

TSAKOS ENERGY NAVIGATION LTD

Form 20-F

April 08, 2015

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

OR

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

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report

For the transition period from _____ to _____

Commission file number 001-31236

TSAKOS ENERGY NAVIGATION LIMITED

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Bermuda

(Jurisdiction of incorporation or organization)

367 Syngrou Avenue

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Athens, Greece

011-30210-9407710

(Address of principal executive offices)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, par value \$1.00 per share	New York Stock Exchange
Preferred share purchase rights	New York Stock Exchange
Series B Cumulative Redeemable Perpetual Preferred Shares, par value \$1.00 per share	New York Stock Exchange

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Series C Cumulative Redeemable Perpetual Preferred Shares, par value \$1.00 per share
New York Stock Exchange
Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

As of December 31, 2014, there were 84,712,295 of the registrant's Common Shares, 2,000,000 Series B Preferred Shares and 2,000,000 Series C Preferred Shares outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other
If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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FORWARD-LOOKING INFORMATION

All statements in this Annual Report on Form 20-F that are not statements of historical fact are forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. The disclosure and analysis set forth in this Annual Report on Form 20-F includes assumptions, expectations, projections, intentions and beliefs about future events in a number of places, particularly in relation to our operations, cash flows, financial position, plans, strategies, business prospects, changes and trends in our business and the markets in which we operate. These statements are intended as forward-looking statements. In some cases, predictive, future-tense or forward-looking words such as believe, intend, anticipate, estimate, project, forecast, plan, potential, may, should and expect and similar expressions are used in forward-looking statements, but are not the exclusive means of identifying such statements.

Forward-looking statements include, but are not limited to, such matters as:

future operating or financial results and future revenues and expenses;

future, pending or recent business and vessel acquisitions, business strategy, areas of possible expansion and expected capital spending and our ability to fund such expenditure;

operating expenses including the availability of key employees, crew, length and number of off-hire days, dry-docking requirements and fuel and insurance costs;

general market conditions and shipping industry trends, including charter rates, vessel values and factors affecting supply and demand of crude oil and petroleum products;

our financial condition and liquidity, including our ability to make required payments under our credit facilities, comply with our loan covenants and obtain additional financing in the future to fund capital expenditures, acquisitions and other corporate activities;

the overall health and condition of the U.S. and global financial markets, including the value of the U.S. dollar relative to other currencies;

the carrying value of our vessels and the potential for any asset impairments;

our expectations about the time that it may take to construct and deliver new vessels or the useful lives of our vessels;

our continued ability to enter into period time charters with our customers and secure profitable employment for our vessels in the spot market;

the ability and willingness of our counterparties including our charterers and shipyards to honor their contractual obligations;

our expectations relating to dividend payments and ability to make such payments;

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our ability to leverage to our advantage the relationships and reputation of Tsakos Columbia Shipmanagement within the shipping industry;

our anticipated general and administrative expenses;

environmental and regulatory conditions, including changes in laws and regulations or actions taken by regulatory authorities;

risks inherent in vessel operation, including terrorism, piracy and discharge of pollutants;

potential liability from future litigation;

global and regional political conditions;

tanker, product carrier and LNG carrier supply and demand; and

other factors discussed in the Risk Factors described in Item 3 of this Annual Report on Form 20-F.

