UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2002

OR

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

For the transition period from __________________ to __________________

Commission file number 001-3136

TSAKOS ENERGY NAVIGATION LIMITED

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant s name into English)

Bermuda

(Jurisdiction of incorporation or organization)

367 Syngrou Avenue

175 64 P. Faliro

Athens, Greece

011-30210-94-07710-2

(Address of principal executive offices)

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

Title of each class	Name of each exchange on which registered

Common Shares, par value $1.00 per share	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

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

As of December 31, 2002, there were 17,022,723 shares of the registrant s Common Shares outstanding.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ¨ Item 18 x

Table of Contents

TABLE OF CONTENTS

Table of Contents

FORWARD-LOOKING INFORMATION

This Annual Report on Form 20-F contains forward-looking statements based on beliefs of our management. Any statements contained in this Annual Report on Form 20-F that are not historical facts are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations and projections about future events, including:

- general economic and business conditions;
- global and regional political conditions;
- availability of and demand for crude oil and petroleum products;
- demand for crude oil and petroleum product substitutes;
- actions taken by OPEC and major oil producers and refiners;
- competition in the marine transportation industry;
- developments in international trade;
- international trade sanctions;
- changes in seaborne and other transportation patterns;
- our ability to find new charters for our vessels at attractive rates;
- capital expenditures;
- meeting our requirements with customers; and
- tanker supply and demand.

The words anticipate, believe, estimate, expect, forecast, intend, may, plan, project, predict, should and will and similar relate to us are intended to identify such forward-looking statements. Such statements reflect our current views and assumptions and all forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The factors that could affect our future financial results are discussed more fully under Key Information Risk Factors, as well as elsewhere in this Annual Report on Form 20-F and in our other filings with the U.S. Securities and Exchange Commission (SEC). We caution readers of this Annual Report not to place undue reliance on these forward-looking statements, which speak only as of their dates. We undertake no obligation to publicly update or revise any forward-looking statements.

Table of Contents

PART I

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

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

Selected Consolidated Financial Data

The following table presents selected consolidated financial and other data of Tsakos Energy Navigation for each of the five years in the five year period ended December 31, 2002. The table should be read together with Item 5. Operating and Financial Review and Prospects. The selected consolidated financial data of Tsakos Energy Navigation is a summary of, is derived from and is qualified by reference to, our consolidated financial statements and notes thereto which have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP) and have been audited for the year ended December 31, 2002 by Ernst & Young (Ernst & Young), independent auditors, and for the years ended December 31, 1998, 1999, 2000 and 2001 by Arthur Andersen (Arthur Andersen), independent auditors.

On May 30, 2002, we dismissed Arthur Andersen as our independent auditors. The reports of Arthur Andersen on the Company s financial statements for the years ended December 1, 1998, 1999, 2000 and 2001 did not contain an adverse opinion, disclaimer of opinion or qualification or modification as to uncertainty, audit scope or accounting principles. During the years ended December 31, 1998, 1999, 2000 and 2001, there were no disagreements with Arthur Andersen on any matters of accounting principles or practices, financial statement disclosure or auditing scope or procedures. During the years ended December 31, 1998, 1999, 2000 and 2001, there were no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K).

At the same time the Company dismissed Arthur Andersen as its auditors, it engaged Ernst & Young to act as its independent auditors as successor to Arthur Andersen. During the year ended December 31, 2001 and the subsequent interim period to May 30, 2002, the Company did not consult with Ernst & Young regarding (i) either the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company s financial statements, or (ii) any matter that was either the subject

of disagreement on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures or a reportable event (as defined in Item 304(a)(1)(v) of Regulation S-K).

The action to dismiss Arthur Andersen as the Company s independent auditors and to replace them with Ernst & Young was taken by the board of directors on the recommendation of its audit committee.

For a discussion of certain risks relating to Arthur Andersen s audit of our financial statements, see Risk Factors below.

Our audited consolidated income statements, consolidated statements of cash flows and consolidated statements of changes in shareholders equity for the years ended December 31, 2000, 2001 and 2002, and the consolidated balance sheets at December 31, 2001 and 2002, together with the notes thereto, are included in Item 18. Financial Statements and should be read in their entirety.

Table of Contents

Selected Consolidated Financial and Other Data

	Year Ended December 31				
	1998	1999	2000	2001	2002
	(in thousands, except per share data and fleet data)				
Income Statement Data					
Revenue from vessels	$ 72,028	$ 89,157	$ 111,276	$ 125,029	$ 130,004
Commissions	(2,939)	(3,522)	(4,821)	(6,379)	(6,364)
Revenue from vessel, net	69,089	85,635	106,455	118,650	123,640
Expenses					
Voyage expenses	5,376	17,981	20,940	21,436	32,838
Vessel operating expenses (1)	18,246	23,970	26,594	28,695	32,347
Depreciation	17,178	21,514	20,670	21,250	24,429
Impairment loss					10,781
Amortization of deferred charges	965	1,441	2,463	5,119	4,315
Management fees	2,798	3,053	3,132	3,132	3,239
Stock option compensation expense			1,196	258	
General and administrative expenses	608	701	695	792	1,261
Operating income	23,918	16,975	30,765	37,968	14,430
Other expenses (income) Interest and finance costs, net	15,794	20,593	19,189	14,542	11,385
Interest income	(894)	(1,166)	(2,487)	(1,214)	(736)
Foreign currency losses (gains)	123	55	(65)	24	84
Share of profits of joint-venture					(197)
Other, net		(46)	75		
Total other expenses (income), net	15,023	19,436	16,712	13,352	10,536
Net income (loss)	$ 8,895	$ (2,461)	$ 14,053	$ 24,616	$ 3,894
Per Share Data					
Earnings (Loss) per share, basic	$ 0.89	$ (0.25)	$ 1.43	$ 2.56	$ 0.25
Earnings (Loss) per share, diluted	$ 0.89	$ (0.25)	$ 1.43	$ 2.54	$ 0.25
Weighted average number of shares, basic	10,012,048	9,991,152	9,823,589	9,634,323	15,717,065
Weighted average number of shares, diluted	10,012,048	9,991,152	9,844,414	9,705,381	15,854,904
Cash Flow Data					
Net cash provided by operating activities	21,994	22,292	35,404	43,454	32,745
Net cash from (used in) investing activities	(161,057)	(2,615)	(15,245)	(19,109)	(256,984)
Net cash from (used in) financing activities	145,766	(13,222)	(22,053)	(20,841)	230,639
Fleet Data					
Average number of vessels (2)	13.6	15.7	16	16	18
Number of vessels (at end of period) (2)	15	16	16	16	22
Average age of fleet (in years) (3)	6.4	7.2	8.2	9.3	6.8
Earnings capacity days (4)	4,977	5,758	5,856	5,840	6,587
Off-hire days (5)	178	171	230	81	410
Net earnings days (6)	4,799	5,587	5,626	5,759	6,177
Percentage utilization (7)	96.4%	97.0%	96.1%	98.6%	93.8%
Average TCE per vessel per day (8)	$ 15,864	$ 14,265	$ 16,777	$ 19,002	$ 16,676
Vessel operating expenses per ship per day (9)	$ 5,335	$ 5,271	$ 4,892	$ 5,622	$ 5,498
Vessel overhead burden per ship per day (10)	$ 684	$ 652	$ 654	$ 672	$ 683
Operating cash flow per ship per day (11)	$ 8,426	$ 6,933	$ 9,202	$ 11,013	$ 8,208

Balance Sheet Data					
Cash and cash equivalents	$ 25,209	$ 31,664	$ 29,770	$ 33,274	$ 39,674
Cash, restricted		7,000	7,528	7,815	7,000
Total assets	448,720	442,520	441,683	444,261	694,545
Long-term debt, including current portion	301,266	283,981	264,922	244,459	385,952
Total stockholders equity	138,153	134,317	146,572	171,068	267,444

(1) Vessel operating expenses are costs that vessel owners typically bear, including crew wages, vessel supplies, insurance, tonnage taxes, routine repairs and maintenance, including other direct operating costs.

(2) Includes chartered vessels, but excludes vessels of the Company s joint venture, LauriTen Ltd.

(3) The average age of our fleet is the age of each vessel in each year from its delivery from the builder, weighted by the vessel s dwt in proportion to the total dwt of the fleet for each respective year.

(4) Earnings capacity days is the total number of days in a given period that we own or control vessels.

(5) Off-hire days are days related to repairs, drydockings and special surveys, vessel upgrades and initial positions, after delivery of new vessels.

(6) Net earnings is the total number of days in any given period that we own vessels less the total number of off-hire days for that period.

(7) Percentage utilization represents the percentage of earnings capacity days that the vessels were actually employed and includes all days that the vessels were out of service due to scheduled dry-dockings and special survey repairs.

(8) The shipping industry uses time charter equivalent, or TCE, to calculate revenues per vessel in dollars per day for vessels on voyage charters. The industry does this because it does not commonly express charter rates for vessels on voyage charters in dollars per day. TCE allows vessel operators to compare the revenues of vessels that are on voyage charters with those on time charters. For vessels on voyage charters, we calculate TCE by taking revenues earned on the voyage and deducting the voyage costs and dividing by the actual number of voyage days. For vessels on bareboat charter, for which we do not incur either voyage or operation costs, we calculate TCE by taking revenues earned on the charter and adding a representative amount for vessel operating expenses. TCE differs from average daily revenue earned in that TCE is based on revenues before commissions and does not take into account off-hire days.

(9) Vessel operating expenses per ship per day represents vessel operating expenses divided by the earnings capacity days of vessels incurring operating expense. Earnings capacity days of vessels on bareboat or chartered-in have been excluded.

(10) Vessel overhead burden per ship per day is management fees plus general and administrative expenses divided by the total number of earnings capacity days.

(11) Operating cash flow per ship per day represents net income before interest income and expense, depreciation, amortization and impairment loss divided by earnings capacity days. U.S. generally accepted accounting principles do not require or recognize operating cash flow per ship per day. Operating cash flow per ship per day takes no account of timing of payments and collections. We believe operating cash flow per ship per day is an appropriate measure for investors to consider when analyzing our business because it provides an indication of the cash generating performance for operations within a given period for comparison with other periods. You should not consider operating cash flow as an alternative to operating income or any other indicator of our performance required by U.S. generally accepted accounting principles. The following table reconciles the Company s net income (loss) with operating cash flow per ship per day for the periods presented.

	1998	1999	2000	2001	2002
			(in thousands)		
Net income (loss)	$ 8,895	(2,461)	14,053	24,616	3,894
Depreciation	17,178	21,514	20,670	21,250	24,429
Impairment loss	0	0	0	0	10,781
Amortization	965	1,441	2,463	5,119	4,315
Interest expense	15,794	20,593	19,189	14,542	11,385
Interest income	(894)	(1,166)	(2,487)	(1,214)	(736)
Operating Cash Flow	$ 41,938	39,921	53,888	64,313	54,068

Table of Contents

Capitalization and Indebtedness

Not Applicable.

Reasons For the Offer and Use of Proceeds

Not Applicable.

Risk Factors

Risks Related To Our Industry

The economic slowdown throughout 2002, terrorist attacks and international hostilities have had various effects on the tanker industry which could adversely affect our business.

