | (7,778)   | (127%)               |
| Depreciation  | (1,693)                              | (3,763)   | 2,070     | 55%                  |



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|   |          |          |          |        |
|---|----------|----------|----------|--------|
| General and administrative expenses                 | (273)    | (269)    | (4)      | (1%)   |
| Realized gain on derivative financial instruments   |          | 23       | (23)     | (100%) |
| Unrealized loss on derivative financial instruments |          | 116      | (116)    | (100%) |
| Segment profit                                      | \$ 5,780 | \$ 2,252 | \$ 3,528 | 157%   |

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|   |           |           |          |       |
|---|-----------|-----------|----------|-------|
| TCE per revenue day                         | \$ 16,556 | \$ 13,600 | \$ 2,956 | 22%   |
| Owned vessel operating costs per day        | 8,729     | 7,264     | (1,465)  | (20%) |
| Revenue days                                | 1,679     | 1,389     | 290      | 21%   |
| Owned vessel operating days                 | 712       | 905       | (193)    | (21%) |
| Average number of owned vessels             | 3.9       | 5.0       | (1.1)    | (21%) |
| Average number of time chartered-in vessels | 5.5       | 2.7       | 2.8      | 105%  |

**Vessel Revenue.** Vessel revenue for the six months ended June 30, 2014 was \$31.9 million, an increase of \$11.2 million or 54% from the six months ended June 30, 2013. The increase in revenue was the result of an increase in the number of revenue days to 1,679 from 1,389 and an increase in revenue per day to \$16,556 from \$13,600 during the six months ended June 30, 2014 and 2013, respectively. *FPMC P Eagle*, *SN Federica* and *Hellespont Promise* were time chartered-in during the six months ended June 30, 2013. In addition to the three vessels chartered-in during the first half of 2013, *King Douglas*, *SN Azzura*, and *Hellespont Progress* were also time chartered-in for all or a portion of the six months ended June 30, 2014. The increase in revenue per day was the result of a strong trade in dirty products (such as fuel oil) during the first quarter of 2014 that particularly benefited Panamax/LR1 vessels trading in the spot market.

**Vessel operating costs.** Vessel operating costs for the six months ended June 30, 2014 were \$6.2 million, a decrease of \$0.4 million or 6% from the six months ended June 30, 2013. Vessel operating days decreased to 712 days from 905 days for the six months ended June 30, 2014 and 2013, respectively. This decrease was offset by an increase in vessel operating costs to \$8,729 per day from \$7,264 per day during the six months ended June 30, 2014 and 2013, respectively. The decrease in operating days was the result of the sales of *Noemi* and *Senatore* in March and April, 2014 respectively while the increase in operating costs per day was the result of higher crew costs incurred on these vessels prior to their sale.

**Voyage expenses.** Voyage expenses for the six months ended June 30, 2014 were \$4.0 million, an increase of \$2.2 million or 122% from the six months ended June 30, 2013. The increase was driven by *Noemi*, *Senatore* and *Venice*, which operated in the spot market for 224 days during the six months ended June 30, 2014, whereas only *SN Federica* operated in the spot market for 75 days during the six months ended June 30, 2013.

**Charterhire.** Charterhire expense for the six months ended June 30, 2014 was \$13.9 million, an increase of \$7.8 million or 127% from the six months ended June 30, 2013. The increase was the result of an increase in the average number of time chartered-in vessels to 5.5 from 2.7 during the six months ended June 30, 2014 and 2013, respectively. *FPMC P Eagle*, *SN Federica* and *Hellespont Promise* were time chartered-in for all or a portion of the six months ended June 30, 2013. In addition to these three vessels, *King Douglas*, *SN Azzura*, and *Hellespont Progress* were time chartered-in for all or a portion of the six months ended June 30, 2014.

**Depreciation.** Depreciation expense for the six months ended June 30, 2014 was \$1.7 million, a decrease of \$2.1 million or 55% from the six months ended June 30, 2013. The decrease was driven by *Noemi*, *Senatore* and *Venice*, which ceased being depreciated and were written down to their estimated disposal values at December 31, 2013, the date which they were considered as held for sale. *Noemi* and *Senatore* were sold in March and April 2014, respectively, for an aggregate selling price of \$44.0 million.

**MR segment**

The following table summarizes segment profit for our MR segment.

| <i>In thousands of U.S. dollars</i> | <b>For the six months<br/>ended June 30,</b> |             | <b>Change</b> | <b>Percentage<br/>Change</b> |
|-------------------------------------|--|-------------|---------------|------------------------------|
|                                     | <b>2014</b>                                  | <b>2013</b> |               |                              |
| Vessel revenue                      | \$ 51,272                                    | \$ 47,198   | \$ 4,074      | 9%                           |

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|   |                 |                  |                   |              |
|---|-----------------|------------------|-------------------|--------------|
| Vessel operating costs                      | (17,841)        | (7,286)          | (10,555)          | (145%)       |
| Voyage expenses                             | (392)           | (720)            | 328               | 46%          |
| Charterhire                                 | (17,043)        | (19,747)         | 2,704             | 14%          |
| Depreciation                                | (10,879)        | (5,012)          | (5,867)           | (117%)       |
| General and administrative expenses         | (818)           | (401)            | (417)             | (104%)       |
| Other expenses, net                         | (20)            |                  | (20)              | (100%)       |
| <b>Segment profit</b>                       | <b>\$ 4,279</b> | <b>\$ 14,032</b> | <b>(\$ 9,753)</b> | <b>(70%)</b> |
| TCE per revenue day                         | \$ 13,066       | \$ 18,000        | (\$ 4,934)        | (27%)        |
| Owned vessel operating costs per day        | 6,462           | 5,905            | (557)             | (9%)         |
| Revenue days                                | 3,894           | 2,582            | 1,312             | 51%          |
| Owned vessel operating days                 | 2,747           | 1,218            | 1,529             | 126%         |
| Average number of owned vessels             | 15.2            | 6.7              | 8.5               | 126%         |
| Average number of time chartered-in vessels | 6.4             | 7.6              | (1.2)             | (16%)        |

**Vessel revenue.** Vessel revenue for the six months ended June 30, 2014 was \$51.3 million, an increase of \$4.1 million or 9% from the six months ended June 30, 2013. The increase in revenue was the result of an increase in the overall number of revenue days to 3,894 from 2,582 offset by a decrease in TCE revenue per day to \$13,066 from \$18,000 during the six months ended June 30, 2014 and 2013, respectively.

The increase in revenue days was driven by an increase in the average number of owned vessels to 15.2 from 6.7 during the six months ended June 30, 2014 and 2013, respectively. *STI Sapphire*, *STI Emerald*, *STI Beryl*, *STI Le Rocher*, *STI Larvotto*, *STI Fontvieille* and *STI Ville* were delivered during the six months ended June 30, 2013. *STI Duchessa*, *STI Opera*, *STI Texas City*, *STI Meraux*, *STI Chelsea*, *STI Lexington*, *STI San Antonio*, *STI Venere* and *STI Virtus* were delivered during the six months ended June 30, 2014.

The decrease in TCE revenue per day was driven by a weak spot market for MR tankers during the six months ended June 30, 2014. Elongated maintenance schedules and unscheduled outages in U.S. Gulf Coast refineries pressured charter rates for MRs trading in that region which had a consequent effect on the overall spot market.

**Vessel operating costs.** Vessel operating costs for the six months ended June 30, 2014 were \$17.8 million, an increase of \$10.6 million or 145%, from the six months ended June 30, 2013. The increase was the result of an increase in the number of operating days to 2,747 days from 1,218 days during the six months ended June 30, 2014 and 2013, respectively. The Company took delivery of seven newbuilding MRs throughout 2013 and an additional nine newbuilding MRs during the six months ended June 30, 2014.

**Charterhire.** Charterhire expense for the six months ended June 30, 2014 was \$17.0 million, a decrease of \$2.7 million or 14%, from the six months ended June 30, 2013. The decrease was the result of a decrease in the average number of time chartered-in vessels to 6.4 from 7.6 during the six months ended June 30, 2014 and 2013, respectively. The time charters for *Endeavour*, *Pacific Duchess* and *Valle Bianca* expired during the six months ended June 30, 2013 and no new time charters were entered into subsequently.

**Depreciation.** Depreciation expense for the six months ended June 30, 2014 was \$10.9 million, an increase of \$5.9 million or 117% from the six months ended June 30, 2013. The increase was the result of an increase in the average number of owned MR vessels to 15.2 from 6.7 for the six months ended June 30, 2014 and 2013, respectively. The Company took delivery of seven newbuilding MRs throughout 2013 and an additional nine newbuilding MRs during the six months ended June 30, 2014.

**General and administrative expenses.** General and administrative expenses for the six months ended June 30, 2014 were \$0.8 million, an increase of \$0.4 million or 104% from the six months ended June 30, 2013. General and administrative expenses for the MR segment primarily consist of administrative fees to SSH which increased as a result of the increase in the average number of owned MR vessels to 15.2 from 6.7 for the six months ended June 30, 2014 and 2013, respectively.

**Table of Contents****Handymax Segment**

The following table summarizes segment profit for our Handymax segment.

| <i>Handymax segment</i><br><i>In thousands of U.S. dollars</i> | For the six months<br>ended June 30, |           |          | Percentage<br>Change |
|--|--------------------------------------|-----------|----------|----------------------|
|  | 2014                                 | 2013      | Change   |                      |
| Vessel revenue   | \$ 25,356                            | \$ 18,377 | \$ 6,979 | 38%                  |
| Vessel operating costs   | (1,817)                              | (1,229)   | (588)    | (48%)                |
| Voyage expenses  | (24)                                 | (11)      | (13)     | (118%)               |
| Charterhire  | (20,461)                             | (13,346)  | (7,115)  | (53%)                |
| Depreciation   | (750)                                | (642)     | (108)    | (17%)                |
| General and administrative expenses                            | (72)                                 | (62)      | (10)     | (16%)                |
| Segment profit   | \$ 2,232                             | \$ 3,087  | \$ 855   | (28%)                |
| TCE per revenue day  | \$ 14,421                            | \$ 14,979 | (\$ 558) | (4%)                 |
| Owned vessel operating costs per day                           | 8,464                                | 6,453     | (2,011)  | (31%)                |
| Revenue days   | 1,757                                | 1,226     | 531      | 43%                  |
| Owned vessel operating days                                    | 215                                  | 181       | 34       | 19%                  |
| Average number of owned vessels                                | 1.2                                  | 1.0       | 0.2      | 19%                  |
| Average number of time chartered-in vessels                    | 8.5                                  | 5.8       | 2.7      | 48%                  |

**Vessel revenue.** Vessel revenue for the six months ended June 30, 2014 was \$25.4 million, an increase of \$7.0 million, or 38% from the six months ended June 30, 2013. The increase in revenue was the result of an increase in the number of revenue days to 1,757 from 1,226 which was primarily driven by an increase in the average number of time chartered-in vessels to 8.5 from 5.8 during the six months ended June 30, 2014 and 2013, respectively. Additionally, the Company took delivery of the first two ice class-1A Handymax tankers under its Newbuilding Program, *STI Comandante* and *STI Brixton*, during the six months ended June 30, 2014.

**Vessel operating costs.** Vessel operating costs for the six months ended June 30, 2014 were \$1.8 million, an increase of \$0.6 million, or 48% from the six months ended June 30, 2013. The increase was driven by an increase in vessel operating costs per day to \$8,464 from \$6,453 which was the result of unplanned repairs on *STI Highlander* during the six months ended June 30, 2014. Additionally, vessel operating days increased to 215 from 181 during the six months ended June 30, 2014 and 2013, respectively as a result of the deliveries of *STI Comandante* and *STI Brixton*.

**Charterhire.** Charterhire expense for the six months ended June 30, 2014 was \$20.5 million, an increase of \$7.1 million, or 53% from the six months ended June 30, 2013. This was the result of an increase in the average number of time chartered-in vessels to 8.5 from 5.8 during the six months ended June 30, 2014 and 2013, respectively. *Krisjanis Valdemars*, *Kraslava*, *Histria Azure*, *Histria Perla*, *Histria Coral*, *Jinan*, and *Freja Polaris* were time chartered-in for all or a portion of the six months ended June 30, 2013. In addition to these seven vessels, *Iver Progress* and *Iver Prosperity* were time chartered-in for all or a portion of the six months ended June 30, 2014.

**Liquidity and Capital Resources**

Our primary source of funds for our short-term and long-term liquidity needs will be the cash flows generated from our vessels, which primarily operate in the Scorpio Group Pools, in addition to availability under our 2013 Credit Facility, KEXIM and K-Sure Credit Facilities, and cash on hand. The Scorpio Group Pools reduce volatility because (i) they aggregate the revenues and expenses of all pool participants and distribute net earnings to the participants based on an agreed upon formula and (ii) some of the vessels in the pool are on time charter. Furthermore, spot charters provide flexibility and allow

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us to fix vessels at prevailing rates. We believe these cash flows from operations, amounts available for borrowing under our various credit facilities and our cash balance will be sufficient to meet our existing liquidity needs for the next 12 months from the date of this report. As of June 30, 2014, our cash balance was \$357.3 million, which was higher than our cash balance of \$78.8 million as of December 31, 2013.

For the six months ended June 30, 2014, our net cash inflow from operating activities was \$18.6 million, net cash outflow from investing activities was \$241.3 million and net cash inflow from financing activities was \$501.2 million. For the six months ended June 30, 2013, our net cash outflow from operating activities was \$7.0 million, net cash outflow from investing activities was \$323.5 million, and net cash inflow from financing activities was \$764.3 million.

The significant activity in our cash balance during the six months ended June 30, 2014 is summarized as follows:

*Newbuilding installment payments*

We made \$426.0 million of installment payments on our Newbuilding Program during the six months ended June 30, 2014. This includes the aggregate payments of \$216.2 million for the delivery installments of *STI Opera*, *STI Duchess*, *STI Texas City*, *STI Meraux*, *STI Chelsea*, *STI Lexington*, *STI San Antonio*, *STI Comandante*, *STI Brixton*, *STI Venere* and *STI Virtus*.

*Vessel sales*

In January 2014, we agreed to sell *Noemi* and *Senatore* for aggregate net proceeds of \$42.5 million. The sale of *Noemi* closed in March 2014 and the sale of *Senatore* closed in April 2014. As part of these sales, we repaid \$22.5 million into our 2010 Revolving Credit Facility in March 2014.

In April 2014, we closed on the sale of the 2008 built LR2 product tanker, *STI Spirit*, for net proceeds of \$29.5 million. As part of this sale, we repaid \$21.4 million into our STI Spirit Credit Facility in April 2014.

*Bank loan drawdowns*

In January 2014, we drew down \$72.4 million from our 2010 Revolving Credit Facility. Additionally, we made the following drawdowns from our secured credit facilities during the six months ended June 30, 2014 in connection with deliveries under our Newbuilding Program:

| Name                   | Drawdown date | Drawdown amount (\$ in millions) | Credit Facility      |
|------------------------|---------------|----------------------------------|----------------------|
| <i>STI Duchess</i>     | January 2014  | 16.5                             | 2011 Credit Facility |
| <i>STI Larvotto</i>    | January 2014  | 17.8                             | 2011 Credit Facility |
| <i>STI Le Rocher</i>   | January 2014  | 17.8                             | 2011 Credit Facility |
| <i>STI Ville</i>       | February 2014 | 21.8                             | 2013 Credit Facility |
| <i>STI Fontvieille</i> | February 2014 | 21.8                             | 2013 Credit Facility |
| <i>STI Opera</i>       | February 2014 | 20.5                             | 2013 Credit Facility |
| <i>STI Texas City</i>  | March 2014    | 20.5                             | 2013 Credit Facility |
| <i>STI Meraux</i>      | May 2014      | 19.3                             | 2013 Credit Facility |



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|                        |           |      |                        |
|------------------------|-----------|------|------------------------|
| <i>STI San Antonio</i> | June 2014 | 19.3 | 2013 Credit Facility   |
| <i>STI Venere</i>      | June 2014 | 19.5 | 2013 Credit Facility   |
| <i>STI Virtus</i>      | June 2014 | 19.8 | 2013 Credit Facility   |
| <i>STI Chelsea</i>     | June 2014 | 19.8 | K-Sure Credit Facility |
| <i>STI Lexington</i>   | June 2014 | 19.8 | K-Sure Credit Facility |
| <i>STI Comandante</i>  | June 2014 | 18.8 | KEXIM Credit Facility  |
| <i>STI Brixton</i>     | June 2014 | 18.8 | KEXIM Credit Facility  |

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The Company paid \$36.3 million of debt issuance costs during the six months ended June 30, 2014, primarily as a result of the execution of the KEXIM and K-Sure facilities in February 2014.

### *Senior Unsecured Notes due 2020*

In May 2014, we completed a \$50.0 million public offering of our 6.75% senior unsecured notes due 2020 (the Senior Notes ). In June 2014, the Company completed a \$3.75 million public offering of the Senior Notes when the underwriters partially exercised their option to purchase additional Senior Notes on the same terms and conditions. The net proceeds from the issuance of the Senior Notes were approximately \$48.2 million after deducting the underwriters' discounts, commissions and offering expenses.

### *Convertible Senior Notes due 2019*

In June 2014, we completed an offering for \$360 million in aggregate principal amount of our 2.375% convertible senior notes due 2019 (the Convertible Notes ) in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. This amount includes the full exercise of the initial purchasers' option to purchase an additional \$60 million in aggregate principal amount of the Notes in connection with the offering. The net proceeds from the issuance of the Convertible Notes and the exercise of the initial purchasers' option to purchase additional Convertible Notes were \$349.2 million after deducting the initial purchasers' discounts, commissions and estimated offering expenses of \$11.2 million. We used a portion of the net proceeds to repurchase \$95.0 million of our common stock or 10,127,600 shares at \$9.38 per share in a privately negotiated transaction.

### *Stock Buyback Program*

During the six months ended June 30, 2014, we acquired 22,626,385 common shares at an average price \$9.26 per share that are being held as treasury shares, which includes (i) 4,998,785 common shares that were purchased in the open market under the aforementioned buyback plans at an average price of \$8.87 per share, (ii) 7,500,000 common shares that were acquired in exchange for 3,422,665 shares in Dorian and (iii) 10,127,600 common shares that were acquired in conjunction with the Company's offering of \$360 million of Convertible Senior Notes.

