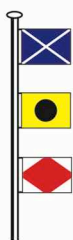


CELEBRATING 20 YEARS OF  
CONTINUOUS GROWTH

20

TEN@TWENTY



TEN LTD

TSAKOS ENERGY NAVIGATION LTD

ANNUAL REPORT  
2013

TNP  
LISTED  
NYSE









# Contents

Chairman's Letter	4
Board of Directors and Officers	6
Board Committees	7
Shareholder Information	7
Financial Statements	F pages



# Chairman's Letter

April 15, 2014

Dear Fellow Shareholder,

I have been privileged and honored to serve as a director and Chairman of the Board for twenty years. I will retire at the conclusion of next month's Annual General Meeting. The opportunity to work with the Tsakos group and the management of Tsakos Energy Navigation (TEN) has been a very rich experience.

I was elected to the board soon after the Company was formed as Maritime Investment Fund (MIF). It was listed on the Oslo Stock Exchange and had a fleet of four modest, middle-aged tankers and the benefit of the Tsakos brand name and the operational experience of that group. Slowly, steadily it grew despite cyclical setbacks. A milestone event was the delivery of its first new building in 1997. To date TEN has received 61 new buildings in 17 years and now has on order 10 vessels including one LNG and 9 Aframax. It currently has 48 vessels serving its clients. Another milestone was listing on the NYSE in 2002 along with a major shares issuance. That same year it initiated cash dividends, which have been paid each year since.

## **TEN Today**

The DNA and the roots of TEN are clearly evident today. The brand name built on decades of safe and reliable service is best demonstrated by relationships that have expanded along with the Company. These strengths are more important than ever.

2013 extended the recession/depression of the tanker industry into its fifth year. It is not the first cyclical retreat of the industry but the longest and most severe since the early 1980s. The most dramatic evidence is the failure of several industry giants which slid into the bankruptcy.

It is encouraging that the seasonal upturn evident in December continued in the first quarter of this year, Tsakos Energy Navigation (TEN) operated profitably in every year since its inception in 1993 through 2010. It has experienced losses for each of the last three years, but 2013 was much better than 2011 and 2012.

TEN has effectively controlled its operating expenses while maintaining its high standards of operating performance. This is a reflection of management's oversight supported by its technical management by Tsakos Columbia Shipmanagement.



It has also maintained a strong financial position supported by its shareholders and complemented by its relationship banks. It takes pride in the fact that in its twenty years of operations it has a stellar banking record. It is also pleased that it has distributed dividends each year since its listing on the NYSE in 2002.

The past five years have been marked by a tanker industry burdened with significant over capacity, increased operating costs, more demanding regulation, and stricter vetting by charterers. TEN has navigated these waters with effective cost management while maintaining its high standards of safety and customer service. Two marks of these achievements are its lower than average vessel expense ratio and a much higher than average vessel utilization rate (97% vs. industry 90%). In an environment where charterers are more demanding and increasingly selective TEN will be a major beneficiary.

## **Outlook for 2014**

The industry's supply/demand imbalances should show modest improvement. Despite slow expansion in the OECD economies and less robust growth in the developing countries overall oil demand is projected to continue to grow. Trade routes are evolving rapidly but on balance promise to be beneficial as to ton/mile requirements. Overall the industry should experience modest improvement in profitability.

## **TEN's Strategy and Prospects**

The employment strategy for TEN's young and modern fleet has reemphasized longer term charters with resulting visibility of future cash flow and profits. TEN has grown its fleet from four vessels in 1993 to fifty eight including ten (9 Aframax and one LNG) new buildings to be delivered in 2016 and 2017.

TEN has indications that several relationship companies would welcome additional long-term charters for new buildings. An example of such opportunities is the recent agreement with Statoil to build and charter nine Aframax for long periods. We anticipate that two or more of these projects will be contracted in coming months.

The Capital markets have been responsive to TEN's recent offerings including perpetual preferred stock and common stock. Investment bankers have indicated that investors would also be attracted to the creation of a Master Limited Partnership housing TEN's ships with long-term charters both on the water and being built for future delivery. Our banks have also confirmed their desire to support us with the required loans.

TEN's shares traded at an all time low of \$3.14 in December 2012. They have rebounded but at \$7.23 they still represent a significant discount to net asset value and book value. Management and your board are dedicated to creating significant future shareholder value.

**Annual General Meeting**

The shareholders Annual General Meeting (AGM) will be held on May 30, 2014 in Athens, Greece. At that meeting I will retire from my directorship. I have been privileged and honored to serve as a director and Chairman of the Board for twenty years.

I am most pleased to pass the baton to Takis Arapoglou who brings rich financial and business leadership experience to the challenge. I am envious because I am confident that TEN is poised to embark on a journey of major growth and profitability.

The next 20 years will be even more exciting as TEN expands its role as an industry leader.

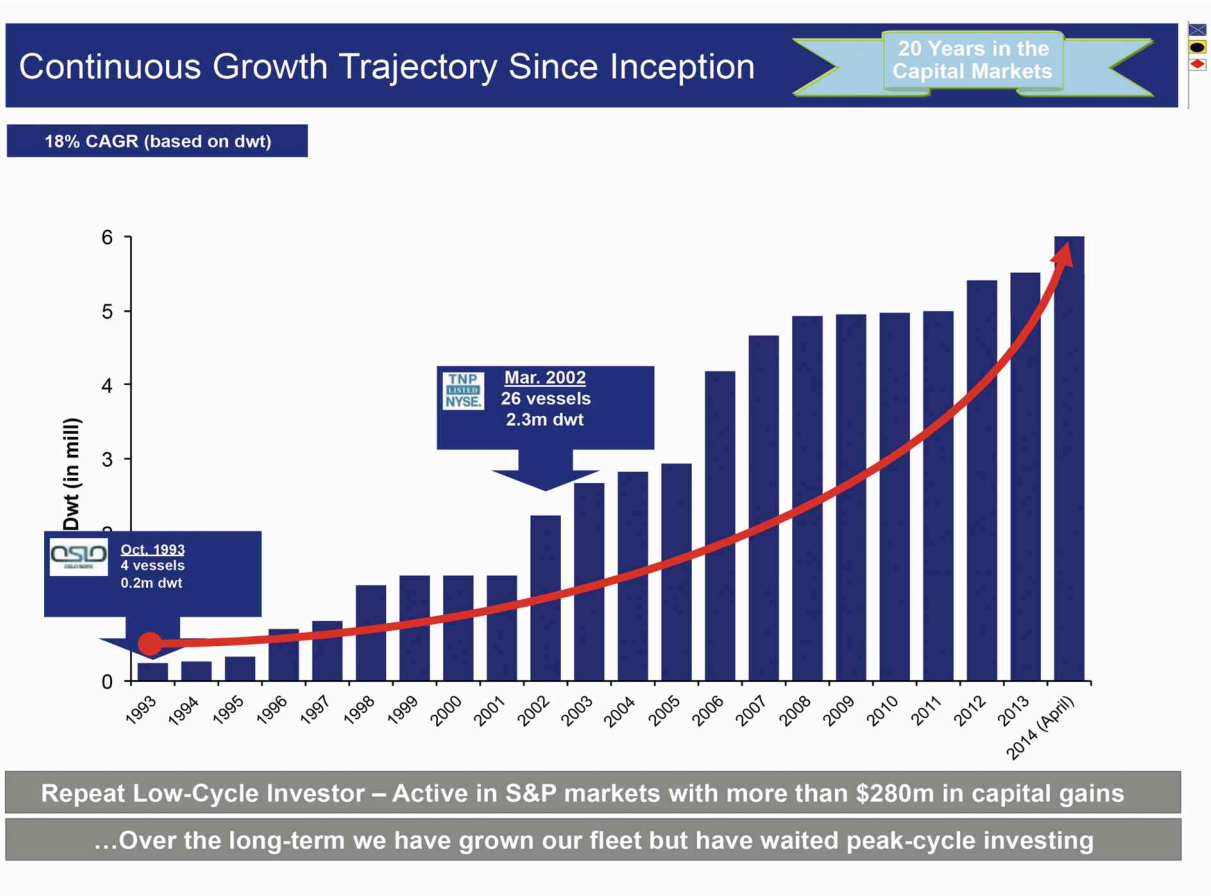
As a fellow shareholder I look forward to enjoying the fruits of the labors of management supported by your board of directors.

We will be most pleased and honored by your attendance at the AGM next month.

Yours sincerely,



D. John Stavropoulos  
Chairman of the Board



# Board of Directors and Officers

## **D. JOHN STAVROPOULOS - CHAIRMAN**

Mr. Stavropoulos served as Executive Vice President and Chief Credit Officer of The First National Bank of Chicago and its parent, First Chicago Corporation, before retiring in 1990 after 33 years with the bank. He chaired the bank's Credit Strategy Committee, Country Risk Management Council and Economic Council. His memberships in professional societies have included Robert Morris Associates (national director), the Association of Reserve City Bankers and the Financial Analysts Federation. Mr. Stavropoulos was appointed by President George H.W. Bush to serve for life on the Presidential Credit Standards Advisory Committee. An instructor of Economics and Finance at Northwestern University from 1962 to 1968, and is a Chartered Financial Analyst.

## **MICHAEL G. JOLLIFFE - CO-FOUNDER AND VICE CHAIRMAN**

Mr. Jolliffe has been joint Managing Director and then Deputy Chairman of our Board since 1993. He is a director of a number of companies in shipping, agency representation, shipbroking capital services, mining and telemarketing. Mr. Jolliffe is Chief Executive Officer of Titans Maritime Ltd, a shipping company set up in joint venture between Tsakos/Jolliffe families and Anchorage Capital, a N.Y. fund manager. He is also Chairman of the Wighams Group of companies owning companies involved in shipbroking, agency representation and capital markets businesses. Mr. Jolliffe is also a director of InternetQ a telemarketing, multi player games and social content company quoted on the London AIM stock exchange as well as the Chairman of Papua Mining Plc, a gold and copper mining company quoted on the London AIM. Michael Jolliffe is also Chairman of StealthGas a shipping company owning 39 LPG ships, four on order and four product tankers which is quoted on the NASDAQ stock exchange in New York.

## **TAKIS ARAPOGLOU - DIRECTOR**

Mr. Arapoglou is a Corporate Advisor with an international executive career in Corporate and Investment banking, International Capital Markets and restructuring of Financial Institutions. Between 2010 and 2013 he was CEO of Commercial Banking at EFG Hermes Holding SAE, operating in the Middle East and Africa. Earlier, he was Chairman & CEO of the National Bank of Greece Group and Chairman of the Hellenic Banks Association (2004-2009) and Managing Director & Head of the Global Banks and Securities Industry for Citigroup (1999-2004). He has served in several International Bank Advisory boards in Europe and Africa as well as on the Boards of Educational foundations, including the Institute of Corporate Culture Affairs in Frankfurt, as Chairman. He is currently holding the following non-executive board positions: Vice Chairman of Eurobank Ergasias SA, Vice Chairman of Titan Cement SA, board member of EFG Hermes Holding SAE and of Credit Libanais SAL. He is Chairman of the International Board of Advisors of Tufts University in Boston. He has degrees in Mathematics, Naval Architecture & Ocean Engineering and Management from Greek and British Universities.

## **EFTHIMIOS E. MITROPOULOS - DIRECTOR**

Mr. Mitropoulos is Secretary-General Emeritus of the International Maritime Organization (IMO), the United Nations specialised agency responsible for the regulation of international shipping from the safety, security and environmental protection points of view. After 23 years of service at IMO (ten of which as Director of the Maritime Safety Division), he was elected Secretary-General in 2003 and re-elected in 2007 for a total of the maximum time permitted of eight years. As a graduate of both Merchant and Naval Academies of Greece, he spent time at sea as a navigation officer and twenty years as a commissioned Hellenic Coast Guard officer retiring as a rear admiral, having represented Greece at IMO and various other international fora dealing with shipping matters over a twelve year period and having spent two years as Harbour Master of Corfu. Between 2004 and 2012, he was Chancellor of the World Maritime University, Malmö, Sweden and Chairman of the Governing Board of the International Maritime Law Institute in Malta. He is the author of several books on shipping, including books on tankers, modern types of merchant ships, safety of navigation and shipping economics and policy. He is Chairman of the Board of the "Maria Tsakos Foundation – International Centre for Maritime Research and Tradition" and Chancellor of the AMET Maritime University in Chennai, India.