The economic slowdown throughout 2002, terrorist attacks in the United States and various locations abroad and international hostilities have had various effects on the tanker industry, including:

- a reduction in the demand for crude oil;
- a decrease in spot charter rates for tankers; and
- an increase in premium rates for all types of insurance and reinsurance.

Additional attacks like those of September 11, 2001 or longer-lasting war or international hostilities, including those currently underway in Afghanistan and Iraq, could further damage the world economy, adversely affect the availability of and demand for crude oil and petroleum products and negatively affect our investment and our customers investment decisions over an extended period of time. We conduct our operations outside of the United States, and our business, financial condition and results of operations may be adversely affected by changing economic, political and government conditions in the countries and regions where our vessels are employed. Moreover, we operate in a sector of the economy that is likely to be adversely impacted by the effects of political instability, terrorist or other attacks, war or international hostilities.

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

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

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

6

Table of Contents

availability of crude oil and petroleum products;

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

actions taken by OPEC and major oil producers and refiners;

global and regional political and economic conditions;

developments in international trade;

international trade sanctions; and

changes in seaborne and other transportation patterns.

The economic slowdown in both the U.S. and Japanese economies, which have an impact on Pacific Rim and Latin American activity, has produced a more constrained forecast for consumption of crude oil and its products for 2003, although recent international hostilities have led to increases in the demand for oil to restore depleted inventories. In addition, falling oil prices have led OPEC to seek a reduction of crude oil production by its members in an effort to stabilize prices. If the production of and demand for crude oil and petroleum products slows during 2003 or at any subsequent time, a corresponding decrease in shipments of these products could have an impact on the employment of our vessels and the charter rates that they command. In particular, the charter rates that we earn from our spot charters and contracts of affreightment may decline. In addition, overbuilding of tankers has, in the past, led to a decline in charter rates. If the supply of tanker capacity increases and the demand for tanker capacity does not, the charter rates paid for our vessels could materially decline. The resulting decline in revenues could have a material adverse effect on our revenues and profitability.

As our current charters expire, new charters at attractive rates may not be available.

In 2002, we derived approximately 51% of our revenues from period charters as compared to 60% in the equivalent period in 2001. As the current period charters of our vessels expire, it may not be possible to re-charter these vessels on a period basis at attractive rates. Charter rates are subject to significant fluctuations, and tankers may experience substantial off-hire time. If attractive period charter opportunities are not available, our vessels would seek employment in the spot market.

If our exposure to the spot market or contracts of affreightment increases, our revenues could suffer and our expenses could increase.

The spot market for crude oil and petroleum product tankers is highly competitive. As a result of any increased reliance on the spot market, we may experience a lower utilization of our fleet, leading to a decline in operating revenue. Moreover, to the extent our vessels are employed in the spot market, our operating costs will be more significantly impacted by increases in the cost of bunkers (fuel). Unlike time charters in which the charterer bears all of

the bunker costs, in spot market voyages we bear the bunker charges. As a result, while historical increases in bunker charges are factored into the prospective freight rates for spot market voyages periodically announced by WorldScale Association (London) Limited and similar organizations, increases in bunker charges in any given period could have a material adverse effect on our cash flow and results of operations for the period in which the increase occurs. In addition, to the extent we employ our vessels pursuant to contracts of affreightment, the rates that we charge the charterers under those contracts may be subject to reduction based on market conditions, which could lead to a decline in our operating revenue.

Oil industry developments, competition among tanker operators and evolving regulatory requirements will compel us to renew our fleet and make ongoing capital expenditures.

During the down cycle in the oil industry in late 1998 and 1999, the oil industry continued to experience consolidation with the announcement or completion of several combinations among major oil companies, as well as consolidations involving tanker operators. In addition, the major oil companies have started to focus their charters on a small number of shipping companies with large and diversified modern fleets that are compliant with the increasingly stringent environmental regulations applicable to tanker operators.

To address these developments, we intend to expand and further renew our fleet by pursuing the acquisition of additional vessels or fleets that are complementary to ours, assuming we have the financial resources and debt capacity to do so. However, the world s tanker shipyards have little or no additional capacity until the end of 2004 and we may not be able to purchase additional vessels, other than those currently on order, on commercially acceptable terms. If, alternatively, we seek to expand through the acquisition of other tanker companies, we face numerous challenges, including:

- difficulties in the assimilation of acquired operations;
- diversion of management s attention from other business concerns;
- assumption of unknown material liabilities of acquired companies;
- competition from other potential acquirors, some of which have greater financial resources;
- impairment of acquired assets, which would reduce future reported earnings; and
- potential loss of clients or key employees of acquired companies.

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

The global tanker industry is highly competitive.

We operate our fleet in a highly competitive market. Our competitors include owners of Aframax, Panamax, Handysize and Suezmax tankers. These competitors include other independent tanker companies, as well as national and independent oil companies some of whom have greater financial strength and capital resources than we do. Competition in the tanker industry is very intense and depends on price, location, size, age, condition, and the acceptability of the tankers and its operators to potential charterers.

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

Our business and the operation of our vessels are subject to extensive international, national and local environmental laws and regulations in the jurisdictions in which our vessels operate, as well as in the country or countries of their registration. We have incurred significant expenses in order to comply with these requirements, including the costs of ship modifications and changes in operating procedures, additional maintenance and inspection requirements, contingency arrangements for potential spills and insurance coverage.

For instance, in the United States, the Oil Pollution Act of 1990, or OPA 90, requires double hull construction for new tankers, as well as retrofitting or phase-out of single hull tankers based on each vessel s date of build, gross tonnage and hull configuration. In April 2001, the International Maritime Organization or IMO (the United Nations agency for maritime safety) adopted a similar phase-out schedule for single hull tankers. In December 2001, the European Union adopted a legislative resolution confirming an accelerated phase-out schedule for single hull tankers in line with the new IMO schedule. In response to the sinking of the oil tanker Prestige off the coast of Spain in November 2002, the European Union has made proposals which would further accelerate the phase-out of single-hull tankers and would immediately ban the carriage of heavy grades of oil in single-hull tankers. Certain European Union countries have already banned single-hull tankers carrying crude oil from approaching their coastlines. The adoption or implementation in the future of heightened technical and operational requirements could have a material adverse effect on our operations by limiting our ability to do business, increasing our operating costs, or accelerating the scrapping of our older vessels.

National and international laws imposing liability for oil spills are also becoming increasingly stringent. In the United States, OPA 90 imposes joint, several, strict and, in some cases, unlimited liability on owners, operators and bareboat charterers for oil pollution in U.S. waters (which includes the territorial sea and a 200 nautical mile exclusive economic zone). Under OPA 90, individual states are also allowed to impose their own penalties for oil pollution within their boundaries. Joint, several and strict liability means that we could be held liable for oil pollution caused by our vessels, regardless of our own fault, and we could also be held accountable for the acts or omissions of Tsakos Shipping or Tsakos Energy Management, members of the Tsakos Group that provide technical and commercial management services for our vessels and us, or others in the management or operation of our vessels. The 1969 International Convention on Civil Liability for Oil Pollution Damages (as amended in 1992) also imposes strict liability on owners for oil pollution in the territorial sea or exclusive economic zone of any state party to the Convention. In addition, the European Union is presently considering the establishment of a fund for the compensation of oil pollution damage occurring in European waters. Although we currently maintain, and plan to continue to maintain, for each of our vessels pollution liability coverage in the amount of $1 billion per incident, a catastrophic

Table of Contents

spill could exceed the insurance coverage we have available, and result in our having to liquidate assets to pay claims.

All of the newbuildings we have contracted to purchase are double-hulled. Under current environmental regulations, commencing in 2004 some of our single-hulled vessels will no longer be eligible to trade in U.S. ports. However, due to our current trading patterns, we do not believe these restrictions will have a material effect on our operations and, as with all vessels in our fleet, we will continue to evaluate the usefulness of these vessels, their marketability and their compatibility with our chartering strategies. However, because environmental regulations may become stricter, future regulations may limit our ability to do business, increase our operating costs and/or force the early retirement of our vessels, all of which could have a material adverse effect on our financial condition and results of operations.

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

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

- mechanical failure;
- human error;
- labor strikes;
- adverse weather conditions;
- vessel off hire periods;
- regulatory delays; and
- political action, civil conflicts, terrorism and piracy in countries where vessel operations are conducted, vessels are registered or from which spare parts and provisions are sourced and purchased.

Any of these circumstances could adversely affect our operations, result in loss of revenues or increased costs and adversely affect our profitability and our ability to perform our charters. We expected the tragic events of September 11, 2001 to lead to increases in our insurance premium rates and the implementation of special war risk premiums for certain trading routes. For 2002/2003, our protection and indemnity (P&I) club insurance premiums increased by approximately 25% and our hull and machinery insurance premiums increased by 15%. We have been advised that for 2003/2004 our P&I club insurance premiums will increase by approximately another 10% as will our hull and machinery insurance premiums. In addition, war risk coverage for vessels operating in certain geographical areas has doubled, but this type of coverage represents a relatively small portion of our total insurance premiums. These increases in insurance rates would adversely affect our profitability.

Table of Contents

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

Under general maritime law in many jurisdictions, crew members, tort claimants, vessel mortgagees, suppliers of goods and services and other claimants may lien a vessel for unsatisfied debts, claims or damages. In many jurisdictions a maritime lien holder may enforce its lien by arresting a vessel through court process. In some jurisdictions, under the extended sister ship theory of liability, a claimant may arrest not only the vessel with respect to which the claimant s maritime lien has arisen, but also any associated vessel under common ownership or control. While in some jurisdictions which have adopted this doctrine, liability for damages is limited in scope and would only extend to a company and its ship owning subsidiaries, we cannot assure you that liability for damages caused by some other vessel determined to be under common ownership or control with our vessels would not be asserted against us.

Our vessels may be requisitioned by governments without adequate compensation.

A government could requisition or seize our vessels. Under requisition for title, a government takes control of a vessel and becomes its owner. Under requisition for hire, a government takes control of a vessel and effectively becomes its charterer at dictated charter rates. Generally, requisitions occur during periods of war or emergency. Although we would be entitled to compensation in the event of a requisition, the amount and timing of payment would be uncertain.

Risks Related To Our Business

We depend on companies that are part of the Tsakos Group to manage our business.

We do not have the employee infrastructure to manage our operations and have no assets except our vessels and the newbuildings that we have under contract. We have engaged Tsakos Energy Management to perform all of our executive and commercial management functions. Tsakos Energy Management directly provides us with financial, accounting and other back-office services, including acting as our liaison with the Oslo Børs and the New York Stock Exchange. Tsakos Energy Management, in turn, oversees and subcontracts day-to-day fleet technical management, such as crewing, chartering and vessel purchase and sale functions, to Tsakos Shipping, one of the world s largest independent tanker managers. As a result, we depend upon the continued services of Tsakos Energy Management and Tsakos Energy Management depends on the continued services of Tsakos Shipping.

We derive significant benefits from our relationship with the Tsakos Group, including purchasing discounts to which we otherwise would not have access. We would be materially adversely affected if either Tsakos Energy Management or Tsakos Shipping is unable or unwilling to continue providing services for our benefit at the level of quality they have provided such services in the past, and at comparable costs as they have charged in the past. If we were required to employ a ship management company other than Tsakos Energy Management, our access to worldclass charterers could be diminished and our management costs could increase and our profitability could be adversely affected.