### *Dividends*

In February 2014, the board of directors declared a quarterly cash dividend of \$0.08 per share, which was paid on March 26, 2014 to all shareholders of record as of March 11, 2014.

In April 2014, the board of directors declared a quarterly cash dividend of \$0.09 per share, which was paid on June 12, 2014 to all shareholders of record as of May 27, 2014.

As of June 30, 2014, our long-term liquidity needs were comprised of our debt repayment obligations for our credit facilities, our obligations under construction contracts related to the vessels in our Newbuilding Program, and obligations under our time charter-in arrangements.

Our credit facilities require us to comply with a number of covenants, including financial covenants related to liquidity, consolidated net worth, minimum interest coverage, maximum leverage ratios, loan to value ratios and collateral maintenance; delivery of quarterly and annual financial statements and annual projections; maintenance of adequate insurances; compliance with laws (including environmental); compliance with the Employee Retirement Income and Security Act, or ERISA; maintenance of flag and class of the initial vessels; restrictions on consolidations, mergers or sales of assets; approvals on changes in the manager of the vessels; limitations on liens; limitations on

additional indebtedness; prohibitions on paying dividends if a covenant breach or an event of default has occurred or would occur as a result of payment of a dividend; prohibitions on transactions with affiliates; and other customary covenants.

**Table of Contents****Cash Flows**

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

| <i>In thousands of U.S. dollars</i>                                | <b>For the six months ended June 30,</b> |             |
|--|--|-------------|
|  | <b>2014</b>                              | <b>2013</b> |
| <b>Unaudited condensed consolidated cash flows</b>                 |  |             |
| <b>Net cash inflow / (outflow) in respect of:</b>                  |  |             |
| Operating activities   | \$ 18,614                                | (\$ 7,037)  |
| Investing activities   | (241,340)                                | (323,548)   |
| Financing activities   | 501,188                                  | 764,269     |
| <b><i>Net cash inflow/ (outflow) from operating activities</i></b> |  |             |

Operating cash flows are driven by our results of operations along with movements in working capital. Both of these components were impacted by our growth when comparing the six months ended June 30, 2014 to the same period in 2013. Operating cash inflows, before changes in working capital were \$18.1 million for the six months ended June 30, 2014, a decrease of \$5.7 million from a cash inflow of \$23.8 million for the six months ended June 30, 2013. Our operating fleet grew to an average of 50.0 vessels from an average of 32.7 vessels for the six months ended June 30, 2014 and 2013, respectively which resulted in overall revenue growth of \$37.8 million. This growth was offset by (i) an increase in vessel operating costs of \$10.3 million, (ii) an increase in voyage expenses of \$2.0 million, (iii) an increase in charterhire expense of \$28.9 million and (iv) an increase in cash general and administrative expenses of \$2.9 million.

Including the effect of net movements in working capital of \$0.5 million, net cash inflow from operating activities was \$18.6 million for the six months ended June 30, 2014.

***Net cash outflow from investing activities***

Net cash outflow from investing activities was \$241.3 million for the six months ended June 30, 2014, which was a decrease of \$82.2 million from a cash outflow of \$323.5 million for the six months ended June 30, 2013. Investing activities during the six months ended June 30, 2014 consisted of (i) \$426.0 million of installment payments for vessels under our Newbuilding Program (which includes \$216.2 million for the delivery installments of 11 vessels delivered during the period) (ii) \$24.3 million of other capitalized costs relating to these newbuilding vessels and (iii) \$4.7 million of additional cash consideration for four MRs purchased in November 2013. We issued 3,611,809 shares in November 2013 at an issuance price of \$11.83 per share in exchange for the four MRs and the \$4.7 million payment represents a one-time post closing adjustment to the purchase price as a result of subsequent changes in the Company's share price.

The outflows mentioned above were offset by the receipt of net proceeds on the sale of our seven VLCCs under construction of \$141.7 million and the sales of *Noemi*, *Senatore* and *STI Spirit* of \$72.0 million.

Cash outflows from investing activities during the six months ended June 30, 2013 was driven by \$315.0 million of installment payments on our vessels under our Newbuilding Program which included the aggregate final installment payments of \$84.0 million relating to the deliveries of four vessels under our Newbuilding Program, and an additional \$8.6 million of other capitalized costs relating to these vessels.



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***Net cash inflow from financing activities***

Net cash inflow from financing activities was \$501.2 million for the six months ended June 30, 2014 compared to a net cash inflow of \$764.3 million six months ended June 30, 2013.

Cash inflow from financing activities during the six months ended June 30, 2014 consists of the following:

Drawdowns of \$364.0 million from our secured credit facilities which consists of:

\$72.4 million from our 2010 Revolving Credit Facility

\$52.0 million from our 2011 Credit Facility

\$162.5 million from our 2013 Credit Facility

\$39.6 million from K-Sure Credit Facility

\$37.5 million from the KEXIM Credit Facility.

The issuance of \$53.8 million aggregate principal amount Senior Notes due 2020 receiving net proceeds of \$48.2 million after deducting the underwriters' discounts, commissions and offering expenses.

The issuance of \$360.0 million aggregate principal amount of Convertible Senior Notes due 2019 receiving net proceeds of \$349.2 million after deducting the underwriters' discounts, commissions and offering expenses.

Loan repayments of \$56.1 million, which consists of:

\$22.5 million repayment into our 2010 Revolving Credit Facility as a result of the sales of *Noemi* and *Senatore*

\$21.4 million into the STI Spirit Credit Facility as a result of the sale of *STI Spirit*

\$12.2 million of scheduled principal payments on our 2010 Revolving Credit Facility, 2011 Credit Facility, STI Spirit Credit Facility, Newbuilding Credit Facility and 2013 Credit Facility.

The repurchase of \$139.6 million of common stock which includes the purchase of 4,998,785 common shares in the open market at an average price of \$8.87 per share and the purchase of 10,127,600 common shares of Company stock at \$9.38 per share in conjunction with the Company's offering of \$360 million of Convertible Senior Notes.

The payment of \$36.3 million of debt issuance costs, which includes costs relating to the KEXIM and K-Sure Credit Facilities which were signed in February 2014 and costs related to the issuance of the Senior Notes.

Dividend payments of \$33.9 million.

Cash inflow from financing activities for the six months ended June 30, 2013 consists of the following:

The receipt of aggregate net proceeds of \$738.2 million from our registered direct placements of common shares in February, March and May 2013.

Drawdowns of \$52.0 million under our 2011 Credit Facility to partially finance the deliveries of *STI Sapphire*, *STI Emerald* and *STI Beryl*.

The repayment of \$17.2 million into our 2010 Revolving Credit Facility along with scheduled principal payments of \$4.2 million into our 2011 Credit Facility and Newbuilding Credit Facility.

Dividend payments of \$4.1 million.

### Long-Term Debt Obligations and Credit Arrangements

The following is a table summarizing our indebtedness at June 30, 2014 and as of the date of this report:

| <i>In thousands of U.S. dollars</i> | <b>Amount outstanding<br/>at June 30,<br/>2014</b> | <b>Amount Outstanding as of<br/>the date of this<br/>report</b> | <b>Availability as of the date<br/>of this report</b> |
|-------------------------------------|--|---|---|
| 2010 Revolving Credit Facility      | \$ 45,667  | \$ 43,562   |   |
| 2011 Credit Facility                | 112,879  | 110,895   |   |
| Newbuilding Credit Facility         | 80,840   | 79,340  |   |
| 2013 Credit Facility                | 161,070  | 313,827   | 207,000 <sup>(1)</sup>                                |
| K-Sure Credit Facility              | 39,600   | 118,480   | 339,788 <sup>(2)</sup>                                |
| KEXIM Credit Facility               | 37,500   | 252,075   | 177,525 <sup>(3)</sup>                                |
| Senior Unsecured Notes              | 53,750   | 53,750  |   |
| Convertible Senior Notes            | 360,000  | 360,000   | (4)   |
| <b>Total</b>                        | <b>\$ 891,306</b>                                  | <b>\$ 1,331,924</b>   | <b>724,313</b>  |

- (1) Availability can be used to finance the lesser of 60% of the contract price for a qualifying newbuilding vessel or such vessel's fair market value at the date of drawdown.



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- (2) Availability can be used to finance the lesser of 60% of the newbuilding contract price and 74% of the fair market value of the relevant vessel specified in the agreement.
- (3) Availability can be used to finance the lesser of 60% of the newbuilding contract price and 74% of the fair market value of the relevant vessel specified in the agreement. Includes \$125.3 million of floating rate guaranteed notes due 2019 issued by Seven and Seven Ltd. in July 2014. See description of KEXIM Guaranteed Notes due 2019 for further information.
- (4) \$61.3 million of this amount has been attributed to the conversion feature of the Convertible Senior Notes and recorded within additional paid in capital on the consolidated balance sheet as of June 30, 2014.

***2010 Revolving Credit Facility***

In January 2014, we drew down \$72.4 million from the 2010 Revolving Credit Facility. In March 2014, we paid \$22.5 million into this facility as a result of the sales of *Noemi* and *Senatore*. As a result of this repayment, the availability of this facility was reduced by such amount and the quarterly reduction was reduced to \$2.1 million from \$3.1 million per quarter. We also wrote-off a total of \$0.2 million of deferred financing fees as part of these debt repayments.

The outstanding balance at June 30, 2014 was \$45.6 million and was fully drawn. As of December 31, 2013, there was no outstanding balance and there was \$72.4 million available to draw. We were in compliance with the financial covenants relating to this facility as of June 30, 2014.

***STI Spirit Credit Facility***

In April 2014, we closed on the sale of *STI Spirit* and repaid the full amount of \$21.4 million into the STI Spirit Credit Facility. As of December 31, 2013, there was \$21.7 million outstanding.

***2011 Credit Facility***

In January 2014, we drew down \$52.0 million from the 2011 Credit Facility. In connection with this draw down, *STI Duchessa*, *STI Le Rocher* and *STI Larvotto* were provided as collateral under the facility. The outstanding balance at June 30, 2014 and December 31, 2013 was \$112.9 million and \$64.0 million, respectively and the availability under this credit facility expired on January 31, 2014. We were in compliance with the financial covenants relating to this facility as of June 30, 2014.

***Newbuilding Credit Facility***

In March 2014, we converted the Credit Agricole credit facility from a term loan to a reducing revolving credit facility. This gives us the ability to draw down and repay the available commitments under the facility when needed. All other terms and definitions remain unchanged. The amount available is reduced by \$1.5 million each quarter until the maturity date in June 2019.

As of June 30, 2014 and December 31, 2013, the outstanding balance was \$80.8 million and \$83.8 million, respectively. We were in compliance with the financial covenants relating to this facility as of June 30, 2014.

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***2013 Credit Facility***

We drew down an aggregate of \$162.5 million from the 2013 Credit Facility during the six months ended June 30, 2014. As part of these drawdowns, *STI Opera*, *STI Fontvieille*, *STI Ville*, *STI Texas City*, *STI Meraux*, *STI San Antonio*, *STI Virtus* and *STI Venere* were provided as collateral under the facility.

The outstanding balance at June 30, 2014 was \$161.1 million and there was \$362.5 million available to draw which can be used to finance the lesser of 60% of the contract price for a qualifying newbuilding vessel and such vessel's fair market value at the date of drawdown. There was no outstanding balance at December 31, 2013. We were in compliance with the financial covenants relating to this facility as of June 30, 2014.

***K-Sure Credit Facility***

In February 2014, we entered into a \$458.3 million senior secured term loan facility which consists of a \$358.3 million tranche with a group of financial institutions that is being 95% covered by Korea Trade Insurance Corporation (the *K-Sure Tranche*) and a \$100.0 million commercial tranche with a group of financial institutions led by DNB Bank SA (the *Commercial Tranche*). We refer to this credit facility as our *K-Sure Credit Facility*.

Drawdowns under the *K-Sure Credit Facility* may occur in connection with the delivery of certain of our newbuilding vessels as specified in the agreement. The amount of each drawdown shall not exceed the lesser of 60% of the newbuilding contract price and 74% of the fair market value of the relevant vessel. Drawdowns are available until the earlier of (i) the delivery date of the last vessel specified in the agreement to be acquired, (ii) September 30, 2015 and (iii) the date on which the total commitments under the loan are fully borrowed, cancelled or terminated.

Repayments will be made in equal consecutive six month repayment installments in accordance with a 15 year repayment profile under the *Commercial Tranche* and a 12 year repayment profile under the *K-Sure Tranche*. Repayments will commence in July 2015 for the *K-Sure Tranche* and six months after the delivery of the last vessel to be acquired for the *Commercial Tranche*. The *Commercial Tranche* matures on the sixth anniversary of the delivery date of the last vessel to be acquired and the *K-Sure Tranche* matures in January 2027 assuming the *Commercial Tranche* is refinanced through that date.

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

In addition to restrictions imposed upon the owners of the vessels that are collateralized under this credit facility (such as, limitations on liens and limitations on the incurrence of additional indebtedness), our *K-Sure Credit Facility* includes financial covenants that require us to maintain:

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

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

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

The ratio of EBITDA to net interest expense greater than 2.50 to 1.00 calculated on a trailing four quarter basis.

Minimum liquidity of not less than the greater of \$25.0 million or 5% of total indebtedness.

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The aggregate fair market value of the vessels provided as collateral under the facility shall at all times be no less than 135% of the then aggregate outstanding principal amount of loans under the credit facility. In June 2014, we drew down an aggregate \$39.6 million from the K-Sure Credit Facility. In connection with this drawdown, *STI Lexington* and *STI Chelsea* were provided as collateral under the facility. As of June 30, 2014, the outstanding balance was \$39.6 million and we were in compliance with the financial covenants relating to this facility.

***KEXIM Credit Facility***

In February 2014, we executed a senior secured term loan facility with a group of financial institutions led by DNB Bank ASA and Skandinaviska Enskilda Banken AB (publ) and from the Export-Import Bank of Korea ( KEXIM ) for a total loan facility of \$429.6 million. This facility includes commitments from KEXIM of up to \$300.6 million (the KEXIM Tranche ) and a group of financial institutions led by DNB Bank ASA and Skandinaviska Enskilda Banken AB (publ) of up to \$129.0 million (the Commercial Tranche ). We refer to this credit facility as our KEXIM Credit Facility.

Drawdowns under the KEXIM Credit Facility may occur in connection with the delivery of 18 of our newbuilding vessels as specified in the loan agreement. The amount of each drawdown shall not exceed the lesser of 60% of the newbuilding contract price and 74% of the fair market value of the relevant vessel. Drawdowns are available until the earlier of (i) the delivery date of the last vessel specified in the agreement to be acquired, (ii) March 31, 2015 and (iii) the date on which the total commitments under the loan are fully borrowed, cancelled or terminated.

Repayments will be made in equal consecutive semi-annual repayment installments in accordance with a 15 year repayment profile under the Commercial Tranche and a 12 year repayment profile under the KEXIM Tranche. Repayments will commence on the next semi-annual date falling after the weighted average delivery date of the vessels specified under the facility for the KEXIM Tranche and on the next semi-annual date falling after the final delivery date of the vessels specified under the facility for the Commercial Tranche.

The Commercial Tranche matures on the sixth anniversary of the delivery date of the last vessel specified under the loan and the KEXIM Tranche matures on the twelfth anniversary of the weighted average delivery date of the vessels specified under the loan assuming the Commercial Tranche is refinanced through that date.

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

In addition to restrictions imposed upon the owners of the vessels that are collateralized under this credit facility (such as, limitations on liens and limitations on the incurrence of additional indebtedness), our KEXIM Credit Facility includes financial covenants that require us to maintain:

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

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

The ratio of EBITDA to net interest expense greater than 2.50 to 1.00 calculated on a trailing four quarter basis.

Minimum liquidity of not less than the greater of \$25.0 million or 5% of total indebtedness.

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

In addition to KEXIM's commitment of up to \$300.6 million, KEXIM has also provided an optional guarantee for a five year amortizing note of \$125.3 million (the KEXIM Guaranteed Note), which was issued by us in July 2014. A description of these notes is provided below.

In June 2014, we drew down an aggregate \$37.5 million from this credit facility. In connection with this drawdown, *STI Brixton* and *STI Comandante* were provided as collateral under the facility. As of June 30, 2014, the outstanding balance was \$37.5 million and we were in compliance with the financial covenants relating to this facility.

***Unsecured Senior Notes Due 2020***

On May 12, 2014, we issued \$50,000,000 aggregate principal amount of 6.75% Senior Notes due May 2020 (the Senior Notes) and on June 9, 2014, we issued an additional \$3,750,000 aggregate principal amount of Senior Notes when the underwriters partially exercised their option to purchase additional Senior Notes on the same terms and conditions. The net proceeds from the issuance of the Senior Notes were approximately \$48.2 million after deducting the underwriters' discounts, commissions and offering expenses.

All terms mentioned are defined in the indenture.

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

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

The Senior Notes requires us to comply with certain covenants, including financial covenants; restrictions on consolidations, mergers or sales of assets and prohibitions on paying dividends or returning capital to equity holders if a covenant breach or an event of default has occurred or would occur as a result of such payment. If the Company undergoes a change of control, holders may require us to repurchase for cash all or any portion of their notes at a

change of control repurchase price equal to 101% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the change of control purchase date.

The financial covenants include:

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

Net worth shall always exceed \$650.0 million.

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The outstanding balance at June 30, 2014 was \$53.8 million, and we were in compliance with the financial covenants relating to the Senior Notes as of that date.

***Convertible Senior Notes Due 2019***

In June 2014, we completed an offering for \$360 million in aggregate principal amount of convertible senior notes due 2019 (the Convertible Notes) in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. This amount includes the full exercise of the initial purchasers' option to purchase an additional \$60 million in aggregate principal amount of the Notes in connection with the offering. The net proceeds from the issuance of the Convertible Notes and the exercise of the initial purchasers' option to purchase additional Convertible Notes were \$349.2 million after deducting the initial purchasers' discounts, commissions and estimated offering expenses of \$11.2 million. We used a portion of the net proceeds to repurchase \$95.0 million of our common stock or 10,127,600 shares at \$9.38 per share in a privately negotiated transaction.

All terms mentioned are defined in the indenture.

