

NORDIC AMERICAN TANKERS Ltd
Form 20-F
April 04, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

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

OR

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

For the fiscal year ended December 31, 2013

OR

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

For the transition period from ____ to ____

OR

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

Date of event requiring this shell company report: Not applicable

Commission file number 001-13944

NORDIC AMERICAN TANKERS LIMITED
(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

BERMUDA
(Jurisdiction of incorporation or organization)

LOM Building
27 Reid Street
Hamilton HM 11
Bermuda
(Address of principal executive offices)

Herbjörn Hansson, Chairman, President, and Chief Executive Officer,

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Tel No. 1 (441) 292-7202,
LOM Building, 27 Reid Street, Hamilton HM 11, Bermuda
(Name, Telephone, E-mail and/or Facsimile number and
Address of Company Contact Person)

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

Common Stock, \$0.01 par value
Series A Participating Preferred Stock
Title of class

New York Stock Exchange
Name of exchange on which registered

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

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

As of December 31, 2013, there were 75,382,001 shares outstanding of the Registrant's common stock, \$0.01 par value per share.

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes

No

If this report is an annual report or transition report, indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes

No

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

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

Yes

No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during this preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes

No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

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

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17

Item 18

If this is an annual report, indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain matters discussed herein may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. The words "believe," "anticipate," "intend," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect," "pending" and similar expressions identify forward-looking statements.

The forward-looking statements are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, our 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 which 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. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

Important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including fluctuations in charter rates and vessel values, changes in demand in the tanker market, as a result of changes in the Organization of the Petroleum Exporting Countries', OPEC, petroleum production levels and world wide oil consumption and storage, changes in our operating expenses, including bunker prices, drydocking and insurance costs, the market for our vessels, availability of financing and refinancing, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, vessel breakdowns and instances of off-hire, failure on the part of a seller to complete a sale of a vessel to us and other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission.

Please note in this annual report, "we," "us," "our," and the "Company," all refer to Nordic American Tankers Limited.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following historical financial information should be read in conjunction with our audited financial statements and related notes all of which are included elsewhere in this document and "Operating and Financial Review and Prospects." The statement of operations data for each of the three years ended December 31, 2013, 2012 and 2011 and selected balance sheet data as of December 31, 2013 and 2012 are derived from our audited financial statements included elsewhere in this document. The statement of operations data for each of the years ended December 31, 2010 and 2009 and selected balance sheet data for each of the years ended December 31, 2011, 2010 and 2009 are derived from our audited financial statements not included in this Annual Report on Form 20-F.

SELECTED CONSOLIDATED
FINANCIAL DATAAll figures in thousands of USD except
share data

	2013	2012	2011	2010	2009
Voyage revenues	243,657	130,682	94,787	126,416	124,370
Voyage expenses	(173,410)	(38,670)	(14,921)	-	(8,959)
Vessel operating expense – excl. depreciation expense presented below	(64,924)	(63,965)	(54,859)	(47,113)	(43,139)
General and administrative expenses	(19,555)	(14,700)	(15,394)	(15,980)	(14,819)
Depreciation	(74,375)	(69,219)	(64,626)	(62,545)	(55,035)
Impairment Loss on Vessel	-	(12,030)	-	-	-
Loss on Contract	(5,000)	-	(16,200)	-	-
Net operating (loss) income	(93,608)	(67,902)	(71,213)	778	2,418
Interest income	146	357	1,187	632	614
Interest expense	(11,518)	(5,854)	(2,130)	(1,971)	(1,794)
Other financial (expense) income	(437)	(207)	(142)	(248)	(226)
Total other expenses	(11,809)	(5,290)	(1,085)	(1,587)	(1,406)
Net (loss) income	(105,417)	(73,192)	(72,298)	(809)	1,012
Basic (loss) earnings per share	(1.64)	(1.39)	(1.53)	(0.02)	0.03
Diluted (loss) earnings per share	(1.64)	(1.39)	(1.53)	(0.02)	0.03
Cash dividends declared per share	0.64	1.20	1.15	1.70	2.35
Basic weighted average shares outstanding	64,101,923	52,547,623	47,159,402	46,551,564	40,449,522
	64,101,923	52,547,623	47,159,402	46,551,564	40,449,522

Diluted weighted average shares
outstanding

Market price per common share as of December 31,	9.70	8.75	11.99	26.02	30.00
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Other financial data:

Net cash (Used in) provided by operating activities	(47,265)	(567)	(12,163)	57,752	63,195
Dividends paid	41,756	63,497	54,273	79,728	95,431

Selected Balance Sheet Data (at period
end):

Cash and cash equivalents	65,675	55,511	24,006	17,221	30,496
Total assets	1,136,437	1,085,624	1,125,385	1,083,083	946,578
Total long-term debt	250,000	250,000	230,000	75,000	-
Common stock	754	529	473	469	422
Total shareholders' equity	854,984	809,383	867,563	992,955	934,084

B. Capitalization and Indebtedness

Not applicable

C. Reasons for the offer and use of Proceeds

Not applicable

D. Risk Factors

Some of the following risks relate principally to the industry in which we operate and our business in general. Other risks relate principally to the securities market and ownership of our common stock. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results or cash available for dividends or the trading price of our common stock.