Table of Contents

Tsakos Energy Management and Tsakos Shipping are privately held companies and there is little or no publicly available information about them.

The ability of Tsakos Energy Management and Tsakos Shipping to continue providing services for our benefit will depend in part on their own financial strength. Circumstances beyond our knowledge or control could impair their financial strength and, because both of these companies are privately held, it is unlikely that information about their financial strength would become public unless these companies began to default on their obligations. As a result, an investor in our common shares might have little advance warning of problems affecting Tsakos Energy Management or Tsakos Shipping, even though these problems could have a material adverse effect on us.

Tsakos Energy Management has the right to terminate its management agreement with us, and Tsakos Shipping has the right to terminate its contract with Tsakos Energy Management.

Tsakos Energy Management may terminate its management agreement with us at any time upon one year s notice. In addition, if even one director were to be elected to our board without having been recommended by our existing board, Tsakos Energy Management would have the right to terminate the management agreement on 10 days notice. If Tsakos Energy Management terminates the agreement for this reason, we would be obligated to pay Tsakos Energy Management the present discounted value of all payments that would have otherwise become due under the management agreement until the later of two years from the date of termination and December 31, 2006. A termination as of December 31, 2002 would have resulted in a payment of approximately $12.5 million.

Tsakos Energy Management s contract with Tsakos Shipping may be terminated by either party upon six months notice and would terminate automatically upon termination of our management agreement with Tsakos Energy Management.

Our ability to pursue legal remedies against Tsakos Energy Management and Tsakos Shipping is very limited.

In the event Tsakos Energy Management breached its management agreement with us, we could bring a lawsuit against Tsakos Energy Management. However, because we are not ourselves party to a contract with Tsakos Shipping, it may be impossible for us to sue Tsakos Shipping for breach of its obligations under its contract with Tsakos Energy Management, and Tsakos Energy Management, which is an affiliate of Tsakos Shipping, would probably have no incentive to sue Tsakos Shipping. Tsakos Energy Management is a company with no substantial assets and no income other than the income it derives under our management agreement. Therefore, it is unlikely that we would be able to obtain any meaningful recovery if we were to sue Tsakos Energy Management or Tsakos Shipping on contractual grounds.

Moreover, under the management agreement, neither Tsakos Energy Management nor Tsakos Shipping is liable for negligence in their management of our operations and vessels.

Tsakos Shipping manages other tankers and could experience conflicts of interests in performing obligations owed to us and the operators of the other tankers.

Tsakos Shipping manages 14 single hull tankers, in addition to the vessels that it manages for us. All of these vessels are operated by the same group of Tsakos Shipping employees, and Tsakos Shipping has advised us that its employees manage these vessels on an ownership neutral basis; that is, without regard to who owns them. Although we believe that the other tankers managed by Tsakos Shipping, because of their age and design, primarily serve a different market than the market served by our vessels, it is possible that Tsakos Shipping will allocate charter or spot opportunities to other Tsakos Shipping vessels when our vessels are unemployed, or could allocate more lucrative opportunities to its other vessels. It is also possible that Tsakos Shipping could in the future agree to manage tankers that directly compete with us.

Members of the Tsakos Group may acquire vessels that compete with our fleet.

Tsakos Shipping has given us a right of first refusal on any opportunity to purchase a tanker which is 10 years of age or younger that is referred to or developed by Tsakos Shipping. Were we to decline any opportunity offered to us, or if we do not have the resources or desire to accept it, other members of the Tsakos Group might decide to accept the opportunity. In that case, they could be in competition with our fleet and be faced with conflicts of interest between their own interests and their obligations to us.

Our chief executive officer has affiliations with Tsakos Energy Management and Tsakos Shipping which could create conflicts of interest.

Nikolas Tsakos is the president, chief executive officer and a director of our company and an officer, director and the sole shareholder of Tsakos Energy Management. Nikolas Tsakos is also the son of the founder and chief executive officer of Tsakos Shipping. These responsibilities and relationships could create conflicts of interest that could result in our losing revenue or business opportunities or increase our expenses.

Our commercial arrangements with Tsakos Energy Management and Argosy may not always remain on a competitive basis.

We pay Tsakos Energy Management a management fee for its services pursuant to our management agreement. We also place our hull and machinery insurance, increased value insurance and loss of hire insurance through Argosy Insurance Company, Bermuda, a captive insurance company affiliated with the Tsakos Group. We believe that the management fees that we pay Tsakos Energy Management compare favorably with management compensation and related costs reported by other publicly traded shipping companies and that our arrangements with Argosy are structured at market rates. Our board reviews publicly available data periodically in order to confirm this. However, we cannot assure you that the fees charged to us are or will continue to be as favorable to us as those we could negotiate with third parties and our board could determine to continue transacting business with Tsakos Energy Management and Argosy even if less expensive alternatives were available from third parties.

Table of Contents

We depend on our key personnel.

Our future success depends particularly on the continued service of Nikolas Tsakos, our president and chief executive officer and the sole shareholder of Tsakos Energy Management. The loss of Mr. Tsakos s services or the services of any of our key personnel could have a material adverse effect on our business. We do not maintain key man life insurance on any of our executive officers.

Because the market value of our vessels may fluctuate significantly, we may incur losses when we sell vessels which may adversely affect our earnings.

The fair market value of tankers may increase or decrease depending on any of the following:

- general economic and market conditions affecting the tanker industry;
- competition from other shipping companies;
- types and sizes of vessels;
- other modes of transportation;
- cost of newbuildings;
- governmental or other regulations;
- prevailing level of charter rates; and
- technological advances.

We have a policy of considering the disposal of tankers periodically, and in particular after they reach 20 years of age. If we sell tankers at a time when tanker prices have fallen, the sale may be at less than the vessel s carrying value on our financial statements, with the result that we will incur a loss.

In addition, accounting pronouncements require that we periodically review long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Such reviews may from time to time result in asset write-downs that could adversely affect our financial condition and results of operations. For example, in the latter part of 2002, the sinking of the Prestige and related events occurred which in the ensuing period has had an impact on the valuation of single-hull vessels. Consequently, the Company determined that its single-hull vessels, Panos G and Liberty, were impaired and recorded a

$10.8 million impairment loss.

Table of Contents

If Tsakos Shipping is unable to attract and retain skilled crew members, our reputation and ability to operate safely and efficiently may be harmed.

Our continued success depends in significant part on the continued services of the officers and seamen whom Tsakos Shipping provides to crew our vessels. The market for qualified, experienced officers and seamen is extremely competitive and has grown more so in recent periods as a result of the growth in world economies and other employment opportunities. Although Tsakos Shipping sponsors two marine academies in the Philippines, we cannot assure you that Tsakos Shipping will be successful in its efforts to recruit and retain properly skilled personnel at commercially reasonable salaries. Any failure to do so could adversely affect our ability to operate cost-effectively and our ability to increase the size of our fleet.

Labor interruptions could disrupt our operations.

Substantially all of the seafarers and land based employees of Tsakos Shipping are covered by industry-wide collective bargaining agreements that set basic standards. We cannot assure you that these agreements will prevent labor interruptions. In addition, some of our vessels operate under flags of convenience and may be vulnerable to unionization efforts by the International Transport Federation and other similar seafarer organizations which could be disruptive to our operations. Any labor interruption or unionization effort which is disruptive to our operations could harm our financial performance.

The contracts to purchase our newbuildings present certain economic risks.

We currently have contracts to purchase five newbuildings that are scheduled for delivery during 2003, 2004 and 2005. If available, we may also order additional newbuildings. During the course of construction of a vessel, we are typically required to make progress payments. While we have refund guarantees from banks to cover defaults by the shipyards and our construction contracts would be saleable in the event of our payment default, we can still incur economic losses in the event that we or the shipyards are unable to perform our respective obligations. Shipyards periodically experience financial difficulties.

If the charterer under one of our bareboat charters is unable to perform we may lose revenues.

We currently have a bareboat charter contract for the Millennium with Hyundai Merchant Marine, a member of the Hyundai group of companies. The financial difficulties facing the Hyundai group may affect Hyundai Merchant Marine s ability to perform under the bareboat charter, which is scheduled to expire in 2013. This may result in the loss of significant revenue.

We may not be able to finance all of the vessels we currently have on order.

Of the five newbuildings on order, we have arranged financing for the two expected deliveries in 2003, Parthenon and Andes, and do not currently have any financing arrangements in place to satisfy the balance of the purchase price due, approximately $74 million, for three vessels that we have on order (Hulls H-228, H-337 and H-339) and which we expect to take delivery of in 2004 and 2005. We do not usually seek financing arrangements for the newbuildings until shortly before we take delivery of these vessels. We cannot assure you that

Table of Contents

we will be able to obtain additional financing for these newbuildings on terms that are favorable to us or at all.

If we are unable to finance further installments for the newbuildings we have on order, we may attempt to sell the uncompleted vessels to a buyer who would assume the remainder of the contractual obligations. The amount we would receive from the buyer would depend on market circumstances and could result in a deficit over the advances we had paid to the date of sale plus capitalized costs. Alternatively, we may default on the contract, in which case the builder would sell the vessel and refund our advances, less any amounts the builder would deduct to cover all of its own costs. We would be obliged to cover any deficiency arising in such circumstances.

Apart from the delay in receiving the refund of advances and the possible payment of any deficiencies, the direct effect on our operations of not acquiring the vessel would be to forego any revenues and cash flows we would have generated from the vessel.

We may sell one or more of our newbuildings.

While we intend to purchase all five newbuildings we currently have on order, attractive opportunities may arise to sell one or more of these vessels while they are under construction or after they are delivered. Our board of directors will review any such opportunity and may conclude that the sale of one or more vessel would be in our best interests. If we sell a vessel, we would receive the proceeds from the sale, repay any indebtedness we had incurred relating to such newbuilding and we would no longer be responsible for further installments under the relevant newbuilding contract. We would, however, forego any revenues and cash flows we would have anticipated generating from operating the vessel over its useful life.

We will face challenges as we diversify and position our fleet to meet the needs of our customers.

We may need to diversify our fleet to accommodate the transportation of forms of energy other than crude oil and petroleum products in response to industry developments and our customers needs. If the composition of our fleet changes, we may not have adequate experience in transporting these other forms of energy. In addition, if the cost structure of a diversified fleet that is able to transport other forms of energy differs significantly from the cost structure of our current fleet, our profitability could be adversely affected. This could happen, for example, if we determined to purchase ships with the necessary cooling capacity to transport liquified natural gas.

We may not have adequate insurance.

In the event of a casualty to a vessel or other catastrophic event, we will rely on our insurance to pay the insured value of the vessel or the damages incurred. We believe that we maintain as much insurance on our vessels, through insurance companies, including Argosy, a member of the Tsakos Group, and protection and indemnity clubs as is appropriate and consistent with industry practice. However, particularly in view of the ongoing conflicts in Afghanistan, Iraq and elsewhere, we cannot assure you that this insurance will remain available at reasonable rates, and we cannot assure you that the insurance we are able to obtain will cover

16

all foreseen liabilities that we may incur, particularly those involving oil spills and catastrophic environmental damage. In addition, we may not be able to insure certain types of losses, including loss of hire, which may become unavailable. See Item 5. Operating and Financial Review and Prospects below for more information on the impact of recent events on our business.