## **PETER C. NICHOLSON, CBE - DIRECTOR**

Mr. Nicholson is trained as a naval architect and spent the majority of his professional career with Camper & Nicholson Limited, the world-famous yacht builder. He became Managing Director of the firm and later, Chairman. When Camper & Nicholson merged with Crest Securities to form Crest Nicholson Plc in 1972, Mr. Nicholson became an executive director, a role he held until 1988 when he became a non-executive in order to pursue a wider range of business interests. Since that time, he has been a non-executive director of Lloyds TSB Group Plc (from 1990 to 2000) and Chairman of Carisbrooke Shipping Plc (from 1990 to 1999). He was a director of various companies in the Marsh Group of insurance brokers. He has served on the boards of a variety of small companies, has been active in the administration of the United Kingdom marine industry and is a trustee of the British Marine Federation. He is a Younger Brother of Trinity House. He was Chairman of the Royal National Lifeboat Institution from 2000 to 2004. In 2010, Mr. Nicholson became a partner and chairman of a limited liability partnership, R.M.G. Wealth Management.

## **FRANCIS T. NUSSPICKEL - DIRECTOR**

Mr. Nusspickel is a retired partner of Arthur Andersen LLP with 35 years of public accounting experience. He is a Certified Public Accountant in several U.S. states. During his years with Arthur Andersen, he served as a member of their Transportation Industry Group and was worldwide Industry Head for the Ocean Shipping segment. His responsibilities included projects for mergers and acquisitions, fraud investigations, arbitrations and debt and equity offerings. He was President of the New York State Society of Certified Public Accountants from 1996 to 1997, a member of the AICPA Council from 1992 to 1998, and from 2004 to 2007 was Chairman of the Professional Ethics Committee of the New York State Society of Certified Public Accountants. Mr. Nusspickel is also a Director of Symmetry Medical Inc., a New York Stock Exchange listed medical device manufacturer.

## **RICHARD L. PANIGUIAN, CBE - DIRECTOR**

Mr. Paniguan was appointed Head of UK Defense and Security Organization, or DSO, in August 2008, which supports UK defense and security businesses seeking to export and develop joint ventures and partnerships overseas, as well as overseas defense and security businesses seeking to invest in the UK. Previously, Mr. Paniguan pursued a career with BP plc. where he worked for 37 years. He held a wide range of posts with BP, including, in the 1980s, as Commercial Director in the Middle East, Head of International Oil Trading in New York and Head of Capital Markets in London. In the 1990s he completed assignments as a Director of BP Europe, Chief Executive of BP Shipping and subsequently Head of Gas Development in the Middle East and Africa. In 2001 he was appointed Group Vice President for Russia, the Caspian, Middle East and Africa, where he was responsible for developing and delivering BP's growth strategy in these regions. He played a leading role in support of the TNK-BP joint venture; in delivering the Baku Tbilisi Ceyhan pipeline project; in driving for new gas exploration in Libya, Egypt and Oman and, in completing BP's first oil project in Angola. In 2007 he was appointed CBE for services to business. Between 2002 and 2007 he was Chairman of the Egyptian British Business Council, and between 2000 and 2002 President of the UK Chamber of Shipping. Mr. Paniguan has a degree in Arabic and Middle East politics and an MBA.

## **ARISTIDES A.N. PATRINOS, PH.D - DIRECTOR**

Dr. Patrinos is currently the Deputy Director for Research of the Center for Urban Science and Progress (CUSP) and a Distinguished Professor of Mechanical and Biomolecular Engineering at New York University. Since 2006 he is also affiliated with Synthetic Genomics Inc. (SGI) serving as President (2006-2011), Senior Vice President for Corporate Affairs (2011-2012) and currently as a Consultant. SGI is a US-based privately held company dedicated to developing and commercializing clean and renewable fuels and chemicals; sustainable food products; and novel medical applications such as synthetic vaccines. From 1976 to 2006 Dr. Patrinos served in the U.S. Department of Energy (DOE) and several of the DOE National Laboratories and engaged in several facets of energy production and use and led key research programs in biology and the environment. He played a leading role in the Human Genome Project and has been a central architect in the "genomics" revolution. He is a member of many scientific societies and is a recipient of numerous awards and distinctions including three U.S. Presidential Rank Awards, and two Secretary of Energy Gold Medals. He holds a Diploma in Mechanical and Electrical Engineering from the National Technical University of Athens (Metsovia) and a Ph.D. in Mechanical Engineering and Astronautical Sciences from Northwestern University.

## **NIKOLAS P. TSAKOS, Dr.**

### **FOUNDER, PRESIDENT AND CHIEF EXECUTIVE OFFICER**

Mr. Tsakos is the founder, President, Chief Executive Officer and a director of the Company since inception. He has been involved in ship management since 1981 and has 36 months of seafaring experience. Mr. Tsakos served as an officer in the Greek Navy in 1988. He is the former President of the Hellenic Marine Environment Protection Association (HELMPEPA). Mr. Tsakos is the Vice Chairman of the Independent Tanker Owners Association (INTERTANKO) and an Executive Committee member, a board member of the UK P&I Club, a board member of the Union of Greek Shipowners (UGS), a council member of the board of the Greek Shipping Co-operation Committee (GSCC) and a council member of the American Bureau of Shipping (ABS), Bureau Veritas (BV) and of the Greek Committee of Det Norske Veritas (DNV). He graduated from Columbia University in New York in 1985 with a degree in Economics and Political Science and obtained a Masters Degree in Shipping, Trade and Finance from the City of London University Business School in 1987. In 2011, Mr. Tsakos was awarded an honorary doctorate from the City of London University Business School, for his pioneering work in the equity financial markets relating to shipping companies.

## **GEORGE V. SAROGLOU**

### **CHIEF OPERATING OFFICER AND VICE PRESIDENT**

Mr. Saroglou has been Chief Operating Officer of the Company since 1996. Mr. Saroglou is a shareholder of Pansystems S.A., Greek information technology systems integrator, where he also worked from 1987 until 1994. From 1995 to 1996 he was employed in the Trading Department of the Tsakos Group. He is still responsible for the bunker fuel procurement and hedging of the spot trading vessels in Tsakos Energy Navigation. He graduated from McGill University in Canada in 1987 with a Bachelors Degree in Science (Mathematics).

## **PAUL DURHAM - CHIEF FINANCIAL OFFICER**

Mr. Durham joined the Tsakos Group in 1999 and has served as our Chief Financial Officer and Chief Accounting Officer since 2000. Mr. Durham is a Fellow of the Institute of Chartered Accountants of England & Wales. From 1989 through 1998, Mr. Durham was employed in Athens with the Latsis Group, a shipping, refinery and banking enterprise, becoming Financial Director of Shipping in 1995. From 1983 to 1989, Mr. Durham was employed by RJR Nabisco Corporation, serving as audit manager for Europe, Asia and Africa until 1986 and then as financial controller of one of their United Kingdom food divisions. Mr. Durham worked with public accounting firms Ernst & Young (London and Paris) from 1972 to 1979 and Deloitte & Touche (Chicago and Athens) from 1979 to 1983. Mr. Durham is a graduate in Economics from the University of Exeter, England.

## **VLADIMIR JADRO - CHIEF MARINE OFFICER**

Mr. Jadro joined Tsakos Energy Navigation Limited in February 2006. He was appointed Chief Marine Officer of the Company in June 2006. Mr. Jadro was employed by Exxon/ExxonMobil Corp. from 1980 until 2004 in various technical and operational positions including operations, repairs, new building constructions, off shore conversions and projects of the marine department of ExxonMobil Corp. He was in charge of various tankers and gas carriers from 28,000 dwt to 409,000 dwt, and responsible for the company vetting system. He was also involved in the development of oil companies' international "SIRE" vessel inspection system. From 1978 until 1980 he was employed by the Bethlehem Steel shipyard. From 1967 until 1977, Mr. Jadro was employed on various tankers starting as third engineer and advancing to Chief Engineer. Mr. Jadro is a member of the Society of Naval Architects and Marine Engineers (SNAME) and Port Engineers of New York.

# Board Committees

## **AUDIT COMMITTEE**

Francis T. Nusspickel - Chairman  
Peter Nicholson  
D. John Stavropoulos  
Takis Arapoglou

## **CHARTERING COMMITTEE**

Nikolas P. Tsakos - Chairman  
D. John Stavropoulos  
George V. Saroglou

## **CAPITAL MARKETS COMMITTEE**

Michael G. Jolliffe - Chairman  
Takis Arapoglou  
D. John Stavropoulos  
Nikolas P. Tsakos

## **RISK COMMITTEE**

D. John Stavropoulos - Chairman  
Takis Arapoglou  
Peter Nicholson  
Paul Durham\*  
Nikolas P. Tsakos  
George V. Saroglou

## **CORPORATE GOVERNANCE**

### **NOMINATING/COMPENSATION COMMITTEE**

Peter Nicholson - Chairman  
Takis Arapoglou  
Francis T. Nusspickel  
Efthimios E. Mitropoulos  
Richard L. Paniguan  
Aristides A.N. Patrinos  
D. John Stavropoulos

### **OPERATIONAL AND ENVIRONMENTAL COMMITTEE**

Efthimios E. Mitropoulos - Chairman  
Francis T. Nusspickel  
Aristides A.N. Patrinos  
Michael G. Jolliffe  
Vladimir Jadro\*  
Vassilis Papageorgiou \*\*

\* (Non-Director)

\*\* (Non-Director - Mr. Papageorgiou is the Deputy Chairman of Tsakos Shipping)

# Shareholder Information

TEN Ltd shares trade on the New York Stock Exchange and the Bermuda Stock Exchange under the symbol:

NYSE - TNP  
BERMUDA - TEN

As of December 31, 2013 the Company had 57,969,448 shares outstanding.

## **Transfer Agent & Registrar for the shares**

Computershare Trust Company N.A.  
480 Washington Boulevard  
Jersey City, NJ 07310-1900  
U.S.A

## **Legal Counsel (New York)**

Morgan, Lewis & Bockius, LLP  
101 Park Avenue New York, NY 10178  
U.S.A

## **Independent Auditors**

Ernst & Young (Hellas)  
Certified Auditors-Accountants S.A.  
11th Km National Rd Athens - Lamia  
114 51 Metamorphosi, Greece

## **Legal Counsel (London)**

Holman Fenwick & Willan  
Friary Court,  
65 Crutched Friars  
London, EC3N 2AE  
United Kingdom

## **Stock information may be accessed through:**

Bloomberg under: " TNP US "  
" TNP BH "  
Reuters under: " TNP.N "

**A copy of the Company's Annual Report, on Form 20-F, which is filed with the SEC and contains additional information can be obtained by contacting:**

George V. Saroglou,  
Chief Operating Officer: gsaroglou@tenn.gr

Paul Durham,  
Chief Financial Officer: pdurham@tenn.gr

Harrys Kosmatos,  
Corporate Development Officer: hkosmatos@tenn.gr

# Management's Report on Internal Control over Financial Reporting

The management of Tsakos Energy Navigation Limited and its subsidiaries (the "Company"), according to Rule 13a-15(f) of the Securities Exchange Act of 1934, is responsible for the establishment and maintenance of adequate internal controls over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. However, in any system of internal control there are inherent limitations and consequently internal control over financial reporting may not absolutely prevent or detect misstatements.

The Company's system of internal control over financial reporting includes policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Management has performed an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2013, based on the criteria established within Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 frame work).

Based on our assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2013, is effective.

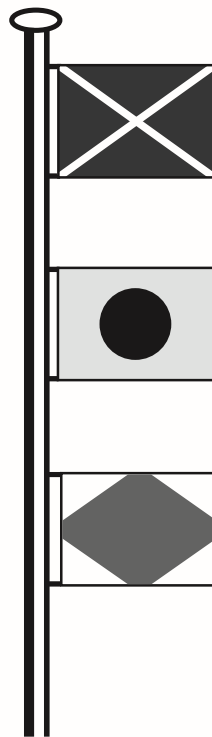
Nikolas P. Tsakos  
President and Chief Executive Officer

Paul Durham  
Chief Financial Officer



Date: April 11, 2014





**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**2013**

**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<u>Page</u>
Reports of Independent Registered Public Accounting Firm .....	F-1
Consolidated Balance Sheets as of December 31, 2013 and 2012 .....	F-3
Consolidated Statements of Operations for the years ended December 31, 2013, 2012 and 2011 .....	F-4
Consolidated Statements of Comprehensive Loss for the years ended December 31, 2013, 2012 and 2011 .....	F-5
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2013, 2012 and 2011 .....	F-6
Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011 .....	F-7
Notes to Consolidated Financial Statements .....	F-8





ERNST & YOUNG (HELLAS)  
Certified Auditors – Accountants S.A.  
11<sup>th</sup> Km National Road Athens-Lamia  
144 51 Athens, Greece

Tel: +30 210 2886 000  
Fax: +30 210 2886 905  
ey.com

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of  
TSAKOS ENERGY NAVIGATION LIMITED

We have audited the accompanying consolidated balance sheets of TSAKOS ENERGY NAVIGATION LIMITED and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income/(loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TSAKOS ENERGY NAVIGATION LIMITED and subsidiaries at December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), TSAKOS ENERGY NAVIGATION LIMITED and subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated April 11, 2014 expressed an unqualified opinion thereon.