Industry Specific Risk Factors

If the tanker industry, which historically has been cyclical, is depressed in the future, our earnings and available cash flow may decrease.

The tanker industry is both cyclical and volatile in terms of charter rates and profitability. Spot market rates are still relatively low compared to the rates achieved in the years preceding the global financial crisis. Fluctuations in charter rates and tanker values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for oil and oil products.

The factors affecting the supply and demand for tankers have been volatile and are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

The factors that influence demand for tanker capacity include:

- demand for oil and oil products,
- supply of oil and oil products,
- regional availability of refining capacity,
- regional imbalances in production/demand,
- global and regional economic and political conditions, including developments in international trade and fluctuations in industrial and agricultural production,
 - the distance oil and oil products are to be moved by sea,
- changes in seaborne and other transportation patterns, including changes in the distances over which oil and oil products are transported by sea,
 - weather and acts of God and natural disasters, including hurricanes and typhoons,
 - environmental and other legal and regulatory developments,

- currency exchange rates,
- competition from alternative sources of energy and from other shipping companies and other modes of transportation, and
 - international sanctions, embargoes, import and export restrictions, nationalizations, piracy and wars.

The factors that influence the supply of tanker capacity include:

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- current and expected purchase orders for tankers,
- the number of tanker newbuilding deliveries,
- the scrapping rate of older tankers,
- conversion of tankers to other uses or conversion of other vessels to tankers,
- the price of steel and vessel equipment,
- the successful implementation of the phase-out of single-hull tankers,
- technological advances in tanker design and capacity,
- tanker freight rates, which are affected by factors that may affect the rate of newbuilding, scrapping and laying up of tankers,
 - the number of tankers that are out of service, and
- changes in environmental and other regulations that may limit the useful lives of tankers.

Historically, the tanker markets have been volatile as a result of the many conditions and factors that can affect the price, supply and demand for tanker capacity. While market conditions have improved, continued volatility may reduce demand for transportation of oil over longer distances and increase supply of tankers to carry oil, which may materially affect our revenues, profitability and cash flows. As of the date of this annual report, all of our operating vessels are in the Orion Tankers Pool, with Orion Tankers Ltd. as pool manager. In September 2012, we agreed to purchase the 50% interest held by Frontline Ltd. (NYSE:FRO) and became the sole owner of Orion Tankers Ltd. as of January 2, 2013. We are highly dependent on spot market charter rates. If spot charter rates decline, we may be unable to achieve a level of charterhire sufficient for us to operate our vessels profitably. If we are not profitable, we may not be able to meet our obligations, including making payments on any future indebtedness, or paying dividends. 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 increases, or alternatively lose this opportunity, should the rise be short-lived.

Any decrease in shipments of crude oil may adversely affect our financial performance.

The demand for our vessels and services in transporting oil derives primarily from demand for Arabian Gulf, West African, North Sea and Caribbean crude oil, which, in turn, primarily depends on the economies of the world's industrial countries and competition from alternative energy sources. A wide range of economic, social and other factors can significantly affect the strength of the world's industrial economies and their demand for crude oil from the mentioned geographical areas.

Any decrease in shipments of crude oil from the above mentioned geographical areas would have a material adverse effect on our financial performance. Among the factors which could lead to such a decrease are:

- increased crude oil production from other areas;
- increased refining capacity in the Arabian Gulf or West Africa;

- increased use of existing and future crude oil pipelines in the Arabian Gulf or West Africa;
- a decision by Arabian Gulf or West African oil-producing nations to increase their crude oil prices or to further decrease or limit their crude oil production;
 - armed conflict in the Arabian Gulf and West Africa and political or other factors; and
- the development and the relative costs of nuclear power, natural gas, coal and other alternative sources of energy.

In addition, continuing economic conditions affecting the United States and world economies may result in reduced consumption of oil products and a decreased demand for our vessels and lower charter rates, which could have a material adverse effect on our earnings and our ability to pay dividends.

We are dependent on spot charters and any decrease in spot charter rates in the future may adversely affect our earnings and our ability to pay dividends.

We currently operate a fleet of 20 vessels and all of our vessels are employed in the spot market. We are highly dependent on spot market charter rates.

We may enter into spot charters for any additional vessels that we may acquire in the future. Although spot chartering is common in the tanker industry, the spot charter market may fluctuate significantly based upon tanker and oil supply and demand. The successful operation of our vessels in the spot charter market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent travelling unladen to pick up cargo. The spot market is very 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, then we may be unable to operate our vessels profitably, meet our obligations, including payments on indebtedness, or pay dividends. 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 increases.

Our ability to renew the charters on our vessels on the expiration or termination of our current charters, or on vessels that we may acquire in the future, the charter rates payable under any replacement charters and vessel values will depend upon, among other things, economic conditions in the sectors in which our vessels operate at that time, changes in the supply and demand for vessel capacity and changes in the supply and demand for the seaborne transportation of energy resources.

Our results of operations are subject to seasonal fluctuations, which may adversely affect our financial condition.