We are subject to funding calls by our protection and indemnity clubs, and our clubs may not have enough resources to cover claims made against them.

Our subsidiaries are indemnified for legal liabilities incurred while operating our vessels through membership in P&I clubs. P&I clubs are mutual insurance clubs whose members must contribute to cover losses sustained by other club members. The objective of a P&I club is to provide mutual insurance based on the aggregate tonnage of a member s vessels entered into the club. Claims are paid through the aggregate premiums of all members of the club, although members remain subject to calls for additional funds if the aggregate premiums are insufficient to cover claims submitted to the club. Claims submitted to the club may include those incurred by members of the club, as well as claims submitted to the club from other P&I clubs with which our P&I club has entered into interclub agreements. We cannot assure you that the P&I clubs to which we belong will remain viable or that we will not become subject to additional funding calls which could adversely affect our profitability.

The insolvency or financial deterioration of any of our insurers or reinsurers would negatively affect our ability to recover claims for covered losses on our vessels.

We have placed our hull and machinery, increased value and loss of hire insurance with Argosy, a captive insurance company affiliated with Tsakos Group. Argosy reinsures the insurance it underwrites for us with various reinsurers, however, the coverage deductibles of the reinsurance policies periodically exceed the coverage deductibles of the insurance policies Argosy underwrites for us. Argosy, therefore, would be liable with respect to the difference between those deductibles in the event of a claim by us to which the deductibles apply. Although these reinsurers have credit ratings ranging from BBB to AA, we do not have the ability to independently determine our insurers and reinsurers creditworthiness or their ability to pay on any claims that we may have as a result of a loss. In the event of an insolvency or other financial deterioration of our insurer or its reinsurers, we cannot assure you that we would be able to recover on any claims we suffer.

Our earnings may be adversely affected if we do not successfully employ our tankers.

We seek to employ our tankers on time charters and in the spot market in a manner that will optimize our earnings. As of December 31, 2002, 10 of our tankers were contractually committed to period charters. The remaining terms of nine of these period charters range from one month to three years, and, in the case of one of the vessels on bareboat charter, the remaining term is 10 years. Although these period charters provide steady streams of revenue, our tankers committed to period charters may not be available for spot voyages during an upswing in the tanker industry cycle, when spot voyages may be more profitable. If we cannot recharter these vessels on long-term period charters or trade them in the spot market profitably, our results of operations and operating cash flow may suffer.

Our degree of leverage and certain restrictions in our financing agreements impose constraints on us.

We incurred substantial debt to finance the acquisition of our tankers, and, at December 31, 2002, our debt to capital ratio was 59% (debt/debt plus equity), with $386 million in long-term debt outstanding. If we obtain debt financing for the remainder of the amounts due on our newbuilding contracts, based on our current estimations of income for 2003 and 2004 we expect this ratio to remain constant through March 2005. We are required to apply a substantial portion of our cash flow from operations, before interest payment, to the payment of principal and interest on this debt; in 2002, approximately 31.6% of cash flow derived from operations was dedicated to debt service. This limits the funds available for working capital, capital expenditures, dividends and other purposes. Our degree of leverage could have important consequences for us, including the following:

- a substantial decrease in our net operating cash flows or an increase in our expenses could make it difficult for us to meet our debt service requirements and force us to modify our operations;
- we may be more highly leveraged than our competitors, which may make it more difficult for us to expand our fleet; and
- any significant amount of leverage exposes us to increased interest rate risk and makes us vulnerable to a downturn in our business or the economy generally.

In addition, our financing arrangements, which we secured by mortgages on our ships, impose operating and financial restrictions on us that restrict our ability to:

- incur additional indebtedness;
- create liens;
- sell the capital of our subsidiaries or other assets;
- make investments;
- engage in mergers and acquisitions;
- make capital expenditures;
- repurchase common shares; and
- pay cash dividends.

We have a holding company structure which depends on dividends from our subsidiaries and interest income to pay our overhead expenses and otherwise fund expenditures consisting primarily of advances on newbuilding contracts and the payment of dividends to our shareholders. As a result, restrictions contained in our financing arrangements and those of our subsidiaries on the payment of dividends may restrict our ability to fund our various activities.

Table of Contents

We selectively enter into derivative contracts, which can result in higher than market interest rates and charges against our income.

In the past five years we have selectively entered into derivative contracts both for investment purposes and to stabilize our overall interest expense. Although our board of directors has reviewed and approved all our derivative contracts as being within reasonable limits and reasonable in light of our particular investment strategy at the time we entered into each such derivative contract, until August 2001 our board had not adopted any formal policy or qualitative or quantitative limitations on the scope of our investing activities with respect to derivative instruments.

We do not always enter into interest rate swaps and other derivative instruments for purposes of permanently managing our interest rate exposure under our floating rate secured bank facilities. Loans advanced under our secured credit facilities are, generally, advanced at a floating rate based on LIBOR. Our financial condition could be materially adversely affected at any time that we have not entered into interest rate hedging arrangements to manage our interest rate exposure and the interest rates applicable to our credit facilities and any other financing arrangements we may enter into in the future, including those we enter into to finance a portion of the amounts payable with respect to newbuildings. Moreover, even if we have entered into interest rate swaps or other derivative instruments for purposes of managing our interest rate exposure, our hedging strategies may not be effective and we may incur substantial losses.

In August 2001, our board adopted a risk management policy and established a risk committee consisting of Messrs. Stavropoulos, Nicholson, Tsakos and our finance director, Mr. Durham, to oversee all our derivative transactions. It is our policy to monitor exposure to business risk, and to manage the impact of changes in interest rates and bunker prices on earnings and cash flows through derivatives. Derivative contracts are executed when management believes that the action is not likely to significantly increase overall risk. Entering into swaps and derivatives transactions is inherently risky and presents various possibilities for incurring significant losses. For example, during 2002, we recorded an aggregate negative $3.8 million adjustment in our financial statements with respect to four open interest rate swap arrangements which we entered into in July 2001 for non-hedging purposes. The derivatives strategies that we employ in the future may not be successful or effective, and we could, as a result, incur substantial losses. See Quantitative and Qualitative Disclosures About Market Risk for a description of how our current interest rate swap arrangements have been adversely impacted by recent events.

The appraised value of our ships could deteriorate as the result of a variety of factors, resulting in our inability to comply with covenants under our loan agreements.

The loan agreements we use to finance our ships require us not to exceed specified debt-to-asset ratios. Our only significant assets are our ships, which are appraised each year. The appraised value of a ship fluctuates depending on a variety of factors including the age of the ship, prevailing charter market conditions and new and pending legislation.

In 1999, the appraised value of our ships dropped sufficiently to cause us to exceed temporarily the debt-to-asset ratio requirement under our loan agreements. We cannot guarantee

Table of Contents

that a deterioration of our asset values will not result in defaults in the future, nor can we guarantee that we will be able to negotiate a waiver in the event of a default. A default under one of our loan agreements could trigger cross-acceleration or cross-default provisions in our other loan agreements, which in turn could result in all or a substantial amount of our debt becoming due at a time when we could not satisfy our obligations.

If we default under any of our loan agreements, we could forfeit our rights in our vessels and their charters.

We have pledged all of our vessels and related collateral as security to the lenders under our loan agreements. Default under any of these loan agreements, if not waived or modified, would permit the lenders to foreclose on the mortgages over the vessels and the related collateral, and we could lose our rights in the vessels and their charters.

Our vessels may suffer damage and we may face unexpected drydocking costs which could affect our cash flow and financial condition.

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs can be both substantial and unpredictable. We may have to pay drydocking costs that our insurance does not cover. This would result in decreased earnings.

If we were to be subject to tax in jurisdictions in which we operate, our financial results would be adversely affected.

Our income is not presently subject to taxation in Bermuda, which currently has no corporate income tax. We believe that we should not be subject to tax under the laws of various countries other than the United States in which we conduct activities or in which our customers are located. However, our belief is based on our understanding of the tax laws of those countries, and our tax position is subject to review and possible challenge by taxing authorities and to possible changes in law or interpretation. We cannot determine in advance the extent to which certain jurisdictions may require us to pay tax or to make payments in lieu of tax. In addition, payments due to us from our customers may be subject to tax claims.

In addition, under United States rules applicable to international shipping income derived by qualifying non-United States corporations we would be eligible for a special statutory exemption only if individuals who are residents of qualified foreign countries actually or constructively own over 50% of the value of our stock or if we satisfy the so-called publicly traded test set forth in the Internal Revenue Code of 1986, amended (the Code). Under proposed regulations interpreting the Code, it is possible that we would not satisfy the publicly traded test, in which event we would be eligible for the statutory exemption only if we were to satisfy the over 50% ownership requirement. We have not yet established that we will be able to demonstrate that qualified country residents own the requisite interest in our shares. If we were to fail to qualify for the statutory exemption, we would be subject to United States tax at a rate of 4% levied on half of our gross shipping income attributable to transportation beginning or ending in the United States, which is treated as U.S. source gross transportation income.

Table of Contents

If we are unable to demonstrate that our U.S. source income from international transportation qualified for exemption from U.S. federal income taxation in 2002 or prior years, we would have a liability for tax, together with interest and penalties.

In 2001 and prior years, in order for our U.S. source income from international transportation to qualify for exemption from U.S. federal income tax more than 50% of our shares, by value, must have been owned, directly or indirectly, during the year by individuals resident in qualified foreign countries. While we believe that the ownership of our common shares has been such that we have satisfied this requirement, our common shares are listed on the Oslo Børs and the New York Stock Exchange and many of our common shares are held by nominees or entities; thus, we have not yet established that we will be able to demonstrate the required level of direct or indirect ownership by individuals resident in qualified foreign countries. In the event that we are unable to demonstrate that the ownership requirement was satisfied for a given year, we would be liable for U.S. federal income tax at a 4% rate on our gross U.S. source income from transportation sources for such years, together with related interest and penalties. If we are unable to establish that the ownership requirement was satisfied for 2002, and unable to establish that we satisfied the publicly traded test set forth in the Code and described in the preceding paragraph for 2002, we would be liable for U.S. federal income tax at a 4% rate on our gross U.S. source income from transportation services for 2002, together with related interests and penalties.

During the years 1996 through 2000, approximately $49 million of our consolidated gross income was U.S. source income derived from international transportation beginning or ending in the United States. Therefore, if we did not qualify for the exemption from U.S. tax described above during those years, we would owe U.S. tax for those years in an amount equal to approximately $1.96 million plus any applicable interest and penalties. In addition, if we did not qualify for the exemption from U.S. tax described above for the years 2001 and 2002, our liability for U.S. tax would be approximately $1.2 million and $1.0 million, respectively.

If we or any of our subsidiaries were treated as a foreign personal holding company, a U.S. investor in our common shares would be subject to disadvantageous rules under the U.S. tax laws.