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We caution that the forward-looking statements included in this Annual Report on Form 20-F represent our estimates and assumptions only as of the date of this Annual Report on Form 20-F and are not intended to give any assurance as to future results. These forward-looking statements are not statements of historical fact and represent only our management's belief as of the date hereof, and involve risks and uncertainties that could cause actual results to differ materially and inversely from expectations expressed in or indicated by the forward-looking statements. Assumptions, expectations, projections, intentions and beliefs about future events may, and often do, vary from actual results and these differences can be material. There are a variety of factors, many of which are beyond our control, which affect our operations, performance, business strategy and results and could cause actual reported results and performance to differ materially from the performance and expectations expressed in these forward-looking statements. These factors include, but are not limited to, supply and demand for crude oil carriers, product tankers and LNG carriers, charter rates and vessel values, supply and demand for crude oil and petroleum products and liquefied natural gas, accidents, collisions and spills, environmental and other government regulation, the availability of debt financing, fluctuation of currency exchange and interest rates and the other risks and uncertainties that are outlined in this Annual Report on Form 20-F. As a result, the forward-looking events discussed in this Annual Report on Form 20-F might not occur and our actual results may differ materially from those anticipated in the forward-looking statements. Accordingly, you should not unduly rely on any forward-looking statements.

We undertake no obligation to update or revise any forward-looking statements contained in this Annual Report on Form 20-F, whether as a result of new information, future events, a change in our views or expectations or otherwise. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

PART I

Tsakos Energy Navigation Limited is a Bermuda company that is referred to in this Annual Report on Form 20-F, together with its subsidiaries, as Tsakos Energy Navigation, the Company, we, us, or our. This report should be read in conjunction with our consolidated financial statements and the accompanying notes thereto, which are included in Item 18 to this report.

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

Selected Consolidated Financial Data and Other Data

The following table presents selected consolidated financial and other data of Tsakos Energy Navigation Limited for each of the five years in the five-year period ended December 31, 2014. The table should be read together with Item 5. Operating and Financial Review and Prospects. The selected consolidated financial data of Tsakos Energy Navigation Limited is a summary of, is derived from and is qualified by reference to, our consolidated financial statements and notes thereto which have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP).

Our audited consolidated statements of operations, comprehensive income/(loss), stockholders' equity and cash flows for the years ended December 31, 2014, 2013, and 2012, and the consolidated balance sheets at December 31, 2014 and 2013, together with the notes thereto, are included in Item 18. Financial Statements and should be read in their entirety.

Table of Contents**Selected Consolidated Financial and Other Data****(Dollars in thousands, except for share and per share amounts and fleet data)**