*Ernst & Young*

Athens, Greece  
April 11, 2014



ERNST & YOUNG (HELLAS)  
Certified Auditors – Accountants S.A.  
11<sup>th</sup> Km National Road Athens-Lamia  
144 51 Athens, Greece

Tel: +30 210 2886 000  
Fax: +30 210 2886 905  
ey.com

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of  
TSAKOS ENERGY NAVIGATION LIMITED

We have audited TSAKOS ENERGY NAVIGATION LIMITED and subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). TSAKOS ENERGY NAVIGATION LIMITED and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, TSAKOS ENERGY NAVIGATION LIMITED and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of TSAKOS ENERGY NAVIGATION LIMITED and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income/(loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2013 of TSAKOS ENERGY NAVIGATION LIMITED and subsidiaries and our report dated April 11, 2014 expressed an unqualified opinion thereon.

Athens, Greece  
April 11, 2014



**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2013 AND 2012

(Expressed in thousands of U.S. Dollars—except for share and per share data)

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	\$ 162,237	\$ 144,297
Restricted cash .....	9,527	16,192
Marketable Securities (Note 4) .....	-	1,664
Accounts receivable, net .....	21,873	28,948
Insurance claims .....	2,569	4,583
Due from related companies (Note 2) .....	1,084	1,561
Advances and other .....	13,097	8,800
Inventories .....	19,660	14,356
Prepaid insurance and other .....	2,354	3,568
Current portion of financial instruments-Fair value (Note 15) .....	140	60
<b>Total current assets</b> .....	<u>232,541</u>	<u>224,029</u>
<b>INVESTMENTS</b> (Note 3) .....	1,000	1,000
<b>FINANCIAL INSTRUMENTS—FAIR VALUE, net of current portion (Note 15)</b> .....	1,438	45
<b>FIXED ASSETS (Note 5)</b>		
Advances for vessels under construction .....	58,521	119,484
Vessels .....	2,710,418	2,628,094
Accumulated depreciation .....	(537,350)	(539,736)
Vessels' Net Book Value .....	<u>2,173,068</u>	<u>2,088,358</u>
<b>Total fixed assets</b> .....	<u>2,231,589</u>	<u>2,207,842</u>
<b>DEFERRED CHARGES, net (Note 6)</b> .....	17,331	17,968
<b>Total assets</b> .....	<u>\$ 2,483,899</u>	<u>\$ 2,450,884</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt (Note 7) .....	\$ 126,361	\$ 186,651
Payables .....	52,319	34,390
Due to related companies (Note 2) .....	6,930	2,594
Accrued liabilities .....	16,628	12,442
Accrued bank interest .....	6,058	4,785
Unearned revenue .....	14,014	4,907
Current portion of financial instruments—Fair value (Note 15) .....	5,962	13,138
<b>Total current liabilities</b> .....	<u>228,272</u>	<u>258,907</u>
<b>LONG-TERM DEBT, net of current portion (Note 7)</b> .....	1,253,937	1,255,776
<b>FINANCIAL INSTRUMENTS—FAIR VALUE, net of current portion (Note 15)</b> .....	4,027	9,361
<b>STOCKHOLDERS' EQUITY:</b>		
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, 2013; no shares authorized, issued and outstanding at December 31, 2012 .....	4,000	—
Common stock, \$ 1.00 par value; 85,000,000 and 100,000,000 shares authorized at December 31, 2013 and December 31, 2012 respectively; 57,969,448 and 56,443,237 shares issued and outstanding at December 31, 2013 and 2012 respectively. ....	57,969	56,443
Additional paid-in capital .....	500,737	404,391
Accumulated other comprehensive loss .....	(6,789)	(14,728)
Retained earnings .....	430,548	478,428
<b>Total Tsakos Energy Navigation Limited stockholders' equity</b> .....	<u>986,465</u>	<u>924,534</u>
Noncontrolling Interest (Note 12) .....	11,198	2,306
<b>Total stockholders' equity</b> .....	<u>997,663</u>	<u>926,840</u>
<b>Total liabilities and stockholders' equity</b> .....	<u>\$ 2,483,899</u>	<u>\$ 2,450,884</u>

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

**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(Expressed in thousands of U.S. Dollars – except for share and per share data)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>VOYAGE REVENUES:</b> .....	\$ 418,379	\$ 393,989	\$ 395,162
<b>EXPENSES:</b>			
Commissions .....	16,019	12,215	14,290
Voyage expenses.....	116,980	111,797	127,156
Vessel operating expenses.....	130,760	133,251	129,884
Depreciation.....	95,349	94,340	101,050
Amortization of deferred dry-docking costs .....	5,064	4,910	4,878
Management fees (Note 2(a)).....	15,896	15,887	15,598
General and administrative expenses.....	4,366	4,093	4,292
Stock compensation expense (Note 9) .....	469	730	820
Foreign currency losses.....	293	30	458
Net loss/(gain) on sale of vessels .....	—	1,879	(5,001)
Vessel impairment charge (Note 5) .....	28,290	13,567	39,434
<b>Total expenses</b> .....	<u>413,486</u>	<u>392,699</u>	<u>432,859</u>
<b>Operating income/(loss)</b> .....	<u>4,893</u>	<u>1,290</u>	<u>(37,697)</u>
<b>OTHER INCOME (EXPENSES):</b>			
Interest and finance costs, net (Note 8).....	(40,917)	(51,576)	(53,571)
Interest income .....	366	1,348	2,715
Other, net.....	(2,912)	(118)	(397)
<b>Total other expenses, net</b> .....	<u>(43,463)</u>	<u>(50,346)</u>	<u>(51,253)</u>
<b>Net loss</b> .....	(38,570)	(49,056)	(88,950)
Less: Net loss/(income) attributable to the noncontrolling interest .....	1,108	(207)	(546)
<b>Net loss attributable to Tsakos Energy Navigation Limited</b> .....	<u>\$ (37,462)</u>	<u>\$ (49,263)</u>	<u>\$ (89,496)</u>
Effect of preferred dividends .....	(3,676)	—	—
Net loss attributable to Tsakos Energy Navigation Limited common shareholders	\$ (41,138)	\$ (49,263)	\$ (89,496)
<b>Loss per share, basic and diluted attributable to Tsakos Energy Navigation Limited common shareholders</b> .....	<u>\$ (0.73)</u>	<u>\$ (0.92)</u>	<u>\$ (1.94)</u>
<b>Weighted average number of shares, basic and diluted</b> .....	<u>56,698,955</u>	<u>53,301,039</u>	<u>46,118,534</u>

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



**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME/(LOSS)  
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011  
(Expressed in thousands of U.S. Dollars)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Net loss</b> .....	\$ (38,570)	\$ (49,056)	\$ (88,950)
<b>Other comprehensive income/(loss)</b>			
<b>Unrealized gains/(losses) from hedging financial instruments</b>			
Unrealized gain on interest rate swaps, net .....	7,230	17,996	15,245
Amortization of deferred loss on de-designated financial instruments .....	877	2,173	2,020
<b>Total unrealized gains from hedging financial instruments</b> .....	<u>8,107</u>	<u>20,169</u>	<u>17,265</u>
Unrealized (loss)/gain on marketable securities.....	(79)	228	34
Realized (gain)/loss on marketable securities reclassified to Statements of Operations.....	<u>(89)</u>	<u>(95)</u>	<u>—</u>
<b>Other Comprehensive income</b> .....	<u>7,939</u>	<u>20,302</u>	<u>17,299</u>
<b>Comprehensive loss</b> .....	(30,631)	(28,754)	(71,651)
Less: comprehensive loss/(income) attributable to the noncontrolling interest .....	1,108	(207)	(546)
<b>Comprehensive loss attributable to Tsakos Energy Navigation Limited</b> .....	<u>\$ (29,523)</u>	<u>\$ (28,961)</u>	<u>\$ (72,197)</u>

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

**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(Expressed in thousands of U.S. Dollars—except for share and per share data)

	Preferred Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Tsakos Energy Navigation Limited	Noncontrolling Interest	Total
<b>BALANCE, December 31, 2010</b>								
Net income/(loss)	\$ —	\$ 46,081	\$ 350,946	\$ 671,480	\$ (52,329)	\$ 1,016,178	\$ 3,752	\$ 1,019,930
—Expenses of 2010 common stock-offering			(72)	\$ (89,496)		(89,496)	546	(88,950)
—Issuance of 127,250 shares of restricted share units		128	(128)			(72)		(72)
—Cash dividends paid (\$0.60 per share)				(27,670)		(27,670)		(27,670)
—Distribution from Subsidiary to non controlling interest								
—Other comprehensive income (loss)					17,299		(2,199)	(2,199)
—Amortization of restricted share units			820			820		820
<b>BALANCE December 31, 2011</b>								
Net income/(loss)	\$ —	\$ 46,209	\$ 351,566	\$ 554,314	\$ (35,030)	\$ 917,059	\$ 2,099	\$ 919,158
—Issuance of 10,000,000 shares		10,000	52,329	(49,263)		(49,263)	207	(49,056)
—Issuance of 234,500 shares of restricted share units		234	(234)			62,329		62,329
—Cash dividends paid (\$0.50 per share)				(26,623)				
—Other comprehensive income (loss)					20,302	(26,623)		(26,623)
—Amortization of restricted share units			730			730		730
<b>BALANCE December 31, 2012</b>								
Net income/(loss)	\$ —	\$ 56,443	\$ 404,391	\$ 478,428	\$ (14,728)	\$ 924,534	\$ 2,306	\$ 926,840
—Issuance of 8% Series B Preferred Shares	2,000	—	45,043	(37,462)		(37,462)	(1,108)	(38,570)
—Issuance of 8.875% Series C Preferred Shares	2,000	—	45,315			47,043		47,043
—Issuance of common stock under distribution agency agreement		1,430	5,615			7,045		7,045
—Issuance of 96,000 shares of restricted share units		96	(96)			—		—
—Capital contribution of noncontrolling interest owners							10,000	10,000
—Cash dividends paid (\$0.15 per share)				(8,529)		(8,529)		(8,529)
—Dividends paid on Series B Preferred Shares				(1,889)		(1,889)		(1,889)
—Other comprehensive income (loss)					7,939	7,939		7,939
—Amortization of restricted share units			469			469		469
<b>BALANCE December 31, 2013</b>	\$ 4,000	\$ 57,969	\$ 500,737	\$ 430,548	\$ (6,789)	\$ 986,465	\$ 11,198	\$ 997,663

