# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-K

**(Mark One)**

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

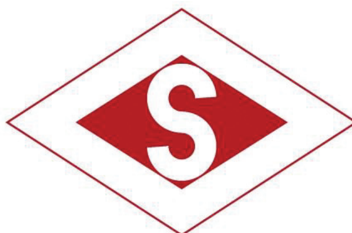
**For the fiscal year ended December 31, 2020;**

**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 001-38771**



# DIAMOND S SHIPPING INC.

**(Exact name of registrant as specified in its charter)**

| **Republic of the Marshall Islands**<br>**(State or other jurisdiction of incorporation or organization)** | **98-1480128**<br>**(I.R.S. Employer Identification No.)** |
|---|---|
| **33 Benedict Place, Greenwich CT**<br>**(Address of principal executive offices)** | **06830**<br>**(Zip Code)** |

**Registrant's telephone number, including area code: (203) 413-2000**

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

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| **Common Stock** | **DSSI** | **New York Stock Exchange** |

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

| | | | |
|---|---|---|---|
| Large Accelerated Filer | ☐ | Accelerated Filer | ☒ |
| Non-accelerated filer | ☐ | Smaller Reporting Company | ☐ |
| | | Emerging Growth Company | ☒ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $224,302,831 based on the closing price on the New York Stock Exchange on such date.

As of March 12, 2021, there were 40,439,674 shares of the registrant's common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

The information required by Part III of this Annual Report on Form 10-K, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the registrant's Annual Meeting of Shareholders to be held in 2021 (the "2021 Proxy Statement"), which definitive proxy statement shall be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

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**Cautionary Note Regarding Forward-Looking Statements**

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, the provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include financial projections, statements of plans and objectives for future operations, statements of future economic performance, and statements of assumptions relating thereto. Forward-looking statements may appear throughout this report, including without limitation, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and are often identified by future or conditional words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "intend," "likely," "may," "might," "pending," "plan," "possible," "potential," "predict," "project," "seeks," "should," "targets," "will," "would," or by variations of such words or by similar expressions. There can be no assurance that such forward-looking statements will be achieved. By their very nature, forward-looking statements involve known and unknown risks, uncertainties, assumptions, and other important factors that could cause our actual results or conditions to differ materially from those expressed or implied by such forward-looking statements.

The forward-looking statements in this report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies that are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

The following important factors, and those important factors described elsewhere in this report, could affect (and in some cases have affected) our actual results and could cause such results to differ materially from estimates or expectations reflected in such forward-looking statements:

- the cyclicality of the tanker industry;
- changes in economic and competitive conditions affecting our business, including market fluctuations in charter rates and charterers' abilities to perform under existing time charters;
- risks related to an oversupply of tanker vessels;
- the length and severity of the ongoing novel coronavirus ("COVID-19") pandemic, including its impact on the demand for seaborne transportation of petroleum products;
- changes in fuel prices, including as a result of the imposition of sulfur oxide emissions limits in 2020 under new regulations adopted by the IMO;
- decreases in the market values of tanker vessels;
- changes in governmental rules and regulations or actions taken by regulatory authorities;
- risks related to the management of our growth strategy, counterparty risks and customer relations with key customers;
- our ability to meet obligations under time charter agreements;
- dependence on third-party managers and a limited number of customers;
- our liquidity, level of indebtedness, operating expenses, capital expenditures and financing;
- our credit facilities;
- risk of loss, including potential liability from future litigation and potential costs due to environmental damage, vessel collisions and business interruptions;
- general domestic and international political conditions or events, including "trade wars";
- risks related to war, terrorism and piracy;
- risks related to the acquisition, modification and operation of vessels;

- future supply of, and demand for, refined products and crude oil, including relating to seasonality;
- risks related to our insurance, including adequacy of coverage and increased premium payments;
- risks related to tax rules applicable to us;
- our ability to clear the oil majors' risk assessment processes;
- future refined product and crude oil prices and production;
- the carrying values of our vessels and the potential for any asset impairments;
- our ability to maximize the use of our vessels, including the redeployment or disposition of vessels no longer under time charter;
- our continued ability to successfully employ our vessels;
- failure to maintain effective internal control over financial reporting;
- our ability to implement our business strategy and manage planned growth; and
- substantial sales of our common shares;
- our ability to meet financial projections;
- conflicts of interest between our significant shareholders and our other shareholders;
- risks related to our common shares, including low liquidity and high volatility;
- our ability to retain and hire key personnel;
- risks related to being an independent public company and an emerging growth company, including with respect to accounting practices and policies;
- failure to comply with the U.S. Foreign Corrupt Practices Act of 1977;
- risks related to our corporate governance, including the difficulty of changing the composition of our board of directors;
- the lack of shareholder rights due to being incorporated in the Republic of the Marshall Islands;
- the risk that it may be difficult to serve process or enforce a U.S. judgment against us;
- other factors discussed under "Item 1A. Risk Factors"; and
- other risks and uncertainties disclosed in our reports filed from time to time with the Securities and Exchange Commission ("SEC") under the Exchange Act.

Actual results could differ materially from expectations expressed in the forward-looking statements if one or more of the underlying assumptions or expectations proves to be inaccurate or is not realized. You should thoroughly read this report with the understanding that our actual future results may be materially different from and worse than what we expect. Other sections of this report include additional factors that could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of the forward-looking statements by these cautionary statements.

Projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate are necessarily subject to a high degree of uncertainty and risk. When considering these forward-looking statements, you should keep in mind the cautionary statements in this report and in our other SEC filings. These forward-looking statements speak only as of the date on which such statements were made, and we undertake no obligation to update or revise these statements, except as required by applicable law. These forward-looking statements are not guarantees of our future performance, and actual results and future developments may vary materially from those projected in the forward-looking statements.

Except to the extent required by applicable law or regulation, we undertake no obligation to release publicly any revisions or updates to these forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

**Website Disclosure**

We use our website (www.diamondsshipping.com) as a routine channel of distribution of company information, including press releases, analyst presentations, and supplemental financial information, as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor our website in addition to following press releases, filings with the SEC, and public conference calls and webcasts. Additionally, we provide notifications of announcements as part of our website. Investors and others can receive notifications of new press releases posted on our website by signing up for email alerts.

None of the information provided on our website, in our press releases or public conference calls and webcasts or through social media is incorporated into, or deemed to be a part of, this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our website are intended to be inactive textual references only.

## PART I

### ITEM 1. BUSINESS.

*When we use the terms "we," "us," the "Company," "Diamond S" or "our" in this report, unless the context otherwise requires, we are referring to Diamond S Shipping Inc. and its subsidiaries. Unless otherwise indicated, all references to "U.S. dollars," "USD," "dollars," "US$" and "$" in this annual report are to the lawful currency of the United States of America. We use the term deadweight ton ("dwt") in describing the size of our vessels. Dwt, expressed in metric tons, each of which is equivalent to 1,000 kilograms, refers to the maximum weight of cargo and supplies that a vessel can carry.*

#### Company Overview

We provide seaborne transportation of crude oil, refined petroleum and other products in the international shipping markets. As of March 12, 2021, our operating fleet consisted of 64 vessels with an aggregate carrying capacity of approximately five million dwt. Our vessel operations are composed of two segments: crude tankers, which consists of 13 Suezmax vessels and one Aframax vessel, and product tankers, which consists of 50 medium range ("MR") vessels.

We are one of the largest publicly listed owners and operators of crude and product tankers in the world. The average age of our overall fleet is approximately 10.4 years weighted by dwt and ownership for the calendar year 2021. Our MR fleet has an average age of approximately 12.5 years, which is approximately equal to the global MR fleet average age. Our Suezmax fleet has an average age of approximately 8.0 years, taking into account two vessel sales delivered to the purchaser in January and February 2021, which compares favorably to the industry average Suezmax age of approximately 10.3 years.

Our full fleet of 64 vessels is active in the market and earning revenue. Our customers primarily include large, well-established charterers, which include fully integrated oil companies (oil majors), smaller oil companies (refiners), oil traders, large oil distributors, governments and national oil companies, and storage facility operators.

We pursue a chartering strategy that seeks an optimal mix of employment of our vessels. We currently operate our vessels in both spot and time charter markets, with approximately 9% of our fleet on time charters with average remaining charter term of 0.8 years as of January 2021. We believe that, in current market conditions, employing our fleet on a mix of spot and short-term time charters (which we define as time charters with an initial term of one year or less) positions us favorably to generate attractive returns and to benefit from rising charter rates.

#### Business Strategy

The international tanker industry is highly competitive and deeply cyclical. The goal of our strategy is to navigate this volatile environment and manage our fleet in a manner that produces strong cash flows and allows us to build upon our position as a leading provider of international seaborne transportation of crude oil and petroleum products. The key pillars of our strategy are:

##### *Optimize Fleet Mix*

As a leading owner and operator of tanker vessels with significant scale in the two largest liquid bulk markets, crude oil and petroleum products, we seek to maintain a continued presence in both markets, which we believe has a number of benefits. Our presence in the product tanker sector provides us with a lower-beta cash flow stream which leverages our low-cost structure, enabling us to maintain optionality as the global seaborne trade mix evolves over time. Our participation in the crude tanker sector, where charter rates have historically experienced substantial volatility, provides us with the opportunity to realize potential uncapped rate upside. The dual market tanker platform allows us to opportunistically take advantage of attractive vessel supply/demand dynamics as they arise in either market.

##### *Spot Focused Vessel Employment*

We believe spot and short-term time charter operations generate superior returns over time relative to a long duration time charter strategy. We intend to position the majority of our vessels to continue to compete

in the spot market. However, we intend to actively manage the fleet given the prevailing market environment. When freight rates are nearing historical peaks, we may take on additional time charter cover.

***Maintain Conservative Financial Structure and Disciplined Capital Allocation***

Given the unpredictability and cyclicality of tanker rates, maintaining conservative financial leverage positions us favorably to successfully navigate unanticipated downturns and remain flexible to pursue accretive opportunities at all points in the cycle. Our moderate and low-cost indebtedness leads to reasonable debt service payments and enables us to maintain industry leading cash break even rates on our vessels.

***Opportunistic Asset Management***

We actively manage the size of our fleet and continually evaluate suitable vessel acquisitions and divestitures based on prevailing and expected freight rates and the private market valuations of tanker vessels. In pursuit of this strategy, we may acquire or sell vessels at attractive points in the cycle.

**History and Development of the Company**

Diamond S Shipping Inc. was formed on November 14, 2018 under the laws of the Republic of the Marshall Islands for the purpose of receiving, via contribution from Capital Product Partners L.P. ("CPLP"), CPLP's crude and product tanker business including 25 vessels (the "Athena Vessels") and combining that business with the business and operations of DSS Holdings L.P. ("DSS LP") pursuant to the Transaction Agreement, dated as of November 27, 2018 (as amended, the "Transaction Agreement"), by and among CPLP, DSS LP, DSSI and the other parties named therein. DSS LP was a Cayman Islands limited partnership formed on October 1, 2007. Such contribution and combination, together with the other transactions contemplated by the Transaction Agreement, are referred to herein as the "Transactions." The Transactions closed on March 27, 2019 and the Diamond S common shares commenced trading on the New York Stock Exchange (the "NYSE") on March 28, 2019 under the symbol "DSSI."

Below is a simplified step-by-step description of the sequence of material events relating to the Transactions:

*Step 1: Formation.* On November 14, 2018, CPLP formed Diamond S as a wholly owned subsidiary. We issued 500 common shares to CPLP at formation. We formed four wholly owned subsidiaries organized under the laws of the Republic of the Marshall Islands, referred to as "Products Merger Entity," "Crude Merger Entity," "Management Merger Entity" and "Surviving Merger Entity."

*Step 2: Separation.* CPLP separated its product and crude tanker businesses into separate lines of subsidiaries and contributed them to us. We issued 12,724,500 additional common shares in connection with the contribution by CPLP. In the separation, CPLP contributed to us (1) the Athena Vessels, (2) an amount in cash equal to $10 million and (3) associated inventories.

*Step 3: Distribution.* On March 27, 2019, CPLP distributed on a pro rata basis all 12,725,000 then-outstanding common shares of Diamond S to its unitholders of record as of March 19, 2019.

*Step 4: Combination.* Immediately following the distribution, (1) DSS Crude Transport Inc., a wholly owned subsidiary of DSS LP, merged with Crude Merger Entity, with DSS Crude Transport Inc. surviving the merger, (2) DSS Products Transport Inc., a wholly owned subsidiary of DSS LP, merged with Products Merger Entity, with DSS Products Transport Inc. surviving the merger, and (3) Diamond S Technical Management LLC, a wholly owned subsidiary of DSS LP, merged with Management Merger Entity, with Diamond S Technical Management LLC surviving the merger. Pursuant to the Transaction Agreement, DSS LP received 27,165,696 common shares of Diamond S in the combination and in turn distributed those common shares to its limited partners. Following these mergers and pursuant to the same plan each of DSS Crude Transport Inc., DSS Products Transport Inc. and Diamond S Technical Management LLC merged with the Surviving Merger Entity, with the Surviving Merger Entity surviving. Surviving Merger Entity subsequently merged with Diamond S, with Diamond S surviving.

**Recent Developments and Other Developments**

***Strategic Product Tanker Partnership***

On June 15, 2020, we entered into an agreement with Dampskibsselskabet Norden A/S ("Norden"). During the term of this agreement, Norden and we have agreed to use commercially reasonable efforts to identify new projects in the product tanker industry that they may jointly pursue and develop. Pursuant to this agreement, we have agreed to initially contribute 28 of our MR vessels to the Norient Product Pool (the "Pool"). This agreement will terminate upon the occurrence of certain events, including when we no longer have vessels operating in the Pool. As of December 31, 2020, 28 of our vessels are operating in the Pool.

***Share Repurchase Program***

On March 4, 2020, our Board of Directors approved a share repurchase program, providing authorization to repurchase up to $50 million of our common shares, effective for a period of one year, which has now expired. Shares we repurchased under this program could have been purchased in the open market or in privately negotiated transactions, at times and prices that we considered to be appropriate. Under the share repurchase program, we repurchased 137,289 shares for a total of $1.4 million.

**Our Operating Fleet**

The table below summarizes key information as of March 12, 2021 about the vessels in our fleet, including their employment either on time charters or in the spot market.

| Vessel | Year Built | Shipyard | Capacity (DWT) | Employment Time/Spot | Charter Firm End |
|---|---|---|---|---|---|
| **PRODUCT TANKERS[1]** | | | | | |
| Active | 2015 | Samsung (Ningbo) | 50,136 | Spot | |
| Adriatic Wave | 2009 | STX | 51,549 | Spot (Pool) | |
| Aegean Wave | 2009 | STX | 51,510 | Spot (Pool) | |
| Agisilaos | 2006 | Hyundai Mipo | 36,760 | Spot | |
| Aiolos | 2007 | Hyundai Mipo | 36,725 | Spot | |
| Akeraios | 2007 | Hyundai Mipo | 47,781 | Spot | |
| Aktoras | 2006 | Hyundai Mipo | 36,759 | Spot | |
| Alexandros II | 2008 | STX | 51,258 | Spot | |
| Alkiviadis | 2006 | Hyundai Mipo | 36,721 | Spot | |
| Alpine Madeleine | 2008 | Hyundai Mipo | 49,999 | Spot (Pool) | |
| Alpine Mathilde | 2008 | Hyundai Mipo | 49,999 | Spot (Pool) | |
| Alpine Maya | 2010 | STX | 51,501 | Spot (Pool) | |
| Alpine Melina | 2010 | STX | 51,483 | Spot (Pool) | |
| Alpine Mia | 2008 | Hyundai Mipo | 49,999 | Spot (Pool) | |
| Alpine Moment | 2009 | Hyundai Mipo | 49,999 | Spot (Pool) | |
| Alpine Mystery | 2009 | Hyundai Mipo | 49,999 | Spot (Pool) | |
| Amadeus | 2015 | Samsung (Ningbo) | 50,108 | Spot | |
| Amor | 2015 | Samsung (Ningbo) | 49,999 | Spot | |
| Anemos I | 2007 | Hyundai Mipo | 47,782 | Spot | |
| Anikitos | 2016 | Samsung (Ningbo) | 50,082 | Time | December 2021 |
| Apostolos | 2007 | Hyundai Mipo | 47,782 | Spot | |
| Arionas | 2006 | Hyundai Mipo | 36,725 | Spot | |
| Aris II | 2008 | STX | 51,218 | Spot | |

| Vessel | Year Built | Shipyard | Capacity (DWT) | Employment Time/Spot | Charter Firm End |
|---|---|---|---|---|---|
| Aristotelis II | 2008 | STX | 51,226 | Time | July 2021 |
| Assos | 2006 | Hyundai Mipo | 47,872 | Spot | |
| Atlantas II | 2006 | Hyundai Mipo | 36,760 | Spot | |
| Atlantic Breeze | 2007 | Hyundai Mipo | 49,999 | Spot (Pool) | |
| Atlantic Frontier | 2007 | Hyundai Mipo | 49,999 | Spot (Pool) | |
| Atlantic Gemini | 2008 | Hyundai Mipo | 49,999 | Spot (Pool) | |
| Atlantic Grace | 2008 | Hyundai Mipo | 49,999 | Spot (Pool) | |
| Atlantic Lily | 2008 | Hyundai Mipo | 49,999 | Spot (Pool) | |
| Atlantic Mirage | 2009 | STX | 51,476 | Spot (Pool) | |
| Atlantic Muse | 2009 | STX | 51,498 | Spot (Pool) | |
| Atlantic Olive | 2008 | Hyundai Mipo | 49,999 | Spot (Pool) | |
| Atlantic Pisces | 2009 | Hyundai Mipo | 49,999 | Spot (Pool) | |
| Atlantic Polaris | 2009 | Hyundai Mipo | 49,999 | Spot (Pool) | |
| Atlantic Rose | 2008 | Hyundai Mipo | 49,999 | Time | May 2021 |
| Atlantic Star | 2008 | Hyundai Mipo | 49,999 | Spot (Pool) | |
| Atlantic Titan | 2008 | Hyundai Mipo | 49,999 | Spot (Pool) | |
| Atrotos | 2007 | Hyundai Mipo | 47,786 | Spot | |
| Avax | 2007 | Hyundai Mipo | 47,834 | Time | July 2021 |
| Axios | 2007 | Hyundai Mipo | 47,872 | Spot | |
| Ayrton II | 2009 | STX | 51,260 | Time | July 2021 |
| Citron | 2007 | Hyundai Mipo | 49,999 | Spot (Pool) | |
| Citrus | 2008 | Hyundai Mipo | 49,995 | Spot (Pool) | |
| High Jupiter | 2008 | STX | 51,603 | Spot (Pool) | |
| High Mars | 2008 | STX | 51,542 | Spot (Pool) | |
| High Mercury | 2008 | STX | 51,501 | Spot (Pool) | |
| High Saturn | 2008 | STX | 51,527 | Spot (Pool) | |
| Pacific Jewel | 2009 | Iwagi Zosen | 48,012 | Spot (Pool) | |
| **CRUDE TANKERS** | | | | | |
| Aristaios | 2017 | Daehan | 113,689 | Time | December 2021 |
| Brazos | 2012 | Samsung | 158,537 | Spot | |
| Colorado | 2012 | Samsung | 158,615 | Spot | |
| Frio | 2012 | Hyundai Heavy | 159,000 | Spot | |
| Miltiadis M II | 2006 | Daewoo Shipbuilding | 162,397 | Spot | |
| Pecos | 2012 | Samsung | 158,465 | Spot | |
| Red | 2012 | Hyundai Heavy | 159,068 | Spot | |
| Rio Grande | 2012 | Hyundai Heavy | 159,056 | Spot | |
| Sabine | 2012 | Samsung | 158,493 | Spot | |
| San Jacinto | 2016 | Hyundai Heavy | 158,658 | Spot | |
| San Saba | 2012 | Hyundai Heavy | 159,018 | Spot | |
| Trinity | 2016 | Hyundai Heavy | 158,734 | Spot | |

| Vessel | Year Built | Shipyard | Capacity (DWT) | Employment Time/Spot | Charter Firm End |
|---|---|---|---|---|---|
| **JOINT VENTURE VESSELS[(2)]** | | | | | |
| Loire | 2016 | New Times | 157,463 | Time | September 2022 |
| Namsen | 2016 | New Times | 157,543 | Time | September 2022 |
| **Total: 64 Vessels** | | | **4,602,362** | | |

(1) We sold the M/T Aias and M/T Amoureux in January 2021 and February 2021, respectively.

(2) We own 51% of the entity (NT Suez Holdco LLC) that owns these two crude tankers.

*Average Contracted Daily Time Charter Rates*

The following table summarizes the percentage of contracted revenue days to total revenue days for our fleet in each of the calendar years ended December 31, 2020 and 2019, respectively, with the related average daily contracted gross charter rate in each of the respective periods:

| Fiscal Year Ended | % of Available Days Contracted | Average Contracted Base Rate Per Day |
|---|---|---|
| December 31, 2020 | 18.3% | $16,501 |
| December 31, 2019 | 23.7% | $16,132 |

**Chartering Strategy**

We pursue a chartering strategy that seeks an optimal mix of employment of our vessels, primarily depending on fluctuations in freight rates. We currently operate our vessels in both spot and time charter markets. Our chartering objective is to remain opportunistic to benefit from the underlying volatility of the tanker freight markets while maintaining a presence in the shorter-term time charter market. We generally view short duration time charters (which we define as time charters with an initial term of one year or less) as an extension of our spot market presence.

*Spot Market*

Spot market charters, including voyage charters, are generally contracts to carry a specific cargo from a load port to a discharge port for an agreed freight per ton of cargo or a specified total amount. Under spot market voyage charters, the Company pays voyage expenses such as port, canal and bunker costs. Spot charter rates are volatile and fluctuate on a seasonal and year-to-year basis. Fluctuations derive from imbalances in the availability of cargoes for shipment and the number of vessels available at any given time to transport these cargoes. Vessels operating in the spot market generate revenue that is less predictable, but may enable us to capture increased profit margins during periods of improvements in tanker rates. We also consider short-term time charters and participation in commercial pools as an extension of our spot market activities.

*Time Charters*

A time charter is an agreement covering the chartering out of a vessel to an end-user for a defined period of time. Under time charters, the owner is responsible for crewing the vessel, but the charterer is responsible for port costs and bunkers (fuel). Time charters, including bareboat charters, give the Company a fixed and stable cash flow for a known period of time. Time charters also mitigate in part the seasonality of the spot market business, which is generally weaker in the summer and autumn seasons.

**Our Vessel Managers**

Diamond Anglo Ship Management Pte. Ltd. (“DASM”), our joint venture over which we have management control, and three third-party ship managers, Anglo-Eastern Shipmanagement (Singapore) Pte. Ltd. (“AESM”), Executive Ship Management (Singapore) (“ESM”) and Fleet Management Limited (Hong Kong) (“FML”), provide the Company with technical services with respect to the vessels historically

owned by DSS LP. As of December 31, 2020, DASM provided these services to 33 of our vessels, and AESM, ESM and FML provided services to a combined total of eight of our vessels. Technical management services primarily include vessel operation, maintenance and crewing services for the vessels in our fleet and the related office, accounting, legal and insurance services. DASM operates under a safety management system in compliance with the IMO's International Management Code for the Safe Operation of Ships and for Pollution Prevention (the "ISM Code") and certified by Det Norske Veritas (DNV) Re. DASM's management systems also comply with the Quality Standard ISO 9001, the Environmental Management Standard ISO 14001, and the Occupational Health & Safety Management System 18001.

Capital Ship Management Corp. ("CSM"), a related party of ours, provides various services to our vessels that were originally contributed by CPLP. As of December 31, 2020, CSM provided the various services to 25 of our vessels. Pursuant to the management and services agreement (the "Management and Services Agreement", and together with the related technical and commercial management services agreements that we entered into with CSM, the "Management Agreements") we receive technical management services, commercial management services of the vessels, vessel maintenance and crewing, purchasing, insurance and drydock supervision. CSM operates under a safety management system in compliance with the IMO's ISM Code and certified by Lloyd's Register. CSM's management systems also comply with the Quality Standard ISO 9001, the Environmental Management Standard ISO 14001, the Occupational Health & Safety Management System 18001 and the Energy Management Standard 50001, all of which are certified by Lloyd's. CSM has furthermore implemented an "Integrated Management System Approach" verified by Lloyd's. CSM also adopted "Business Continuity Management" principles in cooperation with Lloyd's.

Under the Management and Services Agreement, we compensate CSM with (1) a daily technical management fee of $850 per vessel for technical management services, subject to an annual increase based on the total percentage increase in the consumer price index in the immediately preceding 12 months, (2) a reimbursement for all reasonable and documented direct and indirect costs, liabilities, legal expenses and other expenses incurred by CSM in providing any technical management services not covered in (1) above, (3) a commercial management fee of 1.25% of all gross charter revenues generated by each vessel, and (4) an annual commercial management consultancy fee of $2.0 million.

The Management Agreements have a term of five years from the closing of the Transactions unless terminated upon 120 days' notice by either the Company or CSM for cause, or a change of control occurs at either the Company or CSM, among other things. Upon an early termination of the Management Agreement other than in certain circumstances such as cause, the fee will be adjusted as at the effective date of the termination and become immediately payable.

Pursuant to the Management and Services Agreement, CSM has a right of first refusal, exercisable up to four times, to provide technical management services for up to a total of 29 vessels. If we sell or otherwise dispose of vessels such that CSM provides technical management services to fewer than 25 vessels, we are required to work in good faith to replace such vessels within six months; however, in any case, we have agreed to promptly take all necessary actions to ensure that CSM manage no fewer than 20 vessels. In the event of a vessel sale for which no replacement occurs within six months, CSM is entitled to a termination fee equal to $400 per day times the number of days remaining in the term. If we sell or otherwise dispose of vessels such that CSM provides commercial management services to fewer than 25 vessels, we are required to replace such vessels within three months.

**The Company's Indebtedness**

See the section entitled "Description of Material Indebtedness" for a description of our long-term debt, consisting of credit facilities (revolving loans, term loans, and lines of credit).

**Human Capital**

As of December 31, 2020, we had approximately 1,465 seafarers employed on our fleet and we employed 36 individuals and retained 5 consultants who provide shore-based services for the Company. Four of these shore-based individuals are employed as our executive officers. Our seafarers are subject to various collective bargaining agreements. None of our shore-based employees are represented by a labor union, or are subject to any collective bargaining agreements. Additionally, our 51% owned joint venture,

Diamond Anglo Ship Management Pte. Ltd. ("DASM"), which we consolidate as we are the primary beneficiary, employed 42 shore-based individuals as of December 31, 2020.

We recognize that the success of our Company is dependent upon the talents and dedication of our staff, and we are committed to investing in their success. We focus on attracting, developing and retaining a team of highly talented and motivated individuals. We conduct periodic assessments of our pay and benefit practices to help ensure that staff members are compensated fairly and competitively. The Company provides competitive compensation and benefits. In addition to salaries for our shore-based employees, our compensation programs typically include annual bonuses, stock-based compensation awards, company-sponsored retirement savings plans with employer matching opportunities, healthcare and insurance benefits, flexible spending accounts, life insurance, paid time off, family leave, and employee assistance programs.

The health and safety of our staff is of paramount importance to us. With the onset of the COVID-19 pandemic in early 2020, we immediately responded by prioritizing the safety and well-being of our staff by implementing through our managers several changes to enhance COVID-19 safety and mitigate related health risks on our vessels. For the Company's non-vessel locations and operations, we implemented various health and safety measures including COVID-19 case tracking and quarantining where and when necessary, daily temperature checks, protective equipment, regular office sanitization, widely distributing hand-sanitizer, reconfiguration of workstations to allow for appropriate distancing, and implementing remote work policies, among other things.

We support meaningful learning and development opportunities. We have formal and informal training programs available and offer reimbursement for qualified workshops, conferences, forums and classes.

By honoring the dignity of each person, we foster a culture of inclusion where everyone is welcome. We do this by embracing diverse voices and experiences, supporting programs and resources that build an authentic and respectful workplace, and providing fair and equitable opportunities for each person to contribute meaningfully. We believe that everyone should feel confident in bringing their authentic selves to work as we believe our workforce needs to be diverse, which, in turn, enables us to innovate, collaborate and better deliver to our customers.

**Our Customers**

Our customers primarily include fully integrated oil companies (oil majors), refiners, oil traders, large oil distributors, governments and national oil companies and storage facility operators. Our tanker fleet is employed primarily in the spot and short duration time charter market.

We believe that developing strong relationships with the end users of the Company's services allows us to better satisfy their needs with appropriate and capable vessels. A prospective customer's financial condition, creditworthiness and reliability track record are important factors in negotiating our vessels' employment.

We have derived, and may continue to derive, a significant portion of our revenues from a limited number of customers. However, for the year ended December 31, 2020, there were no charterers that accounted for greater than 10% of our revenue. Our top five customers accounted for approximately 40.1% of our total revenue for the year ended December 31, 2020.

**Major Oil Company Vetting Process**

Shipping in general, and crude oil and refined product tankers, in particular, have been, and will remain, heavily regulated. Many international and national rules, regulations and other requirements, whether imposed by the classification societies, international statutes (for example, the IMO International Convention for the Safety of Life at Sea of 1974 ("SOLAS"), MARPOL, etc.), national and local administrations or industry, must be complied with in order to enable a shipping company to operate and a vessel to trade.

Traditionally there have been relatively few large players in the oil trading business and the industry is continuously consolidating. The so-called "oil majors companies," such as BP p.l.c., Chevron Corporation,

ExxonMobil Corporation, Royal Dutch Shell plc, Statoil ASA, and Total S.A., together with a few smaller companies, represent a significant percentage of the production, trading and, especially, shipping logistics (terminals) of crude and refined products worldwide. Concerns for the environment, health and safety have led the oil majors to develop and implement a strict due diligence process when selecting their commercial partners. This vetting process has evolved into a sophisticated and comprehensive risk assessment of both the vessel operator and the vessel.

While a plethora of parameters are considered and evaluated prior to a commercial decision, the oil majors, through their association, the Oil Companies International Marine Forum ("OCIMF"), have developed and are implementing two basic tools: (1) a Ship Inspection Report Programme ("SIRE") and (2) the Tanker Management & Self-Assessment ("TMSA") Program. The former is a physical ship inspection based upon a thorough vessel inspection questionnaire and performed by accredited OCIMF inspectors, resulting in a report being logged on SIRE, while the latter is a recent addition to the risk assessment tools used by the oil majors.

Based upon commercial needs, there are three levels of risk assessment used by the oil majors: (1) terminal use, which will clear a vessel to call at one of the oil major's terminals; (2) voyage charter, which will clear the vessel for a single voyage; and (3) term charter, which will clear the vessel for use for an extended period of time. The depth, complexity and difficulty of each of these levels of assessment vary. Results of a recent SIRE inspection, the manager's TMSA rating, the vessel's current certification and recent operation history will be reviewed by a customer before using a vessel for a voyage charter. Additional scrutiny of the vessel, the manager and the owner will be undertaken in the case of a customer fixing a vessel for a time charter. A good safety and environmental record is essential to ensure that our vessels are acceptable to our customers.

**Tax Considerations**

The following is a discussion of the material Marshall Islands and United States federal income tax considerations relevant to owning our common stock by a United States Holder or a Non-United States Holder, each as defined below. This discussion does not purport to deal with the tax consequences of owning our common stock to all categories of investors, some of which (such as financial institutions, regulated investment companies, real estate investment trusts, tax-exempt organizations, insurance companies, persons holding our common stock as part of a hedging, integrated, conversion or constructive sale transaction or a straddle, traders in securities that have elected the mark-to-market method of accounting for their securities, persons liable for alternative minimum tax, persons who are investors in pass-through entities, dealers in securities or currencies, persons required to recognize income for U.S. federal income tax purposes no later than when such income is reported on an "applicable financial statement," persons who own, directly or constructively, 10% or more of our common stock, persons subject to the "base erosion and anti-avoidance" tax and investors whose functional currency is not the United States dollar) may be subject to special rules. This discussion deals only with holders who own the common stock as a capital asset. Shareholders are encouraged to consult their own tax advisors concerning the overall tax consequences arising in their own particular situation under United States federal, state, local or foreign law of the ownership of our common stock.

*Marshall Islands Tax Considerations*

In the opinion of Seward & Kissel LLP, the following are the material Marshall Islands tax consequences of our activities to us and shareholders of our common stock. We are incorporated in the Marshall Islands. Under current Marshall Islands law, we are not subject to tax on income or capital gains, and no Marshall Islands withholding tax will be imposed upon payments of dividends by us to our shareholders.

*United States Federal Income Tax Considerations*

In the opinion of Seward & Kissel LLP, our United States tax counsel, the following are the material United States federal income tax consequences to us of our activities and to United States Holders and to Non-United States Holders (each as defined below) of our common stock. The following discussion of United States federal income tax matters is based on the Internal Revenue Code of 1986, as amended, or the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the

United States Department of the Treasury, all of which are subject to change, possibly with retroactive effect. In addition, the discussion below is based, in part, on the description of our business as described in "Item 1. Business" in this Annual Report and assumes that we conduct our business as described in that section.

***United States Federal Income Taxation of Our Company***

*Taxation of Operating Income: In General.* The Company currently earns, and anticipates that it will continue to earn, substantially all its income from the hiring or leasing of vessels for use on a time or voyage charter basis or from the performance of services directly related to those uses, all of which we refer to as "shipping income."

Unless exempt from United States federal income taxation under the rules of Section 883 of the Code ("Section 883"), as discussed below, a foreign corporation such as ourselves will be subject to United States federal income taxation on its "shipping income" that is treated as derived from sources within the United States, to which we refer as "United States source shipping income." For tax purposes, "United States source shipping income" includes 50% of shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States.

Shipping income attributable to transportation exclusively between non-United States ports will be considered to be 100% derived from sources outside the United States. Shipping income derived from sources outside the United States will not be subject to any United States federal income tax.

Shipping income attributable to transportation exclusively between United States ports is considered to be 100% derived from United States sources. However, the Company is not permitted by United States law to engage in the transportation of cargoes that produces 100% United States source income.

Unless exempt from tax under Section 883, the Company's gross United States source shipping income would be subject to a 4% tax imposed without allowance for deductions as described below.

*Exemption of Operating Income from* United States *Federal Income Taxation.* Under Section 883 and the regulations thereunder, a foreign corporation will be exempt from United States federal income taxation on its United States source shipping income if:

- it is organized in a qualified foreign country, which is one that grants an "equivalent exemption" from tax to corporations organized in the United States in respect of each category of shipping income for which exemption is being claimed under Section 883 and to which we refer as the "Country of Organization Test"; and
- one of the following tests is met:
  - more than 50% of the value of its shares is beneficially owned, directly or indirectly, by qualified shareholders, which as defined includes individuals who are "residents" of a qualified foreign country, to which we refer as the "50% Ownership Test";
  - subject to an exception for closely-held corporations, its shares are "primarily and regularly traded on an established securities market" in a qualified foreign country or in the United States, to which we refer as the "Publicly-Traded Test"; or
  - it is a "controlled foreign corporation" and satisfies an ownership test, to which, collectively, we refer to as the "CFC Test."

The Republic of the Marshall Islands, the jurisdiction where the Company is incorporated, has been officially recognized by the United States Internal Revenue Service (the "IRS") as a qualified foreign country that grants the requisite "equivalent exemption" from tax in respect of each category of shipping income the Company earns and currently expects to earn in the future. Therefore, the Company will be exempt from United States federal income taxation with respect to its United States source shipping income if it satisfies any one of the 50% Ownership Test, the Publicly-Traded Test, or the CFC Test.

For the 2020 taxable year, we believe that we satisfy the Publicly-Traded Test, as discussed in more detail below. We do not currently anticipate a circumstance under which we would be able to satisfy the 50% Ownership Test or the CFC Test.

***Publicly-Traded Test***

The regulations under Section 883 provide, in pertinent part, that shares of a foreign corporation will be considered to be "primarily traded" on an established securities market in a country if the number of shares of each class of shares that are traded during any taxable year on all established securities markets in that country exceeds the number of shares in each such class that are traded during that year on established securities markets in any other single country. The Company's common stock, which is its sole class of issued and outstanding shares, are "primarily traded" on the NYSE.

Under the regulations, the Company's common stock will be considered to be "regularly traded" on an established securities market if one or more classes of its shares representing more than 50% of its outstanding shares, by both total combined voting power of all classes of shares entitled to vote and total value, are listed on such market, to which we refer as the "listing threshold." Since our common stock, which is our sole class of issued and outstanding shares, is listed on the NYSE, we believe that we satisfy the listing threshold.

It is further required that with respect to each class of shares relied upon to meet the listing threshold, (i) such class of shares is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or one-sixth of the days in a short taxable year; and (ii) the aggregate number of shares of such class of shares traded on such market during the taxable year is at least 10% of the average number of shares of such class of shares outstanding during such year or as appropriately adjusted in the case of a short taxable year. We believe the Company will satisfy the trading frequency and trading volume tests. Even if this were not the case, the regulations provide that the trading frequency and trading volume tests will be deemed satisfied if, as is the case with the Company's common stock, such class of shares is traded on an established market in the United States and such shares are regularly quoted by dealers making a market in such shares.

Notwithstanding the foregoing, the regulations provide, in pertinent part, that a class of shares will not be considered to be "regularly traded" on an established securities market for any taxable year in which 50% or more of the vote and value of the outstanding shares of such class are owned, actually or constructively under specified share attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the vote and value of such class of outstanding shares, to which we refer as the "5 Percent Override Rule."

For purposes of being able to determine the persons who actually or constructively own 5% or more of the vote and value of the Company's common stock, or 5% Shareholders, the regulations permit the Company to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the SEC, as owning 5% or more of the Company's common stock. The regulations further provide that an investment company which is registered under the Investment Company Act of 1940, as amended, will not be treated as a 5% Shareholder for such purposes.

In the event the 5 Percent Override Rule is triggered, the regulations provide that the 5 Percent Override Rule will nevertheless not apply if the Company can establish that within the group of 5% Shareholders, there are sufficient qualified shareholders for purposes of Section 883 to preclude non-qualified shareholders in such group from owning 50% or more of the Company's common stock for more than half the number of days during the taxable year, which we refer to as the "5 Percent Override Exception."

Based on the ownership and trading of our stock in 2020, we believe that we satisfied the publicly traded test and qualified for the Section 883 exemption in 2020. Even if we do qualify for the Section 883 exemption in 2020, there can be no assurance that changes and shifts in the ownership of our stock by 5% shareholders will not preclude us from qualifying for the Section 883 exemption in future taxable years.

***Taxation in Absence of Section 883 Exemption***

If the benefits of Section 883 are unavailable, the Company's United States source shipping income would be subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions, to the extent that such income is not considered to be "effectively connected" with the conduct of a United States trade or business, as described below. Since under the sourcing rules described above, no more than 50% of the Company's shipping income would be treated as being United States source shipping

income, the maximum effective rate of United States federal income tax on our shipping income would never exceed 2% under the 4% gross basis tax regime. However, we can give no assurance that the operation of our vessels, which are under the control of third party charterers, will not change such that our United States federal income tax liability would be substantially higher.

To the extent the Company's United States source shipping income is considered to be "effectively connected" with the conduct of a United States trade or business, as described below, any such "effectively connected" United States source shipping income, net of applicable deductions, would be subject to United States federal income tax, currently imposed at a rate of 21%. In addition, the Company may be subject to the 30% "branch profits" tax on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of the Company's United States trade or business.

The Company's United States source shipping income would be considered "effectively connected" with the conduct of a United States trade or business only if:

- the Company has, or is considered to have, a fixed place of business in the United States involved in the earning of United States source shipping income; and
- substantially all of the Company's United States source shipping income is attributable to regularly scheduled transportation, such as the operation of a vessel that follows a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the United States.

The Company did not have any vessel sailing to or from the United States on a regularly scheduled basis during its 2020 taxable year. The Company does not intend to have, or permit circumstances that would result in having, any such vessels in future taxable years, but there can be no assurances that this will be the case. Based on the foregoing and on the expected mode of the Company's shipping operations and other activities, the Company believes that none of its United States source shipping income will be "effectively connected" with the conduct of a United States trade or business for its 2020 taxable year or any future taxable year.

***United States Taxation of Gain on Sale of Vessels***

Assuming that any decision on a vessel sale is made from and attributable to the United States office of the Company, as we believe likely to be the case as the Company is currently structured, then any gain derived from the sale of any such vessel will be treated as derived from United States sources and subject to United States federal income tax as "effectively connected" income (determined under rules different from those discussed above) under the above described net income tax regime. If the Company were to qualify for exemption from tax under Section 883 in respect of the shipping income derived from the international operation of its vessels, then gain from the sale of any such vessel should likewise be exempt from tax under Section 883.

***United States Federal Income Taxation of United States Holders***

As used herein, the term "United States Holder" means a beneficial owner of our common stock that is an individual United States citizen or resident, a United States corporation or other United States entity taxable as a corporation, an estate the income of which is subject to United States federal income taxation regardless of its source, or a trust (i) if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) if it has elected to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding our common stock, you are encouraged to consult your tax advisor.

