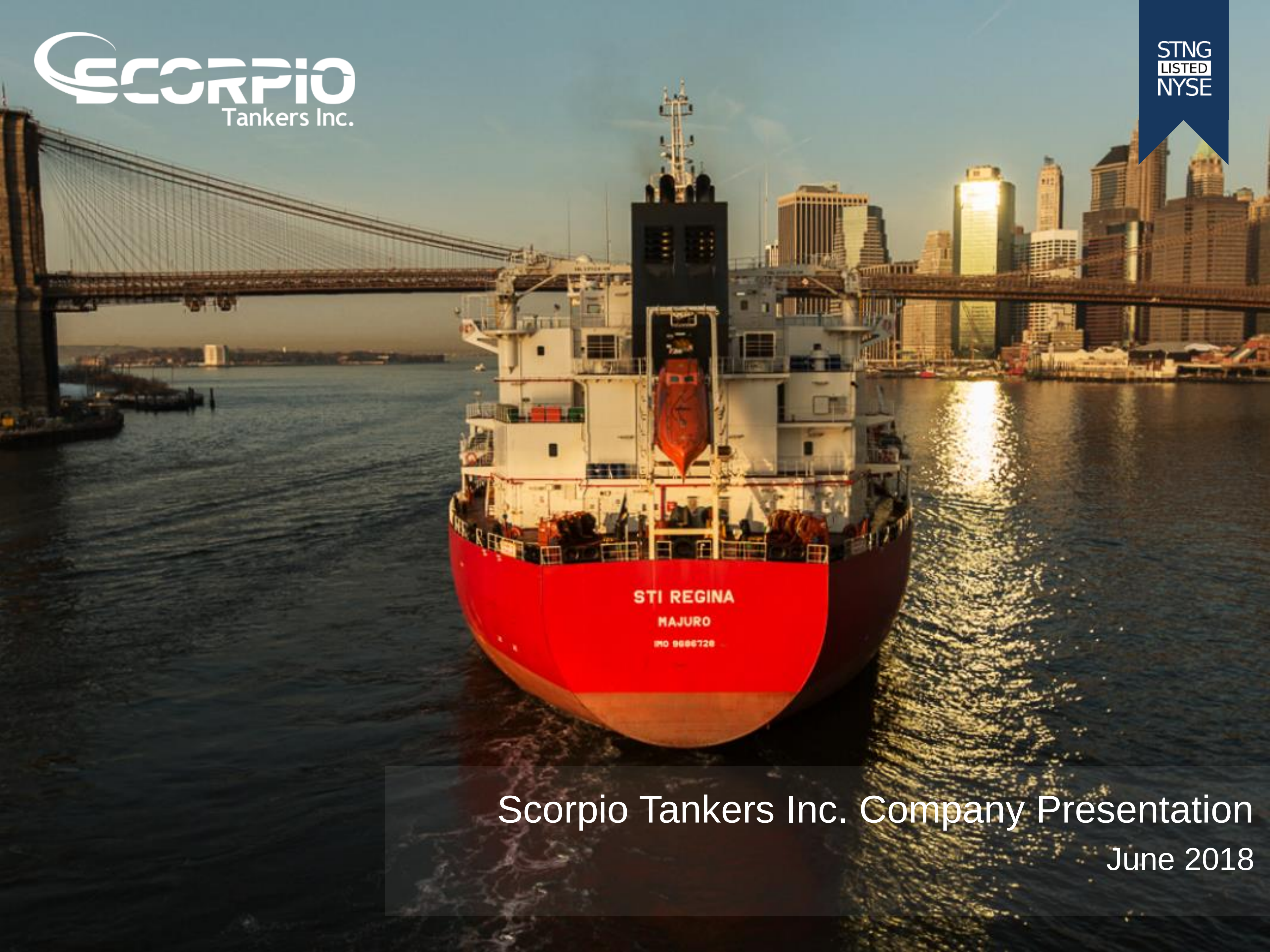
Scorpio Tankers Inc.

STNG LISTED NYSE



Scorpio Tankers Inc. Company Presentation

June 2018

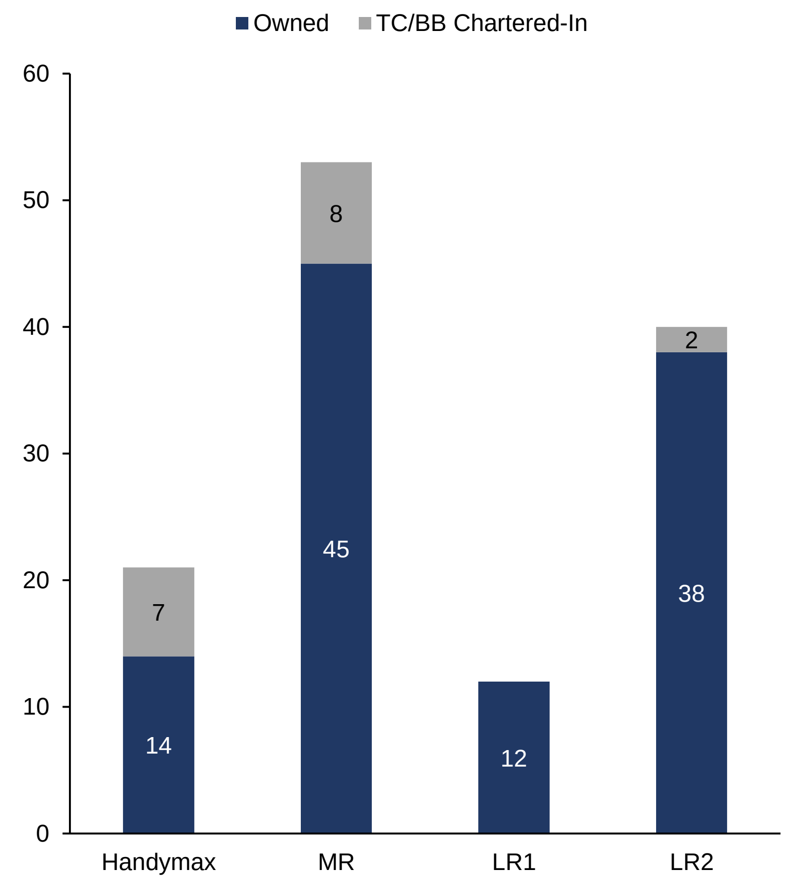
Company Overview

Key Facts

Scorpio Tankers Inc. is the world's largest and youngest product tanker company

- Pure product tanker play offering all asset classes
  - 109 owned ECO product tankers on the water with an average age of 2.8 years
  - 17 time/bareboat charters-in vessels
- NYSE-compliant governance and transparency, listed under the ticker "STNG"
- Headquartered in Monaco, incorporated in the Marshall Islands and is not subject to US income tax
- Vessels employed in well-established Scorpio pools with a track record of outperforming the market
- Merged with Navig8 Product Tankers, acquiring 27 ECO-spec product tankers

Fleet Profile

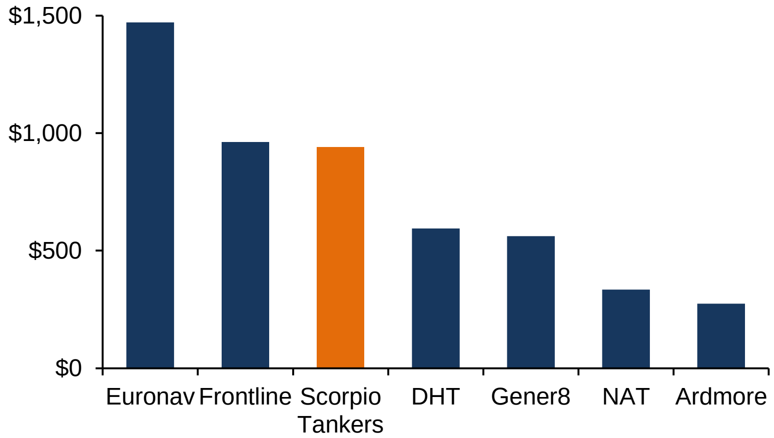


Company Profile

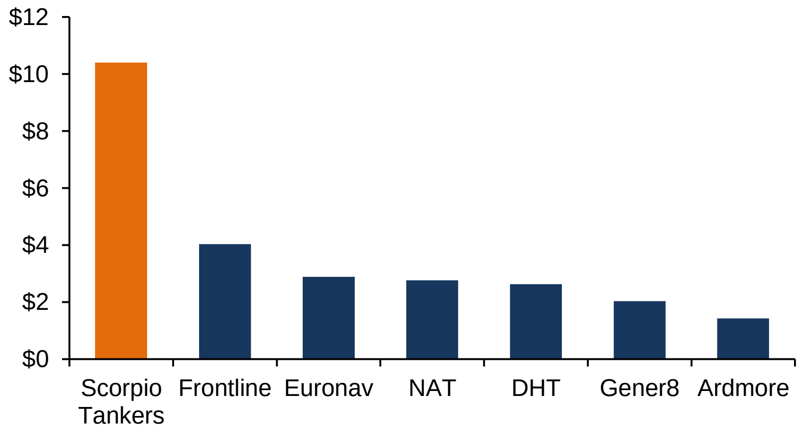
Shareholders

#	Holder	Ownership
1	Dimensional Fund Advisors	6.6%
2	Wellington Management Company	5.9%
3	Scorpio Services Holding Limited	4.5%
4	Magallanes Value Investor	4.1%
5	Bestinver Gestión	4.0%
6	BlackRock Fund Advisors	3.3%
7	Fidelity Management & Research Company	3.0%
8	Hosking Partners	3.0%
9	BNY Mellon Asset Management	3.0%
10	Monarch Alternative Capital	2.8%

Market Cap ($m)



Liquidity Per Day ($m pd)



Source: Fearnleys June 8th, 2018

Product Tankers in the Oil Supply Chain

- Crude Tankers provide the marine transportation of the crude oil to the refineries.
- Product Tankers provide the marine transportation of the refined products to areas of demand.
- Structural demand drivers in the product tanker industry:
  - US has emerged as a refined products powerhouse, becoming the worlds largest product exporter
  - Changes in refinery locations, expansion of refining capacity in Asia and Middle East as well as a reduction in OECD refining capacity (Europe & Australia).
  - Changes in consumption demand growth in Latin America, Africa, and non-China/Japan Asia and lack of corresponding growth in refining capacity
  - Balance of trade: needs of each particular region- gasoline/diesel trade between U.S./Europe is a prime example of this given significantly different diesel penetration rates for light vehicles
    - Europe imports surplus diesel from the United States, and exports surplus gasoline to the United States.

Exploration & Production

Oil production includes drilling, extraction, and recovery of oil from underground.

Crude Transportation

Crude oil is transported to the refinery for processing by crude tankers, rail cars, and pipelines.

Refining

Refineries convert the crude oil into a wide range of consumable products.

Products Transportation

Refined products are moved from the refinery to the end users via product tankers, railcars, pipelines and trucks.