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, charter rates. Peaks in tanker demand quite often precede seasonal oil consumption peaks, as refiners and suppliers anticipate consumer demand. Seasonal peaks in oil demand can broadly be classified into two main categories: (1) increased demand prior to Northern Hemisphere winters as heating oil consumption increases and (2) increased demand for gasoline prior to the summer driving season in the United States. Unpredictable weather patterns and variations in oil reserves disrupt tanker scheduling. This seasonality may result in quarter-to-quarter volatility in our operating results, as our vessels trade in the spot market. Seasonal variations in tanker demand affect any spot market related rates that we may receive.

Declines in charter rates and other market deterioration could cause us to incur impairment charges.

Our vessels are evaluated for impairment continuously or whenever events or changes in circumstances indicate that the carrying amount of a vessel may not be recoverable. The review for potential impairment indicators and projection of future cash flows related to the vessel are complex and requires us to make various estimates, including future freight rates and earnings from the vessel. All of these items have been historically volatile. We evaluate the recoverable amount as the undiscounted estimated cash flow, from the vessels over their remaining useful lives. If the recoverable amount is less than the carrying amount of the vessel and less than the estimated fair market value, the vessel is deemed impaired. The carrying values of our vessels may not represent their fair market value at any point in time because the market prices of secondhand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. Any impairment charges incurred as a result of declines in charter rates could negatively affect our

business, financial condition and operating results. Impairment charges may be limited to each individual vessels. In 2012, we impaired one vessel using an individual approach. For 2013, no impairment was identified.

An over-supply of tanker capacity may lead to reductions in charter rates, vessel values, and profitability.

The market supply of tankers is affected by a number of factors such as demand for energy resources, oil, and petroleum products, as well as strong overall economic growth in parts of the world economy including Asia. If the capacity of new ships delivered exceeds the capacity of tankers being scrapped and lost, tanker capacity will increase. If the supply of tanker capacity increases and if the demand for tanker capacity does not increase correspondingly, charter rates could materially decline. A reduction in charter rates and the value of our vessels may have a material adverse effect on our results of operations and our ability to pay dividends.

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

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean and in the Gulf of Aden off the coast of Somalia. Although the frequency of sea piracy worldwide decreased during 2013 to its lowest level since 2007, sea piracy incidents continue to occur, particularly in the Gulf of Aden off the coast of Somalia and increasingly in the Gulf of Guinea, with drybulk vessels and tankers particularly vulnerable to such attacks. If these piracy attacks result in regions in which our vessels are deployed being characterized as "war risk" zones by insurers or Joint War Committee "war and strikes" listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including costs which may be incurred to the extent we employ onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, financial condition and results of operations.

If economic conditions throughout the world do not improve, it will have an adverse impact on our operations and financial results

Negative trends in the global economy that emerged in 2008 continue to adversely affect global economic conditions. In addition, the world economy continues to face a number of challenges, including the recent turmoil and hostilities in the Middle East, North Africa and other geographic areas and countries and continuing economic weakness in the European Union. There has historically been a strong link between the development of the world economy and demand for energy, including oil and gas. An extended period of deterioration in the outlook for the world economy could reduce the overall demand for oil and gas and for our services. We cannot predict how long the current market conditions will last. However, recent and developing economic and governmental factors, together with the concurrent decline in charter rates and vessel values, have had a material adverse effect on our ability to implement our business strategy.

The economies of the United States and the European Union continue to experience relatively slow growth and exhibit weak economic trends. The credit markets in these regions have over the past five years experienced significant contraction, deleveraging and reduced liquidity. While credit conditions are beginning to stabilize, global financial markets have been, and continue to be, disrupted and volatile. Lending by financial institutions worldwide remains at low levels compared to the period preceding 2008.

Persistent slow or stagnant growth rates in the Asia Pacific region, especially in Japan and China, may exacerbate the effect on us of the continued slowdown in the rest of the world. Before the global economic financial crisis that began in 2008, China had one of the world's fastest growing economies in terms of gross domestic product, or GDP, which had a significant impact on shipping demand. The growth rate of China's GDP for the year ended December 31, 2013 is estimated to remain around 7.7%, approximately the same rate as for the year ended December 31, 2012, and therefore remains below pre-2008 levels. China has imposed measures to restrain lending, which may further contribute to a slowdown in its economic growth. China and other countries in the Asia Pacific region may continue to experience slow or even negative economic growth in the future. Moreover, the current economic slowdown in the economies of the United States, the European Union and other Asian countries may further adversely affect economic growth in China and elsewhere. Our financial condition and results of operations, as well as our future prospects, would likely be impeded by a continuing or worsening economic downturn in any of these countries.

The state of global financial markets and economic conditions may adversely impact our ability to obtain financing on acceptable terms, which may hinder or prevent us from expanding our business.

Global financial markets and economic conditions have been, and continue to be, volatile. There has been a general decline in the willingness by banks and other financial institutions to extend credit, particularly in the shipping industry, due to the historically volatile asset values of vessels. As the shipping industry is highly dependent on the availability of credit to finance and expand operations, it has been negatively affected by this decline.

Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets has increased as many lenders have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at all or on terms similar to current debt and reduced, and in some cases ceased, to provide funding to borrowers. Due to these factors, we cannot be certain that financing will be available if needed and to the extent required, on acceptable terms. In addition, these difficulties may adversely affect the financial institutions that provide us with our \$430 million revolving credit facility, or the 2012 Credit Facility, and may impair their ability to continue to perform under their financing obligations to us, which could negatively impact our ability to fund current and future obligations. As of the date of this annual report we have drawn down an aggregate of \$250.0 million.

The inability of countries to refinance their debts could have a material adverse effect on our revenue, profitability and financial position

As a result of the credit crisis in Europe, in particular in Greece, Italy, Ireland, Portugal and Spain, the European Commission created the European Financial Stability Facility, or the EFSF, and the European Financial Stability Mechanism, or the EFSM, to provide funding to Eurozone countries in financial difficulties that seek such support. In March 2011, the European Council agreed on the need for Eurozone countries to establish a permanent stability mechanism, the European Stability Mechanism, or the ESM, which was established on September 27, 2012, to assume the role of the EFSF and the EFSM in providing external financial assistance to Eurozone countries. Despite these measures, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations. Potential adverse developments in the outlook for European countries could reduce the overall demand for oil and gas and for our services. Market perceptions concerning these and related issues, could affect our financial position, results of operations and cash flow.

Changes in the price of fuel, or bunkers, may adversely affect our profits.

Fuel, or bunkers, is a significant, if not the largest, expense in our shipping operations. 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 the OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in the future, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail.

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

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 U.S. Oil Pollution Act of 1990, or OPA, the Comprehensive Environmental Response, Compensation, and Liability Act (generally referred to as CERCLA), the U.S. Clean Water Act, the U.S. Clean Air Act, the U.S. Outer Continental Shelf Lands Act, European Union Regulations, the International Maritime Organization, or IMO, International Convention on Civil Liability for Oil Pollution Damage of 1969 (as from time to time amended and generally referred to as CLC), the IMO International Convention for the Prevention of Pollution from Ships of 1973 (as from time to time amended and generally referred to as MARPOL), the IMO International Convention for the Safety of Life at Sea of 1974 (as from time to time amended and generally referred to as SOLAS), the IMO International Convention on Load Lines of 1966 (as from time to time amended), the International Convention on Civil Liability for Bunker Oil Pollution Damage (generally referred to as the Bunker Convention), the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention

(generally referred to as the ISM Code), the International Convention for the Control and Management of Ships' Ballast Water and Sediments Discharge (generally referred to as the BWM Convention), International Ship and Port Facility Security Code, and the U.S. Maritime Transportation Security Act of 2002 (generally referred to as the MTSA). Compliance with such laws, regulations and standards, 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 waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition and our ability to pay dividends. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. 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 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, results of operations, cash flows and financial condition, and our ability to pay dividends.

Furthermore, the explosion of the Deepwater Horizon and the subsequent release of oil into the Gulf of Mexico, or other events, may result in further regulation of the tanker industry, and modifications to statutory liability schemes, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Increased inspection procedures, tighter import and export controls and new security regulations could increase costs and cause disruption of our business

International shipping is subject to security and customs inspection and related procedures in countries of origin, destination and trans-shipment points. Since the events of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. In 2002 the U.S. MTSA came into effect and to implement certain portions of the MTSA, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. These security procedures can result in delays in the loading, offloading or trans-shipment and the levying of customs duties, fines or other penalties against exporters or importers and, in some cases, carriers. Future changes to the existing security procedures may be implemented that could affect the tanker sector. These changes have the potential to impose additional financial and legal obligations on carriers and, in certain cases, to render the shipment of certain types of goods uneconomical or impractical. These additional costs could reduce the volume of goods shipped, resulting in a decreased demand for vessels and have a negative effect on our business, revenues and customer relations.

Climate change and greenhouse gas restrictions may adversely impact our operations and markets.

Due to concern over the risk of climate change, a number of countries and the IMO have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. These regulatory measures may include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards, and incentives or mandates for renewable energy. In addition, although the emissions of greenhouse gases from international shipping currently are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which required adopting countries to implement national programs to reduce emissions of certain gases, a new treaty may be adopted in the future that includes restrictions on shipping emissions. Compliance with changes in laws, regulations and obligations relating to climate change could increase our costs related to operating and maintaining our vessels and require us to install new emission controls, acquire allowances or pay taxes related to our greenhouse

gas emissions, or administer and manage a greenhouse gas emissions program. Revenue generation and strategic growth opportunities may also be adversely affected.

Adverse effects upon the oil and gas industry relating to climate change, including growing public concern about the environmental impact of climate change, may also adversely affect demand for our services. For example, increased regulation of greenhouse gases or other concerns relating to climate change may reduce the demand for oil and gas in the future or create greater incentives for use of alternative energy sources. Any long-term material adverse effect on the oil and gas industry could have a significant financial and operational adverse impact on our business that we cannot predict with certainty 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 International Management Code for the Safe Operations of Ships and Pollution Prevention, or the ISM Code, promulgated by the IMO under the International Convention for the Safety of Life at Sea of 1974, or 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. If we fail to comply with the ISM Code, we may be subject to increased liability, 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.