***Distributions***

Subject to the discussion of passive foreign investment companies below, any distributions made by the Company with respect to its common stock to a United States Holder will generally constitute dividends to

the extent of the Company's current or accumulated earnings and profits, as determined under United States federal income tax principles. Distributions in excess of such earnings and profits will be treated first as a nontaxable return of capital to the extent of the United States Holder's tax basis in his common stock on a dollar-for-dollar basis and thereafter as capital gain. Because the Company is not a United States corporation, United States Holders that are corporations will not be entitled to claim a dividend received deduction with respect to any distributions they receive from us. Dividends paid with respect to the Company's common stock will generally be treated as "passive category income" for purposes of computing allowable foreign tax credits for United States foreign tax credit purposes.

Dividends paid on the Company's common stock to a United States Holder who is an individual, trust or estate (a "United States Non-Corporate Holder") will generally be treated as "qualified dividend income" that is taxable to such United States Non-Corporate Holder at preferential tax rates provided that (1) the common stock is readily tradable on an established securities market in the United States (such as the NYSE on which the Company's common stock is traded); (2) the Company is not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (which we do not believe we have been, are or will be); (3) the United States Non-Corporate Holder has owned the common stock for more than 60 days in the 121-day period beginning 60 days before the date on which the common stock becomes ex-dividend; and (4) the United States Non-Corporate Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property.

There is no assurance that any dividends paid on the Company's common stock will be eligible for these preferential rates in the hands of a United States Non-Corporate Holder, although we believe that they will be so eligible. Any dividends out of earnings, and profits the Company pays, which are not eligible for these preferential rates will be taxed as ordinary income to a United States Non-Corporate Holder.

Special rules may apply to any "extraordinary dividend" — generally, a dividend in an amount which is equal to or in excess of 10% of a shareholder's adjusted basis in a common share — paid by the Company. If the Company pays an "extraordinary dividend" on its common stock that is treated as "qualified dividend income," then any loss derived by a United States Non-Corporate Holder from the sale or exchange of such common stock will be treated as a long-term capital loss to the extent of such dividend.

***Sale, Exchange or Other Disposition of Common Stock***

Assuming the Company does not constitute a passive foreign investment company for any taxable year, a United States Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of the Company's common stock in an amount equal to the difference between the amount realized by the United States Holder from such sale, exchange or other disposition and the United States Holder's tax basis in such stock. Such gain or loss will be treated as long-term capital gain or loss if the United States Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as United States source income or loss, as applicable, for United States foreign tax credit purposes. Long-term capital gains of United States Non-Corporate Holders are currently eligible for reduced rates of taxation. A United States Holder's ability to deduct capital losses is subject to certain limitations.

***Passive Foreign Investment Company Status and Significant Tax Consequences***

Special United States federal income tax rules apply to a United States Holder that holds shares in a foreign corporation classified as a "passive foreign investment company" for United States federal income tax purposes. In general, the Company will be treated as a passive foreign investment company with respect to a United States Holder if, for any taxable year in which such holder holds the Company's common stock, either:

- at least 75% of our gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or
- at least 50% of the average value of our assets during such taxable year produce, or are held for the production of, passive income.

Income earned, or deemed earned, by the Company in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute "passive income" unless the Company was treated under specific rules as deriving its rental income in the active conduct of a trade or business.

Based on the Company's current operations and future projections, we do not believe that the Company has been or is, nor do we expect the Company to become, a passive foreign investment company with respect to any taxable year. Although there is no legal authority directly on point, our belief is based principally on the position that, for purposes of determining whether the Company is a passive foreign investment company, the gross income it derives from its time chartering and voyage chartering activities should constitute services income, rather than rental income. Accordingly, such income should not constitute passive income, and the assets that the Company owns and operates in connection with the production of such income, in particular, the vessels, should not constitute passive assets for purposes of determining whether the Company is a passive foreign investment company.

We believe there is substantial legal authority supporting our position consisting of case law and IRS pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. In addition, we have obtained an opinion from our counsel, Seward & Kissel LLP, that, based upon the Company's operations as described herein, its income from time charters and voyage charters should not be treated as passive income for purposes of determining whether it is a passive foreign investment company. However, in the absence of any legal authority specifically relating to the statutory provisions governing passive foreign investment companies, the United States Internal Revenue Service, or the IRS or a court could disagree with our position. In addition, although the Company intends to conduct its affairs in a manner to avoid being classified as a passive foreign investment company with respect to any taxable year, we cannot assure you that the nature of its operations will not change in the future.

As discussed more fully below, if the Company were to be treated as a passive foreign investment company for any taxable year, a United States Holder would be subject to different taxation rules depending on whether the United States Holder makes an election to treat the Company as a "Qualified Electing Fund," which election we refer to as a "QEF election." As an alternative to making a QEF election, a United States Holder should be able to make a "mark-to-market" election with respect to the Company's common stock, as discussed below. In addition, if we were to be treated as a passive foreign investment company, a United States holder would be required to file an annual report with the IRS for that year with respect to such holder's common stock.

***Taxation of United States Holders Making a Timely QEF Election***

If a United States Holder makes a timely QEF election, which United States Holder we refer to as an "Electing Holder," the Electing Holder must report for United States federal income tax purposes its pro rata share of the Company's ordinary earnings and net capital gain, if any, for each taxable year of the Company for which it is a passive foreign investment company that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received from the Company by the Electing Holder. No portion of any such inclusions of ordinary earnings will be treated as "qualified dividend income." Net capital gain inclusions of United States Non-Corporate Holders would be eligible for preferential capital gains tax rates. The Electing Holder's adjusted tax basis in the common stock will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in the common stock and will not be taxed again once distributed. An Electing Holder would not, however, be entitled to a deduction for its pro rata share of any losses that the Company incurs with respect to any year. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of the Company's common stock. A United States Holder would make a timely QEF election for shares of the Company by filing one copy of IRS Form 8621 with his United States federal income tax return for the first year in which he held such shares when the Company was a passive foreign investment company. If the Company were to be treated as a passive foreign investment company for any taxable year, the Company would provide each United States Holder with all necessary information in order to make the QEF election described above.

### *Taxation of United States Holders Making a "Mark-to-Market" Election*

Alternatively, if the Company were to be treated as a passive foreign investment company for any taxable year and, as we anticipate, its shares are treated as "marketable stock", a United States Holder would be allowed to make a "mark-to-market" election with respect to the Company's common stock, provided the United States Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury regulations. If that election is made, the United States Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common stock at the end of the taxable year over such holder's adjusted tax basis in the common stock. The United States Holder would also be permitted an ordinary loss in respect of the excess, if any, of the United States Holder's adjusted tax basis in the common stock over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A United States Holder's tax basis in his common stock would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of the Company's common stock would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the Company's common stock would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the United States Holder. No income inclusions under this election will be treated as "qualified dividend income."

### *Taxation of United States Holders Not Making a Timely QEF or Mark-to-Market Election*

Finally, if the Company were to be treated as a passive foreign investment company for any taxable year, a United States Holder who does not make either a QEF election or a "mark-to-market" election for that year, whom we refer to as a "Non-Electing Holder," would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on the common stock in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common stock), and (2) any gain realized on the sale, exchange or other disposition of the Company's common stock. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for the common stock;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which the Company was a passive foreign investment company, would be taxed as ordinary income and would not be "qualified dividend income"; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

These special rules would not apply to a qualified pension, profit sharing or other retirement trust or other tax-exempt organization that did not borrow money or otherwise utilize leverage in connection with its acquisition of the Company's common stock. If the Company is a passive foreign investment company and a Non-Electing Holder who is an individual dies while owning the Company's common stock, such holder's successor generally would not receive a step-up in tax basis with respect to such shares.

### *United States Federal Income Taxation of "Non-United States Holders"*

A beneficial owner of common stock (other than a partnership) that is not a United States Holder is referred to herein as a "Non-United States Holder".

If a partnership holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding our common stock, you are encouraged to consult your tax advisor.

### *Dividends on Common Stock*

Non-United States Holders generally will not be subject to United States federal income tax or withholding tax on dividends received from the Company with respect to its common stock, unless that

income is effectively connected with the Non-United States Holder's conduct of a trade or business in the United States. If the Non-United States Holder is entitled to the benefits of a United States income tax treaty with respect to those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-United States Holder in the United States.

***Sale, Exchange or Other Disposition of Common Stock***

Non-United States Holders generally will not be subject to United States federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of the Company's common stock, unless:

- The gain is effectively connected with the Non-United States Holder's conduct of a trade or business in the United States (and, if the Non-United States holder is entitled to the benefits of an income tax treaty with respect to that gain, that gain is attributable to a permanent establishment maintained by the Non-United States holder in the United States); or
- The Non-United States Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-United States Holder is engaged in a United States trade or business for United States federal income tax purposes, the income from the common stock, including dividends and the gain from the sale, exchange or other disposition of the shares, that is effectively connected with the conduct of that trade or business will generally be subject to regular United States federal income tax in the same manner as discussed in the previous section relating to the taxation of United States Holders. In addition, if you are a corporate Non-United States Holder, your earnings and profits that are attributable to the effectively connected income, which are subject to certain adjustments, may be subject to an additional branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable income tax treaty.

***Backup Withholding and Information Reporting***

In general, dividend payments, or other taxable distributions, made within the United States to you will be subject to information reporting requirements if you are a non-corporate United States Holder. Such payments or distributions may also be subject to backup withholding tax if you are a non-corporate United States Holder and you:

- Fail to provide an accurate taxpayer identification number;
- Are notified by the IRS that you have failed to report all interest or dividends required to be shown on your federal income tax returns; or
- In certain circumstances, fail to comply with applicable certification requirements.

Non-United States Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on an appropriate IRS Form W-8.

If you are a Non-United States Holder and you sell your common stock to or through a United States office of a broker, the payment of the proceeds is subject to both United States backup withholding and information reporting unless you certify that you are a non-United States person, under penalties of perjury, or you otherwise establish an exemption. If you sell your common stock through a non-United States office of a non-United States broker and the sales proceeds are paid to you outside the United States, then information reporting and backup withholding generally will not apply to that payment. However, United States information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made to you outside the United States, if you sell your common stock through a non-United States office of a broker that is a United States person or has some other contacts with the United States. Such information reporting requirements will not apply, however, if the broker has documentary evidence in its records that you are a non-United States person and certain other conditions are met, or you otherwise establish an exemption.

Backup withholding tax is not an additional tax. Rather, you generally may obtain a refund of any amounts withheld under backup withholding rules that exceed your income tax liability by filing a refund claim with the IRS.

Individuals who are United States Holders (and to the extent specified in applicable Treasury regulations, certain United States entities and Non-United States Holders) who hold "specified foreign financial assets" (as defined in Section 6038D of the Code) are required to file IRS Form 8938 with information relating to the asset for each taxable year in which the aggregate value of all such assets exceeds $75,000 at any time during the taxable year or $50,000 on the last day of the taxable year (or such higher dollar amount as prescribed by applicable Treasury regulations). Specified foreign financial assets would include, among other assets, our common shares, unless the shares are held through an account maintained with a United States financial institution. Substantial penalties apply to any failure to timely file IRS Form 8938, unless the failure is shown to be due to reasonable cause and not due to willful neglect. Additionally, in the event an individual United States Holder (and to the extent specified in applicable Treasury regulations, a United States entity and Non-United States Holders) that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of United States federal income taxes of such holder for the related tax year may not close until three years after the date that the required information is filed. United States Holders (including United States entities) and Non-United States Holders are encouraged to consult their own tax advisors regarding their reporting obligations under this legislation.

**Competition**

We operate in markets that are highly competitive and based primarily on the supply of tanker vessels and the demand for seaborne transportation. We compete for charters on the basis of price, vessel location, size and condition of the vessel. We compete primarily with other independent tanker vessel owners and with major oil companies that own and operate their own vessels. Our competitors may have more resources than we do and may operate vessels that are newer, than our vessels. Ownership of tanker vessels is highly fragmented and is divided among publicly listed companies, state-controlled owners and private shipowners.

We believe our ability to comply better with the rigorous standards of major oil companies relative to less qualified or experienced operators allows us to effectively compete for new charters.

**Seasonality**

Our tankers operate in markets that have historically exhibited seasonal variations in tanker demand and, therefore, in spot charter rates. This seasonality may result in quarter-to-quarter volatility in our results of operations. Tanker markets are typically stronger in the winter months and spring season as a result of increased oil consumption used for heating in the northern hemisphere, and stock building of refined products in advance of the summer season, respectively, and weaker in the summer months as stocks decline. Additionally, unpredictable weather patterns during the winter months tend to disrupt vessel routing and scheduling, which historically has increased oil price volatility and oil trading activities in the winter. We cannot guarantee that the historical seasonal variations will exist in the future. However, vessels operating in the time charter market are not generally subject to the effect of these seasonable variations in demand.

**Properties**

We do not own any real property other than our vessels. We lease office space at 33 Benedict Place, Greenwich, Connecticut 06830.

**Environmental and Other Regulations in the Shipping Industry**

Government regulation and laws significantly affect the ownership and operation of our fleet. We are subject to international conventions and treaties, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered relating to safety and health and environmental protection including the storage, handling, emission, transportation and discharge of hazardous and non-hazardous materials, and the remediation of contamination and liability for damage to natural resources. Compliance with such laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of government, quasi-governmental and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (applicable national authorities such as the United States Coast Guard ("USCG"), harbor masters or equivalent entities, classification

societies, relevant flag state administrations (countries of registry), and charterers, particularly terminal operators. Certain of these entities require us to obtain permits, licenses, certificates and other authorizations for the operation of our vessels. Our failure to maintain necessary permits, or approvals could require us to incur substantial costs or temporarily suspend operation of one or more of our vessels

Increasing environmental concerns have created a demand for vessels that conform to stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with applicable United States and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations frequently change and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident that causes significant adverse environmental impact could result in additional legislation or regulation that could negatively affect our profitability.

Our technical managers also operate in compliance with the relevant ISO standards and in accordance with the ISM Code and maintain the documents of compliance to manage tankers. The Company's technical managers have obtained the ISO 9001 (quality management systems), ISO 14001 (environmental management systems) and ISO 18001 certifications (occupational health and safety management systems) in accordance with the standards of the ISO.

**International Maritime Organization**

The International Maritime Organization, the United Nations agency for maritime safety and the prevention of pollution by vessels (the "IMO"), has adopted the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, collectively referred to as MARPOL 73/78 and herein as "MARPOL," the International Convention for the Safety of Life at Sea of 1974 ("SOLAS Convention"), and the International Convention on Load Lines of 1966 (the "LL Convention"). MARPOL establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms. MARPOL is applicable to drybulk, tanker and LNG carriers, among other vessels, and is broken into six Annexes, each of which regulates a different source of pollution: Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried in bulk in liquid or in packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997; new emissions standards, titled IMO-2020, took effect on January 1, 2020.

In 2012, the IMO's Marine Environmental Protection Committee (the "MEPC") adopted a resolution amending the International Code for the Construction and Equipment of Ships Carrying Dangerous Chemicals in Bulk (the "IBC Code"). The provisions of the IBC Code are mandatory under MARPOL and the SOLAS Convention. These amendments, which entered into force in June 2014 and took effect on January 1, 2021, pertain to revised international certificates of fitness for the carriage of dangerous chemicals in bulk and identifying new products that fall under the IBC Code. We may need to make certain financial expenditures to comply with these amendments.

In 2013, the MEPC adopted a resolution amending MARPOL Annex I Condition Assessment Scheme ("CAS"). These amendments became effective on October 1, 2014, and require compliance with the 2011 International Code on the Enhanced Programme of Inspections during Surveys of Bulk Carriers and Oil Tankers, or "ESP Code," which provides for enhanced inspection programs. We may need to make certain financial expenditures to comply with these amendments.

***Air Emissions***

In September of 1997, the IMO adopted Annex VI to MARPOL to address air pollution from vessels. Effective May 2005, Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from all commercial vessel exhausts and prohibits "deliberate emissions" of "ozone depleting substances" (such as certain halons

and chlorofluorocarbons), emissions of volatile compounds from cargo tanks and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions, as explained below. Emissions of "volatile organic compounds" from certain vessels, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls, or "PCBs") are also prohibited. We believe that all our vessels are currently compliant in all material respects with these regulations.

The MEPC adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone depleting substances, which entered into force on July 1, 2010. The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. On October 27, 2016, at its 70th session, the MEPC agreed to implement a global 0.5% m/m sulfur oxide emissions limit (reduced from 3.50%) starting from January 1, 2020. This limitation can be met by using low-sulfur compliant fuel oil, alternative fuels, or certain exhaust gas cleaning systems. Ships are now required to obtain bunker delivery notes and International Air Pollution Prevention ("IAPP") Certificates from their flag states that specify sulfur content. Additionally, at MEPC 73, amendments to Annex VI to prohibit the carriage of bunkers above 0.5% sulfur on ships were adopted and took effect March 1, 2020. These regulations subject ocean-going vessels to stringent emissions controls, and may cause us to incur substantial costs.

Shipowners can meet the new requirements by continuing to use fuel types which exceed the 0.5% sulfur limit and retrofitting an approved Exhaust Gas Cleaning System (also known as scrubbers) to remove sulfur from exhaust, which can require a substantial capital expenditure and prolonged offhire of the vessel during installation; or use petroleum fuels such as marine gasoil, which meet the 0.5% sulfur limit. Several technology options exist for disposal of the waste stream created through operation of exhaust gas scrubbers; open loop, closed loop, or hybrid type. Coastal states and local port authorities may prohibit the direct overboard disposal of such wastes or restrict their transfer from the vessel to shore based facilities.

Sulfur content standards are even stricter within certain Emission Control Areas ("ECAs"). As of January 1, 2015, ships operating within an ECA were not permitted to use fuel with sulfur content in excess of 0.1% m/m. Amended Annex VI establishes procedures for designating new ECAs. Currently, the IMO has designated four ECAs, including specified portions of the Baltic Sea area, North Sea area, North American area and United States Caribbean area. Ocean-going vessels in these areas will be subject to stringent emission controls and may cause the Company to incur additional costs. Other areas in China are subject to local regulations that impose stricter emission controls. If other ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the U.S. Environmental Protection Agency ("EPA") or the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for marine diesel engines, depending on their date of installation. At the MEPC meeting held from March to April 2014, amendments to Annex VI were adopted which address the date on which Tier III Nitrogen Oxide ("NOx") standards in ECAs will go into effect. Under the amendments, Tier III NOx standards apply to ships that operate in the North American and U.S. Caribbean Sea ECAs designed for the control of NOx produced by vessels with a marine diesel engine installed and constructed on or after January 1, 2016. Tier III requirements could apply to areas that will be designated for Tier III NOx in the future. At MEPC 70 and MEPC 71, the MEPC approved the North Sea and Baltic Sea as ECAs for nitrogen oxide for ships built on or after January 1, 2021. The EPA promulgated equivalent (and in some senses stricter) emissions standards in 2010. As a result of these designations or similar future designations, we may be required to incur additional operating or other costs.

As determined at the MEPC 70, the new Regulation 22A of MARPOL Annex VI became effective as of March 1, 2018 and requires ships above 5,000 gross tonnage to collect and report annual data on fuel oil consumption to an IMO database, with the first year of data collection having commenced on January 1, 2019. The IMO intends to use such data as the first step in its roadmap (through 2023) for developing its strategy to reduce greenhouse gas emissions from ships, as discussed further below.

As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for ships. All ships are now required to develop and implement Ship Energy Efficiency Management Plans (“SEEMPS”), and new ships must be designed in compliance with minimum energy efficiency levels per capacity mile as defined by the Energy Efficiency Design Index (“EEDI”). Under these measures, by 2025, all new ships built will be 30% more energy efficient than those built in 2014. Additionally, MEPC 75 adopted amendments to MARPOL Annex VI which brings forward the effective date of the EEDI’s “phase 3” requirements from January 1, 2025 to April 1, 2022 for several ship types, including gas carriers, general cargo ships, and LNG carriers.

Additionally, MEPC 75 introduced draft amendments to Annex VI which impose new regulations to reduce greenhouse gas emissions from ships. These amendments introduce requirements to assess and measure the energy efficiency of all ships and set the required attainment values, with the goal of reducing the carbon intensity of international shipping. The requirements include (1) a technical requirement to reduce carbon intensity based on a new Energy Efficiency Existing Ship Index (“EEXI”), and (2) operational carbon intensity reduction requirements, based on a new operational carbon intensity indicator (“CII”). The attained EEXI is required to be calculated for ships of 400 gross tonnage and above, in accordance with different values set for ship types and categories. With respect to the CII, the draft amendments would require ships of 5,000 gross tonnage to document and verify their actual annual operational CII achieved against a determined required annual operational CII. Additionally, MEPC 75 proposed draft amendments requiring that, on or before January 1, 2023, all ships above 400 gross tonnage must have an approved SEEMP on board. For ships above 5,000 gross tonnage, the SEEMP would need to include certain mandatory content. MEPC 75 also approved draft amendments to MARPOL Annex I to prohibit the use and carriage for use as fuel of heavy fuel oil (“HFO”) by ships in Arctic waters on and after July 1, 2024. The draft amendments introduced at MEPC 75 may be adopted at the MEPC 76 session, to be held during 2021.

We may incur costs to comply with these revised standards. Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems and could adversely affect the Company’s business, results of operations, cash flows and financial condition.

***Safety Management System Requirements***

The SOLAS Convention was amended to address the safe manning of vessels and emergency training drills. The Convention of Limitation of Liability for Maritime Claims (the “LLMC”) sets limitations of liability for a loss of life or personal injury claim or a property claim against ship owners. We believe that all of our vessels are in substantial compliance with the relevant sections SOLAS and LLMC standards.

Under Chapter IX of the SOLAS Convention, or the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (the “ISM Code”), our operations are also subject to environmental standards and requirements. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management systems that have been developed by our technical managers for our vessels for compliance with the ISM Code. The failure of a vessel owner or bareboat charterer to comply with the ISM Code may subject such 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, certain ports.

The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel’s management with the ISM Code requirements for a safety management system. No vessel can obtain a safety management certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code, which our technical managers have obtained.

Noncompliance with the ISM Code and other IMO regulations may subject the shipowner or bareboat charterer to increased liability, may lead to decreases in, or invalidation of, available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. The U.S. Coast Guard (“USCG”) and European Union (“EU”) authorities have indicated that vessels not in compliance with the ISM Code by the applicable deadlines will be prohibited from trading in U.S. and EU ports, respectively.

Our technical managers have obtained applicable documents of compliance for their offices and safety management certificates for all of our vessels to the extent required by the IMO. The documents of compliance and safety management certificates are renewed as required.

Regulation II-1/3-10 of the SOLAS Convention governs ship construction and stipulates that ships over 150 meters in length must have adequate strength, integrity and stability to minimize risk of loss or pollution. Goal-based standards amendments in SOLAS regulation II-1/3-10 entered into force in 2012, with July 1, 2016 set for application to new oil tankers and bulk carriers. The SOLAS Convention regulation II-1/3-10 on goal-based ship construction standards for bulk carriers and oil tankers, which entered into force on January 1, 2012, requires that all oil tankers and bulk carriers of 150 meters in length and above, for which the building contract is placed on or after July 1, 2016, satisfy applicable structural requirements conforming to the functional requirements of the International Goal-based Ship Construction Standards for Bulk Carriers and Oil Tankers ("GBS Standards").

Amendments to the SOLAS Convention Chapter VII apply to vessels transporting dangerous goods and require those vessels be in compliance with the International Maritime Dangerous Goods Code ("IMDG Code"). Effective January 1, 2018, the IMDG Code includes (1) updates to the provisions for radioactive material, reflecting the latest provisions from the International Atomic Energy Agency, (2) new marking, packing and classification requirements for dangerous goods, and (3) new mandatory training requirements. Amendments which took effect on January 1, 2020 also reflect the latest material from the UN Recommendations on the Transport of Dangerous Goods, including (1) new provisions regarding IMO type 9 tank, (2) new abbreviations for segregation groups, and (3) special provisions for carriage of lithium batteries and of vehicles powered by flammable liquid or gas.

The IMO has also adopted the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers ("STCW"). As of February 2017, all seafarers are required to meet the STCW standards and be in possession of a valid STCW certificate. Flag states that have ratified SOLAS and STCW generally employ the classification societies, which have incorporated SOLAS and STCW requirements into their class rules, to undertake surveys to confirm compliance.

The IMO's Maritime Safety Committee and MEPC, respectively, each adopted relevant parts of the International Code for Ships Operating in Polar Water (the "Polar Code"). The Polar Code, which entered into force on January 1, 2017, covers design, construction, equipment, operational, training, search and rescue as well as environmental protection matters relevant to ships operating in the waters surrounding the two poles. It also includes mandatory measures regarding safety and pollution prevention as well as recommendatory provisions. The Polar Code applies to new ships constructed after January 1, 2017, and after January 1, 2018, ships constructed before January 1, 2017 are required to meet the relevant requirements by the earlier of their first intermediate or renewal survey.

Furthermore, recent action by the IMO's Maritime Safety Committee and United States agencies indicates that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity threats. For example, cyber-risk management systems must be incorporated by ship-owners and managers by 2021. This might cause companies to create additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. The impact of such regulations is hard to predict at this time.

***Pollution Control and Liability Requirements***

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatories to such conventions. For example, the IMO adopted the International Convention for the Control and Management of Ships' Ballast Water and Sediments (the "BWM Convention") in 2004. The BWM Convention entered into force on September 8, 2017. The BWM Convention requires ships to manage their ballast water to remove, render harmless or avoid the uptake or discharge of new or invasive aquatic organisms and pathogens within ballast water and sediments. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits, and require all ships to carry a ballast water record book and an international ballast water management certificate.

On December 4, 2013, the IMO Assembly passed a resolution revising the application dates of the BWM Convention so that the dates are triggered by the entry into force date and not the dates originally in the BWM Convention. This, in effect, makes all vessels delivered before the entry into force date "existing vessels" and allows for the installation of ballast water management systems on such vessels at the first International Oil Pollution Prevention ("IOPP") renewal survey following entry into force of the convention. The MEPC adopted updated guidelines for approval of ballast water management systems (G8) at MEPC 70. At MEPC 71, the schedule regarding the BWM Convention's implementation dates was also discussed and amendments were introduced to extend the date existing vessels are subject to certain ballast water standards. Those changes were adopted at MEPC 72. Ships over 400 gross tons generally must comply with a "D-1 standard," requiring the exchange of ballast water only in open seas and away from coastal waters. The "D-2 standard" specifies the maximum amount of viable organisms allowed to be discharged, and compliance dates vary depending on the IOPP renewal dates. Depending on the date of the IOPP renewal survey, existing vessels must comply with the D-2 standard on or after September 8, 2019. For most ships, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Ballast water management systems, which include systems that make use of chemical, biocides, organisms or biological mechanisms, or which alter the chemical or physical characteristics of the ballast water, must be approved in accordance with IMO Guidelines (Regulation D-3). As of October 13, 2019, MEPC 72's amendments to the BWM Convention took effect, making the Code for Approval of Ballast Water Management Systems, which governs assessment of ballast water management systems, mandatory rather than permissive, and formalized an implementation schedule for the D-2 standard. Under these amendments, all ships must meet the D-2 standard by September 8, 2024. Costs of compliance with these regulations may be substantial. Additionally, in November 2020, MEPC 75 adopted amendments to the BWM Convention which would require a commissioning test of the ballast water management system for the initial survey or when performing an additional survey for retrofits. This analysis will not apply to ships that already have an installed BWM system certified under the BWM Convention. These amendments are expected to enter into force on June 1, 2022.

Once mid-ocean exchange ballast water treatment requirements become mandatory under the BWM Convention, the cost of compliance could increase for ocean carriers and may have a material effect on our operations. However, many countries already regulate the discharge of ballast water carried by vessels from country to country to prevent the introduction of invasive and harmful species via such discharges. The U.S., for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternate measure, and to comply with certain reporting requirements.

The IMO adopted the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended by different Protocols in 1976, 1984, and 1992, and amended in 2000 (the "CLC"). Under the CLC and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel's registered owner may be strictly liable, for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain exceptions. The 1992 Protocol changed certain limits on liability, expressed using the International Monetary Fund currency unit, the Special Drawing Rights. The limits on liability have since been amended so that the compensation limits on liability were raised. The right to limit liability is forfeited under the CLC where the spill is caused by the shipowner's actual fault and under the 1992 Protocol where the spill is caused by the shipowner's intentional or reckless act or omission where the shipowner knew pollution damage would probably result. The CLC requires ships over 2,000 tons covered by it to maintain insurance covering the liability of the owner in a sum equivalent to an owner's liability for a single incident. We believe that our protection and indemnity insurance will cover the liability under the plan adopted by the IMO for environmental incidents. P&I Clubs in the International Group issue the required Bunkers Convention "Blue Cards" to enable signatory states to issue certificates. All of our vessels are in possession of a CLC State issued certificate attesting that the required insurance coverage is in force.

The IMO also adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or Bunker Convention, to impose strict liability on shipowners for pollution damage, including the cost of preventative measures, in jurisdictional waters of ratifying states caused by discharges of bunker fuel. P&I Associations (as defined below) in the International Group issue the required Bunkers Convention "Blue Cards" to provide evidence that there is in place insurance meeting the liability requirements. All of our

vessels have received "Blue Cards" from their P&I Associations and are in possession of a CLC state-issued certificate attesting that the required insurance coverage is in force.

IMO regulations also require owners and operators of vessels to adopt shipboard marine pollution emergency plans and/or shipboard marine pollution emergency plans for both petroleum cargoes as well as noxious liquid substances in accordance with the guidelines developed by the IMO.

***Compliance Enforcement***

Noncompliance with the ISM Code or other IMO regulations may subject the ship owner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. The USCG and EU authorities have indicated that vessels not in compliance with the ISM Code by the applicable deadlines will be prohibited from trading in U.S. and EU ports, respectively. As of the date of this report, each of our vessels is ISM Code certified. However, there can be no assurance that such certificates will be maintained in the future. The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

**U.S. Regulations**

***The U.S. Oil Pollution Act of 1990 and the Comprehensive Environmental Response, Compensation and Liability Act***

The U.S. Oil Pollution Act of 1990 ("OPA") established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all "owners and operators" whose vessels trade or operate within the U.S., its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S.'s territorial sea and its 200 nautical mile exclusive economic zone around the U.S. The U.S. has also enacted the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") which applies to the discharge of hazardous substances other than oil, except in limited circumstances, whether on land or at sea. OPA and CERCLA both define "owner and operator" in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Both OPA and CERCLA impact the Company's operations.

Under OPA, vessel owners and operators 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, including bunkers (fuel). OPA defines these other damages broadly to include:

(i) injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;

(ii) injury to, or economic losses resulting from, the destruction of real and personal property;

(iii) loss of subsistence use of natural resources that are injured, destroyed or lost;

(iv) net loss of taxes, royalties, rents, fees or net profit revenues resulting from injury, destruction or loss of real or personal property, or natural resources;

(v) lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and

(vi) net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective November 12, 2019, the USCG adjusted the limits of OPA liability for a tank vessel, other than a single-hull tank vessel, over 3,000 gross tons liability to the greater of $2,300 per gross ton or $19,943,400 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or

a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (1) report the incident as required by law where the responsible party knows or has reason to know of the incident; (2) reasonably cooperate and assist as requested in connection with oil removal activities; or (3) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311(c), (e)) or the Intervention on the High Seas Act.

CERCLA contains a similar liability regime whereby owners and operators of vessels are liable for cleanup, removal and remedial costs, as well as damages for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing the same, and health assessments or health effects studies. There is no liability if the discharge of a hazardous substance results solely from the act or omission of a third party, an act of God or an act of war. Liability under CERCLA is limited to the greater of $300 per gross ton or $5.0 million for vessels carrying a hazardous substance as cargo and the greater of $300 per gross ton or $500,000 for any other vessel. These limits do not apply (rendering the responsible person liable for the total cost of response and damages) if the release or threat of release of a hazardous substance resulted from willful misconduct or negligence, or the primary cause of the release was a violation of applicable safety, construction or operating standards or regulations. The limitation on liability also does not apply if the responsible person fails or refused to provide all reasonable cooperation and assistance as requested in connection with response activities where the vessel is subject to OPA.

OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law. OPA and CERCLA both require owners and operators of vessels to establish and maintain with the USCG evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee. Each of our shipowning subsidiaries that has vessels trading in U.S. waters has applied for, and obtained from the U.S. Coast Guard National Pollution Funds Center, three-year certificates of financial responsibility ("COFR"), supported by guarantees, which the Company purchased from an insurance based provider. We believe that we will be able to continue to obtain the requisite guarantees and that we will continue to be granted COFRs from the USCG for each of our vessels that is required to have one.

The 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico resulted in additional regulatory initiatives or statutes, including higher liability caps under OPA, new regulations regarding offshore oil and gas drilling and a pilot inspection program for offshore facilities. However, several of these initiatives and regulations have been or may be revised. For example, the U.S. Bureau of Safety and Environmental Enforcement's ("BSEE") revised Production Safety Systems Rule ("PSSR"), effective December 27, 2018, modified and relaxed certain environmental and safety protections under the 2016 PSSR. Additionally, the BSEE amended the Well Control Rule, effective July 15, 2019, which rolled back certain reforms regarding the safety of drilling operations, and former U.S. President Trump had proposed leasing new sections of U.S. waters to oil and gas companies for offshore drilling. The effects of these proposals and changes are currently unknown, and recently, current U.S. President Biden signed an executive order temporarily blocking new leases for oil and gas drilling in federal waters. Compliance with any new requirements of OPA and future legislation or regulations applicable to the operation of our vessels could impact the cost of our operations and adversely affect our business.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA and some states have enacted legislation providing for unlimited liability for oil spills. Many U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law. Moreover, some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters, although in some cases, states which have enacted this type of legislation have not yet issued implementing regulations defining vessel owners' responsibilities under these laws. We intend to comply with all applicable state regulations in the ports where our vessels call.

Through our P&I Association membership, we expect to maintain pollution liability coverage insurance in the amount of $1 billion per incident for each of our vessels. If the damages from a catastrophic spill were

to exceed our insurance coverage, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Other U.S. Environmental Initiatives***

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990) ("CAA") requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas. The CAA also requires states to draft State Implementation Plans, or "SIPs," designed to attain national health-based air quality standards in each state. Although state-specific, SIPs may include regulations concerning emissions resulting from vessel loading and unloading operations by requiring the installation of vapor control equipment. Our vessels operating in such regulated port areas with restricted cargoes are equipped with vapor recovery systems that satisfy these existing requirements.

The U.S. Clean Water Act ( "CWA") prohibits the discharge of oil, hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. In 2015, the EPA expanded the definition of "waters of the United States" ("WOTUS"), thereby expanding federal authority under the CWA. Following litigation on the revised WOTUS rule, in December 2018, the EPA and Department of the Army proposed a revised, limited definition of "waters of the United States." The proposed rule was published in the Federal Register on February 14, 2019 and was subject to public comment. On October 22, 2019, the agencies published a final rule repealing the 2015 Rule defining "waters of the United States" and recodified the regulatory text that existed prior to the 2015 Rule. The final rule became effective on December 23, 2019. On January 23, 2020, the EPA published the "Navigable Waters Protection Rule," which replaces the rule published on October 22, 2019, and redefines "waters of the United States." This rule became effective on June 22, 2020, although the effective date has been stayed in at least one U.S. state pursuant to court order. The effect of this rule is currently unknown.

The EPA and the USCG have also enacted rules relating to ballast water discharge, compliance with which requires the installation of equipment on the Company's vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial costs, and/or otherwise restrict the Company's vessels from entering U.S. Waters. The EPA will regulate these ballast water discharges and other discharges incidental to the normal operation of certain vessels within United States waters pursuant to the Vessel Incidental Discharge Act ("VIDA"), which was signed into law on December 4, 2018 and replaces the 2013 Vessel General Permit ("VGP") program (which authorizes discharges incidental to operations of commercial vessels and contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters, stringent requirements for exhaust gas scrubbers, and requirements for the use of environmentally acceptable lubricants) and current Coast Guard ballast water management regulations adopted under the U.S. National Invasive Species Act ("NISA"), such as mid-ocean ballast exchange programs and installation of approved USCG technology for all vessels equipped with ballast water tanks bound for U.S. ports or entering U.S. waters. VIDA establishes a new framework for the regulation of vessel incidental discharges under Clean Water Act (CWA), requires the EPA to develop performance standards for those discharges within two years of enactment, and requires the U.S. Coast Guard to develop implementation, compliance and enforcement regulations within two years of EPA's promulgation of standards. Under VIDA, all provisions of the 2013 VGP and USCG regulations regarding ballast water treatment remain in force and effect until the EPA and U.S. Coast Guard regulations are finalized. VIDA requires that EPA develop national standards of performance for approximately 30 discharges, similar to those found in the VGP, within two years. By approximately 2022, the U.S. Coast Guard must develop corresponding implementation, compliance and enforcement regulations regarding ballast water.

Non-military, non-recreational vessels greater than 79 feet in length must continue to comply with the requirements of the VGP, including submission of a Notice of Intent ("NOI") or retention of a PARI form and submission of annual reports. We have submitted NOIs for our vessels where required. Compliance with the EPA, U.S. Coast Guard and state regulations could require the installation of ballast water treatment

equipment on our vessels or the implementation of other port facility disposal procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters.

***Sanctions or Restrictive Regimes***

The U.S. and other countries have economic and trade sanctions that apply to non-U.S. entities and individuals. We believe that we are in compliance with all applicable sanctions and embargo laws and regulations imposed by the U.S., the United Nations or the European Union, and intend to maintain such compliance. However, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in monetary fines, penalties, or other sanctions, our reputation and the market for our shares could be adversely affected, and such a violation or change in law could result in some investors deciding, or being required, to not invest or divest their interest in the Company. Additionally, some investors may decide to not invest or divest their interest in the Company simply because we may do business with companies that do business in sanctioned countries. Investor perception of the value of our shares may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

**European Union Regulations**

In October 2009, EU Directive 2009/123/EC (amending Directive 2005/35/EC) imposed criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. Regulation (EU) 2015/757 of the European Parliament and of the Council of 29 April 2015 (amending EU Directive 2009/16/EC) governs the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, and, subject to some exclusions, requires companies with ships over 5,000 gross tonnage to monitor and report carbon dioxide emissions annually, which may cause us to incur additional expenses.

The EU has adopted several regulations and directives requiring, among other things, more frequent inspections of high-risk ships, as determined by type, age, and flag as well as the number of times the ship has been detained. The EU also adopted and extended a ban on substandard ships and enacted a minimum ban period and a definitive ban for repeated offenses. The regulation also provided the EU with greater authority and control over classification societies, by imposing more requirements on classification societies and providing for fines or penalty payments for organizations that failed to comply. Furthermore, the EU has implemented regulations requiring vessels to use reduced sulfur content fuel for their main and auxiliary engines. The EU Directive 2005/33/EC (amending Directive 1999/32/EC) introduced requirements parallel to those in Annex VI relating to the sulfur content of marine fuels. In addition, the EU imposed a 0.1% maximum sulfur requirement for fuel used by ships at berth in the Baltic, the North Sea and the English Channel (the so called "SOx-Emission Control Area"). As of January 2020, EU member states must also ensure that ships in all EU waters, except the SOx-Emission Control Area, use fuels with a 0.5% maximum sulfur content.

On September 15, 2020, the European Parliament voted to include greenhouse gas emissions from the maritime sector in the European Union's carbon market from 2022. This will require shipowners to buy permits to cover these emissions. Contingent on another formal approval vote, specific regulations are forthcoming and are expected to be proposed by 2021.

As mentioned above, the EU has restrictive measures (so-called 'sanctions') in place relating to a variety of persons, entities, groups or organizations and jurisdictions. We believe that we are in compliance with those sanctions but there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines or other penalties and could result in some investors deciding, or being required, to not invest or divest their interest in the Company.

In 2018, the EU expanded the scope of its Blocking Regulation — Council Regulation (EC) No. 2271/ 96 of 22 November 1996, in reaction to the United States' withdrawal from the Joint Comprehensive Plan of Action (the "JCPOA") and the associated re-imposition of various sanctions on Iran. The scope of the Blocking Regulation was expanded by including certain U.S. sanctions that were lifted or waived following the JCPOA and which have been re-imposed. The Blocking Regulation already covered certain other U.S. sanctions against Cuba, Iran, and Libya. EU operators are prohibited from complying with the blocked U.S. sanctions. Any violation can give rise to enforcement actions and result in the imposition of penalties. EU operators are also entitled to recover any damages from anyone causing damage to that person by the application of the blocked sanctions or by actions based thereon or resulting therefrom, or from any person acting on its behalf or intermediary. The Blocking Regulation can give rise to conflicting obligations under EU and U.S. legislation. It can also give rise to risks of claims for damages by EU operators when companies or natural persons act in compliance with the blocked sanctions of the United States.

We believe that we are in compliance with the EU's Blocking Regulation, to the extent it would be applicable to our operations, and we are not aware of any enforcement actions or claims for damages on the basis of the EU's Blocking Regulation. However, there can be no assurance that we will in the future be in compliance and will not face such claims for damages, particularly in view of the possible conflict of laws and as the exact restrictions of the Blocking Regulation may be unclear and may be subject to changing interpretations. Any such violation could result in fines or other penalties and any such violation or claim for damages could result in some investors deciding, or being required, to not invest or divest their interest in the Company.