SCORPIO

Terminalling & Distribution

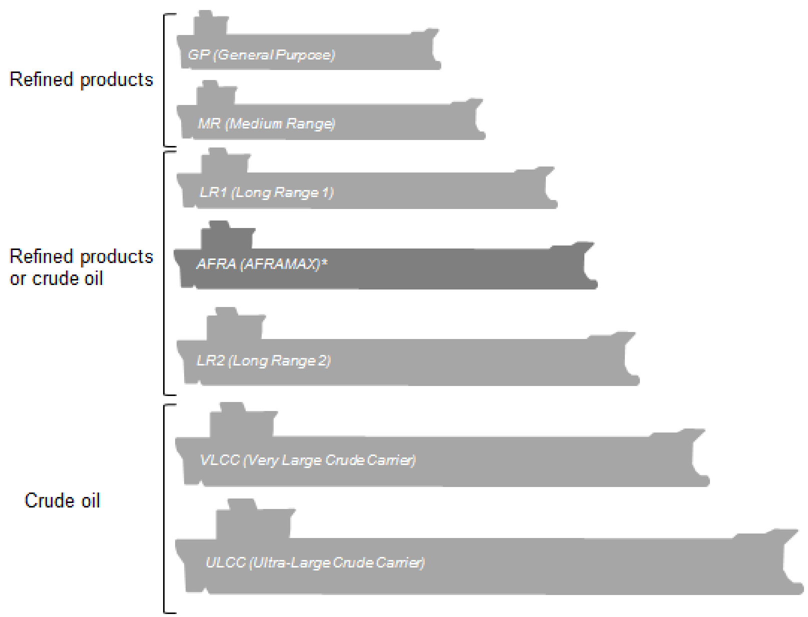
Terminals are located closer to transportation hubs and are the final staging point for the refined fuel before the point of sale.

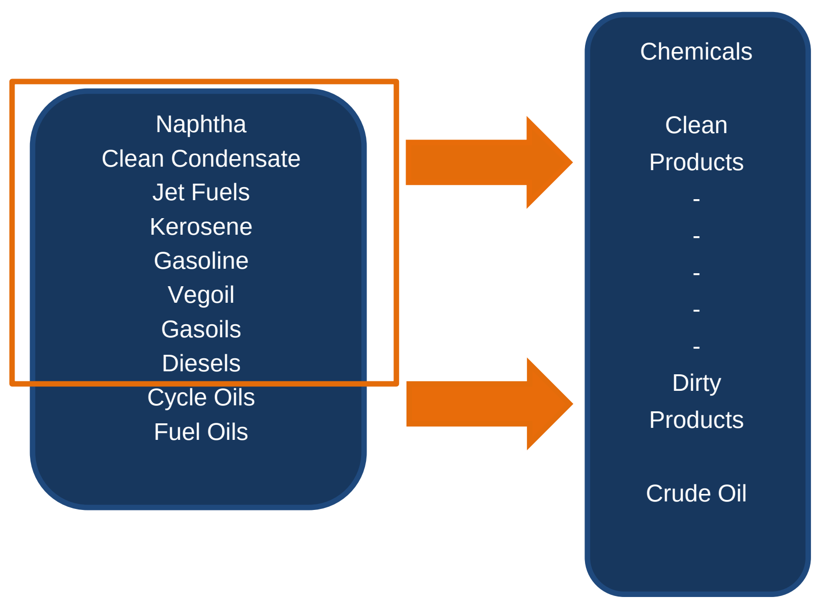
Product and Crude Tankers

Tankers

"Dirty" — Crude | "Clean" — Products

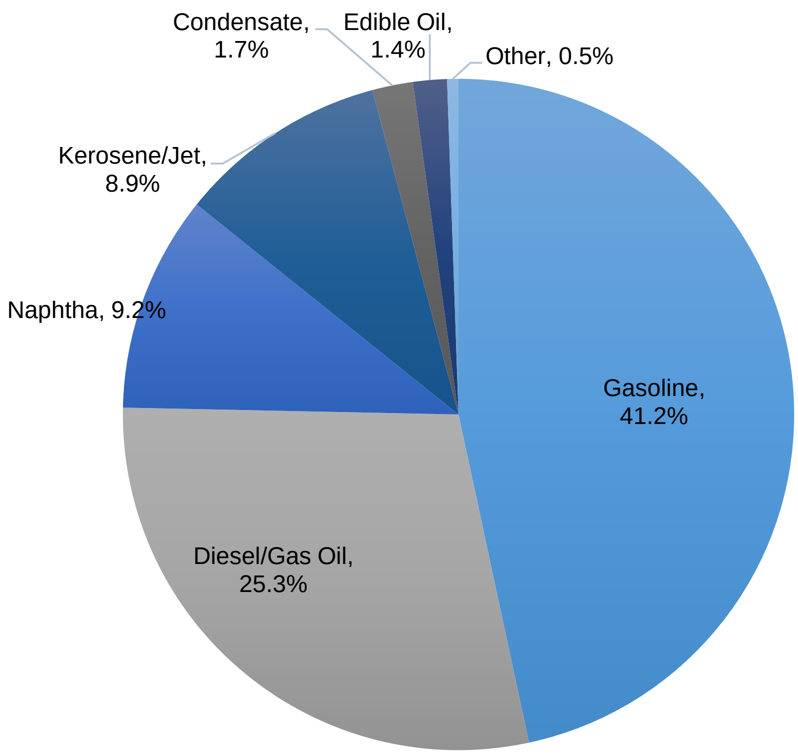
	Crude					Products			
Vessel Size	VLCC (200,000 + DWT)	Suezmax (120,000 - 200,000 DWT)	Aframax (80,000 - 120,000 DWT)	Panamax (60,000 - 80,000 DWT)	Handysize (< 60,000 DWT)	LR2 (80,000-120,000 DWT)	LR1 (60,000-80,000 DWT)	Hmx/MR (25,000-60,000 DWT)	Handysize (<25,000 DWT)
Cargo Size	2,000,000 bbls	1,000,000 bbls	500,000-800,000 bbls	350,000 - 500,000 bbls	<=350,000 bbls	615,000-800,000 bbls	345,000-615,000 bbls	200,000-345,000 bbls	<=200,000 bbls