The Convertible Notes bear interest at a rate of 2.375% per annum, and are payable semi-annually in arrears on January 1 and July 1 of each year beginning on January 1, 2015. The Convertible Notes will mature on July 1, 2019, unless earlier converted, redeemed or repurchased. The Convertible Notes are convertible in certain circumstances and during certain periods at an initial conversion rate of 82.0075 shares of common stock per \$1,000 (which represents an initial conversion price of approximately \$12.19 per share of common stock), subject to adjustment in certain circumstances as set forth in the indenture governing the Convertible Notes.

Holders may convert their notes at their option at any time prior to the close of business on the business day immediately preceding January 1, 2019 only under the following circumstances:

during any calendar quarter commencing after the calendar quarter ending on September 30, 2014 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 15 trading days (whether or not consecutive) during a period of 25 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;

during the five business day period after any five consecutive trading day period (the measurement period) in which the trading price (as defined below) per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day;

if the Company calls any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or

upon the occurrence of specified corporate events.

The Company may not redeem the notes prior to July 6, 2017. The Company may redeem for cash all or any portion of the notes, at our option, on or after July 6, 2017 if the last reported sale price of our common stock has been at least

130% of the conversion price then in effect for at least 15 trading days (whether or not consecutive) during any 25 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the Convertible Notes.

The Convertible Notes requires us to comply with certain covenants such as restrictions on consolidations, mergers or sales of assets. Additionally, if the Company undergoes a fundamental change, holders may require us to repurchase for cash all or any portion of their notes at a fundamental change repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

We determined the initial carrying value of the liability component of the Convertible notes to be \$298.7 million based on the fair value of a similar liability that does not have any associated conversion feature. We used our Senior Notes issued in May 2014 as the basis for this determination. The difference between the fair value of the liability component and the face value of the Convertible Notes will be amortized over the term of the Convertible Notes under the effective interest method and recorded as part of financial expenses. The residual value of \$61.3 million (the conversion feature) has been recorded to additional paid-in capital.



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On August 22, 2014, the conversion rate of the Convertible Senior Notes was adjusted to reflect the Company's payment of a cash dividend with respect to its common shares. The new conversion rate for the Notes was adjusted to 82.8556 shares of the Company's common shares per \$1,000 principal amount of the Notes, representing an increase of the prior conversion rate of 0.8481 shares for each \$1,000 principal amount of the Notes.

### ***KEXIM Guaranteed Notes Due 2019***

On July 18, 2014, Seven and Seven Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the Issuer), completed an offering of \$125,250,000 in aggregate principal amount of floating rate guaranteed notes due 2019 (the KEXIM Notes) in a private offering to qualified institutional buyers pursuant to the Securities Act and in offshore transactions complying with Regulation S under the Securities Act. The KEXIM Notes were issued in connection with the Company's KEXIM Credit Facility and will reduce KEXIM's funding obligations and the Company's borrowing costs under such facility by 1.55% per year. Seven and Seven Ltd. was incorporated for the purpose of facilitating this transaction and servicing the bonds until maturity.

Payment of 100% of all regularly scheduled installments of principal of, and interest on, the KEXIM Notes are guaranteed by The Export-Import Bank of Korea (KEXIM), a statutory juridical entity established under The Export-Import Bank of Korea Act of 1969, as amended, in the Republic of Korea.

The proceeds from the initial sale of the KEXIM Notes were deposited into a deposit account and were periodically distributed, subject to the satisfaction or waiver of applicable conditions, to the facility agent under the Company's KEXIM Credit Facility to finance advances to the borrowers thereunder to fund a portion of the purchase price of 18 new vessels, 10 of which are Handymax tankers and eight of which are LR2 tankers. Seven ice class Handymax tankers, *STI Comandante*, *STI Brixton*, *STI Pimlico*, *STI Hackney*, *STI Acton*, *STI Fulham* and *STI Camden* and four LR2 tankers, *STI Elysees*, *STI Madison*, *STI Park* and *STI Orchard*, were delivered between May and September 2014. The remaining seven vessels are expected to be delivered to the respective borrowers between November 2014 and December 2014.

The KEXIM Notes are currently listed to the Singapore Exchange Securities Trading Limited (the SGX-ST). The Notes are not listed on any other securities exchange, listing authority or quotation system.

## **Derivative Contracts**

### ***Interest rate swaps***

In March 2014, as a result of the sales of *Noemi* and *Senatore* and corresponding debt repayment, we reduced the notional amount on the three interest rate swaps relating to the 2010 Revolving Credit Facility to \$30.0 million from \$51.0 million. As a result of the reduction, we made a repayment of \$0.3 million to settle the liability outstanding as of the date of settlement and we recognized a realized gain on derivative financial instruments of \$0.02 million on the statement of income.

## **Capital Expenditures**

### ***Vessel acquisitions and disposals***

In August 2014, we reached an agreement with an unrelated third party to purchase an MR product tanker. The purchase price of the vessel is \$37.1 million and we took delivery of this vessel in September 2014.

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The following table sets forth vessel deliveries under our Newbuilding Program during 2014:

|   | Name                  | Month<br>Delivered | Vessel<br>Type |
|---|-----------------------|--------------------|----------------|
| 1 | <i>STI Duchessa</i>   | January 2014       | MR             |
| 2 | <i>STI Opera</i>      | January 2014       | MR             |
| 3 | <i>STI Texas City</i> | March 2014         | MR             |

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|    |                        |                |          |
|----|------------------------|----------------|----------|
| 4  | <i>STI Meraux</i>      | April 2014     | MR       |
| 5  | <i>STI San Antonio</i> | May 2014       | MR       |
| 6  | <i>STI Chelsea</i>     | May 2014       | MR       |
| 7  | <i>STI Lexington</i>   | May 2014       | MR       |
| 8  | <i>STI Comandante</i>  | May 2014       | Handymax |
| 9  | <i>STI Brixton</i>     | June 2014      | Handymax |
| 10 | <i>STI Venere</i>      | June 2014      | MR       |
| 11 | <i>STI Virtus</i>      | June 2014      | MR       |
| 12 | <i>STI Powai</i>       | July 2014      | MR       |
| 13 | <i>STI Aqua</i>        | July 2014      | MR       |
| 14 | <i>STI Pimlico</i>     | July 2014      | Handymax |
| 15 | <i>STI Elysees</i>     | July 2014      | LR2      |
| 16 | <i>STI Dama</i>        | July 2014      | MR       |
| 17 | <i>STI Olivia</i>      | August 2014    | MR       |
| 18 | <i>STI Mythos</i>      | August 2014    | MR       |
| 19 | <i>STI Hackney</i>     | August 2014    | Handymax |
| 20 | <i>STI Acton</i>       | September 2014 | Handymax |
| 21 | <i>STI Benicia</i>     | September 2014 | MR       |
| 22 | <i>STI Regina</i>      | September 2014 | MR       |
| 23 | <i>STI Park</i>        | September 2014 | LR2      |
| 24 | <i>STI Madison</i>     | September 2014 | LR2      |
| 25 | <i>STI Fulham</i>      | September 2014 | Handymax |
| 26 | <i>STI Orchard</i>     | September 2014 | LR2      |
| 27 | <i>STI St. Charles</i> | September 2014 | MR       |
| 28 | <i>STI Camden</i>      | September 2014 | Handymax |
| 29 | <i>STI Mayfair</i>     | October 2014   | MR       |
| 30 | <i>STI Yorkville</i>   | October 2014   | MR       |
| 31 | <i>STI Battersea</i>   | October 2014   | Handymax |
| 32 | <i>STI Wembley</i>     | October 2014   | Handymax |

As of the date of this report, we have 27 vessels under construction, 13 are scheduled for delivery remainder of 2014 and 14 in the first and second quarters of 2014. The remaining 27 vessels under construction have an aggregate purchase price of \$1,051.5 million. Of this amount, \$329.2 million in cash has been paid and \$39.5 million in common stock has been issued.

The following table is a timeline of future expected payments and dates for our vessels under construction as of date of this report.

|              |                           |
|--------------|---------------------------|
| Q3 2014      | \$ 451.2 million**        |
| Q4 2014      | 353.4 ***                 |
| Q1 2015      | 273.5                     |
| Q2 2015      | 139.4                     |
| <b>Total</b> | <b>\$ 1,217.5 million</b> |

\* These are estimates only and are subject to change as construction progresses.

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\*\* All third quarter 2014 installment payments have been paid as of the date of this report.

\*\*\* \$83.5 million of this amount has been paid as of the date of this report.

### *Vessel sales*

In December 2013, we designated *Noemi*, *Senatore*, *Venice* and *STI Spirit* as held for sale. As part of this designation, we recorded a \$21.2 million write-down to remeasure these vessels at the lower of their carrying amount and fair value less costs to sell.

In January 2014, we agreed to sell *Noemi* and *Senatore* for aggregate net proceeds of \$42.5 million. The sale of *Noemi* closed in March 2014 and the sale of *Senatore* closed in April 2014. As part of these sales, we repaid \$22.5 million into our 2010 Revolving Credit Facility in March 2014.

In February 2014, we agreed to sell the 2008 built LR2 product tanker, *STI Spirit*, for net proceeds of \$29.5 million. The sale closed in April 2014 and we repaid all amounts due under the *STI Spirit* Credit Facility of \$21.4 million.

### *Sale of VLCCs Under Construction*

In March 2014, we sold seven Very Large Crude Carriers ( VLCCs ) under construction. As a result of the sale, we received net proceeds of \$141.7 million in cash and recorded a gain of \$51.4 million. The book value of these assets at the time of sale (primarily consisting of installment payments made to date) was \$90.3 million.

As of June 30, 2013, we were still party to the performance guarantees under the related construction contracts with the shipyards. We are working with the buyer and the shipyards to novate the contracts to the buyers. Should the counterparty to this transaction fail to fulfill the obligations set forth under each construction contract, then the shipyards have legal recourse to seek payment from us to fulfill these obligations.

Please see [Liquidity and Capital Resources](#) [Long Term Debt Obligations and Credit Arrangements](#) for a discussion on the impact of these sales on the related credit facilities.

## **Drydock**

During the six months ended June 30, 2014, *Venice* was drydocked for a total cost of \$1.3 million and off-hire for 26 days.

As our fleet matures and expands, our drydock expenses will likely increase. Ongoing costs for compliance with environmental regulations and society classification survey costs are a component of our vessel operating costs. We are not currently aware of any regulatory changes or environmental liabilities that we anticipate will have a material impact on our results of operations or financial condition.

**Table of Contents****Dividends**

On February 21, 2014, our board of directors declared a quarterly cash dividend of \$0.08 per share, which was paid on March 26, 2014 to all shareholders of record as of March 11, 2014.

On April 28, 2014, our board of directors declared a quarterly cash dividend of \$0.09 per share, which was paid on June 12, 2014 to all shareholders as of May 27, 2014.

On July 28, 2014, our board of directors declared a quarterly cash dividend of \$0.10 per share, which was paid on September 10, 2014 to all shareholders as of August 22, 2014.

**Stock Buy-Back Program**

In April 2014, we resumed our stock buyback program. On April 28, 2014, our Board of Directors authorized a stock buyback program of \$100.0 million of our common stock. On June 27, 2014, our Board of Directors approved a new stock buyback program with authorization to purchase up to \$150 million of shares. This program replaces the Company's stock buyback program that was previously announced in April 2014.

On July 28, 2014, our Board of Directors approved a new stock buyback program with authorization to purchase up to \$150 million of shares of the Company's common stock. This program replaced the Company's stock buyback program that was previously announced in June 2014, which was terminated effective immediately. We expect to repurchase these shares in the open market, at times and prices that we consider to be appropriate, but we are not obligated under the terms of the program to repurchase any shares.

During 2014 (through the date of this report), we acquired 36,729,136 common shares that are being held as treasury shares, which includes (i) 19,101,536 common shares that were purchased in the open market at an average price of \$9.06 per share, (ii) 7,500,000 common shares that were acquired in exchange for 3,422,665 shares in Dorian and (iii) 10,127,600 common shares that were acquired in conjunction with the Company's offering of \$360 million of Convertible Senior Notes.

**Contractual Obligations**

The following table sets forth our total contractual obligations at June 30, 2014:

| <i>In thousands of U.S. dollars</i>                    | <b>Less than<br/>1 year</b> | <b>1 to 3<br/>years</b> | <b>3 to 5<br/>years</b> | <b>More than<br/>5 years</b> |
|--|-----------------------------|-------------------------|-------------------------|------------------------------|
| Bank loan <sup>(1)</sup>                               | 72,014                      | 151,016                 | 96,921                  | 157,605                      |
| Bank loan - estimated interest payments <sup>(2)</sup> | 15,270                      | 35,571                  | 27,902                  | 1,763                        |
| Interest rate swap derivative contracts <sup>(3)</sup> | 435                         |                         |                         |                              |
| Bank loan - commitment fees <sup>(4)</sup>             | 12,423                      | 1,329                   |                         |                              |
| Time charter-in commitments <sup>(5)</sup>             | 85,532                      | 4,817                   |                         |                              |
| Technical management fees <sup>(6)</sup>               | 6,750                       | 6,750                   |                         |                              |
| Commercial management fees <sup>(7)</sup>              | 3,093                       | 3,093                   |                         |                              |
| Newbuilding installments <sup>(8)</sup>                | 1,180,784                   |                         |                         |                              |
| Convertible senior notes <sup>(9)</sup>                |                             |                         |                         | 360,000                      |
|  | 8,550                       | 17,100                  | 17,076                  |                              |

|  |                  |                |                |                |
|--|------------------|----------------|----------------|----------------|
| Convertible senior notes - estimated interest payments |                  |                |                |                |
| <sup>(10)</sup>  |                  |                |                |                |
| Senior unsecured notes <sup>(11)</sup>                 |                  |                |                | 53,750         |
| Senior unsecured notes - estimated interest payments   |                  |                |                |                |
| <sup>(12)</sup>  | 3,628            | 7,256          | 7,256          | 3,144          |
| <b>Total</b>   | <b>1,388,479</b> | <b>226,932</b> | <b>149,155</b> | <b>576,262</b> |

- (1) Represents principal payments due on our 2010 Revolving Credit Facility, 2011 Credit Facility, Newbuilding Credit Facility, 2013 Credit Facility, KEXIM Credit Facility and K-Sure Credit Facility based on our outstanding borrowings as of June 30, 2014.

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- (2) Represents estimated interest payments on our credit facilities. These payments were estimated by taking into consideration (i) the margin on each credit facility, (ii) the amount of interest that is fixed based on our interest rate swap agreements and (iii) the forward curve calculated from the term structure of interest swap rates as published by the US Federal Reserve as of June 30, 2014.

The forward curve was calculated as follows as of June 30, 2014:

|        |       |
|--------|-------|
| Year 1 | 0.29% |
| Year 2 | 0.87% |
| Year 3 | 1.85% |
| Year 4 | 2.57% |
| Year 5 | 2.95% |
| Year 7 | 3.63% |

The margins on each credit facility that have amounts outstanding at June 30, 2014 are as follows:

| Facility                    | Margin               |
|-----------------------------|----------------------|
| 2010 Credit Facility        | 3.25%                |
| 2011 Credit Facility        | 3.25%                |
| STI Spirit Credit Facility  | 2.75%                |
| Newbuilding Credit Facility | 2.70%                |
| 2013 Credit Facility        | 3.50%                |
| KEXIM                       | 3.25%                |
| K-Sure Commercial Tranche   | 3.25% <sup>(A)</sup> |
| K-Sure Tranche              | 2.25%                |

- (A) Interest was then estimated using the above mentioned rates multiplied by the amounts outstanding under our various credit facilities using the balance as of June 30, 2014 and taking into consideration the scheduled amortization of such facilities going forward until maturity.

- (3) Represents estimated payments due under our interest rate swaps:

The three swaps relating to the 2010 Credit Facility with a total notional amount of \$30.0 million carrying an average fixed interest rate of 1.27% during the time period the swap is outstanding (July 1, 2014 through June 2, 2015). The payments due were estimated by offsetting the fixed payments against the estimated interest received using the forward swap curve at June 30, 2014 for each of the swaps.

The three swaps relating to the 2011 Credit Facility with a total notional amount of \$15.0 million carry an average fixed interest rate of 1.30% during the time period the swap is outstanding (July 1, 2014 through June 30, 2015). The payments due were estimated by offsetting the fixed payments against the estimated interest received using the forward swap curve at June 30, 2014 for each of the swaps.



- (4) As of June 30, 2014, a commitment fee equal to 40% of the applicable margin is payable on the unused daily portion of our 2013 Credit Facility, KEXIM Credit Facility and K-Sure Credit Facility. The 2010 Revolving Credit Facility and the Newbuilding Credit Facility were fully drawn as of June 30, 2014. Additionally, the availability under the 2011 Credit Facility expired on January 2014 and we repaid the full outstanding amount of \$21.4 million under the STI Spirit Credit Facility when we sold *STI Spirit* in April 2014.
  
- (5) Represents amounts due under our time charter-in agreements as of June 30, 2014.

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- (6) We pay our technical manager, SSM, \$685 per day per vessel, which are the same fees that SSM charges to third parties.
- (7) We pay our commercial manager, SCM, \$250 per vessel per day for LR2 vessels, \$300 per vessel per day for LR1 vessels, \$325 per vessel per day for MR and Handymax vessels plus 1.50% of gross revenue for vessels that are in one of the Scorpio Group Pools. When the vessels are not in the pools, SCM charges fees of \$250 per vessel per day for the LR1 and LR2 vessels, \$300 per vessel per day for the Handymax and MR vessels plus 1.25% of gross revenue.
- (8) Represents obligations under our agreements with HMD, SPP, HSHI and DSME for the construction of 47 newbuilding vessels under our Newbuilding Program as of June 30, 2014.
- (9) Represents the principal due at maturity on our convertible senior notes as of June 30, 2014.
- (10) Represents estimated interest payments on our Convertible Senior Notes. The Convertible Senior Notes bear interest at a coupon rate of 2.375% per annum and mature in July 2019.
- (11) Represents the principal due at maturity on our Senior Unsecured Notes as of June 30, 2014.
- (12) Represents estimated interest payment on our Senior Unsecured Notes. The Senior Unsecured Notes bear interest at a coupon rate of 6.75% and mature in May 2020.