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



**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011  
(Expressed in thousands of U.S. Dollars)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities:</b>			
Net loss .....	\$ (38,570)	\$ (49,056)	\$ (88,950)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation .....	95,349	94,340	101,050
Amortization of deferred dry-docking costs .....	5,064	4,910	4,878
Amortization of loan fees .....	1,101	946	995
Stock compensation expense .....	469	730	820
Change in fair value of derivative instruments .....	(6,021)	(2,832)	515
Gain on sale of marketable securities .....	(89)	(95)	—
Loss/(gain) on sale of vessels .....	—	1,879	(5,001)
Vessel impairment charge .....	28,290	13,567	39,434
Payments for dry-docking .....	(5,680)	(7,566)	(4,639)
(Increase)/Decrease in:			
Receivables .....	5,269	(8,874)	2,183
Inventories .....	(5,304)	5,479	(5,824)
Prepaid insurance and other .....	1,214	1,804	(2,423)
Increase/(Decrease) in:			
Payables .....	22,265	12,214	77
Accrued liabilities .....	5,459	(4,022)	4,192
Unearned revenue .....	9,107	(2,562)	(1,720)
<b>Net Cash provided by Operating Activities .....</b>	<u>117,923</u>	<u>60,862</u>	<u>45,587</u>
<b>Cash Flows from Investing Activities:</b>			
Advances for vessels under construction and acquisitions .....	(37,182)	(81,848)	(37,937)
Vessel acquisitions and/or improvements .....	(108,840)	(2,454)	(71,205)
Purchase of marketable securities .....	—	—	(2,500)
Proceeds from sale of marketable securities .....	1,585	1,098	—
Proceeds from the sale of vessels .....	—	40,219	42,455
<b>Net Cash used in Investing Activities .....</b>	<u>(144,437)</u>	<u>(42,985)</u>	<u>(69,187)</u>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from long-term debt .....	110,000	83,558	96,650
Financing costs .....	(1,067)	(1,550)	(963)
Payments of long-term debt .....	(172,129)	(156,794)	(143,454)
(Increase)/Decrease in restricted cash .....	6,665	(10,208)	307
Proceeds from stock issuance program, net .....	7,045	62,329	—
Proceeds from preferred stock issuance, net .....	94,358	—	—
Cash dividend .....	(10,418)	(26,623)	(27,670)
Capital contribution from noncontrolling interest owners to subsidiary .....	10,000	—	—
Distribution from subsidiary to noncontrolling interest owners .....	—	—	(2,199)
<b>Net Cash provided by/(used in) Financing Activities .....</b>	<u>44,454</u>	<u>(49,288)</u>	<u>(77,329)</u>
<b>Net increase/(decrease) in cash and cash equivalents .....</b>	<u>17,940</u>	<u>(31,411)</u>	<u>(100,929)</u>
<b>Cash and cash equivalents at beginning of period .....</b>	<u>144,297</u>	<u>175,708</u>	<u>276,637</u>
<b>Cash and cash equivalents at end of period .....</b>	<u>\$ 162,237</u>	<u>\$ 144,297</u>	<u>\$ 175,708</u>
<i>Interest paid</i>			
Cash paid for interest, net of amounts capitalized .....	\$ 44,057	\$ 57,323	\$ 48,588

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

**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013, 2012 AND 2011**  
**(Expressed in thousands of U.S. Dollars, except for share and per share data, unless otherwise stated)**

**1. Significant Accounting Policies**

**(a) Basis of presentation and description of business:** The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and include the accounts of Tsakos Energy Navigation Limited (the “Holding Company”), and its wholly-owned and majority-owned subsidiaries (collectively, the “Company”). As at December 31, 2013, 2012 and 2011, the Holding Company consolidated two variable interest entities (“VIE”) for which it is deemed to be the primary beneficiary, i.e. it has a controlling financial interest in those entities. A VIE is an entity that in general does not have equity investors with voting rights or that has equity investors that do not provide sufficient financial resources for the entity to support its activities. A controlling financial interest in a VIE is present when a company has the power to direct the activities of a VIE that most significantly impact the entity’s economic performance and absorbs a majority of an entity’s expected losses, receives a majority of an entity’s expected residual returns, or both.

All intercompany balances and transactions have been eliminated upon consolidation.

The Company follows the provisions of Accounting Standard Codification (ASC) 220, “Comprehensive Income”, which requires separate presentation of certain transactions, which are recorded directly as components of stockholders’ equity. The Company presents Other Comprehensive Income / (Loss) in a separate statement according to ASU 2011-05.

The Company owns and operates a fleet of crude and product oil carriers and one LNG carrier providing worldwide marine transportation services under long, medium or short-term charters.

**(b) Use of Estimates:** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and expenses, reported in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

**(c) Foreign Currency Translation:** The functional currency of the Company is the U.S. Dollar because the Company’s vessels operate in international shipping markets in which the U.S. Dollar is utilized to transact most business. The accounting books of the Company are also maintained in U.S. Dollars. Transactions involving other currencies during the year are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities, which are denominated in other currencies, are translated into U.S. Dollars at the year-end exchange rates. Resulting gains or losses are separately reflected in the accompanying Consolidated Statements of Operations.

**(d) Cash and Cash Equivalents:** The Company classifies highly liquid investments such as time deposits and certificates of deposit with original maturities of three months or less as cash and cash equivalents. Cash deposits with certain banks that may only be used for special purposes (including loan repayments) are classified as Restricted cash.

**(e) Trade Accounts Receivable, Net:** Trade accounts receivable, net at each balance sheet date includes estimated recoveries from charterers for hire, freight and demurrage billings and revenue earned but not yet billed, net of an allowance for doubtful accounts (nil as of December 31, 2013 and 2012). The Company’s management at each balance sheet date reviews all outstanding invoices and provides allowances for receivables deemed uncollectible primarily based on the ageing of such balances and any amounts in dispute.

**(f) Inventories:** Inventories consist of bunkers, lubricants, victualling and stores and are stated at the lower of cost or market value. The cost is determined primarily by the first-in, first-out method.

**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**DECEMBER 31, 2013, 2012 AND 2011**

**(Expressed in thousands of U.S. Dollars, except for share and per share data, unless otherwise stated)**

- (g) Fixed Assets:** Fixed assets consist of vessels. Vessels are stated at cost, less accumulated depreciation. The cost of vessels includes the contract price and pre-delivery costs incurred during the construction and delivery of new buildings, including capitalized interest, and expenses incurred upon acquisition of second-hand vessels. Subsequent expenditures for conversions and major improvements are capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels; otherwise they are charged to expense as incurred. Expenditures for routine repairs and maintenance are expensed as incurred.

Depreciation is provided on the straight-line method based on the estimated remaining economic useful lives of the vessels, less an estimated residual value based on a scrap price. Effective October 1, 2012 and following management's reassessment of the residual value of the vessels, the estimated scrap value per light weight ton (LWT) was increased to \$0.39 from \$0.30. Management's estimate was based on the average demolition prices prevailing in the market during the last ten years for which historical data were available. The effect of this change in accounting estimate, which did not require retrospective application as per ASC 250 "Accounting Changes and Error Corrections", was to decrease net loss for the year ended December 31, 2012 by \$929 or \$0.02 per weighted average number of shares, both basic and diluted. The decrease in depreciation expense for the year ended December 31, 2013 was approximately \$3,787 or \$0.07 per weighted average number of shares, both basic and diluted, based on the Company's fleet existing at December 31, 2012. Economic useful lives are estimated at 25 years for crude and product oil carriers and 40 years for the LNG carrier from the date of original delivery from the shipyard.

- (h) Impairment of Vessels:** The Company reviews vessels for impairment whenever events or changes in circumstances indicate that the carrying amount of a vessel may not be recoverable, such as during severe disruptions in global economic and market conditions. When such indicators are present, a vessel to be held and used is tested for recoverability by comparing the estimate of future undiscounted net operating cash flows expected to be generated by the use of the vessel over its remaining useful life and its eventual disposition to its carrying amount. Net operating cash flows are determined by applying various assumptions regarding the use or possible disposition of each vessel, future revenues net of commissions, operating expenses, scheduled dry-dockings, expected off-hire and scrap values, and taking into account historical revenue data and published forecasts on future world economic growth and inflation. Should the carrying value of the vessel exceed its estimated future undiscounted net operating cash flows, impairment is measured based on the excess of the carrying amount over the fair market value of the asset. The Company determines the fair value of its vessels based on management estimates and assumptions and by making use of available market data and taking into consideration third party valuations. The review of the carrying amounts in connection with the estimated recoverable amount for certain of the Company's vessels as of December 31, 2013, December 31, 2012 and 2011 indicated an impairment charge (Note 5).

- (i) Reporting Assets held for sale:** It is the Company's policy to dispose of vessels when suitable opportunities occur and not necessarily to keep them until the end of their useful life. Long-lived assets are classified as held for sale when all applicable criteria enumerated under ASC 360 "Property, Plant, and Equipment" are met and are measured at the lower of their carrying amount or fair value less cost to sell. These assets are not depreciated once they meet the criteria to be held for sale. At December 31, 2013 and 2012, there were no vessels held for sale.

- (j) Accounting for Special Survey and Dry-docking Costs:** The Company follows the deferral method of accounting for dry-docking and special survey costs whereby actual costs incurred are reported in Deferred Charges and are amortized on a straight-line basis over the period through the date the next dry-docking is scheduled to become due (approximately every five years during the first ten years of vessels' life and every two and a half years within the following useful life of the vessels). Costs relating to routine repairs and maintenance are expensed as incurred. The unamortized portion of special survey and dry-docking costs for a vessel that is sold is included as part of the carrying amount of the vessel in determining the gain on sale of the vessel.



**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**DECEMBER 31, 2013, 2012 AND 2011**

**(Expressed in thousands of U.S. Dollars, except for share and per share data, unless otherwise stated)**

**(k) Loan Costs:** Costs incurred for obtaining new loans or refinancing existing loans are capitalized and included in deferred charges and amortized over the term of the respective loan, using the effective interest rate method. Any unamortized balance of costs relating to loans repaid or refinanced as debt extinguishments is expensed in the period the repayment or extinguishment is made.

**(l) Accounting for Revenue and Expenses:** Voyage revenues are generated from freight billings and time charter hire. Time charter revenue, including bare-boat hire, is recorded over the term of the charter as the service is provided. Revenues from voyage charters on the spot market or under contract of affreightment are recognized ratably from when a vessel becomes available for loading (discharge of the previous charterer's cargo) to when the next charterer's cargo is discharged, provided an agreed non-cancelable charter between the Company and the charterer is in existence, the charter rate is fixed or determinable and collectability is reasonably assured. Revenue under voyage charters will not be recognized until a charter has been agreed even if the vessel has discharged its previous cargo and is proceeding to an anticipated port of loading. Revenues from variable hire arrangements are recognized to the extent the variable amounts earned beyond an agreed fixed minimum hire are determinable at the reporting date and all other revenue recognition criteria are met. Revenue from hire arrangements with an escalation clause is recognized on a straight-line basis over the lease term unless another systematic and rational basis is more representative of the time pattern in which the vessel is employed. Vessel voyage and operating expenses and charter hire expense are expensed when incurred.

Unearned revenue represents cash received prior to the year end for which related service has not been provided, primarily relating to charter hire paid in advance to be earned over the applicable charter period. The operating revenues and voyage expenses of vessels operating under a tanker pool are pooled and are allocated to the pool participants on a time charter equivalent basis, according to an agreed formula. Voyage revenues for 2013, 2012 and 2011 included revenues derived from significant charterers as follows (in percentages of total voyage revenues):

Charterer	2013	2012	2011
A	21%	17%	14%
B	-	-	10%
C	-	14%	-
D	11%	-	-

**(m) Segment Reporting:** The Company does not evaluate the operating results by type of vessel or by type of charter or by type of cargo. Although operating results may be identified by type of vessel, management, including the chief operating decision maker, reviews operating results primarily by revenue per day and operating results of the fleet. The Company operates a liquefied natural gas (LNG) carrier which meets the quantitative thresholds used to determine reportable segments. The chief operating decision maker does not review the operating results of this vessel separately, or makes any decisions about resources to be allocated to this vessel or assesses its performance separately, therefore, the LNG carrier does not constitute a separate reportable segment. The Company's vessels operate on many trade routes throughout the world and, therefore, the provision of geographic information is considered impracticable by management. For the above reasons, the Company has determined that it operates in one reportable segment, the worldwide maritime transportation of liquid energy related products.

**(n) Derivative Financial Instruments:** The Company regularly enters into interest rate swap contracts to manage its exposure to fluctuations of interest rates associated with its specific borrowings. Also, the Company enters into bunker swap contracts to manage its exposure to fluctuations of bunker prices associated with the consumption of bunkers by its vessels. Interest rate and bunker price differentials paid or received under these swap agreements are recognized as part of Interest and finance costs, net. All derivatives are recognized in the consolidated financial statements at their fair value. On the inception date of the derivative contract, the Company evaluates the derivative as an accounting hedge of the variability of cash flow to be paid of a forecasted transaction ("cash flow" hedge). Changes in the fair value of a derivative that is qualified, designated and highly effective as a cash flow hedge are recorded in other comprehensive income/(loss) until earnings are affected by the forecasted

**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**DECEMBER 31, 2013, 2012 AND 2011**

**(Expressed in thousands of U.S. Dollars, except for share and per share data, unless otherwise stated)**

transaction. Changes in the fair value of undesignated derivative instruments and the ineffective portion of designated derivative instruments are reported in earnings in the period in which those fair value changes occur. Realized gains or losses on early termination of undesignated derivative instruments are also classified in earnings in the period of termination of the respective derivative instrument.