	2014	2013	2012	2011	2010
Income Statement Data					
Voyage revenues	\$ 501,013	\$ 418,379	\$ 393,989	\$ 395,162	\$ 408,006
Expenses					
Commissions	18,819	16,019	12,215	14,290	13,837
Voyage expenses	135,324	116,980	111,797	127,156	85,813
Charter hire expense					1,905
Vessel operating expenses(1)	147,346	130,760	133,251	129,884	126,022
Depreciation	97,938	95,349	94,340	101,050	92,889
Amortization of deferred dry-docking costs	4,953	5,064	4,910	4,878	4,553
Management fees	16,457	15,896	15,887	15,598	14,143
General and administrative expenses	4,430	4,366	4,093	4,292	3,627
Management incentive award					425
Stock compensation expense	142	469	730	820	1,068
Foreign currency losses (gains)	(444)	293	30	458	(378)
Net loss (gain) on sale of vessels			1,879	(5,001)	(19,670)
Vessel impairment charge		28,290	13,567	39,434	3,077
Operating income (loss)	76,048	4,893	1,290	(37,697)	80,695
Other expenses (income):					
Interest and finance costs, net	43,074	40,917	51,576	53,571	62,283
Interest and investment income	(498)	(366)	(1,348)	(2,715)	(2,626)
Other, net	(246)	2,912	118	397	3
Total other expenses, net	42,330	43,463	50,346	51,253	59,660
Net income (loss)	33,718	(38,570)	(49,056)	(88,950)	21,035
Less: Net (income) loss attributable to non-controlling interest	(191)	1,108	(207)	(546)	(1,267)
Net income (loss) attributable to Tsakos Energy Navigation Limited.	\$ 33,527	\$ (37,462)	\$ (49,263)	\$ (89,496)	\$ 19,768
Effect of preferred dividends	(8,438)	(3,676)			
Net income attributable to Tsakos Energy Navigation Limited common shareholders	\$ 25,089	\$ (41,138)	\$ (49,263)	\$ (89,496)	\$ 19,768
Per Share Data					
Earnings (loss) per share, basic	\$ 0.32	\$ (0.73)	\$ (0.92)	\$ (1.94)	\$ 0.50
Earnings (loss) per share, diluted	\$ 0.32	\$ (0.73)	\$ (0.92)	\$ (1.94)	\$ 0.50
Weighted average number of shares, basic	79,114,401	56,698,955	53,301,039	46,118,534	39,235,601
Weighted average number of shares, diluted	79,114,401	56,698,955	53,301,039	46,118,534	39,601,678
Dividends per common share, paid	\$ 0.15	\$ 0.15	\$ 0.50	\$ 0.60	\$ 0.60
Cash Flow Data					
Net cash provided by operating activities	106,971	117,923	60,862	45,587	83,327
Net cash used in investing activities	(254,307)	(144,437)	(42,985)	(69,187)	(240,115)
Net cash provided by (used in) financing activities	187,206	44,454	(49,288)	(77,329)	137,244
Balance Sheet Data (at year end)					
Cash and cash equivalents	\$ 202,107	\$ 162,237	\$ 144,297	\$ 175,708	\$ 276,637
Cash, restricted	12,334	9,527	16,192	5,984	6,291
Investments	1,000	1,000	1,000	1,000	1,000
Advances for vessels under construction	188,954	58,521	119,484	37,636	81,882
Vessels, net book value	2,199,154	2,173,068	2,088,358	2,194,360	2,235,065
Total assets	2,699,097	2,483,899	2,450,884	2,535,337	2,702,260
Long-term debt, including current portion	1,418,336	1,380,298	1,442,427	1,515,663	1,562,467
Total stockholders' equity	1,177,912	997,663	926,840	919,158	1,019,930
Fleet Data					
Average number of vessels(2)	49.0	47.5	47.9	47.8	46.1
Number of vessels (at end of period)(2)	50.0	48.0	46.0	48.0	48.0
Average age of fleet (in years)(3)	7.7	7.1	6.5	7.0	6.8
Earnings capacity days(4)	17,895	17,339	17,544	17,431	16,836
Off-hire days(5)	406	385	889	502	400
Net earnings days(6)	17,489	16,954	16,655	16,929	16,436
Percentage utilization(7)	97.7%	97.8%	94.9%	97.1%	97.6%
Average TCE per vessel per day(8)	\$ 20,910	\$ 17,902	\$ 17,163	\$ 16,047	\$ 19,825
Vessel operating expenses per ship per day(9)	\$ 8,234	\$ 7,634	\$ 7,755	\$ 7,606	\$ 7,647

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Vessel overhead burden per ship per day(10)	\$	1,175	\$	1,196	\$	1,180	\$	1,188	\$	1,144
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- (1) Vessel operating expenses are costs that vessel owners typically bear, including crew wages and expenses, vessel supplies and spares, insurance, tonnage tax, routine repairs and maintenance, quality and safety costs and other direct operating costs.
- (2) Includes chartered in vessels for 2010.
- (3) The average age of our fleet is the age of each vessel in each year from its delivery from the builder, weighted by the vessel's deadweight tonnage (dwt) in proportion to the total dwt of the fleet for each respective year.
- (4) Earnings capacity days are the total number of days in a given period that we own or control vessels.