**OFF-BALANCE-SHEET ARRANGEMENTS**

As of June 30, 2014, we were committed to make charter-hire payments to third parties for certain chartered-in vessels. These arrangements are accounted for as operating leases. Additionally, we are committed to make payments on our newbuilding vessel orders and remain party to the performance guarantees relating to the seven VLCCs that were sold in March 2014.

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS****Interest Rate Risk**

We are exposed to the impact of interest rate changes primarily through our unhedged variable-rate borrowings. Significant increases in interest rates could adversely affect our operating margins, results of operations and our ability to service our debt. From time to time, we will use interest rate swaps to reduce our exposure to market risk from changes in interest rates. The principal objective of these contracts is to minimize the risks and costs associated with our variable-rate debt and are not for speculative or trading purposes. Currently, we have six interest rate swaps which became effective on July 2, 2012 for an aggregate notional amount of \$45.0 million. The fair market value of our interest rate swaps was a liability of \$0.4 million at June 30, 2014.

| <i>In thousands of U.S. dollars</i>        | <b>2014</b> | <b>As of June 30, 2014</b> |              | <b>Fair Value</b> |
|--|-------------|----------------------------|--------------|-------------------|
|  |             | <b>2015</b>                | <b>Total</b> |                   |
| <b>2010 Credit Facility <sup>(1)</sup></b> |             |                            |              |                   |
| Pay fixed/ receive variable                |             | \$ 30,000                  | \$ 30,000    | (\$ 280)          |
| Average pay rate                           | 1.27%       | 1.27%                      |              |                   |
| <b>2011 Credit Facility <sup>(2)</sup></b> |             |                            |              |                   |
| Pay fixed/ receive variable                |             | \$ 15,000                  | \$ 15,000    | (\$ 155)          |
| Average pay rate                           | 1.30%       | 1.30%                      |              |                   |

(1)

In March 2014, as a result of the sales of *Noemi* and *Senatore* and corresponding debt repayment, we reduced the notional amount on three interest rate swaps relating to the 2010 Revolving Credit Facility to \$30.0 million from \$51.0 million. The notional amounts of the swaps relating to the 2010 Credit Facility have an average fixed rate of 1.27% starting on July 2, 2012 and expiring on June 2, 2015.

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(2) The notional amount of the swaps relating to the 2011 Credit Facility is \$15.0 million with an average fixed rate of 1.30%, starting on July 2, 2012 and expiring on June 30, 2015.

Based on the floating rate debt at June 30, 2014, a one-percentage point increase in the floating interest rate would decrease interest expense by \$4.4 million per year. The following table presents the due dates for the principal payments on our fixed and floating rate debt:

| <i>In thousands of U.S. dollars</i>                 | <b>2014</b>      | <b>As of June 30, 2014</b> |                        |                   |
|---|------------------|----------------------------|------------------------|-------------------|
|   |                  | <b>2015 -<br/>2016</b>     | <b>2017 -<br/>2018</b> | <b>Thereafter</b> |
| Principal payments floating rate debt (unhedged)    | \$ 13,275        | \$ 69,735                  | \$ 139,114             | \$ 219,971        |
| Principal payments fixed rate debt <sup>(1)</sup>   | 3,375            | 32,086                     |                        | 413,750           |
| <b>Total principal payments on outstanding debt</b> | <b>\$ 16,650</b> | <b>\$ 101,821</b>          | <b>\$ 139,114</b>      | <b>\$ 633,721</b> |

(1) Includes principal payments due on the swapped portion of our 2010 Revolving Credit Facility and 2011 Credit Facility in addition to principal payments due on our Senior Unsecured Notes and Convertible Senior Notes at their respective maturity dates.

**Spot Market Rate Risk**

The cyclical nature of the tanker industry causes significant increases or decreases in the revenue that we earn from our vessels, particularly those vessels that operate in the spot market or participate in pools that are concentrated in the spot market such as the Scorpio Group Pools. We currently have four vessels on time charter contracts. Additionally, we have the ability to remove our vessels from the pools on relatively short notice if attractive time charter opportunities arise. A \$1,000 per day increase or decrease in spot rates for all of our vessel classes would have increased or decreased our operating income by \$8.8 million and \$5.9 million for the six months ended June 30, 2014 and 2013, respectively.

**Foreign Exchange Rate Risk**

Our primary economic environment is the international shipping market. This market utilizes the U.S. Dollar as its functional currency. Consequently, virtually all of our revenues and the majority of our operating expenses are in U.S. Dollars. However, we incur some of our combined expenses in other currencies, particularly the Euro. The amount and frequency of some of these expenses (such as vessel repairs, supplies and stores) may fluctuate from period to period. Depreciation in the value of the U.S. dollar relative to other currencies will increase the U.S. dollar cost of us paying such expenses. The portion of our business conducted in other currencies could increase in the future, which could expand our exposure to losses arising from currency fluctuations.

There is a risk that currency fluctuations will have a negative effect on our cash flows. We have not entered into any hedging contracts to protect against currency fluctuations. However, we have some ability to shift the purchase of goods and services from one country to another and, thus, from one currency to another, on relatively short notice. We may seek to hedge this currency fluctuation risk in the future.

**Inflation**

We do not expect inflation to be a significant risk to direct expenses in the current and foreseeable economic environment.

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**CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

The significant judgments and estimates are as follows:

***Revenue recognition***

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

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

***Vessel impairment***

We evaluate the carrying amounts of our vessels to determine whether there is any indication that those vessels have suffered an impairment loss. If any such indication exists, the recoverable amount of vessels is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The projection of cash flows related to 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. As part of our process of assessing the fair value less costs to sell of the vessel, we obtain vessel valuations from leading, independent and internationally recognized ship brokers on an annual basis or when there is an indication that an asset or assets may be impaired. If an indication of impairment is identified, the need for recognizing an impairment loss is assessed by comparing the carrying amount of the vessels to the higher of the fair

value less cost to sell and the value in use. Likewise, if there is an indication that an impairment loss recognized in prior periods no longer exists or may have decreased, the need for recognizing an impairment reversal is assessed by comparing the carrying amount of the vessels to the latest estimate of recoverable amount.

***Vessel lives and residual value***

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

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

When regulations place significant limitations over the ability of a vessel to trade on a worldwide basis, the vessel's useful life is adjusted to end at the date such regulations become effective. The estimated salvage value of the vessels may not represent the fair market value at any one time since market prices of scrap values tend to fluctuate.

***Deferred drydock cost***

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



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**SCORPIO TANKERS INC. AND SUBSIDIARIES**

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**Table of Contents****Scorpio Tankers Inc. and Subsidiaries****Unaudited Condensed Consolidated Balance Sheets****June 30, 2014 and December 31, 2013**

| <i>In thousands of U.S. dollars</i>       | <b>Notes</b> | <b>As of</b><br><b>June 30, 2014</b> | <b>December 31, 2013</b> |
|---|--------------|--------------------------------------|--------------------------|
| <b>Assets</b>                             |              |                                      |                          |
| <b>Current assets</b>                     |              |                                      |                          |
| Cash and cash equivalents                 |              | \$ 357,307                           | \$ 78,845                |
| Accounts receivable                       |              | 76,104                               | 72,542                   |
| Prepaid expenses and other current assets |              | 4,552                                | 2,277                    |
| Inventories                               |              | 3,103                                | 2,857                    |
| Vessels held for sale                     | 2            | 11,980                               | 82,649                   |
| <b>Total current assets</b>               |              | <b>453,046</b>                       | <b>239,170</b>           |
| <b>Non-current assets</b>                 |              |                                      |                          |
| Vessels and drydock                       | 2            | 903,596                              | 530,270                  |
| Vessels under construction                | 3            | 610,655                              | 649,526                  |
| Other assets                              |              | 39,865                               | 17,907                   |
| Investment in associate                   | 4            | 154,251                              | 209,803                  |
| <b>Total non-current assets</b>           |              | <b>1,708,367</b>                     | <b>1,407,506</b>         |
| <b>Total assets</b>                       |              | <b>\$ 2,161,413</b>                  | <b>\$ 1,646,676</b>      |
| <b>Current liabilities</b>                |              |                                      |                          |
| Current portion of long-term debt         | 11           | 65,001                               | 10,453                   |
| Debt related to vessel held for sale      | 11           | 6,182                                | 21,397                   |
| Accounts payable                          |              | 12,741                               | 20,696                   |
| Accrued expenses                          |              | 8,513                                | 7,251                    |
| Derivative financial instruments          |              | 435                                  | 689                      |
| <b>Total current liabilities</b>          |              | <b>92,872</b>                        | <b>60,486</b>            |
| <b>Non-current liabilities</b>            |              |                                      |                          |
| Long term debt                            | 11           | 736,268                              | 135,279                  |
| Derivative financial instruments          | 12           |                                      | 188                      |
| <b>Total non-current liabilities</b>      |              | <b>736,268</b>                       | <b>135,467</b>           |
| <b>Total liabilities</b>                  |              | <b>829,140</b>                       | <b>195,953</b>           |
| <b>Shareholders' equity</b>               |              |                                      |                          |

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|   |    |                     |                     |
|---|----|---------------------|---------------------|
| Issued, authorized and fully paid in share capital: |    |                     |                     |
| Share capital                                       | 10 | 2,023               | 1,999               |
| Additional paid in capital                          | 10 | 1,572,281           | 1,536,945           |
| Treasury shares                                     |    | (214,569)           | (7,938)             |
| Hedging reserve                                     | 12 | (155)               | (212)               |
| Accumulated deficit                                 |    | (27,307)            | (80,071)            |
| <b>Total shareholders equity</b>                    |    | <b>1,332,273</b>    | <b>1,450,723</b>    |
| <b>Total liabilities and shareholders equity</b>    |    | <b>\$ 2,161,413</b> | <b>\$ 1,646,676</b> |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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**Table of Contents****Scorpio Tankers Inc. and Subsidiaries****Unaudited Condensed Consolidated Statements of Income****For the six months ended June 30, 2014 and 2013**

| <i>In thousands of U.S. dollars except per share and share data</i> | <b>Notes</b> | <b>For the six months ended<br/>June 30,</b> |                  |
|---|--------------|--|------------------|
|   |              | <b>2014</b>                                  | <b>2013</b>      |
| <b>Revenue</b>  |              |  |                  |
| Vessel revenue  | 6            | \$ 134,179                                   | \$ 96,457        |
| <b>Operating expenses</b>   |              |  |                  |
| Vessel operating costs  |              | (26,750)                                     | (16,498)         |
| Voyage expenses   |              | (4,525)                                      | (2,533)          |
| Charterhire   | 8            | (76,393)                                     | (47,469)         |
| Depreciation  |              | (13,322)                                     | (10,288)         |
| General and administrative expenses                                 |              | (22,615)                                     | (8,049)          |
| Gain on sale of VLCCs   | 3            | 51,419                                       |                  |
| Gain on sale of Dorian shares                                       |              | 10,924                                       |                  |
| <b>Total operating expenses</b>                                     |              | <b>(81,262)</b>                              | <b>(84,837)</b>  |
| <b>Operating income</b>   |              | <b>52,917</b>                                | <b>11,620</b>    |
| <b>Other (expense) and income, net</b>                              |              |  |                  |
| Financial expenses  |              | (871)  | (1,875)          |
| Realized gain on derivative financial instruments                   | 12           | 17   | 23               |
| Unrealized gain on derivative financial instruments                 | 12           | 112  | 365              |
| Financial income  |              | 69   | 550              |
| Share of income from associate                                      | 4            | 573  |                  |
| Other expenses, net   |              | (53)   | (107)            |
| <b>Total other expenses, net</b>                                    |              | <b>(153)</b>                                 | <b>(1,044)</b>   |
| <b>Net income</b>   |              | <b>\$ 52,764</b>                             | <b>\$ 10,576</b> |
| <b>Earnings per share</b>   |              |  |                  |
| Basic   | 10           | \$ 0.28                                      | \$ 0.09          |
| Diluted   | 10           | \$ 0.28                                      | \$ 0.09          |
| Basic weighted average shares outstanding                           | 10           | 187,563,892                                  | 114,037,469      |
| Diluted weighted average shares outstanding                         | 10           | 190,849,841                                  | 114,760,269      |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.



**Table of Contents****Scorpio Tankers Inc. and Subsidiaries****Unaudited Condensed Consolidated Statements of Comprehensive Income****For the six months ended June 30, 2014 and 2013**

| <i>In thousands of U.S. dollars</i>                                  | <b>Notes</b> | <b>For the six months ended June 30,</b> |             |
|--|--------------|--|-------------|
|  |              | <b>2014</b>                              | <b>2013</b> |
| <b>Net income</b>  |              | \$ 52,764                                | \$ 10,576   |
| <b>Other comprehensive income:</b>                                   |              |  |             |
| <i>Items that may be reclassified subsequently to profit or loss</i> |              |  |             |
| Cash flow hedges   |              |  |             |
| Unrealized gain on derivative financial instruments                  | 12           | 57                                       | 79          |
| <b>Other comprehensive income</b>                                    |              | 57                                       | 79          |
| <b>Total comprehensive income</b>                                    |              | \$ 52,821                                | \$ 10,656   |
| Attributable to:   |              |  |             |
| Equity holders of the parent   |              | \$ 52,821                                | \$ 10,656   |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**Table of Contents****Scorpio Tankers Inc. and Subsidiaries****Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity****For the six months ended June 30, 2014 and 2013***In thousands of U.S. dollars*

| <i>except share data</i>   | <b>Number of<br/>shares outstanding</b> | <b>Share<br/>capital</b> | <b>Additional<br/>paid-in<br/>capital</b> | <b>Treasury<br/>shares</b> | <b>Accumulated<br/>deficit</b> | <b>Hedging<br/>reserve</b> | <b>Total</b> |
|--|---|--------------------------|---|----------------------------|--------------------------------|----------------------------|--------------|
| Balance as of<br>January 1, 2013   | 63,827,846                              | \$ 650                   | \$ 519,493                                | (\$ 7,938)                 | (\$ 97,086)                    | (\$ 329)                   | \$ 414,790   |
| Net income for the<br>period   |   |                          |   |                            | 10,576                         |                            | 10,576       |
| Other comprehensive<br>income  |   |                          |   |                            |                                | 79                         | 79           |
| Net proceeds from<br>follow on offerings   | 95,828,578                              | 958                      | 737,052                                   |                            |                                |                            | 738,010      |
| Issuance of restricted<br>stock  | 5,000,000                               | 50                       | (50)                                      |                            |                                |                            |              |
| Amortization of<br>restricted stock  |   |                          | 2,882                                     |                            |                                |                            | 2,882        |
| Dividends paid   |   |                          | (4,116)                                   |                            |                                |                            | (4,116)      |
| <b>Balance as of<br/>June 30, 2013</b>   | 164,656,424                             | \$ 1,658                 | \$ 1,255,261                              | (\$ 7,938)                 | (\$ 86,510)                    | (\$ 250)                   | \$ 1,162,221 |
| Balance as of<br>January 1, 2014   | 198,791,502                             | \$ 1,999                 | \$ 1,536,945                              | (\$ 7,938)                 | (\$ 80,071)                    | (\$ 212)                   | \$ 1,450,723 |
| Net income for the<br>period   |   |                          |   |                            | 52,764                         |                            | 52,764       |
| Other comprehensive<br>income  |   |                          |   |                            |                                | 57                         | 57           |
| Issuance of restricted<br>stock  | 2,369,045                               | 24                       | (24)                                      |                            |                                |                            |              |
| Amortization of<br>restricted stock  |   |                          | 14,436                                    |                            |                                |                            | 14,436       |
| Dividends paid   |   |                          | (33,860)                                  |                            |                                |                            | (33,860)     |
| Purchase of treasury<br>shares   | (22,626,385)                            |                          |   | (206,631)                  |                                |                            | (206,631)    |
| Equity component of<br>the Senior Convertible<br>Notes, net of issuance<br>costs (see Note 11) |   |                          | 59,434                                    |                            |                                |                            | 59,434       |
| Shares issued for<br>acquisition of vessels  |   |                          | (4,650)                                   |                            |                                |                            | (4,650)      |

(1)

|  |             |          |              |              |             |          |              |
|--|-------------|----------|--------------|--------------|-------------|----------|--------------|
| <b>Balance as of<br/>June 30, 2014</b> | 178,534,162 | \$ 2,023 | \$ 1,572,281 | (\$ 214,569) | (\$ 27,307) | (\$ 155) | \$ 1,332,273 |
|--|-------------|----------|--------------|--------------|-------------|----------|--------------|

- (1) In 2013, the Company purchased four MRs under construction and issued 3.6 million common shares as partial consideration of the purchase price. This amount represents a one-time post-closing adjustment to this share based payment transaction as a result of subsequent changes in the Company's share price (see Note 3). The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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**Table of Contents****Scorpio Tankers Inc. and Subsidiaries****Unaudited Condensed Consolidated Cash Flow Statements****For the six months ended June 30, 2014 and 2013**

| <i>In thousands of U.S. dollars</i>                                | <b>Notes</b> | <b>For the six months ended June 30,</b> |             |
|--|--------------|--|-------------|
|  |              | <b>2014</b>                              | <b>2013</b> |
| <b>Operating activities</b>  |              |  |             |
| Net income   |              | \$ 52,764                                | \$ 10,576   |
| Gain on sale of VLCCs  | 2            | (51,419)                                 |             |
| Gain on sale of Dorian shares                                      | 4            | (10,924)                                 |             |
| Depreciation   |              | 13,322                                   | 10,288      |
| Amortization of restricted stock                                   | 9            | 14,436                                   | 2,882       |
| Amortization of deferred financing fees                            |              | 468                                      | 536         |
| Straight-line adjustment for charterhire expense                   |              | 3  | (118)       |
| Share of income from associate                                     | 4            | (573)                                    |             |
| Unrealized gain on derivative financial instruments                | 12           | (112)                                    | (365)       |
| Amortization of acquired time charter contracts                    |              | 114                                      |             |
| Accretion of convertible senior notes                              |              | 29                                       |             |
|  |              | 18,108                                   | 23,799      |
| Changes in assets and liabilities:                                 |              |  |             |
| Drydock payments   |              | (953)                                    | (1,381)     |
| Increase in inventories  |              | (246)                                    | (356)       |
| Increase in accounts receivable                                    |              | (3,563)                                  | (26,410)    |
| Increase in prepaid expenses and other current assets              |              | (1,230)                                  | (3,146)     |
| Increase in other assets   |              |  | (394)       |
| Increase in accounts payable                                       |              | 5,036                                    | 1,684       |
| Increase / (decrease) in accrued expenses                          |              | 1,736                                    | (833)       |
| Interest rate swap termination payment                             |              | (274)                                    |             |
|  |              | 506                                      | (30,836)    |
| <b>Net cash inflow / (outflow) from operating activities</b>       |              | 18,614                                   | (7,037)     |
| <b>Investing activities</b>  |              |  |             |
| Acquisition of vessels and payments for vessels under construction |              | (455,010)                                | (323,548)   |
| Proceeds from disposal of vessels                                  |              | 213,670                                  |             |
| <b>Net cash outflow from investing activities</b>                  |              | (241,340)                                | (323,548)   |

|  |                   |                   |
|--|-------------------|-------------------|
| <b>Financing activities</b>                        |                   |                   |
| Debt repayments                                    | (56,056)          | (21,452)          |
| Issuance of debt                                   | 417,782           | 52,050            |
| Debt issuance costs                                | (36,252)          | (439)             |
| Proceeds from issuance of convertible senior notes | 360,000           |                   |
| Convertible senior notes issuance costs            | (10,803)          |                   |
| Gross proceeds from issuance of common stock       |                   | 765,037           |
| Equity issuance costs                              | (42)              | (26,811)          |
| Dividends paid                                     | (33,860)          | (4,116)           |
| Repurchase of common stock                         | (139,581)         |                   |
| <b>Net cash inflow from financing activities</b>   | <b>501,188</b>    | <b>764,269</b>    |
| <b>Increase in cash and cash equivalents</b>       | <b>278,462</b>    | <b>433,684</b>    |
| Cash and cash equivalents at January 1,            | 78,845            | 87,165            |
| <b>Cash and cash equivalents at June 30,</b>       | <b>\$ 357,307</b> | <b>\$ 520,849</b> |
| <b>Supplemental information:</b>                   |                   |                   |
| Interest paid                                      | \$ 5,719          | \$ 3,067          |

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In May 2014, we acquired 7,500,000 of our common shares from an existing shareholder in exchange for the sale to said shareholder of 3,422,665 common shares in Dorian in a privately negotiated transaction. As a result, we recognized a gain of approximately \$10.9 million. This item represents a significant non-cash transaction incurred during the six months ended June 30, 2014.