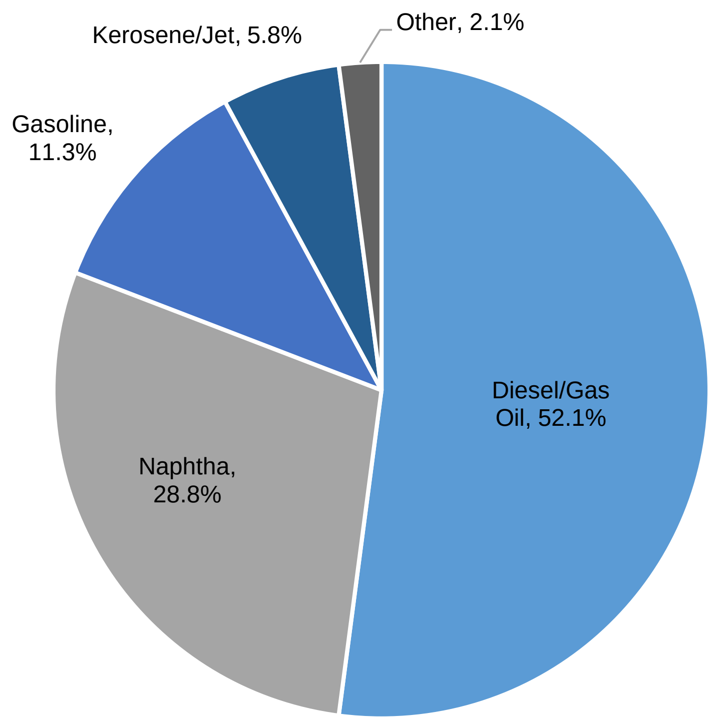


Cargo Carriage 2017

MR Cargo Carriage 2017



LR2 Cargo Carriage 2017

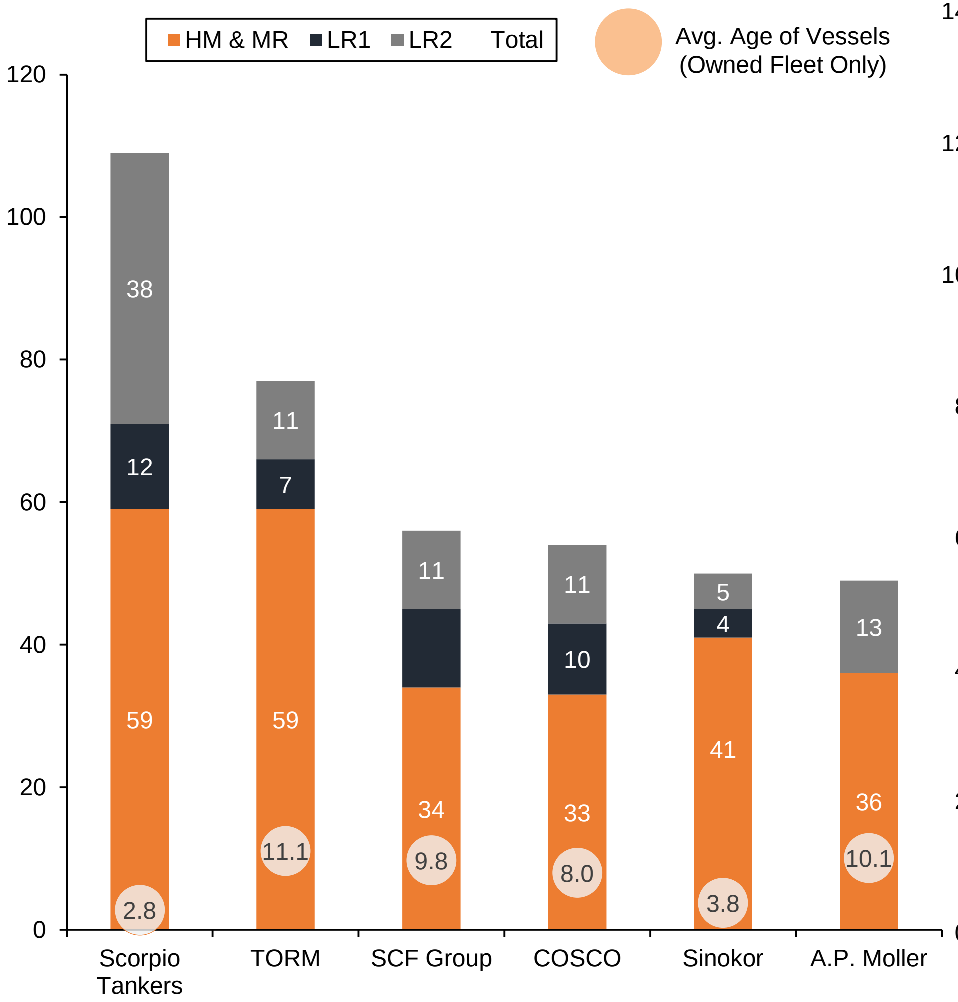


Company Highlights

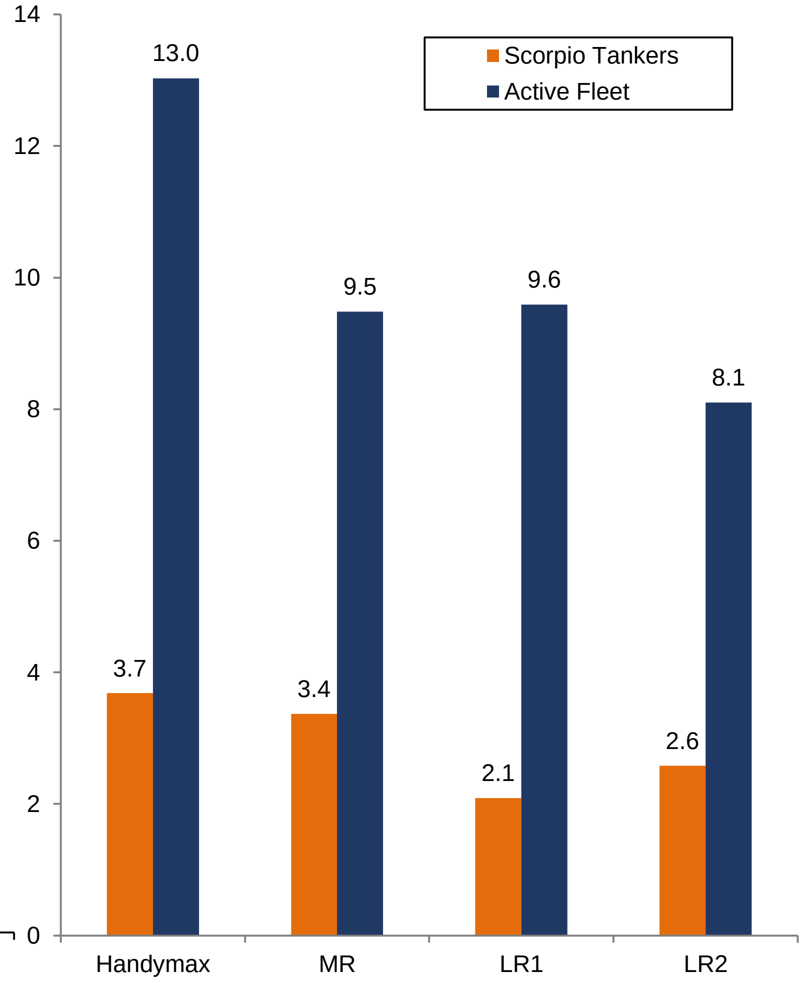
Youngest & largest product tanker fleet in the world	✓	• 109 owned ECO product tankers on the water with an average age of 2.8 years
Vessels employed in Scorpio pools	✓	• The worlds largest product tanker operating platform with track record of consistently outperforming the market
Significant operating leverage	✓	• A $1,000/day change in rates equates to $39.7 million in annualized cash flow
Short term drivers support market inflection point	✓	• Reduction in global inventories means further consumption will have to be met by imports rather than being subsidized by inventory drawdowns • Asset values and time charter rates have increased y-o-y reflecting improving market fundamentals
Positive long term market fundamentals	✓	• Remaining orderbook provides favorable supply / demand • Refinery capacity expansions continue to move closer to the well head, increasing ton mile demand

Scorpio has the Largest & Youngest Product Tanker Fleet

Largest & Youngest Product Tanker Fleet



Scorpio Average Age vs. Worldwide Fleet

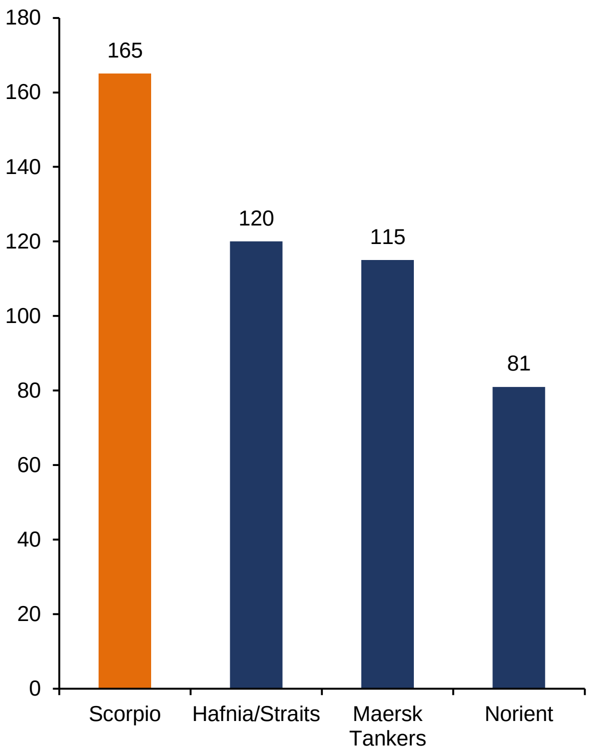


Figures do not include newbuilding vessels on order.
Source: Clarksons Research Services, June 2018

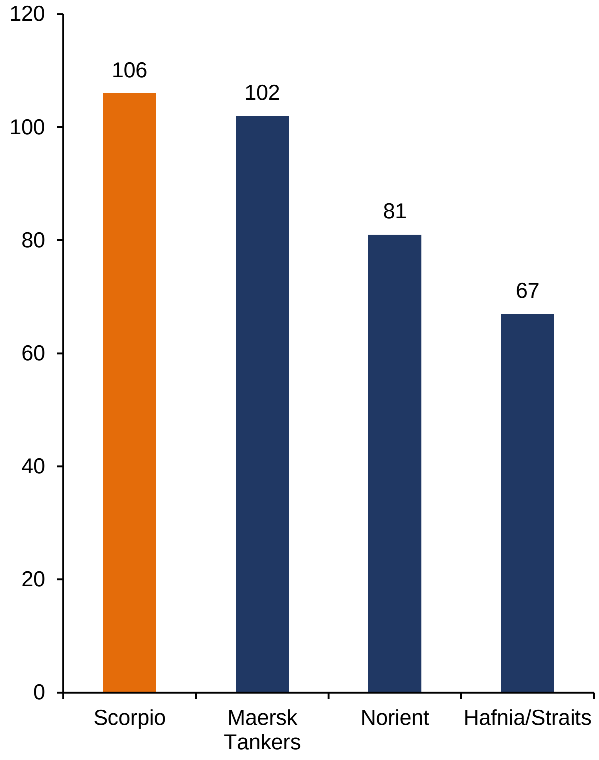
Scorpio Pools Provide World's Largest Operating Platform

- Scorpio's trading platform operates the largest product tanker fleet in the market with over **<u>165</u>** vessels under commercial management

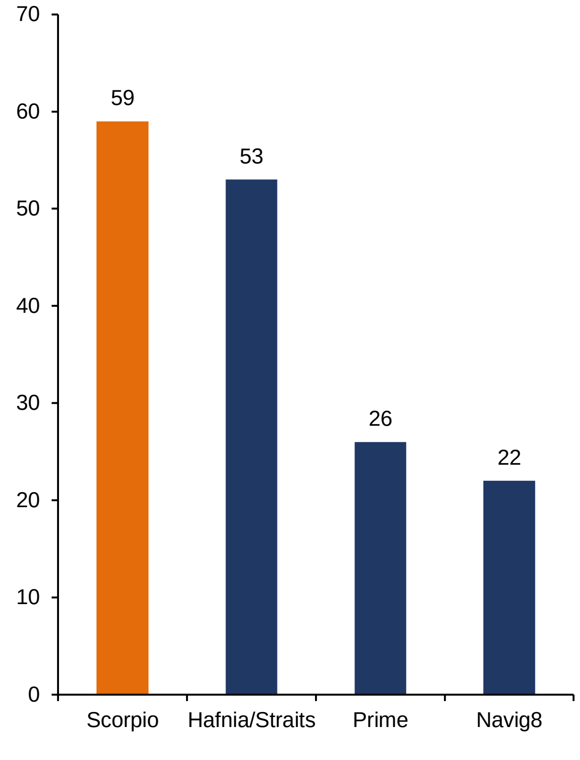
Top Product Tanker Operators



Top HM/MR Operators

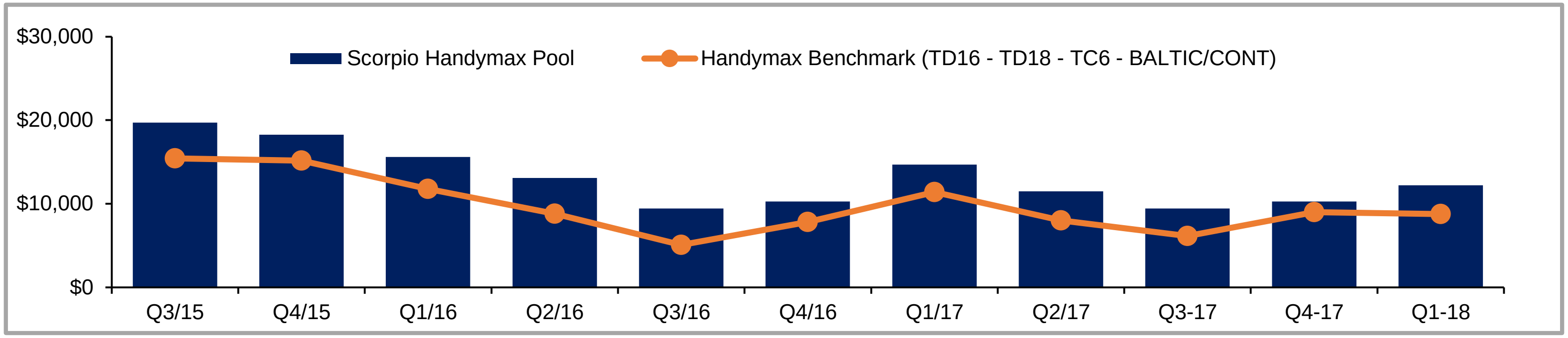
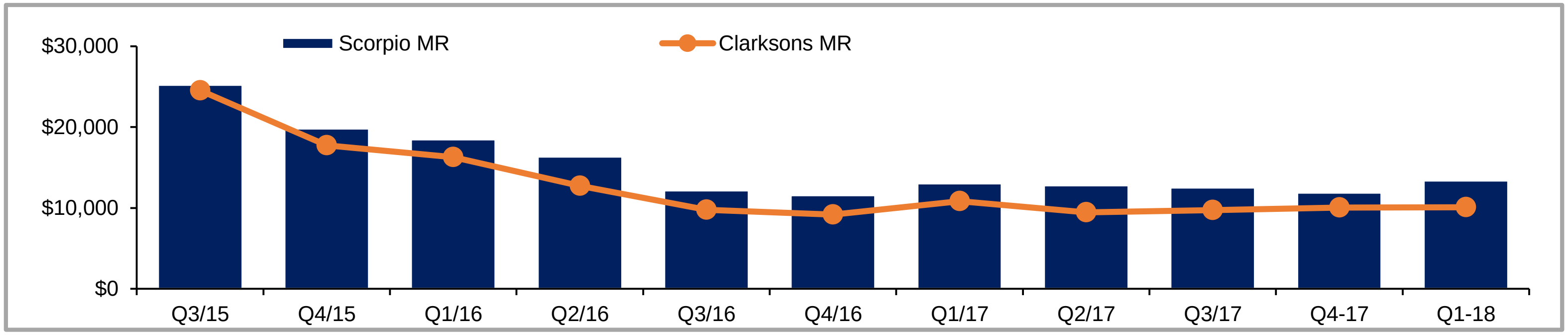
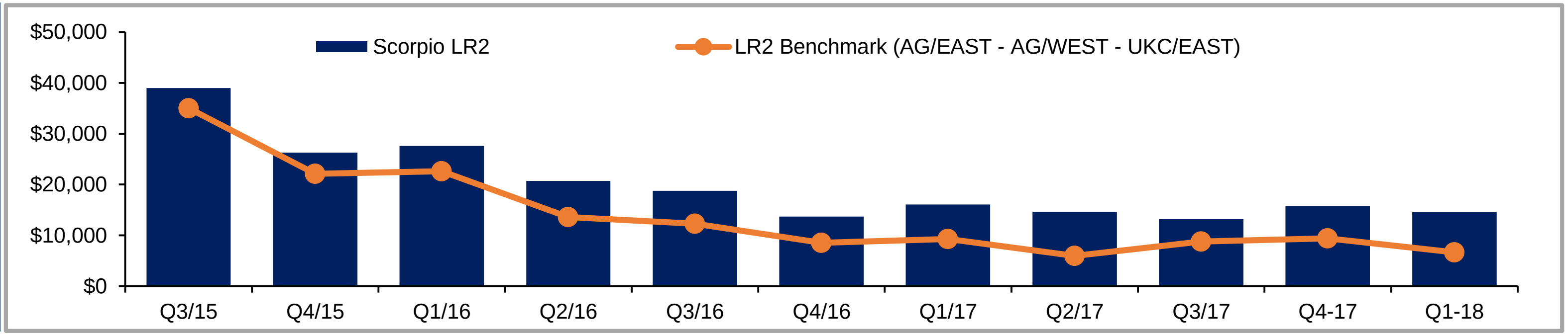


Top LR Operators



Figures do not include newbuilding vessels on order.
Source: Company Websites & Vessel Values, May 2018

Scorpio Pools Have Consistently Outperformed Market

Pool	Performance ($/day)
Scorpio Handymax Tanker Pool (SHTP)	
Scorpio MR Tanker Pool (SMRP)	
Scorpio LR2 Tanker Pool (SLR2P)	

What if STNG Earned the 2015 Daily Rates in 2017?