**Greenhouse Gas Regulation**

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions with targets extended through 2020. International negotiations are continuing with respect to a successor to the Kyoto Protocol, and restrictions on shipping emissions may be included in any new treaty. In December 2009, more than 27 nations, including the U.S. and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The 2015 United Nations Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016 and does not directly limit greenhouse gas emissions from ships. The U.S. initially entered into the agreement, but on June 1, 2017, former U.S. President Trump announced that the United States intends to withdraw from the Paris Agreement and the withdrawal became effective on November 4, 2020. On January 20, 2021, U.S. President Biden signed an executive order to rejoin the Paris Agreement, which the U.S. officially rejoined on February 19, 2021.

At MEPC 70 and MEPC 71, a draft outline of the structure of the initial strategy for developing a comprehensive IMO strategy on reduction of greenhouse gas emissions from ships was approved. In accordance with this roadmap, in April 2018, nations at the MEPC 72 adopted an initial strategy to reduce greenhouse gas emissions from ships. The initial strategy identifies "levels of ambition" to reducing greenhouse gas emissions, including (1) decreasing the carbon intensity from ships through implementation of further phases of the EEDI for new ships; (2) reducing carbon dioxide emissions per transport work, as an average across international shipping, by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008 emission levels; and (3) reducing the total annual greenhouse emissions by at least 50% by 2050 compared to 2008 while pursuing efforts towards phasing them out entirely. The initial strategy notes that technological innovation, alternative fuels and/or energy sources for international shipping will be integral to achieve the overall ambition. These regulations could cause us to incur additional substantial expenses.

The EU made a unilateral commitment to reduce overall greenhouse gas emissions from its member states from 20% of 1990 levels by 2020. The EU also committed to reduce its emissions by 20% under the Kyoto Protocol's second period from 2013 to 2020. Since January 2018, large ships over 5,000 gross tonnage calling at EU ports have been required to collect and publish data on carbon dioxide emissions and other information. As previously discussed, regulations relating to the inclusion of greenhouse gas emissions from the maritime sector in the European Union's carbon market are also forthcoming.

In the United States, the EPA issued a finding that greenhouse gases endanger the public health and safety, adopted regulations to limit greenhouse gas emissions from certain mobile sources, and proposed regulations to limit greenhouse gas emissions from large stationary sources. However, in March 2017, former U.S. President Trump signed an executive order to review and possibly eliminate the EPA's plan to cut greenhouse gas emissions, and in August 2019, the Administration announced plans to weaken regulations for methane emissions. On August 13, 2020, the EPA released rules rolling back standards to control methane and volatile organic compound emissions from new oil and gas facilities. However, U.S. President Biden recently directed the EPA to publish a proposed rule suspending, revising, or rescinding certain of these rules. The EPA or individual U.S. states could enact environmental regulations that would affect our operations.

Any passage of climate control legislation or other regulatory initiatives by the IMO, the EU, the U.S. or other countries where the Company operates, or any treaty adopted at the international level to succeed the Kyoto Protocol or Paris Agreement, that restricts emissions of greenhouse gases could require us to make significant financial expenditures which we cannot predict with certainty at this time. Even in the absence of climate control legislation, our business may be indirectly affected to the extent that climate change may result in sea level changes or certain weather events.

**Vessel Security Regulations**

Since the terrorist attacks of September 11, 2001 in the United States, there have been a variety of initiatives intended to enhance vessel security, such as the U.S. Maritime Transportation Security Act of 2002 ("MTSA"). To implement certain portions of the MTSA, the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States and at certain ports and facilities, some of which are regulated by the EPA.

Similarly, Chapter XI-2 of the SOLAS Convention imposes detailed security obligations on vessels and port authorities and mandates compliance with the International Ship and Port Facility Security Code, (the "ISPS Code"). The ISPS Code is designed to enhance the security of ports and ships against terrorism.

To trade internationally, a vessel must attain an International Ship Security Certificate ("ISSC") from a recognized security organization approved by the vessel's flag state. Ships operating without a valid certificate may be detained, expelled from, or refused entry at port until they obtain an ISSC. The various requirements, some of which are found in the SOLAS Convention, include, for example, on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;

- on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;
- the development of vessel security plans;
- ship identification number to be permanently marked on a vessel's hull;
- a continuous synopsis record kept onboard showing a vessel's history, including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address;
- compliance with flag state security certification requirements; and
- ships operating without a valid certificate may be detained at port until it obtains an ISSC, or it may be expelled from port, or refused entry at port.

The USCG regulations, intended to align with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security, provided such vessels have on board a valid ISSC that attests to the vessel's compliance with the SOLAS Convention security requirements and the ISPS Code. We have implemented the various security measures addressed by MTSA, SOLAS and the ISPS Code, and our fleet is in compliance with applicable security requirements. Future security measures could have a significant financial impact on the Company.

The cost of vessel security measures has also been affected by the escalation in the frequency of acts of piracy against ships, notably off the coast of Somalia, including the Gulf of Aden and Arabian Sea area. Substantial loss of revenue and other costs may be incurred as a result of detention of a vessel, the kidnap of crew, or additional security measures, and the risk of uninsured losses could significantly affect our business. Costs are incurred in taking additional security measures in accordance with Best Management Practices to Deter Piracy, notably those contained in the BMP5 industry standard.

**Vessel Recycling & the IMO Hong Kong Convention**

The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships (the "Hong Kong Convention") is a multilateral convention that aims to ensure vessels, being recycled once they reach the end of their operational lives, do not pose any unnecessary risks to the environment, human health, and safety. The Hong Kong Convention has yet to be ratified by the required number of countries to enter into force. Upon the Hong Kong Convention's entry into force, however, each commercial vessel over 500 gross tonnes sent for recycling will have to carry an inventory of its hazardous materials. The hazardous materials, whose use or installation is prohibited in certain circumstances, are listed in an appendix to the Hong Kong Convention. Vessels will be required to have surveys to verify their inventory of hazardous materials initially, throughout their lives, and prior to the vessels being recycled. The Hong Kong Convention will enter into force 24 months after the date on which 15 IMO Member States, representing 40% of world merchant shipping by gross tonnage, have ratified or approved accession.

**Inspection by Classification Societies**

The hull and machinery of every commercial vessel must be "classed" by a classification society authorized by its country of registry. The classification society certifies that the vessel is safe and seaworthy "in accordance with the applicable rules and regulations of the country of registry of the vessel and SOLAS. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

For maintenance of the class, regular and extraordinary surveys of hull, machinery, including the electrical plant, and any special equipment classed are required to be performed as follows:

- *Annual Surveys*. For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant, and where applicable for special equipment classed, within three months before or after each anniversary date of the date of commencement of the class period indicated in the certificate.
- *Intermediate Surveys*. Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and after each class renewal survey. Intermediate hull surveys are to be carried out at or between the occasion of the second or third annual survey and typically consist of ballast and cargo tank internal examinations, the scope of which are vessel age dependent.
- *Class Renewal Surveys*. Class renewal surveys, also known as special surveys, are carried out for the ship's hull, machinery, including the electrical plant, and for any special equipment classed, at five year intervals. At the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society permits a 15 month grace period for completion of the special survey. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear or structural corrosion beyond allowable limits. In lieu of the execution of the entire special survey every five years, a vessel owner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed throughout a five-year cycle.

Every vessel is also required to be drydocked every 30 to 36 months for inspection of the underwater parts and for repairs related to inspections. Two such underwater hull examinations are required during the

five-year survey cycle. If any defects are found, the classification surveyor will issue a "recommendation" which must be rectified by the ship owner within mutually agreed upon time limits.

Most insurance underwriters make it a condition for insurance coverage and lending that a vessel be certified as "in-class" by a classification society which is a member of the International Association of Classification Societies ("IACS"). The IACS has adopted harmonized Common Structural Rules, or "the IACS Rules," which apply to oil tankers and bulk carriers contracted for construction on or after July 1, 2015. The IACS Rules attempt to create a level of consistency between IACS Societies. All of the vessels in our fleet are certified as being "in-class" by the American Bureau of Shipping, the Korean Register of Shipping or Lloyds Register of Shipping. All new and secondhand vessels that we purchase must be certified prior to their delivery under our standard purchase contracts and memoranda of agreement. If the vessel is not certified on the scheduled date of closing, we have no obligation to take delivery of the vessel.

A vessel must undergo annual surveys, intermediate surveys, drydockings and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Every vessel is also required to be drydocked every 30 to 36 months for inspection of the underwater parts of the vessel. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, drydocking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our loan agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

In addition to the classification inspections, many of our customers regularly inspect our vessels as a precondition to chartering them for voyages. We believe that our product and crude tankers are well-maintained, high-quality vessels and that this provides us with a competitive advantage in the current environment of increasing regulation and customer emphasis on quality.

**Efficiency Trends in the Shipping Industry**

Market volatility and higher fuel prices, coupled with increased regulation and concern about the environmental impact of the international shipping industry, have led to an increased focus on fuel efficiency. Many companies have achieved significant efficiency gains through a process called "slow steaming." These gains are realized by running vessels at substantially less than maximum speed and result in lower fuel costs.

Shipbuilders and operators have also studied a number of potential design innovations to increase the efficiency of tanker vessels. Many shipbuilders have incorporated some of these changes into their designs and are marketing these ships as "eco-ships." Alternatively, some operators, have implemented vessel modification programs for their existing ships in an attempt to capture potential efficiency gains. We will consider making modifications to our current fleet that we believe would make our existing vessels more fuel efficient and competitive as compared with newer vessels being delivered currently. We believe that we can effect these modifications without compromising our fleet's ability to operate at higher speeds, which is an important factor in generating additional revenue in an improving freight rate environment. With respect to vessels in our current fleet that are employed under time charters, we will consider installing any new technologies when the vessels either trade in the spot market or are re-contracted.

**Risk of Loss and Liability Insurance**

***General***

The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, piracy incidents, hostilities, and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes virtually unlimited liability upon shipowners, operators and bareboat charterers of any vessel trading in the exclusive economic zone of the United States for certain oil pollution accidents in the United States, has made liability insurance more

expensive for shipowners and operators trading in the U.S. market. While we believe that our present insurance coverage is adequate, not all risks can be insured against, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

***Marine and War Risks Insurance***

We have in force marine and war risks insurance for all of our vessels. Our marine hull and machinery insurance covers risks of particular average and actual or constructive total loss from collision, fire, grounding, engine breakdown and other insured named perils up to an agreed amount per vessel. Our war risks insurance covers the risks of particular average and actual or constructive total loss from confiscation, seizure, capture, vandalism, malicious acts, terrorism, acts of piracy, sabotage and other war-related named perils. We have also arranged coverage for increased value for each vessel. Under this increased value coverage, in the event of total loss of a vessel, we will be able to recover amounts in excess of those recoverable under the hull and machinery policy in order to compensate for additional costs associated with replacement of the loss of the vessel. Each vessel is covered up to at least its fair market value at the time of the insurance attachment and subject to a fixed deductible per each single accident or occurrence, but excluding actual or constructive total loss.

***Protection and Indemnity Insurance***

Protection and indemnity insurance is provided by mutual protection and indemnity associations ("P&I Associations") and covers the Company's third-party liabilities in connection with our shipping activities. This includes third-party liability and other related expenses of injury or death of crew, passengers and other third parties, loss of or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or "clubs."

As a member of P&I Associations that are, in turn, members of the International Group of P&I Clubs (the "International Group"), we carry protection and indemnity insurance coverage for pollution with a standalone limit of $1 billion per vessel per incident. The 13 P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. The International Group's website states that the pool provides a mechanism for sharing all claims in excess of US$ 10 million up to, currently, approximately US$ 8.2 billion. As a member of a P&I Association, which is a member of the International Group, we are subject to calls payable to the associations based on our claim records as well as the claim records of all other members of the individual associations and members of the shipping pool of P&I Associations comprising the International Group. Our vessels may be subject to supplemental calls which are based on estimates of premium income and anticipated and paid claims. Such estimates are adjusted each year by the board of directors of the P&I Association until the closing of the relevant policy year, which generally occurs within three years from the end of the policy year. Supplemental calls, if any, are expensed when they are announced and according to the period they relate to.

## ITEM 1A. RISK FACTORS.

*This Annual Report on Form 10-K contains forward-looking information based on our current expectations. Because our business is subject to many risks and our actual results may differ materially from any forward-looking statements made by or on behalf of us, this section includes a discussion of important factors that could affect our business, operating results, financial condition and the trading price of our common shares. You should carefully consider these risk factors, together with all of the other information included in this Annual Report on Form 10-K and our other publicly available filings with the SEC.*

### Risk Factor Summary

Before you invest in our common shares, you should carefully consider the risk factors referenced below and as more fully described in this section. If any of the risks referenced below and discussed under this section were to occur, our business, financial condition, results of operations, cash flows and ability to make cash distributions could be materially adversely affected.

### Risks Related to Our Industry

- The highly cyclical nature of the tanker industry may lead to volatile changes in charter rates and vessel values, and in our results of operations.
- Changes to global economic conditions and oil and petroleum product demand, prices and supply could result in decreased demand for our vessels and services, materially affect our ability to re-charter our vessels at favorable rates and have a material adverse effect on our business, financial condition, results of operations and cash flows.
- We are dependent on spot charters, the market for which is volatile, and any decrease in spot charter rates in the future may adversely affect our earnings.
- Charter rates in the tanker industry can fluctuate substantially, and declines in charter rates or other market deterioration could cause us to incur impairment charges.
- Changes in fuel prices may adversely affect profits.
- The market values of tanker vessels are highly volatile, have decreased in the past and may decrease further in the future which may cause us to recognize losses if we sell our tankers or record impairments and affect our ability to comply with our loan covenants and refinance our debt.
- Acts of piracy on ocean-going vessels could adversely affect our business.
- Technological innovation could reduce our charter hire income and the value of its vessels.
- Sulfur regulations to reduce air pollution from ships have resulted in retrofitting of vessels in our fleet and may cause us to incur significant costs.
- We are subject to complex laws and regulations, including environmental laws and regulations that can adversely affect our business, results of operations, cash flows and financial condition.
- If we fail to comply with international safety regulations, we may be subject to increased liability, which may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.
- We operate tankers worldwide, and as a result, we are exposed to inherent operational and international risks, which may adversely affect our business and financial condition.
- Increased inspection procedures could increase costs and disrupt our business.
- Political instability, terrorist attacks and international hostilities can affect the seaborne transportation industry, which could adversely affect our business.
- The ongoing COVID-19 pandemic and governmental responses thereto could adversely affect the Company's business.
- The U.K.'s withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

- Our international activities increase the compliance risks associated with economic and trade sanctions imposed by the United States, the European Union and other jurisdictions.
- The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.
- Maritime claimants could arrest or attach our vessels, which would have a negative effect on our cash flows.
- Governments could requisition our vessels during a period of war or emergency, which may negatively impact our business, financial condition, results of operations and cash flows.

**Risks Related to Our Business and Operations**

- The failure of our counterparties to meet their obligations under its charter agreements could cause us to suffer losses or otherwise adversely affect our business.
- We may have difficulty managing planned growth properly, and any significant corporate transactions may not achieve their intended results.
- If we purchase and operate secondhand vessels, we will be exposed to increased operating costs which could adversely affect our earnings and, as our fleet ages, the risks associated with older vessels could adversely affect our ability to obtain profitable charters.
- Any vessel modification projects we undertake could have significant cost overruns or delays or fail to achieve the intended results.
- We may experience operational problems with vessels that reduce revenue and increase costs.
- We rely on information systems to conduct our business, and failure to protect these systems against security breaches could have a material adverse impact on our business, financial condition, results of operations and cash flows.
- If we are unable to operate our vessels profitably, we may be unsuccessful in competing in the highly competitive international tanker market, which would negatively affect our financial condition and our ability to expand our business.
- We may experience constraints in our liquidity and may be unable to access capital when necessary or desirable, either of which could adversely affect our financial condition.
- Our growth depends on our ability to expand relationships with existing customers and obtain new customers, for which we will face substantial competition.
- Our operating results are subject to seasonal fluctuations.
- If we do not set aside funds and are unable to borrow or raise funds for vessel replacement, at the end of a vessel's useful life our revenue will decline, which would adversely affect our business, financial condition, results of operations and cash flows.
- Our insurance may not be adequate to cover our losses that may result from our operations due to the inherent operational risks of the tanker industry.
- Because we obtain some of our insurance through protection and indemnity associations, which result in significant expenses to us, we may be required to make additional premium payments.
- Various tax rules may adversely impact our results of operations and financial position.
- U.S. tax authorities could treat us as a "passive foreign investment company," which could have adverse U.S. federal income tax consequences for U.S. shareholders.
- We may have to pay tax on U.S.-source shipping income, which would reduce our earnings.
- Our inability to attract and retain qualified personnel could have an adverse effect on our business.
- There may be conflicts of interest between us and CSM that may not be resolved in our favor.
- Our tanker vessels' present and future employment could be adversely affected by an inability to clear the oil majors' risk assessment process.

- Marine transportation is inherently risky, and an incident involving significant loss of, or environmental contamination by, any of our vessels could harm our reputation and business.
- Failure to comply with the Foreign Corrupt Practices Act ("FCPA") could result in fines, criminal penalties, contract terminations and an adverse effect on our business.

**Risks Related to Our Indebtedness and Financing**

- Servicing our current or future indebtedness limits funds available for other purposes and if we cannot service our debt, we may lose our vessels.
- We have in the past, and may in the future, enter into interest rate swap agreements, which are subject to counterparty risks and may be insufficient to protect us against volatility in LIBOR rates and amounts due under our credit facilities.
- We are exposed to the proposed disappearance of LIBOR in 2023, which could affect our interest expenses.
- If we are in breach of any of the terms of our credit facilities, a significant portion of our obligations may become immediately due and payable, and the lenders' commitments to make further loans to us, if any, may terminate. This could adversely affect our ability to execute our business strategy or make cash distributions.

**Risks Related to Our Common Shares**

- An active and liquid market for our common shares may not be sustained.
- The price of our common shares may be volatile.
- Reports published by analysts, including projections in those reports that exceed our actual results, could adversely affect the price and trading volume of our common shares.
- There may be circumstances in which the interests of our significant shareholders could be in conflict with other shareholders.
- We may issue additional common shares or other equity securities without shareholder approval, which would dilute the ownership interests of our shareholders and may depress the Company's share price.
- As an emerging growth company, we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common shares less attractive to investors.
- Pursuant to the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act for so long as we are an emerging growth company.
- Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business, financial condition, results of operations and cash flows.
- If we do not develop and implement all required accounting practices and policies, we may be unable to provide the financial information required of a U.S. publicly traded company in a timely and reliable manner.
- Certain provisions of our articles of incorporation and bylaws may make it difficult for shareholders to change the composition of our board of directors and may discourage, delay or prevent a merger or acquisition that some shareholders may consider beneficial.
- We may be restricted from paying dividends on our common shares.
- We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law or a bankruptcy law and, as a result, shareholders may have fewer rights and protections under Republic of the Marshall Islands law than under the law of a typical jurisdiction in the United States.

- It may be difficult to serve process on or enforce a U.S. judgment against us, our officers and our directors because we are a foreign corporation.

**Risks Related to Our Industry**

***The highly cyclical nature of the tanker industry may lead to volatile changes in charter rates and vessel values, and in our results of operations.***

The tanker industry is cyclical and volatile in terms of charter rates and profitability, and unfavorable global economic conditions may adversely affect our ability to charter or re-charter our vessels or to sell them upon the expiration or termination of their charters. Any renewal or replacement charters that we enter into may not be sufficient to allow us to operate our vessels profitably. We expect seven of our time charters to expire in 2021. Fluctuations in charter rates and vessel values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for oil and petroleum products. The factors affecting the supply and demand for tankers are outside of our control, and the nature, timing and degree of changes in conditions that affect supply and demand in the petroleum industry are unpredictable.

The factors that influence demand for tanker capacity include:

- supply and demand for energy resources and oil and petroleum products, which affect customers' need for vessel capacity;
- regional availability of refining capacity and inventories;
- changes in the production levels of crude oil (including in particular production by the Organization of the Petroleum Exporting Countries ("OPEC"), the United States and other key producers);
- global and regional economic and political conditions, including armed conflicts, terrorist activities, strikes and "trade wars";
- the distance oil and petroleum products are moved by sea;
- changes in seaborne and other transportation patterns, including changes in the distances that cargoes are transported;
- developments in international trade generally;
- environmental and other legal and regulatory developments;
- construction or expansion of new or existing pipelines or railways;
- weather and natural disasters;
- global public health threats, including the ongoing COVID-19 pandemic;
- availability of financing and changes in interest rates;
- competition from alternative sources of energy; and
- international sanctions, embargoes, import and export restrictions, nationalizations and wars.

The factors that influence the supply of tanker capacity include:

- supply and demand for energy resources and oil petroleum products;
- availability and pricing of bunkers and fuel oil, as well as other energy resources such as natural gas;
- prevailing and expected charter and spot market rates;
- technological innovations;
- availability and cost of capital;
- the number of newbuildings on order and being delivered;
- the conversion of vessels from transporting oil and petroleum products to carrying drybulk cargo or vice versa;

- the number of vessels being used for storage or as floating storage and offloading service vessels;
- the scrapping rate of older vessels;
- the number of vessels that are out of service;
- environmental concerns and regulations;
- port or canal congestion;
- cost and supply of labor; and
- currency exchange rate fluctuations.

If we have to re-charter our tankers when charter hire rates are low, or are unable to re-charter our tankers, our business, financial condition, results of operations, and cash flows could be adversely affected. We anticipate that future demand for our vessels will be dependent upon economic growth in the world's economies, seasonal as well as regional changes in demand, changes in the capacity of the global tanker fleet and the sources and supply of oil and petroleum products to be transported by sea. Adverse economic, political, social or other developments could have a material adverse effect on our business and operating results. The tanker sector is cyclical and volatile, and this may lead to reductions and volatility in our charter rates when we employ our vessels, to volatility in vessel values and in our future performance, results of operations, cash flows and financial position.

***Changes to global economic conditions and oil and petroleum product demand, prices and supply could result in decreased demand for our vessels and services, materially affect our ability to re-charter our vessels at favorable rates and have a material adverse effect on our business, financial condition, results of operations and cash flows.***

Global economic growth is a significant driver in the demand for oil and, as a result, the demand for shipping. Major economic slowdowns can have a significant impact on the global economy and demand for oil, and there is significant uncertainty over long-term economic growth prospects.

Furthermore, there is a general global trend towards energy efficient technologies and alternative sources of energy. In the long term, oil demand may be reduced by an increased reliance on alternative energy sources, or a drive for increased efficiency in the use of oil, as a result of environmental concerns over carbon emissions or high oil prices, which has the potential to significantly decrease demand for oil and shipping.

We expect emerging markets, which historically have had more volatile economies, to be a key driver in future oil demand. A slowdown in these economies, such as in China or India, could severely affect global demand for oil and may result in protracted, reduced consumption of oil products and decreased demand for our vessels and lower charter rates.

If global economic conditions deteriorate or oil prices increase and, as a result, demand for oil and petroleum products contracts or increases more slowly, we may not be able to operate our vessels profitably or employ our vessels at favorable charter rates as they come up for re-chartering. Furthermore, the market value of our vessels may decline as a result of such events, which may cause us to recognize losses upon disposition of the vessels or record impairments and affect our ability to comply with the covenants contained in our loan agreements.

In addition, reduced global supply of oil due to coordinated action, such as production cuts by OPEC members and other oil producing nations, or other circumstances may adversely affect demand for the transportation of crude oil and oil tankers.

A deterioration of the current economic conditions or changes in oil demand and supply and the product and crude tanker markets would have a material adverse effect on our business, financial condition, results of operations and cash flows.

***We are dependent on spot charters, the market for which is volatile, and any decrease in spot charter rates in the future may adversely affect our earnings.***

As of December 31, 2020, we employed 57 vessels in the spot market and we may employ additional vessels that we may acquire in the future in the spot charter market or in spot market-related vessel pools. Although spot chartering is common in the tanker industry, the spot market may fluctuate significantly based upon tanker and oil supply and demand. The successful operation of our vessels in the competitive spot market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to pick up cargo. The spot market is volatile and, in the past, there have been periods when spot rates have declined below the operating cost of vessels. If future spot charter rates decline, we may be unable to operate our vessels trading in the spot market profitably or meet our obligations, including payments on indebtedness. Furthermore, as charter rates for spot charters are fixed for a single voyage which may last up to several weeks, during periods in which spot charter rates are rising, we will generally experience delays in realizing the benefits from such rate increases.

We cannot predict whether our charterers will, upon the expiration of their charters, re-charter our vessels on favorable terms or at all. If our charterers decide not to re-charter our vessels, we may not be able to re-charter them on terms similar to their current charters or at all. If we receive lower charter rates under replacement charters or are unable to re-charter all of our vessels currently under charter and receive lower rates on the spot market, our business, financial condition, results of operations and cash flows could be materially adversely affected.

***An oversupply of crude and product tanker capacity may lead to a reduction in charter rates, vessel values and profitability.***

The supply of crude and product tankers is affected by a number of factors such as supply and demand for energy resources, including oil and petroleum products, supply and demand for seaborne transportation of such energy resources and the current and expected purchase orders for newbuildings. If the capacity of new crude and product tankers delivered exceeds the capacity of crude and product tankers being recycled and converted to non-trading tankers, overall industry capacity in the crude and product tanker will increase. If the supply of crude and product tanker capacity increases, and if the demand for crude and product tanker capacity decreases or does not increase correspondingly, charter rates could materially decline, which may also negatively affect the value of our vessels. A reduction in charter rates and the value of our vessels may have a material adverse effect on our future performance, results of operations, cash flows and financial position.

In addition, product tankers may be "cleaned up" from "dirty/crude" trades and swapped back into the product tanker market, which would increase the available tanker tonnage able to transport refined oil products and which may affect the supply and demand balance for product tankers. This could have a material adverse effect on our future performance, results of operations, cash flows and financial position.

***Charter rates in the tanker industry can fluctuate substantially, and declines in charter rates or other market deterioration could cause us to incur impairment charges.***

We review the carrying values of our vessels for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Whenever certain indicators of potential impairment are present, such as projected undiscounted cash flows or vessel appraisals, we perform a test of recoverability of the carrying amount of the assets. The review for potential impairment indicators and projection of future cash flows related to the vessels is complex and requires us to make various estimates including future freight rates, residual values, future drydockings and operating costs, which are included in the analysis. All of these items have been historically volatile. We recognize an impairment charge if the carrying value is in excess of the estimated future undiscounted net operating cash flows. The impairment loss is measured based on the excess of the carrying amount over the fair market value of the asset.

Although we believe that the assumptions used to evaluate potential impairment are reasonable and appropriate at the time they are made, such assumptions are highly subjective and likely to change, possibly materially, in the future. There can be no assurance as to how long charter rates and vessel values will

remain at their current levels or whether they will improve by a significant degree. If charter rates were to remain at depressed levels, future assessments of vessel impairments would be adversely affected and we may need to record impairment charges or loss from the sale of vessels. Any impairment charges or losses incurred as a result of further declines in charter rates could have a material adverse impact on our business, financial condition and results of operations.

***Changes in fuel prices may adversely affect profits.***

Fuel, or bunkers, is typically the largest expense in our shipping operations for our vessels and changes in the price of fuel may adversely affect our profitability. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel has become much more expensive as a result of the implementation of low sulfur fuel requirements of IMO 2020, which may reduce our profitability and adversely affect the competitiveness of our business compared to other forms of transportation.

***The market values of tanker vessels are highly volatile, have decreased in the past and may decrease further in the future which may cause us to recognize losses if we sell our tankers or record impairments and affect our ability to comply with our loan covenants and refinance our debt.***

Values for tanker vessels can fluctuate substantially over time due to a number of factors, including:

- prevailing economic conditions in the energy markets;
- substantial or extended decline in demand for refined products;
- number of vessels in the world fleet;
- the level of worldwide refined product production and exports;
- changes in the supply-demand balance of the global product tanker market;
- changes in prevailing charter hire rates;
- the physical condition of the vessel;
- the vessel's size, age, technical specifications, efficiency and operational flexibility;
- demand for crude and product tankers;
- competition from other shipping companies and from other modes of transportation;
- the ability of buyers to access financing and capital; and
- the cost of retrofitting or modifying existing ships as a result of technological advances in ship design or equipment, changes in applicable environmental or other regulations or standards, customer requirements or otherwise.

A decline in the market value of our vessels could lead to a default under our credit facilities, affect our ability to refinance our existing credit facilities and limit our ability to obtain additional financing in the future. A decline in the market value of our vessels could cause us to breach covenants in our current or future debt instruments. If we were to breach such covenants and are unable to remedy the breach, our lenders could accelerate our indebtedness and seek to foreclose on the vessels in our fleet securing those debt instruments or seek other similar remedies. In addition, any default or acceleration under our existing debt facilities or agreements governing our other existing or future indebtedness is likely to lead to an acceleration of the repayment of debt under any other debt instruments that contain cross-acceleration or cross-default provisions. If all or a part of our indebtedness is accelerated, we may not be able to repay that indebtedness or borrow sufficient funds to refinance that debt, which could have a material adverse effect on our future performance, results of operations, cash flows and financial position and could lead to bankruptcy or other insolvency proceedings.

Furthermore, if a charter contract expires or is terminated by the charterer, we may be unable to re-charter the affected vessel at an attractive rate and, rather than continue to incur maintenance and financing

costs for that vessel, we may seek to dispose of the affected vessel. Any foreclosure on our vessels or any disposal of a vessel at a time when the value of our vessels is depressed could have a material adverse impact on our business, financial condition results of operations and cash flows.

***Acts of piracy on ocean-going vessels could adversely affect our business.***

Acts of piracy have historically affected ocean-going vessels. At present, most piracy and armed robbery incidents are recurrent in the Gulf of Aden region off the coast of Somalia, South China Sea, Sulu Sea, Celebes Sea and in particular, the Gulf of Guinea region off Nigeria, which experienced increased incidents of piracy since 2019. Sporadic incidents of robbery are also reported in many parts of Asia. The political turmoil in the Middle East region may also lead to collateral damages in waters off Yemen. The current diplomatic crisis between Gulf Co-operation Council (GCC) countries may lead to an uncertain security situation in the Middle East region.

The security arrangements made for ship staff and vessels to counteract the ever-evolving security threat and to comply with Best Management Practices to Deter Piracy and Enhance Maritime Security in the Red Sea, Gulf of Aden, the Gulf of Guinea region off Nigeria, Indian Ocean and Arabian Sea add to the cost of operations of our ships.

Substantial loss of revenue and other costs may be incurred as a result of detention of a vessel, the kidnap of crew, and the risk of uninsured losses and reputational damage could significantly affect our business.

The "war risks" areas are established by the Joint War Risks Committee. Our vessels often trade in "war risk" areas due to the nature of our business. Due to the above issues when vessels trade in such areas, the insurance premiums are increased significantly to cover for the additional risks.

The above factors could have a material adverse effect on our future performance, results of operations, cash flows and financial position.

***Technological innovation could reduce our charter hire income and the value of its vessels.***

The charter hire rates and the value and operational life of a vessel are determined by a number of factors including the vessel's efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to load and discharge cargo quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. The length of a vessel's physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. If new tankers are built that are more efficient or more flexible or have longer physical lives than the vessels in our fleet, competition from these more technologically advanced vessels could adversely affect the amount of charter hire payments we receive for our vessels and the resale value of our vessels could significantly decrease. As a result, our business, financial condition, results of operations and cash flows could be adversely affected.

***Sulfur regulations to reduce air pollution from ships have resulted in retrofitting of vessels in our fleet and may cause us to incur significant costs.***

In October 2016, the IMO set January 1, 2020 as the implementation date for vessels to comply with its low sulfur fuel oil requirement, which cut sulfur levels from 3.5% to 0.5%. The interpretation of "fuel oil used on board" includes use in main engine, auxiliary engines and boilers. Shipowners may comply with this regulation by (i) using 0.5% sulfur fuels on board, which are currently available around the world but at a higher cost (which may continue to rise) due to, among other things, increased market demand; (ii) installing scrubbers for cleaning of the exhaust gas; or (iii) by retrofitting vessels to be powered by liquefied natural gas (LNG), which may not be a viable option due to the lack of supply network and high costs involved in this process.

We currently have two ships with scrubbers. We may, in the future, determine to purchase additional scrubbers for installation on other vessels that we own or operate. While scrubbers rely on technology that has been developed over a significant period of time for use in a variety of applications, their use for maritime applications is a more recent development. The purchase and installation of scrubbers involves significant

capital expenditures, and the vessels will be out of operation for 25 to 30 days or more in order for the scrubbers to be installed. In addition, future arrangements that we may enter into with respect to shipyard drydock capacity to implement these scrubber installations may be affected by delays or issues affecting vessel modifications being undertaken by other vessel owners at those shipyards, which could cause our vessels to be out of service for even longer periods or installation dates to be delayed. Any unforeseen complications or delays in connection with acquiring, installing, operating or maintaining scrubbers on our vessels could adversely affect our business, financial condition, results of operations and cash flows.

Furthermore, it is uncertain how the availability of high-sulfur fuel oil around the world will be affected by the implementation of IMO 2020, and both the price of high-sulfur fuel generally and the difference in cost between the price of such fuel and low-sulfur fuel in the future are also uncertain. Scarcity in the supply of high-sulfur fuel, or a lower-than-anticipated difference in the costs between the two types of fuel, may cause us to fail to recognize anticipated benefits from installing scrubbers, which could adversely affect our business, financial condition, results of operations and cash flows.

For the vessels in our fleet that have not been retrofitted with scrubbers, we currently use, and intend to continue to use, compliant fuels with 0.5% sulfur content. There is limited or no operating history of using low-sulfur fuel on these vessels, so the impact of using such fuel on such vessels is uncertain. In addition, those vessels will likely incur higher fuel costs associated with using more expensive 0.5% sulfur fuel. Such costs may be material and could adversely affect our business, financial condition, results of operations and cash flows, particularly in any case where vessels owned or operated as part of our business are unable to pass the costs of higher fuel on to charterers due to competition with vessels that have installed scrubbers, market conditions or otherwise.

Costs of compliance with these regulatory changes are uncertain and could be significant and may have a material adverse effect on our future performance, results of operations, cash flows and financial position. See "Item 1. Business — Environmental and Other Regulations — The International Maritime Organization".

***We are subject to complex laws and regulations, including environmental laws and regulations that can adversely affect our business, results of operations, cash flows and financial condition.***

Our operations are subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These requirements include, but are not limited to, the OPA, CERCLA, U.S. coastal state laws, requirements of the USCG and the EPA, the U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990), the CWA and the MTSA, EU regulations, and regulations of the IMO, including the International Convention for the Prevention of Pollution from Ships of 1973, as from time to time amended and generally referred to as MARPOL including the designation of ECAs thereunder, SOLAS, the LL Convention, the CLC, the Bunker Convention, and the ISPS Code.

Compliance with such laws and regulations, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions including greenhouse gases, the management of ballast and bilge waters, maintenance and inspection, restrictions on anti-fouling paints, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents.

Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200-nautical mile exclusive economic zone around the United States (unless the spill results solely from, under certain limited circumstances, the act or omission of a third party, an act of God or an act of war). An oil spill could result in significant liability, including fines, penalties, criminal liability and remediation costs for natural resource damages under other international

and U.S. federal, state and local laws, as well as third-party damages, including punitive damages, and could harm our reputation with current or potential charterers of our tankers.

We are required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although we have arranged insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, financial condition, results of operations and cash flows.

Recent action by the IMO's Maritime Safety Committee and United States agencies indicate that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity threats. This may require companies to implement additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. However, the impact of such regulations is difficult to predict at this time.

***If we fail to comply with international safety regulations, we may be subject to increased liability, which may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.***

The operation of our vessels is affected by the requirements set forth in the IMO's ISM Code promulgated by the IMO under SOLAS. The ISM Code requires the party with operational control of a vessel to develop and maintain an extensive "Safety Management System" that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. Failure to comply with the ISM Code may subject us to increased liability and may invalidate existing insurance or decrease available insurance coverage for our affected vessels and such failure may result in a denial of access to, or detention in, certain ports, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

***We operate tankers worldwide, and as a result, we are exposed to inherent operational and international risks, which may adversely affect our business and financial condition.***

The operation of an ocean-going vessel carries inherent risks. Our vessels and their cargoes are at risk of being damaged or lost because of events such as marine disasters, bad weather and other acts of God, business interruptions caused by mechanical failures, grounding, fire, explosions and collisions, human error, war, terrorism, piracy and other circumstances or events. Changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. These hazards may result in death or injury to persons, loss of revenues or property, payment of ransoms, environmental damage, higher insurance rates, damage to customer relationships, market disruptions, and interference with shipping routes (such as delay or rerouting), which may reduce our revenue or increase our expenses and also subject or expose us to litigation. In addition, the operation of tankers has unique operational risks associated with the transportation of oil. An oil spill may cause significant environmental damage, and the associated costs could exceed the insurance coverage available to us. Compared to other types of vessels, tankers are exposed to a higher risk of damage and loss by fire, whether ignited by a terrorist attack, collision, or other cause, due to the high flammability and high volume of the oil transported in tankers.

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and may be substantial. We may have to pay drydocking costs that our insurance does not cover in full. The loss of revenues while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business, financial condition, results of operations and cash flows. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. We may be unable to find space at a suitable drydocking facility or our vessels may be forced to travel to a drydocking facility that is not conveniently located to the vessels' positions. The loss of earnings while these vessels are forced to wait for space or to travel to more distant drydocking facilities may adversely affect our business, financial condition, results of operations and cash flows. Further, the total loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be

unable to prevent any such damage, costs, or loss which could negatively impact our business, financial condition, results of operations, and cash flows.

***Increased inspection procedures could increase costs and disrupt our business.***

International shipping is subject to various security and customs inspection and related procedures in countries of origin and destination and trans-shipment points. Inspection procedures can result in the seizure of the cargo and/or vessels, delays in the loading, offloading or delivery and the levying of customs duties, fines or other penalties against us. It is possible that changes to inspection procedures could impose additional financial and legal obligations on us.

Furthermore, changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Political instability, terrorist attacks and international hostilities can affect the seaborne transportation industry, which could adversely affect our business.***

We conduct most of our operations outside of the United States, and our business, results of operations, cash flows and financial condition may be adversely affected by changing economic, political and government conditions in the countries and regions where our vessels are employed or registered. Moreover, we operate in a sector of the economy that is likely to be adversely impacted by the effects of political conflicts, including the recent and current political instability in the Middle East and the South China Sea region and other geographic countries and areas, geopolitical events such as Brexit, terrorist or other attacks, war (or threatened war) or international hostilities, such as those between the United States and North Korea. Terrorist attacks, as well as the frequent incidents of terrorism in the Middle East, and the continuing response of the United States and others to these attacks, as well as the threat of future terrorist attacks around the world, continue to cause uncertainty in the world's financial markets and may affect our business, operating results and financial condition. Continuing conflicts and recent developments in the Middle East, including increased tensions between the U.S. and Iran, as well as the presence of U.S. or other armed forces in Iraq, Syria, Afghanistan and various other regions, may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. As a result of the above, insurers have increased premiums and reduced or restricted coverage for losses caused by terrorist acts generally. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. Any of these occurrences could have a material adverse impact on our operating results, revenues and costs. Additionally, Brexit, or similar events in other jurisdictions, could impact global markets, including foreign exchange and securities markets; any resulting changes in currency exchange rates, tariffs, treaties and other regulatory matters could in turn adversely impact our business and operations.

Further, governments may turn and have turned to trade barriers to protect their domestic industries against foreign imports, thereby depressing shipping demand. In particular, in recent years, leaders in the United States and China have implemented certain increasingly protective trade measures, including tariffs, which have been somewhat mitigated by the recent trade deal (first phase trade agreement) between the United States and China in early 2020, which, among other things, requires China to purchase over $50 billion of energy products including crude oil. The results of the 2016 presidential election in the United States had created significant uncertainty about how the relationships between the United States, China and other exporting countries, including with respect to trade policies, treaties, government regulations and tariffs would unfold. At this time, it is unclear how the results of the 2020 presidential election will affect such relationships. Protectionist developments, or the perception that they may occur, may have a material adverse effect on global economic conditions, and may significantly reduce global trade. Moreover, increasing trade protectionism may cause an increase in (a) the cost of goods exported from regions globally, (b) the length of time required to transport goods and (c) the risks associated with exporting goods. Such increases may significantly affect the quantity of goods to be shipped, shipping time schedules, voyage costs and other associated costs, which could have an adverse impact on our charterers' business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and

to renew and increase the number of their time charters with us. This could have a material adverse effect on our business, results of operations or financial condition.

In January 2020, in response to certain perceived terrorist activity, the United States launched an airstrike in Baghdad that killed a high-ranking Iranian general, increasing hostilities between the U.S. and Iran. This attack or further escalations between the U.S. and Iran that may follow, could result in retaliation from Iran that could potentially affect the shipping industry through increased attacks on vessels in the Strait of Hormuz (which already experienced an increased number of attacks on and seizures of vessels in 2019), or by potentially closing off or limiting access to the Strait of Hormuz where a significant portion of the world's oil supply passes through. Any restriction on access to the Strait of Hormuz, or increased attacks on vessels in the area, could negatively impact our earnings, cash flow and results of operations.

In the past, political instability has also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea and the Gulf of Aden off the coast of Somalia. Any future attacks or acts of terrorism or piracy could adversely affect our business whether or not made directly against the Company.