The Company formally documents all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges of the variable cash flows of a forecasted transaction to a specific forecasted transaction. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively. In accordance with ASC 815 "Derivatives and Hedging", the Company may prospectively discontinue the hedge accounting for an existing hedge if the applicable criteria are no longer met, the derivative instrument expires, is sold, terminated or exercised or if the Company removes the designation of the respective cash flow hedge. In those circumstances, the net gain or loss remains in accumulated other comprehensive income / (loss) and is reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings, unless the forecasted transaction is no longer probable in which case the net gain or loss is reclassified into earnings immediately.

- (o) Fair Value Measurements:** The Company follows the provisions of ASC 820, "Fair Value Measurements and Disclosures" which defines, and provides guidance as to the measurement of fair value. ASC 820 applies when assets or liabilities in the financial statements are to be measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (Note 15). Upon issuance of guidance on the fair value option in 2007, the Company elected not to report the then existing financial assets or liabilities at fair value that were not already reported as such.
- (p) Accounting for Leases:** Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line method over the lease term. The Company held no operating leases at December 31, 2013.
- (q) Stock Based Compensation:** The Company has a share based incentive plan that covers directors and officers of the Company and employees of the related companies. Awards granted are valued at fair value and compensation cost is recognized on a straight line basis, net of estimated forfeitures, over the requisite service period of each award. The fair value of restricted stock issued to crew members, directors and officers of the Company at the grant date is equal to the closing stock price on that date and is amortized over the applicable vesting period using the straight-line method. The fair value of restricted stock issued to non-employees is equal to the closing stock price at the grant date adjusted by the closing stock price at each reporting date and is amortized over the applicable performance period (Note 9).
- (r) Marketable Securities:** The Company from March 2011 until their disposal in July 2013 had investments in marketable securities that had readily determinable fair values and were classified as available for sale. Such investments were measured subsequently at fair value in the statement of financial position. Unrealized holding gains and losses for available for sale securities were excluded from earnings and were reported in Accumulated other comprehensive income/(loss) until realized (Note 4).
- (s) Recent Accounting Pronouncements:** There are no recent accounting pronouncements issued in 2013, whose adoption would have a material impact on the Company's Consolidated Financial Statements in the current year, or expected to have a material impact on future years.

**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**DECEMBER 31, 2013, 2012 AND 2011**

**(Expressed in thousands of U.S. Dollars, except for share and per share data, unless otherwise stated)**

**2. Transactions with Related Parties**

The following amounts were charged by related parties for services rendered:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Tsakos Shipping and Trading S.A. (commissions).....	5,219	5,304	5,461
Tsakos Energy Management Limited (management fees).....	15,487	15,587	15,298
Tsakos Columbia Shipmanagement S.A. ....	1,621	1,280	1,237
Argosy Insurance Company Limited.....	9,129	9,701	9,933
AirMania Travel S.A.....	4,810	3,661	2,129
<b>Total expenses with related parties.....</b>	<u><u>36,266</u></u>	<u><u>35,533</u></u>	<u><u>34,058</u></u>

Balances due from and to related parties are as follows:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
<b>Due from related parties</b>		
Tsakos Columbia Shipmanagement Ltd.....	1,084	1,561
<b>Total due from related parties.....</b>	<u><u>1,084</u></u>	<u><u>1,561</u></u>
<b>Due to related parties</b>		
Tsakos Shipping and Trading S.A. ....	555	1,110
Tsakos Energy Management Limited.....	92	53
Argosy Insurance Company Limited .....	6,008	1,209
AirMania Travel S.A. ....	275	222
<b>Total due to related parties .....</b>	<u><u>6,930</u></u>	<u><u>2,594</u></u>

There is also, at December 31, 2013 an amount of \$319 (\$559 in 2012) due to Tsakos Shipping and Trading S.A. and \$356 (\$329 in 2012) due to Argosy Insurance Limited, included in Accrued liabilities which relates to services rendered by related parties not yet invoiced.

- (a) **Tsakos Energy Management Limited (the “Management Company”):** The Holding Company has a Management Agreement (“Management Agreement”) with the Management Company, a Liberian corporation, to provide overall executive and commercial management of its affairs for a monthly fee. Per the Management Agreement of March 8, 2007, effective from January 1, 2008, there is a prorated adjustment if at the beginning of each year the Euro has appreciated by 10% or more against the U.S. Dollar since January 1, 2007. In addition, there is an increase each year by a percentage figure reflecting 12 month Euribor, if both parties agree. From January 1, 2011, the monthly management fees for operating vessels were \$27.0 per owned vessel except for the LNG carrier which bore a monthly fee of \$32.0, of which \$7.0 was paid to the Management Company and \$25.0 to a third party manager. The monthly management fees for chartered-in vessels or for owned vessels chartered out on a bare-boat basis were \$20.0. From January 1, 2012 until December 31, 2013 monthly fees for operating vessels were \$27.5, for vessels chartered out or on a bare-boat basis were \$20.4 and from April 1, 2012 for the LNG carrier \$35.0 of which \$10.0 was paid to the Management Company and \$25.0 to a third party manager. Monthly management fees for the DP2 shuttle tankers have been agreed at \$35.0 per vessel. Since the expiry of the bareboat charter of the VLCC *Millennium* on July 30, 2013, management fees for this vessel are \$27.5 per month of which \$13.7 are payable to a third party manager. Management fees for the suezmax *Eurochampion 2004* are \$27.5 per month of which, effective September 22, 2013, \$12.0 are payable to a third party manager.



**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**DECEMBER 31, 2013, 2012 AND 2011**

**(Expressed in thousands of U.S. Dollars, except for share and per share data, unless otherwise stated)**

In addition to the management fee, the Management Agreement provides for an incentive award to the Management Company, which is at the absolute discretion of the Holding Company's Board of Directors. The incentive award program is based on the Company's annual return on equity ("ROE"). In 2013, 2012 and 2011, there was no such award. However, special awards totaling \$500 were paid to the Management Company in relation to capital raising offerings during 2013. These awards have been included as a deduction of additional paid in capital in the accompanying Consolidated Financial Statements.

The Holding Company and the Management Company have certain officers and directors in common. The President, who is also the Chief Executive Officer and a Director of the Holding Company, is also the sole stockholder of the Management Company. The Management Company may unilaterally terminate its Management Agreement with the Holding Company at any time upon one year's notice. In addition, if even one director was elected to the Holding Company's Board of Directors without having been recommended by the existing board, the Management Company would have the right to terminate the Management Agreement on ten days notice, and the Holding Company would be obligated to pay the Management Company the present discounted value of all payments that would have otherwise been due under the main agreement up until June 30 of the tenth year following the date of the termination plus the average of the incentive awards previously paid to TEM multiplied by 10. As at December 31, 2013 such payment would be approximately \$145,291 calculated in accordance with the terms of the Management Agreement. This amount takes account of the LNG carrier and the five aframaxs under construction, but excludes the new-building which is being negotiated with the shipyard (Note 14). Under the terms of the Management Agreement between the Holding Company and the Management Company, the Holding Company may terminate the Management Agreement only under specific circumstances, without the prior approval of the Holding Company's Board of Directors.

Estimated future management fees payable over the next ten years under the Management Agreement, exclusive of any incentive awards and based on existing vessels and known vessels as at December 31, 2013, scheduled for future delivery, are:

<u>Year</u>	<u>Amount</u>
2014 .....	16,971
2015 .....	16,971
2016 .....	16,973
2017 .....	17,251
2018 .....	17,272
2019 to 2023 .....	77,724
	<u>163,162</u>

Management fees for vessels are included in the accompanying Consolidated Statements of Operations. Also, under the terms of the Management Agreement, the Management Company provides supervisory services for the construction of new vessels for a monthly fee, per vessel, of \$20.4 in 2013, (\$20.4 and \$20.0 for 2012 and 2011, respectively). These fees in total amounted to \$492, \$612 and \$588 for 2013, 2012 and 2011, respectively, and are either accounted for as part of construction costs for delivered vessels or are included in Advances for vessels under construction.

**(b) Tsakos Columbia Shipmanagement S.A. ("TCM"):** The Management Company appointed TCM to provide technical management to the Company's vessels from July 1, 2010. TCM is owned jointly and in equal part by Tsakos family private interests and by a private German group. TCM, at the consent of the Holding Company, may subcontract all or part of the technical management of any vessel to an alternative unrelated technical manager.

Effective July 1, 2010, the Management Company, at its own expense, pays technical management fees to TCM, and the Company bears and pays directly to TCM most of its operating expenses, including repairs and maintenance, provisioning and crewing of the Company's vessels, as well as certain charges which are capitalized or deferred, including reimbursement of the costs of TCM personnel sent overseas to supervise repairs and perform inspections on Company vessels. The Company also pays to TCM certain fees to cover expenses relating to internal control procedures and information technology services which are borne by TCM on behalf of the Company.

**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**DECEMBER 31, 2013, 2012 AND 2011**

**(Expressed in thousands of U.S. Dollars, except for share and per share data, unless otherwise stated)**

- (c) **Tsakos Shipping and Trading S.A. (“Tsakos Shipping”):** Tsakos Shipping provides chartering services for the Company’s vessels by communicating with third party brokers to solicit research and propose charters. For this service, the Company pays to Tsakos Shipping a chartering commission of 1.25% on all freights, hires and demurrages. Such commissions are included in Commissions in the accompanying Consolidated Statements of Operations. Tsakos Shipping also provides sale and purchase of vessels brokerage service. For this service, Tsakos Shipping may charge brokerage commission. In 2012 and 2011, this commission was approximately 1% of the sale price of a vessel. In 2013, there were no sales or purchases of vessels.

Tsakos Shipping may also charge a fee of \$200 (or such other sum as may be agreed) on delivery of each new-building vessel in payment for the cost of design and supervision of the new-building by Tsakos Shipping. This amount is added to the cost of the vessels concerned and is being amortized over the remaining life of the vessels. In 2013 and 2012, no such fee was charged.

Certain members of the Tsakos family are involved in the decision-making processes of Tsakos Shipping and of the Management Company, and are also shareholders, and directors of the Holding Company.

- (d) **Argosy Insurance Company Limited (“Argosy”):** The Company places its hull and machinery insurance, increased value insurance and war risk and certain other insurance through Argosy, a captive insurance company affiliated with Tsakos Shipping.

- (e) **AirMania Travel S.A. (“AirMania”):** Apart from third-party agents, the Company also uses an affiliated company, AirMania, for travel services.

**3. Long-term Investments**

At December 31, 2013 and 2012, the Company held 125,000 common shares at a total cost of \$1,000 in a private U.S. company which undertakes research into synthetic genomic processes which may have a beneficial environmental impact within the energy and maritime industries. Management has determined that there has been no impairment to the cost of this investment since its acquisition in 2007. A Director of the Company is a former officer and currently a shareholder and a consultant of this company. No income was received from this investment during 2013, 2012 and 2011.

**4. Marketable securities**

In March 2011, the Company placed \$2,500 in highly liquid, low risk marketable securities which are considered to be available-for-sale for reporting purposes. In December 2012, the Company sold \$1,098 of these marketable securities realizing a gain of \$95 which was reclassified from Accumulated other comprehensive income/(loss) to the Statement of Operations. In July 2013, the Company sold the remaining marketable securities realizing a gain of \$89, reclassified from Accumulated other Comprehensive income/(loss) to the statement of Operations. At December 31, 2013 there are no marketable securities. The fair value of the marketable securities as of December 31, 2012 was \$1,664, and the change in fair value amounting to \$133(positive) was included in Accumulated other comprehensive income/(loss).

**5. Vessels**

**Acquisitions**

During 2013, the Company took delivery of two newbuilding DP2 suezmax shuttle tankers *Rio 2016* and *Brasil 2014*, at a total cost of \$203,908 of which \$105,763 was incurred in 2013. In 2012, there were no vessel acquisitions. In 2011, the Company took delivery of two newly constructed suezmaxes *Spyros K* and *Dimitris P* at a total cost of \$148,526 of which \$66,643 was incurred within 2011.