As of June 30, 2013, we accrued \$3.7 million for an installment payment on a newbuilding vessel. This payment was made in July 2013. This item represents a significant non-cash transaction incurred during the six months ended June 30, 2013.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

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**Notes to the unaudited condensed consolidated financial statements**

**1. General information and significant accounting policies**

**Company**

Scorpio Tankers Inc. and its subsidiaries (together we, our or the Company) are engaged in the seaborne transportation of refined petroleum products in the international shipping markets. Scorpio Tankers Inc. was incorporated in the Republic of the Marshall Islands on July 1, 2009. On April 6, 2010, we closed on our initial public offering and the stock currently trades on the New York Stock Exchange under the symbol STNG.

Our owned fleet at June 30, 2014 consisted of 27 tankers (three Handymax tankers, 21 MR tankers, two LR1 tankers and one post-panamax tanker), 26 time chartered-in tankers (eight Handymax tankers, four MR tankers, six LR1 tankers and eight LR2 tankers), and 47 newbuilding product tankers. We also owned 16.4% of Dorian LPG Ltd (Dorian), a liquefied petroleum gas shipping company, at June 30, 2014. At June 30, 2014, Dorian's fleet consisted of three Very Large Gas Carriers (VLGCs) and one pressurized gas carrier and had 19 VLGCs under construction.

Our vessels are commercially managed by Scorpio Commercial Management S.A.M. (SCM), which is majority owned by the Lolli-Ghetti family of which, Emanuele Lauro, our Chairman and Chief Executive Officer is a member. SCM's services include securing employment, in pools, in the spot market and on time charters.

Most of our vessels are technically managed by Scorpio Ship Management S.A.M. (SSM), which is majority owned by the Lolli-Ghetti family. SSM facilitates vessel support such as crew, provisions, deck and engine stores, insurance, maintenance and repairs, and other services as necessary to operate the vessels such as drydocks and vetting/inspection under a technical management agreement.

We also have an administrative services agreement with Scorpio Services Holding Ltd. (SSH), which is majority owned by the Lolli-Ghetti family. The administrative services provided under this agreement primarily include accounting, legal compliance, financial, information technology services, and the provision of administrative staff and office space, which are contracted to SCM. We pay our managers fees for these services and reimburse them for direct or indirect expenses that they incur in providing these services.

**Basis of accounting**

The unaudited condensed consolidated financial statements have been presented in United States dollars (USD or \$), which is the functional currency of Scorpio Tankers Inc. and all of its subsidiaries.

The unaudited condensed consolidated financial statements for the six months ended June 30, 2014 and June 30, 2013 have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Statements*, as issued by the International Accounting Standards Board using the same accounting policies as adopted in the preparation of the consolidated financial statements for the year ended December 31, 2013. This unaudited condensed consolidated interim financial report does not include all of the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards.

**Adoption of new and amended IFRS and IFRIC interpretations from January 1, 2014**

*Standards and interpretations adopted during the period*

IFRIC 21 - Levies

Amendment to IAS 32 - Financial instruments: Presentation    Offsetting financial assets and liabilities

Amendments to IAS 36    Impairment of Assets: On recoverable amount disclosures

Amendments to IAS 39    Financial Instruments: Recognition and measurement, on novation of derivative  
The adoption of these standards did not have a material impact on these unaudited condensed consolidated financial statements.

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*Standard and Interpretation issued not yet adopted*

At the date of authorization of these unaudited condensed consolidated financial statements, the following Standards which have not been applied in these unaudited condensed consolidated financial statements were issued but not yet effective:

Amendment to IAS 16 & IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization

Amendment to IAS 19 Employee benefits: Employee contributions

Amendment to IFRS 11 Joint arrangements

Annual improvement 2010-2012

Annual improvement 2011-2013

IFRS 9 Financial Instruments

IFRS 14 - Regulatory deferral accounts

IFRS 15 Revenue from contracts with customers

We do not expect that the adoption of these standards in future periods will have a material impact on our financial statements.

**New accounting policies**

*Convertible debt instruments*

In June 2014, we completed an offering for \$360 million in aggregate principal amount of convertible senior notes due 2019 (the Convertible Notes) in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933 (as further described in Note 11). This amount includes the full exercise of the initial purchaser's option to purchase an additional \$60 million in aggregate principal amount of the Convertible Notes in connection with the offering.

Under International Accounting Standard 32 (IAS 32), we must separately account for the liability and equity components of convertible debt instruments (such as the Convertible Notes) in a manner that reflects the issuer's economic interest cost. Under this methodology, the instrument is split between its liability and equity components upon initial recognition. The fair value of the liability is measured first, by estimating the fair value of a similar liability that does not have any associated equity conversion option. This becomes the liability's carrying amount at

initial recognition, which is recorded as part of Debt on the unaudited condensed consolidated balance sheet. The equity component (the conversion feature) is assigned the residual amount after deducting the amount separately determined for the liability component from the fair value of the instrument as a whole and is recorded as part of additional paid-in capital within stockholders' equity on our unaudited condensed consolidated balance sheet. Issuance costs are allocated proportionately between the liability and equity components.

The value of the equity component is treated as an original issue discount for purposes of accounting for the liability component of the notes. Accordingly, we are required to record non-cash interest expense as a result of the amortization of the discounted carrying value of the Convertible Notes to their face amount over the term of the Convertible Notes. IAS 32 therefore requires interest to include both the current period's amortization of the debt discount and the instrument's coupon interest.

#### *Earnings Per Share*

We apply the if-converted method when determining diluted earnings per share. This requires the assumption that all potential ordinary shares have been converted into ordinary shares at the beginning of the period or, if not in existence at the beginning of the period, the date of the issue of the financial instrument or the granting of the rights by which they are granted. Under this method, once potential ordinary shares are converted into ordinary shares during the period, the dividends, interest and other expense associated with those potential ordinary shares will no longer be incurred. The effect of conversion, therefore, is to increase profit (or reduce losses) attributable to ordinary equity holders as well as the number of shares in issue.

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Diluted earnings per share incorporates the potential dilutive impact of our Convertible Notes which were issued in June 2014 (as further described in Note 11). Conversion will not be assumed for purposes of computing diluted earnings per share if the effect would be anti-dilutive.

**2. Vessels and drydock***Vessel held for sale*

In December 2013, we designated *Noemi*, *Senatore*, *Venice* and *STI Spirit* as held for sale. As part of this designation, we recorded a \$21.2 million write-down to remeasure these vessels at the lower of their carrying amount and fair value less costs to sell. Their revised carrying amount of \$82.6 million was then reclassified from Vessels to Vessels Held for Sale on the consolidated balance sheet as of December 31, 2013.

In January 2014, we agreed to sell *Noemi* and *Senatore* for aggregate net proceeds of \$42.5 million. The sale of *Noemi* closed in March 2014 and the sale of *Senatore* closed in April 2014. These sales resulted in a \$42.5 million reduction in Vessels Held for Sale. As part of these sales, we repaid \$22.5 million into our 2010 Revolving Credit Facility in March 2014. This repayment and the resultant impact on this credit facility are discussed further in Note 11.

In April 2014, we closed on the sale of the 2008 built LR2 product tanker, *STI Spirit*, for net proceeds of \$29.5 million which resulted in the commensurate reduction in Vessels Held for Sale. As part of this sale, we repaid \$21.4 million into our STI Spirit Credit Facility in April 2014. The repayment and the resultant impact on this credit facility are discussed further in Note 11.

In April 2014, *Venice* incurred \$1.3 million of drydock costs that have been capitalized as part of the carrying amount of that vessel as of June 30, 2014.

The following is a rollforward of the activity within Vessels and drydock:

| <i>In thousands of U.S. dollars</i>            | Vessels    | Drydock   | Total      |
|--|------------|-----------|------------|
| <b>Cost</b>                                    |            |           |            |
| As of January 1, 2014                          | \$ 566,583 | \$ 12,102 | \$ 578,685 |
| Additions <sup>(1)</sup>                       | 378,498    | 8,150     | \$ 386,648 |
| As of June 30, 2014                            | 945,081    | 20,252    | 965,333    |
| <b>Accumulated depreciation and impairment</b> |            |           |            |
| As of January 1, 2014                          | (45,021)   | (3,394)   | (48,415)   |
| Charge for the period                          | (11,732)   | (1,590)   | (13,322)   |
| As of June 30, 2014                            | (56,753)   | (4,984)   | (61,737)   |
| <b>Net book value</b>                          |            |           |            |
| As of June 30, 2014                            | \$ 888,328 | \$ 15,268 | \$ 903,596 |
| <b>Net book value</b>                          |            |           |            |



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As of December 31, 2013

\$ 521,562    \$ 8,708    \$ 530,270

- (1) Additions in 2014 primarily relate to the deliveries of 11 newbuilding vessels and corresponding calculations of notional drydock on these vessels.

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**Table of Contents***Newbuilding vessel deliveries*

The following table sets forth vessel deliveries under our Newbuilding Program during the six months ended June 30, 2014:

|    | Name                                  | Month<br>Delivered | Vessel<br>Type |
|----|---------------------------------------|--------------------|----------------|
| 1  | <i>STI Duchessa</i>                   | January 2014       | MR             |
| 2  | <i>STI Opera</i>                      | January 2014       | MR             |
| 3  | <i>STI Texas City</i> <sup>(1)</sup>  | March 2014         | MR             |
| 4  | <i>STI Meraux</i> <sup>(2)</sup>      | April 2014         | MR             |
| 5  | <i>STI San Antonio</i> <sup>(2)</sup> | May 2014           | MR             |
| 6  | <i>STI Chelsea</i>                    | May 2014           | MR             |
| 7  | <i>STI Lexington</i>                  | May 2014           | MR             |
| 8  | <i>STI Comandante</i>                 | May 2014           | Handymax       |
| 9  | <i>STI Brixton</i>                    | June 2014          | Handymax       |
| 10 | <i>STI Venere</i>                     | June 2014          | MR             |
| 11 | <i>STI Virtus</i>                     | June 2014          | MR             |

(1) After delivery, this vessel began a time charter for two years, which also includes a profit sharing mechanism whereby earnings in excess of the base time charter rate will be split between the Company and charterer.

(2) After delivery, this vessel began a time charter for one year, which also includes a profit sharing mechanism whereby earnings in excess of the base time charter rate will be split between the Company and charterer.

As a result of these deliveries, we reclassified \$384.2 million from Vessels under construction to Vessels during the six months ended June 30, 2014.

*Carrying values of vessels and vessels under construction*

At each balance sheet date, we review the carrying amounts of vessels and related drydock costs, vessels under construction (discussed in Note 3) and vessels held for sale to determine if there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of these assets is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. As part of this evaluation, we consider certain indicators of potential impairment, such as market conditions including forecast time charter rates and values for second hand product tankers, discounted projected vessel operating cash flows and the Company's overall business plans.

At June 30, 2014, we reviewed the carrying amount of our vessels to determine whether there was an indication that these assets had suffered an impairment. First, we compared the carrying amount of our vessels to their fair values less costs to sell (determined by taking into consideration two independent broker valuations). If the carrying amount of our vessels was greater than the fair values less costs to sell, we prepared a value in use calculation where we estimated the vessel's future cash flows based on a combination of the latest forecast, published time charter rates for the next three years, a steady growth rate in freight rates in each period thereafter which is based on management's long term view of the market, and our best estimate of vessel operating expenses and drydock costs. These cash flows were then discounted to their present value using an estimated weighted average cost of capital of 8.45%. The results of these tests were as follows:

At June 30, 2014, we had 27 vessels in our fleet and 47 vessels under construction:

One vessel was held for sale and carried at its fair value less costs to sell

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

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

Seven vessels under construction had fair values less costs to sell exceeding their carrying amount.

One vessel under construction had a fair value less costs to sell less than its carrying amount. We prepared a value in use calculation for this vessel which resulted in no impairment being recognized.

We did not obtain independent broker valuations for the remaining 39 vessels under construction. To assess their carrying values, we prepared value in use calculations which resulted in no impairment indicators.

**Table of Contents****3. Vessels under construction**

A roll-forward of activity within Vessels under construction is as follows:

*In thousands of U.S. dollars*

|   |                   |
|---|-------------------|
| <b>Balance as of January 1, 2014</b>                | <b>\$ 649,526</b> |
| Installment payments and other capitalized expenses | 428,632           |
| Sale of VLCCs <sup>(1)</sup>                        | (90,286)          |
| Capitalized interest                                | 6,953             |
| Transferred to operating vessels and drydock        | (384,170)         |
| <b>Balance as of June 30, 2014</b>                  | <b>\$ 610,655</b> |

(1) Represents installment payments on the seven VLCC newbuilding contracts that were sold in March 2014.

*Sale of VLCCs under Construction*

In March 2014, we sold seven Very Large Crude Carriers ( VLCCs ) under construction. As a result of the sale, we received net proceeds of \$141.7 million in cash, and we recorded a gain of \$51.4 million. The book value of these assets at the time of sale (primarily consisting of installment payments made to date) was \$90.3 million.

As of June 30, 2014, we were still party to the performance guarantees under the related construction contracts with the shipyards. We are working with the buyer and the shipyards to novate the contracts to the buyers. Should the counterparty to this transaction fail to fulfill the obligations set forth under each construction contract, then the shipyards have legal recourse to seek payment from us to fulfill these obligations.

*Capitalized interest*

In accordance with IAS 23 Borrowing Costs, applicable interest costs are capitalized during the period that vessels are under construction. For the six months ended June 30, 2014 and 2013, we capitalized interest expense for vessels under construction of \$7.0 million and \$2.6 million, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 3.8%. We cease capitalizing interest when the vessels reach the location and condition necessary to operate in the manner intended by management.

*Newbuilding Program*

As of June 30, 2014, we had a total of 47 newbuilding product tanker orders with Hyundai Mipo Dockyard Co. Ltd. of South Korea, ( HMD ), SPP Shipbuilding Co., Ltd. of South Korea, ( SPP ), Hyundai Samho Heavy Industries Co., Ltd., ( HSHI ), and Daewoo Shipbuilding and Marine Engineering Co., Ltd., ( DSME ), which included 23 MRs, 12 Handymax ice class-1A vessels and 12 LR2s for an aggregate purchase price of \$1,720.1 million. Of this amount, \$539.3 million in cash has been paid and \$49.7 million in common stock has been issued, as of that date.

The following table is a timeline of future expected payments and dates for our vessels under construction as of June 30, 2014\*:

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|              |                           |
|--------------|---------------------------|
| Q3 2014      | \$ 413.8 million**        |
| Q4 2014      | 357.5 ***                 |
| Q1 2015      | 266.6                     |
| Q2 2015      | 142.9                     |
| <b>Total</b> | <b>\$ 1,180.8 million</b> |

\* These are estimates only and are subject to change as construction progresses.

\*\* All third quarter 2014 installment payments have been paid as of the date of this report.

\*\*\* \$83.5 million of this amount has been paid as of the date of this report.

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**Table of Contents***2013 purchase of four MRs in exchange for common shares*

In November 2013, we issued 3,611,809 shares at an issuance price of \$11.83 per share in exchange for the transfer of ownership to the Company of four MR product tankers under construction. The agreement stipulated that if the Company's share price was not maintained at or above the issuance price for 20 days in the 180 day period following the closing date, then the Company will issue additional shares or pay cash to increase the value of the consideration to the value received at the closing date. In May 2014, we paid additional cash consideration of \$4.7 million to the counterparties of this transaction as a result of this agreement. This one-time adjustment was recorded against additional paid-in capital.

**4. Investment in Associate***Investment in Dorian LPG Ltd.*

As of June 30, 2014, we owned 9,392,083, shares or approximately 16.4% of the outstanding shares of Dorian. Dorian's shares are traded on the New York Stock Exchange ( NYSE ) under the symbol LPG and closed at \$22.99 per share on June 30, 2014.