***The ongoing COVID-19 pandemic and governmental responses thereto could adversely affect the Company's business.***

As previously disclosed by the Company, the ongoing outbreak of the novel coronavirus ("COVID-19") has caused severe global disruptions and has and may continue to negatively affect economic conditions regionally as well as globally and otherwise impact the Company's operations and the operations of the Company's customers and suppliers. Governments in affected countries have imposed travel bans, quarantines and other emergency public health measures in an effort to contain the outbreak. These measures have resulted in a significant reduction in global economic activity and extreme volatility in the global financial markets which has reduced the global demand for oil and refined petroleum products. Additionally, as a result of restrictive measures, the Company's vessels may not be able to call on ports, or may be restricted from disembarking from ports, located in regions affected by the outbreak. The Company may also experience operational disruptions and delays, unavailability of normal port infrastructure and services including limited access to equipment, critical goods and personnel, disruptions to crew change, quarantine of ships and/or crew, counterparty solidity, closure of ports and custom offices, as well as disruptions in the supply chain and industrial production, which may lead to reduced cargo demand, amongst other potential consequences attendant to pandemic diseases.

To date, the COVID-19 pandemic has primarily affected the Company's operations in the following ways, which may result in loss of revenue days and/or increase in vessel operating expenses:

- the Company's ability to arrange, in a timely manner, crew reliefs, Flag and Class Surveys, delivery of spares and stores, and requested inspections of vessels, has been made more difficult by the effects of COVID-19;
- it has become more difficult for the Company to obtain the services required by our vessels;
- the Company is now required to comply with the requirements of port states with respect to procedures for the prevention of community spread of COVID-19; and
- the Company has needed to implement precautions to prevent any exposure of our ships' crews to COVID-19 when calling at ports and/or places affected by the virus.

If the COVID-19 pandemic continues on a prolonged basis or becomes more severe, the rate environment in the crude and product markets may deteriorate and our operations and cash flows may be negatively impacted. A prolonged negative rate environment could result in the value of our vessels being impaired which could in turn impair our ability to borrow amounts under our revolving credit facilities or to access to credit and capital markets in the future on favorable terms or at all.

The extent to which COVID-19 will materially impact the Company's results of operations and financial condition, including possible impairments, will depend on future developments, which are highly uncertain and cannot be predicted, including, among others, new information which may emerge concerning

the severity of the virus and the actions to contain or treat its impact, or any resurgence or mutation of the virus, the availability of vaccines and their global deployment, the development of effective treatments, the imposition of effective public safety and other protective measures and the public's response to such measures. There continues to be a high level of uncertainty relating to how the pandemic will evolve, how governments and consumers will react and progress on the approval and distribution of vaccines. Accordingly, an estimate of the impact of COVID-19 on the Company and its operations cannot be made at this time. However, if the pandemic worsens, additional restrictions are imposed or current restrictions are imposed for a longer period of time in response to the outbreak, it may have a material adverse effect on the Company's future results of operation and financial condition.

***The U.K.'s withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.***

In June 2016, a majority of voters in the U.K. elected to withdraw from the EU in a national referendum (informally known as "Brexit"), a process that the government of the U.K. formally initiated in March 2017. Since then, the U.K. and the EU have been negotiating the terms of a withdrawal agreement, which was approved in October 2019 and ratified in January 2020. The U.K. formally exited the EU on January 31, 2020, although a transition period remains in place until December 2020, during which the U.K. will be subject to the rules and regulations of the EU while continuing to negotiate the parties' relationship going forward, including trade deals. There is currently no agreement in place regarding the aftermath of the withdrawal, creating significant uncertainty about the future relationship between the U.K. and the EU, including with respect to the laws and regulations that will apply as the U.K. determines which EU-derived laws to replace or replicate following the withdrawal. Brexit has also given rise to calls for the governments of other EU member states to consider withdrawal. These developments and uncertainties, or the perception that any of them may occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have a material adverse effect on our business and on our consolidated financial position, results of operations and our ability to pay distributions. Additionally, Brexit or similar events in other jurisdictions, could impact global markets, including foreign exchange and securities markets; any resulting changes in currency exchange rates, tariffs, treaties and other regulatory matters could in turn adversely impact our business and operations.

Brexit contributes to considerable uncertainty concerning the current and future economic environment. Brexit could adversely affect European or worldwide political, regulatory, economic or market conditions and could contribute to instability in global political institutions, regulatory agencies and financial markets.

***Our international activities increase the compliance risks associated with economic and trade sanctions imposed by the United States, the European Union and other jurisdictions.***

Certain countries (including the Crimea region of Ukraine, Cuba, Iran, North Korea and Syria), entities, persons and organizations are targeted by economic sanctions and embargoes imposed by the United States, the EU and other jurisdictions, and certain countries (currently North Korea, Iran, Cuba and Syria), have been identified as state sponsors of terrorism by the U.S. Department of State. Such economic sanctions and embargo laws and regulations vary in their application with regard to countries, entities, persons and organizations and the scope of activities they subject to sanctions.

Our international operations and activities could expose us to risks associated with trade and economic sanctions, prohibitions or other restrictions imposed by the United States or other governments or organizations, including the United Nations, the UK, the EU and its member countries. In the event of a violation, we may be subject to fines and other penalties, including designation as a blocked or sanctioned entity.

If our vessels call on ports located in countries that are subject to comprehensive sanctions and embargoes imposed by the U.S. or other governments, or our vessels transport cargo connected with sanctioned charterers, shippers or other entities, our reputation and the market for our securities may be adversely affected.

These sanctions and embargo laws and regulations may be strengthened, relaxed or otherwise modified over time. Governments may seek to impose modifications to prohibitions/restrictions on business practices and activities, which may increase compliance costs and risks.

*Other EU Economic Sanctions Targets*

The European Union also maintains sanctions against Syria, North Korea and certain other countries and against persons, entities, groups or organizations listed by the EU. These sanctions regimes can also evolve and new countries can be made subject to sanctions including in the UK after EU law no longer applies after December 31, 2020. These restrictions can apply to our operations and as such, to the extent that these countries may be involved in any business, compliance with all relevant applicable restrictions is burdensome and we will need to continue to carry out checks to ensure compliance with all relevant applicable restrictions and to carry out due diligence checks on counterparties and cargoes.

*Possible Conflict of Laws and Risks Related to Blocking Regulation*

As noted above, a violation of the EU Blocking Regulation, where applicable, can give rise to enforcement actions and result in the imposition of penalties. EU operators are also entitled to recover any damages from anyone causing damage to that operator by the application of the blocked sanctions or by actions based thereon or resulting therefrom, or from any person acting on its behalf or intermediary. The U.S. generally does not recognize the EU Blocking Regulation. This can give rise to conflicting obligations under EU and U.S. legislation, and to risks of claims for damages by EU operators when companies or natural persons act in compliance with the blocked sanctions of the United States.

We need to be aware of possible conflicting obligations. It is also important for us to assess possible risks related to action for damages under the EU Blocking Regulation, when carrying out our operations.

*Compliance and Related Risks*

Given the prohibitions described above and the nature of our business, there is a sanctions risk for us due to the worldwide trade of our vessels. To reduce the risk of violating economic sanctions, we take steps reasonably designed to ensure compliance with applicable economic sanctions laws.

We do not generally do business in sanctions-targeted jurisdictions unless an activity is not restricted or we are authorized by the appropriate governmental or other sanctions authority. In addition, our charter agreements include provisions that restrict trades of our vessels to countries or to sub-charterers targeted by economic sanctions unless such trades involving sanctioned countries or persons are permitted under applicable economic sanctions and embargo regimes. To maintain our compliance with applicable sanctions and embargo laws and regulations, we monitor and review the movement of our vessels, as well as the cargo being transported by our vessels, on a continuing basis.

Although we believe that we are in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines, penalties or other sanctions that could severely impact our ability to access U.S. capital markets and conduct business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. In addition, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have contracts with countries identified by the U.S. government as state sponsors of terrorism. The determination by these investors not to invest in, or to divest from, our securities may adversely affect the price at which our securities trade.

Although we intend to comply with all applicable sanctions and embargo laws and regulations, and although we have various policies and controls designed to help ensure our compliance with these economic sanctions and embargo laws, it is nevertheless possible that third-party charterers of our vessels, or their sub-charterers, may arrange for vessels in our fleet, with or without consent, to call on ports located in one or more sanctioned countries. Our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation.

Despite, for example, relevant provisions in charter agreements forbidding the use of our vessels in trade that would violate economic sanctions, our charterers may nevertheless violate applicable sanctions and embargo laws and regulations and those violations could in turn negatively affect our reputation and be imputed to us. It is possible that the charterers of our vessels may violate applicable sanctions, laws and regulations, using our vessels or otherwise, and the applicable authorities may seek to review our activities as the vessel owner.

Notwithstanding the above, it is possible that new, or changes to existing, sanctions-related legislation or agreements may impact our business. We are regularly monitoring developments in the United States, the UK, the EU and other jurisdictions that maintain economic sanctions, including developments in implementation and enforcement of such sanctions programs. Expansion of sanctions programs, embargoes and other restrictions in the future (including additional designations of countries and persons subject to sanctions), or modifications in how existing sanctions are interpreted or enforced, could prevent our vessels from calling in ports in sanctioned countries or could limit their cargoes. If any of the risks described above materialize, it could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Our current or future counterparties may be affiliated with persons or entities that are or may be in the future the subject of sanctions imposed by the United States, the UK, the EU, and/or other governmental international bodies. If we determine that such sanctions require us to terminate existing or future contracts to which we or our subsidiaries are party or if we are found to be in violation of such applicable sanctions, our business, financial condition, results of operations and cash flows may be adversely affected or we may suffer reputational harm.

Given our relationship with our affiliates and subsidiaries, we cannot give any assurance that an adverse finding against any of the affiliates and subsidiaries by a governmental or legal authority with respect to the matters discussed herein or any future matter related to regulatory compliance by us or the affiliates and subsidiaries, will not have a material adverse impact on our business, financial condition, results of operations and cash flows.

In 2018, prior to the separation of the Athena Vessels in connection with the Transactions, one vessel then-owned by CPLP made a port call in Iran in March 2018 while the vessel was sublet by an unaffiliated charterer under a voyage charter. In 2017, vessels then-owned by CPLP and chartered under time charter parties to a subsidiary of Capital Maritime & Trading Corp. ("CMTC"), CPLP's sponsor and the parent of CPLP's general partner, made the following port calls to Iran and Sudan: four port calls to Iran to load crude oil, three port calls to Iran to discharge vegetable oils and two port calls to Sudan to discharge palm and vegetable oils. In addition, in 2017, one vessel then-owned by CPLP made a port call to Sudan to discharge fuel oil while employed under a voyage charter to an unaffiliated third party. Each of these port calls occurred while the respective vessel was chartered out to an unaffiliated charterer or sub-charterer under the instructions of such charterer or sub-charterer.

We believe that all such port calls were made in compliance with applicable economic sanctions laws and regulations, including those of the United States, the European Union and other relevant jurisdictions.

***The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.***

We expect that our vessels will call in ports where smugglers attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of the vessel and whether with or without the knowledge of any of its crew, we may face governmental or other regulatory claims which could have an adverse effect on our business, financial condition, results of operations and cash flows.

***Maritime claimants could arrest or attach our vessels, which would have a negative effect on our cash flows.***

Crew members, suppliers of goods and services to a vessel, shippers of cargo, lenders, and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting or attaching a vessel through foreclosure

proceedings. The arrest or attachment of one or more of our vessels could interrupt our business or require us to pay large sums of money to have the arrest lifted, which would have a negative effect on our cash flows.

In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel, which is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert "sister ship" liability against one vessel in our fleet for claims relating to another of our ships.

***Governments could requisition our vessels during a period of war or emergency, which may negatively impact our business, financial condition, results of operations and cash flows.***

A government could requisition one or more of our vessels for title or hire. Requisition for title occurs when a government takes control of a vessel and becomes the owner. Also, a government could requisition our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels may negatively impact our business, financial condition, results of operations and cash flows.

**Risks Related to Our Business and Operations**

***The failure of our counterparties to meet their obligations under its charter agreements could cause us to suffer losses or otherwise adversely affect our business.***

We have entered into, and may enter into in the future, various contracts, including, without limitation, charter and pooling agreements relating to the employment of our vessels, newbuilding contracts, debt facilities, and other agreements. Such agreements subject us to counterparty risks. The ability and willingness of each of our counterparties to perform its respective obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the maritime and offshore industries, and the overall financial condition of the counterparty.

In addition, with respect to our charter arrangements, in depressed market conditions, our charterers may no longer need a vessel that is then under charter or may be able to obtain a comparable vessel at lower rates. As a result, charterers may seek to renegotiate the terms of their existing charter agreements or avoid their obligations under those contracts. If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure in the spot market or on time charters may be at lower rates. As a result, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***We may have difficulty managing planned growth properly, and any significant corporate transactions may not achieve their intended results.***

One of our principal strategies is to continue to grow by expanding our operations and adding to our operating fleet. Our future growth will primarily depend upon a number of factors, some of which may not be within our control. These factors include our ability to:

- identify suitable tankers and/or shipping companies for acquisitions at attractive prices;
- obtain required financing for our existing and new operations on favorable terms, or at all;
- identify businesses engaged in managing, operating or owning tankers for acquisitions or joint ventures;
- integrate any acquired tankers or businesses successfully with our existing operations, including obtaining any approvals and qualifications necessary to operate vessels that we acquire;
- hire, train and retain qualified personnel and crew to manage and operate our growing business and fleet;

- identify additional new markets;
- enhance our customer base; and
- improve our operating, financial and accounting systems and controls.

Our failure to effectively identify, purchase, develop and integrate additional tankers or businesses could adversely affect our business, financial condition, results of operations and cash flows. The number of employees that perform services for us and our current operating and financial systems may not be adequate as we implement our plan to expand the size of its fleet, and we may not be able to effectively hire more employees or adequately improve those systems. Future acquisitions may also require additional issuances of our equity or debt securities (with amortization payments). If any such events occur, our financial condition may be adversely affected. We cannot give any assurance that we will be successful in executing our growth plans or that we will not incur significant expenses and losses in connection with our future growth.

Growing any business by acquisition presents numerous risks, such as undisclosed liabilities and obligations, difficulty in obtaining additional qualified personnel and managing relationships with customers and suppliers and integrating newly acquired operations into existing infrastructures. The expansion of our fleet may impose significant additional responsibilities on our management and may necessitate an increase in the number of personnel. Other risks and uncertainties include distraction of our management from current operations, insufficient revenue to offset liabilities assumed, potential loss of significant revenue and income streams, unexpected expenses, inadequate return of capital, potential acceleration of taxes currently deferred, regulatory or compliance issues, the triggering of certain covenants contained in our loan agreements (including accelerated repayment) and other unidentified issues that may not be discovered or discoverable in due diligence. As a result of the risks inherent in such transactions, we cannot guarantee that any such transaction would ultimately result in the realization of the anticipated benefits of the transaction or that significant transactions would not have a material adverse impact on our business, financial condition, results of operations and cash flows.

***If we purchase and operate secondhand vessels, we will be exposed to increased operating costs which could adversely affect our earnings and, as our fleet ages, the risks associated with older vessels could adversely affect our ability to obtain profitable charters.***

Our current business strategy includes additional future growth through the acquisition of secondhand vessels, newbuild resales as well as vessel orders from shipyards. While we typically inspect secondhand vessels prior to purchase, this does not provide us with the same knowledge about their condition that we would have had if these vessels had been built for and operated exclusively by us. Generally, we do not receive the benefit of warranties from the builders for the secondhand vessels that we acquire.

In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. Older vessels are typically less fuel efficient than more recently constructed vessels due to improvements in engine technology. Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which the vessels may engage. As our vessels age, market conditions may not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

***Any vessel modification projects we undertake could have significant cost overruns or delays or fail to achieve the intended results.***

Market volatility and higher fuel prices, coupled with increased regulation and concern about the environmental impact of the international shipping industry, have led to an increased focus on fuel efficiency and controlling emissions. Many shipowners have implemented vessel modification programs for their existing ships in an attempt to capture potential efficiency gains and to comply with emissions requirements. We will consider making modifications to our fleet where we believe the efficiency gains will result in a positive return for our shareholders. However, these types of projects are subject to risks of delay and cost overruns, resulting from shortages of equipment, unforeseen engineering problems, work stoppages,

unanticipated cost increases, inability to obtain necessary certifications and approvals and shortages of materials or skilled labor, among other problems. In addition, any completed modification may not achieve the full expected benefits or could even compromise our fleet's ability to operate at higher speeds, which is an important factor in generating additional revenue in an improving freight rate environment. The failure to successfully complete any modification project we undertake or any significant cost overruns or delays in any retrofitting projects could have a material adverse impact on our business, financial condition, results of operations and cash flows.

***We may experience operational problems with vessels that reduce revenue and increase costs.***

Product and crude tankers are complex vessels and their operation is technically challenging. Marine transportation operations are subject to mechanical risks and problems, in addition to challenges resulting from harsh weather conditions on the high seas. Operational problems may lead to loss of revenue or higher than anticipated operating expenses or require additional capital expenditures. Any of these results could have a material adverse impact on our business, financial condition, results of operations and cash flows.

***We rely on information systems to conduct our business, and failure to protect these systems against security breaches could have a material adverse impact on our business, financial condition, results of operations and cash flows.***

We rely on information technology systems and networks to manage and operate our business. These systems may be damaged, intruded upon, shutdown or cease to function properly (whether by planned upgrades, force majeure, telecommunications failures, hardware or software break-ins or viruses, other cyber-security incidents or otherwise) and we may suffer any resulting interruptions in our ability to manage and operate our business. Our operations could be targeted by individuals or groups seeking to sabotage or disrupt our information technology systems and networks, or to steal data. A successful cyberattack could materially disrupt our operations, including the safety or operation of our vessels, or lead to unauthorized release of information or alteration of information on our systems. Any such attack or other breach of our information technology systems could have a material adverse impact on our business, financial condition, results of operations and cash flows.

***If we are unable to operate our vessels profitably, we may be unsuccessful in competing in the highly competitive international tanker market, which would negatively affect our financial condition and our ability to expand our business.***

The operation of tanker vessels and transportation of petroleum products is extremely competitive, in an industry that is capital intensive and highly fragmented. Competition arises primarily from other tanker owners, including major oil companies as well as independent tanker companies, some of whom have substantially greater resources than we do. Competition for the transportation of oil and petroleum products can be intense and depends on price, location, size, age, condition and the acceptability of the tanker and its operators to the charterers. We may be unable to compete effectively with other tanker owners, including major oil companies as well as independent tanker companies.

Our market share may decrease in the future. We may not be able to compete profitably as we expand our business into new geographic regions or provide new services. New markets may require different skills, knowledge or strategies than we use in our current markets, and the competitors in those new markets may have greater financial strength and capital resources than we do. Inability to compete effectively could have a material adverse impact on our business, financial condition, results of operations and cash flows.

***We may experience constraints in our liquidity and may be unable to access capital when necessary or desirable, either of which could adversely affect our financial condition.***

Although we believe we have a sufficient level of cash and cash equivalents to cover our working capital needs in the ordinary course of business for the foreseeable future, we may, from time to time, explore additional financing sources and means to improve our liquidity and lower our cost of capital, which could include equity, equity-linked and debt financing activities. In addition, from time to time, we review acquisition and investment opportunities to further implement our business strategy and may fund these investments with bank financing, the issuance of debt or equity or a combination thereof.

In line with industry practice, our suppliers provide us with short-term credit, or short-term supply credits, to purchase, among other things, bunkers and other petroleum products. If our short-term supply credits are reduced or withdrawn, it could have a material adverse effect on our financial condition.

In addition, if satisfactory funding is unavailable or insufficient at any time in the future, we may be unable to respond to competitive pressures or requirements from customers or regulatory authorities regarding vessel maintenance and fleet age or take advantage of lucrative business opportunities.

The availability of financing depends in significant measure on capital markets and liquidity factors over which we exert no control. In light of periodic uncertainty in the capital and credit markets, we can provide no assurance that sufficient financing will be available on desirable terms or at all to improve our liquidity, fund investments, acquisitions or extraordinary actions or that our counterparties in any such financings would honor their contractual commitments, which in turn could negatively affect our business, results of operations and financial condition.

***Our growth depends on our ability to expand relationships with existing customers and obtain new customers, for which we will face substantial competition.***

The process of obtaining new charters is highly competitive, generally involves an intensive screening process and competitive bids and often extends for several months. Contracts are awarded based upon a variety of factors, including:

- the operator's industry relationships, experience and reputation for customer service, quality operations and safety;
- the operator's construction management experience, including the ability to obtain on-time delivery of new vessels according to customer specifications;
- the quality and age of the vessels;
- the quality, experience and technical capability of the crew;
- the operator's willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and
- the competitiveness of the bid in terms of overall price.

Our ability to obtain new customers will depend upon a number of factors, including our ability to:

- successfully manage our liquidity and obtain the necessary financing to fund our anticipated growth;
- attract, hire, train and retain qualified personnel and managers to manage and operate our fleet;
- identify and consummate desirable acquisitions, joint ventures or strategic alliances; and
- identify and capitalize on opportunities in new markets.

We expect competition for providing transportation services from a number of experienced companies, some with greater resources than us. As a result, we may be unable to expand our relationships with existing customers or to obtain new customers on a profitable basis or at all, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

***Our operating results are subject to seasonal fluctuations.***

Tanker markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere but weaker in the summer months as a result of lower oil consumption in the northern hemisphere and refinery maintenance that is typically conducted in the warmer months. In addition, unpredictable weather patterns during the winter months in the northern hemisphere tend to disrupt vessel routing and scheduling. The oil price volatility resulting from these factors has historically led to increased oil trading activities in the winter months. As a result, revenues generated by our vessels have historically been weaker during the quarters ended June 30 and September 30 and stronger in the quarters ended March 31 and December 31. This seasonality could have an adverse effect on our future performance, results of operations, cash flows and financial position.

***If we do not set aside funds and are unable to borrow or raise funds for vessel replacement, at the end of a vessel's useful life our revenue will decline, which would adversely affect our business, financial condition, results of operations and cash flows.***

If we do not set aside funds and are unable to either borrow or raise funds for vessel replacement or can only do so at prohibitively higher interest rates, we may be unable to replace some or all of the vessels in our current fleet upon the expiration of their remaining useful lives, which we expect to occur between 2031 to 2042, depending on the vessel. Our cash flows and income are dependent on the revenues earned by the chartering of our vessels. Higher interest rates would affect our financial condition even for vessels that we are able to replace. If we are unable to replace the vessels in our fleet upon the expiration of their useful lives or to do so only at higher interest rates, our business, financial condition, results of operations and cash flows could be materially adversely affected.

***Our insurance may not be adequate to cover our losses that may result from our operations due to the inherent operational risks of the tanker industry.***

We carry insurance to protect us against most of the accident-related risks involved in the conduct of our business, including marine hull and machinery insurance, protection and indemnity insurance, which include pollution risks, crew insurance and war risk insurance. However, we may not be adequately insured to cover losses from our operational risks, which could have a material adverse effect on us. Additionally, our insurers may refuse to pay particular claims and our insurance may be voidable by the insurers if we take, or fails to take, certain action, such as failing to maintain certification of our vessels with applicable maritime regulatory organizations. Any significant uninsured or under-insured loss or liability could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, we may not be able to obtain adequate insurance coverage at reasonable rates in the future during adverse insurance market conditions which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Changes in the insurance markets attributable to terrorist attacks, political uncertainty, piracy, safety incidents or environmental disasters may also make certain types of insurance more difficult for us to obtain due to increased premiums or reduced or restricted coverage for losses caused by terrorist acts, piracy or environmental disasters generally, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

***Because we obtain some of our insurance through protection and indemnity associations, which result in significant expenses to us, we may be required to make additional premium payments.***

We may be subject to increased premium payments, or calls, in amounts based on our claim records, the claim records of CSM or technical managers, as well as the claim records of other members of the protection and indemnity associations through which we receive insurance coverage for tort liability, including pollution-related liability. Our protection and indemnity associations may not have sufficient resources to cover claims made against them. Our payment of these calls could result in significant expense to us, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

***Various tax rules may adversely impact our results of operations and financial position.***

We may be subject to taxes in the United States and other jurisdictions in which we operate. If the Internal Revenue Service (the "IRS"), or other taxing authorities disagree with the positions we have taken on our tax returns, we could face additional tax liability, including interest and penalties. If material, payment of such additional amounts upon final adjudication of any disputes could have a material impact on our results of operations and financial position. In addition, complying with new tax rules, laws or regulations could impact our financial condition, and increases to federal or state statutory tax rates and other changes in tax laws, rules or regulations may increase our effective tax rate. Any increase in our effective tax rate could have a material adverse impact on our business, financial condition, results of operations and cash flows.

***U.S. tax authorities could treat us as a "passive foreign investment company," which could have adverse U.S. federal income tax consequences for U.S. shareholders.***

A foreign corporation will be treated as a "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income." For purposes of these tests, "passive income" includes dividends, interest and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income." U.S. shareholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on current and anticipated operations, we believe that we are not currently a PFIC nor do we expect to become a PFIC. Our belief is based principally on the advice we have received that the gross income we derive from our time chartering activities should constitute services income rather than rental income. Accordingly, we intend to take the position that such income does not constitute passive income, and the assets that we own and operate in connection with the production of such income, in particular, the vessels, should not constitute passive assets for purposes of determining whether we are a PFIC. However, no assurance can be given that the IRS or a U.S. court of law will accept this position, and there is accordingly a risk that the IRS or a U.S. court could determine that we are or were a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if there were to be a change in our assets, income or operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, our U.S. shareholders would face adverse U.S. federal income tax consequences and incur certain information reporting obligations. Under the PFIC rules, unless those shareholders make an election available under the U.S. Internal Revenue Code of 1986, as amended (the "Code") (which election could itself have adverse consequences for such shareholders), such shareholders would be subject to U.S. federal income tax at the then prevailing maximum rates on ordinary income plus interest, in respect of excess distributions and upon any gain from the disposition of their Diamond S common shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of the Diamond S common shares.

***We may have to pay tax on U.S.-source shipping income, which would reduce our earnings.***

Under the Code, a foreign corporation that recognizes income attributable to transportation that begins or ends (but that does not begin and end) in the United States, as we and our subsidiaries do, may be subject to U.S. federal income taxation under one of two alternative tax regimes unless that corporation qualifies for exemption from tax under Section 883 of the Code and the Treasury Regulations thereunder: the 4% gross basis tax or the net basis tax and branch tax. The imposition of any such taxation would have a negative effect on our business and would decrease our earnings available for distribution to our shareholders.

We and our subsidiaries cannot be certain that we will qualify for this statutory tax exemption. There are factual circumstances beyond our control that could prevent us from qualifying for this tax exemption and that could cause us to become subject to U.S. federal income tax on our U.S. source shipping income. In particular, we may not qualify for exemption under Section 883 of the Code for a particular taxable year if shareholders with a five percent or greater interest in our common shares ("5% Shareholders") owned, in the aggregate, 50% or more of our outstanding common shares for more than half the days during the taxable year, and there do not exist sufficient 5% Shareholders that are qualified shareholders for purposes of Section 883 of the Code to preclude nonqualified 5% Shareholders from owning 50% or more of our common shares for more than half the number of days during such taxable year or we are unable to satisfy certain substantiation requirements with regard to our 5% Shareholders. We believe that there is a risk that this 5% Shareholder exception could apply to us, especially in our first year of operation.

***Our inability to attract and retain qualified personnel could have an adverse effect on our business.***

Attracting and retaining skilled personnel is an important factor in our future success. The market for qualified personnel is highly competitive and we cannot be certain that we will be successful in attracting and retaining qualified personnel in the future. Failure to attract and retain qualified personnel could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are dependent on our in-house subsidiary which provides technical and commercial management services and administrative services and our third-party technical managers and other agents for the commercial, technical and administrative management of our business, and their ability to hire and retain key personnel, and the failure of our in-house subsidiary which provides technical and commercial management services and administrative services or its third-party technical managers and other agents to satisfactorily perform their services may adversely affect our business. Our success also depends upon our technical managers' ability to hire and retain key personnel. The underperformance by these firms could adversely affect our business prospects and financial condition. The loss of any of our technical managers' services or failure by any of our technical managers to perform its obligations could materially and adversely affect the results of our operations. If any of our technical management agreements were to be terminated or if any of their terms were to be altered, our business could be adversely affected, as we may not be able to immediately replace such services. Even if replacement services were immediately available, the terms offered could be less favorable than those under our current technical management agreements.

In such outsourcing arrangements, we have transferred direct control over technical and commercial management of some of our vessels while maintaining significant oversight and audit rights and must rely on third party service providers to, among other things:

- comply with contractual commitments, including with respect to safety, quality and environmental compliance of the operations of our vessels;
- comply with requirements imposed by the U.S. government, the U.N. and the EU (1) restricting calls on ports located in countries that are subject to sanctions and embargoes and (2) prohibiting bribery and other corrupt practices;
- respond to changes in customer demands for our vessels;
- obtain supplies and materials necessary for the operation and maintenance of our vessels;
- mitigate the impact of labor shortages and/or disruptions relating to crews on our vessels; and
- provide services to our vessels of the same quality and at similar costs to those provided to its other customers.

The failure of third-party service providers to meet such commitments could lead to legal liability or other damages. Failure by such providers to comply with relevant laws may subject us to liability or damage our reputation. Furthermore, damage to any such third party's reputation, relationships or business may reflect on us directly or indirectly, and could have a material adverse impact on our business, financial condition, results of operations and cash flows.

***There may be conflicts of interest between us and CSM that may not be resolved in our favor.***

In addition to managing our vessels, CSM also manages ships on behalf of CPLP, CMTC and other parties. Conflicts of interest may arise between CSM's obligations to other parties, on the one hand, and us or our shareholders, on the other hand. As a result of these conflicts, CSM may favor the interests of other parties over our interests or those of our shareholders. This could result in a material adverse impact on our business, financial condition, results of operations and cash flows.

***Our tanker vessels' present and future employment could be adversely affected by an inability to clear the oil majors' risk assessment process.***

Shipping, and especially crude oil, refined product and chemical tankers, has been, and will remain, heavily regulated. The so-called "oil majors", together with a number of commodities traders, represent a significant percentage of the production, trading and shipping logistics (terminals) of crude oil and refined

products worldwide. Concerns for the environment have led the oil majors to develop and implement a strict ongoing due diligence process when selecting their commercial partners. This vetting process has evolved into a sophisticated and comprehensive risk assessment of both the vessel operator and the vessel, including physical ship inspections, completion of vessel inspection questionnaires performed by accredited inspectors and the production of comprehensive risk assessment reports. In the case of term charter relationships, additional factors are considered when awarding such contracts, including:

- office assessments and audits of the vessel operator;
- the operator's environmental, health and safety record;
- compliance with the standards of the IMO;
- compliance with heightened industry standards that have been set by several oil companies;
- shipping industry relationships, reputation for customer service, technical and operating expertise;
- compliance with oil majors' codes of conduct, policies and guidelines, including transparency, anti-bribery and ethical conduct requirements and relationships with third parties;
- shipping experience and quality of ship operations, including cost-effectiveness;
- quality, experience and technical capability of crews;
- the ability to finance vessels at competitive rates and overall financial stability;
- relationships with shipyards and the ability to obtain suitable berths;
- construction management experience, including the ability to procure on-time delivery of new vessels according to customer specifications;
- willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and
- competitiveness of the bid in terms of overall price.

Should CSM or any of our third-party ship managers not continue to successfully clear the oil majors' risk assessment processes on an ongoing basis, our vessels' present and future employment, as the well as our relationship with our existing charterers and our ability to obtain new charterers, whether medium- or long-term, could be adversely affected. Such a situation may lead to the oil majors' terminating existing charters and refusing to use our vessels in the future, which would adversely affect our business, financial condition, results of operations and cash flows. See "Item 1. Business — Major Oil Company Vetting Process."

***Marine transportation is inherently risky, and an incident involving significant loss of, or environmental contamination by, any of our vessels could harm our reputation and business.***

Our vessels and their cargoes are at risk of being damaged or lost because of events such as:

- marine disasters;
- bad weather;
- mechanical failures;
- grounding, fire, explosions and collisions;
- piracy;
- human error; and
- war and terrorism.

An accident involving any of our vessels could result in any of the following:

- environmental damage, including liabilities and costs to recover spilled oil or other petroleum products, and to pay for environmental damage and ecosystem restoration where the spill occurred;
- death or injury to persons, or loss of property;

- delays in the delivery of cargo;
- loss of revenues from, or termination of, charter contracts;
- governmental fines, penalties or restrictions on conducting business;
- higher insurance rates; and
- damage to our reputation and customer relationships generally.

Any of these results could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Failure to comply with the Foreign Corrupt Practices Act ("FCPA") could result in fines, criminal penalties, contract terminations and an adverse effect on our business.***

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

**Risks Related to Our Indebtedness and Financing**

***Servicing our current or future indebtedness limits funds available for other purposes and if we cannot service our debt, we may lose our vessels.***

Borrowings under our debt facilities require us to dedicate a part of our cash flow from operations to paying interest on our indebtedness. These payments limit funds available for working capital, capital expenditures and other purposes. Amounts borrowed under our secured debt facilities bear interest at variable rates. Increases in prevailing rates could increase the amounts that we would have to pay to our lenders, even though the outstanding principal amount remained the same, and our net income and cash flows would decrease. We expect our earnings and cash flow to vary from year to year due to the cyclical nature of the tanker industry. If we do not generate or reserve enough cash flow from operations to satisfy our debt obligations, we may have to make alternative financial arrangements which may include seeking to raise additional capital, refinancing or restructuring our debt, selling tankers, or reducing or delaying capital investments. However, these alternative financial arrangements, if necessary, may not be available or sufficient to allow us to meet our debt obligations.

If we are unable to meet our debt obligations or if some other default occurs under our debt facilities, our lenders could elect to declare that debt, together with accrued interest and fees, to be immediately due and payable and proceed against the collateral vessels securing that debt even though the majority of the proceeds used to purchase the collateral vessels did not come from our debt facilities.

Our debt financing agreements contain restrictive covenants and financial covenants which may limit our ability to conduct certain activities, and further, we may be unable to comply with such covenants, which could result in a default under the terms of such agreements. Our debt agreements impose operating and financial restrictions on us. These restrictions may limit our ability, or the ability of our subsidiaries party thereto, to, among other things:

- pay dividends and make capital expenditures if there is a default under its debt facilities;
- make capital expenditures unless related to the use, operation, trading, repairs and maintenance work on collateral vessels or improvements to collateral vessels;

- incur additional indebtedness, including the issuance of guarantees;
- create liens on its assets;
- change the flag, class or management of its vessels or terminate or materially amend the management agreement relating to each vessel;
- sell the Company's vessels;
- merge or consolidate with, or transfer all or substantially all the Company's assets to, another person; or
- enter into a new line of business.

Therefore, we will need to seek permission from our lenders in order to engage in certain corporate actions if such actions do not otherwise comply with the restrictions under its debt facilities. Our lenders' interests may be different from ours, and we may not be able to obtain our lenders' permission when needed. This may limit our ability to pay dividends, finance our future operations or capital requirements, make acquisitions or pursue business opportunities.

In addition, the terms and conditions of certain of our loan agreements require us to maintain specified financial ratios and satisfy financial covenants, including ratios and covenants based on the market value of the vessels in our fleet. Should our charter rates or vessel values materially decline in the future, we may seek to obtain waivers or amendments from our lenders with respect to such financial ratios and covenants, or we may be required to take action to reduce our debt or to act in a manner contrary to our business objectives to meet any such financial ratios and satisfy any such financial covenants. If we are not able to obtain such waivers or consents to such amendments from our lenders or reduce our debt due to the decline in our vessel values, we will likely be in default of such covenants, including our collateral maintenance covenant.

Events beyond our control, including changes in the economic and business conditions in the shipping markets in which we operate, may affect our ability to comply with these covenants. We cannot provide any assurance that we will meet these ratios or satisfy these covenants or that our lenders will waive any failure to do so or amend these requirements. A breach of any of the covenants in, or our inability to maintain the required financial ratios under, our credit facilities would prevent us from borrowing additional money under our credit facilities and could result in a default under one or more of our credit facilities. If a default occurs under our credit facilities and our lenders were to declare the outstanding debt, together with accrued interest and other fees, to be immediately due and payable, our lenders could foreclose on the collateral securing that debt, which could constitute all or substantially all of our assets. Moreover, in connection with any waivers or amendments to credit facilities that we may obtain, our lenders may impose additional operating and financial restrictions on us or modify the terms of our existing credit facilities. These restrictions may further restrict our ability to, among other things, pay dividends, repurchase our common shares, make capital expenditures, or incur additional indebtedness.

Furthermore, our debt agreements contain cross-default and cross-acceleration provisions that may be triggered if we default under the terms of any one of our financing agreements. In the event of default under one of our debt agreements, the lenders under our other debt agreements could determine that we are in default under such other financing agreements. Such cross-defaults could result in the acceleration of the maturity of such indebtedness under these agreements and the lenders thereunder may foreclose upon any collateral securing that indebtedness, including our vessels, even if we were to subsequently cure such default. In the event of such acceleration or foreclosure, we might not have sufficient funds or other assets to satisfy all of our obligations, which would have a material adverse effect on our business, financial condition, results of operations and cash flows and could result in bankruptcy or other insolvency proceedings.

***Our interest rate swap agreements are subject to counterparty risks and may be insufficient to protect us against volatility in LIBOR rates and amounts due under our credit facilities.***

We have partially hedged against the floating interest rate risks under our credit facilities that are not cash flow hedges and are reported in income and, accordingly, could materially affect our reported income in any period. Moreover, in light of current economic uncertainty, we may be exposed to the risk that one or

more counterparties to our interest rate swap agreements may be unable to perform its obligations thereunder. LIBOR rates have historically been volatile, with the spread between those rates and prime lending rates widening significantly at times. These conditions are the result of the recent disruptions in the international credit markets. Amounts borrowed under our credit facilities bear interest at annual rates of between 2.50% and 3.25% above LIBOR. If we choose not to, or are unable to, enter into interest rate swap agreements on our debt instruments, or if one or more of the counterparties thereunder fails to perform its obligations thereunder, we may be exposed to increased interest rates and additional interest rate volatility, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

***We are exposed to the proposed disappearance of LIBOR in 2023, which could affect our interest expenses.***

LIBOR has been the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms and other pressures may cause LIBOR to be eliminated or to perform differently than in the past. The consequences of these developments cannot be entirely predicted, but could include an increase in the cost of our variable rate indebtedness and obligations.

The banks that submit loan rates are supposed to submit interest rates that they would pay for borrowing from other banks. But since there are few unsecured bank-to-bank lending transactions, they use “expert judgment” to provide most of their inputs for LIBOR calculation. The lack of transactions has led to increasing regulatory pressure to end the use of LIBOR altogether. In fact, the UK’s Financial Conduct Authority announced that after 2021, it will no longer “compel or persuade” banks to submit rates. On November 30, 2020, ICE Benchmark Administration (“IBA”), the administrator of LIBOR, with the support of the United States Federal Reserve and the United Kingdom’s Financial Conduct Authority, announced plans to consult on ceasing publication of U.S. Dollar LIBOR on December 31, 2021 for only the one-week and two-month U.S. Dollar LIBOR tenors, and on June 30, 2023 for all other U.S. Dollar LIBOR tenors. The United States Federal Reserve concurrently issued a statement advising banks to stop new U.S. Dollar LIBOR issuances by the end of 2021. Such announcements indicate that the continuation of LIBOR on the current basis will not be guaranteed after 2021.

In response to the potential discontinuation of LIBOR, working groups are converging on alternative reference rates. The Alternative Reference Rates Committee, a committee convened by the Federal Reserve that includes major market participants, has proposed an alternative rate to replace the U.S. Dollar LIBOR: the Secured Overnight Financing Rate, of “SOFR”. However, SOFR and other alternatives are fundamentally different to LIBOR and to each other and there can be no assurance that any alternative reference rate would become widely accepted. This means a transition will be more than an administrative challenge.

The phasing out or discontinuation of LIBOR poses the risk that our loans, and to the extent in place, interest rate swaps would be forced to be anchored to a new benchmark rate, and that shift could have a substantial effect such as a sudden jump to higher interest rates on our loans. In the event of the continued or permanent unavailability of LIBOR, many of our financing agreements contain a provision requiring or permitting us to enter into negotiations with our lenders to agree to an alternative interest rate or an alternative basis for determining the interest rate. These clauses present significant uncertainties as to how alternative rates or alternative bases for determination of rates would be agreed upon, as well as the potential for disputes or litigation with our lenders regarding the appropriateness or comparability to LIBOR of any substitute indices. In the absence of an agreement between us and our lenders, most of our financing agreements provide that LIBOR would be replaced with some variation of the lenders’ cost-of-funds rate.

The discontinuation of LIBOR presents a number of risks to our business, including volatility in applicable interest rates among our financing agreements, increased lending costs for future financing agreements or unavailability of or difficulty in attaining financing, which could in turn have an adverse effect on our profitability, earnings and cash flow.