We are not aware of any facts which establish that we or any of our subsidiaries currently meet the requirements for classification as a foreign personal holding company (an FPHC) for United States federal income tax purposes. However, some of the facts relevant to such a determination are outside of our knowledge and control. Therefore, we are unable to establish whether we or any of our subsidiaries constitute an FPHC. If we or one of our subsidiaries were treated as an FPHC, then each United States holder owning, directly or indirectly, common shares on the last day in the taxable year on which the FPHC ownership requirement with respect to us or the subsidiary is met would be required to include currently in taxable income as a dividend a *pro rata* share of our or the subsidiary s undistributed FPHC income, which is, generally, our or the subsidiary s taxable income with certain adjustments and after reduction for certain dividend payments. Please see Tax Considerations United States federal income tax considerations Foreign Personal Holding Company Considerations for a description of the FPHC rules.

Table of Contents

If we were treated as a passive foreign investment company, a U.S. investor in our common shares would be subject to disadvantageous rules under the U.S. tax laws.

If we were treated as a passive foreign investment company (a PFIC) in any year, U.S. holders of our shares would be subject to unfavorable U.S. federal income tax treatment. We do not believe that we will be a PFIC in 2003 or in any future year. However, PFIC classification is a factual determination made annually and thus may be subject to change if the portion of our income derived from bareboat charters or other passive sources were to increase substantially. Moreover, the IRS may disagree with our position that time and voyage charters do not give rise to passive income for purposes of the PFIC rules. Accordingly, we can provide no assurance that we will not be treated as a PFIC for 2003 or for any future year. Please see Tax Considerations United States federal income tax considerations Passive Foreign Investment Company Considerations for a description of the PFIC rules.

A significant amount of our 2001 revenues were derived from two customers and a significant amount of our 2002 revenues were derived from three customers, and our revenues could decrease significantly if we lost these customers.

In 2001, approximately 28% of our revenues came from contracts of affreightment for two of our tankers with Lyondell/Citgo and 15% of our revenues came from employment of our vessels with PDVSA/Maraven. In 2002, approximately 24% of our revenues came from Lyondell/Citgo and approximately 9% of our revenues came from PDVSA/Maraven. In addition, in 2002 we derived approximately 10% of our revenue from FLOPEC. Our inability or failure to continue to employ our vessels at rates comparable to those charged to Lyondell/Citgo, PDVSA/Maraven and FLOPEC, the loss of these customers or our failure to charter these vessels otherwise in a reasonable period of time or at all could adversely affect our operations and performance. Although our customers generally include leading national, major and other independent oil companies and refiners, we are unable to assure you that future economic circumstances will not render one or more of such customers unable to pay us amounts that they owe us, or that these important customers will not decide to contract with our competitors or perform their shipping functions themselves.

Approximately 33% of our revenue is derived from our customers that conduct a significant amount of business in Venezuela.

Lyondell/Citgo and PDVSA/Maraven, which, taken together, accounted for approximately 33% of our revenues for the year ended December 31, 2002 and 43% for the year ended December 31, 2001, are both companies that conduct a significant amount of business in Venezuela. Venezuela has experienced economic difficulties and social and political changes in recent years. During late 2002, the country experienced a six week general strike during which commercial and industrial activity ceased generally and PDVSA s oil production and refining facilities were out of operation and oil production ceased. Although the strike was over by the end of January 2003 and the situation is improving, it is generally anticipated that it will take some period of time before the complete restoration of operations to pre-strike productivity. We cannot say whether there will be further unrest or political upheavals in Venezuela or whether the PDVSA will retain normal oil production. If we were to lose these customers, or if their exports were curtailed, or if these customers were to become unable to perform their contractual obligations to us, our earnings would be adversely affected.

Table of Contents

Because some of our expenses are incurred in foreign currencies, we are exposed to exchange rate risks.

The charterers of our vessels pay us in U.S. dollars. While we incur most of our expenses in U.S. dollars, we have in the past incurred expenses in other currencies, most notably the Greek drachma and the euro. In 2001, Greek drachma expenses accounted for approximately 27% of our total expenses and, in 2002, euro expenses accounted for approximately 35% of our total expenses. Declines in the value of the U.S. dollar relative to the euro, which replaced the Greek drachma as Greece s currency on January 1, 2002, or the other currencies in which we incur expenses, would increase the U.S. dollar cost of paying these expenses and thus could adversely affect our results of operations.

Risks Related To Our Common Shares

We may not be able to pay cash dividends on our common shares as intended.

In October of 2002, we paid a cash dividend of 50 cents per common share in relation to the year 2002. In February 2003, the Company declared a further dividend of 20 cents per common share relating to 2002 that the Company paid on April 30, 2003. Subject to the limitations discussed below, we currently intend to continue to pay regular cash dividends on our common shares of between one-quarter and one-half of our annual net income for the year in respect of which the dividends are paid. However, there can be no assurance that we will pay dividends or as to the amount of any dividend. The payment and the amount will be subject to the discretion of our board of directors and will depend, among other things, on available cash balances, anticipated cash needs, our results of operations, our financial condition, and any loan agreement restrictions binding us or our subsidiaries, as well as other relevant factors. For example, if we earned a capital gain on the sale of a vessel or newbuilding contract, we could determine to reinvest that gain instead of using it to pay dividends. Depending on our operating performance for that year, this could result in no dividend at all despite the existence of net income, or a dividend that represents a lower percentage of our net income. Of course, any payment of cash dividends could slow our ability to renew and expand our fleet, and could cause delays in the completion of our current newbuilding program.

Because we are a holding company with no material assets other than the stock of our subsidiaries, our ability to pay dividends will depend on the earnings and cash flow of our subsidiaries and their ability to pay us dividends. In addition, the financing arrangements for indebtedness we incur in connection with our newbuilding program may further restrict our ability to pay dividends. In the event of any insolvency, bankruptcy or similar proceedings of a subsidiary, creditors of such subsidiary would generally be entitled to priority over us with respect to assets of the affected subsidiary. Investors in our common shares may be adversely affected if we are unable to or do not pay the dividends as intended.

Table of Contents

Provisions in our Bye-laws and in our management agreement with Tsakos Energy Management would make it difficult for a third party to acquire us, even if such a transaction would be beneficial to our shareholders.

Our Bye-laws provide for a staggered board of directors, blank check preferred stock, super majority voting requirements and other anti-takeover provisions, including restrictions on business combinations with interested persons and limitations on the voting rights of shareholders who acquire more than 15% of our common shares. In addition, Tsakos Energy Management would have the right to terminate our management agreement and seek liquidated damages if a board member were elected without having been approved by the current board. These provisions may have the effect of delaying or preventing changes of control of the ownership and management of our company, even if such transactions would have significant benefits to our shareholders.

Because we are a foreign corporation, you may not have the same rights that a shareholder in a U.S. corporation may have.

We are a Bermuda corporation. Our Memorandum of Association and Bye-laws and the Companies Act 1981 of Bermuda govern our affairs. While many provisions of the Companies Act 1981 of Bermuda resemble provisions of the corporation laws of a number of states in the United States, Bermuda law may not as clearly establish your rights and the fiduciary responsibilities of our directors as do statutes and judicial precedent in some U.S. jurisdictions. In addition, our directors and officers are not resident in the United States and all or substantially all of our assets are located outside of the United States. As a result, investors may have more difficulty in protecting their interests and enforcing judgments in the face of actions by our management, directors or controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction.

The Tsakos Holdings Foundation and the Tsakos Group can exert considerable control over us, which may limit your ability to influence our actions.

Companies controlled by the Tsakos Holdings Foundation or affiliated with the Tsakos Group own approximately 26.1% of our common shares. The Tsakos Holdings Foundation is a Liechtenstein foundation whose beneficiaries include persons and entities affiliated with the Tsakos family, charitable institutions and other unaffiliated persons and entities. The council which controls the Tsakos Holdings Foundation consists of five members, two of whom are members of the Tsakos family. The Tsakos Group is a group of companies controlled by members of the Tsakos family and is primarily involved in the management of ships. As long as the Tsakos Holdings Foundation and the Tsakos Group beneficially own a significant percentage of our common shares, each will have the power to influence the election of the members of the board of directors and the vote on substantially all other matters, including significant corporate actions.

We and our shareholders face certain risks related to our former employment of Arthur Andersen as our independent auditors.

Prior to May 30, 2002, Arthur Andersen served as our independent auditors. On May 30, 2002, we dismissed Arthur Andersen and retained Ernst & Young as our independent auditors for the fiscal year ended December 31, 2002. On August 31, 2002, Arthur Andersen LLP, an affiliate of Arthur Andersen, ceased practicing before the SEC.

Arthur Andersen did not reissue its audit report with respect to our consolidated financial statements included in this report, or consent to the inclusion in this report of its audit report. As a result, investors in Tsakos Energy Navigation may have no effective remedy against Arthur Andersen in connection with a material misstatement or omission in the financial statements to which its audit report relates. In addition, even if such investors were able to assert such a claim, Arthur Andersen may fail or otherwise have insufficient assets to satisfy claims made by investors that might arise under Federal securities laws or otherwise with respect to its audit report.

Table of Contents

Issues related to Arthur Andersen may impede our ability to access the capital markets.

SEC rules and regulations require us to present historical audited financial statements in various SEC filings, such as registration statements, along with Arthur Andersen s consent to our inclusion of its audit report in those filings. If the SEC ceased accepting financial statements audited by Arthur Andersen and its affiliates, we would be unable to access the public capital markets unless Ernst & Young, our current independent auditor, or another independent auditor, is able to re-audit the financial statements originally audited by Arthur Andersen. In addition, investors in any future offerings we make for which we use Arthur Andersen audit reports will not be entitled to recovery against Arthur Andersen under the Securities Act for any material misstatements or omissions in those financial statements. Furthermore, Arthur Andersen will be unable to participate in the due diligence process that would customarily be performed by potential investors in our securities, which process includes having Arthur Andersen perform procedures to assure the continued accuracy of its report on our audited financial statements and to confirm its review of unaudited interim periods presented for comparative purposes. As a result, we may not be able to bring to the market successfully an offering of our securities. Consequently, our financing costs may increase or we may miss attractive market opportunities.

Item 4. Information on the Company

We were incorporated in 1993 as an exempted company under the laws of Bermuda under the name Maritime Investment Fund Limited. We achieved public listings on the Oslo Stock Exchange and the Bermuda Stock Exchange in 1993 although our shares are not actively traded on the Bermuda exchange. In 1996, Maritime Investment Fund Limited was renamed MIF Limited. Since our incorporation, we have owned and operated 26 vessels and have sold 2 vessels, including the Olympia, which we chartered back into our fleet. In July 2001, we changed our name to Tsakos Energy Navigation Limited to enhance our brand recognition in the tanker industry, particularly among charterers. In March 2002, we completed an initial public offering of our common shares in the United States and our common shares began trading on the New York Stock Exchange. The address of our registered office in Bermuda is Richmond House, 12 Par-la-Villa Road, Hamilton HM08, Bermuda. Our executive offices are located at 367 Syngrou Avenue, 175 64 P. Faliro, Athens Greece. Our telephone number from the U.S. is (011) 30210-940-7710.

A list of our subsidiaries as of December 31, 2002, all of which are wholly owned by us, and their jurisdictions of incorporation, is set forth in note 1 to our consolidated financial statements which are included as Item 18 to this Annual Report on Form 20-F.