In February 2014, Dorian completed a follow on offering of common shares which resulted in the dilution of our ownership percentage to 26.5% from 30.0%.

In April 2014, Dorian effected a one for five reverse stock split of its common shares, reducing our total number of shares held in Dorian. Concurrently with this reverse stock split, Dorian issued 1,412,698 shares in a private placement to an investor that is unrelated to us. Accordingly, our ownership percentage in Dorian reduced to 25.7% from 26.5% after giving effect to this private placement.

In May 2014, we acquired 7,500,000 of our common shares from an existing shareholder in exchange for the sale to said shareholder of 3,422,665 common shares in Dorian in a privately negotiated transaction. As a result, we recognized a gain of approximately \$10.9 million. Accordingly, our ownership percentage in Dorian reduced to 16.4% from 25.7% after giving effect to this transaction.

Given our ownership percentage relative to other shareholders, we have determined that despite the decrease in our ownership, we continue to maintain significant influence over Dorian's financial and operating policy decisions.

*Our share of current period results*

The following table depicts summarized unaudited financial information of Dorian for the six months ended June 30, 2014. Dorian prepares its financial statements in accordance with Generally Accepted Accounting Principles in the United States ( US GAAP ). As such adjustments were made to convert our share of Dorian's results from US GAAP to IFRS.

*Summary income statement information:*

| <i>In thousands of US dollars</i> | Dorian LPG Ltd. for | Impact of revaluation | Adjusted Dorian LPG Ltd. for the six |
|-----------------------------------|---------------------|-----------------------|--------------------------------------|
|-----------------------------------|---------------------|-----------------------|--------------------------------------|

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|                            | the six months<br>ended<br>June 30, 2014<br>(1) | and<br>conversion to<br>IFRS (2) | months ended<br>June 30, 2014 |
|----------------------------|---|----------------------------------|-------------------------------|
| Revenue                    | \$ 25,857                                       |                                  | \$ 25,857                     |
| Operating income           | 6,587   | (321)                            | 6,266                         |
| Net loss                   | 2,754   | (321)                            | 2,433                         |
| Our share of net<br>income | \$ 656  | (\$ 83)                          | \$ 573(3)                     |

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Summary balance sheet information:

| <i>In thousands of US dollars</i> | Dorian LPG Ltd. as of           |                                     |
|-----------------------------------|---------------------------------|-------------------------------------|
|                                   | June 30,<br>2014 <sup>(1)</sup> | December 31,<br>2013 <sup>(1)</sup> |
| Current assets                    | \$ 415,630                      | \$ 337,026                          |
| Non-current assets                | 583,046                         | 413,054                             |
| <b>Total assets</b>               | <b>998,676</b>                  | <b>750,080</b>                      |
| Current liabilities               | 16,736                          | 22,166                              |
| Non-current liabilities           | 131,924                         | 131,911                             |
| <b>Total liabilities</b>          | <b>148,660</b>                  | <b>154,077</b>                      |
| <b>Net assets</b>                 | <b>\$ 850,016</b>               | <b>\$ 596,003</b>                   |

(1) Prepared in accordance with US GAAP.

(2) This represents the (i) excess depreciation calculated as a result of our stepped up basis upon acquisition and (ii) our conversion of depreciation expense from US GAAP to IFRS.

(3) Calculated as 25.56% of Dorian's adjusted net loss for the six months ended June 30, 2014. This ratio was determined by calculating our weighted average ownership percentage during the period.

The following table represents a rollforward of the carrying value of our investment for the six months ended June 30, 2014:

| <i>In thousands of US dollars</i>                                 | Rollforward<br>of<br>carrying value |
|---|-------------------------------------|
| Carrying value at December 31, 2013                               | \$ 209,803                          |
| Disposal of shares <sup>(1)</sup>                                 | (56,125)                            |
| Our share of net income for the six months ended<br>June 30, 2014 | 573                                 |
| <b>Carrying value at June 30, 2014</b>                            | <b>\$ 154,251</b>                   |

(1) Represents the net book value of the 3,422,665 common shares the Company owned in Dorian that were exchanged for 7,500,000 of our common shares.

**5. Related party transactions**



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Transactions with entities controlled by the Lolli-Ghetti family (herein referred to as related party affiliates) in the unaudited condensed consolidated statement of income and balance sheet are as follows:

| <i>In thousands of US dollars</i>      | <b>For the six months ended</b> |             |
|--|---------------------------------|-------------|
|  | <b>June 30,</b>                 |             |
|  | <b>2014</b>                     | <b>2013</b> |
| Pool revenue <sup>(1)</sup>            |                                 |             |
| Scorpio MR Pool Limited                | \$ 42,990                       | \$ 40,894   |
| Scorpio Handymax Tanker Pool Limited   | 24,788                          | 18,375      |
| Scorpio LR2 Pool Limited               | 25,390                          | 10,187      |
| Scorpio Panamax Tanker Pool Limited    | 22,093                          | 17,582      |
| Vessel operating costs <sup>(2)</sup>  | (2,629)                         | (1,435)     |
| Commissions <sup>(3)</sup>             | (232)                           | (114)       |
| Administrative expenses <sup>(4)</sup> | (1,539)                         | (906)       |

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- (1) These transactions relate to revenue earned in the Scorpio LR2, Scorpio Panamax, Scorpio MR, and Scorpio Handymax Tanker Pools (the Pools), which are owned by Scorpio LR2 Pool Limited, Scorpio Panamax Tanker Pool Limited, Scorpio MR Pool Limited, and Scorpio Handymax Tanker Pool Limited, respectively. The Pools are related party affiliates.
- (2) These transactions represent technical management fees charged by SSM, a related party affiliate, which are included in vessel operating costs in the unaudited condensed consolidated statement of income. We believe our technical management fees for the six months ended June 30, 2014 and 2013 were at arms-length rates as they were based on contracted rates that were the same as those charged to other vessels managed by SSM at the time the management agreements were entered into. In June 2013, this fee was increased to \$685 per vessel per day from \$548 per vessel per day for technical management.
- (3) These transactions represent the expense due to SCM for commissions related to the commercial management services provided by SCM under the Commercial Management Agreement (see description below). Each vessel pays a commission of 1.25% of their gross revenue when not in the Pools. When our vessels are in the Pools, SCM, the pool manager, charges fees of \$300 per vessel per day with respect to our Panamax/LR1 vessels, \$250 per vessel per day with respect to our LR2 vessels, and \$325 per vessel per day with respect to each of our Handymax and MR vessels, plus 1.50% commission on gross revenues per charter fixture. These are the same fees that SCM charges other vessels in these pools, including third party owned vessels, and they are included in voyage expenses in the unaudited condensed consolidated statement of income.
- (4) We have an Administrative Services Agreement with Scorpio Services Holding Limited, or SSH, for the provision of administrative staff and office space, and administrative services, including accounting, legal compliance, financial and information technology services. SSH is a related party to us. We reimburse SSH for the reasonable direct or indirect expenses it incurs in providing us with the administrative services described above. SSH also arranges vessel sales and purchases for us. The services provided to us by SSH may be sub-contracted to other entities within the Scorpio Group.

Additionally, our Commercial Management Agreement with SCM includes a daily flat fee charged payable to SCM for the vessels that are not in one of the pools managed by SCM. The flat fee is \$250 per day for Panamaxes/LR1 and LR2 vessels and \$300 per day for Handymax and MR vessels.

The expense for the six months ended June 30, 2014 of \$1.5 million included the flat fee of \$0.4 million charged by SCM and administrative fees of \$1.1 million charged by SSH and were included in voyage expenses and general and administrative expenses in the unaudited condensed consolidated statement of income.

The expense for the six months ended June 30, 2013 of \$0.9 million included the flat fee of \$0.2 million charged by SCM and administrative fees of \$0.7 million charged by SSH and were included in voyage expenses and general and administrative expenses in the unaudited condensed consolidated statement of income.

Additionally, we issued 213,000 shares of restricted stock to SSH employees for no cash consideration in May 2014. During the six months ended June 30, 2014, we recognized \$59,435 of expense relating to this issuance, which was included in general and administrative expenses in the unaudited condensed consolidated statement of income. See Note 9 for further description of this issuance and its vesting conditions.

(5)

The Administrative Services Agreement with SSH includes a fee for arranging vessel purchases and sales on our behalf equal to 1% of the gross purchase or sale price, payable upon the consummation of any such purchase or sale. These fees are capitalized as part of the carrying value of the related vessel for a vessel purchase and are included as part of the gain or loss on sale for a vessel disposal. During the six months ended June 30, 2014, we paid SSH an aggregate fee of \$15.7 million, which consisted of \$1.7 million related to the purchase and delivery of five newbuilding vessels in 2014 and \$14.0 million relating to the purchase and sale of our seven VLCCs. Additionally, \$2.0 million was accrued at June 30, 2014 (and paid in July 2014) related to the purchase and delivery of six newbuilding vessels in 2014. During the six months ended June 30, 2013, we paid SSH an aggregate fee of \$1.1 million related to the deliveries of three newbuilding vessels.

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We had the following balances with related parties, which have been included in the unaudited condensed consolidated balance sheets:

| <i>In thousands of US dollars</i>        | <b>June 30,<br/>2014</b> | <b>As of<br/>December 31,<br/>2013</b> |
|--|--------------------------|--|
| <b>Assets:</b>                           |                          |  |
| Accounts receivable (due from the Pools) | \$ 69,055                | \$ 68,512                              |
| Accounts receivable (SCM)                | 12                       | 8                                      |
| <b>Liabilities:</b>                      |                          |  |
| Accounts payable (owed to the Pools)     | 231                      | 95                                     |
| Accounts payable (SSM)                   | 26                       | 1                                      |
| Accounts payable (SCM)                   | 16                       |  |
| Accounts payable (SSH)                   | 9                        |  |

In 2011, we also entered into an agreement to reimburse costs to SSM as part of its supervision agreement for newbuilding vessels. \$0.02 million and \$0.1 million were charged under this agreement during the six months ended June 30, 2014 and 2013, respectively.

**Key management remuneration**

The table below shows key management remuneration for the six months ended June 30, 2014 and 2013:

| <i>In thousands of U.S. dollars</i>     | <b>For the six months ended<br/>June 30,</b> |                 |
|---|--|-----------------|
|   | <b>2014</b>                                  | <b>2013</b>     |
| Short-term employee benefits (salaries) | \$ 3,540                                     | \$ 1,686        |
| Share-based compensation <sup>(1)</sup> | 11,250                                       | 2,389           |
| <b>Total</b>                            | <b>\$ 14,790</b>                             | <b>\$ 4,075</b> |

(1) Represents the amortization of restricted stock issued under our equity incentive plans as described in note 9. There are no post-employment benefits.

**6. Vessel revenue**

During the six months ended June 30, 2014, we had three vessels that earned revenue through time-charter contracts. The remaining vessels earned revenue from the Scorpio Group pools or in the spot market. During the six months ended June 30, 2013, we had six vessels that earned revenue in the spot market and the remaining vessels generated revenue from the Scorpio Group pools.

*Revenue Sources*

| <i>In thousands of U.S. dollars</i> | <b>For the six months ended</b> |             |
|-------------------------------------|---------------------------------|-------------|
|                                     | <b>June 30,</b>                 |             |
|                                     | <b>2014</b>                     | <b>2013</b> |
| Pool revenue                        | \$ 115,261                      | \$ 87,038   |
| Voyage revenue                      | 15,611                          | 9,419       |
| Time charter revenue                | 3,007                           |             |
| Other revenue                       | 300                             |             |
|                                     | \$ 134,179                      | \$ 96,457   |

*Seasonality*

The tanker market is typically stronger in the winter months of the northern hemisphere as a result of increased oil consumption but weaker in the summer months of the northern hemisphere as a result of lower oil consumption and refinery maintenance. In addition, unpredictable weather patterns during the winter months tend to disrupt vessel scheduling. The oil price volatility resulting from these factors has historically led to increased oil trading activities in the winter months. As a result revenue generated by our vessels have historically been weaker during April September and stronger during October March.

**Table of Contents****7. Segment reporting**

Information about our reportable segments for the six months ended June 30, 2014 and 2013 is as follows:

*For the six months ended June 30, 2014*

| <i>In thousands of U.S.<br/>dollars</i>                   |                    |                 |                   |                 | <b>Reportable<br/>segments</b> | <b>Corporate and<br/>eliminations</b> | <b>Total</b>     |
|---|--------------------|-----------------|-------------------|-----------------|--------------------------------|---------------------------------------|------------------|
|   | <b>Panamax/LR1</b> | <b>Handymax</b> | <b>LR2</b>        | <b>MR</b>       | <b>subtotal</b>                |                                       |                  |
| Vessel revenue  | \$ 31,861          | \$ 25,356       | \$ 25,390         | \$ 51,272       | \$ 133,879                     | \$ 300                                | \$ 134,179       |
| Vessel operating costs                                    | (6,216)            | (1,817)         | (876)             | (17,841)        | (26,750)                       |                                       | (26,750)         |
| Voyage expenses   | (4,003)            | (24)            | (106)             | (392)           | (4,525)                        |                                       | (4,525)          |
| Charterhire   | (13,896)           | (20,461)        | (24,993)          | (17,043)        | (76,393)                       |                                       | (76,393)         |
| Depreciation  | (1,693)            | (750)           |                   | (10,879)        | (13,322)                       |                                       | (13,322)         |
| General and<br>administrative expenses                    | (273)              | (72)            | (61)              | (818)           | (1,224)                        | (21,391)                              | (22,615)         |
| Gain on sale of VLCCs                                     |                    |                 |                   |                 |                                | 51,419                                | 51,419           |
| Gain on sale of Dorian<br>shares                          |                    |                 |                   |                 |                                | 10,924                                | 10,924           |
| Financial expenses  |                    |                 | (509)             |                 | (509)                          | (362)                                 | (871)            |
| Realized gain on<br>derivative financial<br>instruments   |                    |                 |                   |                 |                                | 17                                    | 17               |
| Unrealized gain on<br>derivative financial<br>instruments |                    |                 |                   |                 |                                | 112                                   | 112              |
| Financial income  |                    |                 |                   |                 |                                | 69                                    | 69               |
| Share of income from<br>associate                         |                    |                 |                   |                 |                                | 573                                   | 573              |
| Other expenses, net                                       |                    |                 |                   | (20)            | (20)                           | (33)                                  | (53)             |
| <b>Segment profit or loss</b>                             | <b>\$ 5,780</b>    | <b>\$ 2,232</b> | <b>(\$ 1,155)</b> | <b>\$ 4,279</b> | <b>\$ 11,136</b>               | <b>\$ 41,628</b>                      | <b>\$ 52,764</b> |

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For the six months ended June 30, 2013

| <i>In thousands of U.S.<br/>dollars</i>             |                    |                 |                 |                  | <b>Reportable<br/>segments<br/>subtotal</b> | <b>Corporate<br/>and<br/>eliminations</b> | <b>Total</b>     |
|---|--------------------|-----------------|-----------------|------------------|---|---|------------------|
|   | <b>Panamax/LRI</b> | <b>Handymax</b> | <b>LR2</b>      | <b>MR</b>        |   |   |                  |
| Vessel revenue                                      | \$ 20,694          | \$ 18,377       | \$ 10,188       | \$ 47,198        | \$ 96,457                                   | \$  | \$ 96,457        |
| Vessel operating costs                              | (6,629)            | (1,229)         | (1,354)         | (7,286)          | (16,498)                                    |   | (16,498)         |
| Voyage expenses                                     | (1,802)            | (11)            |                 | (720)            | (2,533)                                     |   | (2,533)          |
| Charterhire   | (6,118)            | (13,346)        | (8,258)         | (19,747)         | (47,469)                                    |   | (47,469)         |
| Depreciation  | (3,763)            | (642)           | (871)           | (5,012)          | (10,288)                                    |   | (10,288)         |
| General and administrative expenses                 | (269)              | (62)            | (77)            | (401)            | (809)                                       | (7,240)                                   | (8,049)          |
| Financial expenses                                  |                    |                 | (430)           |                  | (430)                                       | (1,445)                                   | (1,875)          |
| Realized gain on derivative financial instruments   | 23                 |                 |                 |                  | 23  |   | 23               |
| Unrealized loss on derivative financial instruments | 116                |                 |                 |                  | 116   | 249                                       | 365              |
| Financial income                                    |                    |                 |                 |                  |   | 550                                       | 550              |
| Other expenses, net                                 |                    |                 | (10)            |                  | (10)  | (97)                                      | (107)            |
| <b>Segment profit or loss</b>                       | <b>\$ 2,252</b>    | <b>\$ 3,087</b> | <b>(\$ 812)</b> | <b>\$ 14,032</b> | <b>\$ 18,559</b>                            | <b>(\$ 7,983)</b>                         | <b>\$ 10,576</b> |

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**Table of Contents****8. Charterhire**

The following table depicts our time chartered-in vessel commitments as of June 30, 2014.