***If we are in breach of any of the terms of our credit facilities, a significant portion of our obligations may become immediately due and payable, and the lenders’ commitments to make further loans to us, if any, may terminate. This could adversely affect our ability to execute our business strategy or make cash distributions.***

Our ability to comply with the covenants and restrictions contained in our credit facilities and any other debt instruments we may enter into in the future may be affected by events beyond our control,

including prevailing economic, financial and industry conditions. If we are in breach of any of the restrictions, covenants, ratios or tests in our credit facilities or other agreements governing our indebtedness, or if we trigger a cross-default provision contained in our current or future credit facilities or other agreements governing our indebtedness, pursuant to their terms, a significant portion of our obligations may become immediately due and payable, and our lenders' commitment to make further loans to us, if any, may terminate. We may not be able to reach agreement with our lenders to amend the terms of the loan agreements or waive any breaches and we may not have, or be able to obtain, sufficient funds to make any accelerated payments, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

**Risks Related to Our Common Shares**

***An active and liquid market for our common shares may not be sustained.***

Our common shares commenced trading on the NYSE on March 29, 2019, prior to which there had been no established trading market for our shares. Active and liquid trading markets generally result in lower bid ask spreads and more efficient execution of buy and sell orders for market participants. If an active trading market for our common shares is not maintained, the price of our common shares may be more volatile, and it may be more difficult and time-consuming to complete a transaction in our common shares, which could have an adverse effect on the realized price of the common shares. We cannot predict the price at which our common shares will trade and cannot guarantee investors will be able to sell their shares at or above the issuance price.

***The price of our common shares may be volatile.***

The price of our common shares may fluctuate due to a variety of factors, including:

- actual or anticipated fluctuations in our quarterly and annual results and those of other public companies in our industry;
- mergers and strategic alliances in the product tanker industry;
- market prices and conditions in the product tanker and oil industries;
- introduction of new technology by us or our competitors;
- commodity prices and in particular prices of oil and natural gas;
- the ability or willingness of OPEC to set and maintain production levels for oil;
- oil and gas production levels by non-OPEC countries;
- changes in government regulation;
- potential or actual military conflicts or acts of terrorism;
- natural disasters affecting the supply chain or use of petroleum products;
- the failure of securities analysts to publish research about us, or shortfalls in our operating results from levels forecast by securities analysts;
- our capital structure;
- additions or departures of key personnel;
- announcements concerning us or our competitors; and
- the general state of the securities market.

These broad market and industry factors may materially reduce our share price, regardless of our operating performance.

***Reports published by analysts, including projections in those reports that exceed our actual results, could adversely affect the price and trading volume of our common shares.***

Research analysts may establish and publish their own periodic projections for our business. These projections may vary widely and may not accurately predict the results we actually achieve. Our share price

may decline if our actual results do not match the projections of these securities research analysts. Similarly, if one or more of the analysts who write reports on the Company downgrades our shares or publishes inaccurate or unfavorable research about our business, our share price could decline. If one or more of these analysts ceases coverage of the Company or fails to publish reports on the Company regularly, our share price or trading volume could decline.

***There may be circumstances in which the interests of our significant shareholders could be in conflict with other shareholders.***

According to information available to us, including information contained in public filings, as of March 12, 2021, funds managed by WL Ross & Co. LLC ("WLR") and First Reserve beneficially owned approximately 22.1% and 6.0%, CMTC and its affiliates beneficially owned approximately 6.9%, Cobas Asset Management and Donald Smith & Co. Inc. beneficially owned approximately 5.2% and 8.6% of our outstanding common shares, respectively. WLR and CMTC have the ongoing right, subject to certain conditions and limitations, to nominate directors to our board of directors, as more fully described in the 2021 Proxy Statement to be filed with the SEC within 120 days of December 31, 2020. In September 2020, First Reserve permanently waived its right to designate any director nominees to our board of directors.

Circumstances may arise in which these shareholders may have an interest in pursuing or preventing acquisitions, divestitures or other transactions, including the issuance of additional debt or equity, that, in their judgment, could enhance their investment in the Company or another company in which they invest. Such transactions might adversely affect the Company or other holders of our common shares. In addition, the holdings by our significant shareholders may adversely affect the trading price of our common shares because investors may perceive disadvantages in owning shares in companies with significant shareholders.

Furthermore, because we are incorporated in the Republic of the Marshall Islands, shareholders may have more difficulty in protecting their interests in connection with actions taken by our significant shareholders than they would as shareholders of a corporation incorporated in the United States.

***We may issue additional common shares or other equity securities without shareholder approval, which would dilute the ownership interests of our shareholders and may depress the Company's share price.***

Sales of a substantial number of our common shares in the public market, or the perception that these sales could occur, may depress the market price of our common shares. We may issue additional common shares or other equity securities of equal or senior rank in the future in connection with, among other things, future vessel acquisitions, repayment of outstanding indebtedness or our equity incentive plan, without shareholder approval in a number of circumstances. The issuance by us of additional common shares or other equity securities of equal or senior rank would have the following effects:

- our existing shareholders' proportionate ownership interest in us may decrease;
- the dividend amount payable per share, if any, on our common stock may be lower;
- the relative voting strength of each previously outstanding common share may be diminished; and
- the market price of our common shares may decline.

Our shareholders also may elect to sell large numbers of shares held by them from time to time, which could also depress the market for our common shares. In May 2019, we registered 11,684,435 shares held by certain DSS LP limited partners and by CMTC and its affiliates on a shelf registration statement. We also registered 17,874,835 shares held by funds managed by WLR and funds managed by First Reserve on a shelf registration statement. In the fourth quarter of 2019, First Reserve and WLR completed the sale of 5,384,845 of those shares in a secondary offering. Additional sales of significant amounts of our common shares, or the perception in the market that this will or may occur, may depress the market price of our common shares and make current shareholders' investments in our common shares less valuable.

***As an emerging growth company, we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common shares less attractive to investors.***

We are an "emerging growth company" as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that

are not emerging growth companies including, but not limited to, not being required to obtain an assessment of the effectiveness of our internal controls over financial reporting from our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our shares less attractive because we rely or may rely on these exemptions. If some investors find our shares less attractive as a result, there may be a less active market for our shares and our share price may decline or be more volatile.

In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of these accounting standards until they would otherwise apply to private companies. We intend to take advantage of the benefits of this extended transition period, for as long as it is available. As a result, our financial statements may not be comparable to those of companies that comply with such new or revised accounting standards.

***Pursuant to the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act for so long as we are an emerging growth company.***

Section 404 of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of a company's internal control over financial reporting, starting with the second annual report that it files with the SEC after the consummation of its initial public listing, and generally requires in the same report a report by its independent registered public accounting firm on the effectiveness of its internal control over financial reporting. However, as an emerging growth company, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act until we are no longer an emerging growth company. We could remain an emerging growth company until the last day of the fiscal year following the fifth anniversary of the date that we first sell our common equity securities pursuant to an effective registration statement under the Securities Act, although a variety of circumstances could cause us to lose that status earlier.

***Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business, financial condition, results of operations and cash flows.***

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the Dodd-Frank Act and are required to prepare our financial statements according to the rules and regulations required by the SEC. The Sarbanes-Oxley Act requires that we, among other things, establish and maintain effective internal controls and procedures for financial reporting and disclosure purposes. Internal control over financial reporting is complex and may be revised over time to adapt to changes in our business, or changes in applicable accounting rules. We cannot provide any assurance that our internal control over financial reporting will be effective in the future or that a material weakness will not be discovered with respect to a prior period for which we had previously believed that internal controls were effective. If we are not able to maintain or document effective internal control over financial reporting, our independent registered public accounting firm will not be able to certify as to the effectiveness of our internal control over financial reporting when we become subject to those requirements. Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis, or may cause us to restate previously issued financial information, and thereby subject us to adverse regulatory consequences, including sanctions or investigations by the SEC or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in the Company and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if we or our independent registered public accounting firm reports a material weakness in our internal control over financial reporting. This could have a material adverse impact on our business, financial condition, results of operations and cash flows by, for example, leading to a decline in our share price and impairing our ability to raise additional capital.

***If we do not develop and implement all required accounting practices and policies, we may be unable to provide the financial information required of a U.S. publicly traded company in a timely and reliable manner.***

Prior to the Transactions, we did not adopt all of the financial reporting and disclosure procedures and controls required of a U.S. publicly traded company because our operations were either part of a privately held company or a segment of a larger public company. We expect that the implementation of all required accounting practices and policies and the hiring of additional financial staff will increase our operating costs and could require significant time and resources from our management and employees. If we fail to continue to develop and maintain effective internal controls and procedures and disclosure procedures and controls, we may be unable to provide financial information and required SEC reports that a U.S. publicly traded company is required to provide in a timely and reliable fashion. Any such delays or deficiencies could penalize us, including by limiting our ability to obtain financing, either in the public capital markets or from private sources and hurt our reputation and could thereby impede our ability to implement our growth strategy. In addition, any such delays or deficiencies could result in our failure to meet the requirements for continued listing of our common shares on the NYSE.

***Certain provisions of our articles of incorporation and bylaws may make it difficult for shareholders to change the composition of our board of directors and may discourage, delay or prevent a merger or acquisition that some shareholders may consider beneficial.***

Certain provisions of our articles of incorporation and bylaws may have the effect of delaying or preventing changes in control if our board of directors determines that such changes in control are not in the best interests of the Company and our shareholders. The provisions in our articles of incorporation and bylaws include, among other things, those that:

- authorize our board of directors to issue preferred shares and to determine the price and other terms, including preferences and voting rights, of those shares without shareholder approval;
- establish advance notice procedures for nominating directors or presenting matters at shareholder meetings;
- authorize the removal of directors only for cause or pursuant to a plan of merger, consolidation or reorganization approved by the shareholders;
- allow only our board of directors to fill vacancies;
- limit the persons who may call special meetings of shareholders;
- limit the persons who may bring any business before an annual meeting to shareholders who beneficially own at least 10% of our then outstanding common shares; and
- provide certain of our shareholders the right to designate up to five members of the Company's board of directors.

While these provisions may have the effect of encouraging persons seeking to acquire control of the Company to negotiate with our board of directors, they could enable the board of directors to hinder or frustrate a transaction that some, or a majority, of the shareholders may believe to be in their best interests and, in that case, may prevent or discourage attempts to remove and replace incumbent directors.

These provisions may frustrate or prevent any attempts by our shareholders to replace or remove current management by making it more difficult for shareholders to replace members of our board of directors, which is responsible for appointing members of our management.

***We may be restricted from paying dividends on our common shares.***

As a holding company, we will depend on our subsidiaries' ability to pay distributions to us in order to pay cash dividends to holders of our common shares. Any dividends must be authorized by our board of directors, in its sole discretion. Any determination to pay or not pay cash dividends will depend on our available cash balances, anticipated cash needs, results of operations, financial condition, expected market conditions, investment opportunities, credit agreement restrictions and other factors our board of directors may deem relevant. In addition, Marshall Islands law generally prohibits the payment of dividends other than

from surplus (defined as net assets in excess of stated capital, and stated capital for shares with par value generally means the aggregate par value of the issued shares), but in case there is no surplus, dividends may be declared or paid out of the net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year. No dividends can be declared or paid when the Company is insolvent or if the payment of the dividend would render the Company insolvent.

***We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law or a bankruptcy law and, as a result, shareholders may have fewer rights and protections under Republic of the Marshall Islands law than under the law of a typical jurisdiction in the United States.***

Our corporate affairs are governed by our articles of incorporation and bylaws and by the Republic of the Marshall Islands Business Corporations Act (the "BCA"). The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain U.S. jurisdictions. Shareholder rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public shareholders may have more difficulty in protecting their interests in the face of actions by management, directors or significant shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction. Additionally, the Republic of the Marshall Islands does not have a legal provision for bankruptcy or a general statutory mechanism for insolvency proceedings. As such, in the event of a future insolvency or bankruptcy, our shareholders and creditors may experience delays in their ability to recover their claims after any such insolvency or bankruptcy.

***It may be difficult to serve process on or enforce a U.S. judgment against us, our officers and our directors because we are a foreign corporation.***

We are a corporation formed in the Republic of the Marshall Islands, and a substantial portion of our assets are located outside of the United States. As a result, our shareholders may have difficulty serving legal process upon us within the United States. Our shareholders may also have difficulty enforcing, both in and outside the United States, judgments they may obtain in U.S. courts against us in any action, including actions based upon the civil liability provisions of U.S. federal or state securities laws. Furthermore, there is substantial doubt that the courts of the Republic of the Marshall Islands would enter judgments in original actions brought in those courts predicated on U.S. federal or state securities laws. As a result, it may be difficult or impossible for our shareholders to bring an original action against us or against these individuals in a court in the Republic of the Marshall Islands in the event that our shareholders believe that their rights have been infringed under the U.S. federal securities laws or otherwise because the courts in the Republic of the Marshall Islands would not have subject matter jurisdiction to entertain such a suit.

## ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

## ITEM 2. PROPERTIES.

We own no property other than our vessels. We lease office space at 33 Benedict Place, Greenwich, Connecticut 06830.

## ITEM 3. LEGAL PROCEEDINGS.

We are not currently a party to any lawsuit that, if adversely determined, would have a material adverse effect on our business, financial condition, results of operations or cash flows. As such, we do not believe that pending legal proceedings, taken as a whole, should have any significant impact on our financial statements. In the future we may, from time to time, be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. While we expect that these claims would be covered by our existing insurance policies, those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. We have not been involved in any legal

proceedings which may have, or have had, a significant effect on our business, financial condition, results of operations or cash flows, nor are we aware of any proceedings that are pending or threatened which may have a significant effect on our business, financial condition, results of operations or cash flows.

## ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

### Diamond S Common Shares

Our common shares have traded on the NYSE under the ticker symbol of "DSSI" since March 28, 2019. Prior to that time, there was no established public trading market for Diamond S common shares.

As of March 12, 2021, there were 55 holders of record of 40,439,674 our outstanding common shares, including Cede & Co., as nominee for the Depository Trust Company. The number of holders of record of our common shares does not reflect beneficial holders whose shares are held by depositaries, brokers or other nominees.

### Dividend Policy

To date, we have not paid dividends on our common shares. The payment and the amount of future dividends paid will be subject to the sole discretion of our board of directors and will depend, among other things, on available cash balances, anticipated cash needs, results of operations, financial condition, expected market conditions, investment opportunities and credit agreement restrictions binding us or our subsidiaries, the provisions of Marshall Islands law affecting the payment of dividends, as well as other relevant factors.

### Equity Compensation Plans

The information required by this item will be set forth in the 2021 Proxy Statement to be filed with the SEC within 120 days of December 31, 2020, and is incorporated into this Annual Report on Form 10-K by reference.

### Taxation

Please see "Item 1. Business — Tax Considerations" for a discussion of certain tax considerations related to holders of our common shares.

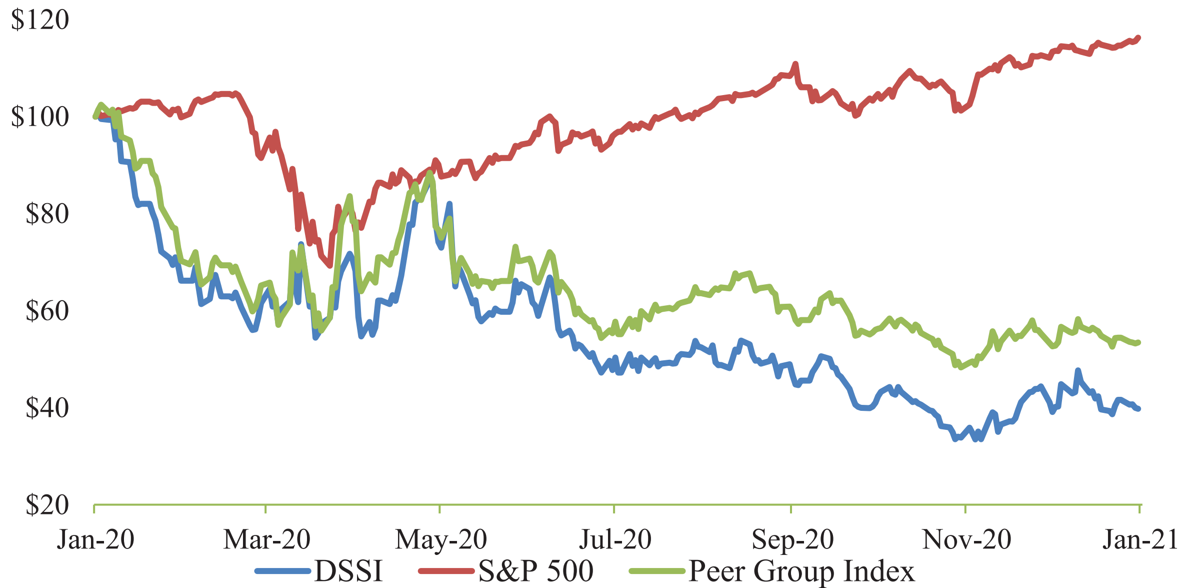
### Exchange Controls

Under Marshall Islands law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our common shares.

### Stock Performance Graph

*This performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act or the Exchange Act.*

The following graph shows a comparison from March 28, 2019 (the date that our common shares commenced trading on the NYSE) through December 31, 2020 of the cumulative total return for Diamond S common shares, the Standard & Poor's 500 Stock Index ("S&P 500 Index") and a constructed peer group index consisting of Frontline Ltd. (FRO), International Seaways, Inc. (INSW), Tsakos Energy Navigation Limited (TNP), Euronav NV (EURN), Scorpio Tankers, Inc. (STNG), Teekay Tankers Ltd. Class A (TNK), Ardmore Shipping Corporation (ASC), Navios Maritime Acquisition Corporation (NNA) and DHT Holdings, Inc. (DHT) ("Peer Group Index"). The graph assumes that $100 was invested at the close of the market on March 28, 2019 in Diamond S common shares, the S&P 500 Index and the Peer Group Index, and data for the S&P 500 Index and the Peer Group Index assumes reinvestments of dividends. The stock price performance of the following graph is not necessarily indicative of future stock price performance.




**Issuer Purchases of Equity Securities**

There were no purchases of our equity securities by us or any "affiliated purchaser", as defined in Rule 10b-18 of the Exchange Act, during the three months ended December 31, 2020.

## ITEM 6. SELECTED FINANCIAL DATA.

The following tables set forth our selected historical consolidated financial and other data. The historical consolidated financial statements of DSS LP and all of its directly owned subsidiaries for periods prior to the Transactions are considered to be our predecessor financial statements. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Business Overview." In January 2019, DSS LP's board of directors approved changing its fiscal year end to December 31 of each calendar year from March 31. Accordingly, the selected historical financial data set forth below as of December 31, 2018, for the nine months ended December 31, 2018 and for the years ended March 31, 2018 and 2017 have been derived from the audited consolidated financial statements of DSS LP. The selected historical consolidated financial data as of December 31, 2019 and for the fiscal year ended December 31, 2019 have been derived from our audited consolidated financial statements and reflects the historical results of DSS LP from January 1, 2019 through March 27, 2019 and the results of the Company (including the post-Transaction operations of the Athena Vessels) from March 28, 2019 through December 31, 2019. The selected historical consolidated financial data as of and for the fiscal year ended December 31, 2020 are derived from the audited consolidated financial statements of Diamond S Shipping Inc. included elsewhere in this report.

The selected financial data set forth below are qualified in their entirety by, and should be read in conjunction with, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," the audited consolidated financial statements of DSS LP and notes related thereto included elsewhere in this Annual Report on Form 10-K and our audited consolidated financial statements for the year ended December 31, 2020 and corresponding notes included elsewhere in this Annual Report on Form 10-K.

This data may not be comparable to, or indicative of, future operating results. Different factors affect our results of operations, including among others, the number of vessels in the fleet, prevailing charter rates, management and administrative services fees, as well as financing arrangements.

The consolidated financial statements of DSS LP and the condensed consolidated financial statements of the Company and corresponding notes included elsewhere in this Annual Report on Form 10-K were prepared in accordance with U.S. GAAP.

| (in thousands, except per share data) | For the Year Ended December 31, 2020 | For the Year Ended December 31, 2019 | For the Nine Months Ended December 31, 2018 | For the Year Ended March 31, 2018 | For the Year Ended March 31, 2017 |
|---|---|---|---|---|---|
| **Income Statement Data:** | | | | | |
| Revenues | $ 595,910 | $ 579,784 | $ 275,473 | $ 302,943 | $ 303,797 |
| Vessel expenses[(1)] | 171,193 | 153,662 | 85,206 | 109,176 | 103,000 |
| Voyage expenses[(2)] | 188,581 | 230,675 | 137,774 | 89,912 | 43,344 |
| Depreciation and amortization expense | 115,783 | 108,703 | 66,101 | 86,625 | 81,048 |
| Loss on sale of vessels and cancelled projects[(3)] | 29,551 | 18,344 | 19,970 | — | — |
| General and administrative | 30,005 | 26,794 | 11,384 | 14,641 | 13,201 |
| Other corporate expenses[(4)] | — | 2,657 | 678 | 483 | 580 |
| Management fees | — | — | — | 1,017 | 1,293 |
| Operating income (loss) | 60,797 | 38,949 | (45,640) | 1,089 | 61,331 |
| Total other expense – Net | (34,401) | (49,031) | (26,874) | (32,425) | (37,510) |
| Net income (loss) | 26,396 | (10,082) | (72,514) | (31,336) | 23,821 |
| Less: net income (loss) attributable to noncontrolling interest[(5)] | 3,079 | (776) | (135) | (776) | (138) |
| Net income (loss) attributable to parent[(6)] | $ 23,317 | $ (9,306) | $ (72,379) | $ (30,560) | $ 23,683 |
| Net earnings (loss) per share – basic | **$ 0.58** | **$ (0.25)** | **$ (2.66)** | **$ (1.12)** | **$ 0.87** |
| Net earnings (loss) per share – diluted | **$ 0.58** | **$ (0.25)** | **$ (2.66)** | **$ (1.12)** | **$ 0.87** |
| Weighted average common shares outstanding – basic | 39,896,339 | 36,857,615 | 27,165,696[(7)] | 27,165,696[(7)] | 27,165,696[(7)] |
| Weighted average common shares outstanding – diluted | 40,123,051 | 36,857,615 | 27,165,696[(7)] | 27,165,696[(7)] | 27,165,696[(7)] |

| (in thousands) | As of December 31, 2020 | As of December 31, 2019 | As of December 31, 2018 | As of March 31, 2018 |
|---|---|---|---|---|
| **Balance Sheet Data:** | | | | |
| Cash and cash equivalents including restricted cash | $ 104,199 | $ 89,219 | $ 88,158 | $ 84,340 |
| Total current assets | 213,885 | 209,550 | 150,302 | 166,824 |
| Vessels, net | 1,702,749 | 1,865,738 | 1,454,286 | 1,565,900 |
| Total assets | 1,961,843 | 2,128,382 | 1,649,855 | 1,769,926 |
| Debt | 702,390 | 878,444 | 639,541 | 691,736 |
| Total Diamond S Shipping Inc. shareholders' equity | 1,194,045 | 1,169,131 | 945,239 | 1,019,360 |
| Noncontrolling interest[(5)] | 35,391 | 34,811 | 34,607 | 34,693 |

| (in thousands) | For the Year Ended December 31, 2020 | For the Year Ended December 31, 2019 | For the Nine Months Ended December 31, 2018 | For the Year Ended March 31, 2018 | For the Year Ended March 31, 2017 |
|---|---|---|---|---|---|
| **Cash Flow Data:** | | | | | |
| Net cash provided by (used in): | | | | | |
| Operating activities | $ 213,030 | $ 63,350 | $ 23,486 | $ 34,025 | $ 103,889 |
| Investing activities | (13,333) | (294,530) | 28,008 | 48,641 | (179,714) |
| Financing activities | (184,717) | 232,241 | (47,676) | (67,676) | (7,469) |

(1) Vessel operating expenses consist of technical management fees, crewing, repairs and maintenance, insurance, stores, spares, lubricants and other operating expenses incurred in respect of the Company's vessels.

(2) Voyage expenses primarily consist of brokerage commissions, port expenses, canal dues and bunkers.

(3) In November 2018, DSS LP agreed to sell two 2009-built MR vessels for $34.9 million of total proceeds and repaid $24.7 million in related debt.

In August 2019, DSSI agreed to sell two 2009-built MR vessels receiving total proceeds of $31.8 million and repaid $20.4 million in related debt.

In December 2020, DSSI agreed to sell two 2008-built Suezmax vessels for $45.1 million and repaid $25.3 million in related debt when the sales completed in January and February 2021. In addition, a loss of $3.3 million was recorded due to the cancellation of the scrubber project for the Miltiadis M II.

(4) Other corporate expenses represent administrative expenses primarily related to restructuring and merger and acquisition advisory activities.

(5) The Company indirectly holds a 51% ownership interest in NT Suez Holdco LLC, a Marshall Islands limited liability company, formed on September 23, 2014, which is a joint venture with an affiliate of the Company's largest shareholder.

(6) Prior to the Merger (defined below), net (loss) income was attributable to DSS LP. Following the Merger, net (loss) income was attributable to Diamond S.

(7) The 27,165,696 weighted-average number of common shares outstanding is based on the shares issued to DSS LP in connection with the completion of the Merger on March 27, 2019. As DSS LP is the accounting acquirer for purposes of the Merger, the earnings per share have been presented as if the shares were outstanding during all periods prior to the March 27, 2019 acquisition date.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of our financial condition and results of operations should be read together with our audited consolidated financial statements and related notes which are included elsewhere in this Annual Report on Form 10-K. Our actual results could differ materially from those anticipated in the forward-looking statements included in this discussion as a result of certain factors, including, but not limited to, those discussed in "Item 1A. Risk Factors."

This discussion contains a number of forward-looking statements, all of which are based on our current expectations and all of which could be affected by uncertainties and risks. Our actual results may differ materially from the results contemplated in these forward-looking statements as a result of many factors including, but not limited to, those described under "Cautionary Note Regarding Forward-Looking Statements."

### Business Overview

Diamond S Shipping Inc. was formed on November 14, 2018 under the laws of the Republic of the Marshall Islands for the purpose of receiving, via contribution from CPLP, the Athena Vessels and combining that business with the business and operations of DSS LP pursuant to the Transaction Agreement.

On March 27, 2019, Diamond S and DSS LP and all of its directly owned subsidiaries (the “DSS LP Subsidiaries”) completed a merger pursuant to the Transaction Agreement. Pursuant to the terms of the Transaction Agreement, on March 27, 2019, the DSS LP Subsidiaries merged with and into Diamond S, with Diamond S being the surviving corporation in the merger (the “Merger”). Diamond S and the DSS LP Subsidiaries, which are the consolidated accounts of Diamond S Shipping Inc., are hereinafter referred to collectively as “we,” “us,” “our” or the “Company.”

The Merger was accounted for as a reverse acquisition in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 805, “Business Combinations” as the DSS LP Subsidiaries are the accounting acquirer for financial reporting purposes. Accordingly, the historical consolidated financial statements of the DSS LP Subsidiaries for periods prior to the Merger are considered to be our predecessor financial statements. Refer to Note 3 — Merger Transaction in our consolidated financial statements. Further, the Merger was determined to be an asset acquisition as substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets.

We provide seaborne transportation of crude oil, refined petroleum, and other products in the international shipping industry. As of December 31, 2020, through our wholly owned subsidiaries, we owned and operated 64 tanker vessels: 13 Suezmax crude carriers, one Aframax crude carrier and 50 MR product carriers. As of the same date, we also controlled and operated two Suezmax vessels through a joint venture.

**Factors to Consider When Evaluating Our Results**

***The Ongoing COVID-19 Pandemic***

On March 11, 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) outbreak a pandemic. In response to the ongoing outbreak, many countries, ports and organizations, including those where the Company conducts a large part of its operations, have implemented measures to combat the outbreak, such as quarantines and travel restrictions. Such measures have, and will likely continue to, negatively affect the global economy. In addition, the COVID-19 pandemic has resulted in increased vessel expenses, primarily due to crewing related matters and logistical challenges for delivery of services and materials to vessels. The extent to which COVID-19 will materially impact the Company’s results of operations and financial condition, including possible impairments, will depend on future developments, which are highly uncertain and cannot be predicted, including, among others, new information which may emerge concerning the severity of the virus and the actions to contain or treat its impact, or any resurgence or mutation of the virus, the availability of vaccines and their global deployment, the development of effective treatments, the imposition of effective public safety and other protective measures and the public’s response to such measures. There continues to be a high level of uncertainty relating to how the pandemic will evolve, how governments and consumers will react and progress the approval and distribution of vaccines. Accordingly, an estimate of the impact of COVID-19 on the Company and its operations cannot be made at this time. However, if the pandemic worsens, additional restrictions are imposed or current restrictions are imposed for a longer period of time in response to the outbreak, it may have a material adverse effect on the Company’s future results of operation and financial condition.

***Strategic Product Tanker Partnership***

On June 15, 2020, the Company entered into an agreement with Dampskibsselskabet Norden A/S (“Norden”). During the term of this agreement, the Company and Norden have agreed to use commercially reasonable efforts to identify new projects in the product tanker industry that they may jointly pursue and develop. Pursuant to this agreement, Company agreed to initially contribute 28 of its MR vessels to the Norient Product Pool (the “Pool”). This agreement will terminate upon the occurrence of certain events, including when the Company no longer has vessels operating in the Pool. As of December 31, 2020, 28 of the Company’s vessels are operating in the Pool.

***The Merger***

The Merger, as described above and in Note 3 — Merger Transaction in our consolidated financial statements, closed on March 27, 2019. Our consolidated financial statements include operating results for

the 25 acquired Athena Vessels for 278 and 365 days during the fiscal year ended December 31, 2019 and 2020, respectively, in addition to the 41 vessels historically owned by us for the full period and the two vessels sold in September 2019.

***Credit Facilities and Refinancings***

In connection with the Merger, we entered into a $360 million five-year Credit Agreement (the "$360 Million Facility"), for the purposes of financing the Merger and refinancing a $30 million line of credit (the "$30 Million Line of Credit"). The $360 Million Facility consists of a term loan of $300 million and a revolving loan of $60 million, and is collateralized by the Athena Vessels and three vessels that previously collateralized the $30 Million Line of Credit, with reductions based on a 17 year age-adjusted amortization schedule, payable on a quarterly basis. The term loan component of the $360 Million Facility bears interest at the Eurodollar Rate for a three-month interest period, plus a margin of 2.65%.

On December 27, 2019, we refinanced certain of our existing indebtedness with the proceeds of the $525 Million Facility, which consists of a $375 million term loan and a revolving loan of $150 million. The $525 Million Facility matures on December 27, 2024 and bears interest at the Eurodollar Rate for a three-month interest period, plus a margin of 2.5%. The repayment profile reflects a 17-year, age-adjusted amortization and the first amortization period begins on March 31, 2020 and is secured by, inter alia, mortgages over 10 Suezmax vessels and 26 MR vessels.

The $525 Million Facility includes covenants relating to, among other things, our ability to incur indebtedness, our ability to pay dividends, maintaining a minimum cash balance, collateral maintenance, maintaining a net debt to capitalization ratio and other customary restrictions and provides for customary events of default.

In connection with the Refinancing, effective as of December 27, 2019, we terminated and repaid amounts outstanding under (i) the $460 Million Facility, (ii) the $235 Million Facility, and (iii) the $75 Million Facility. We incurred no termination penalties in connection with the early termination of these facilities but recognized a non-cash charge of approximately $4.0 million representing the write-off of deferred financing costs.

***Change to Fiscal Year End***

In January 2019, DSS LP's board of directors approved changing its fiscal year end to December 31 of each calendar year from March 31.

***Vessel Dispositions***

In November 2018, the DSS LP board of directors approved selling the Alpine Minute and Alpine Magic, both 2009-built MR vessels. DSS LP reached an agreement to sell the Alpine Minute for $17.8 million less a 1% broker commission payable to a third party, and reached a separate agreement to sell the Alpine Magic for $17.0 million less a 1% broker commission payable to a third party. In December 2018, DSS LP completed the sale of the Alpine Minute and Alpine Magic.

In August 2019, our Board of Directors approved selling the Atlantic Aquarius and Atlantic Leo, both 2009-built MR vessels. We reached an agreement to sell the Atlantic Aquarius and Atlantic Leo, for $31.8 million in aggregate gross proceeds less a 1% broker commission payable to a third party. In September 2019, we completed the sale of the Atlantic Aquarius and Atlantic Leo.

In December 2020, our Board of Directors approved selling the Aias and Amoureux, both 2008-built Suezmax vessels. We reached an agreement to sell the Aias and Amoureux for $22.6 million and $22.5 million, respectively, less a 1% broker commission payable to a third party. In January and February 2021, we completed the sale of the Aias and Amoureux, respectively.

***Share Repurchase Program***

On March 4, 2020, our Board of Directors approved a share repurchase program, providing authorization to repurchase up to $50 million of our common shares, effective for a period of one year,

which has now expired. Shares we repurchased under this program could have been purchased in the open market or in privately negotiated transactions, at times and prices that we considered to be appropriate. Under the share repurchase program, we repurchased 137,289 shares for a total of $1.4 million.

**Other Trends and Factors Affecting Future Results of Operations**

The principal factors that have affected our results of operations, and may in the future affect results of operations, are the economic, regulatory, financial, credit, political and governmental conditions prevailing in the tanker market and shipping industry generally and in the countries and markets in which our vessels are chartered.

The world economy has experienced significant economic and political upheavals in recent history. In addition, credit supply has been constrained and financial markets have been particularly turbulent. Protectionist trends, global growth and demand for the seaborne transportation of goods, including oil and oil products and overcapacity and deliveries of newly-built vessels have affected, and may further affect, the tanker market and shipping industry in general and the business, financial condition, results of operations and cash flows of the Company.

Some of the key factors that have affected our business, financial condition, results of operations and cash flows include the following:

- levels of oil product demand and inventories;
- supply and demand for crude oil and oil products;
- charter hire levels (under time and bareboat charters) and the ability to re-charter vessels at competitive rates as their current charters expire;
- developments in vessel values, which may affect compliance with covenants under credit facilities and/or debt refinancing;
- compliance with covenants in credit facilities, including covenants relating to the maintenance of vessel value ratios;
- the level of debt and the related interest expense and amortization of principal;
- access to debt and equity and the cost of capital required to acquire additional vessels;
- supply and order-book of tanker vessels;
- the ability to increase the size of the fleet and make additional acquisitions that are accretive to earnings;
- the ability of the commercial and chartering operations to successfully employ vessels at economically attractive rates, particularly as charters expire and the fleet expands;
- the continuing demand for crude oil and oil products from China, India, Brazil and Russia and other emerging markets;
- the ability to comply with new maritime regulations, the more restrictive regulations for the transport of certain products and cargoes and the increased costs associated therewith;
- changes in fuel prices, including as a result of the imposition of sulfur oxide emissions limits in 2020 under new regulations adopted by the IMO (for those vessels that are not retrofitted with scrubbers);
- the effective and efficient technical management of the vessels;
- the costs associated with upcoming drydocking of vessels;
- the ability to obtain and maintain major international oil company approvals and to satisfy technical, health, safety and compliance standards;
- the strength of and growth in the number of the customer relationships, especially with major international oil companies and major commodity traders;
- the prevailing spot market rates and the number of vessels operating in the spot market;

- changes in laws, treaties or regulations applicable to the Company, including regulations relating to environmental compliance; and
- the ability to acquire and sell vessels at satisfactory prices.

**Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019**

**Operating Data**

The following tables represent the operating data for the years ended December 31, 2020 and 2019 on a consolidated basis.

| | For the Year Ended December 31, 2020 | For the Year Ended December 31, 2019 | Change | % Change |
|---|---|---|---|---|
| | (In Thousands, Except Per Share and Share Data) | | | |
| **Revenue:** | | | | |
| Voyage revenue | $ 465,383 | $ 511,509 | $ (46,126) | (9.0)% |
| Time charter revenue | 79,397 | 68,275 | 11,122 | 16.3% |
| Pool revenue | 51,130 | — | 51,130 | — |
| **Total revenue** | **595,910** | **579,784** | **16,126** | **2.8%** |
| **Operating expenses:** | | | | |
| Voyage expenses | 188,581 | 230,675 | (42,094) | (18.2)% |
| Vessel expenses | 171,193 | 153,662 | 17,531 | 11.4% |
| Depreciation and amortization expense | 115,783 | 108,703 | 7,080 | 6.5% |
| Loss on sale of vessels and cancelled projects | 29,551 | 18,344 | 11,207 | 61.1% |
| General and administrative expenses | 30,005 | 26,794 | 3,211 | 12.0% |
| Other corporate expense | — | 2,657 | (2,657) | (100.0)% |
| **Total operating expenses** | **535,113** | **540,835** | **(5,722)** | **(1.1)%** |
| **Operating income (loss)** | **60,797** | **38,949** | **21,848** | **56.1%** |
| **Other (expense) income:** | | | | |
| Total other expense – Net | (34,401) | (49,031) | 14,630 | (29.8)% |
| Net income (loss) | 26,396 | (10,082) | 36,478 | 361.8% |
| Less: Net loss attributable to noncontrolling interest | 3,079 | (776) | 3,855 | 496.8% |
| **Net income (loss) attributable to Diamond S Shipping Inc.** | **$ 23,317** | **$ (9,306)** | **$ 32,623** | **350.6%** |
| Net earnings (loss) per share – basic | **$ 0.58** | **$ (0.25)** | **$ 0.83** | **332.0)%** |
| Net earnings (loss) per share – diluted | **$ 0.58** | **$ (0.25)** | **$ 0.83** | **332.0%** |
| Weighted average common shares outstanding – basic | 39,896,339 | 36,857,615 | 3,038,724 | 8.2% |
| Weighted average common shares outstanding – diluted | 40,123,051 | 36,857,615 | 3,265,436 | 8.9% |

**Results of Operations**

*Total revenue*

Total revenue increased by $16.1 million to $595.9 million during the year ended December 31, 2020 as compared to $579.8 million for the year ended December 31, 2019. The $16.1 million increase was principally

driven by a 9.0% increase in total revenue days due to an additional 1,963 revenue days during the year ended December 31, 2020, primarily due to the Merger coupled with stronger prevailing market conditions in both the crude tanker and product carrier segments during the first half of 2020, when compared with the market conditions during the first half of 2019. This is offset by a reduction of 513 revenue days as a result of the sale of the Atlantic Aquarius and Atlantic Leo in September 2019, and entering the 28 vessels into the Pool during the last half of 2020, as under the pool arrangements, voyage related costs, such as the cost of bunkers and port expenses, are borne by the pool. We recognize revenue from pool arrangements based on our portion of the net distributions reported by the pool, which represents the net voyage revenue of the pool after voyage expenses and certain pool manager fees.

*Voyage Expenses*

Voyage expenses primarily consist of bunkers, port expenses, canal dues and commissions. Commissions were paid to shipbrokers for negotiating and arranging charter party agreements on the Company's behalf. Voyage expenses incurred during time charters and while vessels are operating in pools are paid for by the charterer and pool, respectively, except for commissions to the initial brokers, which were paid for by the Company. Voyage expenses incurred during voyage charters were paid for by the Company.

Voyage expenses decreased by $42.1 million to $188.6 million during the year ended December 31, 2020 as compared to $230.7 million for the year ended December 31, 2019. The $42.1 million decrease in voyage expenses was predominantly driven by a reduction in bunker and port costs incurred as a result of operating 28 vessels in the Pool as of December 31, 2020, with all 28 of the vessels operating fully in the Pool as of September 30, 2020.

*Vessel Expenses*

Vessel expenses include crew wages and associated costs, the cost of insurance premiums, expenses relating to repairs and maintenance, lubricants and spare parts, technical management fees and other miscellaneous expenses.

Vessel expenses increased by $17.5 million to $171.2 million during the year ended December 31, 2020 as compared to $153.7 million for the year ended December 31, 2019. The $17.5 million increase in vessel expenses was driven by a 7.6% increase in vessel operating days, which consists of an increase in 2,175 vessel operating days due to the Merger and a decrease in 513 days as a result of the sale of the Atlantic Aquarius and Atlantic Leo, and additional expenses incurred for crew bonuses, increased costs of crew reliefs, testing, quarantine and logistics for delivery of services and materials to the vessels as a result of the global pandemic.

*Vessel Depreciation and Amortization Expense*

Depreciation and amortization expense increased by $7.1 million to $115.8 million during the year ended December 31, 2020 as compared to $108.7 million during the year ended December 31, 2019. The increase in depreciation and amortization expense is due to the added depreciation expense for the 25 vessels acquired in the Merger for 2,175 vessel operating days in the year ended December 31, 2020 coupled with vessel additions primarily related to the scrubber and ballast water treatment projects, offset by the decrease in the depreciation and amortization expense related to the sale of the Atlantic Aquarius and Atlantic Leo in September 2019.

*Loss on Sale of Vessels and Cancelled Projects*

The $29.6 million loss on sale of vessels and cancelled projects during the year ended December 31, 2020 is due to a $26.3 million loss on the sale of the Aias and Amoureux, which were contracted to be sold in December 2020, and subsequent delivered to the purchaser in January and February 2021, respectively, and a loss of $3.3 million on the cancellation of the scrubber project for the Miltiadis M II. For the year ended December 31, 2019, the $18.3 million loss on sale of vessels and cancelled projects is due to selling the Atlantic Aquarius and Atlantic Leo in September 2019.

*General and Administrative Expenses*

For the year ended December 31, 2020 and 2019, general and administrative expenses were $30.0 million and $26.8 million, respectively. The $3.2 million increase was primarily due to costs incurred in the first calendar quarter of 2020 when compared to the first quarter of 2019 that were attributable to stock-based compensation costs, legal fees in connection with the annual filings and an increase in headcount to maintain the infrastructure of a public company and to manage a larger fleet employed in the spot market.