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- (5) Off-hire days are days related to repairs, dry-dockings and special surveys, vessel upgrades and initial positioning after delivery of new vessels. In 2012, excluding *La Prudencia* and *La Madrina*, which were unemployed during most of the year being held for sale, off-hire days for the rest of the fleet were 337.
- (6) Net earnings days are the total number of days in any given period that we own vessels less the total number of off-hire days for that period.
- (7) Percentage utilization represents the percentage of earnings capacity days that the vessels were actually employed, i.e., earnings capacity days less off-hire days. In 2012, excluding *La Prudencia* and *La Madrina*, which were unemployed during most of the year being held for sale, percentage utilization was 98%.
- (8) The shipping industry uses time charter equivalent, or TCE, to calculate revenues per vessel in dollars per day for vessels on voyage charters. The industry does this because it does not commonly express charter rates for vessels on voyage charters in dollars per day. TCE allows vessel operators to compare the revenues of vessels that are on voyage charters with those on time charters. TCE is a non-GAAP measure. For vessels on voyage charters, we calculate TCE by taking revenues earned on the voyage and deducting the voyage costs and dividing by the actual number of voyage days. For vessels on bareboat charter, for which we do not incur either voyage or operation costs, we calculate TCE by taking revenues earned on the charter and adding a representative amount for vessel operating expenses. TCE differs from average daily revenue earned in that TCE is based on revenues before commissions and does not take into account off-hire days.

Derivation of time charter equivalent per day (amounts in thousands except for days and per day amounts):

	2014	2013	2012	2011	2010
Voyage revenues	\$ 501,013	\$ 418,379	\$ 393,989	\$ 395,162	\$ 408,006
Less: Voyage expenses	(135,324)	(116,980)	(111,797)	(127,156)	(85,813)
Add: Representative operating expenses for bareboat charter (\$10,000 daily)		2,110	3,660	3,650	3,650
Time charter equivalent revenues	365,689	303,509	285,852	271,656	325,843
Net earnings days	17,489	16,954	16,655	16,929	16,436
Average TCE per vessel per day	\$ 20,910	\$ 17,902	\$ 17,163	\$ 16,047	\$ 19,825

- (9) Vessel operating expenses per ship per day represents vessel operating expenses divided by the earnings capacity days of vessels incurring operating expenses. Earnings capacity days of vessels on bareboat or chartered-in have been excluded.
- (10) Vessel overhead burden per ship per day is the total of management fees, management incentive awards, stock compensation expense and general and administrative expenses divided by the total number of earnings capacity days.

Ratio of Earnings to Fixed Charges and Preference Dividends

The following table sets forth our ratio of earnings to fixed charges and preference dividends for the periods presented:

	2014	Year Ended December 31,		2010
		2013 ⁽²⁾	2012 ⁽²⁾	2011 ⁽²⁾
Ratio of earnings to fixed charges and preference dividends ⁽¹⁾	1.6x			1.4x

- (1) For purposes of calculating the ratios of earnings to fixed charges and preference dividends:

earnings consist of net income (loss) before minority interest plus interest expensed and amortization of capitalized expenses relating to indebtedness, the interest portion of charter hire expense, amortization of capitalized interest and distributed income of equity investees;

fixed charges represent interest expensed and capitalized, the interest portion of charter hire expense, and amortization of capitalized expenses relating to indebtedness; and

preference dividends refers to the amount of net income (loss) that is required to pay the cash dividends on outstanding preference securities and is computed as the amount of (x) the dividend divided by (y) the result of 1 minus the effective applicable income tax rate.

- (2) The ratio of earnings to fixed charges and preference dividends for this period was less than 1.0x. The deficiency in earnings to fixed charges and preference dividends for the years ended December 31, 2013, 2012 and 2011 was approximately \$42.8 million, \$49.5 million and \$90.1 million, respectively.

Capitalization

The following table sets forth our (i) cash and cash equivalents, (ii) restricted cash and (iii) consolidated capitalization as of December 31, 2014 on:

an actual basis; and

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as adjusted basis giving effect to (i) debt repayments of \$29.9 million, (ii) the payment of newbuilding installments of \$45.3 million, (iii) the payment of \$2.1 million of preferred share dividends, (iv) the payment of \$5.1 million of common share dividends and (v) debt drawdowns of \$26.1 million, all of which occurred after December 31, 2014 and as of the date of this Annual Report.