The value of our vessels may fluctuate and any decrease in the value of our vessels could result in a lower price of our common shares.

Tanker values have generally experienced high volatility. The market prices for tankers declined significantly from historically high levels reached in early 2008 and remain at relatively low levels. The market value of our oil tankers can fluctuate, depending on general economic and market conditions affecting the tanker industry. The volatility in global financial markets may result in a decrease in tanker values. In addition, as vessels grow older, they generally decline in value. These factors will affect the value of our vessels. Declining tanker values could affect our ability to raise cash by limiting our ability to refinance our vessels, thereby adversely impacting our liquidity, or result in a breach of our loan covenants, which could result in defaults under the 2012 Credit Facility. Due to the cyclical nature of the tanker market, if for any reason we sell vessels at a time when tanker prices have fallen, the sale may be at less than the vessel's carrying amount on our financial statements, with the result that we would also incur a loss and a reduction in earnings. Any such reduction could result in a lower price of our common shares.

If our vessels suffer damage due to the inherent operational risks of the tanker industry, we may experience unexpected dry-docking costs and delays or total loss of our vessels, which may adversely affect our business and financial condition.

Our vessels and their cargoes will be 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, the payment of ransoms, environmental damage, higher insurance rates, damage to our customer relationships, market disruptions, delay or rerouting. 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 costs associated with a catastrophic spill 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 dry-docking facility. The costs of dry-dock repairs are unpredictable and may be substantial. We may have to pay dry-docking costs that our insurance does not cover at all or in full. The loss of earnings while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business and financial condition. In addition, space at dry-docking facilities is sometimes limited and not all dry-docking facilities are conveniently located. We may be unable to find space at a suitable dry-docking facility or our vessels may be forced to travel to a dry-docking facility that is not conveniently

located to our vessels' positions. The loss of earnings while these vessels are forced to wait for space or to travel to more distant dry-docking facilities may adversely affect our business and financial condition. Further, the total loss of any of our vessels could harm our reputation. 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 ability to pay dividends.

If labor interruptions are not resolved in a timely manner, they could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

We employ masters, officers and crews to man our vessels. If not resolved in a timely and cost-effective manner, industrial action or other labor unrest could prevent or hinder our operations from being carried out as we expect and could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

We operate our vessels worldwide and as a result, our vessels are exposed to international risks which may reduce revenue or increase expenses.

The international shipping industry is an inherently risky business involving global operations. Our vessels are at a risk of damage or loss because of events such as mechanical failure, collision, human error, war, terrorism, piracy, cargo loss and bad weather. In addition, 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 sorts of events could interfere with shipping routes and result in market disruptions which may reduce our revenue or increase our expenses.

International shipping is subject to various security and customs inspections 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 our vessels, delays in 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, results of operations, cash flows, financial condition and available cash.

World events could affect our results of operations and financial condition.

Continuing conflicts in the Middle East and North Africa and the presence of the United States and other armed forces in Afghanistan, 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. These uncertainties could also adversely affect our ability to obtain financing on terms acceptable to us or at all. In the past, political conflicts have 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 of these occurrences, or the perception that our vessels are potential terrorist targets, could have a material adverse impact on our operating results, revenues, costs and ability to pay dividends in amounts anticipated or at all.

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 our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims which could have an adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

From time to time, our vessels call on ports located in countries that are subject to restrictions imposed by the U.S. or other governments, that could adversely affect our reputation and the market for our common stock.

From time to time, vessels in our fleet call on ports located in countries subject to sanctions and embargoes imposed by the U.S. government and countries identified by the U.S. government as state sponsors of terrorism, such as Sudan.

The Company has not been involved in business to and from Cuba, Syria or Iran during the period January 1 through December 31, 2013. Our vessels may, on charterers' instructions, call on ports in Sudan. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. With effect from July 1, 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which expanded the scope of the Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions to companies, such as ours, and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. In addition, on May 1, 2012, President Obama signed Executive Order 13608 which prohibits foreign persons from violating or attempting to violate, or causing a violation of any sanctions in effect against Iran or facilitating any deceptive transactions for or on behalf of any person subject

to U.S. sanctions. Any persons found to be in violation of Executive Order 13608 will be deemed a foreign sanctions evader and will be banned from all contacts with the United States, including conducting business in U.S. dollars. Also in 2012, President Obama signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012, or the Iran Threat Reduction Act, which created new sanctions and strengthened existing sanctions. Among other things, the Iran Threat Reduction Act intensifies existing sanctions regarding the provision of goods, services, infrastructure or technology to Iran's petroleum or petrochemical sector. The Iran Threat Reduction Act also includes a provision requiring the President of the United States to impose five or more sanctions from Section 6(a) of the Iran Sanctions Act, as amended, on a person the President determines is a controlling beneficial owner of, or otherwise owns, operates, or controls or insures a vessel that was used to transport crude oil from Iran to another country and (1) if the person is a controlling beneficial owner of the vessel, the person had actual knowledge the vessel was so used or (2) if the person otherwise owns, operates, or controls, or insures the vessel, the person knew or should have known the vessel was so used. Such a person could be subject to a variety of sanctions, including exclusion from U.S. capital markets, exclusion from financial transactions subject to U.S. jurisdiction, and exclusion of that person's vessels from U.S. ports for up to two years.