	LR2	LR1	MR	Hmx	Total
Average Vessels:					
Owned	27.5	4.9	41.7	14.0	88.1
TC-in/BB-in	1.2	0.4	8.8	8.1	18.5
	28.7	5.3	50.5	22.1	106.6
Days in the Year	365	365	365	365	365
Number of Days	10,476	1,935	18,433	8,067	38,909
2015 Daily TCE	$30,544	$21,804	$21,803	$19,686	
2017 Daily TCE	$14,849	$11,409	$12,975	$11,706	
Difference in Daily TCE	**$15,695**	**$10,395**	**$8,828**	**$7,980**	
Incremental Rev/Income	$164,412,973	$20,109,128	$162,722,110	$64,370,670	$411,614,880
2017 Weighted Avg Shares					215,333,402
Incremental EPS and Cash Flow per Share					**$1.91**

Applying the average fleet in 2017 to the Company TCE earnings in 2015 generates an EPS of $1.91

Significant Operating Leverage to a Market Recovery

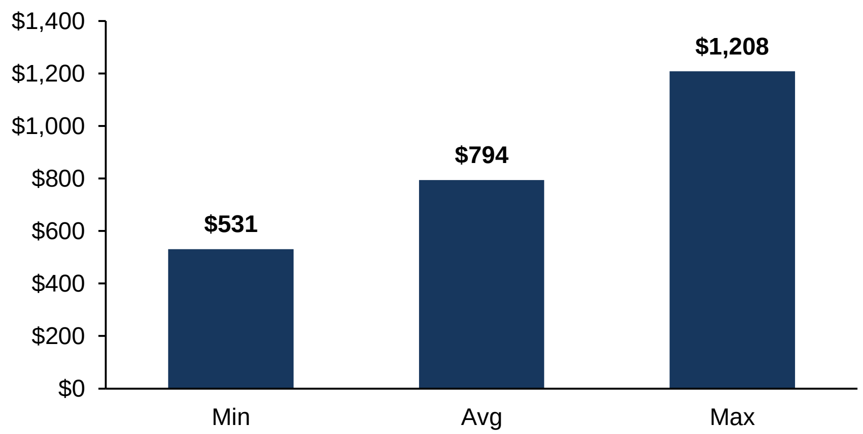
- Only taking into consideration the Company's 109 owned vessels, a $1,000/day change in rates equates to $39.7 million in annualized cash flow
- Applying the actual TCE rates earned by the Company in 2015 to its larger fleet today, the Company would generate $978 million

Class	# of Vessels	Days/Yr	Total Days	2015A Rates ($/day)	Annualized Revenue (Millions $USD)
HM	14	365	5,110	$19,686	$101
MR	45	365	16,425	$21,803	$358
LR1	12	365	4,380	$21,804	$96
LR2	38	365	13,870	$30,544	$424
	109		**39,785**	**Total Revenue**	**$978**

Historical One Year TC Rates ($/day): 2003-2017

Class	Min	Avg	Max
HM	$11,430	$16,204	$24,683
MR	$13,160	$17,784	$27,000
LR1	$12,995	$20,937	$31,904
LR2	$14,391	$23,615	$35,950

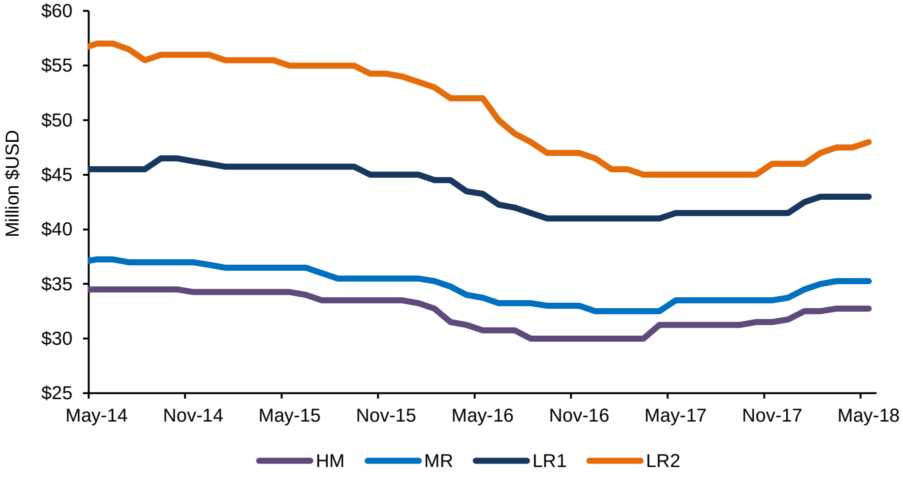
Implied Revenue from Historical TC Rates



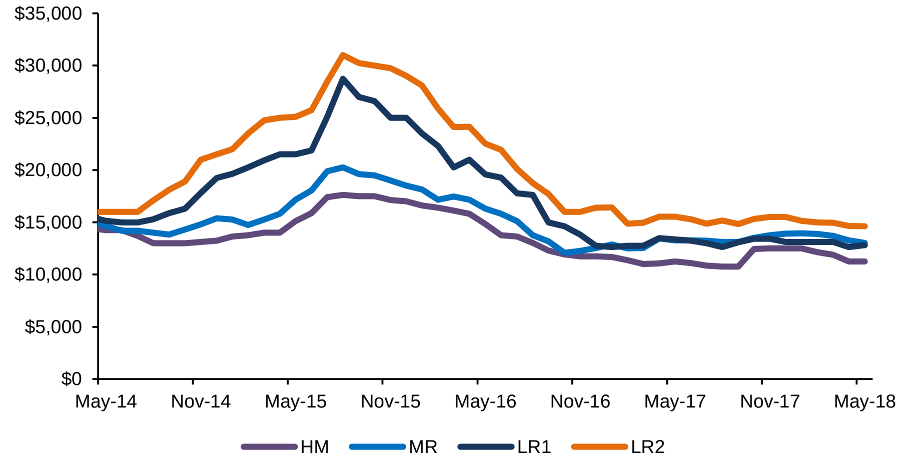
The one year time charter rate "TC rate" is the rate paid per day to contract a vessel out for one year, and the time charter equivalent rate ("TCE") which is the earnings per day for a vessel operating in the spot market.
Source: Clarksons Research Services

Asset Values & Time Charter Rates

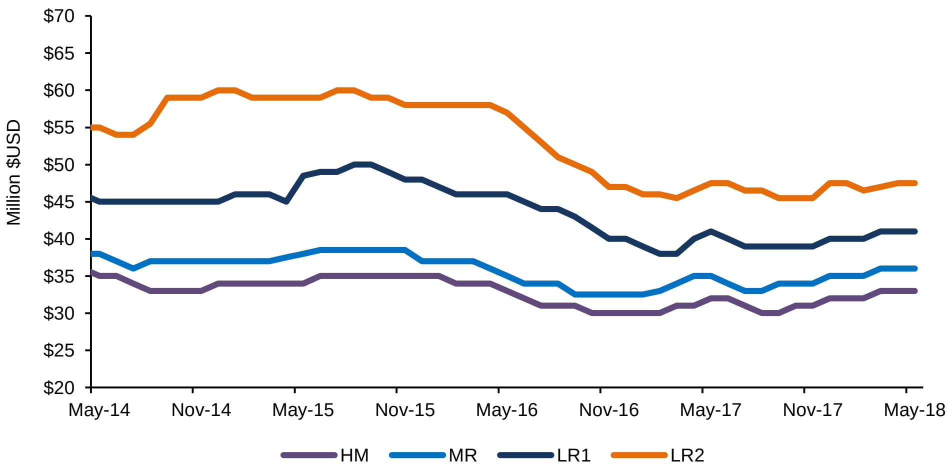
Newbuilding Prices



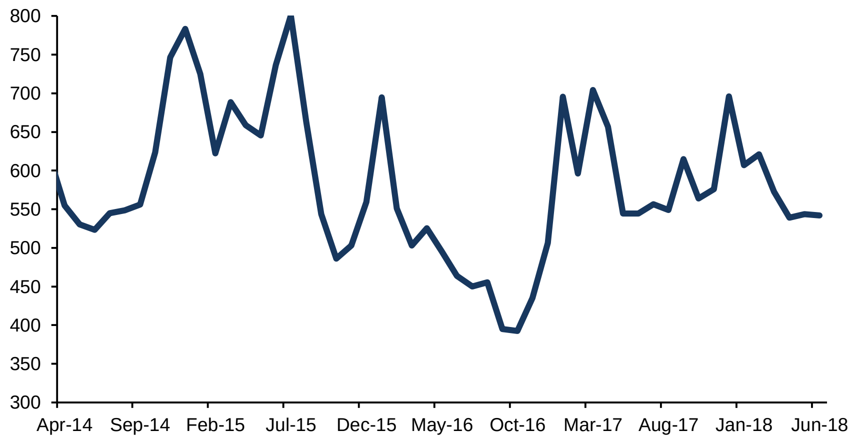
One Year TC Rate ($/day)



Resale Prices



Baltic Clean Tanker Index



Source: Clarksons Research Services, June 2018

Ballast Water Treatment Systems

- The IMO will require all vessels trading internationally to a install ballast water treatment system (BWTS) after September 8, 2019 at their next special survey.
- Ballast water treatment systems actively remove/inactivate organisms taken in from one ecological zone prior to discharging it in another.
- Expected cost is $0.5 million to $1.5 million depending on the type and size of vessel.
- Retrofits on older, existing ships, can be more challenging and expensive as they were designed without the space in the engine room.
- This is a potential “push” factor in the scrapping of older tonnage

BWTS Filtering Unit

BWTS Piping in Engine Room

IMO 2020 Sulfur Emission Regulations & Compliance

What is IMO 2020?

- The International Maritime Organization (IMO) will require shipowners to reduce sulfur emissions from 3.5% currently to 0.5% in 2020.
- To comply, shipowners will have to decide between:
    - Installing a scrubber to enable the vessel to burn HSFO;
    - Paying the premium to consume compliant fuels with a sulfur content <0.5% (MGO and LSFO)
    - LNG as bunker fuel
- Scrubbers can cost $3-$5 million to install depending on the size of the ship

How will Scorpio comply with IMO 2020?

- At this time, Scorpio plans to comply with IMO 2020 regulation by burning compliant fuels with <0.5% sulfur

Why?