Other than these adjustments, there has been no material change in our capitalization from debt or equity issuances, re-capitalization or special dividends between December 31, 2014 and April 8, 2015.

This table should be read in conjunction with our consolidated financial statements and the notes thereto, and Item 5. Operating and Financial Review and Prospects, included elsewhere in this Annual Report.

<i>In thousands of U.S. Dollars</i>	As of December 31, 2014		
	Actual	Adjustments (Unaudited)	Adjusted (Unaudited)
Cash			
Cash and cash equivalents	\$ 202,107	(56,310)	\$ 145,797
Restricted cash	12,334		12,334
Total cash	214,441	(56,310)	158,131
Capitalization			
Debt:			
Long-term secured debt obligations (including current portion)	\$ 1,418,336	(3,852)	\$ 1,414,484
Stockholders equity:			
Preferred shares, \$1.00 par value; 15,000,000 authorized and 2,000,000 Series B Preferred Shares and 2,000,000 Series C Preferred Shares issued and outstanding at December 31, 2014 on an actual and as adjusted basis	4,000		4,000
Common shares, \$1.00 par value; 185,000,000 shares authorized; 84,712,295 shares issued and outstanding at December 31, 2014 on an actual and as adjusted basis	84,712		84,712
Additional paid-in capital	650,536		650,536
Accumulated other comprehensive loss	(10,290)		(10,290)
Retained earnings	437,565	(2,109)	435,456
Non-controlling interest	11,389		11,389
Total stockholders equity	1,177,912	(2,109)	1,175,803
Total capitalization	\$ 2,596,248	(5,961)	\$ 2,590,287

Reasons For the Offer and Use of Proceeds

Not Applicable.

Risk Factors**Risks Related To Our Industry**

Charter rates are cyclical and can be volatile. A return to the poor charter markets for crude oil carriers and product tankers which existed from 2008 to 2014 could affect our future revenues, earnings and profitability.

After reaching highs during the summer of 2008, charter rates for crude oil carriers and product tankers fell dramatically thereafter, with only occasional temporary seasonal or regional rate spikes until the end of 2014 when charter rates began to stabilize at higher levels in response to the steep decline in the price of oil.

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As of April 8, 2015, 22 of the vessels owned by our subsidiary companies were employed under spot charters, one was operating in a pool and 27 of the vessels were employed on time charters which, if not extended, are scheduled to expire on various dates between May 2015 and June 2028. In addition, ten of our subsidiaries' vessels have profit sharing provisions in their time charters that are based upon prevailing market rates and one vessel is employed in a pool arrangement at variable rates. If low rates in the charter market return and continue for any significant period in 2015, it will affect the charter revenue we will receive from these vessels, which could have an adverse effect on our revenues, profitability and cash flows. Declines in prevailing charter rates also affect the value of our vessels, which follows the trends of charter rates and earnings on our charters, and could affect our ability to comply with our loan covenants.

Disruptions in world financial markets and the resulting governmental action in the United States and in other parts of the world could have a further material adverse impact on our results of operations, financial condition, cash flows and share price.

Global financial markets and economic conditions have been severely disrupted and volatile in recent years and remain subject to significant vulnerabilities, such as the deterioration of fiscal balances and the rapid accumulation of public debt, continued deleveraging in the banking sector and a limited supply of credit. While there are indications that the global economy is improving, it is doing so at different rates in different part of the world and concerns over debt levels of certain European Union member states, poor liquidity of European banks and attempts to find appropriate solutions are expected to lead to continued slow growth in most of Europe in 2015. There can be no assurance that the global recession will not return and tight credit markets will not continue or become more severe.

In addition, the continuing sovereign debt crises in various Eurozone countries, including Greece, as well as continued turmoil and hostilities in the Middle East and North Africa or potential hostilities between North and South Korea or between Ukraine and Russia, could contribute to volatility in the global financial markets. These circumstances, along with the re-pricing of credit risk and the reduced participation or withdrawal of certain financial institutions from financing of the shipping industry, will likely continue to affect the availability, cost and terms of vessel financing. If financing is not available to us when it is needed, or is available only on unfavorable terms, our business may be adversely affected, with corresponding effects on our profitability, cash flows and ability to pay dividends.