|   | Name                | Year built | Type     | Delivery <sup>(1)</sup> | Charter Expiration | Rate (\$/day)          |
|---|---------------------|------------|----------|-------------------------|--------------------|------------------------|
| <i>Active as of June 30, 2014</i>         |                     |            |          |                         |                    |                        |
| 1   | Kraslava            | 2007       | Handymax | January-11              | May-15             | 13,650                 |
| 2   | Krisjanis Valdemars | 2007       | Handymax | February-11             | April-15           | 13,650 <sup>(2)</sup>  |
| 3   | Jinan               | 2003       | Handymax | April-13                | April-15           | 12,600                 |
| 4   | Iver Progress       | 2007       | Handymax | September-13            | March-15           | 12,500 <sup>(3)</sup>  |
| 5   | Iver Prosperity     | 2007       | Handymax | October-13              | October-14         | 12,500 <sup>(4)</sup>  |
| 6   | Histria Azure       | 2007       | Handymax | April-12                | April-15           | 13,550                 |
| 7   | Histria Coral       | 2006       | Handymax | July-11                 | July-15            | 12,800 <sup>(5)</sup>  |
| 8   | Histria Perla       | 2005       | Handymax | July-11                 | July-15            | 12,800 <sup>(5)</sup>  |
| 9   | Targale             | 2007       | MR       | May-12                  | May-15             | 14,850 <sup>(6)</sup>  |
| 10  | Nave Orion          | 2013       | MR       | March-13                | March-15           | 14,300 <sup>(7)</sup>  |
| 11  | Gan-Trust           | 2013       | MR       | January-13              | January-16         | 16,250 <sup>(8)</sup>  |
| 12  | Usma                | 2007       | MR       | January-13              | January-15         | 14,500                 |
| 13  | SN Federica         | 2003       | LR1      | February-13             | May-15             | 11,250 <sup>(9)</sup>  |
| 14  | SN Azzura           | 2003       | LR1      | December-13             | December-14        | 13,600                 |
| 15  | King Douglas        | 2008       | LR1      | August-13               | November-14        | 14,000 <sup>(10)</sup> |
| 16  | Hellespont Promise  | 2007       | LR1      | December-12             | August-14          | 14,250                 |
| 17  | Hellespont Progress | 2006       | LR1      | March-14                | March-15           | 15,000 <sup>(11)</sup> |
| 18  | FPMC P Eagle        | 2009       | LR1      | September-12            | September-15       | 14,525                 |
| 19  | FPMC P Hero         | 2011       | LR2      | April-13                | November-14        | 15,250 <sup>(12)</sup> |
| 20  | FPMC P Ideal        | 2012       | LR2      | January-13              | January-15         | 15,250 <sup>(13)</sup> |
| 21  | Swarna Jayanti      | 2010       | LR2      | March-14                | March-15           | 15,000                 |
| 22  | Densa Alligator     | 2013       | LR2      | September-13            | September-14       | 16,500 <sup>(14)</sup> |
| 23  | Khawr Aladid        | 2006       | LR2      | July-13                 | July-15            | 15,400                 |
| 24  | Fair Seas           | 2008       | LR2      | January-13              | August-14          | 16,500 <sup>(15)</sup> |
| 25  | Southport           | 2008       | LR2      | December-13             | December-14        | 15,700                 |
| 26  | Four Sky            | 2010       | LR2      | September-13            | September-14       | 16,250                 |
| <i>Time Charters That Expired In 2014</i> |                     |            |          |                         |                    |                        |
| 1   | Freja Polaris       | 2004       | Handymax | April-13                | April-14           | 12,700                 |
| 2   | Ugale               | 2007       | MR       | January-13              | January-14         | 14,000                 |
| 3   | STX Ace 6           | 2007       | MR       | May-12                  | May-14             | 14,150                 |
| 4   | Gan-Triumph         | 2010       | MR       | May-13                  | June-14            | 14,150                 |
| 5   | Hafnia Lupus        | 2012       | MR       | April-12                | April-14           | 14,760                 |
| 6   | Orange Stars        | 2011       | LR2      | April-13                | April-14           | 16,125                 |
| 7   | Pink Stars          | 2010       | LR2      | April-13                | April-14           | 16,125                 |

(1) Represents delivery date or estimated delivery date.



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- (2) 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.
- (3) We have an option to extend the charter for an additional year at \$13,500 per day.
- (4) In September 2014, we declared an option to extend the charter for an additional year at \$13,500 per day effective March 2015.
- (5) In May 2014, we declared options to extend the charters for an additional year each at \$13,550 per day beginning in July 2014.
- (6) We have options to extend the charter for up to two consecutive one year periods at \$15,200 per day and \$16,200 per day, respectively.
- (7) We have an option to extend the charter for an additional year at \$15,700 per day.
- (8) 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.
- (9) 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 vessel owner whereby we split all of the vessel's profits above the daily base rate.
- (10) In September 2014, we declared an option to extend the charter for an additional year at \$15,000 per day effective November 2014.
- (11) We have options to extend the charter for up to two consecutive one year periods at \$16,250 per day and \$17,250 per day, respectively.
- (12) In September 2014, we declared an option to extend the charter for an additional six months at \$15,500 per day effective November 2014.
- (13) In June 2014, we declared an option to extend the charter for an additional six months at \$15,500 per day effective July 2014.
- (14) In July 2014, we declared an option to extend the charter for an additional year at \$17,550 per day effective September 2014.
- (15) In August 2014, we extended the charter for an additional six months at \$17,500 per day effective September 2014.

The undiscounted remaining future minimum lease payments under these arrangements as of June 30, 2014 are \$90.3 million. The obligations under these agreements will be repaid as follows:

| <i>In thousands of U.S. dollars</i> | <b>As of June 30,</b> |                   |
|-------------------------------------|-----------------------|-------------------|
|                                     | <b>2014</b>           | <b>2013</b>       |
| Less than 1 year                    | \$ 85,532             | \$ 94,111         |
| 1 - 5 years                         | 4,817                 | 28,446            |
| <b>Total</b>                        | <b>\$ 90,349</b>      | <b>\$ 122,557</b> |

The total expense recognized under charterhire agreements during the six months ended June 30, 2014 and 2013 was \$76.4 million and \$47.5 million, respectively.

**9. Common shares***2013 Equity Incentive Plan*

In February 2014, we issued 2,011,000 shares of restricted stock to our employees and 145,045 shares to our directors for no cash consideration. The weighted average share price on the issuance date was \$9.30 per share. The vesting schedule of the restricted stock to our employees is (i) one-third of the shares vest on February 21, 2017, (ii) one-third of the shares vest on February 21, 2018, and (iii) one-third of the shares vest on February 21, 2019. The vesting schedule of the restricted stock to our directors is (i) one-third of the shares vest on February 21, 2015, (ii) one-third of the shares vest on February 21, 2016, and (iii) one-third of the shares vest on February 21, 2017.

In March 2014, we amended the 2013 Equity Incentive Plan to clarify that the plan administrator has the ability to redeem restricted stock for fair market value (as defined in the plan) at the vesting date at its discretion.

In May 2014, we issued 213,000 shares of restricted stock to SSH employees for no cash consideration. The weighted average share price on the issuance date was \$8.89 per share. The vesting schedule is (i) one-third of the shares vest on February 21, 2017, (ii) one-third of the shares vest on February 21, 2018, and (iii) one-third of the shares vest on February 21, 2019.

Compensation expense is recognized ratably over the vesting periods for each tranche using the straight-line method.

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As of June 30, 2014, there were 11,519,196 unvested shares of restricted stock outstanding. Assuming that all the restricted stock will vest, the stock compensation expense in future periods, including that related to restricted stock issued in prior periods will be:

| <i>In thousands of U.S. dollars</i>    | Employees | Directors | Total     |
|--|-----------|-----------|-----------|
| July 1, 2014 through December 31, 2014 | \$ 13,400 | \$ 1,588  | \$ 14,988 |
| For the year ending December 31, 2015  | 26,107    | 1,436     | 27,543    |
| For the year ending December 31, 2016  | 21,328    | 259       | 21,587    |
| For the year ending December 31, 2017  | 11,700    | 21        | 11,721    |
| For the year ending December 31, 2018  | 4,060     |           | 4,060     |
| For the year ending December 31, 2019  | 196       |           | 196       |
|  | \$ 76,791 | \$ 3,304  | \$ 80,095 |

*Stock buyback plan*

In April 2014, we resumed purchasing shares under our stock buyback program that was authorized in July 2010. Additionally, in April 2014, the board of directors approved a new stock buyback program with authorization to purchase up to \$100.0 million of shares of the Company's common stock, replacing the program announced in July 2010.

In June 2014, the board of directors approved a new stock buyback program with authorization to purchase up to \$150 million of shares of the Company's common stock. This program replaced the Company's stock buyback program that was approved in April 2014.

During the six months ended June 30, 2014, we acquired 22,626,385 common shares at an average price \$9.26 per share that are being held as treasury shares, which includes (i) 4,998,785 common shares that were purchased in the open market under the aforementioned buyback plans at an average price of \$8.87 per share, (ii) 7,500,000 common shares that were acquired in exchange for 3,422,665 shares in Dorian and (iii) 10,127,600 common shares that were acquired in conjunction with the Company's offering of \$360 million of Convertible Senior Notes (as described in Note 11).

*Dividend Payments*

In February 2014, the board of directors declared a quarterly cash dividend of \$0.08 per share, which was paid on March 26, 2014 to all shareholders of record as of March 11, 2014.

In April 2014, the board of directors declared a quarterly cash dividend of \$0.09 per share, which was paid on June 12, 2014 to all shareholders of record as of May 27, 2014.

*Shares outstanding*

In May 2014, our shareholders approved an amendment to the Company's Amended and Restated Articles of Incorporation to increase its authorized common stock to 400,000,000 from 250,000,000. Accordingly, we currently have 425,000,000 registered shares of which 400,000,000 are designated as common shares with a par value of \$0.01 and 25,000,000 designated as preferred shares with a par value of \$0.01,

As of June 30, 2014 we had 178,534,162 shares outstanding. These shares provide the holders with rights to dividends and voting rights.

#### 10. Earnings per share

The calculation of both basic and diluted earnings per share is based on net income attributable to equity holders of the parent and weighted average outstanding shares of:

| <i>In thousands of U.S. dollars except share data</i>   | <b>For the six months ended June 30,</b> |             |
|---|--|-------------|
|   | <b>2014</b>                              | <b>2013</b> |
| Net income attributable to equity holders of the parent | \$ 52,764                                | \$ 10,576   |
| Basic weighted average number of shares                 | 187,563,892                              | 114,037,469 |
| Effect of dilutive potential basic shares:              |  |             |
| Restricted stock  | 3,285,949                                | 722,800     |
| Diluted weighted average number of shares               | 190,849,841                              | 114,760,269 |

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The dilutive effect of 3,285,949 and 722,800 shares of restricted stock for the six months ended June 30, 2014 and 2013 is related to 11,519,196 and 5,653,972 unvested restricted shares, respectively.

Potentially dilutive securities (relating to the conversion of the \$360.0 million of Convertible Senior Notes) representing 163,162 shares of common stock for the six months ended June 30, 2014 were excluded from the computation of diluted earnings per share because their effect would have been antidilutive. These common shares represent the pro-rated amount of 29,532,404 potential common shares for one day during the six months ended June 30, 2014. See Note 11 for further description of these notes.

**11. Debt**

The following is a breakdown of the current and non-current portion of our debt outstanding at June 30, 2014 and December 31, 2013.

| <i>In thousands of US dollars</i>                    | <b>As of</b>         |                          |
|--|----------------------|--------------------------|
|  | <b>June 30, 2014</b> | <b>December 31, 2013</b> |
| Current portion <sup>(1)</sup>                       | \$ 65,001            | \$ 10,453                |
| Debt related to vessels held for sale <sup>(2)</sup> | 6,182                | 21,397                   |
| <b>Current debt</b>                                  | <b>71,183</b>        | <b>31,850</b>            |
| Non-current portion <sup>(3)</sup>                   | 736,268              | 135,279                  |
| <b>Total debt</b>                                    | <b>\$ 807,451</b>    | <b>\$ 167,129</b>        |

<sup>(1)</sup> The current portion at June 30, 2014 is shown net of unamortized deferred financing fees of \$0.8 million. The current portion at December 31, 2013 is shown net of unamortized deferred financing fees of \$0.2 million.

<sup>(2)</sup> As of June 30, 2014, this relates to amounts due under our 2010 Credit Facility relating to *Venice*, which is shown net of \$34,029 of unamortized deferred financing fees.

As of December 31, 2013, this relates to amounts due under our STI Spirit Credit Facility relating to *STI Spirit*, which was repaid in full in April 2014 following the sale of that vessel. This is shown net of \$0.3 million of unamortized deferred financing fees as of December 31, 2013. There were no amounts due under the 2010 Credit Facility at December 31, 2013 relating to vessels held for sale.

<sup>(3)</sup> The non-current portion at June 30, 2014 is shown net of \$21.6 million of unamortized deferred financing fees. The non-current portion at December 31, 2013 is shown net of \$2.0 million of unamortized deferred financing fees.

*2010 Revolving Credit Facility*

In January 2014, we drew down \$72.4 million from the 2010 Revolving Credit Facility. In March 2014, we paid \$22.5 million into this facility as a result of the sales of *Noemi* and *Senatore*. As a result of this repayment, the availability of

this facility was reduced by such amount and the quarterly reduction was reduced to \$2.1 million from \$3.1 million per quarter. We also wrote-off a total of \$0.2 million of deferred financing fees as part of these debt repayments.

The outstanding balance at June 30, 2014 was \$45.7 million and was fully drawn. As of December 31, 2013, there was no outstanding balance, and there was \$72.4 million available to draw.

We were in compliance with the financial covenants relating to this facility as of June 30, 2014.

**Table of Contents***2011 Credit Facility*

In January 2014, we drew down \$52.0 million from the 2011 Credit Facility. In connection with this draw down, *STI Duchess*, *STI Le Rocher* and *STI Larvotto* were provided as collateral under the facility. The outstanding balance at June 30, 2014 and December 31, 2013 was \$112.9 million and \$64.0 million, respectively and the availability under this credit facility expired on January 31, 2014. We were in compliance with the financial covenants relating to this facility as of June 30, 2014.

*STI Spirit Credit Facility*

In April 2014, we sold *STI Spirit* and repaid the outstanding amount due under the STI Spirit Credit Facility of \$21.4 million.

*Newbuilding Credit Facility*

In March 2014, we converted the Newbuilding Credit Facility from a term loan to a reducing revolving credit facility. This gives us the ability to draw down and repay the available commitments under the facility when needed. All other terms and definitions remain unchanged. The amount available is reduced by \$1.5 million each quarter until the maturity date in June 2019. This transaction has been accounted for as a debt modification and accordingly, no deferred financing fees were written off.

The amount available under this facility was \$80.8 million and was fully drawn as of June 30, 2014. The outstanding balance at December 31, 2013 was \$83.8 million.

We were in compliance with the financial covenants relating to this facility as of June 30, 2014.

*2013 Credit Facility*

We made the following drawdowns from our 2013 Credit Facility during the six months ended June 30, 2014:

| Drawdown amount<br>(in \$<br>millions) | Drawdown<br>date | Collateral      |
|--|------------------|-----------------|
| \$ 20.5                                | February 2014    | STI Opera       |
| 21.8                                   | February 2014    | STI Fontvieille |
| 21.8                                   | February 2014    | STI Ville       |
| 20.5                                   | March 2014       | STI Texas City  |
| 19.3                                   | May 2014         | STI Meraux      |
| 19.3                                   | June 2014        | STI San Antonio |
| 19.8                                   | June 2014        | STI Virtus      |
| 19.5                                   | June 2014        | STI Venere      |
| 19.8                                   | June 2014        | STI Lexington   |
| 19.8                                   | June 2014        | STI Chelsea     |
| 18.8                                   | June 2014        | STI Comandante  |
| 18.8                                   | June 2014        | STI Brixton     |



The outstanding balance at June 30, 2014 was \$161.1 million and there was \$362.5 million available to draw which can be used to finance the lesser of 60% of the contract price for a qualifying newbuilding vessel and such vessel's fair market value at the date of drawdown. There was no outstanding balance at December 31, 2013.

We were in compliance with the financial covenants relating to this facility as of June 30, 2014.

*K-Sure Credit Facility*

In February 2014, we entered into a \$458.3 million senior secured term loan facility which consists of a \$358.3 million tranche with a group of financial institutions that is being 95% covered by Korea Trade Insurance Corporation (the K-Sure Tranche) and a \$100.0 million commercial tranche with a group of financial institutions led by DNB Bank SA (the Commercial Tranche). We refer to this credit facility as our K-Sure Credit Facility.

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Drawdowns under the K-Sure Credit Facility may occur in connection with the delivery of certain of our newbuilding vessels as specified in the agreement. The amount of each drawdown shall not exceed the lesser of 60% of the newbuilding contract price and 74% of the fair market value of the relevant vessel. Drawdowns are available until the earlier of (i) the delivery date of the last vessel specified in the agreement to be acquired, (ii) September 30, 2015 and (iii) the date on which the total commitments under the loan are fully borrowed, cancelled or terminated.

Repayments will be made in equal consecutive six month repayment installments in accordance with a 15 year repayment profile under the Commercial Tranche and a 12 year repayment profile under the K-Sure Tranche. Repayments will commence in July 2015 for the K-Sure Tranche and six months after the delivery of the last vessel to be acquired for the Commercial Tranche. The Commercial Tranche matures on the sixth anniversary of the delivery date of the last vessel to be acquired and the K-Sure Tranche matures in January 2027 assuming the Commercial Tranche is refinanced through that date.

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

In addition to restrictions imposed upon the owners of the vessels that are collateralized under this credit facility (such as, limitations on liens and limitations on the incurrence of additional indebtedness), our K-Sure Credit Facility includes financial covenants that require us to maintain:

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

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

The ratio of EBITDA to net interest expense greater than 2.50 to 1.00 calculated on a trailing four quarter basis.

Minimum liquidity of not less than the greater of \$25.0 million or 5% of total indebtedness.

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

In June 2014, we drew down \$39.6 million from the K-Sure Credit Facility. In connection with this draw down, *STI Lexington* and *STI Chelsea* were provided as collateral under the facility. The outstanding balance at June 30, 2014 was \$39.6 million and we were in compliance with the financial covenants relating to this facility at that date.

*KEXIM Credit Facility*

In February 2014, we executed a senior secured term loan facility with a group of financial institutions led by DNB Bank ASA and Skandinaviska Enskilda Banken AB (publ) and from the Export-Import Bank of Korea ( KEXIM ) for a total loan facility of \$429.6 million. This facility includes commitments from KEXIM of up to \$300.6 million (the KEXIM Tranche ) and a group of financial institutions led by DNB Bank ASA and Skandinaviska Enskilda Banken AB (publ) of up to \$129.0 million (the Commercial Tranche ). We refer to this credit facility as our KEXIM Credit Facility.

Drawdowns under the KEXIM Credit Facility may occur in connection with the delivery of 18 of our newbuilding vessels as specified in the loan agreement. The amount of each drawdown shall not exceed the lesser of 60% of the newbuilding contract price and 74% of the fair market value of the relevant vessel. Drawdowns are available until the earlier of (i) the delivery date of the last vessel specified in the agreement to be acquired, (ii) March 31, 2015 and (iii) the date on which the total commitments under the loan are fully borrowed, cancelled or terminated.