- The analysis of scrubbers favors liners and/or larger ship types, however, the analysis for smaller and/or tramp traders is less clear
- Many of Scorpio's vessels trade in ECA areas where the sulfur limit is <0.1%
- Regulatory, technological, and supply/pricing risks are also relevant and largely argue against scrubbers
- The demand and fuel-efficiency stories are more relevant to the product tanker segment than the yes/no scrubber decision
- All of this being said, the Company continues to evaluate scrubbers and does not see a compelling argument to install them today

IMO 2020 & the Eco Advantage

The Eco Advantage

- STNG's 100% Eco fleet to benefit from fuel savings compared to older less efficient vessels
- Eco vessels comprise 28% of the current product tanker fleet, and STNG has 15% of the Eco fleet (1)

	STNG Eco Vessels	Eco Fleet	STNG Fleet as % of Eco Fleet	Non-Eco Fleet	Total Fleet	Eco % Total Fleet
LR2	38	138	28%	210	348	40%
LR1	12	69	17%	295	364	19%
MR	45	473	10%	1,035	1,508	31%
HM	14	66	21%	386	452	15%
Total	109	746	15%	1,926	2,672	28%

STNG Eco Fuel Savings

- ECO fuel savings per day = (Non Eco fuel consumption MT/day – Eco fuel consumption MT/day)
- If ECO fuel savings per day = 6 MT/day for HM/MR, and 8 MT/day for LR1/LR2
- LSFO costs $600 MT/day in Rotterdam today
    - HM/MR Eco Fuel Savings ($600/MT x 6 MT/day) = **$3,600/day**
    - LR1/LR2 Eco Fuel Savings ($600/MT x 8 MT/day) = **$4,800/day**
    - Total Eco Fleet Savings = ($3,600 x 59 vessels)+($4,800 x 50 vessels) = **$452,400/day or $165,126,000 annually**
    - **If LSFO increases to $800/MT, STNG Eco fuel savings = $603,200/day or $220,168,000 annually**

(1) Figures calculated based on number of ships
Eco vessels defined as 2012 build and later
Clarksons Research Services, June 2018

IMO 2020 Implications for the Product Tanker Market

If the majority of owners do not install scrubbers by 2020 (~400 scrubbers installed today out of 90,000 vessels) then:

Consumption of LSFO would be expected to increase

- Global Marine fuel consumption today is 4.9 mb/d of which 3.2 mb/d is HSFO[1]
- By 2020, if 20% of the global fleet uses scrubbers or LNG, the remaining 80% would need to comply through consuming compliant fuels with <0.5% sulfur (MGO/LSFO)
- This would increase refined product consumption by 2.6 mb/d (80% of 3.2 mb/d)

Increased demand for product tankers

- High sulfur fuel oil ("HSFO") is a "dirty cargo" carried on crude tankers whereby compliant fuels (MGO/LSFO) are "clean cargoes" carried on product tankers
- If 75% of the 2.5 mb/d of LSFO needs to be transported by sea, this would increase seaborne refined product exports by 1.9 mb/d (75% of 2.5 mb/d)
- Current seaborne exports of refined products are 24.4 mb/d today, all else being equal, the additional 1.9 mb/d of LSFO would increase seaborne exports by 7.8%

Growing ton miles

- Differences in refinery complexity, access to crude types, and respective yields creates increased complexity of refined product trade
- Higher demand for LSFO increases the distance between LSFO production and consumption

(1) Goldman Sachs May 2018
HSFO= High sulfur fuel
Compliant fuels: LSFO = low sulfur fuel oil, MGO = marine gas oil

Product Tanker Fundamentals

Industry Highlights

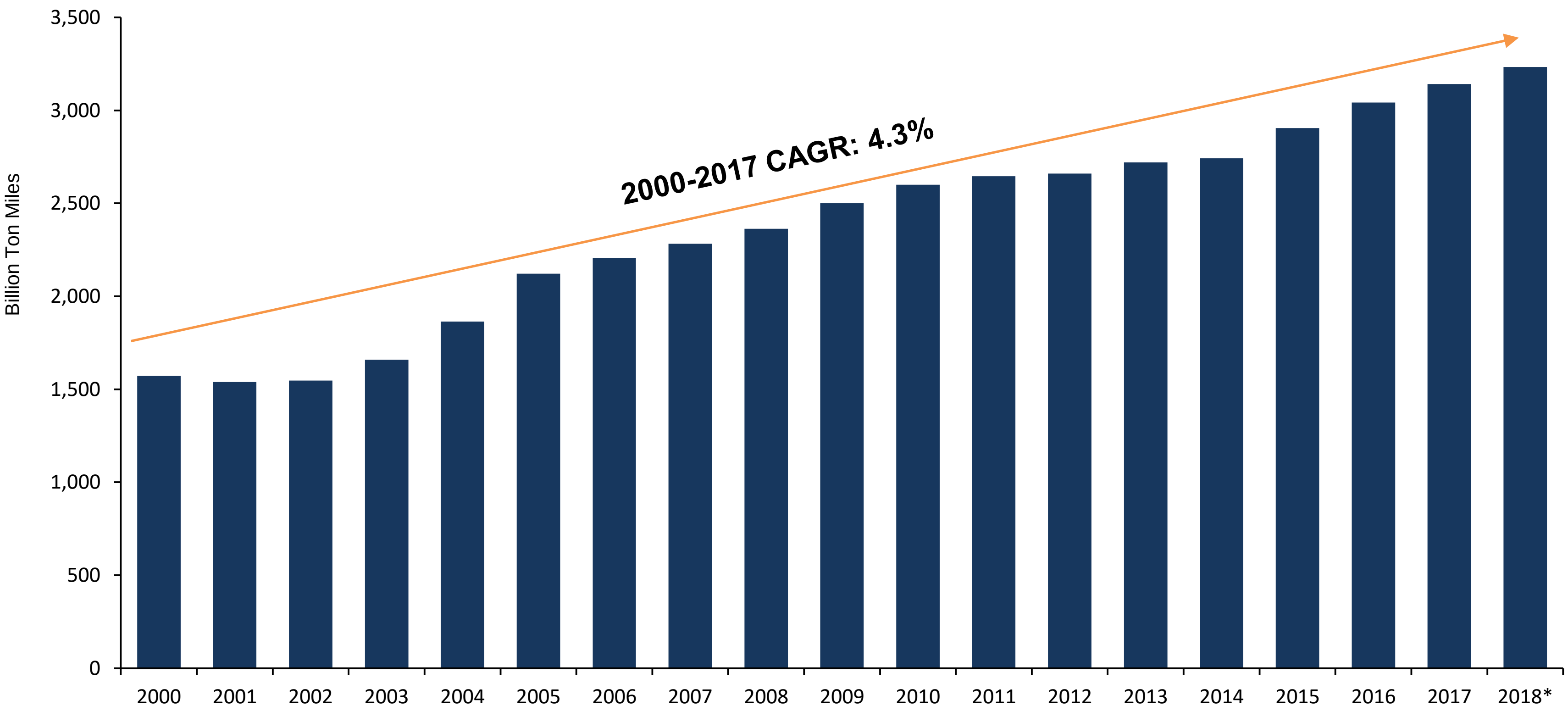
Refined product inventory surplus largely behind	✓	In Q1-16 OECD refined products inventories were 320 mb above end of 2013 inventories. By end-2017, the OECD's product stocks surplus had shrunk to just 20 mb.(1)
Favorable supply demand dynamics	✓	• Product tanker ton mile demand set to outpace fleet supply growth in 2018 • More MR's will turn 15 years old than newbuildings are delivered in 2018
US refined product exports continue to grow	✓	• US refined product exports averaged 4.9 mb/d in 2017(2)
Middle East drives refinery capacity expansions	✓	• From 2017 to 2023 the Middle East will add 2 mb/d of refining capacity(1)
Environmental regulations provide supply and demand boost	✓	• Environmental regulations coincided with high scrap prices likely to accelerate scrapping of older tonnage • Increase in diesel consumption from IMO sulfur regulations expected to increase demand for product tankers

1) IEA Oil Market Report
2) EIA

Ton Mile Demand Continues to Grow

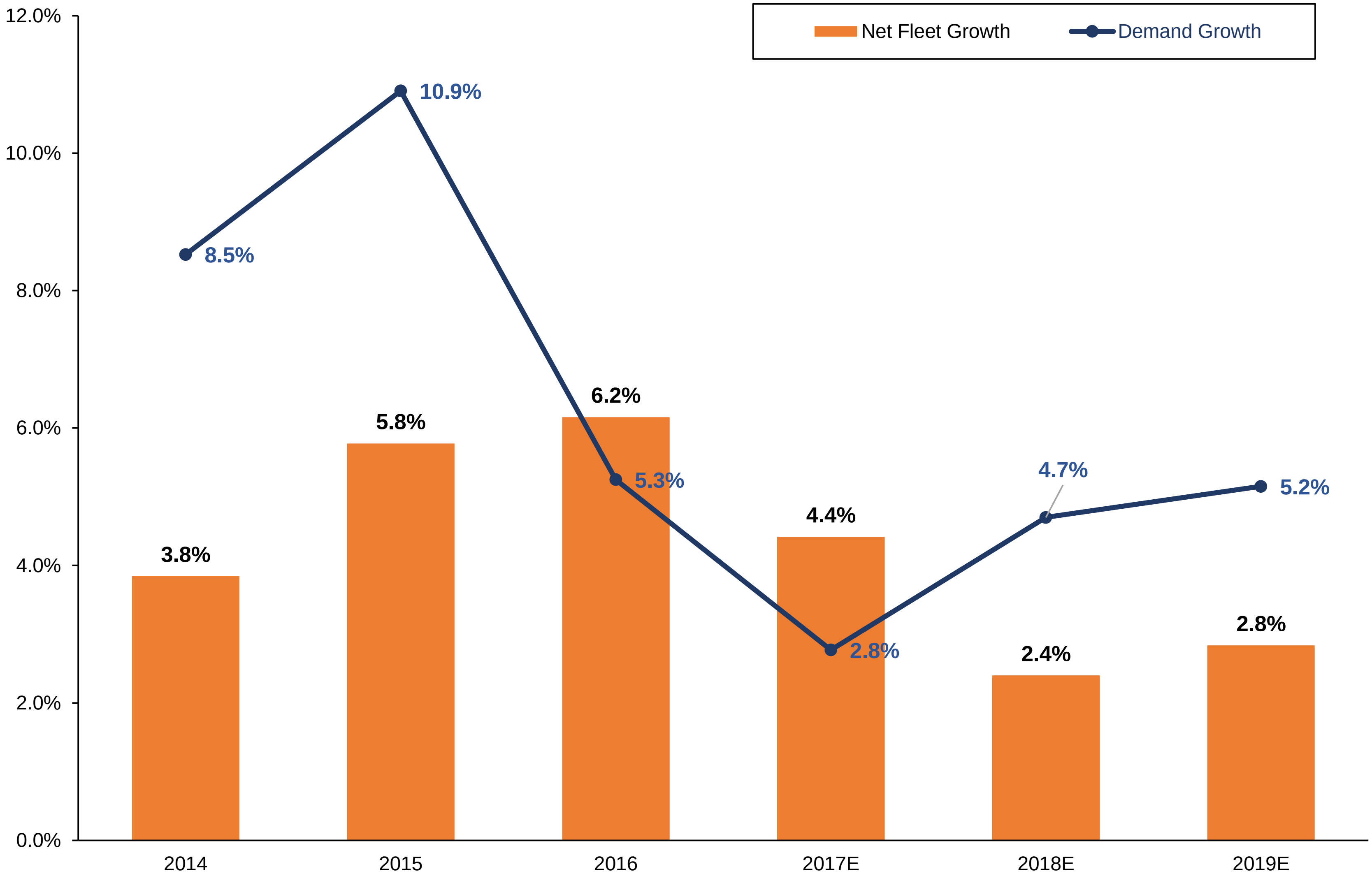
- Ton miles, the quantity of cargo multiplied by the distance it travels, has increased at a CAGR of 4.3% since 2000