*Other Corporate Expenses*

For the year ended December 31, 2019, we incurred $2.7 million in other corporate expenses primarily for professional fees associated with the SEC filings in connection with the Transactions. There were no costs of this nature during the year ended December 31, 2020.

*Total Other Expense, net*

Total other expense, net, which includes term loan interest, amortization of deferred financing charges and commitment fees and net of interest income, was $34.4 million for the year ended December 31, 2020 compared to $49.0 million for the year ended December 31, 2019. The decrease of $14.6 million was primarily driven by a $57.6 million decrease in the average debt balance in the two comparative periods, coupled with a decrease in the effective interest rate, and a $4.0 million loss on extinguishment of debt charge in 2019 in connection with terminating the $460 Million Facility, the $235 Million Facility and the $75 Million Facility to enter into the $525 Million Facility.

*Net Income (Loss) Attributable to Noncontrolling Interest*

The net income (loss) attributable to noncontrolling interest was net income of $3.1 million for year ended December 31, 2020 compared to a net loss of $0.8 million for the year ended December 31, 2019. The net income attributable to noncontrolling interest primarily represents a 49% interest in NT Suez Holdco LLC, which owns and operates two Suezmax vessels and is 51% owned by the Company. The increase in the net income of $3.9 million was mainly attributable to fixing these two Suezmax vessels on three-year time charter contracts, which began in the latter half of 2019, coupled with these two vessels having 132 off-hire days in the third calendar quarter of 2019 for the installation of their scrubbers.

### Year Ended December 31, 2019 Compared to the Nine Months Ended December 31, 2018

### Operating Data

The following tables represent the operating data for the year ended December 31, 2019 and the nine months ended December 31, 2018 on a consolidated basis.

| | For the Year Ended December 31, 2019 | For the Nine Months Ended December 31, 2018 | Change | % Change |
|---|---|---|---|---|
| | (In Thousands, Except Per Share and Share Data) | | | |
| **Revenue:** | | | | |
| Voyage revenue | $ 511,509 | $ 262,281 | $ 249,228 | 95.0% |
| Time charter revenue | 68,275 | 13,192 | 55,082 | 417.5% |
| **Total revenue** | **579,784** | **275,473** | **304,311** | **110.5%** |
| **Operating expenses:** | | | | |
| Voyage expenses | 230,675 | 137,774 | 92,901 | 67.4% |
| Vessel expenses | 153,662 | 85,206 | 68,456 | 80.3% |
| Depreciation and amortization expense | 108,703 | 66,101 | 42,602 | 64.4% |
| Loss on sale of vessels and cancelled projects | 18,344 | 19,970 | (1,626) | (8.1)% |
| General and administrative expenses | 26,794 | 11,384 | 15,410 | 135.4% |
| Other corporate expense | 2,657 | 678 | 1,979 | 291.9% |
| **Total operating expenses** | **540,835** | **321,113** | **219,722** | **68.4%** |
| **Operating income (loss)** | **38,949** | **(45,640)** | **84,589** | **(185.3)%** |
| **Other (expense) income:** | | | | |
| Total other expense – Net | (49,031) | (26,874) | (22,157) | 82.4% |
| Net loss | (10,082) | (72,514) | 62,432 | (86.1)% |
| Less: Net loss attributable to noncontrolling interest | (776) | (135) | (641) | 474.8% |
| **Net loss attributable to Diamond S Shipping Inc.** | **$ (9,306)** | **$ (72,379)** | **$ 63,073** | **(87.1)%** |
| Net loss per share – basic | **$ (0.25)** | **$ (2.66)** | **$ 2.41** | **(90.6)%** |
| Net loss per share – diluted | **$ (0.25)** | **$ (2.66)** | **$ 2.41** | **(90.6)%** |
| Weighted average common shares outstanding – basic | 36,857,615 | 27,165,696 | 9,691,919 | 35.7% |
| Weighted average common shares outstanding – diluted | 36,857,615 | 27,165,696 | 9,691,919 | 35.7% |

### Results of Operations

*Total revenue*

Total revenue increased by $304.3 million to $579.8 million during the year ended December 31, 2019 as compared to the nine months ended December 31, 2018. The $304.3 million increase was principally driven by a 75.8% increase in revenue days due to an additional 9,134 revenue days during the year ended December 31, 2019, primarily driven by the impact of the acquisition of the Athena Vessels and the additional fiscal quarter of data for the year ended December 31, 2019 compared to the nine months ended December 31, 2018, which only includes three fiscal quarters. Further, freight rates in the crude oil transportation market improved in the fourth quarter of 2019.

*Voyage Expenses*

Voyage expenses increased by $92.9 million to $230.7 million during the year ended December 31, 2019 as compared to $137.8 million for the nine months ended December 31, 2018. The $92.9 million increase in voyage expenses was driven by a 52.5% increase in voyage revenue days due to the Merger and change in year-end, offset by an increase in short-term time charter activity in the Suezmax fleet during the year ended December 31, 2019, as the bunker and port costs were borne by the charterer.

*Vessel Expenses*

Vessel expenses increased by $68.5 million to $153.7 million during the year ended December 31, 2019 as compared to $85.2 million for the nine months ended December 31, 2018. The $68.5 million increase in vessel expenses was driven by an 84.8% increase in vessel operating days, which consists of an increase of 4,177 vessel operating days due to the Merger and an increase of 6,975 vessel operating days due to the change in year-end, offset by a decrease of 198 vessel operating days as a result of the four vessel sales that occurred in December 2018 and September 2019.

*Vessel Depreciation and Amortization Expense*

Depreciation and amortization expense increased by $42.6 million to $108.7 million during the year ended December 31, 2019 as compared to $66.1 million during the nine months ended December 31, 2018. The increase in depreciation and amortization expense is due to the increase of 10,467 days in the comparable periods. The increase is primarily due to change in year-end (4,177 vessel operating days), the added depreciation expense for the 25 vessels acquired in the Merger (6,975 vessel operating days), offset by the decrease in the depreciation and amortization expense related to the four vessel sales that occurred in December 2018 and September 2019 (198 vessel operating days).

*Loss on Sale of Vessels and Cancelled Projects*

The $18.3 million loss on sale of vessels and cancelled projects during the year ended December 31, 2019 is due to selling the Atlantic Aquarius and Atlantic Leo in September 2019. During the nine months ended December 31, 2018, the $20.0 million loss on sale of vessels was due to selling the Alpine Magic and Alpine Minute in December 2018.

*General and Administrative Expenses*

For the year ended December 31, 2019 and the nine months ended December 30, 2018, general and administrative expenses were $26.8 million and $11.4 million, respectively. The $15.4 million increase was primarily due to the increase in days in the comparable periods, coupled with having a larger fleet to support and incurring public company-related costs. The main differences are the following costs incurred during the year ended December 31, 2019: $2.2 million related to professional fees in connection with SEC filings, $3.5 million in stock-based compensation expense incurred due to the granting of restricted stock and restricted stock units during the year ended December 31, 2019, $3.3 million incurred for Directors and Officers insurance and related board costs, and $1.5 million in commercial management consultancy fees incurred on the 25 Athena Vessels acquired in the Merger.

*Other Corporate Expenses*

Other corporate expenses increased by $2.0 million to $2.7 million in the year ended December 31, 2019 from $0.7 million for the nine months ended December 31, 2018. The increase was primarily driven by professional fees associated with the SEC filings in connection with the Transactions.

*Total Other Expense, net*

Total other expense, net, which includes term loan interest, amortization of deferred financing charges and commitment fees, loss on extinguishment, net of interest income, was $49.0 million for the year ended December 31, 2019 compared to $26.9 million for the nine months ended December 31, 2018. The increase of $22.1 million was driven by the change in year-end, as an additional quarter is included in the year ended

December 31, 2019 when compared to the prior nine-month period, an increase in the average debt balance due to entering into the $360 Million Facility in connection with the Merger, and a $4.0 million loss on extinguishment of debt charge in connection with terminating the $460 Million Facility, the $235 Million Facility and the $75 Million Facility to enter into the $525 Million Facility.

*Net Loss Attributable to Noncontrolling Interest*

The net loss attributable to noncontrolling interest was $0.8 million for the year ended December 31, 2019 compared to $0.1 million for the nine months ended December 31, 2018. The net loss attributable to noncontrolling interest primarily represents a 49% interest in NT Suez Holdco LLC, which owns and operates two Suezmax vessels and is 51% owned by the Company. The increase in the net loss of $0.7 million was mainly due to incurring 132 days of off hire during the year ended December 31, 2019, as the two Suezmax vessels owned by NT Suez Holdco LLC were laid up for scrubber installations during the third quarter of 2019, before beginning three-year time charter contracts in late September 2019.

**Liquidity and Capital Resources**

As of December 31, 2020 and 2019, total cash, cash equivalents and restricted cash were $104.2 million and $89.2 million, inclusive of restricted cash of $6.1 million and $5.6 million, respectively. As of December 31, 2020 and December 31, 2019, we had $60 million and $15 million available and undrawn under our credit facilities, respectively.

Generally, our primary sources of funds have been cash from operations, undrawn amounts under our credit facilities and vessel sales.

On December 27, 2019, we refinanced (i) the $460 Million Facility, (ii) the $235 Million Facility, and (iii) the $75 Million Facility with the proceeds of the $525 Million Facility.

At December 31, 2020, we were in compliance with all financial covenants under each of our credit facilities.

Passage of environmental legislation or other regulatory initiatives have in the past had, and may in the future may have, a significant impact on our operations. Regulatory measures can increase required costs related to operating and maintaining our vessels and may require us to retrofit our vessels with new equipment to comply with new or existing regulations.

Among other capital expenditures, in connection with the International Maritime Organization's new limits for sulfur oxide emissions effective January 1, 2020, we contracted for the purchase and installation of scrubbers on five of our Suezmax vessels. As of December 31, 2020, four of these scrubbers have been installed and fully paid, with two of these scrubbers having been installed on the Aias and Amoureux, which were sold and delivered to the buyer in January and February 2021, respectively. The installation of the fifth scrubber has been cancelled, effectuating a $3.3 million loss due to the cancelled project. We may, in the future, determine to purchase additional scrubbers for installation on other vessels that we own or operate. In addition, with respect to vessels that are not retrofitted with scrubbers, we expect to incur expenditures to ensure those vessels are capable of efficiently using low-sulfur fuel, which expenditures are not expected to be significant or which have not yet been determined.

We have installed ballast water treatment systems on 22 of our 64 vessels. We expect to install 16 ballast water treatment systems in 2021, of which we have 13 contracts currently in place with a total contract value of $11.4 million, where $1.9 million has been paid as of December 31, 2020.

In December 2020, we contracted to sell two of our sold two of our 2008-built Suezmax vessels, the Aias and Amoureux, and delivered the two vessels to the purchaser in January and February 2021, respectively. The sale of these two vessels generated gross cash proceeds to us of $45.1 million before our repayment of the related debt of $25.3 million on the two vessels.

***Cash Flows***

The following table summarizes our cash and cash equivalents provided by or used in operating, financing and investing activities for the periods presented below (presented in millions):

| (in millions) | For the Year Ended December 31, 2020 | For the Year Ended December 31, 2019 | For the Nine Months Ended December 31, 2018 |
|---|---|---|---|
| Net Cash Provided by Operating Activities . . . . . . . . . . | $ 213.0 | $ 63.4 | $ 23.5 |
| Net Cash (Used in) Provided by Investing Activities . . . | $ (13.3) | $(294.5) | $ 28.0 |
| Net Cash (Used in) Provided by Financing Activities . . . | $(184.7) | $ 232.2 | $(47.7) |

*Net Cash Provided by Operating Activities*

Net cash provided by operating activities during the year ended December 31, 2020 and 2019 was $213.0 million and $63.4 million, respectively. The increase of $149.6 million was mainly attributable to more revenue days and higher charter rates that increased our revenues and overall net income by $36.5 million for the year ended December 31, 2020, when compared to the year ended December 31, 2019, and an increase of $91.70 million in cash provided by the changes in assets and liabilities for the comparative periods.

Net cash provided by operating activities during the year ended December 31, 2019 and the nine months ended December 31, 2018 was $63.4 million and $23.5 million, respectively. The increase of $39.9 million was mainly attributable to, among other factors, higher charter rates increasing our revenues offset by the negative effect of the changes in our operating assets and liabilities of $61.7 million. The changes in operating assets and liabilities were driven mainly by increases in trade accounts receivable during the year ended December 31, 2019.

*Net Cash (Used in) Provided by Investing Activities*

Net cash used in investing activities refers primarily to cash used for vessel acquisitions or dispositions and improvements.

Net cash used in investing activities refers primarily to cash used for vessel acquisitions and improvements, and the Merger. Net cash used by investing activities during the years ended December 31, 2020 and 2019 was $13.3 million and $294.5 million, respectively. The $13.3 million net cash used by investing activities during the year ended December 31, 2020 was mainly for scrubber and ballast water treatment system additions to vessels, while the $294.5 million net cash used by investing activities during the year ended December 31, 2019 included the consideration paid in connection with the Merger, with $292.7 million paid to CPLP to acquire the vessels, $19.1 million paid in transaction costs, and $14.6 million paid for additions to vessels and other property, offset by cash proceeds of $31.8 million provided by the sale of the Atlantic Aquarius and Atlantic Leo in September 2019.

Net cash (used in) provided by investing activities during the year ended December 31, 2019 and the nine months ended December 31, 2018 was ($294.5) million and $28.0 million, respectively. The increase in cash used in investing activities was primarily driven by the consideration paid in connection with the Merger, with $292.8 million paid to CPLP to acquire the Athena Vessels, and $18.9 million paid in transaction costs during the year ended December 31, 2019.

*Net Cash (Used in) Provided by Financing Activities*

Net cash (used in) provided by financing activities during the year ended December 31, 2020 and 2019 was ($184.7) million and $232.2 million, respectively. The change in cash (used in) provided by financing activities was due to the financing activities that we engaged in during the two comparable periods. During the year ended December 31, 2020, the main outflows of cash for financing activities consisted of debt payments of $179.4 million, a $2.5 million distribution to the noncontrolling interest in the NT Suez Holdco LLC entity, and paying $1.4 million to repurchase shares under the share repurchase program. During the year ended December 31, 2019, the net cash provided by financing activities was primarily driven by: (i) borrowings under the $360 Million Facility, the $525 Million Facility and the $235 Million Facility, which totaled $876.0 million, offset by $500.6 million repaid to extinguish the $460 Million Facility, the $235 Million Facility and the $75 Million Facility, (ii) $26.3 million repaid on lines of credit that were cancelled in connection with the Merger, and (iii) $16.4 million in deferred financing costs paid in connection with the $360 Million Facility and the $525 Million Facility.

Net cash (used in) provided by financing activities during the year ended December 31, 2019 and the nine months ended December 31, 2018 was $232.2 million and ($47.7) million, respectively. The increase in cash provided by financing activities was primarily driven by the following occurrences during the year ended December 31, 2019: (i) borrowings under the $360 Million Facility, the $525 Million Facility and the $235 Million Facility, which totaled $876.0 million, offset by $500.6 million repaid to extinguish the $460 Million Facility, the $235 Million Facility and the $75 Million Facility, (ii) $26.3 million repaid on lines of credit that were cancelled in connection with the Merger, and (iii) $16.4 million in deferred financing costs paid in connection with the $360 Million Facility and the $525 Million Facility.

**Off-Balance Sheet Arrangements**

As of December 31, 2020 and December 31, 2019, we had not entered into any off-balance sheet arrangements that have had or are reasonably likely to have current or future material effects on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

**Contractual Obligations and Contingencies**

The following table summarizes our long-term contractual obligations as of December 31, 2020 (in thousands of U.S. dollars).

| | Payment due by period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1 – 3 years | 3 – 5 years | More than 5 years |
| Long-term Debt Obligations | $714,921 | $196,325 | $247,200 | $271,396 | $ — |
| Interest Obligations[1] | 46,077 | 17,940 | 22,537 | 5,600 | — |
| Capital Obligations (ballast water treatment systems) | 9,521 | 9,521 | — | — | — |
| Office Lease Obligations | 6,250 | 874 | 2,229 | 2,428 | 719 |
| **Total:** | $776,769 | $224,660 | $271,966 | $279,424 | $719 |

(1) Interest has been estimated based on the LIBOR forward rates and the prescribed margin for each of our facilities. Please see Note 9 — Long-Term Debt to our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

**Related Party Transactions**

For a discussion of the Company's transactions with related parties, see Note 14 — Related Party Transactions to our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

**Critical Accounting Policies**

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those that reflect significant judgments or uncertainties, and which could potentially result in materially different results under different assumptions and conditions. We have described below what our management believes are our most critical accounting policies. For a description of all of our significant accounting policies, see Note 2 — Significant Accounting Policies in our consolidated financial statements.

*Revenue Recognition*

During the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018, revenues were generated from time charters, pool arrangements and voyage charters.

We recognize revenues over the term of the time charter when there is a time charter agreement, where the rate is fixed or determinable, service is provided and collection of the related revenue is reasonably assured. We do not recognize revenue during days the vessel is off-hire.

Revenues from pool arrangements are recognized based on our portion of the net distributions reported by the relevant pool, which represents the net voyage revenue of the pool after voyage expenses and pool manager fees.

For the nine months ended December 31, 2018, under a voyage charter agreement, the revenues are recognized on a pro rata basis based on the relative transit time in each period. The period over which voyage revenues are recognized commences at the time the vessel departs from its last discharge port and ends at the time the discharge of cargo at the next discharge port is completed. We do not begin recognizing revenue until a charter has been agreed to by us and the customer, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage. We do not recognize revenue when a vessel is off-hire. Estimated losses on voyages are provided for in full at the time such losses become evident.

For the years ended December 31, 2020 and 2019, pursuant to the new revenue recognition guidance, which was adopted as of January 1, 2019, revenue for spot market voyage charters is recognized ratably over the total transit time of each voyage, which commences at the time the vessel arrives at the loading port and ends at the time the discharge of cargo is completed at the discharge port. Previously, revenue was recognized on the later of when the vessel departed from its last discharge port or when an agreement was entered into with the charterer, and ended at the time the discharge of cargo was completed at the discharge port. In time charters, operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel and specified voyage costs such as fuel and port charges are paid by the charterer. These voyage expenses are borne by us when the vessels are engaged in spot market voyage charters. As such, there are significantly higher voyage expenses for spot market voyage charters as compared to time charters.

*Vessel Impairment*

We follow Accounting Standards Codification ("ASC") Subtopic 360-10-05, "Accounting for the Impairment or Disposal of Long-lived Assets," which requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. We evaluate the carrying amounts and periods over which long-lived assets are depreciated to determine if events have occurred that would require modification to the carrying values or their useful lives. In evaluating useful lives and carrying values of long-lived assets, management reviews certain indicators of potential impairment, such as undiscounted projected cash flows, appraisals, business plans and overall market conditions. An impairment charge is recognized if the carrying value is in excess of the estimated future undiscounted net operating cash flows. The impairment loss is measured based on the excess of the carrying amount over the fair market value of the asset. Various factors, including forecasted future charter rates, estimated scrap values, future drydocking and operating costs are included in the analysis.

In developing estimates of future undiscounted cash flows, we make assumptions and estimates about the vessels' future performance, with the significant assumptions being related to charter rates, fleet utilization, vessels' operating expenses, vessels' capital expenditures and drydocking requirements, vessels' residual value and the estimated remaining useful life of each vessel. The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends. Specifically, we utilize the rates currently in effect for the duration of their current time charters, without assuming additional profit-sharing. For periods of time where our vessels are not fixed on time charters, we utilize an estimated daily time charter equivalent for our vessels' unfixed days based on the fifteen-year historical average.

Although management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate at the time they were made, such assumptions are highly subjective and likely to change, possibly materially, in the future. There can be no assurance as to how long charter rates and

vessel values will remain at their current low levels or whether they will improve by a significant degree. If charter rates were to remain at depressed levels, future assessments of vessel impairment would be adversely affected.

In recent years, the market values of vessels have experienced particular volatility, with substantial declines in many of the charter-free market value, or basic market value, of various vessel classes. As a result, the market value of our vessels may have declined below their carrying values, even though we did not impair their carrying values under our impairment accounting policy. This is due to our belief that future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed such vessels' carrying amounts.

Our estimates of basic market value assume that our vessels are all in good and seaworthy condition without need for repair and, if inspected, would be certified in class without notations of any kind. Our estimates are based on the estimated market values for our vessels that we have received from independent ship brokers, reports by industry analysts and data providers that focus on our industry and related dynamics affecting vessel values and news and industry reports of similar vessel sales. Vessel values are highly volatile and as such, our estimates may not be indicative of the current or future market value of our vessels or prices that we could achieve if we were to sell them.

The table set forth below indicates the carrying value of each of our owned vessels as of December 31, 2020 and December 31, 2019. At these balance sheet dates, we were not holding any of the vessels listed in the table below as held for sale. We believe that the future undiscounted cash flows expected to be earned by those vessels, which have experienced a decline in charter-free market value below such vessels' carrying values, over their operating lives would exceed their carrying values as of December 31, 2020, and accordingly, have not recorded an impairment charge. The following table summarizes key information about our MR product tankers and their associated carrying values as of December 31, 2020 and December 31, 2019:

| | | | | Carrying Value (U.S dollars in thousands) as of December 31, | |
|---|---|---|---|---|---|
| **Vessel** | **Year Built** | **Year Acquired** | **DWT** | **2020** | **2019** |
| Active | 2015 | 2019 | 50,136 | 28,755 | 30,062 |
| Adriatic Wave | 2009 | 2011 | 51,549 | 24,749 | 26,353 |
| Aegean Wave | 2009 | 2011 | 51,510 | 24,814 | 26,414 |
| Agisilaos | 2006 | 2019 | 36,760 | 10,860 | 11,633 |
| Aiolos | 2007 | 2019 | 36,725 | 11,816 | 12,637 |
| Akeraios | 2007 | 2019 | 47,781 | 15,158 | 16,222 |
| Aktoras | 2006 | 2019 | 36,759 | 10,853 | 11,630 |
| Alexandros II | 2008 | 2019 | 51,258 | 15,982 | 17,021 |
| Alkiviadis | 2006 | 2019 | 36,721 | 10,817 | 11,614 |
| Alpine Madeleine | 2008 | 2011 | 49,999 | 21,737 | 23,243 |
| Alpine Mathilde | 2008 | 2011 | 49,999 | 21,644 | 23,109 |
| Alpine Maya | 2010 | 2011 | 51,501 | 25,769 | 26,091 |
| Alpine Melina | 2010 | 2011 | 51,483 | 25,751 | 26,098 |
| Alpine Mia | 2008 | 2011 | 49,999 | 22,048 | 23,512 |
| Alpine Moment | 2009 | 2011 | 49,999 | 24,065 | 25,701 |
| Alpine Mystery | 2009 | 2011 | 49,999 | 24,461 | 26,030 |
| Amadeus | 2015 | 2019 | 50,108 | 28,812 | 30,074 |
| Amor | 2015 | 2019 | 49,999 | 28,840 | 30,086 |
| Anemos I | 2007 | 2019 | 47,782 | 15,186 | 16,234 |
| Anikitos | 2016 | 2019 | 50,082 | 30,540 | 31,876 |

| Vessel | Year Built | Year Acquired | DWT | Carrying Value (U.S dollars in thousands) as of December 31, 2020 | 2019 |
|---|---|---|---|---|---|
| Apostolos | 2007 | 2019 | 47,782 | 15,184 | 16,233 |
| Arionas | 2006 | 2019 | 36,725 | 10,885 | 11,644 |
| Aris II | 2008 | 2019 | 51,218 | 16,002 | 17,030 |
| Aristotelis II | 2008 | 2019 | 51,226 | 15,979 | 17,020 |
| Assos | 2006 | 2019 | 47,872 | 13,753 | 14,803 |
| Atlantas II | 2006 | 2019 | 36,760 | 10,827 | 11,619 |
| Atlantic Breeze | 2007 | 2013 | 49,999 | 18,165 | 19,473 |
| Atlantic Frontier | 2007 | 2011 | 49,999 | 20,338 | 21,805 |
| Atlantic Gemini | 2008 | 2011 | 49,999 | 21,556 | 23,115 |
| Atlantic Grace | 2008 | 2011 | 49,999 | 21,604 | 23,147 |
| Atlantic Lily | 2008 | 2011 | 49,999 | 21,866 | 23,380 |
| Atlantic Mirage | 2009 | 2011 | 51,476 | 24,424 | 25,998 |
| Atlantic Muse | 2009 | 2011 | 51,498 | 24,213 | 25,824 |
| Atlantic Olive | 2008 | 2011 | 49,999 | 22,007 | 23,510 |
| Atlantic Pisces | 2009 | 2011 | 49,999 | 24,548 | 26,125 |
| Atlantic Polaris | 2009 | 2011 | 49,999 | 24,220 | 25,825 |
| Atlantic Rose | 2008 | 2011 | 49,999 | 21,947 | 23,439 |
| Atlantic Star | 2008 | 2011 | 49,999 | 21,609 | 23,145 |
| Atlantic Titan | 2008 | 2011 | 49,999 | 21,950 | 23,419 |
| Atrotos | 2007 | 2019 | 47,786 | 15,132 | 16,211 |
| Avax | 2007 | 2019 | 47,834 | 15,083 | 16,189 |
| Axios | 2007 | 2019 | 47,872 | 15,105 | 16,199 |
| Ayrton II | 2009 | 2019 | 51,260 | 18,187 | 19,301 |
| Citron | 2007 | 2013 | 49,999 | 17,802 | 19,042 |
| Citrus | 2008 | 2013 | 49,995 | 19,270 | 20,583 |
| High Jupiter | 2008 | 2011 | 51,603 | 21,992 | 23,477 |
| High Mars | 2008 | 2011 | 51,542 | 21,925 | 23,415 |
| High Mercury | 2008 | 2011 | 51,501 | 21,932 | 23,402 |
| High Saturn | 2008 | 2011 | 51,527 | 21,765 | 23,239 |
| Pacific Jewel | 2009 | 2011 | 48,012 | 23,831 | 25,350 |
| Aristaios | 2017 | 2019 | 113,689 | 44,355 | 46,189 |
| Brazos | 2012 | 2012 | 158,537 | 48,819 | 51,420 |
| Colorado | 2012 | 2012 | 158,615 | 51,037 | 53,638 |
| Frio | 2012 | 2012 | 159,000 | 50,785 | 53,351 |
| Miltiadis M II | 2006 | 2019 | 162,397 | 26,877 | 28,743 |
| Pecos | 2012 | 2012 | 158,465 | 49,339 | 51,922 |
| Red | 2012 | 2012 | 159,068 | 50,366 | 52,933 |
| Rio Grande | 2012 | 2012 | 159,056 | 46,532 | 48,910 |
| Sabine | 2012 | 2012 | 158,493 | 50,040 | 52,634 |
| San Jacinto | 2016 | 2016 | 158,658 | 60,084 | 62,643 |
| San Saba | 2012 | 2012 | 159,018 | 46,340 | 48,712 |

| Vessel | Year Built | Year Acquired | DWT | Carrying Value (U.S dollars in thousands) as of December 31, 2020 | 2019 |
|---|---|---|---|---|---|
| Trinity | 2016 | 2016 | 158,734 | 59,263 | 61,810 |
| Loire | 2016 | 2016 | 157,463 | 56,469 | 58,819 |
| Namsen | 2016 | 2016 | 157,543 | 56,685 | 59,001 |
| Aias[(1)] | 2008 | 2019 | 150,393 | — | 33,198 |
| Amoureux[(1)] | 2008 | 2019 | 149,993 | — | 33,213 |
| **Total** | | | | **1,702,749** | **1,865,738** |

(1) The M/T Aias and M/T Amoureux were contracted to be sold in December 2020, and subsequent delivered to the purchaser in January and February 2021, respectively. At December 31, 2020, the M/T Aias and M/T Amoureux were classified as Vessels held for sale on the consolidated balance sheets.

An impairment test was performed as of December 31, 2020, and the carrying values of the vessels as of December 31, 2020 were not impaired. Of the inputs that we use for impairment tests, future time charter rates are the most significant and most volatile. Based on the sensitivity analysis that we performed, as of December 31, 2020, we would impair our vessels if our projected earnings, which incorporate the fifteen-year historical time charter averages, decline by more than approximately 20% for the product fleet and approximately 50% for the crude fleet.

***Deferred Drydocking Costs and Amortization***

We use the deferral method of accounting for drydocking costs. Under the deferral method, drydocking costs are deferred and amortized on a straight-line basis over the useful life of the drydock, which is estimated to be approximately 30 to 60 months. Management uses judgment when estimating the period between drydocks performed, which can result in adjustments to the estimated amortization of drydock expense if drydocks occur earlier or later than originally estimated. We update our estimate of a vessel's next scheduled drydock as necessary. If the vessel is disposed of before the next drydock, the remaining balance in deferred drydock is written-off as a component of the gain or loss upon disposal of vessels. We defer the costs associated with drydocking as they occur and amortize these costs on a straight-line basis over the period between drydocking. Deferred drydocking costs include actual costs incurred at the drydock yard, cost of travel, lodging and subsistence of our personnel sent to the drydocking site to supervise, and the cost of hiring a third party to oversee the drydocking. Expenditures for normal maintenance and repairs, whether incurred as part of the drydock or not, are expensed as incurred. If the vessel is drydocked earlier than originally anticipated, any remaining deferred drydock costs that have not been amortized are expensed at the beginning of the next drydock.

**Recent Accounting Pronouncements**

***New Accounting Standard Adopted***

In March 2020, the FASB issued Accounting Standards Update ("ASU") 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting," which provides optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company adopted the guidance upon issuance, as required and there was no material impact on its Consolidated and Combined Financial Statements and related disclosures.

### *New Accounting Standards to be Implemented*

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), which establishes a comprehensive new lease accounting model. ASU 2016-02 clarifies the definition of a lease, requires a dual approach to lease classification similar to current lease classifications, and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than twelve months. For the Company, ASU 2016-02 is effective for annual periods beginning after December 15, 2021, and interim reporting periods within annual reporting periods beginning after December 15, 2022, with early adoption permitted. The most significant effects of adoption relate to the recognition of right-of-use assets and lease liabilities on the balance sheet for operating leases and providing new disclosures about our leasing activities. We are currently analyzing our contracts and will then calculate the right-of-use assets and lease liabilities as of January 1, 2022 based on the present value of our remaining minimum lease payments, primarily due to the recognition of right-of-use assets and lease liabilities with respect to operating leases.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments — Credit Losses (Topic 326)" ("ASU 2016-13"), which amends several aspects of the measurement of credit losses on financial instruments based on an estimate of current expected credit losses. ASU 2016-13 will apply to loans, accounts receivable, trade receivables, other financial assets measured at amortized cost, loan commitments and other off-balance sheet credit exposures. ASU 2016-13 will also apply to debt securities and other financial assets measured at fair value through other comprehensive income. For the Company, ASU 2016-13 is effective for annual periods beginning after December 15, 2020, and interim reporting periods within annual reporting periods beginning after December 15, 2021, with early adoption permitted. We are currently evaluating the potential impact of this pronouncement on the consolidated financial statements.

## Quantitative and Qualitative Disclosures About Market Risk

### *Interest Rate Risk*

We are exposed to the impact of interest rate changes primarily through floating-rate borrowings that require it to make interest payments based on the Eurodollar Rate. Significant increases in interest rates could adversely affect operating margins, results of operations and our ability to service debt. We use interest rate swaps to reduce our exposure to market risk from changes in interest rates. The principal objective of these contracts is to minimize the risks and costs associated with floating-rate debt.

We are exposed to the risk of credit loss in the event of non-performance by the counterparties to the interest rate swap agreements. In order to minimize counterparty risk, the Company only entered into derivative transactions with counterparties that are rated A- or better by Standard & Poor's Financial Services LLC or A3 or better by Moody's Investors Service, Inc. at the time of the transactions. In addition, to the extent possible and practical, interest rate swaps are entered into with different counterparties to reduce concentration risk.

From time to time, we enter into interest rate swap agreements to modify our exposure to interest rate movements and to manage our interest expense. As of December 31, 2020, 26.4% of the debt was fixed due to the interest rate swap agreements, and 73.6% was variable. Based on the Company's December 31, 2020 outstanding variable rate debt balance, a one percentage point increase in annual Eurodollar Rates would increase its annual interest expense by approximately $4.7 million.

### *Inflation*

Inflation has only a moderate effect on our expenses given current economic conditions. In the event that significant global inflationary pressures appear, these pressures would increase our operating, voyage, general and administrative and financing costs.

### *Foreign Exchange Risk*

The shipping industry's functional currency is the U.S. dollar. All of our revenues and most of our operating costs are in U.S. dollars. We incur certain operating expenses, such as vessel and general and

administrative expenses, in currencies other than the U.S. dollar, and the foreign exchange risk associated with these operating expenses has historically been immaterial. If foreign exchange risk becomes material in the future, we may seek to reduce our exposure to fluctuations in foreign exchange rates through the use of short-term currency forward contracts and through the purchase of bulk quantities of currencies at rates that management considers favorable. For contracts which qualify as cash flow hedges for accounting purposes, hedge effectiveness would be assessed based on changes in foreign exchange spot rates with the change in fair value of the effective portions being recorded in accumulated other comprehensive loss.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The information called for by Item 7A is set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosures About Market Risk" and is incorporated herein by reference.

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## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.


Report of Independent Registered Public Accounting Firm . . . . . F-2
Consolidated balance sheets as of December 31, 2020 and 2019 . . . . . F-3
Consolidated statements of operations for the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018 . . . . . F-4
Consolidated statements of comprehensive income (loss) for the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018 . . . . . F-5
Consolidated statements of changes in equity for the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018 . . . . . F-6
Consolidated statements of cash flows for the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018 . . . . . F-7
Notes to Consolidated Financial Statements . . . . . F-8

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of
Diamond S Shipping Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Diamond S Shipping Inc. and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As discussed in Note 2 to the financial statements, effective January 1, 2019, the Company adopted FASB Accounting Standards Update 2014-09, Revenue from Contracts with Customers, using the modified retrospective approach.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

New York, New York
March 16, 2021

We have served as the Company's auditor since 2011.

## DIAMOND S SHIPPING INC. AND SUBSIDIARIES

### Consolidated Balance Sheets
### as of December 31, 2020 and December 31, 2019
### (In Thousands, except for share and per share data)

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 98,059 | $ 83,609 |
| Due from charterers – Net of provision for doubtful accounts of $1,577 and $1,415, respectively | 39,141 | 80,691 |
| Inventories | 17,457 | 32,071 |
| Vessels held for sale | 45,351 | — |
| Prepaid expenses and other current assets | 7,737 | 13,179 |
| Restricted cash | 6,140 | — |
| **Total current assets** | **213,885** | **209,550** |
| **Noncurrent assets:** | | |
| Vessels – Net of accumulated depreciation of $650,259 and $553,483, respectively | 1,702,749 | 1,865,738 |
| Other property – Net of accumulated depreciation of $886 and $584, respectively | 359 | 642 |
| Deferred drydocking costs – Net of accumulated amortization of $27,343 and $17,975, respectively | 32,391 | 37,256 |
| Advances to Norient pool | 8,001 | — |
| Restricted cash | — | 5,610 |
| Time charter contracts acquired – Net of accumulated amortization of $4,686 and $2,296, respectively | 2,214 | 5,004 |
| Other noncurrent assets | 2,244 | 4,582 |
| **Total noncurrent assets** | **1,747,958** | **1,918,832** |
| **Total assets** | **$1,961,843** | **$2,128,382** |
| **Liabilities and Equity** | | |
| **Current liabilities:** | | |
| Current portion of long-term debt | $ 196,325 | $ 134,389 |
| Accounts payable and accrued expenses | 25,817 | 44,062 |
| Deferred charter hire revenue | 3,051 | 1,934 |
| Derivative liabilities | 580 | — |
| **Total current liabilities** | **225,773** | **180,385** |
| Long-term debt – Net of deferred financing costs of $12,531 and $15,866, respectively | 506,065 | 744,055 |
| Derivative liabilities | 569 | — |
| **Total liabilities** | **732,407** | **924,440** |
| **Commitments and contingencies (Note 17)** | | |
| **Equity:** | | |
| Common stock, par value $0.001; 100,000,000 shares authorized; issued and outstanding 39,968,323 and 39,890,699 shares at December 31, 2020 and 2019, respectively | 40 | 40 |
| Treasury stock – at cost; 137,289 shares at December 31, 2020 | (1,418) | — |
| Additional paid-in capital | 1,241,822 | 1,237,658 |
| Accumulated other comprehensive loss | (1,149) | — |
| Accumulated deficit | (45,250) | (68,567) |
| **Total Diamond S Shipping Inc. equity** | **1,194,045** | **1,169,131** |
| Noncontrolling interests | 35,391 | 34,811 |
| **Total equity** | **1,229,436** | **1,203,942** |
| **Total liabilities and equity** | **$1,961,843** | **$2,128,382** |

See notes to consolidated financial statements.

## DIAMOND S SHIPPING INC. AND SUBSIDIARIES

### Consolidated Statements of Operations
### for the Years Ended December 31, 2020 and 2019 and the Nine Months Ended December 31, 2018
### (In Thousands, except for share and per share data)

| | For the Year Ended December 31, 2020 | For the Year Ended December 31, 2019 | For the Nine Months Ended December 31, 2018 |
|---|---|---|---|
| **Revenue:** | | | |
| Voyage revenue | $ 465,383 | $ 511,573 | $ 262,281 |
| Time charter revenue | 79,397 | 68,211 | 13,192 |
| Pool revenue | 51,130 | — | — |
| **Total revenue** | **595,910** | **579,784** | **275,473** |
| **Operating expenses:** | | | |
| Voyage expenses | 188,581 | 230,675 | 137,774 |
| Vessel expenses | 171,193 | 153,662 | 85,206 |
| Depreciation and amortization expense | 115,783 | 108,703 | 66,101 |
| Loss on sale of vessels and cancelled projects | 29,551 | 18,344 | 19,970 |
| General and administrative expenses | 30,005 | 26,794 | 11,384 |
| Other corporate expenses | — | 2,657 | 678 |
| **Total operating expenses** | **535,113** | **540,835** | **321,113** |
| **Operating income (loss)** | **60,797** | **38,949** | **(45,640)** |
| **Other (expense) income:** | | | |
| Interest expense | (34,742) | (46,772) | (28,097) |
| Loss on extinguishment of debt | — | (3,978) | — |
| Other income | 341 | 1,719 | 1,223 |
| **Total other expense – Net** | (34,401) | (49,031) | (26,874) |
| Net income (loss) | 26,396 | (10,082) | (72,514) |
| Less: Net income (loss) attributable to noncontrolling interest | 3,079 | (776) | (135) |
| **Net income (loss) attributable to Diamond S Shipping Inc.** | **$ 23,317** | **$ (9,306)** | **$ (72,379)** |
| Net earnings (loss) per share – basic | **$ 0.58** | **$ (0.25)** | **$ (2.66)** |
| Net earnings (loss) per share – diluted | **$ 0.58** | **$ (0.25)** | **$ (2.66)** |
| Weighted average common shares outstanding – basic | 39,896,339 | 36,857,615 | 27,165,696 |
| Weighted average common shares outstanding – diluted | 40,123,051 | 36,857,615 | 27,165,696 |

See notes to consolidated financial statements.

## DIAMOND S SHIPPING INC. AND SUBSIDIARIES

### Consolidated Statements of Comprehensive Income (Loss)
### for the Years Ended December 31, 2020 and 2019 and the Nine Months Ended December 31, 2018
### (In Thousands)

| | For the Year Ended December 31, 2020 | For the Year Ended December 31, 2019 | For the Nine Months Ended December 31, 2018 |
|---|---|---|---|
| Net income (loss) | $26,396 | $(10,082) | $(72,514) |
| Change in unrealized loss on cash flow hedges | (1,149) | (4,387) | (1,742) |
| Other comprehensive loss | (1,149) | (4,387) | (1,742) |
| Comprehensive income (loss) | 25,247 | (14,469) | (74,256) |
| Less: comprehensive income (loss) attributable to noncontrolling interest | 3,079 | (776) | (135) |
| Comprehensive income (loss) attributable to Diamond S Shipping Inc. | $22,168 | $(13,693) | $(74,121) |

See notes to consolidated financial statements.