On November 24, 2013, the P5+1 (the United States, United Kingdom, Germany, France, Russia and China) entered into an interim agreement with Iran entitled the "Joint Plan of Action," or the JPOA. Under the JPOA it was agreed that, in exchange for Iran taking certain voluntary measures to ensure that its nuclear program is used only for peaceful purposes, the U.S. and EU would voluntarily suspend certain sanctions for a period of six months. On January 20, 2014, the U.S. and E.U. indicated that they would begin implementing the temporary relief measures provided for under the JPOA. These measures include, among other things, the suspension of certain sanctions on the Iranian petrochemicals, precious metals, and automotive industries from January 20, 2014 until July 20, 2014.

Certain of our charterers or other parties that we have entered into contracts with regarding our vessels may be affiliated with persons or entities that are the subject of sanctions imposed by the Obama administration, and European Union and/or other international bodies as a result of the annexation of Crimea by Russia in 2014. If we determine that such sanctions require us to terminate existing contracts or if we are found to be in violation of such applicable sanctions, our results of operations may be adversely affected or we may suffer reputational harm.

Although we believe that we have been in compliance with all sanctions and embargo laws and regulations that apply to us, 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 our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. Additionally, some investors may decide not to invest in our company simply because we do business with companies that do business in sanctioned countries. The determination by these investors not to invest in, or to divest from, our common stock may adversely affect the price at which our common stock trades. Moreover, 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. In addition, our reputation and the market for our securities may be adversely affected if we engage in certain other activities, such as entering into charters with individuals or entities in countries subject to U.S. sanctions and embargo laws that are not controlled by the governments of those countries, or engaging in operations associated with those countries pursuant to contracts with third parties that are unrelated to those countries or entities controlled by their governments. Investor perception of the value of our common stock may be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

Maritime claimants could arrest 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 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 ability to pay dividends.

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 government-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 ability to pay dividends.

Company Specific Risk Factors

We operate in a cyclical and volatile industry and cannot guarantee that we will continue to make cash distributions.

We have made cash distributions quarterly since October 1997. It is possible that our revenues could be reduced as a result of decreases in charter rates or that we could incur other expenses or contingent liabilities that would reduce or eliminate the cash available for distribution as dividends. Our 2012 Credit Facility prohibits the declaration and payment of dividends if we are in default under the 2012 Credit Facility. We refer you to Item 5—Operating and Financial Review and Prospectus—Liquidity and Capital Resources—Our Credit Facilities for more details. We may not continue to pay dividends at rates previously paid or at all.

A decision of our Board of Directors and the laws of Bermuda may prevent the declaration and payment of dividends.

Our ability to declare and pay dividends is subject at all times to the discretion of our board of directors, or the Board of Directors, and compliance with Bermuda law, and may be dependent upon the adoption at the annual meeting of shareholders of a resolution effectuating a reduction in our share premium in an amount equal to the estimated amount of dividends to be paid in the next succeeding year. We refer you to Item 8—Financial Information—Dividend Policy for more details. We may not continue to pay dividends at rates previously paid or at all.

If we do not identify suitable tankers for acquisition or successfully integrate any acquired tankers, we may not be able to grow or to effectively manage our growth.

One of our principal strategies is to continue to grow by expanding our operations and adding to our fleet. Our future growth will 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, which may not be possible if asset prices rise too quickly,
- manage relationships with customers and suppliers,
- identify businesses engaged in managing, operating or owning tankers for acquisitions or joint ventures,
- integrate any acquired tankers or businesses successfully with our then-existing operations,
- hire, train and retain qualified personnel and crew to manage and operate our growing business and fleet,
- identify additional new markets,
- improve our operating, financial and accounting systems and controls, and

- obtain required financing for our existing and new operations.

Our failure to effectively identify, purchase, develop and integrate any tankers or businesses could adversely affect our business, financial condition and results of operations. We may incur unanticipated expenses as an operating company. The number of employees of Scandic American Shipping Ltd., or the Manager, 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 our fleet. Finally, acquisitions may require additional equity issuances or debt issuances (with amortization payments), both of which could lower dividends per share. If we are unable to execute the points noted above, our financial condition and dividend rates may be adversely affected.

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 growth through the acquisition of new and secondhand vessels. We took delivery of four secondhand vessels from July 2009 to September 2011. We did not take delivery of any vessels in 2012 or 2013. While we always 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. We may receive the benefit of warranties from the builders for the secondhand vessels that we acquire direct from yard.

In general, the costs to maintain a vessel in good operating condition increases with the age of the vessel.

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.

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, results of operations, financial condition and ability to pay dividends.