Seaborne Product Ton Miles



Sources: Clarksons Research Services

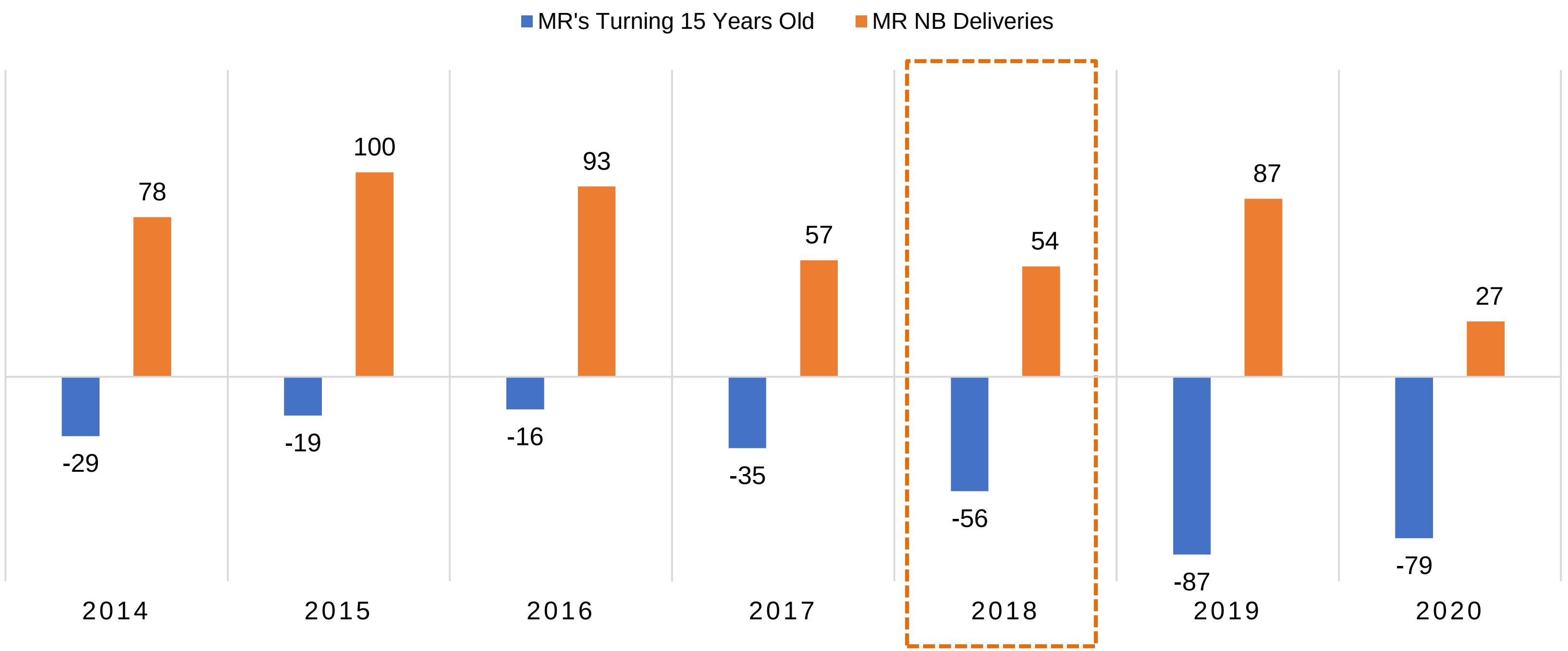
Demand to Outpace Supply Growth in 2018



STIFEL estimates assume scrapping and slippage.
Source: STIFEL, June 2018

MR's Turning 15 vs Newbuild Deliveries

- Certain key customers will only employ product tankers 15 years and younger
- This limits trading opportunities for older tonnage and creates a two tiered market where:
- Owners consider continuing to carry refined products, switching from products to crude, vessel conversion, storage, and scrapping
- The switch from products to crude is relatively easy, but becomes difficult to switch from crude to products as the age of the vessel increases



For the first time more MR's will turn 15 years old than are delivered

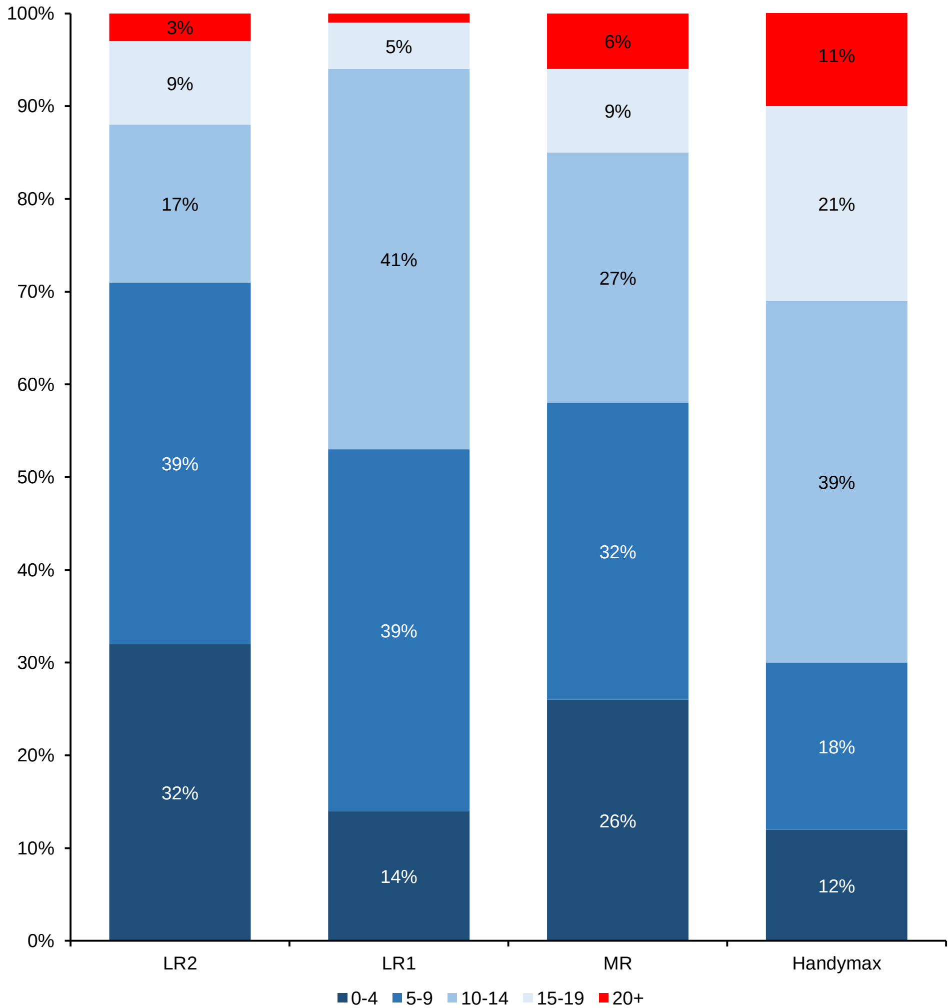
Assumes 10% slippage.
Source: Clarksons Research Services, June 2018

Fleet Age Profile & Scrap Prices

Environmental regulations and attractive scrap prices likely to increase scrapping of older tonnage

Scrap Price ($/ldt)

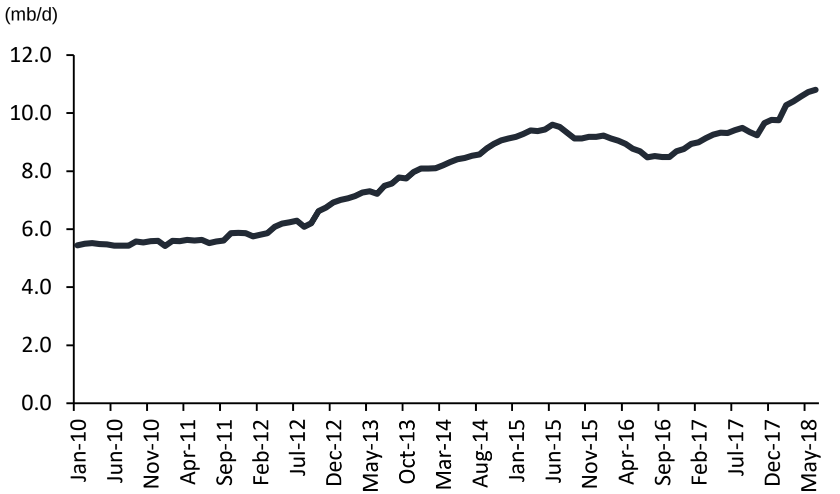
Fleet Age Profile



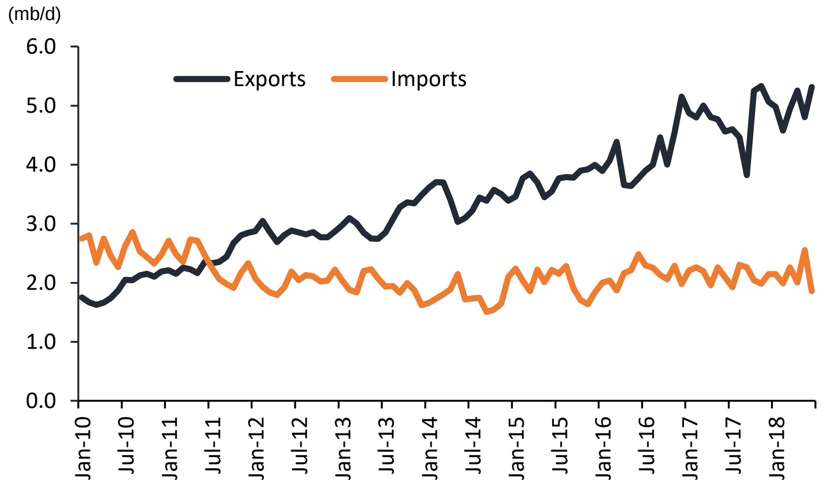
Includes Product Tankers 10K to 120K DWT
Source: Clarksons Research Services, June 2018