## DIAMOND S SHIPPING INC. AND SUBSIDIARIES

### Consolidated Statements of Changes in Equity
### for the Years Ended December 31, 2020 and 2019 and the Nine Months Ended December 31, 2018
### (In Thousands)

| | Partners' Contributions | Common Stock | Treasury Stock | Additional Paid-in Capital | Accumulated Other Comprehensive Income | Retained Earnings (Accumulated Deficit) | Noncontrolling Interests | Total |
|---|---|---|---|---|---|---|---|---|
| Balance – April 1, 2018 | $ 994,771 | $— | $ — | $ 2,558 | $ 6,129 | $ 15,902 | $34,693 | $1,054,053 |
| Capital contributions for Diamond Anglo Ship Management PTE. LTD. | — | — | — | — | — | — | 49 | 49 |
| Change in unrealized loss on cash flow hedges | — | — | — | — | (1,742) | — | — | (1,742) |
| Net loss | — | — | — | — | — | (72,379) | (135) | (72,514) |
| Balance – December 31, 2018 | 994,771 | — | — | 2,558 | 4,387 | (56,477) | 34,607 | 979,846 |
| Cumulative effect of accounting change | — | — | — | — | — | (2,784) | — | (2,784) |
| Merger transaction (Note 3) | (994,771) | 40 | — | 1,231,579 | — | — | — | 236,848 |
| Change in unrealized loss on cash flow hedges | — | — | — | — | (4,387) | — | — | (4,387) |
| Capital contributions for NT Suez Holdco LLC | — | — | — | — | — | — | 980 | 980 |
| Stock-based compensation | — | — | — | 3,521 | — | — | — | 3,521 |
| Net loss | — | — | — | — | — | (9,306) | (776) | (10,082) |
| Balance – December 31, 2019 | — | 40 | — | 1,237,658 | — | (68,567) | 34,811 | 1,203,942 |
| Shares repurchased | — | — | (1,418) | — | — | — | — | (1,418) |
| NT Suez Holdco LLC Distributions | — | — | — | — | — | — | (2,499) | (2,499) |
| Change in unrealized loss on cash flow hedges | — | — | — | — | (1,149) | — | — | (1,149) |
| Stock-based compensation | — | — | — | 4,930 | — | — | — | 4,930 |
| Equity awards net settled to cover employee withholding taxes | — | — | — | (766) | — | — | — | (766) |
| Net income | — | — | — | — | — | 23,317 | 3,079 | 26,396 |
| **Balance – December 31, 2020** | **$ —** | **$40** | **$(1,418)** | **$1,241,822** | **$(1,149)** | **$(45,250)** | **$35,391** | **$1,229,436** |

See notes to consolidated financial statements.

## DIAMOND S SHIPPING INC. AND SUBSIDIARIES

### Consolidated Statements of Cash Flows
### for the Years Ended December 31, 2020 and 2019, and the Nine Months Ended December 31, 2018
### (In Thousands)

| | For the Year Ended December 31, 2020 | For the Year Ended December 31, 2019 | For the Nine Months Ended December 31, 2018 |
|---|---|---|---|
| **Cash flows from Operating Activities:** | | | |
| Net income (loss) | $ 26,396 | $ (10,082) | $(72,514) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization expense | 115,783 | 108,703 | 66,101 |
| Loss on sale of vessels and cancelled projects | 29,551 | 18,344 | 19,970 |
| Amortization of deferred financing costs | 3,558 | 4,135 | 2,494 |
| Amortization of time charter hire contracts acquired | 2,790 | 2,389 | 180 |
| Loss on disposal of vessel equipment | — | — | 34 |
| Loss on extinguishment of debt | — | 3,978 | — |
| Amortization of the realized gain from recouponing swaps | — | (5,917) | (896) |
| Stock-based compensation expense | 4,931 | 3,521 | — |
| Changes in assets and liabilities: | | | |
| Decrease (increase) in Due from Charterers | 41,550 | (38,015) | 11,908 |
| Decrease (increase) in inventories | 9,093 | (5,662) | 1,980 |
| Decrease (increase) in Prepaid expenses and other current assets | 3,224 | (5,163) | 2,352 |
| Cash paid for drydocking | (5,543) | (17,314) | (17,746) |
| Decrease in Pool working capital contributions | — | — | 2,027 |
| Advances to Norient pool | (1,155) | — | — |
| Decrease (increase) in Other noncurrent assets | 7 | 581 | (9) |
| (Decrease) increase in Accounts payable and accrued expenses | (18,273) | 7,906 | 5,994 |
| Increase (decrease) in Deferred charter hire | 1,118 | (4,054) | 1,611 |
| **Net cash provided by operating activities** | **213,030** | **63,350** | **23,486** |
| **Cash flows from Investing Activities:** | | | |
| Acquisition costs, net of cash acquired of $16,568 | — | (292,683) | — |
| Transaction costs | — | (19,084) | (1,654) |
| Proceeds from sale of vessels | — | 31,800 | 34,890 |
| Payments for vessel additions | (13,313) | (14,385) | (4,701) |
| Payments for other property | (20) | (178) | (527) |
| **Net cash (used in) provided by investing activities** | **(13,333)** | **(294,530)** | **28,008** |
| **Cash flows from Financing Activities:** | | | |
| Borrowings on long-term debt | — | 815,000 | — |
| Principal payments on long-term debt | (134,389) | (101,452) | (79,636) |
| Borrowings on revolving credit facilities | — | 61,000 | 26,532 |
| Payments to retire credit facilities | — | (500,603) | — |
| Repayments on revolving credit facilities | (45,000) | (26,323) | (1,209) |
| Shares repurchased | (1,418) | — | — |
| Cash received from recouponing swaps | — | — | 6,813 |
| Proceeds from partners' contributions in subsidiaries | — | 980 | 49 |
| NT Suez Holdco LLC distribution | (2,499) | — | — |
| Cash paid to net settle employee withholding taxes on equity awards | (767) | — | — |
| Payments for deferred financing costs | (644) | (16,361) | (225) |
| **Net cash (used in) provided by financing activities** | **(184,717)** | **232,241** | **(47,676)** |
| Net increase in cash, cash equivalents and restricted cash | 14,980 | 1,061 | 3,818 |
| **Cash, cash equivalents and restricted cash – Beginning of period** | **89,219** | **88,158** | **84,340** |
| **Cash, cash equivalents and restricted cash – End of period** | **$ 104,199** | **$ 89,219** | **$ 88,158** |
| **Supplemental disclosures:** | | | |
| **Cash paid for interest** | **$ 31,984** | **$ 45,426** | **$ 25,754** |
| **Common stock issued to CPLP (Refer to Note 3 – Merger Transaction)** | **$ —** | **$ 236,848** | **$ —** |
| **Unpaid vessel additions in Accounts payable and accrued expenses at the end of the period** | **$ 183** | **$ 3,270** | **$ 34** |

See notes to consolidated financial statements.

## 1. BUSINESS AND BASIS OF PRESENTATION

***Business —*** Diamond S Shipping Inc. ("DSSI") was formed on November 14, 2018 under the laws of the Republic of the Marshall Islands for the purpose of receiving, via contribution from Capital Product Partners L.P. ("CPLP"), CPLP's crude and product tanker business and combining that business with the business and operations of DSS Holdings L.P. ("DSS LP") pursuant to the Transaction Agreement, dated as of November 27, 2018 (as amended, the "Transaction Agreement"), by and among CPLP, DSS LP, DSSI and the other parties named therein. DSS LP was a Cayman Islands limited partnership formed on October 1, 2007.

On March 27, 2019, DSSI and DSS LP and all of its directly-owned subsidiaries (the "DSS LP Subsidiaries") completed a merger pursuant to the Transaction Agreement. Pursuant to the terms of the Transaction Agreement, on March 27, 2019, the DSS LP Subsidiaries merged with and into DSSI, with DSSI being the surviving corporation in the merger (the "Merger"). DSSI and the DSS LP Subsidiaries are hereinafter referred to collectively as the "Company."

The Merger was accounted for as a reverse acquisition in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, "Business Combinations" as the DSS LP Subsidiaries are the accounting acquirer for financial reporting purposes. Accordingly, the historical consolidated financial statements of the DSS LP Subsidiaries for periods prior to the Merger are considered to be the predecessor financial statements of the Company. Refer to Note 3 — Merger Transaction for further information.

The Company is a seaborne transporter of crude oil and refined petroleum products, operating in the international shipping industry. As of December 31, 2020, through its wholly-owned subsidiaries, the Company owns and operates 64 tanker vessels: 13 Suezmax crude carriers, one Aframax crude carrier and 50 medium range ("MR") product carriers. The Company also controls and operates two Suezmax vessels through a joint venture (Refer to Note 5 — Joint Venture Investments). In January and February 2021, the Company delivered two 2008-built Suezmax vessels to a buyer (Refer to Note 6 — Vessel Dispositions).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In January 2019, DSS LP's Board of Directors approved changing its fiscal year end to December 31 of each calendar year from March 31. These consolidated financial statements are for the twelve month periods of January 1, 2020 to December 31, 2020 and January 1, 2019 to December 31, 2019, and the nine-month period of April 1, 2018 through December 31, 2018.

***Principles of Consolidation —*** The consolidated financial statements include the Company's controlled subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

***Use of Estimates —*** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues or additional sources of cash and expenses or additional uses of cash during the reporting period. Actual results could differ from those estimates. Significant estimates include vessel valuations, the valuation of amounts due from charterers, residual value of vessels, useful life of vessels, the fair value of time charter contracts acquired, the fair value of derivative instruments and potential litigation claims and settlements.

***Cash and Cash Equivalents, and Restricted Cash*** — The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

The following table provides a reconciliation of Cash and cash equivalents and Restricted cash reported within the consolidated balance sheets that sum to the total of the amounts shown in the consolidated statements of cash flows for the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018:

| | December 31, 2020 | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Cash and cash equivalents | $ 98,059 | $83,609 | $83,054 |
| Restricted cash | 6,140 | 5,610 | 5,104 |
| Total Cash and cash equivalents, and Restricted cash shown in the Consolidated Statements of Cash Flows | $104,199 | $89,219 | $88,158 |

Amounts included in restricted cash represent those required to be set aside by the $66 Million Facility, as defined in Note 9 below. The restriction will lapse when the related long-term debt is retired.

***Due from Charterers — Net*** — Due from charterers — net includes accounts receivable from charterers, net of the provision for doubtful accounts and reimbursable costs the Company incurred on behalf of its charterers. However, there is always the possibility of dispute over terms and payment of hires and freights. In particular, disagreements may arise concerning the responsibility of lost time and revenue. Accordingly, the Company periodically assesses the recoverability of amounts outstanding and estimates a provision if there is a reasonable possibility of non-recoverability. At December 31, 2020 and 2019, the Company had reserves of $1,577 and $1,415, respectively, against its Due from charterers balance associated with demurrage and deviation income. The Company wrote off $97 and $233 for the years ended December 31, 2020 and 2019, respectively, related to previously reserved amounts in the allowance for doubtful accounts.

Included in the standard time charter contracts with the Company's customers are certain performance parameters, which, if not met, can result in customer claims. The Company monitors the vessels' performances. As of December 31, 2020 and 2019, there were no customer claims or instances that resulted in the need for reserves related to unmet performance parameters.

***Inventories*** — Inventories consist of bunkers and lubricants on board the vessels at the balance sheet dates. These inventories are stated at cost and determined on a first-in, first-out basis.

***Vessels — Net*** — Vessels are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful life of the asset, up to the asset's estimated salvage value. The estimated useful life of a vessel is 25 years from the vessel's initial delivery from the shipyard. Salvage value is based upon a vessel's lightweight tonnage multiplied by an estimated scrap rate of $0.3 per ton.

Expenditures for maintenance, repairs and minor renewals are expensed as incurred. Capital expenditures for significant improvements and new equipment are capitalized and are depreciated over the shorter of the capitalized asset's life or the remaining life of the vessel.

For the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018, depreciation expense related to Vessels was $104,131, $97,814 and $58,920, respectively. Refer to Note 6 — Vessel dispositions for vessels disposed of during the years ended December 31, 2020 and 2019, and the three months ended December 31, 2018. During the nine months ended December 31, 2018, the Company disposed of vessel equipment, which resulted in a loss of $34. There was no vessel equipment disposed of during the years ended December 31, 2020 and 2019.

***Other Property — Net*** — Other property includes software and office furniture and equipment, and is depreciated on a straight-line basis over the estimated useful life of the asset, which ranges from three to five years. For the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018, depreciation expense related to Other property was $302, $292 and $183, respectively. During the year ended December 31, 2019 and the nine months ended December 31, 2018, the Company disposed of Other property no longer in use, which was fully depreciated. There was no Other property disposed of during the year ended December 31, 2020.

***Impairment of Long-Lived Assets*** — The Company follows FASB ASC Subtopic 360-10-05, *Accounting for the Impairment or Disposal of Long-lived Assets*, which requires that long-lived assets and certain

identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company evaluates the carrying amounts and periods over which long-lived assets are depreciated to determine if events have occurred that would require modification to the carrying values or their useful lives. In evaluating useful lives and carrying values of long-lived assets, the Company reviews certain indicators of potential impairment, such as vessel appraisals, business plans and overall market conditions. An impairment loss on long-lived assets is recognized when indicators of potential impairment are present and the carrying amount of the long-lived asset is greater than its fair value and not believed to be recoverable. In determining future benefits derived from use of long-lived assets, the Company performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets. If the carrying value of the asset, including any related intangible assets and liabilities, exceeds its undiscounted future net cash flows, the carrying value is reduced to its fair value.

When comparing the book value of the long-lived assets to their lower market price as of December 31, 2020, it was determined that an indicator of impairment was present. Accordingly, the Company performed an undiscounted cash flow test based as of December 31, 2020, determining undiscounted projected net operating cash flows for the vessels and comparing them to the carrying values of the vessels, and any related intangible assets and liabilities. In developing estimates of future cash flows, the Company made assumptions about future charter rates, utilization rates, vessel operating expenses, future dry docking costs and the estimated remaining useful life of the vessels. These assumptions are based on historical trends as well as future expectations that are in line with the Company's historical performance and expectations for the vessels' utilization under the current deployment strategy. Based on these assumptions, the Company determined that the vessels held for use and any related intangible assets were not impaired as of December 31, 2020.

***Deferred Financing Costs — Net —*** Deferred financing costs include fees, legal expenses and other costs associated with securing loan facilities and lines of credit. The costs are amortized over the life of the related debt and are recorded to Interest expense in the consolidated statements of operations. Debt issuance costs related to loan facilities are recorded as a reduction in the carrying amount of the related debt liability within the Company's consolidated balance sheets. Debt issuance costs related to lines of credit are recorded to Deferred financing costs — net on the Company's consolidated balance sheets.

***Deferred Drydocking Costs — Net —*** The Company uses the deferral method of accounting for drydocking costs. Under the deferral method, drydocking costs are deferred and amortized on a straight-line basis over the period to the next anticipated drydock, which is estimated to be approximately 30 to 60 months. The Company capitalizes the costs associated with drydocking as they occur and amortizes these costs on a straight-line basis over the period between drydockings. Deferred drydocking costs include direct costs incurred as part of the drydock to meet regulatory requirements, or costs that add economic life to the vessel, increase the vessel's earnings capacity or improve the vessel's efficiency. Direct costs include shipyard costs as well as the costs of placing the vessel in the shipyard. Expenditures for normal maintenance and repairs, whether incurred as part of the drydock or not, are expensed as incurred. If the vessel is drydocked earlier than originally anticipated, any remaining deferred drydock costs that have not been amortized are expensed at the beginning of the next drydock. For the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018, $11,351, $10,597 and $6,998, respectively, of amortization of Deferred drydocking costs was recorded to Depreciation and amortization expense in the consolidated statements of operations.

***Deferred Charter Hire Revenue —*** Deferred charter hire revenue primarily relates to cash received from charterers prior to it being earned. These amounts are recognized as Revenue in the consolidated statements of operations when earned.

***Revenue and Voyage Expense Recognition*** — Pursuant to the new revenue recognition guidance, which was adopted as of January 1, 2019, revenue for spot market voyage charters is recognized ratably over the total transit time of each voyage, which commences at the time the vessel arrives at the loading port and ends at the time the discharge of cargo is completed at the discharge port.

In time charters, operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel and specified voyage costs such as fuel and port charges are paid by the charterer. These

voyage expenses are borne by the Company when engaged in spot market voyage charters. As such, there are significantly higher voyage expenses for spot market voyage charters as compared to time charters.

Revenues are generated from time charters, voyage charters and pool revenues.

Time Charters — Revenues from the time chartering of vessels are recognized on a straight-line basis over the periods of such charter agreements as service is performed. When the time charter contains a profit-sharing agreement, the Company recognizes the profit-sharing or contingent revenue only after meeting a determinable threshold, which is set forth in the time charter agreement. Amounts receivable arising from profit-sharing arrangements are accrued based on the actual results of the voyages recorded as of the reporting date once the threshold is met. In time charters, there are certain other non-specified voyage expenses such as commissions, which are typically borne by the Company. These expenses are recognized when incurred.

Voyage Charters — Prior to the January 1, 2019 adoption date of the new revenue recognition guidance as disclosed in Note 14 — Voyage Revenue, under a voyage charter contract, the revenues are recognized on a pro rata basis based on the relative transit time in each period. The period over which voyage revenues are recognized commences at the time the vessel departs from its last discharge port and ends at the time the discharge of cargo at the next discharge port is completed. The Company does not begin recognizing revenue until a charter has been agreed to by the customer and the Company, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage. The Company does not recognize revenue when a vessel is off hire. Estimated losses on voyages are provided for in full at the time such losses become evident. Voyage expenses primarily include only those specific costs borne by the Company in connection with voyage charters that would otherwise have been borne by the charterer under time charter agreements. These expenses principally consist of fuel, canal and port charges, which are recognized as incurred. Demurrage income represents payments or amounts due from charterer to the vessel owner when loading and discharging time exceed the stipulated time in a voyage charter. Demurrage income is measured in accordance with the provisions of the respective charter agreements and the circumstances under which demurrage claims arise, and is recognized on a pro rata basis over the length of the voyage to which it pertains.

Pool Revenues — During the year ended December 31, 2020, the Company employed 28 of its MR vessels in a vessel pool. None of the Company's vessels operated in pools during the year ended December 31, 2019 and the nine months ended December 31, 2018. The vessel pool in which the Company's vessels operate provides cost-effective commercial management services for a group of similar class vessels. The pool arrangement provides the benefits of a large-scale operation and chartering efficiencies that might not be available to smaller fleets. Under the pool arrangement, voyage related costs, such as the cost of bunkers and port expenses, are borne by the pool and vessel operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel. Since the members of the pool share in the revenue less voyage expenses generated by the entire group of vessels in the pool, and the pool operates in the spot market, the revenue earned by these vessels is subject to the fluctuations of the spot market. The Company recognizes revenue from pool arrangement based on its portion of the net distributions reported by the pool, which represents the net voyage revenue of the pool after voyage expenses and certain pool manager fees, and takes into account pool points (vessel attributes such as cargo carrying capacity, fuel consumption, and speed are taken into consideration), and the number of days the vessel participated in the pool in the period.

***Vessel Expenses —*** Vessel expenses include crew wages and associated costs, the cost of insurance premiums, expenses relating to repairs and maintenance, lubricants and spare parts, technical management fees and other miscellaneous expenses. Vessel expenses are recognized when incurred.

***Fair Value Measurements —*** Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. When establishing fair value, a three-tier hierarchy for inputs is used, which prioritizes the inputs used in the valuation methodologies. Fair value is a measurement for certain financial instruments and nonfinancial assets and nonfinancial liabilities. For nonfinancial assets, including fixed assets, fair value is recorded or required to be disclosed in a period in which an impairment occurs.

***Fair Value of Financial Instruments —*** The estimated fair value of the Company's financial instruments, such as cash equivalents, due from charterers, and accounts payable and accrued expenses approximate their

individual carrying amounts as of December 31, 2020 and 2019, due to their short-term maturity or the variable-rate nature of the respective borrowings under the credit facilities. Derivative assets and liabilities are carried on the balance sheets at fair value.

***Derivatives — Interest Rate Risk Management*** — The Company is exposed to interest rate risk through its variable rate credit facilities. The Company has used interest rate swaps, under which the Company pays a fixed rate in exchange for receiving a variable rate, to achieve a fixed rate of interest on the hedged portion of the debt in order to increase the ability to forecast interest expense. The objective of these swaps is to help to protect the Company against changes in borrowing rates on the current credit facilities and any replacement floating rate Eurodollar credit facility. Upon execution of the swaps, the Company designated the swaps as cash flow hedges of benchmark interest rate risk under ASC 815, *Derivatives and Hedging*, and has established effectiveness testing and measurement processes. Changes in the fair value of the interest rate swaps are recorded as assets or liabilities, and effective unrealized gains or losses are captured in a component of accumulated other comprehensive income or loss until reclassified to interest expense when the hedged variable rate interest expenses are incurred. The ineffective portion, if any, of the change in fair value of the interest rate swap agreements is required to be recognized in earnings. The Company elected to classify settlement payments as operating activities within the statement of cash flows.

For the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018, no gains or losses due to ineffectiveness have been recorded in earnings relative to interest rate swaps entered into by the Company that qualify as hedges.

***Comprehensive Income (Loss)*** — The Company follows ASC 220-10, *Comprehensive Income*, which establishes standards for reporting and displaying comprehensive income and its components in financial statements. Comprehensive income is comprised of net income and amounts related to the Company's interest rate swaps accounted for as cash flow hedges. These other comprehensive income (loss) items are discussed further in Note 11.

***Time Charter Contracts Acquired*** — The Company follows the provisions of ASC 350-20-35, *Intangibles-Goodwill and Other*. Goodwill and indefinite lived intangible assets and liabilities acquired in a business combination are not amortized but are reviewed for impairment annually or more frequently if impairment indicators arise. Intangible assets with estimable useful lives are amortized over their estimated useful lives.

The Company's intangible assets consist of charter-in contracts acquired as part of the Merger and as part of its purchase of 30 vessel-owning companies during the year ended March 31, 2012. Upon the completion of the Merger and this acquisition, certain time charter contracts with a contractual rate in excess of the fair market charter rate were recorded as an asset on the consolidated balance sheets. These assets are amortized as a net reduction of time charter revenues over the remaining term of such charters. For the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018, amortization of time charter contracts was $2,790, $2,389 and $180, respectively.

***Nonvested Stock Awards*** — The Company follows ASC Subtopic 718, *Compensation — Stock Compensation*, for nonvested stock issued under the 2019 Equity Incentive Plan. Stock-based compensation costs from nonvested stock have been classified as a component of additional paid-in capital in the Consolidated Statement of Changes in Equity. Stock-based compensation is discussed further in Note 16.

***Concentrations of Credit Risk*** — The Company's Cash and cash equivalents and Due from charterers may be subject to concentrations of credit risk. The Company deposits a significant portion of its cash and cash equivalents with three financial institutions. None of the Company's cash and cash equivalent balances maintained at these three financial institutions are covered by insurance in the event of default by either of these banks. The Company's cash and cash equivalent balances maintained at FDIC-insured institutions exceed the FDIC insured limits. The Company monitors the creditworthiness of these banks regularly.

With respect to Due from charterers, the Company limits its credit risk by performing ongoing credit evaluations and, when deemed necessary, requires letters of credit, guarantees or collateral. For the year ended December 31, 2019, there were no charterers that exceeded 10% of the Company's revenue. For

the years ended December 31, 2020 and 2019, there were no charterers that exceeded 10% of the Company's revenue. For the nine months ended December 31, 2018, the Company earned 13.9% its revenue from one charterer.

***United States Gross Transportation Tax*** — Pursuant to Section 883 of the U.S. Internal Revenue Code of 1986 (as amended) (the "Code"), qualified income derived from the international operations of ships is excluded from gross income and exempt from U.S. federal income tax if a company engaged in the international operation of ships meets certain requirements (the "Section 883 exemption"). Among other things, in order to qualify, the Company must be incorporated in a country that grants an equivalent exemption to U.S. corporations and must satisfy certain qualified ownership requirements.

The Company is incorporated in the Marshall Islands. Pursuant to the income tax laws of the Marshall Islands, the Company is not subject to Marshall Islands income tax. The Marshall Islands has been officially recognized by the Internal Revenue Service as a qualified foreign country that currently grants the requisite equivalent exemption from tax. The Company is not taxable in any other jurisdiction, with the exception of Diamond S Management LLC (Marshall Islands), Diamond S Management (Singapore) Pte. Ltd, and Diamond Anglo Ship Management Pte. Ltd., as noted in the "Income taxes" section below.

The Company will qualify for the Section 883 exemption if, among other things, (i) the Company's stock is treated as primarily and regularly traded on an established securities market in the United States (the "publicly traded test") or (ii) the Company satisfies the qualified shareholder test or (iii) the Company satisfies the controlled foreign corporation test (the "CFC test"). Under applicable U.S. Treasury Regulations, the publicly traded test cannot be satisfied in any taxable year in which persons who actually or constructively own 5% or more of the Company's stock (which the Company sometimes refers to as "5% shareholders"), together own 50% or more of the Company's stock (by vote and value) for more than half the days in such year (the "five percent override rule"), unless an exception applies. A foreign corporation satisfies the qualified shareholder test if more than 50 percent of the value of its outstanding shares is owned (or treated as owned by applying certain attribution rules) for at least half of the number of days in the foreign corporation's taxable year by one or more "qualified shareholders." A qualified shareholder includes a foreign corporation that, among other things, satisfies the publicly traded test. A foreign corporation satisfies the CFC test if it is a "controlled foreign corporation" and one or more qualified U.S. persons own more than 50 percent of the total value of all the outstanding stock.

Based on the publicly traded requirement of the Section 883 regulations, the Company believes that it qualified for exemption from income tax on the applicable income derived from the international operations of vessels during the years ended December 31, 2020 and 2019. In order to meet the publicly traded requirement, the Company's stock must be treated as being primarily and regularly traded for more than half the days of any such year. Under the Section 883 regulations, the Company's qualification for the publicly traded requirement may be jeopardized if 5% shareholders own, in the aggregate, 50% or more of the Company's common stock for more than half the days of the year. Management believes that during the years ended December 31, 2020 and 2019, the combined ownership of its 5% shareholders did not equal 50% or more of its common stock for more than half the days of the year.

If the Company does not qualify for the Section 883 exemption, the Company's U.S. source shipping income, i.e., 50% of its gross shipping income attributable to transportation beginning or ending in the U.S. (but not both beginning and ending in the U.S.) is subject to a 4% tax without allowance for deductions (the "U.S. gross transportation tax").

Based on the CFC test, the Company believes that it qualified for exemption from income tax on the applicable income derived from the international operations of vessels during the year ended December 31, 2019, the nine months ended December 31, 2018. In order to meet the CFC test, the Company's qualified foreign holders cannot exceed 50% in the given year. Under the Section 883 regulations, the Company's qualification for the CFC test may be jeopardized if more than 50% of the owners are deemed qualified foreign holders. Management believes that during 2020 and 2019, less than 50% of is owners were qualified foreign holders.

***Income Taxes*** — To the extent the Company's U.S. source shipping income, or other U.S. source income, is considered to be effectively connected income, as described below, any such income, net of

applicable deductions, would be subject to the U.S. federal corporate income tax, imposed at a 21% rate. In addition, the Company may be subject to a 30% "branch profits" tax on such income, and on certain interest paid or deemed paid attributable to the conduct of such trade or business. Shipping income is generally sourced 100% to the United States if attributable to transportation exclusively between United States ports (the Company is prohibited from conducting such voyages), 50% to the United States if attributable to transportation that begins or ends, but does not both begin and end, in the United States (as described in "United States Gross Transportation Tax" above) and otherwise 0% to the United States.

The Company's U.S. source shipping income would be considered effectively connected income only if:

- the Company has, or is considered to have, a fixed place of business in the U.S. involved in the earning of U.S. source shipping income; and
- substantially all of the Company's U.S. source shipping income is attributable to regularly scheduled transportation, such as the operation of a vessel that follows a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the U.S.

The Company does not intend to have, or permit circumstances that would result in having, any vessel sailing to or from the U.S. on a regularly scheduled basis. Based on the current shipping operations of the Company and the Company's expected future shipping operations and other activities, the Company believes that none of its U.S. source shipping income will constitute effectively connected income. However, the Company may from time to time generate non-shipping income that may be treated as effectively connected income.

In addition to the Company's shipping income and pursuant to certain agreements, the Company commercially manages its vessels. These services are performed by Diamond S Management LLC, a Marshall Islands entity ("DSMM"), which elected to be taxed as a corporation for United States federal income tax purposes. As such, DSMM is subject to United States federal income tax (imposed a 21% rate) on its worldwide net income, including the net income derived from providing these services. After allocation of certain expenses, there was no taxable income for the taxable years ended December 31, 2020 and 2019 due to carryforward losses.

The Company has two entities that were established in Singapore. The income for these two entities is taxable at the prevailing Singapore Corporate income tax rate, which is currently 17%. The Company established the Singapore-based Diamond S Management (Singapore) Pte. Ltd. ("DSMS") on November 17, 2017. During the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018, DSMS recorded $21, $2 and ($1) of income tax, respectively, in General and administrative expenses in the Consolidated Statements of Operations. The Company established the Singapore-based DASM on January 11, 2018. During the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018, DASM recorded $20, $73 and $16 of income tax, respectively, in General and administrative expenses in the Consolidated Statements of Operations.

***Recent Accounting Pronouncements***

***New accounting standards adopted —*** In March 2020, the FASB issued Accounting Standards Update ("ASU") 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting," which provides optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company adopted the guidance upon issuance, as required and there was no material impact on its Consolidated and Combined Financial Statements and related disclosures.

***New accounting standards to be implemented*** — In February 2016, the FASB issued ASU No. 2016-02, "*Leases (Topic 842)*" ("ASU 2016-02"), which establishes a comprehensive new lease accounting model. ASU 2016-02 clarifies the definition of a lease, requires a dual approach to lease classification similar to

current lease classifications, and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than twelve months. For the Company, ASU 2016-02 is effective for annual periods beginning after December 15, 2021, and interim reporting periods within annual reporting periods beginning after December 15, 2022, with early adoption permitted. The most significant effects of adoption relate to the recognition of right-of-use assets and lease liabilities on the balance sheet for operating leases and providing new disclosures about the Company's leasing activities. The Company is currently analyzing its contracts and will then calculate the right-of-use assets and lease liabilities as of January 1, 2022 based on the present value of the Company's remaining minimum lease payments, primarily due to the recognition of right-of-use assets and lease liabilities with respect to operating leases.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments — Credit Losses (Topic 326)" ("ASU 2016-13"), which amends several aspects of the measurement of credit losses on financial instruments based on an estimate of current expected credit losses. ASU 2016-13 will apply to loans, accounts receivable, trade receivables, other financial assets measured at amortized cost, loan commitments and other off-balance sheet credit exposures. ASU 2016-13 will also apply to debt securities and other financial assets measured at fair value through other comprehensive income. For the Company, ASU 2016-13 is effective for annual periods beginning after December 15, 2020, and interim reporting periods within annual reporting periods beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the potential impact of this pronouncement on the consolidated financial statements.

## 3. MERGER TRANSACTION

As discussed in Note 1, the Company completed a Merger on March 27, 2019. Directly prior to the Merger, the following took place:

- DSSI formed four wholly-owned subsidiaries organized under the laws of the Republic of the Marshall Islands, referred to as "Products Merger Entity," "Crude Merger Entity," "Management Merger Entity" and "Surviving Merger Entity."
- CPLP separated its product and crude tanker businesses into separate lines of subsidiaries and contributed them to DSSI (the "Separation").
- DSSI issued 12,724,500 additional common shares in connection with the contribution by CPLP.
- In the Separation, CPLP contributed to DSSI (1) CPLP's crude and product tanker vessels, (2) an amount in cash equal to $10 million and (3) associated inventories.
- On March 27, 2019, CPLP distributed on a pro rata basis all 12,725,000 then-outstanding common shares of DSSI to its unitholders of record as of March 19, 2019 (the "Distribution").

Immediately following the Distribution, the Merger took place, which is detailed as follows:

- The Pre-Mergers took place:
- DSS Crude Transport Inc., a wholly-owned subsidiary of DSS LP, merged with Crude Merger Entity, with DSS Crude Transport Inc. surviving the merger,
- DSS Products Transport Inc., a wholly-owned subsidiary of DSS LP, merged with Products Merger Entity, with DSS Products Transport Inc. surviving the merger, and
- Diamond S Technical Management LLC, a wholly-owned subsidiary of DSS LP, merged with Management Merger Entity, with Diamond S Technical Management LLC surviving the merger.
- Following the Pre-Mergers and pursuant to the same plan, each of DSS Crude Transport Inc., DSS Products Transport Inc. and Diamond S Technical Management LLC merged with the Surviving Merger Entity, with the Surviving Merger Entity surviving. The Surviving Merger Entity subsequently merged with DSSI, with DSSI surviving.

Pursuant to the Transaction agreement, the CPLP unitholders received 12,725,000 common shares in DSSI, and the DSS LP limited partners received common shares of DSSI that were determined by the factor to which DSS LP's net asset value is to the net asset value of DSSI immediately after the Distribution,

multiplied by the number of shares distributed to CPLP unitholders after the March 27, 2019 effective date. This equated to the DSS LP limited partners receiving 27,165,696 common shares.

The Merger completed on March 27, 2019, and the Company's common shares commenced trading on the New York Stock Exchange on March 28, 2019.

The Merger was accounted for as a reverse acquisition in accordance with ASC 805, "Business Combinations." Based on the structure of the Merger and other activities contemplated by the Transaction Agreement, relative outstanding share ownership, the composition of the Company's board of directors and the designation of certain senior management positions of the Company, the DSS LP Subsidiaries are the accounting acquirer for financial reporting purposes.

Further, in accordance with ASU 2017-01, the Merger was determined to be an asset acquisition as substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets.

During the year ended December 31, 2019, the consideration transferred, assets acquired, and liabilities assumed are recognized as follows:

| | |
|---|---|
| **Consideration paid and transferred** | |
| Cash paid — net of cash received of $16,568 | $292,683 |
| Common stock issued to CPLP | 236,848 |
| Transaction costs | 20,738 |
| **Total consideration paid and transferred** | **$550,269** |
| **Net assets acquired** | |
| Due from charterers | $ 4,514 |
| Inventories | 6,969 |
| Prepaid expenses and other current assets | 1,152 |
| Vessels | 537,988 |
| Time charter contracts acquired — assets | 7,300 |
| Other noncurrent assets | 2,191 |
| Accounts payable and accrued expenses | (7,478) |
| Deferred charter hire revenue | (2,367) |
| **Net assets acquired** | **$550,269** |

Further, as the Merger was determined to be an asset acquisition, the Company recorded the acquired assets and liabilities at the cost of the acquisition, including transaction costs, on the basis of relative fair value. The carrying value of the vessels were recorded in accordance with the principles set forth under ASC Topic 820, "Fair Value Measurement" based upon current market values obtained from at least two independent ship brokers. The time charter contract assets acquired represent an estimate of the fair value of the time charters acquired as of the date of the Merger, and considers the differential between the stated time charter rate and the contracts' fair value at the time of the Merger.

In connection with the Merger, the incentive units granted under the DSS LP unit incentive plan expired with no value. Further, while the Company is now a public company, management believe that, pursuant to Section 883 of the U.S. Internal Revenue Code of 1986, the income related to vessel operations will continue to be exempt from U.S. federal income tax, although no assurance can be given that the Company will continue to satisfy this statutory exemption from U.S. federal income taxation.

## 4. NET EARNINGS (LOSS) PER SHARE

The computation of basic net earnings (loss) per share is based on the weighted-average number of common shares outstanding during the reporting period. The computation of diluted net earnings (loss)

per share assumes the vesting of nonvested stock awards (refer to Note 15 — Stock-Based Compensation), for which the assumed proceeds upon vesting are deemed to be the amount of compensation cost attributable to future services and are not yet recognized using the treasury stock method, to the extent dilutive. Of the 528,584 and 640,525 nonvested shares and RSUs outstanding as of December 31, 2020 and 2019, 301,871 and 640,525, respectively, were excluded from the computation of diluted net earnings (loss) per share because these were anti-dilutive (refer to Note 15 — Stock-Based Compensation).

| | For the Year Ended December 31, 2020 | For the Year Ended December 31, 2019 | For the Nine Months Ended December 31, 2018 |
|---|---|---|---|
| **Common shares outstanding, basic:** | | | |
| Weighted-average common shares outstanding, basic | 39,896,339 | 36,857,615 | 27,165,696 |
| **Common shares outstanding, diluted:** | | | |
| Weighted-average common shares outstanding, basic | 39,896,339 | 36,857,615 | 27,165,696 |
| Dilutive effect of restricted stock awards | 226,712 | — | — |
| Weighted-average common shares outstanding, diluted | 40,123,051 | 36,857,615 | 27,165,696 |

## 5. JOINT VENTURE INVESTMENTS

***NT Suez Holdco LLC*** — In September 2014, the Company formed a joint venture, NT Suez Holdco LLC ("NT Suez"), to purchase two Suezmax newbuildings. The two vessels were delivered in October and November 2016.

NT Suez is owned 51% by the Company and 49% by WLR/TRF Shipping S.a.r.l ("WLR/TRF"). WLR/TRF is indirectly owned by funds managed or jointly managed by WL Ross & Co, LLC ("WLR"), including WLR Recovery Fund V DSS AIV, L.P. and WLR V Parallel ESC, L.P., which are also shareholders of the Company. WLR is a fund manager that manages the Company's largest shareholders.

During the year ended December 31, 2020, NT Suez distributed $5.1 million of total equity to the Company and WLR/TRF in accordance with their pro rata ownership. During the year ended December 31, 2019 and the nine months ended December 31, 2018, NT Suez did not distribute any equity.

During the year ended December 31, 2019, NT Suez received a total of $2.0 million in investments from the Company and WLR/TRF in accordance with their pro rata ownership. These investments were used for shipyard installment payments and working capital. During the year ended December 31, 2020 and the nine months ended December 31, 2018, NT Suez did not receive investments.

Management has determined that NT Suez qualifies as a variable interest entity, and, when aggregating the variable interests held by the related parties (i.e. the Company and WLR/TRF), the Company is the primary beneficiary as the Company has the ability to direct the activities that most significantly impact NT Suez's economic performance. Accordingly, the Company consolidates NT Suez.

***Diamond Anglo Ship Management Pte. Ltd.*** **—** In January 2018, the Company and Anglo Eastern Investment Holdings Ltd. ("AE Holdings"), a third party, formed a joint venture, Diamond Anglo Ship Management Pte. Ltd. ("DASM"). DASM is owned 51% by the Company and 49% by AE Holdings as of December 31, 2020 and 2019, and was formed to provide ship management services to the Company's vessels.

As of December 31, 2020 and 2019, the investments DASM received from the Company and AE Holdings totaled $51 and $49, respectively, which were used for general and administrative expenses.

Management has determined that DASM qualifies as a variable interest entity, and, when aggregating the variable interests held by the Company and AE Holdings, the Company is the primary beneficiary as the Company has the ability to direct the activities that most significantly impacts DASM's economic performance. Accordingly, the Company consolidates DASM.

## 6. VESSEL DISPOSITIONS

In November 2018, the Board of Directors approved selling the Alpine Minute and Alpine Magic, both 2009-built MR vessels. The Company reached an agreement to sell the Alpine Minute and Alpine Magic for $17.8 million and $17.0 million, respectively, less a 1% broker commission payable to a third party. In December 2018, the Company completed the sale of the Alpine Mia and Alpine Magic, receiving total proceeds of $34.9 million, and repaying debt on the $460 Million Facility, as defined in Note 9 below, of $24.7 million. The loss on sale of the vessels was $20.0 million, which was recorded to the consolidated statement of operations for the nine months ended December 31, 2018.

In August 2019, the Board of Directors approved selling the Atlantic Aquarius and Atlantic Leo, both 2009-built MR vessels. The Company reached an agreement to sell the Atlantic Aquarius and Atlantic Leo for $31.8 million in aggregate gross proceeds. In September 2019, the Company delivered the vessels to the buyer and repaid debt on the $460 Million Facility, as defined in Note 9 below, of $20.4 million. The loss on sale of the vessels was $18.3 million, which was recorded to the consolidated statement of operations for the year ended December 31, 2019.

In December 2020, the Board of Directors approved selling the Aias and Amoureux, both 2008-built MR vessels. The Company reached an agreement to sell the Aias for $22.6 million in aggregate gross proceeds, and the Amoureux for $22.5 million in aggregate gross proceeds. The delivery of the Aias and Amoureux occurred in January and February 2021, respectively. As of December 31, 2020, the Aias and Amoureux are classified as Held for sale on the consolidated balance sheet, with an estimated loss of $26.3 million on the sale of the vessels recorded to the consolidated statement of operations for the year ended December 31, 2020. In connection with the sale of these two vessels, the Company repaid debt on the $525 Million Facility, as defined in Note 9 below, of $25.3 million in the first two months of 2021.

## 7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following as of December 31, 2020 and 2019:

| | December 31, 2019 | December 31, 2019 |
|---|---|---|
| Advances to Capital Ship Management Corp. ("CSM") (Refer to Note 14 — Related Party Transactions) | $1,453 | $ 5,757 |
| Advances to technical managers | 164 | 26 |
| Insurance claims receivable | 1,636 | 511 |
| Prepaid insurance | 1,234 | 1,093 |
| Advances to agents | 1,091 | 1,421 |
| Deferred voyage costs | 915 | 3,132 |
| Other | 1,244 | 1,239 |
| **Total prepaid expenses and other current assets** | **$7,737** | **$13,179** |

## 8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following as of December 31, 2020 and 2019:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Trade accounts payable and accrued expenses | $ 6,609 | $ 9,716 |
| Accrued vessel and voyage expenses | 17,232 | 32,201 |
| Accrued interest | 86 | 1,090 |
| Accrued vessel and voyage expenses and Other current liabilities (Refer to Note 14 — Related Party Transactions) | 1,890 | 1,055 |
| **Total accounts payable and accrued expenses** | **$25,817** | **$44,062** |

## 9. LONG-TERM DEBT

Long-term debt at December 31, 2020 and 2019 was comprised of the following:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| $360 Million Facility | $ 227,500 | $ 327,500 |
| $525 Million Facility | 440,000 | 515,000 |
| $66 Million Facility | 47,421 | 51,810 |
| **Total** | **714,921** | **894,310** |
| Less: Unamortized deferred financing costs | (12,531) | (15,866) |
| Less: Current portion | (196,325) | (134,389) |
| **Long-term debt, net of deferred financing costs** | **$ 506,065** | **$ 744,055** |

***$360 Million Facility —*** On March 27, 2019, in connection with the Merger, the Company entered into a $360,000 five-year Credit Agreement, as amended (the "$360 Million Facility"), for the purposes of financing the Merger and refinancing the $30 Million Line of Credit (defined below). The $360 Million Facility consists of a term loan of $300,000 and a revolving loan of $60,000, and is collateralized by the 25 Athena Vessels acquired in the Merger and the three vessels that collateralized the $30 Million Line of Credit, with reductions based on a 17 year age-adjusted amortization schedule, payable on a quarterly basis. The term loan component of the $360 Million Facility bears interest at the Eurodollar Rate for a three-month interest period, plus a 2.65% interest rate margin, and the interest is paid quarterly. Commitment fees on undrawn amounts related to the revolving loan component of the $360 Million Facility are 1.06%. As of December 31, 2020, $10,000 of the revolving loan was drawn, while $50,000 was available and undrawn.