**Sales**

There were no vessel sales in 2013. In 2012, the Company sold the VLCCs *La Madrina* and *La Prudencia*, classified as held for sale at December 31, 2011, for net proceeds of \$40,219 in total, realizing a loss of \$1,879. In 2011, the Company sold the aframax tanker *Opal Queen* for net proceeds of \$32,753 realizing a gain of \$5,802 and the aframax tanker *Vergina II* for net

**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**DECEMBER 31, 2013, 2012 AND 2011**

**(Expressed in thousands of U.S. Dollars, except for share and per share data, unless otherwise stated)**

proceeds of \$9,702 realizing a loss of \$801 (net gain of \$5,001 in aggregate). The capital gains or losses from the sale of vessels are separately reflected in the accompanying 2011 Consolidated Statements of Operations.

**Impairment**

As of December 31, 2013, the Company reviewed the carrying amount in connection with the estimated recoverable amount for each of its vessels. This review indicated that such carrying amount was not fully recoverable for four of the Company's vessels; *Silia T*, *Triathlon*, *Delphi* and *Millennium*. Consequently the carrying value of these four vessels, totaling \$123,540 has been written down to \$95,250, based on level 2 inputs of the fair value hierarchy, as determined by management taking into consideration valuations from independent marine valuers (Note 15(c)). The resulting impairment charge was \$28,290 and is reflected in the accompanying Consolidated Statements of Operations. During 2012, the carrying value of the VLCC *Millennium* was written down resulting in a total impairment charge of \$13,567. During 2011, the carrying values of the VLCCs *La Madrina* and *La Prudencia* were written down resulting in a total impairment charge of \$39,434.

**6. Deferred Charges**

Deferred charges, consist of dry-docking and special survey costs, net of accumulated amortization, amounted to \$12,724 and \$13,327 at December 31, 2013 and 2012, respectively, and loan fees, net of accumulated amortization, amounted to \$4,607 and \$4,641 and at December 31, 2013 and 2012, respectively. Amortization of deferred dry-docking costs is separately reflected in the accompanying Consolidated Statements of Operations, while amortization of loan fees is included in Interest and finance costs, net (Note 8).

**7. Long-Term Debt**

Facility	2013	2012
(a) Credit facilities.....	808,218	939,514
(b) Term bank loans.....	572,080	502,913
<b>Total</b> .....	<b>1,380,298</b>	<b>1,442,427</b>
<b>Less – current portion</b> .....	<b>(126,361)</b>	<b>(186,651)</b>
<b>Long-term portion</b> .....	<b>1,253,937</b>	<b>1,255,776</b>

**(a) Credit facilities**

As at December 31, 2013, the Company had six open reducing revolving credit facilities, all of which are reduced in semi-annual installments, and two open facilities which have both a reducing revolving credit component and a term bank loan component. At December 31, 2013 and 2012 there was no available unused amount. The aggregate available unused amount under these facilities at December 31, 2011 was \$28,358 and was drawn down on January 17, 2012. Interest is payable at rates based on LIBOR plus a spread. At December 31, 2013, the interest rates on these facilities ranged from 1.48% to 5.69% (0.81% to 5.19% at December 31, 2012).

**(b) Term bank loans**

Term loan balances outstanding at December 31, 2013 amounted to \$572,080.

On March 6, 2013 and on April 22, 2013 the Company made two drawdowns of \$46,000 each under two existing term bank loans to finance the newly delivered DP2 suezmax shuttle tankers *Rio 2016* and *Brasil 2014*.

On September 9, 2013, the Company arranged a new term bank loan for the refinancing of the credit facility obtained in 2005 to finance the acquisition of the aframax tanker *Sakura Princess*. On September 11, 2013, the Company fully repaid the then outstanding balance of this facility. On September 11, 2013, the Company drew down \$18,000 under the new term loan, which is payable in 28 quarterly installments, the first eight of \$300 each and the next twenty of \$405 each plus a balloon of \$7,500 payable with the last installment.



**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**DECEMBER 31, 2013, 2012 AND 2011**

**(Expressed in thousands of U.S. Dollars, except for share and per share data, unless otherwise stated)**

All term bank loans, except the newly signed on September 9, 2013, which is paid in quarterly installments, are payable in U.S. Dollars in semi-annual installments, with balloon payments due at maturity between October 2016 and April 2022. Interest rates on the outstanding loans as at December 31, 2013 are based on LIBOR plus margin. At December 31, 2013, the interest rates on these term bank loans ranged from 1.85% to 3.24%.

The weighted-average interest rates on the above executed loans for the applicable periods were:

Year ended December 31, 2013.....	2.49%
Year ended December 31, 2012.....	1.87%
Year ended December 31, 2011.....	1.66%

Loan movements for credit facilities and term loans

Loan	Origination Date	Original Amount	Balance at January 1, 2013	New Loans	Repaid	Balance at December 31, 2013
Credit facility <sup>1</sup> .....	2005	250,000	34,855	—	34,855	—
Credit facility .....	2005	220,000	134,225	—	13,135	121,090
Credit facility .....	2006	275,000	125,092	—	11,823	113,270
Credit facility <sup>2</sup> .....	2004	179,384	112,356	—	10,555	101,800
Credit facility <sup>3</sup> .....	2005	220,000	92,550	—	26,952	65,598
Credit facility .....	2006	371,010	251,010	—	20,000	231,010
10-year term loan .....	2004	71,250	32,032	—	3,125	28,907
Credit facility .....	2006	70,000	35,625	—	4,375	31,250
Credit facility .....	2007	120,000	92,500	—	5,000	87,500
10-year term loan .....	2007	88,350	66,270	—	5,520	60,750
Credit facility .....	2007	82,000	61,300	—	4,600	56,700
10-year term loan .....	2009	38,600	29,046	—	2,235	26,812
8-year term loan .....	2009	40,000	30,400	—	2,900	27,500
12 year term loan .....	2009	40,000	33,750	—	2,500	31,250
10-year term loan .....	2010	39,000	32,500	—	2,600	29,900
7-year term loan .....	2010	70,000	60,720	—	4,640	56,080
10-year term loan .....	2010	43,924	37,489	—	3,218	34,271
9-year term loan .....	2010	42,100	36,900	—	2,600	34,300
10-year term loan .....	2011	48,000	43,200	—	3,200	40,000
9-year term loan .....	2011	48,650	45,407	—	3,243	42,163
8-year term loan .....	2012	73,600	27,600	46,000	2,300	71,300
8-year term loan .....	2011	73,600	27,600	46,000	2,453	71,147
7-year term loan .....	2013	18,000	—	18,000	300	17,700
<b>Total .....</b>			<u>1,442,427</u>	<u>110,000</u>	<u>172,129</u>	<u>1,380,298</u>

<sup>1</sup> The Company sold one of its vessels (*La Madrina*) secured under this credit facility within 2012 and accordingly, prepaid an amount of \$23,600. In 2013, the Company fully repaid the outstanding amount of the loan and refinanced the remaining vessel (*Sakura Princess*) previously financed by the repaid loan with a new loan, included in the above table.

<sup>2</sup> This credit facility includes a fixed interest rate portion amounting to \$53,243 as at December 31, 2013.

<sup>3</sup> The Company sold one of its vessels (*La Prudencia*) secured under this credit facility within 2012 and accordingly, on January 31, 2013, prepaid an amount of \$20,352.

The above revolving credit facilities and term bank loans are secured by first priority mortgages on all vessels, by assignments of earnings and insurances of the respectively mortgaged vessels, and by corporate guarantees of the relevant ship-owning subsidiaries.

**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**DECEMBER 31, 2013, 2012 AND 2011**

**(Expressed in thousands of U.S. Dollars, except for share and per share data, unless otherwise stated)**

The loan agreements include, among other covenants, covenants requiring the Company to obtain the lenders' prior consent in order to incur or issue any financial indebtedness, additional borrowings, pay dividends in an amount more than 50% of cumulative net income (as defined in the related agreements), sell vessels and assets, and change the beneficial ownership or management of the vessels. Also, the covenants require the Company to maintain a minimum liquidity, not legally restricted, of \$78,144 (\$99,375 in 2012 and \$92,188 in 2011 respectively), a minimum hull value in connection with the vessels' outstanding loans, insurance coverage of the vessels against all customary risks and maintenance of operating bank accounts with minimum balances.

As at December 31, 2013 and 2012, the Company was in non-compliance with minimum value-to-loan ratios contained in certain of its debt agreements. In case of non-compliance with minimum value-to-loan ratios these agreements include terms according to which the Company may be required to prepay indebtedness in the form of cash or provide additional security. Effective since December 31, 2012 and for a period up to, and including, June 30, 2014, certain of the Company's lenders formally waived their rights resulting from the aforementioned non-compliance of the value-to-loan covenant, while the remainder did not seek immediate remedial action.

An amount of \$5,867, relating to one term loan with outstanding principal of \$34,300 at December 31, 2013 was reclassified within current liabilities at December 31, 2013, representing the amount that the Company would be required to pay to satisfy the value-to-loan ratio shortfall contained in the loan agreement in the event the lender was to request such additional security in the form of cash payment.

As at December 31, 2012, the Company was in non-compliance with the leverage ratio required by its loans. In this respect, the Company entered into amendatory agreements with its lenders which waive the non-compliance of the leverage ratio covenant referred to above by increasing the relevant ratio for the period from December 31, 2012 through July 1, 2014 from 70% to 80%, establishing in this respect compliance as at December 31, 2013 and 2012. Following these amendatory agreements and because management concluded that it is not probable that the amended ratio will fail to be met at any next measurement dates within the following 12 months, the debt was not classified as current in the 2013 and 2012 consolidated balance sheet in accordance with ASC 470-10. At December 31, 2013, the Company was fully compliant with the leverage ratio required by its loans irrespective of the waivers.

As of December 31, 2012, a subsidiary, in which the Company has a 51% interest, was not in compliance with the leverage ratio required by its loan. In this respect, in an amendatory agreement dated April 8, 2013 with the lenders, an existing waiver of the leverage ratio non-compliance was extended to June 30, 2014 (inclusive). At December 31, 2013, the subsidiary was fully compliant with the loan agreement.

The Company's liquidity requirements relate primarily to servicing its debt, funding the equity portion of investments in vessels and funding expected capital expenditure on dry-dockings and working capital. As of December 31, 2013, the Company's working capital (non-restricted net current assets), amounted to a deficit of \$5,258. Net cash flow generated from operations is the Company's main source of liquidity whereas other management alternatives to ensure service of the Company's commitments include, but are not limited to, the issuance of additional equity, re-negotiation of new-building commitments and utilization of suitable opportunities for asset sales, etc. Management believes, such alternatives along with current available cash holdings and cash expected to be generated from the operation of vessels, will be sufficient to meet the Company's liquidity and working capital needs for a reasonable period of time.

The annual principal payments required to be made after December 31, 2013, excluding hull cover ratio shortfall of \$5,867 discussed above, are as follows:

<u>Year</u>	<u>Amount</u>
2014.....	120,495
2015.....	174,842
2016.....	270,406
2017.....	182,805
2018.....	297,431
2019 and thereafter .....	334,319
	<u>1,380,298</u>

**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**DECEMBER 31, 2013, 2012 AND 2011**

**(Expressed in thousands of U.S. Dollars, except for share and per share data, unless otherwise stated)**

**8. Interest and Finance Costs, net**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Interest expense.....	41,741	49,701	51,720
Less: Interest capitalized .....	(1,945)	(1,758)	(2,532)
Interest expense, net .....	39,796	47,943	49,188
Interest swap cash settlements non-hedging .....	5,012	8,043	8,977
Bunkers swap cash settlements .....	(151)	(2,433)	(6,382)
Amortization of loan fees.....	1,101	946	995
Bank charges .....	379	243	277
Amortization of deferred loss on termination of financial instruments .....	877	2,173	2,020
Change in fair value of non-hedging financial instruments .....	(6,097)	(5,339)	(1,504)
<b>Net total.....</b>	<u>40,917</u>	<u>51,576</u>	<u>53,571</u>

At December 31, 2013, the Company was committed to seven floating-to-fixed interest rate swaps with major financial institutions covering notional amounts aggregating to \$343,827 maturing from March 2014 through March 2021, on which it pays fixed rates averaging 3.89% and receives floating rates based on the six-month London interbank offered rate (“LIBOR”) (Note 15).

At December 31, 2013, the Company held five of the seven interest rate swap agreements, designated and qualifying as cash flow hedges, in order to hedge its exposure to interest rate fluctuations associated with its debt covering notional amounts aggregating to \$221,077.