Moreover, as a result of the ongoing economic slump in Greece resulting from the sovereign debt crisis and the related austerity measures implemented by the Greek government, our operations may be subjected to new regulations that may require us to incur new or additional compliance or other administrative costs and may require that we pay to the Greek government new taxes or other fees or that dividends we pay be subject to withholding taxes. Furthermore, the change in the Greek government and potential shift in its policies may lead to Greece's exit from the Eurozone, which could affect our managers' operations located in Greece.

The tanker industry is highly dependent upon the crude oil and petroleum products industries.

The employment of our subsidiaries' vessels is driven by the availability of and demand for crude oil and petroleum products, the availability of modern tanker capacity and the scrapping, conversion or loss of older vessels. Historically, the world oil and petroleum markets have been volatile and cyclical as a result of the many conditions and events that affect the supply, price, production and transport of oil, including:

increases and decreases in the demand and price for crude oil and petroleum products;

availability of crude oil and petroleum products;

demand for crude oil and petroleum product substitutes, such as natural gas, coal, hydroelectric power and other alternate sources of energy that may, among other things, be affected by environmental regulation;

actions taken by OPEC and major oil producers and refiners;

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political turmoil in or around oil producing nations;

global and regional political and economic conditions;

developments in international trade;

international trade sanctions;

environmental factors;

natural catastrophes;

terrorist acts;

weather; and

changes in seaborne and other transportation patterns.

Despite turbulence in the world economy in recent years, there has been some rebound in worldwide demand for oil and oil products, which industry observers forecast will continue. In the event that this rebound falters, the production of and demand for crude oil and petroleum products will again encounter pressure which could lead to a decrease in shipments of these products and consequently this would have an adverse impact on the employment of our vessels and the charter rates that they command. However, if the recent reduction in oil prices continues in 2015, it may lead to declining output. In particular, the charter rates that we earn from our vessels employed on spot charters, under pool arrangements and contracts of affreightment, and on time-charters with profit-share may decline and remain at low levels for a prolonged period of time.

Our operating results are subject to seasonal fluctuations.

The tankers owned by our subsidiary companies operate in markets that have historically exhibited seasonal variations in tanker demand, which may result in variability in our results of operations on a quarter-by-quarter basis. 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. As a result, revenues generated by the tankers in our fleet have historically been weaker during the fiscal quarters ended June 30 and September 30. However, there may be periods in the northern hemisphere, such as in the winter of 2011/2012, when the expected seasonal strength does not materialize to the extent required to support sustainable profitable rates due to tanker overcapacity.

An increase in the supply of vessels without an increase in demand for such vessels could cause charter rates to decline, which could have a material adverse effect on our revenues and profitability.

Historically, the marine transportation industry has been cyclical. The profitability and asset values of companies in the industry have fluctuated based on certain factors, including changes in the supply and demand of vessels. The supply of vessels generally increases with deliveries of new vessels and decreases with the scrapping of older vessels and/or the removal of vessels from the competitive fleet either for storage purposes or for utilization in offshore projects. The newbuilding order book equaled approximately 14% of the existing world tanker fleet as of March 1, 2015, by number of vessels, and, although the order book has substantially declined over the past eighteen months as vessels have been delivered, no assurance can be given that the order book will not begin to increase again in proportion to the existing fleet. If supply increases, and demand does not match that increase, the charter rates for our vessels could decline significantly. In addition, any decline of trade on specific long-haul trade routes will effectively increase available capacity with a detrimental impact on rates. A return to weak charter rates

could have a material adverse effect on our revenues and profitability.

The global tanker industry is highly competitive.