The $360 Million Facility contains certain restrictions on the payments of dividends. The $360 Million Facility permits the Company to pay dividends so long as the payment of dividends does not cause an event of default, and limits dividends payable so that they do not exceed in any fiscal quarter an amount that is equal to 50% of the adjusted consolidated net income of the Company in such fiscal quarter.

***$525 Million Facility —*** On December 23, 2019, the Company entered into a $525,000 five-year Credit Agreement (the "$525 Million Facility"), for the purposes of financing the $460 Million Facility, the $235 Million Facility and the $75 Million Facility (defined below). The $525 Million Facility consists of a term loan of $375,000 and a revolving loan of $150,000, and is collateralized by the 36 vessels that collateralized the $460 Million Facility, the $235 Million Facility and the $75 Million Facility, with reductions based on a 17 year age-adjusted amortization schedule, payable on a quarterly basis. The term loan component of the $525 Million Facility bears interest at the Eurodollar Rate for a three-month interest period, plus a 2.50% interest rate margin, and the interest is paid quarterly. Commitment fees on undrawn amounts related to the revolving loan component of the $525 Million Facility are 0.875%. As of December 31, 2020, $140,000 of the revolving loan was drawn, while $10,000 was available and undrawn.

The $525 Million Facility contains certain restrictions on the payments of dividends. The $525 Million Facility permits the Company to pay dividends so long as the payment of dividends does not cause an event of default, and limits dividends payable so that they do not exceed in any fiscal quarter an amount that is equal to 50% of the adjusted consolidated net income of the Company in the preceding fiscal quarter.

Prior to the December 2019 refinancing, the Company financed 26 MR vessels, which were acquired in September 2011, with a $460,000 five-year senior secured term loan facility, as amended (the "$460 Million Facility"). Interest was paid monthly, and the $460 Million Facility bore interest at the Eurodollar Rate for a one-month interest period, plus a 2.80% interest rate margin.

Also, prior to the December 2019 refinancing, the Company financed eight 2012-built Suezmaxes with a $235,000 five-year senior secured financing facility, as amended (the "$235 Million Facility"), which consisted of a term loan of $220 million and a revolving loan of $15000. Interest on the term loan component was paid quarterly and the $235 Million Facility bore interest at the Eurodollar Rate for a three-month interest period, plus a 2.75% interest rate margin. Commitment fees on undrawn amounts related to the revolving loan component of the $235 Million Facility were 1.10%.

Lastly, prior to the December 2019 refinancing, the Company financed two 2016-built Suezmaxes vessels with a $75,000 seven-year senior secured term loan facility, as amended (the "$75 Million Facility"). Interest was paid quarterly, and the $75 Million Facility bore interest at the Eurodollar Rate for a three-month interest period, plus a 2.20% interest rate margin.

***$66 Million Facility* —** On August 9, 2016, the Company entered into a $66,000 five-year senior secured term loan facility (the "$66 Million Facility") for the purpose of financing two vessels controlled through the joint venture NT Suez (refer to Note 5 — Joint Venture Investments). The $66 Million Facility, which is collateralized by the two vessels controlled through NT Suez, is a nonrecourse term loan with reductions that are based on a 15-year amortization schedule, and are payable on a quarterly basis. Interest is paid quarterly, and the $66 Million Facility bears interest at the Eurodollar Rate for a three-month interest period, plus a 3.25% interest rate margin.

The $66 Million Facility contains certain restrictions on the payments of dividends by the NT Suez joint venture. The $66 Million Facility permits the NT Suez joint venture to pay dividends so long as the payment of dividends does not cause an event of default, and does not exceed an amount equal to 75% of the consolidated net income, as determined in accordance with GAAP, of the borrower, which is the consolidated accounts of NT Suez.

***Interest Rates*** — The following table sets forth the effective interest rate associated with the interest costs for the Company's debt facilities, including the rate differential between the fixed pay rate and the variable receive rate on the interest rate swap agreements that were in effect (refer to Note 10 — Interest Rate Swaps), combined, as well as the cost associated with the commitment fees. Additionally, the table includes the range of interest rates on the debt, excluding the impact of swaps and commitment fees:

| | For the Year Ended December 31, 2020 | For the Year Ended December 31, 2019 | For the Nine Months Ended December 31, 2018 |
|---|---|---|---|
| Effective interest rate | 3.73% | 4.77% | 4.80% |
| Range of interest rates (excluding impact of swaps and unused commitment fees) | 2.72% to 5.32% | 4.30% to 6.06% | 4.50% to 5.64% |

***Restrictive Covenants* —** The Company's credit facilities credit contain restrictive covenants and other non-financial restrictions. The $360 Million Facility and $525 Million Facility include, among other things, restrictions on the Company's ability to incur indebtedness, limitations on dividends, minimum cash balance, collateral maintenance, leverage ratio requirements, minimum working capital requirements, and other customary restrictions. The $66 Million Facility includes restrictions and financial covenants including, among other things, the Company's ability to incur indebtedness, limitations on dividends, minimum cash balance, collateral maintenance, and other customary restrictions. The Company was in compliance with its financial covenants as of December 31, 2020.

***Maturities*** — The aggregate maturities of debt for the years ending December 31 are as follows:

| | |
|---|---|
| 2021 | $196,325 |
| 2022 | 123,600 |
| 2023 | 123,600 |
| 2024 | 271,396 |
| **Total** | **$714,921** |

## 10. INTEREST RATE SWAPS

The Company uses interest rate swaps for the management of interest rate risk exposure, as the interest rate swaps effectively convert a portion of the Company's debt from a floating to a fixed rate. The interest rate swaps are agreements between the Company and counterparties to pay, in the future, a fixed-rate payment in exchange for the counterparties paying the Company a variable payment. The amount of the net payment obligation is based on the notional amount of the swap contract and the prevailing market interest rates. The Company may terminate the swap contracts prior to their expiration dates, at which point a

realized gain or loss would be recognized. The value of the Company's commitment would increase or decrease based primarily on the extent to which interest rates move against the rate fixed for each swap. All derivatives are recognized on the Company's Consolidated Balance Sheets at their fair values. For accounting hedges, on the date the derivative contract is entered into, the Company designates the derivative as (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value" hedge) or (2) a hedge of a forecasted transaction ("cash flow" hedge).

The Company previously entered into interest rate swap transactions, with multiple counterparties, which were designated as cash flow hedges. In September 2018, the Company re-couponed its swaps, receiving cash of $6,813, with the corresponding gain recognized ratably over the original term of the hedged instruments. The re-couponed swaps were terminated in December 2019 when the related $460 Million Facility was extinguished. Upon the swaps' termination, the Company made a payment of $2,486 and recognized the remaining gain that resulted from the re-couponing in September 2018, which are recognized in Interest expense in the condensed consolidated statements of operations.

On April 29, 2020, the Company entered into interest rate swap transactions, with multiple counterparties, which were designated as cash flow hedges. In accordance with these transactions, the Company will pay an average fixed-rate interest amount of 0.54% and will receive floating rate interest amounts based on three-month LIBOR settings. These interest rate swaps are designated as cash flow hedges with a start date of June 30, 2020 and an end date of December 23, 2024, with an aggregate notional amount outstanding of $197,129 at December 31, 2020.

The derivative asset and liability balances at December 31, 2020 and 2019 are as follows:

| | Asset Derivatives | | | Liability Derivatives | | |
|---|---|---|---|---|---|---|
| | | Fair Value | | | Fair Value | |
| | Balance Sheet Location | December 31, 2020 | December 31, 2019 | Balance Sheet Location | December 31, 2020 | December 31, 2019 |
| **Derivatives designated as hedging instruments** | | | | | | |
| Interest rate contracts | Derivative asset (Current assets) | $— | $— | Derivative liabilities (Current liabilities) | $ 580 | $— |
| Interest rate contracts | Derivative asset (Noncurrent assets) | — | — | Derivative liabilities (Noncurrent liabilities) | 569 | — |
| **Total derivatives designated as hedging instruments** | | — | — | | 1,149 | — |
| **Total Derivatives** | | **$—** | **$—** | | **$1,149** | **$—** |

The components of Accumulated other comprehensive loss included in the Consolidated Balance Sheets consist of net unrealized loss on cash flow hedges as of December 31, 2020 and 2019. The table below presents the gross amounts of these liabilities with any offsets to arrive at the net amounts recognized in the Consolidated Balance Sheets at December 31, 2020 and 2019.

| | Gross Amounts of Recognized Liabilities | Gross Amounts Offset in the Consolidated Balance Sheets | Net Amounts of Liabilities Presented in the Consolidated Balance Sheets | Gross Amounts not Offset in the Consolidated Balance Sheets: Financial Instruments | Gross Amounts not Offset in the Consolidated Balance Sheets: Cash Collateral Received | Net Amount |
|---|---|---|---|---|---|---|
| **December 31, 2020 Derivatives** | $1,149 | $— | $1,149 | $— | $— | $1,149 |
| **December 31, 2019 Derivatives** | — | — | — | — | — | — |

## 11. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of Accumulated other comprehensive loss included in the Consolidated Balance Sheets consist of net unrealized gain on cash flow hedges as of December 31, 2020.

The changes in Accumulated other comprehensive loss by component for the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018 are as follows:

| | For the Year Ended December 31, 2020 | For the Year Ended December 31, 2019 | For the Nine Months Ended December 31, 2018 |
|---|---|---|---|
| Accumulated other comprehensive income — Beginning of period | $ — | $ 4,387 | $ 6,129 |
| Other comprehensive income before reclassifications | (862) | (6,819) | (2,812) |
| Amounts reclassified from Accumulated other comprehensive (loss) income | (287) | 2,432 | 1,070 |
| Other comprehensive loss for the period | (1,149) | (4,387) | (1,742) |
| Accumulated other comprehensive (loss) income — End of period | $(1,149) | $ — | $ 4,387 |

The realized loss for the year ended December 31, 2020 reclassified from Accumulated other comprehensive income consists of $287 related to interest rate swap contracts. The realized gain for the year ended December 31, 2019 reclassified from Accumulated other comprehensive income consists of a realized loss of ($999) related to interest rate swap contracts, ($2,486) in payments to terminate the swaps and $5,917 related to the amortization of the gain on re-couponed swaps, as discussed in Note 10. The realized gain for the nine months ended December 31, 2018 reclassified from Accumulated other comprehensive income consists of $295 related to interest rate swap contracts and $775 related to the amortizing gain on re-couponed swaps. The realized (loss) gain reclassified from Accumulated other comprehensive income are presented in Interest expense in the Consolidated Statements of Operations.

## 12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values and carrying amounts of the Company's financial instruments at December 31, 2020 and 2019 that are required to be disclosed at fair value, but not recorded at fair value, are as follows:

| | December 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| Cash and cash equivalents | $ 98,059 | $ 98,059 | $ 83,609 | $ 83,609 |
| Restricted cash | 6,140 | 6,140 | 5,610 | 5,610 |
| Variable rate debt | 714,921 | 714,921 | 894,310 | 894,310 |

The following methods and assumptions are used in estimating the fair value of disclosures for financial instruments:

*Cash and cash equivalents, and Restricted cash*: The carrying amounts reported in the consolidated balance sheets for Cash and cash equivalents, and Restricted cash approximate fair value. Cash and cash equivalents, and Restricted cash are considered Level 1 items as they represent liquid assets with short-term maturities.

*Variable Rate Debt*: The fair value of variable rate debt is based on management's estimate of rates the Company could obtain for similar debt of the same remaining maturities. Additionally, the Company considers its creditworthiness in determining the fair value of variable rate debt under the credit facilities. The carrying amounts in the above table, which exclude the impact of deferred financing costs, approximate the fair market value for the variable rate debt. Variable rate debt is considered to be a Level 2 item as the Company considers the estimate of rates it could obtain for similar debt.

The fair value of an asset or liability is based on assumptions that market participants would use in pricing the asset or liability. The hierarchies of inputs used when determining fair value are described below:

*Level 1:* Valuations based on quoted prices in active markets for identical instruments that the Company is able to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment.

*Level 2:* Valuations based on quoted prices in active markets for instruments that are similar, or quoted prices in markets that are not active for identical or similar instruments, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

*Level 3:* Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial instruments and the placement of financial instruments within the fair value hierarchy.

The table below provides the financial instruments carried at fair value based on the levels of hierarchy as of the valuation date listed:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **December 31, 2020** | | | | |
| Derivative liabilities | $— | $1,149 | $— | $1,149 |
| **December 31, 2019** | | | | |
| Derivative liabilities | — | — | — | — |

*Derivative Liabilities*: The fair value of the derivative liabilities, which relate to the interest rate swaps used for hedging purposes, is the estimated amount the Company would pay for the liability to terminate the swap agreements at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. Interest rate swaps are considered to be a Level 2 item as the Company, using the income approach to value the derivatives, uses observable Level 2 market inputs at measurement date and standard valuation techniques to convert future amounts to a single present amount assuming that participants are motivated, but not compelled to transact. Level 2 inputs for the valuations are limited to quoted prices for similar assets in active markets (specifically, futures contracts on LIBOR for the first two years) and inputs other than quoted prices that are observable for the asset (specifically, LIBOR, cash and swap rates and credit risk at commonly quoted intervals). Mid-market pricing is used as a practical expedient for fair value measurements. Refer to Note 10 — Interest Rate Swaps for further information regarding the Company's interest rate swap agreements.

The Company does not currently have any Level 3 financial assets or liabilities and there have been no transfers in and/or out of Level 3 during the years ended December 31, 2020 and 2019.

### 13. REVENUE FROM TIME CHARTERS

The future minimum revenues, before inclusion of profit-sharing revenue, if any, expected to be received on irrevocable time charters for which revenues can be reasonably estimated and the related revenue days that the vessels are available for employment, and not including charterers' renewal options, as of December 31, 2020 are as follows:

| | |
|---|---|
| 2021 | $43,044 |
| 2022 | 13,511 |
| **Total future committed revenue** | **$56,555** |

## 14. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2020 and 2019, the Company had the following related party transactions.

***Capital Ship Management Corp. ("CSM")*** — Pursuant to the Transaction Agreement, for a period of five years, CSM will provide commercial and technical management services for the 25 Athena Vessels acquired in the Merger. During the years ended December 31, 2020 and 2019, the following transactions were recorded for these services:

- For the years ended December 31, 2020 and 2019, $7,778 and $5,929 was incurred for technical management services, which is included in Vessel expenses in the Consolidated Statements of Operations and have been paid as of December 31, 2020.
- For the years ended December 31, 2020 and 2019, $2,332 and $1,868 was incurred for commercial management services, which is included in Voyage expenses in the Consolidated Statements of Operations. As of December 31, 2020, $563 remains unpaid, and is included in Accounts payable and accrued expenses in the Consolidated Balance Sheet.
- For the years ended December 31, 2020 and 2019, $2,004 and $1,524 was incurred for general management services, which is included in General and administrative expenses in the Consolidated Statements of Operations. As of December 31, 2020, $835 remains unpaid, and is included in Accounts payable and accrued expenses in the Consolidated Balance Sheet.

Working capital is advanced to CSM to procure both voyage and vessel costs. At December 31, 2020, the net funds owed totaled $437, of which $1,453 is included in Prepaid Expense and Other Current Assets in the condensed consolidated balance sheet (refer to Note 7 — Prepaid Expenses and Other Current Assets), and the $1,890 liability is included in Accounts payable and accrued expenses in the condensed consolidated balance sheet (refer to Note 8 — Accounts Payable and Accrued Expenses). At December 31, 2019, the net funds advanced totaled $4,748, of which $5,757 is included in Prepaid Expense and Other Current Assets in the condensed consolidated balance sheet and the $1,009 liability is included in Accounts payable and accrued expenses in the condensed consolidated balance sheet.

At December 31, 2019, amounts received for activity that occurred prior to the Merger that are due to CSM total $46 and are included in Accounts payable and accrued expenses in the condensed consolidated balance sheet. These amounts were settled during the year ended December 31, 2020.

## 15. STOCK-BASED COMPENSATION

***2019 Equity Incentive Plan*** **—** Under the 2019 Equity Incentive Plan ("2019 Plan"), the Company's Board of Directors, the Compensation Committee, or their designees may grant a variety of stock-based incentive awards representing an aggregate of 3,989,000 shares of common stock to the Company's officers, directors, employees, and consultants. Such awards include stock options, stock appreciation rights, restricted (nonvested) stock, restricted stock units, and unrestricted stock.

*Restricted Stock Units* — The Company has issued restricted stock units ("RSUs") under the 2019 Plan to certain members of the Board of Directors, an executive and certain employees of the Company, which represent the right to receive a share of common stock, or in the sole discretion of the Company's Compensation Committee, the value of a share of common stock on the date that the RSU vests. Such shares of common stock will only be issued to certain directors, an executive and employees when their RSUs vest under the terms of their grant agreements and 2019 Plan described above.

The RSUs that have been issued to certain members of the Board of Directors vest one year from the date of grant. The RSUs that have been issued to other individuals vest ratably on each of the three anniversaries of the determined vesting date. The table below summarizes the Company's unvested RSUs for the years ended December 31, 2020 and 2019, which were issued under the 2019 Plan:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Number of RSUs | Weighted Average Grant Date Price | Number of RSUs | Weighted Average Grant Date Price |
| Outstanding at January 1 | 74,716 | $14.03 | — | $ — |
| Granted | 47,156 | 12.08 | 77,735 | 14.01 |
| Vested | (52,562) | 13.59 | — | — |
| Forfeited | (6,040) | 13.70 | (3,019) | 13.70 |
| Outstanding at December 31 | 63,270 | $12.97 | 74,716 | $14.03 |

The following table summarizes certain information of the RSUs unvested and vested as of December 31, 2020:

| Unvested RSUs December 31, 2020 | | | Vested RSUs December 31, 2020 | |
|---|---|---|---|---|
| Number of RSUs | Weighted Average Grant Date Price | Weighted Average Remaining Contractual Life | Number ofRSUs | Weighted Average Grant Date Price |
| 63,270 | $12.97 | 1.4 | 52,562 | $13.59 |

The Company is amortizing these grants over the applicable graded vesting periods. Forfeitures are taken into account as they occur. For the years ended December 31, 2020 and 2019, the Company recognized $694 and $445, respectively, of nonvested stock amortization expense for the RSUs, which is included in General and administrative expenses. As of December 31, 2020, unrecognized compensation cost of $397 related to RSUs will be recognized over a weighted-average period of 1.4 years.

*Restricted Stock* — Under the 2019 Plan, grants of restricted common stock were issued to certain members of the Board of Directors, executives and employees. The restricted common stock issued to certain members of the Board of Directors vest one year from the date of grant. The restricted common stock issued to certain executives and employees ordinarily vest ratably on each of the three anniversaries of the determined vesting date. The table below summarizes the Company's nonvested stock awards for the years ended December 31, 2020 and 2019, which were issued under the 2019 Plan:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Number of Shares | Weighted Average Grant Date Price | Number of Shares | Weighted Average Grant Date Price |
| Outstanding at January 1 | 562,790 | $13.44 | — | $ — |
| Granted | 175,151 | 12.41 | 562,790 | 13.44 |
| Vested | (244,889) | 13.59 | — | — |
| Forfeited | (27,738) | 13.59 | — | — |
| Outstanding at December 31 | 465,314 | $12.96 | 562,790 | $13.44 |

The Company is amortizing these grants over the applicable graded vesting periods. Forfeitures are taken into account as they occur. For the years ended December 31, 2020 and 2019, the Company recognized $3,863 and $3,076, respectively, in nonvested stock amortization expense for the 2019 Plan restricted shares, which is included in General and administrative expenses. As of December 31, 2020, unrecognized compensation cost of $2,397 related to nonvested stock will be recognized over a weighted-average period of 1.7 years.

*Performance Awards* — The Company granted performance awards that contain service, performance-based and/or market-based vesting criteria. Vesting occurs if the recipient remains employed and depends on the degree to which performance goals are achieved during the three-year performance period (as defined in the award agreements). The table below summarizes the Company's nonvested performance awards for the year ended December 31, 2020 that were issued under the 2019 Plan:

| | Number of Shares | Weighted Average Grant Date Price |
|---|---|---|
| Outstanding at January 1, 2020 | — | $ — |
| Granted | 133,305 | 12.60 |
| Vested | — | — |
| Forfeited | — | — |
| Outstanding at December 31, 2020 | 133,305 | $12.60 |

For the year ended December 31, 2020, the Company recognized $373 in nonvested stock amortization expense for the 2019 Plan performance awards, which is included in General and administrative expenses. As of December 31, 2020, unrecognized compensation cost of $1,306 related to nonvested stock will be recognized over a weighted-average period of 2.3 years.

The future compensation to be recognized for the aforementioned RSUs, restricted stock and performance awards as of December 31, 2020 is as follows:

| | |
|---|---|
| 2021 | $2,693 |
| 2022 | 1,163 |
| 2023 | 244 |
| **Total** | **$4,100** |

## 16. SAVINGS PLAN

The Company's tax-deferred savings plan (the "401(k) Plan") permits eligible employees to make contributions by salary deduction pursuant to Section 401(k) of the Internal Revenue Code of 1986, as amended. Under the 401(k) Plan, participating employees may defer a portion of their pre-tax earnings, up to the IRS annual contribution limit, and the Company matches and makes contributions up to a certain amount of each employee's eligible earnings. For the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018, the Company's 401(k) contribution expense, which is included in General and administrative expenses in the consolidated statements of operations, was $412, $423 and $227, respectively.

## 17. COMMITMENTS AND CONTINGENCIES

***Commitments*** — In May 2019, the Company entered into an amendment to extend the term of the operating lease for its office space at 33 Benedict Place, Greenwich, Connecticut, which now expires on July 31, 2026. Under this amended agreement, the future minimum payments for the next five years and thereafter are as follows:

| | |
|---|---|
| 2021 | $ 874 |
| 2022 | 1,035 |
| 2023 | 1,194 |
| 2024 | 1,207 |
| 2025 | 1,221 |
| Thereafter | 719 |
| **Total future minimum operating lease payments** | **$6,250** |

For the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018, the Company's rent expense, which is included in General and administrative expenses in the consolidated statements of operations, was $1,163, $961 and $576, respectively.

Between March and August of 2020, the Company entered into ballast water treatment contracts for ten MR vessels, with a total contract cost of $9,295, of which $8,617 remains unpaid at December 31, 2020 and will be paid during the year ending December 31, 2021.

In connection with the Merger, four of the acquired vessels contained ballast water treatment contracts. As of December 31, 2020, one of these vessels has had the ballast water treatment system installed, and the remaining three vessels will have the ballast water treatment systems installed during 2021, and the remaining unpaid contract costs of $903 will be paid during the year ending December 31, 2021.

In connection with the Merger, three of the acquired vessels contained scrubber contracts. As of December 31, 2020, two of these scrubbers have been installed and fully paid. The installation of the third one has been cancelled, effectuating a $3.3 million loss, which was recorded to Loss on sale of vessels and cancelled projects in the consolidated statements of operations for the year ended December 31, 2020.

***Contingencies*** — From time to time, the Company may be subject to legal proceedings and claims in the ordinary course of its business. Such claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. The Company is not aware of any legal proceedings or claims that is believes will have, individually or in the aggregate, a material effect on the Company, its financial condition, results of operations or cash flows.

## 18. SEGMENT REPORTING

The Company is engaged primarily in the ocean transportation of crude oil and petroleum products in the international market through the ownership and operation of a diversified fleet of vessels. The international shipping industry has many distinct market segments based, in large part, on the size and design configuration of vessels required. Rates in each market segment are determined by a variety of factors affecting the supply and demand for vessels to move cargoes in the trades for which they are suited. Tankers are not bound to specific ports or schedules and therefore can respond to market opportunities by moving between trades and geographical areas. The Company's vessels regularly navigate in international waters, over hundreds of trade routes, to hundreds of ports and, as a result, the disclosure of geographic information is impracticable. The Company charters its vessels primarily on voyage charters and on time charters.

The Company has two reportable segments, Crude Tankers and Product Carriers. Segment results are evaluated based on income (loss) from operations. The accounting policies applied to the reportable segments are the same as those used in the preparation of the Company's consolidated financial statements.

Results for the Company's revenue and loss from operations by segment for the years ended December 31, 2020 and 2019, and the nine months ended December 31, 2018 are as follows:

| | Crude Tankers | Product Carriers | Total |
|---|---|---|---|
| **For the Year Ended December 31, 2020** | | | |
| Total revenue | $235,563 | $ 360,347 | $ 595,910 |
| Voyage expenses | (73,337) | (115,244) | (188,581) |
| Vessel expenses | (46,568) | (124,625) | (171,193) |
| Depreciation and amortization | (40,190) | (75,593) | (115,783) |
| Loss on sale of vessels and cancelled projects | (29,551) | — | (29,551) |
| General, administrative other corporate costs and management fees[(1)] | (7,209) | (22,796) | (30,005) |
| Income from operations | $ 38,708 | $ 22,089 | $ 60,797 |

| | Crude Tankers | Product Carriers | Total |
|---|---|---|---|
| **For the Year Ended December 31, 2019** | | | |
| Total revenue | $212,788 | $ 366,996 | $ 579,784 |
| Voyage expenses | (88,438) | (142,237) | (230,675) |
| Vessel expenses | (39,377) | (114,285) | (153,662) |
| Depreciation and amortization | (37,756) | (70,947) | (108,703) |
| Loss on sale of vessels | — | (18,344) | (18,344) |
| General, administrative other corporate costs and management fees[(1)] | (6,981) | (22,470) | (29,451) |
| Income (loss) from operations | $ 40,236 | $ (1,287) | $ 38,949 |

| | Crude Tankers | Product Carriers | Total |
|---|---|---|---|
| **Nine Months Ended December 31, 2018** | | | |
| Total revenue | $ 94,783 | $180,690 | $ 275,473 |
| Voyage expenses | (41,178) | (96,596) | (137,774) |
| Vessel expenses | (23,577) | (61,629) | (85,206) |
| Depreciation and amortization | (23,812) | (42,289) | (66,101) |
| Loss on sale of vessels | — | (19,970) | (19,970) |
| General, administrative other corporate costs and management fees[(1)] | (3,404) | (8,658) | (12,062) |
| Income (loss) from operations | $ 2,812 | $ (48,452) | $ (45,640) |

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to each segment based on a formula

The reconciliations of total assets of the segments to amounts included in the Consolidated Balance Sheets are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Crude Tankers | $ 812,261 | $ 896,897 |
| Product Carriers | 1,144,562 | 1,225,235 |
| Corporate unrestricted cash and cash equivalents | 3,357 | 2,609 |
| Other unallocated amounts | 1,663 | 3,641 |
| Consolidated total assets | $1,961,843 | $2,128,382 |

## 19. UNAUDITED QUARTELY RESULTS OF OPERATIONS

In the opinion of the Company's management, all adjustments, consisting of normal recurring accruals considered necessary for a fair presentation have been included on a quarterly basis.

| | For the Year Ended December 31, 2020 | | | |
|---|---|---|---|---|
| | Quarter Ended | | | |
| (In Thousands, except for share and per share data) | March 31, 2020 | June 30, 2020 | September 30, 2020 | December 31, 2020 |
| Total revenue | $ 209,725 | $ 183,553 | $ 112,597 | $ 90,035 |
| Operating income (loss) | 56,624 | 56,210 | (1,809) | (50,228) |
| Net income (loss) | 45,581 | 46,502 | (8,825) | (56,862) |
| Net income attributable to noncontrolling interest | 537 | 790 | 839 | 913 |
| Net income (loss) attributable to Diamond S Shipping Inc. | 45,044 | 45,712 | (9,664) | (57,775) |
| Net income (loss) per share — basic | $ 1.13 | $ 1.15 | $ (0.24) | $ (1.45) |
| Net income (loss) per share — diluted | $ 1.12 | $ 1.14 | $ (0.24) | $ (1.45) |
| Weighted average common shares outstanding — basic | 39,891,346 | 39,920,559 | 39,918,427 | 39,945,070 |
| Weighted average common shares outstanding — diluted | 40,159,966 | 40,111,348 | 39,918,427 | 39,945,070 |

| (In Thousands, except for share and per share data) | For the Year Ended December 31, 2019 | | | |
|---|---|---|---|---|
| | Quarter Ended | | | |
| | March 31, 2019 | June 30, 2019 | September 30, 2019 | December 31, 2019 |
| Total revenue | $ 102,656 | $ 149,295 | $ 141,526 | $ 186,307 |
| Operating income (loss) | 8,033 | 4,461 | (14,914) | 41,369 |
| Net (loss) income | (820) | (8,577) | (27,443) | 26,758 |
| Net income (loss) attributable to noncontrolling interest | 206 | (74) | (1,548) | 640 |
| Net (loss) income attributable to Diamond S Shipping Inc. | (1,026) | (8,503) | (25,895) | 26,118 |
| Net (loss) income per share — basic and diluted | $ (0.04) | $ (0.21) | $ (0.65) | $ 0.65 |
| Weighted average common shares outstanding — basic | 27,371,252 | 39,890,698 | 39,890,698 | 39,890,699 |
| Weighted average common shares outstanding — diluted | 27,371,252 | 39,890,698 | 39,890,698 | 40,143,591 |

| (In Thousands, except for share and per share data) | For the Nine Months Ended December 31, 2018 | | |
|---|---|---|---|
| | Quarter Ended | | |
| | June 30, 2018 | September 30, 2018 | December 31, 2018 |
| Total revenue | $ 89,820 | $ 88,122 | $ 97,531 |
| Operating loss | (11,238) | (13,417) | (20,985) |
| Net loss | (19,993) | (22,285) | (30,236) |
| Net (loss) income attributable to noncontrolling interest | (417) | (263) | 545 |
| Net loss attributable to Diamond S Shipping Inc. | (19,576) | (22,022) | (30,781) |
| Net loss per share — basic and diluted | $ (0.72) | $ (0.81) | $ (1.13) |
| Weighted average common shares outstanding — basic and diluted | 27,165,696 | 27,165,696 | 27,165,696 |

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

## ITEM 9A. CONTROLS AND PROCEDURES.

### Management's Evaluation of Disclosure Controls and Procedures.

As of December 31, 2020, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2020, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

### Management's Annual Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as defined in the Rule 13a-15(f) and 15d-15(f) of the Exchange Act. Our management conducted an evaluation of our effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements. Because of the inherent limitations of internal controls over financial reporting, misstatements may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on the evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2020.

### Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-13(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## ITEM 9B. OTHER INFORMATION.

None.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item will be set forth in our 2021 Proxy Statement, to be filed with the SEC within 120 days of December 31, 2020, and is incorporated into this Annual Report on Form 10-K by reference.

Our Board of Directors has adopted a Code of Business Conduct and Ethics applicable to all executive officers, directors and employees. Effective November 10, 2020, our Board of Directors adopted an updated Code of Business Conduct and Ethics (the "Revised Code"). The Revised Code applies to all employees, officers and directors of the Company, as well as to the Company's agents, representatives and consultants. The Revised Code was adopted to reflect what the Company considers to be current best practices and policies regarding anti-bribery and corruption. The adoption of the Revised Code did not relate to or result in any waiver, explicit or implicit, of any provision of the prior Code of Business Conduct and Ethics. The foregoing description of the Revised Code does not purport to be complete and is qualified in its entirety by reference to the full text of the Revised Code, which, along with our Revised Code, Corporate Governance Guidelines and the charters of our Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Conflicts Committee, is available on our website (www.diamondsshipping.com) under "Governance." We will provide a copy of these documents to any person, without charge, upon request. We intend to make all required disclosures concerning any amendments to, or waivers from, the Revised Code on our website.

### ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be set forth in our 2021 Proxy Statement to be filed with the SEC within 120 days of December 31, 2020, and is incorporated into this Annual Report on Form 10-K by reference.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item will be set forth in our 2021 Proxy Statement to be filed with the SEC within 120 days of December 31, 2020, and is incorporated into this Annual Report on Form 10-K by reference.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item will be set forth in our 2021 Proxy Statement to be filed with the SEC within 120 days of December 31, 2020, and is incorporated into this Annual Report on Form 10-K by reference.

### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is set forth in our 2021 Proxy Statement to be filed with the SEC within 120 days of December 31, 2020, and is incorporated into this Annual Report on Form 10-K by reference.

## PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

*(a)(1) Financial Statements*

See "Item 8. Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

*(a)(2) Financial Statements*

Schedules not filed with this Annual Report on Form 10-K are omitted because of the absence of conditions under which they are required or because the information called for is shown in the financial statements or related notes.

*(a)(3) Exhibit*

| Exhibit Number | Description |
|---|---|
| 2.1 | Transaction Agreement, dated as of November 27, 2018 (the "Transaction Agreement"), by and among DSS Holdings L.P., DSS Crude Transport Inc., DSS Products Transport Inc., Diamond S Technical Management LLC, Capital Product Partners L.P., Athena SpinCo Inc., Athena Mergerco 1 Inc., Athena Mergerco 2 Inc., Athena Mergerco 3 LLC, and Athena Mergerco 4 LLC (incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form 10, initially filed on December 21, 2018 (the "Form 10"))† |
| 2.2 | Amendment No. 1 to the Transaction Agreement, dated as of March 7, 2019 (incorporated by reference to Exhibit 2.2 to the Form 10) |
| 3.1 | Amended and Restated Articles of Incorporation of Diamond S Shipping Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on March 21, 2019 (the "March 21 Form 8-K")) |
| 3.2 | Amended and Restated Bylaws of Diamond S Shipping Inc. (incorporated by reference to Exhibit 3.2 to the March 21 Form 8-K) |
| 4.1 | Registration Rights Agreement, dated March 27, 2019 (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K, filed on March 29, 2019 (the "March 29 Form 8-K")) |
| 4.2 | Director Designation Agreement, dated March 27, 2019, with certain former CPLP investors (incorporated by reference to Exhibit 10.2 to the March 29 Form 8-K) |
| 4.3 | Director Designation Agreement, dated March 27, 2019, with certain WLR investors (incorporated by reference to Exhibit 10.3 to the March 29 Form 8-K) |
| 4.4 | Director Designation Agreement, dated March 27, 2019, with First Reserve Investors (incorporated by reference to Exhibit 10.4 to the March 29 Form 8-K) |
| 4.5 | Description of Securities |
| 10.1 | Management and Services Agreement, dated March 27, 2019 (incorporated by reference to Exhibit 10.5 to the March 29 Form 8-K) |
| 10.2 | Commercial Management Agreement, dated March 27, 2019 (incorporated by reference to Exhibit 10.6 to the March 29 Form 8-K) |
| 10.3 | Form of Technical Management Agreement (incorporated by reference to Exhibit 10.7 to the March 29 Form 8-K) |
| 10.4 | Credit Agreement, dated as of August 9, 2016 (the "$66 Million Credit Facility Agreement"), relating to a term loan facility in the aggregate amount of up to $66 million, by and among, inter alios, NT Suez Holdco LLC, as Borrower, the lenders party from time to time thereto, Crédit Agricole Corporate and Investment Bank, as administrative agent, collateral agent and as a lender, NT Suez GP LLC, as Parent Guarantor, and the subsidiary guarantors party to the guaranty thereunder (incorporated by reference to Exhibit 10.10 to the Form 10) |

| Exhibit Number | Description |
|---|---|
| 10.5 | Amendment No. 1 to the $66 Million Credit Facility Agreement, dated as of November 27, 2018 (incorporated by reference to Exhibit 10.11 to the Form 10) |
| 10.6 | Credit Agreement, dated as of March 27, 2019 (the "$360 Million Credit Facility Agreement"), relating to a term loan facility in the aggregate amount of up to $300 million and revolving facility in the amount of up to $60 million, by and among, inter alios, Diamond S Finance LLC, as Borrower, the lenders party from time to time thereto, Nordea Bank ABP, New York Branch, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to the March 29 Form 8-K) |
| 10.7 | Amendment No. 1 to the $360 Million Credit Facility Agreement, dated May 14, 2019 (incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 15, 2019) |
| 10.8 | Credit Agreement, dated as of December 23, 2019, relating to a term loan facility in the aggregate amount of up to $375 million and revolving facility in the amount of up to $150 million, by and among Diamond S Shipping Inc., the lenders party thereto and Nordea Bank Abp, New York Branch, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on December 30, 2019) |
| 10.9 | Diamond S Shipping Inc. 2019 Equity and Incentive Compensation Plan, amended as of March 27, 2019 (incorporated by reference to Exhibit 10.9 to the March 29 Form 8-K) |
| 10.10 | Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.2 to the March 21 Form 8-K) |
| 10.11 | Form of Amended and Restated Employment Agreement (incorporated by reference to Exhibit 10.13 to the Form 10) |
| 10.12 | Employment Agreement, dated as of April 9, 2020, between Diamond S Management LLC and Craig H. Stevenson, Jr. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 13, 2020 (the "May 13 Form 10-Q")) |
| 10.13 | Employment Agreement, dated as of April 2, 2020, between Diamond S Management LLC and Kevin M. Kilcullen (incorporated by reference to Exhibit 10.2 to the May 13 Form 10-Q) |
| 10.14 | Employment Agreement, dated as of April 7, 2020, between Diamond S Management LLC and Sanjay Sukhrani (incorporated by reference to Exhibit 10.3 to the May 13 Form 10-Q) |
| 10.15 | Amendment to Employment Agreement, dated as of January 13, 2021, between Diamond S Management LLC and Craig H. Stevenson, Jr. |
| 10.16 | Amendment to Employment Agreement, dated as of January 13, 2021, between Diamond S Management LLC and Kevin M. Kilcullen |
| 10.17 | Amendment to Employment Agreement, dated as of January 13, 2021, between Diamond S Management LLC and Sanjay Sukhrani |
| 21.1 | Subsidiaries of the Company |
| 23.1 | Consent of Independent Registered Public Accounting Firm |
| 23.2 | Consent of Seward & Kissel LLP |
| 31.1 | Certification of the Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act |
| 31.2 | Certification of the Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act |
| 32.1 | Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |

| Exhibit Number | Description |
| --- | --- |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

† Certain schedules, exhibits and similar attachments have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant agrees to furnish a copy of any such omitted schedule or similar attachment to the SEC upon request.

## ITEM 16. FORM 10-K SUMMARY

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 16, 2021

**DIAMOND S SHIPPING INC.**

By: /s/ Craig H. Stevenson, Jr.
Name: Craig H. Stevenson, Jr.
Title: Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ Craig H. Stevenson, Jr.<br>Craig H. Stevenson, Jr. | Chief Executive Officer, President and Director<br>(Principal Executive Officer) | March 16, 2021 |
| /s/ Kevin M. Kilcullen<br>Kevin M. Kilcullen | Chief Financial Officer<br>(Principal Financial and Accounting Officer) | March 16, 2021 |
| /s/ Alexandra Kate Blankenship<br>Alexandra Kate Blankenship | Director | March 16, 2021 |
| /s/ Gerasimos G. Kalogiratos<br>Gerasimos G. Kalogiratos | Director | March 16, 2021 |
| /s/ Harold L. Malone III<br>Harold L. Malone III | Director | March 16, 2021 |
| /s/ Nadim Z. Qureshi<br>Nadim Z. Qureshi | Director | March 16, 2021 |
| /s/ Bart H. Veldhuizen<br>Bart H. Veldhuizen | Director | March 16, 2021 |
| /s/ George Cambanis<br>George Cambanis | Director | March 16, 2021 |

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**Exhibit 31.1**

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT, AS AMENDED**

I, Craig H. Stevenson, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Diamond S Shipping Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2021

/s/ Craig H. Stevenson, Jr.

Craig H. Stevenson, Jr.
Chief Executive Officer and President

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO RULES 13A-14(A) AND 15D-14(A)
UNDER THE SECURITIES EXCHANGE ACT, AS AMENDED**

I, Kevin M. Kilcullen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Diamond S Shipping Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2021

/s/ Kevin M. Kilcullen

Kevin M. Kilcullen
Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Diamond S. Shipping Inc. (the "Company") on Form 10-K for the period ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 16, 2021

/s/ Craig H. Stevenson, Jr.

Craig H. Stevenson, Jr.
Chief Executive Officer and President
(Principal Executive Officer)

/s/ Kevin M. Kilcullen

Kevin M. Kilcullen
Chief Financial Officer
(Principal Financial Officer)