The fair value of such financial instruments as of December 31, 2013 and 2012 in aggregate amounted to \$3,409 (negative) and \$11,295 (negative), respectively. The estimated net amount of cash flow hedge losses at December 31, 2013 that is estimated to be reclassified into earnings within the next twelve months is \$2,082.

At December 31, 2013 and 2012, the Company held two interest rate swaps that did not meet hedge accounting criteria. As such, the changes in their fair values during 2013 and 2012 have been included in change in fair value of non-hedging financial instruments in the table above, and amounted to \$6,025 (positive) and \$6,989 (positive), respectively. In March 2010, one of these swaps was de-designated as a hedging swap and the remaining loss included in Accumulated other comprehensive loss, and for which the associated future cash flows are deemed probable of occurring (\$154 at December 31, 2013), is being amortized to income over the term of the original hedge provided that the variable-rate interest obligations continue. The amount of such loss amortized during 2013 and 2012 was \$877 and \$1,475, respectively and the remaining balance of \$154 at December 31, 2013 will be fully amortized in the first quarter of 2014. In addition, in December 2012 and June 2011, two vessels financed by the loan previously hedged by the de-designated swap, were sold and the loss within Accumulated other comprehensive income/(loss) of \$698 in 2012 and \$506 in 2011 that was considered to be directly associated with future cash flows, which were not probable of occurring, was immediately reclassified to income.

At December 31, 2013 and 2012, the Company had five and two bunker swap agreements, respectively, in order to hedge its exposure to bunker price fluctuations associated with the consumption of bunkers by its vessels. During 2011, the Company entered into one bunker swap agreement and disposed of it prior to maturity resulting in a realized gain of \$115 which is included in Bunker swap cash settlements in the table above. The fair value of these financial instruments as of December 31, 2013 and 2012 was \$177 (positive) and \$105 (positive), respectively and the changes in their fair values during 2013 and 2012 amounting to \$72 (positive) and \$1,650 (negative), respectively have been included in Change in fair value of non-hedging financial instruments in the table above, as such agreements do not meet the hedging criteria.

**9. Stockholders’ Equity**

The Company has a shareholder rights plan that authorizes to existing shareholders substantial preferred share rights and additional common shares if any third party acquires 15% or more of the outstanding common shares or announces its intent to commence a tender offer for at least 15% of the common shares, in each case, in a transaction that the Board of Directors has not approved.



**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**DECEMBER 31, 2013, 2012 AND 2011**

**(Expressed in thousands of U.S. Dollars, except for share and per share data, unless otherwise stated)**

On May 10, 2013 the Company re-designated 15,000,000 of common stock as preferred shares of \$1.00 par value.

On May 10, 2013, the Company issued 2,000,000 8.00% Cumulative Redeemable Perpetual Series B Preferred Shares (the "Series B preferred shares") for net proceeds of \$47,043. The Series B preferred shares were issued for cash and pay cumulative quarterly dividends at a rate of 8% per annum from their date of issuance, i.e. \$2.0 per preferred share or \$4,000 in aggregate. At any time on or after July 30, 2018, the Series B preferred shares may be redeemed, at the option of the Company, in whole or in part at a redemption price of \$25.00 per share plus unpaid dividends. If the Company fails to comply with certain covenants relating to the level of borrowings and net worth as these terms are defined in the applicable agreement, defaults on any of its credit facilities, fails to pay four quarterly dividends payable in arrears or if the Series B preferred shares are not redeemed at the option of the Company, in whole by July 30, 2019, the dividend rate payable on the Series B preferred shares increases quarterly to a rate that is 1.25 times the dividend rate payable on the series B preferred shares, subject to an aggregate maximum rate per annum of 25% prior to July 30, 2018 and 30% thereafter. The Series B preferred shares are not convertible into common shares and are not redeemable at the option of the holder. The initial dividend of \$889 on the Series B preferred shares was paid on July 30, 2013, the second dividend of \$1,000 was paid on October 30, 2013 and the third dividend of \$1,000 was paid on January 30, 2014 (Note 16(b)).

On August 8, 2013 the Company entered into a distribution agency agreement with a leading investment bank as manager, providing for the offer and sale from time to time of up to 4,000,000 common shares of the Company, par value \$1.0 per share, at market prices. As of December 31, 2013, the Company had sold 1,430,211 common shares under this agreement for proceeds, net of commissions and other issuance expenses, of \$7,045. From January 1, 2014 up to January 17, 2014, the Company sold 1,077,847 common shares for proceeds, net of commissions, of \$7,170.

On September 30, 2013, the Company issued 2,000,000 8.875% Cumulative Redeemable Perpetual Series C Preferred Shares (the "Series C preferred shares") for net proceeds of \$47,315. The Series C preferred shares were issued for cash and pay cumulative quarterly dividends at a rate of 8.875% per annum from their date of issuance, i.e. \$2.21875 per preferred share or \$4,438 in aggregate. At any time on or after October 30, 2018, the Series C preferred shares may be redeemed, at the option of the Company, in whole or in part at a redemption price of \$25.00 per share plus unpaid dividends. If the Company fails to comply with certain covenants relating to the level of borrowings and net worth as these terms are defined in the applicable agreement, defaults on any of its credit facilities, fails to pay four quarterly dividends payable in arrears or if the Series C preferred shares are not redeemed at the option of the Company in whole by October 30, 2020, the dividend rate payable on the Series C preferred shares increases quarterly to a rate that is 1.25 times the dividend rate payable on the Series C preferred shares, subject to an aggregate maximum rate per annum of 25% prior to October 30, 2018 and 30% thereafter. The Series C preferred shares are not convertible into common shares and are not redeemable at the option of the holder. The first dividend of \$ 1,479 on the Series C preferred shares was paid on January 30, 2014 (note 16(b)).

On April 18, 2012, the Company completed an offering of 10,000,000 common shares at a price of \$6.50 per share, for net proceeds of \$62,329.

Under the Company's share-based incentive plan, 96,000 restricted share units (RSUs) were granted in 2013 at a weighted average fair value of \$4.89 per share, all of which vested in 2013. There were no RSUs outstanding at the beginning or end of 2013. The Company issued 150,000 RSUs in 2012 at a weighted average grant date fair value of \$3.75 per share. In 2011, the Company issued 12,000 RSUs at a weighted average grant date fair value of \$9.36 per share. The total fair value of shares vested during the years ended December 31, 2013, 2012 and 2011 were \$469, \$974 and \$987 respectively.

As at December 31, 2013, under the existing share-based incentive plan approved by the shareholders, a further 888,950 RSUs or other share-based awards may be issued in the future.

Total compensation expense recognized in 2013 amounted to \$469 (\$730 in 2012 and \$820 in 2011). As at December 31, 2013 and 2012 all granted RSUs were vested and the compensation expense recognized.

**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**DECEMBER 31, 2013, 2012 AND 2011**

(Expressed in thousands of U.S. Dollars, except for share and per share data, unless otherwise stated)

**10. Accumulated other comprehensive income/(loss)**

In 2013, Accumulated other comprehensive income/(loss) decreased with unrealized gains from hedging financial instruments of \$8,107 (\$20,169 in 2012 and \$17,265 in 2011) of which \$7,230 (\$17,996 in 2012 and \$15,245 in 2011) related to unrealized gains on interest rate swaps, and \$877 (\$2,173 in 2012 and \$2,020 in 2011) related to amortization of deferred loss on de-designated financial instruments. During 2013, unrealized losses on marketable securities was \$79 (gain of \$228, and \$34 in 2012 and 2011, respectively), of which a gain of \$89 (\$95 in 2012 and nil in 2011) was realized and reclassified into earnings following the sale of the respective securities.

**11. Earnings per Common Share**

The computation of basic earnings per share is based on the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the foregoing and the exercise of all RSUs (Note 9) using the treasury stock method.

Numerator

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Net loss attributable to Tsakos Energy Navigation Limited	(37,462)	\$ (49,263)	\$ (89,496)
Preferred share dividends	(3,676)	—	—
Net loss attributable to common stock holders	\$ (41,138)	(49,263)	(89,496)
Denominator			
Weighted average common shares outstanding.....	56,698,955	53,301,039	46,118,534
<b>Basic and diluted loss per common share.....</b>	<b>\$ (0.73)</b>	<b>\$ (0.92)</b>	<b>\$ (1.94)</b>

For 2013 and 2012 there were no non-vested RSUs. In 2011 the RSUs are considered anti-dilutive due to the loss from continuing operations which have resulted in their exclusion from the computation of diluted earnings per common share.

**12. Noncontrolling Interest in Subsidiary**

In August 2006, the Company signed an agreement with Polaris Oil Shipping Inc. (Polaris), an affiliate of one of the Company's major charterers, following which Polaris acquired 49% of Mare Success S.A., a previously wholly-owned subsidiary of the Holding Company. Mare Success S.A. is the holding-company of two Panamanian registered companies which own respectively the vessels *Maya* and *Inca*. The agreement became effective on November 30, 2006. Mare Success S.A. is fully consolidated in the accompanying financial statements. In the fourth quarter of 2013, Mare Success increased its paid-in capital by \$20,408 of which \$10,408 being the 51%, was contributed by the Company and \$10,000 being the 49%, by Polaris. After the recapitalization, the shareholding of Mare Success S.A. remained at 51% for the Company and 49% for Polaris. There have been no transactions between Polaris and the Company since the incorporation of Mare Success S.A., whereas approximately 8.3% of the Company's 2013 revenue was generated by the charterer affiliated to Polaris.

**13. Income Taxes**

Under the laws of the countries of the Company's subsidiaries' incorporation and/or vessels' registration (Greece, Liberia, Marshall Islands, Panama, Bahamas), the companies are subject to registration and tonnage taxes, which have been included in the Vessel operating expenses. In addition, effective January 1, 2013 each foreign flagged vessel managed in Greece by Greek or foreign ship management companies is subject to Greek tonnage tax, under the laws of Greece. These tonnage taxes for 2013 amounted to \$508, and have also been included under Vessel operating expenses in the accompanying Statement of Operations.

The Company is not expected to be subject to United States Federal income tax on their gross income from the international operations of ships. In general, foreign persons operating ships to and from the United States are subject to United States Federal income tax of 4% of their United States source gross transportation income, which equals 50% of their gross income from transportation to or from the United States. The Company believes that it is exempt from United States Federal income tax on its United States source gross transportation income, as each vessel-operating subsidiary is organized in a foreign country that grants an equivalent exemption to corporations organized in the United States, and derives income from the international operation of ships and satisfies the stock ownership test as defined by the Internal Revenue Code and related

**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**DECEMBER 31, 2013, 2012 AND 2011**

**(Expressed in thousands of U.S. Dollars, except for share and per share data, unless otherwise stated)**

regulations as a result of the Company's stock being primarily and regularly traded on an established securities market in the United States. Under the regulations, a Company's stock is considered to be regularly traded on an established securities market if (i) one or more classes of its stock representing 50% or more of its outstanding shares, by voting power and value, is listed on the market and is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year; and (ii) the aggregate number of shares of stock traded during the taxable year is at least 10% of the average number of shares of the stock outstanding during the taxable year. Other requirements such as the substantiation and reporting requirements under the regulations also must be satisfied to qualify for the exemption from United States Federal income tax.

**14. Commitments and Contingencies**

On December 10, 2013, the Company signed five new-building contracts with a major Korean owned yard in Romania for the construction of five aframax tankers at a cost of \$51,220 per vessel and with expected deliveries between the second quarter of 2016 and the first quarter of 2017. As at December 31, 2013, the Company had under construction the newly signed five aframax crude oil carriers and one LNG carrier. The total contracted amount remaining to be paid for the six vessels under construction, plus the extra costs agreed as at December 31, 2013 was \$426,543. Scheduled remaining payments as of December 31, 2013 were \$ 82,660 payable in 2014, \$ 51,692 in 2015, \$ 261,459 in 2016 and \$ 30,732 in 2017. In addition, under a contract to build a shuttle tanker with a Korean shipbuilding yard, agreed in 2012, an amount paid of \$4,500 was paid in January 2013 as part of the first installment. However, the contract was suspended as the Company reconsidered the type of vessel to be constructed. A new proposal from the yard is being considered which includes the paid amount of \$4,500, as being part of the initial payment. In case an agreement for an alternative project is not reached, the amount of \$4,500 may be considered by the yard as a compensation against the Company's default under the initial agreement and may claim additional compensation if the amount is found insufficient to cover shipyard's losses.