If we do not set aside funds and are unable to borrow or raise funds for vessel replacement, we will be unable to replace the vessels in our fleet upon the expiration of their remaining useful lives, which we expect to range from 9 years to 23 years, depending on the type of vessel. Our cash flows and income are dependent on the revenues earned by the chartering of our vessels. If we are unable to replace the vessels in our fleet upon the expiration of their useful lives, our business, results of operations, financial condition and ability to pay dividends would be adversely affected. Any funds set aside for vessel replacement will not be available for dividends.

We may be unable to attract and retain key management personnel in the tanker industry, which may negatively impact the effectiveness of our management and our results of operation

Our success depends to a significant extent upon the abilities and efforts of the Manager and our management team. Our success will depend upon our and the Manager's ability to hire and retain key members of our management team. Difficulty in hiring and retaining personnel could adversely affect our results of operations. We do not maintain "key man" life insurance on any of our officers.

Under Bermuda law, non-Bermudians (other than spouses of Bermudians) may not engage in any gainful occupation in Bermuda without an appropriate work permit granted by the Bermuda government. Work permits may be granted or extended by the Bermuda government upon showing that, after proper public advertisement in most cases, no Bermudian (or spouse of a Bermudian) is available who meets the minimum standard requirements for the advertised position.

An increase in operating costs would decrease earnings and dividends per share.

Under the spot charters of all of our operating vessels, we are responsible for vessel operating expenses. Our vessel operating expenses include the costs of crew, fuel, provisions, deck and engine stores, insurance and maintenance and repairs, which depend on a variety of factors, many of which are beyond our control. Some of these costs, primarily relating to insurance and enhanced security measures implemented after September 11, 2001, have been increasing. If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are

unpredictable and can be substantial. Increases in any of these expenses would decrease earnings and dividends per share.

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 crude and petroleum products is extremely competitive. The current global financial crisis may reduce the demand for transportation of oil and oil products which could lead to increased competition. 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 oil 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 will have to compete 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.

Servicing our debt limits funds available for other purposes and if we cannot service our debt, we may lose our vessels.

Borrowing under the 2012 Credit Facility requires 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, including making distributions to shareholders and further equity or debt financing in the future. Amounts borrowed under the 2012 Credit Facility 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 remains 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. In addition, our current policy is not to accumulate cash, but rather to distribute our available cash to shareholders. If we do not generate or reserve enough cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans, such as:

- seeking to raise additional capital,
- refinancing or restructuring our debt,
- selling tankers or other assets, or
- reducing or delaying capital investments.

However, these alternative financing plans, if necessary, may not be 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 the 2012 Credit Facility, the lenders could elect to declare that debt, together with accrued interest and fees, to be immediately due and payable and proceed against the collateral securing that debt, which constitutes our entire fleet.

Our 2012 Credit Facility contains restrictive covenants which limit our liquidity and corporate activities, which could negatively affect our growth and cause our financial performance to suffer.

The 2012 Credit Facility imposes operating and financial restrictions on us. These restrictions may limit our ability to:

- pay dividends and make capital expenditures if we do not repay amounts drawn under the 2012 Credit Facility or if we are otherwise in default under the 2012 Credit Facility,
 - create or allow to subsist any security interest over any of the Company's vessels,

- change the flag, class or management of our vessels or terminate or materially amend the management agreement relating to each vessel,
 - sell our vessels,
- merge or consolidate with, or transfer all or substantially all of our assets to another person, or
 - enter into a new line of business.

Therefore, we may need to seek permission from our lenders in order to engage in some corporate actions. 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 to you, finance our future operations or capital requirements, make acquisitions or pursue business opportunities.

Volatility in LIBOR rates could affect our profitability, earnings and cash flow.

Interest in most loan agreements in our industry, including our 2012 Credit Facility, is based on published London Interbank Offered Rates, or LIBOR. Amounts borrowed under our 2012 Credit Facility bear interest at an annual rate equal to LIBOR plus a margin. Volatility in LIBOR rates will affect the amount of interest payable on amounts that we drawdown from our 2012 Credit Facility, which in turn, would have an adverse effect on our profitability, earnings and cash flow.

We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or negatively impact our results of operations and cash flows.

We have entered into various contracts, including charterparties with our customers, through the Orion Tankers pool, and our 2012 Credit Facility and from time to time, we may enter into newbuilding contracts. Such agreements subject us to counterparty risks. The ability of each of our counterparties to perform its 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, the overall financial condition of the counterparty, charter rates received for specific types of vessels, and various expenses. For example, the combination of a reduction of cash flow resulting from declines in world trade, a reduction in borrowing bases under reserve-based credit facilities and the lack of availability of debt or equity financing may result in a significant reduction in the ability of our charterers to make charter payments to us. In addition, in depressed market conditions, our charterers and customers may no longer need a vessel that is currently under charter or contract or may be able to obtain a comparable vessel at lower rates. As a result, charterers and customers may seek to renegotiate the terms of their existing charter parties or avoid their obligations under those contracts. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses which could have a material adverse effect on 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.

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 includes 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 fail 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, results of operations, cash flows and financial condition and our ability to pay dividends. In addition, we may not be able to obtain adequate insurance coverage at reasonable rates in the future during adverse insurance market conditions.