US Refining & Product Exports

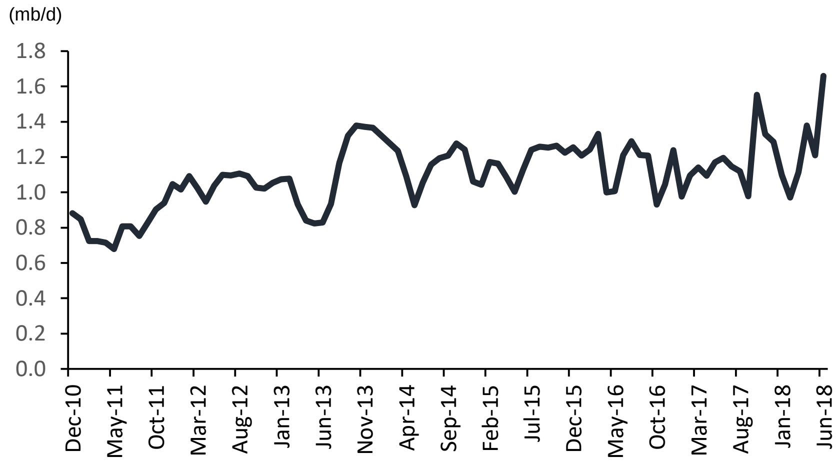
U.S. Crude Oil Production



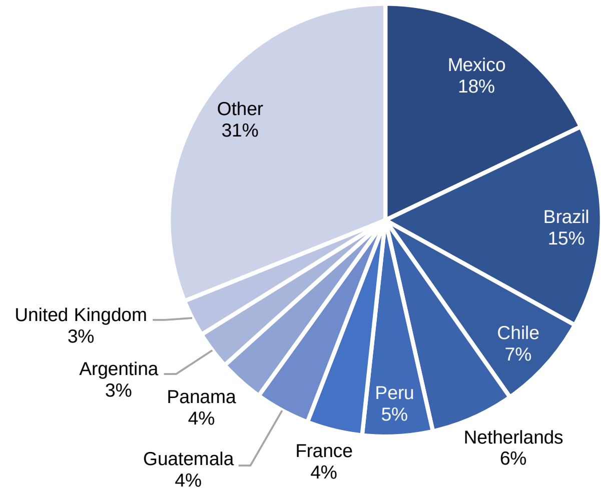
U.S. Imports and Exports of Finished Oil Products



U.S. Diesel Exports



Destination of US Diesel Exports: Jan – Nov 2017

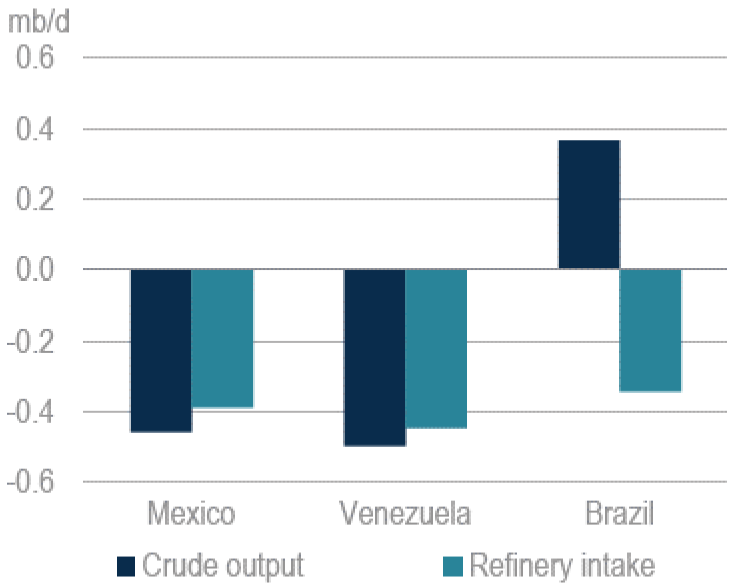


Source: EIA, June 2018

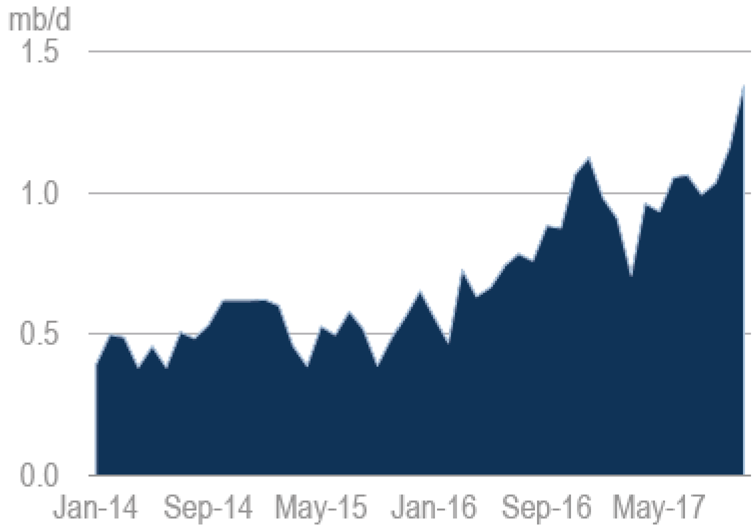
Latin American Refining Woes Send Imports Soaring

- US exports to Mexico, Brazil and Venezuela has more than doubled in two years.
- While Venezuela's extremely low capacity utilization rate (40%) is the result of ongoing turmoil in its petroleum industry, declines in Mexico and Brazil are due to operational decision-making.
- Latin American throughput in the next five years is expected to stay below 2015 levels due to declines in crude oil supply and ongoing under-investment in their refineries
- Refined products imports expected to continue fueling domestic consumption

Changes from 2014-2017



US Exports to Latin America

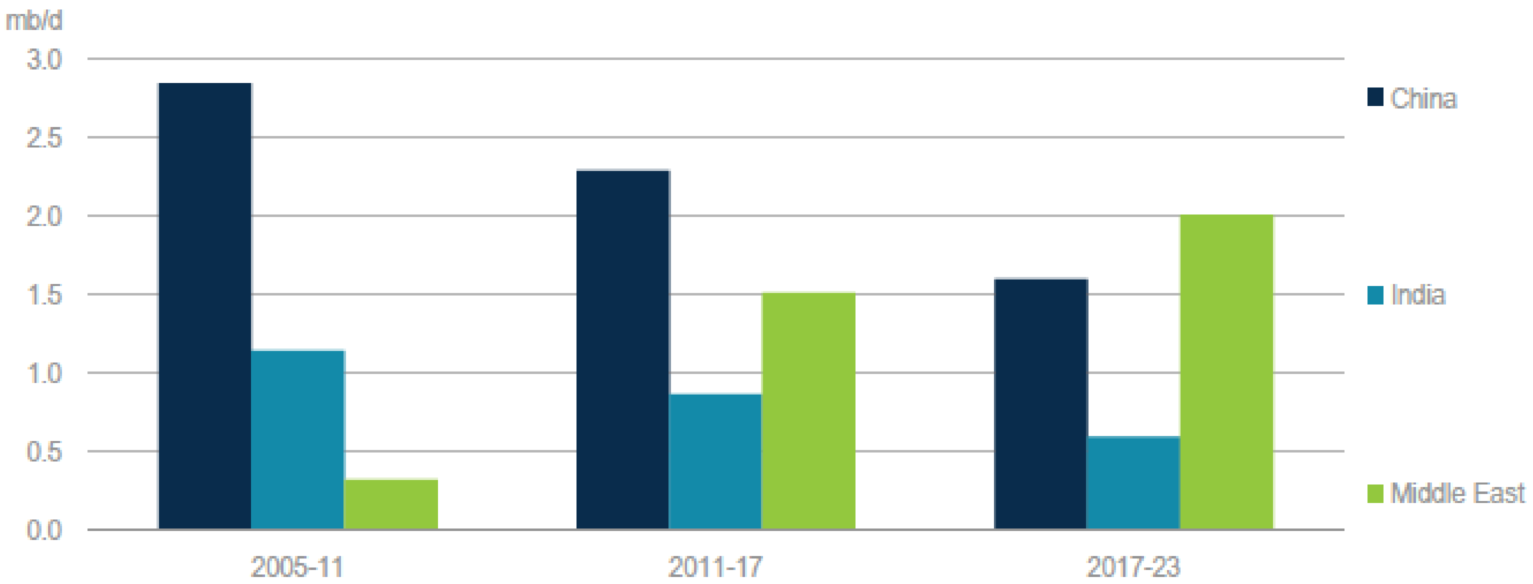


Source: IEA Oil Market Report

Middle East to Drive Refinery Capacity Expansions

- From 2017 to 2023, the largest regional refinery capacity expansions will come from the Middle East.
- Saudi Aramco will complete it's domestic mega refinery series by bringing online the Jazan complex (400 kb/d) in 2019.
- If Saudi Arabia manages fulfill its ambition to double its refining capacity and increase crude throughput, it will effectively become the world's largest refiner, leapfrogging ExxonMobil and Sinopec
- In addition, Kuwait's largest downstream expansion involves a 200 kb/d increase at Mina Abdullah, and the new 615 kb/d Al-Zour, plant and upgrades to increase the production of clean fuels

Net CDU Capacity Additions



Source: IEA

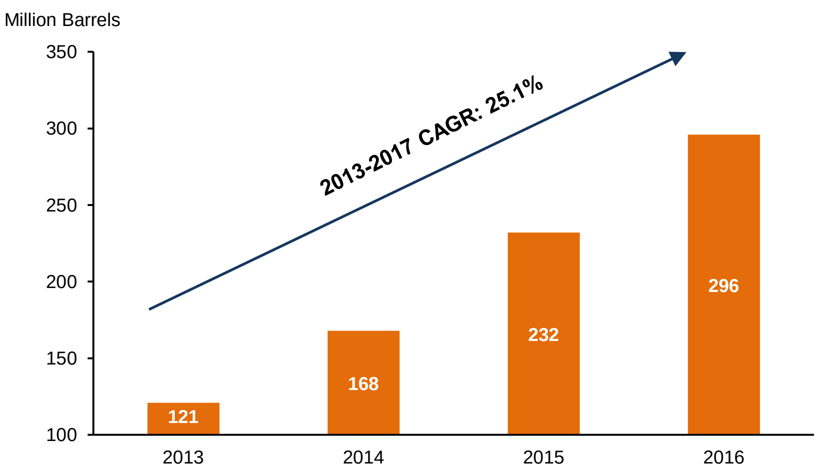
Saudi Aramco Increasing Product Exports

- Saudi Aramco refined product exports have increased 144% since 2013
- 800 kb/d of refining capacity added in 2014 from export oriented refineries (Yanbu and Jubail)
- Additional 400 kb/d refining capacity expected to come online in 2018/2019 from Jazan refinery

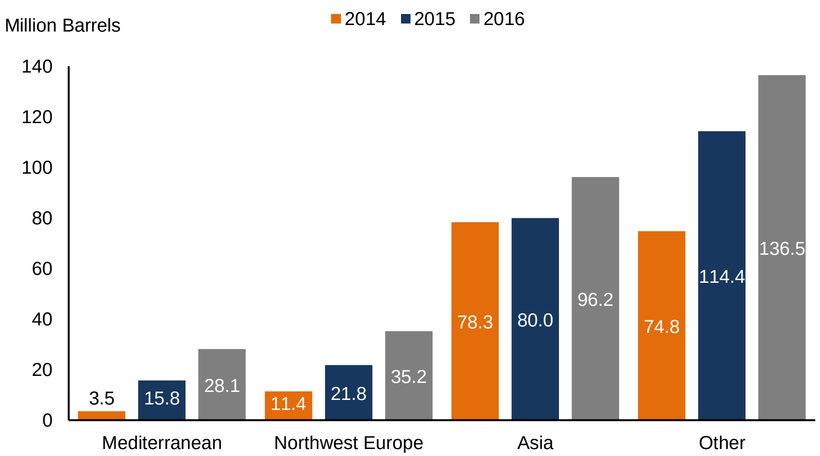
Saudi Aramco Domestic Refining Capacity

Operational	Refinery	Capacity (kb/d)
1967	Jiddah	77
1979	Yanbu	243
1981	Riyadh	126
1983	SAMREF – Yanbu	400
1986	SASREF - Jubail	305
1986	Ras Tanura	550
1990	Petro Rabigh	400
2014	YASREF - Yanbu	400
2014	SATORP - Jubail	400
	Current Domestic Capacity	**2,901**
2018/2019	Jazan	400
	Total Domestic Capacity	**3,301**

Saudi Aramco Refined Products Exports



Saudi Aramco Exports by Region



Source: Saudi Aramco Annual Report

Incremental Supply Needed to Meet New Capacity

Product Tankers Needed to Meet New Capacity Growth AG-FE Illustrative Example	
Incremental Refining Capacity Growth(bbl/d)	500,000
HM/MR Carrying Capacity (bbl)	250,000
LR1/LR2 Carrying Capacity (bbl)	600,000
Laden Speed (knots)	12.5
Ballast Speed (knots)	12.5
Voyage Days (Ras Tanura – Yokohama)	
Sailing (Round Trip)	44
Loading	2
Discharging	2
Total Voyage Days (Per Trip)	48
Operating Days (Per Year)	360
AG-FE Round Trip Voyages Per Year	7.5
Product Tankers Needed Per Year	
HM/MR Needed Per Year	96
LR1/LR2 Needed Per Year	40

Note: Operating assumptions are based upon industry standards.