Repayments will be made in equal consecutive semi-annual repayment installments in accordance with a 15 year repayment profile under the Commercial Tranche and a 12 year repayment profile under the KEXIM Tranche. Repayments will commence on the next semi-annual date falling after the weighted average delivery date of the vessels specified under the facility for the KEXIM Tranche and on the next semi-annual date falling after the final delivery date of the vessels specified under the facility for the Commercial Tranche.

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The Commercial Tranche matures on the sixth anniversary of the delivery date of the last vessel specified under the loan and the KEXIM Tranche matures on the twelfth anniversary of the weighted average delivery date of the vessels specified under the loan assuming the Commercial Tranche is refinanced through that date.

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

In addition to restrictions imposed upon the owners of the vessels that are collateralized under this credit facility (such as, limitations on liens and limitations on the incurrence of additional indebtedness), our KEXIM Credit Facility includes financial covenants that require us to maintain:

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

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

The ratio of EBITDA to net interest expense greater than 2.50 to 1.00 calculated on a trailing four quarter basis.

Minimum liquidity of not less than the greater of \$25.0 million or 5% of total indebtedness.

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

In addition to KEXIM's commitment of up to \$300.6 million, KEXIM has also provided an optional guarantee for a five year amortizing note of \$125.3 million (the KEXIM Guaranteed Note) that may be issued by us at our discretion in 2014, the proceeds of which will be used to reduce the \$300.6 million KEXIM Tranche. The KEXIM Notes were issued in July 2014 and are further described in Note 14.

In June 2014, we drew down \$37.5 million from the KEXIM Credit Facility. In connection with this draw down, *STI Comandante* and *STI Brixton* were provided as collateral under the facility. The outstanding balance at June 30, 2014 was \$37.5 million and we were in compliance with the financial covenants relating to this facility as of that date.

*Unsecured Senior Notes Due 2020*

On May 12, 2014, we issued \$50,000,000 aggregate principal amount of 6.75% Senior Notes due May 2020 (the Senior Notes) and on June 9, 2014, we issued an additional \$3,750,000 aggregate principal amount of Senior Notes when the underwriters partially exercised their option to purchase additional Senior Notes on the same terms and conditions. The net proceeds from the issuance of the Senior Notes were approximately \$48.2 million after deducting

the underwriters' discounts, commissions and offering expenses.

All terms mentioned are defined in the indenture.

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

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

The Senior Notes requires us to comply with certain covenants, including financial covenants; restrictions on consolidations, mergers or sales of assets and prohibitions on paying dividends or returning capital to equity holders if a

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covenant breach or an event of default has occurred or would occur as a result of such payment. If the Company undergoes a change of control, holders may require us to repurchase for cash all or any portion of their notes at a change of control repurchase price equal to 101% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the change of control purchase date.

The financial covenants include:

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

Net worth shall always exceed \$650.0 million.

The outstanding balance at June 30, 2014 was \$53.8 million, and we were in compliance with the financial covenants relating to the Senior Notes as of that date.

*Convertible Senior Notes Due 2019*

In June 2014, we completed an offering for \$360 million in aggregate principal amount of convertible senior notes due 2019 (the Convertible Notes) in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. This amount includes the full exercise of the initial purchasers' option to purchase an additional \$60 million in aggregate principal amount of the Notes in connection with the offering. The net proceeds from the issuance of the Convertible Notes and the exercise of the initial purchasers' option to purchase additional Convertible Notes were \$349.2 million after deducting the initial purchasers' discounts, commissions and estimated offering expenses of \$11.2 million. We used a portion of the net proceeds to repurchase \$95.0 million of our common stock or 10,127,600 shares at \$9.38 per share in a privately negotiated transaction.

All terms mentioned are defined in the indenture.

The Convertible Notes bear interest at a rate of 2.375% per annum, and are payable semi-annually in arrears on January 1 and July 1 of each year beginning on January 1, 2015. The Convertible Notes will mature on July 1, 2019, unless earlier converted, redeemed or repurchased. The Convertible Notes are convertible in certain circumstances and during certain periods at an initial conversion rate of 82.0075 shares of common stock per \$1,000 (which represents an initial conversion price of approximately \$12.19 per share of common stock), subject to adjustment in certain circumstances as set forth in the indenture governing the Convertible Notes.

Holders may convert their notes at their option at any time prior to the close of business on the business day immediately preceding January 1, 2019 only under the following circumstances:

during any calendar quarter commencing after the calendar quarter ending on September 30, 2014 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 15 trading days (whether or not consecutive) during a period of 25 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;

during the five business day period after any five consecutive trading day period (the measurement period ) in which the trading price (as defined below) per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day;

if the Company calls any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or

upon the occurrence of specified corporate events.

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The Company may not redeem the notes prior to July 6, 2017. The Company may redeem for cash all or any portion of the notes, at our option, on or after July 6, 2017 if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 15 trading days (whether or not consecutive) during any 25 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the Convertible Notes.

The Convertible Notes requires us to comply with certain covenants such as restrictions on consolidations, mergers or sales of assets. Additionally, if the Company undergoes a fundamental change, holders may require us to repurchase for cash all or any portion of their notes at a fundamental change repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

We determined the initial carrying value of the liability component of the Convertible notes to be \$298.7 million based on the fair value of a similar liability that does not have any associated conversion feature. We used our Senior Notes issued in May 2014 as the basis for this determination. The difference between the fair value of the liability component and the face value of the Convertible Notes will be amortized over the term of the Convertible Notes under the effective interest method and recorded as part of financial expenses. The residual value of \$61.3 million (the conversion feature) has been recorded to additional paid-in capital.

**12. Derivative financial instruments***Interest rate swaps*

In March 2014, as a result of the sales of *Noemi* and *Senatore* and corresponding debt repayment, we reduced the notional amount on three interest rate swaps relating to the 2010 Revolving Credit Facility to \$30.0 million from \$51.0 million. As a result of the reduction, we made a repayment of \$0.3 million to settle the liability outstanding as of the date of settlement and we recognized a realized gain on derivative financial instruments of \$0.02 million on the unaudited condensed consolidated statement of income.

The following table summarizes the fair value of our derivative financial instruments as of June 30, 2014 and December 31, 2013, which are included in the unaudited condensed consolidated balance sheet:

| <i>In thousands of U.S. dollars</i>                                 | June 30,<br>2014 | As of<br>December 31,<br>2013 |
|---|------------------|-------------------------------|
| <b>Liabilities</b>  |                  |                               |
| Derivative financial instrument (interest rate swap - current)      | \$ (435)         | \$ (689)                      |
| Derivative financial instrument (interest rate swap - non-current ) |                  | (188)                         |
| Total liabilities   | \$ (435)         | \$ (877)                      |



The following has been recorded as realized and unrealized gains or losses on our derivative financial instruments:

| <i>In thousands of U.S. dollars</i>             | Fair value adjustments |                    | Recognized<br>in<br>equity |
|---|------------------------|--------------------|----------------------------|
|   | Statement of income    |                    |                            |
|   | Realized<br>gain       | Unrealized<br>gain |                            |
| Profit and loss agreements                      | \$                     | \$                 | \$                         |
| Interest rate swap                              | 17                     | 112                | 57                         |
| <b>Total six months ended<br/>June 30, 2014</b> | <b>\$ 17</b>           | <b>\$ 112</b>      | <b>\$ 57</b>               |
| Profit and loss agreements <sup>(1)</sup>       | \$ 23                  | \$ 116             | \$                         |
| Interest rate swap                              |                        | 249                | 79                         |
| <b>Total six months ended<br/>June 30, 2013</b> | <b>\$ 23</b>           | <b>\$ 365</b>      | <b>\$ 79</b>               |

- <sup>(1)</sup> Relates to earnings on profit or loss sharing agreements with a third party on (i) an LR1 vessel that was not owned or operated by us and (ii) *FPMC P Eagle* which was time chartered-in during the six months ended June 30, 2013. Both of these agreements expired during 2013.

**Table of Contents****13. Financial instruments**

| <i>Amounts in thousands of US dollars</i>        | <b>Carrying value as of</b> |                              |
|--|-----------------------------|------------------------------|
|  | <b>June 30,<br/>2014</b>    | <b>December 31,<br/>2013</b> |
| <b>Financial assets</b>                          |                             |                              |
| Cash and cash equivalents                        | \$ 357,307                  | \$ 78,845                    |
| Loans and receivables                            | 76,104                      | 72,542                       |
| <b>Financial liabilities</b>                     |                             |                              |
| Derivatives designated in a cash flow hedge      | 155                         | 212                          |
| Derivatives at fair value through profit or loss | 280                         | 665                          |
| Other liabilities (at amortized cost)            | 828,705                     | 195,075                      |

Derivative financial instruments in 2014 and 2013 consisted of (i) interest rate swaps, recorded at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates to determine the fair value, and (ii) profit or loss sharing agreements on time charter-in agreements with third parties, where the fair value of these instruments is determined by comparing published time charter rates to the charterhire rate and discounting those cash flows to their estimated present value.

IFRS 13 requires classifications of fair value measures into Levels 1, 2 and 3. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). In accordance with IFRS 13, the fair value measurement for the interest rate swaps and profit or loss sharing agreements for the six months ended June 30 2014 and 2013 were classified as Level 2.

The fair value of other financial assets and liabilities are approximately equal to their carrying values.

**14. Subsequent events***Newbuilding Vessel Acquisition*

In August 2014, we reached an agreement with an unrelated third party to purchase an MR product tanker. The purchase price of the vessel is \$37.1 million and we took delivery of this vessel in September 2014.

**Table of Contents***Delivery of Newbuilding Vessels*

We took delivery of the following vessels under our Newbuilding Program in July, August, September and October 2014:

|    | Name                             | Month delivered | Type     |
|----|----------------------------------|-----------------|----------|
| 1  | <i>STI Powai</i>                 | July 2014       | MR       |
| 2  | <i>STI Aqua</i>                  | July 2014       | MR       |
| 3  | <i>STI Pimlico</i>               | July 2014       | Handymax |
| 4  | <i>STI Elysees</i>               | July 2014       | LR2      |
| 5  | <i>STI Dama</i>                  | August 2014     | MR       |
| 6  | <i>STI Olivia</i>                | August 2014     | MR       |
| 7  | <i>STI Mythos</i>                | August 2014     | MR       |
| 8  | <i>STI Hackney</i>               | August 2014     | Handymax |
| 9  | <i>STI Acton</i>                 | September 2014  | Handymax |
| 10 | <i>STI Fulham</i>                | September 2014  | Handymax |
| 11 | <i>STI Camden</i>                | September 2014  | Handymax |
| 12 | <i>STI Benicia<sup>(1)</sup></i> | September 2014  | MR       |
| 13 | <i>STI Regina</i>                | September 2014  | MR       |
| 14 | <i>STI St. Charles</i>           | September 2014  | MR       |
| 15 | <i>STI Madison</i>               | September 2014  | LR2      |
| 16 | <i>STI Park</i>                  | September 2014  | LR2      |
| 17 | <i>STI Orchard</i>               | September 2014  | LR2      |
| 18 | <i>STI Mayfair</i>               | October 2014    | MR       |
| 19 | <i>STI Yorkville</i>             | October 2014    | MR       |
| 20 | <i>STI Battersea</i>             | October 2014    | Handymax |
| 21 | <i>STI Wembley</i>               | October 2014    | Handymax |

<sup>(1)</sup> After delivery, this vessel began a one year time charter which includes a profit sharing mechanism whereby earnings in excess of the base time charter rate are split between the Company and charterer.

*Debt drawdowns*

We made the following drawdowns from our credit facilities in July, August, September and October 2014:

|   | Credit facility      | Drawdown amount<br>(in \$ millions) | Drawdown date  | Collateral      |
|---|----------------------|-------------------------------------|----------------|-----------------|
| 1 | 2013 Credit Facility | \$19.8                              | July 2014      | STI Aqua        |
| 2 | 2013 Credit Facility | 19.8                                | August 2014    | STI Dama        |
| 3 | 2013 Credit Facility | 19.5                                | August 2014    | STI Mythos      |
| 4 | 2013 Credit Facility | 19.5                                | August 2014    | STI Benicia     |
| 5 | 2013 Credit Facility | 19.8                                | September 2014 | STI Regina      |
| 6 | 2013 Credit Facility | 19.5                                | September 2014 | STI St. Charles |

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|    |                        |      |                |               |
|----|------------------------|------|----------------|---------------|
| 7  | 2013 Credit Facility   | 19.5 | October 2014   | STI Yorkville |
| 8  | 2013 Credit Facility   | 18.0 | October 2014   | STI Wembley   |
| 9  | KEXIM Credit Facility  | 18.8 | July 2014      | STI Pimlico   |
| 10 | KEXIM Credit Facility  | 30.3 | July 2014      | STI Elysees   |
| 11 | KEXIM Credit Facility  | 30.3 | August 2014    | STI Madison   |
| 12 | KEXIM Credit Facility  | 18.8 | September 2014 | STI Hackney   |
| 13 | KEXIM Credit Facility  | 19.0 | September 2014 | STI Acton     |
| 14 | KEXIM Credit Facility  | 18.8 | September 2014 | STI Fulham    |
| 15 | KEXIM Credit Facility  | 30.3 | September 2014 | STI Park      |
| 16 | KEXIM Credit Facility  | 29.7 | September 2014 | STI Orchard   |
| 17 | KEXIM Credit Facility  | 18.8 | September 2014 | STI Camden    |
| 18 | K-Sure Credit Facility | 19.8 | July 2014      | STI Powai     |
| 19 | K-Sure Credit Facility | 19.8 | August 2014    | STI Olivia    |
| 20 | K-Sure Credit Facility | 20.4 | October 2014   | STI Mayfair   |
| 21 | K-Sure Credit Facility | 18.9 | October 2014   | STI Battersea |

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### *Time Chartered-in Vessels*

In July 2014, we extended the time charter on an LR2 tanker that is currently time chartered-in. The term of the agreement is for one year at \$17,550 per day beginning in September 2014.

In August 2014, we extended the time charter on an LR2 tanker that is currently time chartered-in. The term of the agreement is for six months at \$17,500 per day beginning in September 2014.

In August 2014, we extended the time charter on an LR2 tanker that is currently time chartered-in. The term of the agreement is for six months at \$15,500 per day effective November 2014.

In September 2014, we extended the time charter on an Handymax tanker that is currently time chartered-in. The term of the agreement is for an additional year at \$13,500 per day beginning in March 2015.

In September 2014, we extended the time charter on an LR1 tanker that is currently time chartered-in. The term of the agreement is for one year at \$15,000 per day beginning in November 2014.

In September 2014, we time chartered-in an LR2 tanker that is currently under construction in South Korea with delivery expected in January 2015. Upon delivery from the shipyard, the vessel will be chartered-in for one year at \$21,050 per day. We also have an option to extend the charter for one year at \$22,600 per day.

### *Stock Buyback Program*

In July 2014, the board of directors approved a new stock buyback program with authorization to purchase up to \$150 million of shares of the Company's common stock. This program replaced the Company's stock buyback program that was announced in June 2014.

During 2014 (through the date of this report), we acquired 36,729,136 common shares that are being held as treasury shares, which includes (i) 19,101,536 common shares that were purchased in the open market at an average price of \$9.06 per share, (ii) 7,500,000 common shares that were acquired in exchange for 3,422,665 shares in Dorian and (iii) 10,127,600 common shares that were acquired in conjunction with the Company's offering of \$360 million of Convertible Senior Notes.

As of the date of this report, the remaining amount under our stock buyback program is \$82.5 million.

### *Dividend Payment*

In July 2014, the board of directors declared a quarterly cash dividend of \$0.10 per share, which was paid on September 10, 2014 to all shareholders as of August 22, 2014 (the record date). As of the date of this report, there are 164,436,411 shares outstanding.

### *KEXIM Guaranteed Notes due 2019*

On July 18, 2014, Seven and Seven Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the Issuer), completed an offering of \$125,250,000 in aggregate principal amount of floating rate guaranteed notes due 2019 (the KEXIM Notes) in a private offering to qualified institutional buyers pursuant to the Securities Act and in offshore transactions complying with Regulation S under the Securities Act. The KEXIM Notes were issued in connection with the Company's KEXIM Credit Facility and will reduce KEXIM's funding obligations

and the Company's borrowing costs under such facility by 1.55% per year. Seven and Seven Ltd. was incorporated for the purpose of facilitating this transaction and servicing the bonds until maturity.

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Payment of 100% of all regularly scheduled installments of principal of, and interest on, the KEXIM Notes are guaranteed by The Export-Import Bank of Korea ( KEXIM ), a statutory juridical entity established under The Export-Import Bank of Korea Act of 1969, as amended, in the Republic of Korea.

The proceeds from the initial sale of the KEXIM Notes were deposited into a deposit account and will be periodically distributed, subject to the satisfaction or waiver of applicable conditions, to the facility agent under the Company's KEXIM Credit Facility to finance advances to the borrowers thereunder to fund a portion of the purchase price of 18 new vessels, 10 of which are Handymax tankers and eight of which are LR2 tankers. Seven ice class Handymax tankers, *STI Comandante*, *STI Brixton*, *STI Pimlico*, *STI Hackney*, *STI Acton*, *STI Fulham* and *STI Camden*, and four LR2 tankers, *STI Elysees*, *STI Madison*, *STI Park* and *STI Orchard* were delivered between May and September 2014. The remaining seven vessels are expected to be delivered to the respective borrowers between November 2014 and December 2014.

The KEXIM Notes are currently listed to the Singapore Exchange Securities Trading Limited (the SGX-ST ). The Notes are not listed on any other securities exchange, listing authority or quotation system.

*2013 Equity Incentive Plan*

In September 2014, we amended the 2013 Equity Incentive Plan to increase the number of common shares eligible for issuance by 1,088,131 common shares. All other terms of the plan remained unchanged.

In September 2014, we issued 5,000 shares of restricted stock to an SSH employee for no cash consideration. The weighted average share price on the issuance date was \$9.13 per share. The vesting schedule is (i) one-third of the shares vest on February 21, 2017, (ii) one-third of the shares vest on February 21, 2018, and (iii) one-third of the shares vest on February 21, 2019.

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***SCORPIO TANKERS INC.***



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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**SCORPIO TANKERS INC.**  
(registrant)

Dated: October 28, 2014

By: /s/ Brian Lee  
Brian Lee  
Chief Financial Officer