We operate our fleet in a highly competitive market. Our competitors include owners of VLCC, suezmax, aframax, panamax, handymax and handysize tankers, as well as owners in the shuttle tanker and LNG markets,

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which are other independent tanker companies, as well as national and independent oil companies, some of which have greater financial strength and capital resources than we do. Competition in the tanker industry is intense and depends on price, location, size, age, condition, and the acceptability of the available tankers and their operators to potential charterers.

Acts of piracy on ocean-going vessels, although recently declining in frequency, could still adversely affect our business.

Since 2009, the frequency of pirate attacks on seagoing vessels has remained high, particularly in the western part of the Indian Ocean, despite a recent decline, and increasingly off the west coast of Africa. If piracy attacks result in regions in which our vessels are deployed being characterized by insurers as war risk zones, as the Gulf of Aden has been, or Joint War Committee (JWC) war and strikes listed areas, premiums payable for such insurance coverage could increase significantly and such insurance coverage may be more difficult to obtain. Crew costs, including those due to employing onboard security guards, could increase in such circumstances. In addition, while we believe the charterer remains liable for charter payments when a vessel is seized by pirates, the charterer may dispute this and withhold charter hire until the vessel is released. A charterer may also claim that a vessel seized by pirates was not on-hire for a certain number of days and it is therefore entitled to cancel the charter party, a claim that we would dispute. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Terrorist attacks, international hostilities, economic and trade sanctions and the economic situation in the Eurozone can affect the tanker industry, which could adversely affect our business.

Major oil and gas producing countries in the Middle East have become involved militarily in the widening conflicts in Iraq, Syria and Yemen. Armed conflicts with insurgents and others continue, as well, in Libya, another major oil exporting country. Any of these hostilities could seriously disrupt the production of oil or LNG and endanger their export by vessel or pipeline, which could put our vessels at serious risk and impact our operations and our revenues, expenses, profitability and cash flows in varying ways that we cannot now project with any certainty.

An attack like that of September 11, 2001 in the United States, longer-lasting wars or international hostilities, such as in Afghanistan, Iraq, Syria, Libya and Yemen, could damage the world economy and adversely affect the availability of and demand for crude oil and petroleum products and negatively affect our investment and our customers' investment decisions over an extended period of time. In addition, sanctions against oil exporting countries such as Iran, Sudan, Syria and Russia may also impact the availability of crude oil which would increase the availability of tankers, thereby negatively impacting charter rates. We conduct our vessel operations internationally and despite undertaking various security measures, our vessels may become subject to terrorist acts and other acts of hostility like piracy, either at port or at sea. Such actions could adversely impact our overall business, financial condition and results of operations. In addition, terrorist acts and regional hostilities around the world in recent years have led to increases in our insurance premium rates and the implementation of special war risk premiums for certain trading routes.

Our charterers may direct one of our vessels to call on ports located in countries that are subject to restrictions imposed by the U.S. government, which could negatively affect the trading price of our common shares.

On charterers' instructions, contrary to our charter-terms and contrary to standing instructions to our technical managers and vessels' officers, our subsidiaries' vessels may call on ports located in countries subject to sanctions and embargoes imposed by the U.S. government, the UN or the EU and countries identified by the U.S. government, the UN or the EU as state sponsors of terrorism. The U.S., UN- and EU- sanctions and

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embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. The U.S. maintains embargoes on Cuba, Iran, North Korea, Sudan and Syria.

Although we believe that we are in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we and our charterers will be in compliance in the future, particularly as the scope of certain laws and policies may be unclear, may be subject to rapid changes due to developing global political and security situations, and may be subject to changing interpretations. Any such violation could result in fines or other penalties and could result in some investors deciding, or being required, to divest their interest, or not to invest, in the Company and negatively affect our reputation and investor perception of the value of our common stock.

Failure to comply with the U.S. Foreign Corrupt Practices Act and other anti-bribery legislation in other jurisdictions could result in fines, criminal penalties, contract terminations and an adverse effect on our business.