Business Overview

Tsakos Energy Navigation owns a fleet of modern tankers providing world-wide marine transportation services for national, major and other independent oil companies and refiners under long, medium and short-term charters. We believe that we have established a reputation as a safe, cost efficient operator of modern and well-maintained tankers. We also believe that these attributes, together with our strategic focus on meeting our customers chartering needs, has contributed to our ability to attract leading charterers as our customers and to our success in obtaining charter renewals.

Table of Contents

We are managed by the Tsakos Group which, through Tsakos Shipping, is one of the largest independent tanker managers, based on the number of tankers under management. The Tsakos Group is a group of private companies controlled by members of the Tsakos family and is primarily involved in the management of ships.

As of May 31, 2003, our 26-vessel fleet consists of one VLCC, four Suezmax tankers, nine Aframax tankers, seven Panamax tankers, and five Handymax tankers having a total cargo capacity of approximately 2.5 million dwt. The average age of our fleet as of May 31, 2003 was 6.4 years. By the end of 2004, we expect to have one of the youngest tanker fleets in operation, consisting of a diversified fleet of 29 vessels, assuming the release of one chartered-in vessel, with a total cargo capacity of approximately 2.8 million dwt and an average age of approximately 7.0 years. As of May 31, 2003, we had contracted to purchase five additional vessels consisting of one Aframax tanker, one Panamax tanker and three Handysize product carriers which we expect to take delivery of in 2003, 2004 and 2005.

We believe the following factors distinguish us from other public tanker companies:

- ***Stability throughout industry cycles.*** Historically, we have employed a high percentage of our fleet on long and medium-term charters with fixed charter rates. We believe this approach has resulted in high utilization rates for our vessels. At the same time, we maintain flexibility in our chartering policy which allows capacity to take advantage of favorable rate trends through spot market employment and contract of affreightment charters with periodic adjustments. Over the last five years, our average fleet utilization rate was 96.3%.

- ***Significant leverage from our relationship with Tsakos Shipping***. We believe the expertise, scale and scope of Tsakos Shipping are key components in maintaining low operating costs, efficiency, quality and safety. We leverage Tsakos Shipping s reputation and longstanding relationships with leading charterers to foster charter renewals.

Tsakos Shipping s position as one of the largest independent tanker managers with 39 tankers and a total of 54 operating vessels under management enables it to achieve significant economies of scale when procuring supplies and underwriting insurance. These economies of scale, as well as their ability to spread their operating costs over a larger vessel base, has resulted in cost savings to us.

Tsakos Shipping s established operations have allowed us to manage growth of our fleet without having to integrate additional resources. The size of our fleet increased from 231,103 dwt at inception to 2.5 million dwt at May 31, 2003 with no significant impact on the utilization of our fleet, and we experienced a decrease in our per vessel overhead costs.

- We have access to Tsakos Shipping s network of six offices around the world and a pool of 2,500 seafarers, which is supported by Tsakos Shipping s sponsorship of two naval academies in the Philippines.

Table of Contents

Modern, high-quality, fleet. We own a fleet of modern, high-quality tankers that are designed for enhanced safety and low operating costs. Since inception, we have committed to investments of over $1.0 billion, including investments of approximately $784 million in newbuildings, in order to maintain and improve the high quality of our fleet. We believe that increasingly stringent environmental regulations and heightened concerns about liability for oil pollution have contributed to a significant demand for our vessels by leading oil companies, oil traders and major government agencies. Tsakos Shipping, the technical manager of our fleet, has received ISO 14001 certification, based, in part, upon audits conducted on our vessels.

Established industry recognition. For over 32 years, the Tsakos Group has maintained relationships with and has achieved acceptance by national, major and other independent oil companies and refiners. Several of the world s major oil companies, including Lyondell/Citgo, PDVA/Maravan, Exxon/Mobil, Phillips Petroleum and Shell, are among the regular customers of the Tsakos Group and of Tsakos Energy Navigation, in particular. In prior years, Texaco and Chevron have also chartered our vessels.

Diversified fleet offerings. Our diversified fleet, which includes VLCC, Aframax, Panamax, Suezmax and Handysize tankers, allows us to better service our customers international crude oil and petroleum product transportation needs. We believe that large oil companies prefer to deal with a limited number of global shipping companies with diversified fleets that have been prevetted for quality. The operational flexibility provided by our diversified fleet, combined with our strategic focus on fixed term employment of our vessels, enables us, through Tsakos Shipping, to build strong, long-term customer relationships. Our recent entry in the Suezmax sector allows us to compete on the long haul routes with VLCCs and Suezmaxes from the Arabian Gulf and West Africa to the United States, Western Europe and fast growing oil importers such as China, Korea and India, while participating in the Atlantic and Caribbean trade with Aframaxes, and the emerging Black Sea and Mediterranean trade with Panamaxes.

Table of Contents

Our current fleet as of May 31, 2003

Vessel	Year Built	Year Acquired	Hull Type	Deadweight Tons	Charter Type	Expiration Of Charter
VLCC						
Millennium	1998	1998	double-hull	301,171	bareboat charter	September 2013
SUEZMAX						
Silia T	2002	2002	double-hull	164,286	time charter	July 2003
Decathlon	2002	2002	double-hull	164,274	spot	June 2003
Pentathlon	2002	2002	double-hull	164,236	spot	June 2003
Triathlon	2002	2002	double-hull	164,445	spot	June 2003
AFRAMAX						
Marathon	2003	2003	double-hull	107,181	spot	June 2003
Opal Queen	2001	2002	double-hull	107,181	time charter	April 2004
Olympia(1)	1999	1999	double-hull	107,181	time charter	August 2003
Maria Tsakos	1998	1998	double-hull	107,181	contract of affreightment(3)	Evergreen(2)
Athens 2004	1998	1998	double-hull	107,181	contract of affreightment	Evergreen
Toula Z(3)	1997	1997	double-hull	107,222	contract of affreightment	July 2004
Vergina II	1991	1996	single-hull	96,709	spot	June 2003
Tamyra	1983	1993	single-hull	86,843	spot	June 2003
Panos G	1981	1996	single-hull	86,983	spot	June 2003
PANAMAX						
Maya	2003	2003	double-hull	68,467	spot	June 2003
Inca	2003	2003	double-hull	68,467	spot	June 2003
Aztec	2003	2003	double-hull	68,467	spot	July 2003
Victory III	1990	1996	double-hull	68,160	time charter	April 2004
Hesnes(4)	1990	1996	double-hull	68,157	spot	Evergreen
Bregen(4)	1989	1995	double-hull	68,157	spot	Evergreen
Liberty	1981	1996	single-hull	61,375	spot	June 2003
HANDYMAX						
Capella (5)	1995	2002	double-hull	32,396	time charter	September 2003
Libra	1988	1994	double-sided	41,161	time charter	February 2005
Crux	1987	1995	double-sided	41,161	time charter	June 2003
Pella	1985	1993	double-bottomed	40,231	time charter	June 2004
Dion	1984	1993	double-bottomed	40,302	time charter	June 2003
			Total	2,538,575		

(1) We charter this vessel from its owner pursuant to a time charter that expires in October 2007. We have an option to purchase this vessel. The owner of the vessel also has the option to require us to purchase the vessel. (For additional information relating to our arrangements with respect to this vessel, see Item 5 Operating and Financial Review and Prospects Sale and leaseback transaction and Note 11 to our financial statements included in Item 18 Financial Statements below.)

(2) Evergreen employment has no specific expiration. The vessel is continuously employed until either we or the charterer request cancellation upon 30 days notice (in the case of contract of affreightment) or 90 days notice in the case of pool operations, with freight rates based on prevailing spot rates.

(3) Freight is based on a minimum/maximum market-related formula.

(4) This vessel is in a tanker pool and its income/hire is variable based upon spot market rates.

(5) This vessel is chartered-in for a period of nine months from December 2002.

Our newbuildings

As of May 31, 2003, we have on order and expect to take delivery during 2003, 2004 and 2005 of five new tankers, consisting of three Handysize product carriers to be built by Hyundai MIPO Dockyard of South Korea, and one Aframax tanker and one Panamax tanker to be built by Imabari Shipbuilding Co. of Japan. The newbuildings will be constructed with a double hull design compliant with all classification requirements and prevailing environmental laws and regulations. Hyundai MIPO and Imabari are experienced designers and builders of ships. Tsakos Shipping has worked closely with both shipyards in the design of the newbuildings and will continue to work with Hyundai MIPO and Imabari during the construction period.

Our newbuildings on order as of May 31, 2003:

	Expected Delivery	Hull Type	Deadweight Tons	Ship Yard/Country	Purchase Price (in US millions)
HANDYSIZE					
Hull H-228	June 2004	double-hull	37,000	Hyundai MIPO/South Korea	$ 25.8
Hull H-337	December 2004	double-hull	37,000	Hyundai MIPO/South Korea	$ 25.8
Hull H-339	June 2005	double-hull	37,000	Hyundai MIPO/South Korea	$ 25.8
AFRAMAX					
Parthenon	July 2003	double-hull	107,181	Imabari/Japan	$ 36.5
PANAMAX					
Andes	August 2003	double-hull	68,467	Imabari/Japan	$ 35.5
	Total		286,648		$ 149.4

Under the newbuilding contracts, the purchase prices for the ships are subject to deductions for delayed delivery, excessive fuel consumption and failure to meet specified deadweight tonnage requirements. We make progress payments equal to either 15% or 30% of the purchase price of each vessel during the period of its construction. The remainder of the purchase price with respect to each vessel will be paid upon delivery of the given vessel. As of May 31, 2003, we had made progress payments of $17.2 million out of the total purchase price of approximately $149.4 million for these newbuildings.

While we intend to expand our fleet, attractive opportunities may arise to sell one or more of our vessels, including the five newbuildings we have on order, and our board of directors may conclude that the sale of one or more vessels would be in our best interests.

Our operations

We do not employ the personnel to run our business on a day-to-day basis. We outsource substantially all of our executive, commercial and technical management functions. Management policies regarding our fleet that are formulated by our board of directors are executed by Tsakos Energy Management under a management contract. Tsakos Energy Management s duties include overseeing the purchase, sale and chartering of vessels, supervising day-to-day technical management of our vessels and providing financial, accounting and other services, including stock exchange and investor relations. Our fleet s technical management, including crewing, maintenance and repair, procuring insurance, and voyage operation, has been subcontracted by Tsakos Energy Management to Tsakos Shipping. Tsakos Energy Management also engages Tsakos Shipping to arrange chartering of our vessels.

Table of Contents

The following chart illustrates the management of our fleet:

Executive and Commercial Management

Pursuant to our management agreement with Tsakos Energy Management, our operations are executed and supervised by Tsakos Energy Management, based on the strategy devised by the board of directors and subject to the approval of our board of directors as described below. We pay Tsakos Energy Management monthly management fees for its management of our vessels. Currently, we pay Tsakos Energy Management management fees of $15,000 per vessel per month. The management fee starts to accrue for a vessel at the point a newbuilding contract is executed. To help ensure that these fees are consistent with industry standards, our management has periodically made presentations to our board of directors in which the fees paid to Tsakos Energy Management are compared against the publicly available financial information of integrated, self-contained tanker companies. We paid Tsakos Energy Management aggregate management fees of $3.2 million in 2002. From these amounts, Tsakos Energy Management pays a technical management fee to Tsakos Shipping. For additional information about the management agreement, including the calculation of management fees, see Item 7. Major Shareholders and Related Party Transactions and our consolidated financial statements which are included as Item 18 to this Annual Report.