In the ordinary course of the shipping business, various claims and losses may arise from disputes with charterers, agents and other suppliers relating to the operations of the Company's vessels. Management believes that all such matters are either adequately covered by insurance or are not expected to have a material adverse effect on the Company's results from operations or financial condition.

**Charters-out**

The future minimum revenues, before reduction for brokerage commissions, expected to be recognized on non-cancelable time charters are as follows:

Year	Amount
2014 .....	187,932
2015 .....	127,484
2016 .....	77,582
2017 to 2028 .....	494,319
Minimum charter revenue.....	<u>887,317</u>

These amounts do not assume any off-hire.

**15. Financial Instruments**

**(a) Interest rate risk:** The Company is subject to interest rate risk associated with changing interest rates with respect to its variable interest rate term loans and credit facilities as described in Notes 7 and 8.

**(b) Concentration of credit risk:** Financial Instruments that are subject to credit risk consist principally of cash, trade accounts receivable, marketable securities, investments and derivatives. The Company places its temporary cash investments, consisting mostly of deposits, primarily with high credit qualified financial institutions. The Company performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Company's investment strategy. The Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its accounts receivable and does not have any agreements to mitigate credit risk.

**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**DECEMBER 31, 2013, 2012 AND 2011**

**(Expressed in thousands of U.S. Dollars, except for share and per share data, unless otherwise stated)**

The Company limits the exposure of non-performance by counterparties to derivative instruments by diversifying among counterparties with high credit ratings, and performing periodic evaluations of the relative credit standing of the counterparties.

(c) **Fair value:** The carrying amounts reflected in the accompanying Consolidated Balance Sheet of cash and cash equivalents, restricted cash, marketable securities, trade receivables and accounts payable approximate their respective fair values due to the short maturity of these instruments. The fair value of long-term bank loans with variable interest rates approximate the recorded values, generally due to their variable interest rates. The present value of the future cash flows of the portion of one long-term bank loan with a fixed interest rate is estimated to be approximately \$51,698 as compared to its carrying amount of \$53,243 (Note 7). The fair value of the investment discussed in Note 3 equates to the amount that would be received by the Company in the event of sale of that investment.

The fair values of the one long-term bank loan with a fixed interest rate, the interest rate swap agreements, bunker swap agreements discussed in Note 8 above and marketable securities discussed in Note 4 above are determined through Level 2 of the fair value hierarchy as defined in FASB guidance for Fair Value Measurements and are derived principally from or corroborated by observable market data, interest rates, yield curves and other items that allow value to be determined. The fair value of the investment is determined through Level 3 of the fair value hierarchy as defined in FASB guidance for Fair Value Measurements and is determined by the Company's own data.

The fair value of the impaired vessels *Silia T*, *Triathlon*, *Delphi* and *Millennium* discussed in Note 5 as at December 31, 2013 was determined through Level 2 of the fair value hierarchy, as defined in FASB guidance for Fair Value Measurements and was determined by management taking into consideration valuations from independent marine valuers based on observable data such as sale of comparable assets.

The estimated fair values of the Company's financial instruments, other than derivatives at December 31, 2013 and 2012 are as follows:

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets/(liabilities)</b>				
Cash and cash equivalents.....	162,237	162,237	144,297	144,297
Restricted cash .....	9,527	9,527	16,192	16,192
Marketable securities .....	-	-	1,664	1,664
Investments .....	1,000	1,000	1,000	1,000
Debt .....	1,380,298	1,378,753	1,442,427	1,441,108

*Tabular Disclosure of Derivatives Location*

Derivatives are recorded in the balance sheet on a net basis by counterparty when a legal right of setoff exists. The following tables present information with respect to the fair values of derivatives reflected in the balance sheet on a gross basis by transaction. The tables also present information with respect to gains and losses on derivative positions reflected in the Statement of Operations or in the balance sheet, as a component of Accumulated other comprehensive income/(loss).



**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**DECEMBER 31, 2013, 2012 AND 2011**

(Expressed in thousands of U.S. Dollars, except for share and per share data, unless otherwise stated)

Derivative	Balance Sheet Location	Asset Derivatives		Liability Derivatives	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
		Fair Value	Fair Value	Fair Value	Fair Value
<b>Derivatives designated as hedging instruments</b>					
Interest rate swaps	Current portion of financial instruments—Fair value	—	—	2,365	6,824
	FINANCIAL INSTRUMENTS—FAIR VALUE, net of current portion	1,401	—	2,445	4,471
	Subtotal	<u>1,401</u>	<u>—</u>	<u>4,810</u>	<u>11,295</u>
<b>Derivatives not designated as hedging instruments</b>					
Interest rate swaps	Current portion of financial instruments—Fair value	—	—	3,597	6,314
	FINANCIAL INSTRUMENTS—FAIR VALUE, net of current portion	—	—	1,582	4,890
Bunker swaps	Current portion of financial instruments—Fair value	140	60	—	—
	FINANCIAL INSTRUMENTS—FAIR VALUE, net of current portion	37	45	—	—
	Subtotal	<u>177</u>	<u>105</u>	<u>5,179</u>	<u>11,204</u>
	<b>Total derivatives</b>	<u><b>1,578</b></u>	<u><b>105</b></u>	<u><b>9,989</b></u>	<u><b>22,499</b></u>

**Derivatives designated as Hedging Instruments-Net effect on the Statement of Comprehensive Income/(loss) and Statement of Operations**

Derivative	Gain (Loss) Recognized in Accumulated Other Comprehensive Loss on Derivative (Effective Portion)	Amount		
		2013	2012	2011
Interest rate swaps		(3,338)	(2,964)	(9,624)
Total		<u>(3,338)</u>	<u>(2,964)</u>	<u>(9,624)</u>
Derivative	Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion) Location	Amount		
		2013	2012	2011
Interest rate swaps	Depreciation expense	(144)	(122)	(117)
Interest rate swaps	Interest and finance costs, net	(11,301)	(23,010)	(26,772)
Total		<u>(11,445)</u>	<u>(23,132)</u>	<u>(26,889)</u>

**TSAKOS ENERGY NAVIGATION LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**DECEMBER 31, 2013, 2012 AND 2011**

**(Expressed in thousands of U.S. Dollars, except for share and per share data, unless otherwise stated)**

The accumulated loss from Derivatives designated as Hedging instruments recognized in Accumulated Other comprehensive Income/(Loss) as of December 31, 2013 and 2012 was \$6,789 and \$14,895 respectively.

**Derivatives not designated as Hedging Instruments – Net effect on the Statement of Operations**

Derivative	Net Realized and Unrealized Gain (Loss) Recognized on Statement of Operations Location	Amount		
		2013	2012	2011
Interest rate swaps	Interest and finance costs, net	1,012	(1,054)	(5,352)
Bunker swaps	Interest and finance costs, net	223	783	4,260
<b>Total</b>		<u>1,235</u>	<u>(271)</u>	<u>(1,092)</u>

The following tables summarize the fair values for assets and liabilities measured on a recurring basis as of December 31, 2013 and 2012 using Level 2 inputs (significant other observable inputs):

Recurring measurements:	December 31, 2013	December 31, 2012
Interest rate swaps.....	(8,588)	(22,499)
Marketable Securities.....	—	1,664
Bunker swaps .....	177	105
	<u>(8,411)</u>	<u>(20,730)</u>

The following tables present the fair values of items measured at fair value on a nonrecurring basis for the years ended December 31, 2013 and 2012, using Level 2 inputs (Note 5).

Nonrecurring basis	December 31, 2013 Significant Other Observable Inputs Assets/ (Liabilities) (Level 2)	December 31, 2012 Unobservable Inputs Assets/ (Liabilities) (Level 2)
Vessels .....	\$ 95,250	\$ 28,586
	<u>\$ 95,250</u>	<u>\$ 28,586</u>

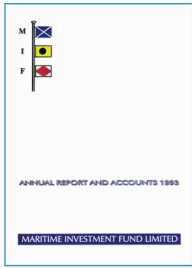
**16. Subsequent Events**

- (a) On January 8, 2014, an amount of \$25,610 was paid as the first installment for the construction of the five aframax tankers under construction.
- (b) On January 30, 2014, the Company paid \$0.50 per share for its 8.00% Series B Preferred Shares and \$0.73958 per share for its 8.875% Series C Preferred Shares.
- (c) On February 5, 2014, the Company completed an offering of 12,995,000 common shares, including 1,695,000 common shares issued upon the exercise in full by the underwriters of their option to purchase additional shares, at a price of \$6.65 per share, for net proceeds of \$82,678.
- (d) On February 26, 2014, the Company signed four new building contracts with a Korean owned yard in Romania for the construction of four aframax crude carriers. On March 4, 2014 the charterer exercised the option to charter those vessels for periods ranging from five to twelve years. On March 18, 2014, an amount of \$20,688 was paid as the first installment for the construction of those vessels.
- (e) On March 17, 2014, the Company's Board of Directors declared a quarterly dividend of \$0.05 per share of common stock outstanding to be paid on May 22, 2014 to shareholders of record as of May 19, 2014.

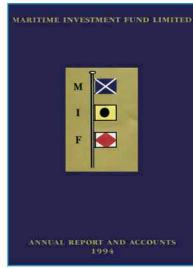




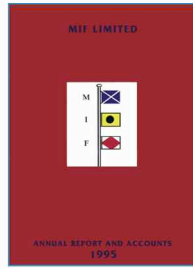




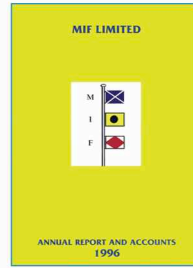
1993



1994



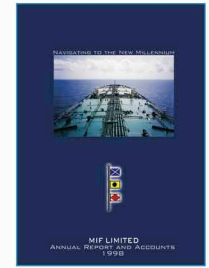
1995



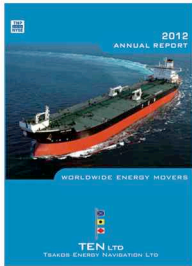
1996



1997



1998



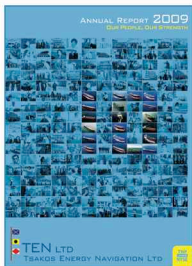
2012



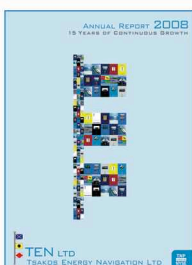
2011



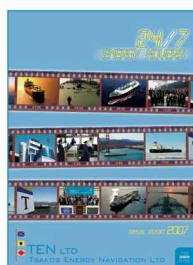
2010



2009



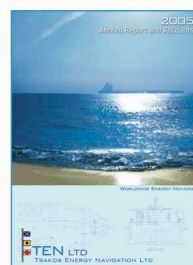
2008



2007



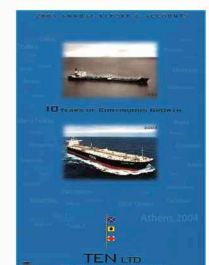
2006



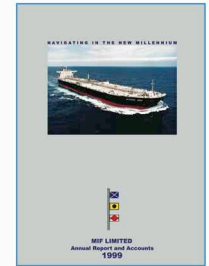
2005



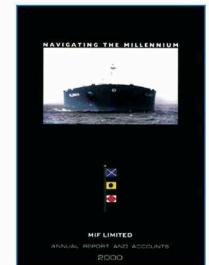
2004



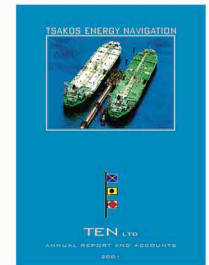
2003



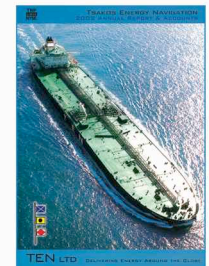
1999



2000

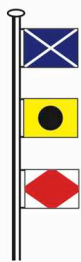


2001



2002

TNP LISTED NYSE



TEN LTD

TSAKOS ENERGY NAVIGATION LTD

Megaron Makedonia  
367, Syngrou Ave. 175 64 Athens, Greece  
Tel: + (30) 210 94 07 710 | Fax: + (30) 210 94 07 716  
www.tenn.gr | e-mail: ten@tenn.gr



THE TSAKOS GROUP



FLEET TECHNICAL MANAGER