We may operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws and have adopted a code of business conduct and ethics which is consistent and in full compliance with the U.S. Foreign Corrupt Practices Act of 1977, or the FCPA. We are subject, however, to the risk that persons and entities whom we engage or their agents may take actions that are determined to be in violation of such anti-corruption laws, including the FCPA. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, or curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

Efforts to take advantage of opportunities in pursuit of our growth strategy may result in financial or commercial difficulties.

A key strategy of management is to continue to renew and grow the fleet by pursuing the acquisition of additional vessels or fleets or companies that are complementary to our existing operations. If we seek to expand through acquisitions, we face numerous challenges, including:

difficulties in raising the required capital;

depletion of existing cash resources more quickly than anticipated;

assumption of potentially unknown material liabilities or contingent liabilities of acquired companies; and

competition from other potential acquirers, some of which have greater financial resources.

We cannot assure you that we will be able to integrate successfully the operations, personnel, services or vessels that we might acquire in the future, and our failure to do so could adversely affect our profitability.

We are subject to regulation and liability under environmental, health and safety laws that could require significant expenditures and affect our cash flows and net income.

Our business and the operation of our subsidiaries' vessels are subject to extensive international, national and local environmental and health and safety laws and regulations in the jurisdictions in which our vessels operate, as well as in the country or countries of their registration. In addition, major oil companies chartering our vessels impose, from time to time, their own environmental and health and safety requirements. We have incurred significant expenses in order to comply with these regulations and requirements, including the costs of ship modifications and changes in operating procedures, additional maintenance and inspection requirements, contingency arrangements for potential spills, insurance coverage and full implementation of the new security-on-vessels requirements.

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Because environmental regulations may become stricter, future regulations may limit our ability to do business, increase our operating costs and/or force the early retirement of our vessels, all of which could have a material adverse effect on our financial condition and results of operations.

International, national and local laws imposing liability for oil spills are also becoming increasingly stringent. Some impose joint, several, and in some cases, unlimited liability on owners, operators and charterers regardless of fault. We could be held liable as an owner, operator or charterer under these laws. In addition, under certain circumstances, we could also be held accountable under these laws for the acts or omissions of Tsakos Shipping & Trading (Tsakos Shipping), Tsakos Columbia Shipmanagement (TCM) or Tsakos Energy Management Limited (Tsakos Energy Management), companies that provide technical and commercial management services for our subsidiaries vessels and us, or others in the management or operation of our subsidiaries vessels. Although we currently maintain, and plan to continue to maintain, for each of our subsidiaries vessels pollution liability coverage in the amount of \$1 billion per incident (the maximum amount available), liability for a catastrophic spill could exceed the insurance coverage we have available, and result in our having to liquidate assets to pay claims. In addition, we may be required to contribute to funds established by regulatory authorities for the compensation of oil pollution damage or provide financial assurances for oil spill liability to regulatory authorities.

Maritime disasters and other operational risks may adversely impact our reputation, financial condition and results of operations.

The operation of ocean-going vessels has an inherent risk of maritime disaster and/or accident, environmental mishaps, cargo and property losses or damage and business interruptions caused by, among others:

mechanical failure;

human error;

labor strikes;

adverse weather conditions;

vessel off hire periods;

regulatory delays; and

political action, civil conflicts, terrorism and piracy in countries where vessel operations are conducted, vessels are registered or from which spare parts and provisions are sourced and purchased.

Any of these circumstances could adversely affect our operations, result in loss of revenues or increased costs and adversely affect our profitability and our ability to perform our charters.

Our subsidiaries vessels could be arrested at the request of third parties.

Under general maritime law in many jurisdictions, crew members, tort claimants, vessel mortgagees, suppliers of goods and services and other claimants may lien a vessel for unsatisfied debts, claims or damages. In many jurisdictions a maritime lien holder may enforce its lien by arresting a vessel through court process. In some jurisdictions, under the ext