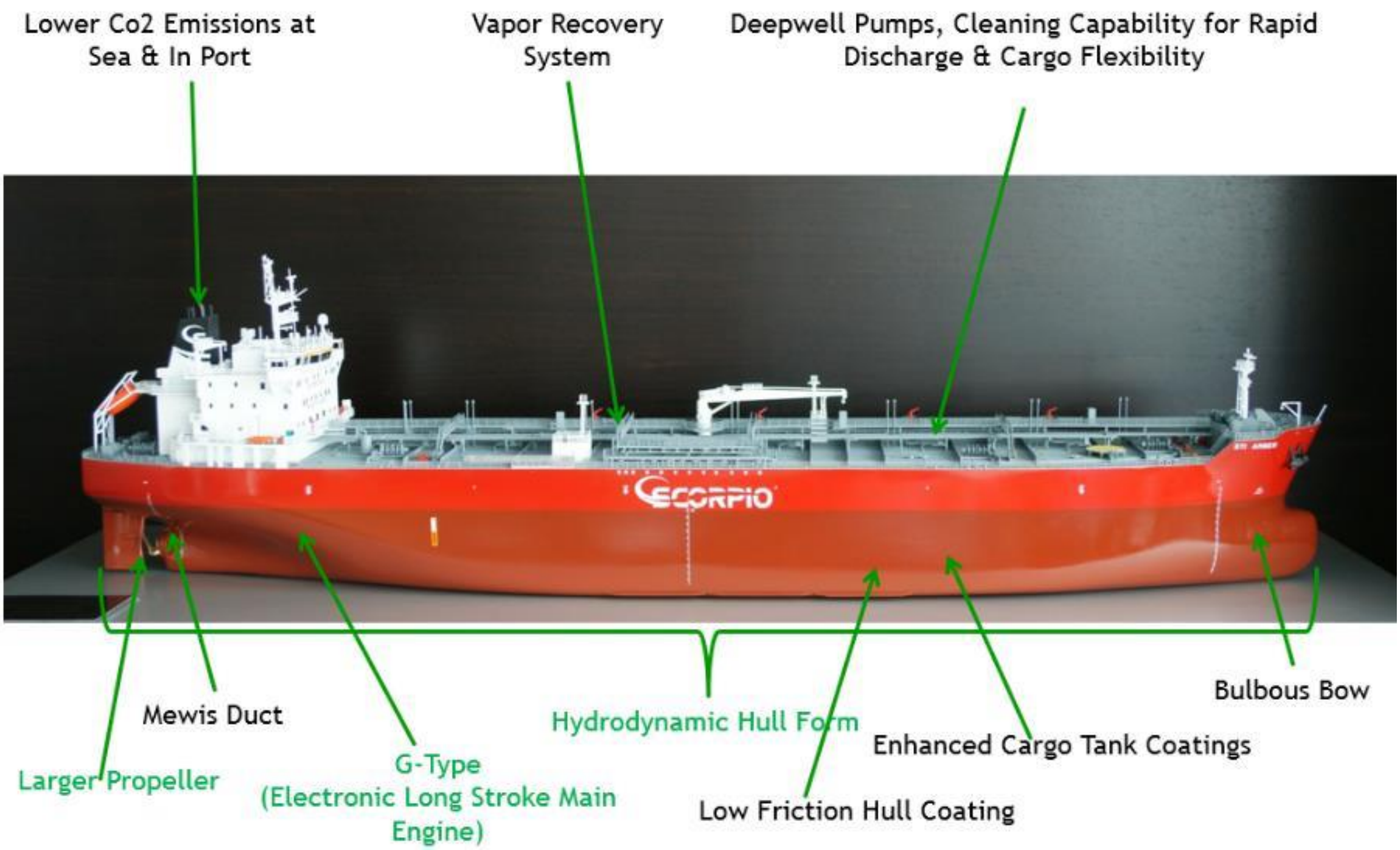
Appendix

Product Tanker Specifications

IMO Classes I, II, & III		
IMO Class I	**Chemical Tankers**	IMO Class I refers to the transportation of the most hazardous, very acidic, chemicals. The tanks can be stainless steel, epoxy or marine-line coated.
IMO Class II	**Chemical & Product Tankers**	IMO Class II carries Veg & Palm Oils, Caustic Soda. These tanks tend to be coated with Epoxy or Stainless steel.
IMO Class III	**Product Tankers**	Typically carry refined either light, refined oil “clean” products or “dirty” heavy crude or refined oils.

- Product tankers have coated tanks, typically epoxy, making them easy to clean and preventing cargo contamination and hull corrosion.
- IMO II & III tankers have at least 6 segregations and 12 tanks, i.e. 2 tanks can have a common line for discharge.
- Oil majors and traders have strict requirements for the transportation of chemicals, FOSFA cargoes (vegetable oils and chemicals), and refined products.
- Tanks must be completely cleaned before a new product is loaded to prevent contamination.

New Design Features on Scorpio Product Tankers



Fleet List

Owned & Finance Leased Vessels

Name	Year	DWT	Type
STI Comandante	May-14	38,734	HM
STI Brixton	Jun-14	38,734	HM
STI Pimlico	Jul-14	38,734	HM
STI Hackney	Aug-14	38,734	HM
STI Acton	Sep-14	38,734	HM
STI Fulham	Sep-14	38,734	HM
STI Camden	Sep-14	38,734	HM
STI Battersea	Oct-14	38,734	HM
STI Wembley	Oct-14	38,734	HM
STI Finchley	Nov-14	38,734	HM
STI Clapham	Nov-14	38,734	HM
STI Poplar	Dec-14	38,734	HM
STI Hammersmith	Jan-15	38,734	HM
STI Rotherhithe	Jan-15	38,734	HM
STI Amber	Jul-12	49,990	MR
STI Topaz	Aug-12	49,990	MR
STI Ruby	Sep-12	49,990	MR
STI Garnet	Sep-12	49,990	MR
STI Onyx	Sep-12	49,990	MR
STI Fontvieille	Jul-13	49,990	MR
STI Ville	Sep-13	49,990	MR
STI Opera	Jan-14	49,990	MR
STI Duchessa	Jan-14	49,990	MR
STI Texas City	Mar-14	49,990	MR
STI Meraux	Apr-14	49,990	MR
STI San Antonio	May-14	49,990	MR
STI Venere	Jun-14	49,990	MR
STI Virtus	Jun-14	49,990	MR
STI Aqua	Jul-14	49,990	MR
STI Dama	Jul-14	49,990	MR
STI Benicia	Sep-14	49,990	MR
STI Regina	Sep-14	49,990	MR
STI St Charles	Sep-14	49,990	MR
STI Mayfair	Oct-14	49,990	MR
STI Yorkville	Oct-14	49,990	MR
STI Memphis	Nov-14	49,995	MR
STI Milwaukee	Nov-14	49,990	MR
STI Battery	Dec-14	49,990	MR

Name	Year	DWT	Type
STI Soho	Dec-14	49,990	MR
STI Tribeca	Jan-15	49,990	MR
STI Gramercy	Jan-15	49,990	MR
STI Bronx	Feb-15	49,990	MR
STI Pontiac	Mar-15	49,990	MR
STI Manhattan	Mar-15	49,990	MR
STI Queens	Apr-15	49,990	MR
STI Osceola	Apr-15	49,990	MR
STI Notting Hill	May-15	49,687	MR
STI Seneca	Jun-15	49,990	MR
STI Westminster	Jun-15	49,687	MR
STI Brooklyn	Jul-15	49,990	MR
STI Black Hawk	Sep-15	49,990	MR
STI Galata	Mar-17	49,990	MR
STI Bosphorus	Apr-17	49,990	MR
STI Leblon	Jul-17	49,990	MR
STI La Boca	Jul-17	49,990	MR
STI San Telmo	Sep-17	49,990	MR
STI Donald C. Trauscht	Oct-17	50,000	MR
STI Esles II	Jan-18	50,000	MR
STI Jardins	Jan-18	50,000	MR
STI Excel	Nov-15	74,000	LR1
STI Excelsior	Jan-16	74,000	LR1
STI Expedite	Jan-16	74,000	LR1
STI Exceed	Feb-16	74,000	LR1
STI Experience	Mar-16	74,000	LR1
STI Express	May-16	74,000	LR1
STI Executive	May-16	74,000	LR1
STI Excellence	May-16	74,000	LR1
STI Pride	Jul-16	74,000	LR1
STI Providence	Aug-16	74,000	LR1
STI Precision	Oct-16	74,000	LR1
STI Prestige	Nov-16	74,000	LR1
STI Elysees	Jul-14	109,999	LR2
STI Madison	Aug-14	109,999	LR2
STI Park	Sep-14	109,999	LR2
STI Orchard	Sep-14	109,999	LR2
STI Sloane	Oct-14	109,999	LR2

Name	Year	DWT	Type
STI Broadway	Nov-14	109,999	LR2
STI Condotti	Nov-14	109,999	LR2
STI Rose	Jan-15	109,999	LR2
STI Veneto	Jan-15	109,999	LR2
STI Alexis	Jan-15	109,999	LR2
STI Winnie	Mar-15	109,999	LR2
STI Oxford	Apr-15	109,999	LR2
STI Lauren	Apr-15	109,999	LR2
STI Connaught	May-15	109,999	LR2
STI Spiga	Jun-15	109,999	LR2
STI Savile Row	Jun-15	109,999	LR2
STI Kingsway	Aug-15	109,999	LR2
STI Lombard	Aug-15	109,999	LR2
STI Carnaby	Sep-15	109,999	LR2
STI Grace	Mar-16	109,999	LR2
STI Jermyn	Jun-16	109,999	LR2
STI Selatar	Feb-17	109,999	LR2
STI Rambla	Mar-17	109,999	LR2
STI Solidarity	Nov-15	109,999	LR2
STI Stability	Jan-16	109,999	LR2
STI Solace	Jan-16	109,999	LR2
STI Symphony	Feb-16	109,999	LR2
STI Sanctity	Mar-16	109,999	LR2
STI Steadfast	May-16	109,999	LR2
STI Nautilus	May-16	113,000	LR2
STI Gallantry	Jun-16	113,000	LR2
STI Supreme	Aug-16	109,999	LR2
STI Guard	Aug-16	113,000	LR2
STI Guide	Oct-16	113,000	LR2
STI Goal	Nov-16	113,000	LR2
STI Guantlet	Jan-17	113,000	LR2
STI Gladiator	Jan-17	113,000	LR2
STI Gratitude	May-17	113,000	LR2