General Administration. Tsakos Energy Management provides us with general administrative, office and support services necessary for our operations and our fleet, including technical and clerical personnel, communication, accounting, and data processing services.

Sale and Purchase of Vessels. Tsakos Energy Management advises our board of directors when opportunities arise to purchase, including through newbuildings, or to sell any vessels. Our board of directors makes all decisions to purchase or sell vessels.

Any purchases or sales of vessels approved by our board of directors are arranged and completed by Tsakos Energy Management. This involves the appointment of superintendents to inspect and take delivery of vessels and to monitor compliance with the terms and conditions of the purchase or newbuilding contracts.

Table of Contents

In the case of a purchase of a vessel by us, each broker involved will generally receive commissions from the seller at the industry standard rate of one percent of the purchase price. In the case of a sale of a vessel by us, each broker involved will generally receive a commission from us at the industry standard rate of one percent of the sale price.

Technical Management

Pursuant to a technical management agreement, Tsakos Energy Management employs Tsakos Shipping to manage the day-to-day aspects of vessel operations, including maintenance and repair, provisioning, and crewing of our vessels. We benefit from the economies of scale of having our vessels managed as part of the Tsakos Shipping managed fleet. On occasion, Tsakos Shipping subcontracts the technical management and manning responsibilities of our vessels to third parties. There are currently two vessels under subcontract by Tsakos Shipping. The executive and commercial management of our vessels, however, is not subcontracted to third parties. Tsakos Shipping, which is privately held and part of the Tsakos Group, manages 39 tankers and a total of 54 operating vessels totaling approximately 5.0 million dwt. They currently employ full-time superintendents, technical experts and maritime engineers and have expertise in supervising the construction of new build vessels and inspecting second-hand vessels for purchase and sale, and in fleet maintenance and repair. They have approximately 200 employees engaged in ship management and approximately 2,500 seafaring employees of whom half are employed at sea and the remainder are on leave at any given time. Tsakos Shipping maintains representative offices in several cities covering key areas of the shipping business such as London, Montevideo, Manila, Singapore and Tokyo. Their principal office is in Athens, Greece. The fleet managed by Tsakos Shipping consists mainly of tankers and feeder container vessels, but also includes dry bulk carriers, and other vessels owned by affiliates and unaffiliated third parties.

Tsakos Energy Management pays Tsakos Shipping a fee of $10,000 per vessel per month for technical management of operating vessels and vessels under construction. This fee was determined by comparison to the rates charged by other major independent vessel managers. The fee varies depending upon the type of vessel and its employment, subject to adjustment for increases in standard industry rates charged for such services and inflation. We believe the fees payable under, and the other provisions of, the technical management agreement between Tsakos Energy Management and Tsakos Shipping conform to industry standards for the particular vessels under management. Through Tsakos Energy Management, we paid Tsakos Shipping $29.9 million in 2002 for operating costs of our vessels. We generally pay all monthly operating requirements of our fleet in advance. At December 31, 2002, we had outstanding advances to Tsakos Shipping of approximately $3.8 million in respect of such expenses. Tsakos Energy Management paid Tsakos Shipping aggregate management fees of $2.1 million in 2002.

The technical management agreement is automatically renewable on an annual basis and is terminable by either party upon six months written notice.

Tsakos Shipping performs the technical management of our vessels under the supervision of Tsakos Energy Management. Tsakos Energy Management approves the appointment of fleet supervisors and oversees the establishment of operating budgets and the review of actual operating expenses against budgeted amounts.

Table of Contents

Chartering. Our board of directors formulates our chartering strategy for all our vessels and Tsakos Shipping, under the supervision of Tsakos Energy Management, implements the strategy by:

- evaluating the short, medium, and long-term opportunities available for each type of vessel;
- balancing short, medium, and long-term charters in an effort to achieve optimal results for our fleet; and
- positioning such vessels so that, when possible, re-delivery occurs at times when Tsakos Shipping expects advantageous charter rates to be available for future employment.

Tsakos Shipping utilizes the services of various charter brokers to solicit, research, and propose charters for our vessels. The charter brokers role involves researching and negotiating with different charterers and proposing charters to Tsakos Shipping for cargoes to be shipped in our vessels. Tsakos Shipping negotiates the exact terms and conditions of charters, such as delivery and re-delivery dates and arranges cargo and country exclusions, bunkers, loading and discharging conditions and demurrage. Tsakos Energy Management is required to obtain our approval for charters in excess of six months and is required to obtain the written consent of the administrative agent for the lenders under our secured credit facility for charters in excess of thirteen months. There are frequently two or more brokers involved in fixing a vessel on a charter. Brokerage fees typically amount to 2.5% of the value of the freight revenue or time charter hire derived from the charters. We pay a chartering commission of 1.25% to Tsakos Shipping for every charter involving our vessels. The total amount paid for these chartering commissions was $1.6 million in 2002.

Tsakos Shipping supervises the post fixture business of our vessels, including:

- the monitoring of the daily geographic position of such vessels in order to ensure that the terms and conditions of the charters are fulfilled by us and our charterers;
- the collection of monies payable to us; and
- resolution of disputes through arbitration and legal proceedings.

In addition, Tsakos Shipping appoints superintendents to supervise the loading and discharging of cargoes when necessary.

Maintenance and Repair. Each of our vessels is periodically drydocked either once every two and one-half years, in connection with intermediate surveys, or once every five years, in connection with special surveys, as necessary to ensure the safe and efficient operation of such vessels and their compliance with applicable regulations. Tsakos Shipping arranges drydockings and repairs under instructions and supervision from Tsakos Energy Management. We believe that the time periods during which our vessels are in drydock are, on average, shorter than those prevalent in the industry due to the rigorous on-going maintenance program we conduct. Tsakos

Table of Contents

Shipping routinely employs on each vessel additional crew members whose primary responsibility is the performance of maintenance while the vessel is in operation. Tsakos Energy Management awards and, directly or through Tsakos Shipping, negotiates contracts with shipyards to conduct such maintenance and repair work. They seek competitive tender bids in order to minimize charges to us, subject to the location of our vessels and any time constraints imposed by a vessel s charter commitments. In addition to drydockings, Tsakos Shipping, where necessary, utilizes superintendents to conduct periodic physical inspections of our vessels.

Crewing. Tsakos Shipping arranges employment of captains, officers, engineers and other crew who serve our vessels. Tsakos Shipping ensures that all seamen have the qualifications and licenses required to comply with international regulations and shipping conventions and that experienced and competent personnel are employed for our vessels.

Bunkering Services. Bunkering is the act of refueling a vessel. Tsakos Shipping obtains bunkers through a number of bunker brokers/traders worldwide.

Customers

Several of the world s major oil companies are among the regular customers of the Tsakos Group and of Tsakos Energy Navigation, in particular. The table below shows the approximate percentage of revenues we earned from some of these customers.

Customer	Year Ended December 31, 2002
Lyondell/Citgo	24%
FLOPEC	10%
PDVSA/Maraven	9%
Exxon/Mobil	6%
Phillips Petroleum	6%
Shell	1%

In prior years, Texaco and Chevron have also chartered our vessels.

Regulation

Our business and the operation of our vessels are materially affected by government regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which the vessels operate, as well as in the country or countries of their registration. Because these conventions, laws, and regulations are often revised, we cannot predict the ultimate cost of complying with them or their impact on the resale price and/or the useful life of our vessels. Additional conventions, laws and regulations may be adopted which could limit our ability to do business or increase the cost of our doing business and which may have a material adverse effect on our operations. Various governmental and quasi-governmental agencies require us to obtain permits, licenses and certificates with respect to our operations. Subject to the discussion below and to the fact that the kinds of permits, licenses and certificates required for the operations of the vessels we own will depend upon a number of factors, we believe that we have been and will be able to obtain all permits, licenses and certificates material to the conduct of our operations.

Table of Contents

We believe that the heightened environmental and quality concerns of insurance underwriters, regulators and charterers will impose greater inspection and safety requirements on all vessels in the tanker market and will accelerate the scrapping of older vessels throughout the industry.

IMO. In March 1992, IMO adopted regulations which set forth new and upgraded requirements for pollution prevention for tankers. These regulations, which went into effect in July 1995 in many jurisdictions in which our tanker fleet operates, provide that (1) tankers between 25 and 30 years old must be of double-hull construction or of a mid-deck design with double side construction, unless they have wing tanks or double-bottom spaces not used for the carriage of oil, which cover at least 30% of the length of the cargo tank section of the hull or are capable of hydrostatically balanced loading which ensures at least the same level of protection against oil spills in the event of collision or stranding, (2) tankers 30 years old or older must be of double-hull construction or mid-deck design with doubleside construction, and (3) all tankers will be subject to enhanced inspections. Also, under IMO regulations, a tanker must be of double-hull construction or a mid-deck design with double-side construction or be of another approved design ensuring the same level of protection against oil pollution if that tanker (1) is the subject of a contract for a major conversion or original construction on or after July 6, 1993, (2) commences a major conversion or has its keel laid on or after January 6, 1994, or (3) completes a major conversion or is a newbuilding delivered on or after July 6, 1996.

In April 2001, the IMO adopted a proposal to revise these regulations which became effective in July 2002. The revised regulations provide for a more aggressive phase-out of single-hull oil tankers, as well as increased inspection and verification requirements. The revised regulations provide for the phase-out of most single-hull oil tankers by 2015 or earlier, depending on the age of the vessel and whether the vessel complies with requirements for protectively located segregated ballast tanks. Segregated ballast tanks use ballast water that is completely separate from the cargo oil and oil fuel system. Segregated ballast tanks are currently required by the IMO on crude oil tankers constructed after 1983. The changes, which will likely increase the number of tankers that are scrapped beginning in 2004, are intended to reduce the likelihood of oil pollution in international waters.

In addition, the European Union and countries elsewhere are considering stricter technical and operational requirements for tankers and legislation that would affect the liability of tanker owners and operators for oil pollution. In December 2001, the European Union adopted a legislative resolution confirming an accelerated phase-out schedule for single hull tankers in line with the schedule adopted by the IMO in April 2001. Any additional laws and regulations that are adopted could limit our ability to do business or increase our costs. The results of these or potential future environmental regulations could have a material adverse affect on our operations.

Under the current regulations, the vessels of our existing fleet will be able to operate for substantially all of their respective economic lives. However, compliance with the new regulations regarding inspections of all vessels may adversely affect our operations. We cannot at the present time evaluate the likelihood or magnitude of any such adverse effect on our operations due to uncertainty of interpretation of the IMO regulations.

Table of Contents

The operation of our vessels is also affected by the requirements set forth in the IMO s International Management Code for the Safe Operation of Ships and Pollution Prevention (ISM Code) which were adopted in July 1998. The ISM Code requires shipowners and bareboat charterers to develop and maintain an extensive safety management system that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject that party to increased liability, may decrease available insurance coverage for the affected vessels, and may result in a denial of access to, or detention in, some ports. All of our vessels are currently ISM Code certified.

OPA 90. OPA 90 established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA 90 affects all owners and operators whose vessels trade to the United States or its territories or possessions or whose vessels operate in United States waters, which include the United States territorial sea and its two hundred nautical mile exclusive economic zone.

Under OPA 90, vessel owners, operators and bareboat (or demise) charterers are responsible parties and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels. Tsakos Shipping and Tsakos Energy Management would not qualify as third parties because they perform under contracts with us. These other damages are defined broadly to include (1) natural resources damages and the costs of assessing them, (2) real and personal property damages, (3) net loss of taxes, royalties, rents, fees and other lost revenues, (4) lost profits or impairment of earning capacity due to property or natural resources damage, (5) net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards, and (6) loss of subsistence use of natural resources. OPA 90 limits the liability of responsible parties to the greater of $1,200 per gross ton or $10 million per tanker that is over 3,000 gross tons (subject to possible adjustment for inflation). These limits of liability would not apply if the incident was proximately caused by violation of applicable United States federal safety, construction or operating regulations or by the responsible party s (or its agents and employees) gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with the oil removal activities. We currently plan to continue to maintain for each of our vessels pollution liability coverage in the amount of $1 billion per incident. A catastrophic spill could exceed the insurance coverage available, in which case there could be a material adverse effect on us.

Under OPA 90, with some limited exceptions, all newly built or converted tankers operating in United States waters must be built with double-hulls, and existing vessels which do not comply with the double-hull requirement must be phased out over a 25-year period (1990-2015) based on size, age and hull construction. Notwithstanding the phase-out period, OPA 90 currently permits existing single hull tankers to operate until the year 2015 if their operations within United States waters are limited to discharging at the Louisiana Off-Shore Oil Platform, or off-loading by means of lightering activities within authorized lightering zones more than 60 miles off-shore.

Table of Contents

OPA 90 requires owners and operators of vessels to establish and maintain with the United States Coast Guard evidence of financial responsibility sufficient to meet their potential liabilities under OPA 90. In December 1994, the Coast Guard implemented regulations requiring evidence of financial responsibility in the amount of $1,500 per gross ton for tankers, coupling the OPA limitation on liability of $1,200 per gross ton with the Comprehensive Environmental Response, Compensation, and Liability Act liability limit of $300 per gross ton. Under the regulations, evidence of financial responsibility may be demonstrated by insurance, surety bond, self-insurance, or guaranty. Under OPA 90, an owner or operator of a fleet of tankers is required only to demonstrate evidence of financial responsibility in an amount sufficient to cover the tanker in the fleet having the greatest maximum liability under OPA 90.

The Coast Guard s regulations concerning certificates of financial responsibility provide, in accordance with OPA 90, that claimants may bring suit directly against an insurer or guarantor that furnishes certificates of financial responsibility. If an insurer or guarantor is sued directly, it is prohibited from asserting any contractual defense that it may have had against the responsible party and is limited to asserting those defenses available to the responsible party and the defense that the incident was caused by the willful misconduct of the responsible party. Some organizations, which had typically provided certificates of financial responsibility under pre-OPA 90 laws, including the major protection and indemnity organizations, have declined to furnish evidence of insurance for vessel owners and operators if they have been subject to direct actions or required to waive insurance policy defenses.

The Coast Guard s financial responsibility regulations may also be satisfied by evidence of surety bond, guaranty or by self-insurance. Under the self-insurance provisions, the ship owner or operator must have a net worth and working capital, measured in assets located in the United States against liabilities located anywhere in the world, that exceeds the applicable amount of financial responsibility.

OPA 90 specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited liability for oil spills. In some cases, states which have enacted such legislation have not yet issued implementing regulations defining tanker owners responsibilities under these laws. We intend to comply with all applicable state regulations in the ports where our vessels call.

Owners or operators of tankers operating in United States waters are required to file vessel response plans with the Coast Guard, and their tankers are required to operate in compliance with their Coast Guard approved plans. These response plans must, among other things, (1) address a worst case scenario and identify and ensure, through contract or other approved means, the availability of necessary private response resources to respond to a worst case discharge, (2) describe crew training and drills, and (3) identify a qualified individual with full authority to implement removal actions.

European Union Initiatives. In response to the oil spill caused by the sinking of the oil tanker *Erika* in December 1999, the European Union has proposed legislation that would (1) ban manifestly sub-standard ships (defined as those over 15 years old that have been detained by port authorities more than twice in the previous six months) from European waters and create an

Table of Contents

obligation of port states to inspect ships posing a high risk to maritime safety and the marine environment; (2) provide the European Commission with greater authority and control over classification societies, including the ability to seek to suspend or revoke the authority of negligent societies; and (3) accelerate the phasing in of double hull or equivalent design standards for single hull oil tankers on the same schedule as that required under OPA. In December 2001, the European Union adopted a legislative resolution confirming an accelerated phase-out schedule for single hull tankers in line with the schedule adopted by the IMO in April 2001. In response to the sinking of the oil tanker Prestige off the coast of Spain in November 2002, the European Union has made proposals which would further accelerate the phase-out of single-hull tankers and would immediately ban the carriage of heavy grades of oil in single-hull tankers. Certain European Union countries have already banned single-hull tankers carrying crude oil from approaching their coastlines. Additionally, the European Union has recently voted for other initiatives, including the establishment of a European structure for maritime safety and more rapid phase-out of single hull vessels. Until such legislation is actually enacted, however, it is impossible to predict how such measures will affect us.

Other Environmental Initiatives. Many countries have ratified and follow the liability scheme adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage, 1969, as amended (CLC), and the Convention for the Establishment of an International Fund for Oil Pollution of 1971, as amended. The United States is not a party to these conventions. Under these conventions, a vessel s registered owner is strictly liable for pollution damage caused on the territorial waters of a contracting state by discharge of persistent oil, subject to certain complete defenses. Approximately one-quarter of the countries that have ratified the CLC have increased the liability limit through a 1992 Protocol to the CLC which became effective in 1996. The liability limit in the countries that have ratified this protocol is approximately $78.8 million for ships with a gross tonnage in excess of 140,000, with the exact amount tied to a unit of account which varies according to a basket of currencies. Pursuant to a 2000 Protocol amending the CLC and currently scheduled to take effect in 2003, the liability limit for a ship with a gross tonnage in excess of 140,000 would be increased to approximately $115 million. The right to limit liability is forfeited under the CLC where the spill is caused by the owner s actual fault or privity and, under the 1992 Protocol, where the spill is caused by the owner s intentional or reckless conduct. Vessels trading to contracting states must provide evidence of insurance covering the limited liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to the CLC.

Classification and inspection

Our vessels have been certified as being in class by their respective classification societies: Bureau Veritas, Det Norske Veritas, American Bureau of Shipping, Korean Register, Lloyd s Register of Shipping or Nippon Kaiji Kyokai. Every vessel s hull and machinery is classed by a classification society authorized by its country of registry. The classification society certifies that the vessel has been built and maintained in accordance with the rules of such classification society and complies with applicable rules and regulations of the country of registry of the vessel and the international conventions of which that country is a member. Each vessel is inspected by a surveyor of the classification society every year, an annual survey, every two to three years, an intermediate survey, and every four to five years, a special survey. Vessels also may be required, as part of the intermediate survey process, to be dry-docked every 24 to 30 months for inspection of the underwater parts of the vessel and for necessary repair related to such inspection.

In addition to the classification inspections, many of our customers, including the major oil companies, regularly inspect our vessels as a precondition to chartering voyages on these vessels. We believe that our well-maintained, high quality tonnage should provide us with a competitive advantage in the current environment of increasing regulation and customer emphasis on quality of service.

Tsakos Shipping, our technical manager, obtained a document of compliance with the ISO 9000 standards of total quality management. ISO 9000 is a series of international standards for quality systems that includes ISO 9002, the standard most commonly used in the shipping industry. Our technical manager has also completed the implementation of the International Safety Management (ISM) code. Our technical manager has obtained documents of compliance for our offices and safety management certificates for our vessels, as required by the IMO. Our technical manager has also received ISO 14001 certification.

Risk of loss and insurance

The operation of any ocean-going vessel carries an inherent risk of catastrophic marine disasters and property losses, including:

- collision;
- adverse weather conditions;
- fire and explosion;
- mechanical failures;
- negligence;
- war;
- terrorism; and
- piracy.

In addition, the transportation of crude oil is subject to the risk of crude oil spills, and business interruptions due to political circumstances in foreign countries, hostilities, labor strikes, and boycotts. Tsakos Shipping arranges insurance coverage to protect against most risks involved in the conduct of our business and we maintain environmental damage and pollution insurance coverage. Tsakos Shipping arranges insurance covering the loss of revenue resulting from vessel off-hire time. We believe that our current insurance coverage is adequate to protect against most of the risks involved in the conduct of our business. The terrorist attacks in the United States and various locations abroad and international hostilities have lead to increases in our insurance premium rates and the implementation of special war risk premiums for certain trading routes. See Item 5 Operating and Financial Review and Prospects for a description of how our insurance rates have been affected by recent events.

We have hull and machinery insurance, increased value (total loss or constructive total loss) insurance and loss of hire insurance with Argosy Insurance Company. Each of our ship owning subsidiaries is a named insured under our insurance policies with Argosy. Argosy provides the same full coverage as provided through London and Norwegian underwriters and reinsures its exposure, subject to customary deductibles, in the London, French, Norwegian and U.S. reinsurance markets. We paid Argosy aggregate premiums of $2.0 million in 2002. By placing our insurance through Argosy, we believe that we achieve cost savings over the premiums we would otherwise pay to third party insurers. Argosy reinsures most insurance it underwrites for us with various reinsurers. These reinsurers have credit ratings ranging from BBB to AA.

Our subsidiaries are indemnified for legal liabilities incurred while operating our vessels by protection and indemnity insurance that we maintain through their membership in a P&I club. This protection and indemnity insurance covers legal liabilities and other related expenses of injury or death of crew members and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third party property and pollution arising from oil or other substances, including wreck removal. The object of P&I clubs is to provide mutual insurance against liability to third parties incurred by P&I club members in connection with the operation of their vessels entered into the P&I club in accordance with and subject to the rules of the P&I club and the individual member s terms of participation. A member s individual P&I club premium is typically based on the aggregate tonnage of the member s vessels entered into the P&I club according to the risks of insuring the vessels as determined by the P&I club. P&I club claims are paid from the aggregate premiums paid by all members, although members remain subject to calls for additional funds if the aggregate insurance claims made exceed aggregate member premiums collected. P&I clubs enter into reinsurance agreements with other P&I clubs and with third party underwriters as a method of preventing large losses in any year from being assessed directly against members of the P&I club. Currently, applicable P&I club rules provide each of its members with more than $4 billion of liability coverage except for pollution coverage which is limited to $1 billion.

We expected the tragic events of September 11, 2001 to lead to increases in our insurance premium rates and the implementation of special war risk premiums for certain trading routes. For 2002/2003, our P&I club insurance premiums increased by approximately 25% and our hull and machinery insurance premiums increased by 15%. We have been advised that for 2003/2004 our P&I club insurance premiums will increase by approximately another 10% as will our hull and machinery insurance premiums. In addition, war risk coverage for vessels operating in certain geographical areas has doubled, but this type of coverage represents a relatively small portion of our total insurance premiums. P&I, hull and machinery and war risk insurance premiums are accounted for as part of operation expenses in our financial statements. Accordingly, any change in insurance premium rates directly impacts our operating results.

Table of Contents