As a result of the September 11, 2001 attacks, the U.S. response to the attacks and related concern regarding terrorism, insurers have increased premiums and reduced or restricted coverage for losses caused by terrorist acts generally. Accordingly, premiums payable for terrorist coverage have increased substantially and the level of terrorist coverage has been significantly reduced.

Any loss of a vessel or extended vessel off-hire, due to an accident or otherwise, could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends.

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, 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. In addition, our protection and indemnity associations may not have enough 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, cash flows, financial condition and ability to pay dividends.

Because some of our expenses are incurred in foreign currencies, we are exposed to exchange rate fluctuations, which could negatively affect our results of operations.

The charterers of our vessels pay us in U.S. Dollars. While we currently incur all of our expenses in U.S. Dollars, we have in the past incurred expenses in other currencies, most notably the Norwegian krone. Declines in the value of the U.S. dollar relative to the Norwegian krone, or the other currencies in which we may incur expenses in the future, would increase the U.S. Dollar cost of paying these expenses and thus would affect our results of operations.

We may have to pay tax on United States source income, which would reduce our earnings.

Under the United States Internal Revenue Code of 1986, as amended, or the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves, attributable to transportation that begins or ends, but that does not both begin and end, in the United States will be characterized as U.S. source shipping income and such income is subject to a 4% United States federal income tax, without the benefit of deductions, unless that corporation is entitled to a special tax exemption under the Code which applies to income derived by certain non-United States corporations from the international operations of ships. We believe that we currently qualify for this statutory tax exemption and we have taken, and will continue to take, this position on the Company's United States federal income tax returns. However, there are several risks that could cause us to become subject to tax on our United States source shipping income. Due to the factual nature of the issues involved, we can give no assurances as to our tax-exempt status.

If we are not entitled to this statutory tax exemption for any taxable year, we would be subject for any such year to a 4% U.S. federal income tax on our U.S. source shipping income, without the benefit of deductions. The imposition of this tax could have a negative effect on our business and would result in decreased earnings available for distribution to our shareholders.

If the United States Internal Revenue Service were to treat us as a "passive foreign investment company," that could have adverse tax consequences for United States shareholders.

A foreign corporation is treated as a "passive foreign investment company," or PFIC, for United States 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, cash is treated as an asset that produces passive income, and 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. Income derived from the performance of services does not constitute passive income. United States shareholders of a PFIC may be subject to a disadvantageous United States federal income tax regime with respect to 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.

We believe that we ceased to be a PFIC beginning with the 2005 taxable year. Based on our current and expected future operations, we believe that we are not currently a PFIC, nor do we anticipate that we will become a PFIC for any future taxable year. As a result, non-corporate United States shareholders should be eligible to treat dividends paid by us in 2006 and thereafter as "qualified dividend income" which is subject to preferential tax rates.

We expect to derive more than 25% of our income each year from our spot chartering or time chartering activities. We also expect that more than 50% of the value of our assets will be devoted to our spot chartering and time chartering. Therefore, since we believe that such income will be treated for relevant United States federal income tax purposes as services income, rather than rental income, we have taken, and will continue to take, the

position that such income should not constitute passive income, and that the assets that we own and operate in connection with the production of that income, in particular our vessels, should not constitute assets that produce or are held for the production of passive income for purposes of determining whether we are a PFIC in any taxable year.

There is, however, no direct legal authority under the PFIC rules addressing our method of operation. We believe there is substantial legal authority supporting our position consisting of case law and United States Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income rather than rental 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. Accordingly, no assurance can be given that the IRS or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are 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 changes in the nature and extent of our operations.

If the IRS or a court of law were to find that we are or have been a PFIC for any taxable year beginning with the 2005 taxable year, our United States shareholders who owned their shares during such year would face adverse United States federal income tax consequences and certain information reporting obligations. Under the PFIC rules, unless those United States shareholders made or make an election available under the Code (which election could itself have adverse consequences for such United States shareholders), such United States shareholders would be subject to United States federal income tax at the then highest income tax rates on ordinary income plus interest upon excess distributions (i.e., distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or the United States shareholder's holding period for our common shares) and upon any gain from the disposition of our common shares, as if the excess distribution or gain had been recognized ratably over the United States shareholder's holding period of our common shares. In addition, non-corporate United States shareholders would not be eligible to treat dividends paid by us as "qualified dividend income" if we are a PFIC in the taxable year in which such dividends are paid or in the immediately preceding taxable year.

Risks Relating to Our Common Shares

Our common share price may be highly volatile and future sales of our common shares could cause the market price of our common shares to decline.

The market price of our common shares has historically fluctuated over a wide range and may continue to fluctuate significantly in response to many factors, such as actual or anticipated fluctuations in our operating results, changes in financial estimates by securities analysts, economic and regulatory trends, general market conditions, rumors and other factors, many of which are beyond our control. Since 2008, the stock market has experienced extreme price and volume fluctuations. If the volatility in the market continues or worsens, it could have an adverse affect on the market price of our common shares and impact a potential sale price if holders of our common shares decide to sell their shares.

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

We are incorporated in the Islands of Bermuda. Our memorandum of association, bye-laws and the Companies Act, 1981 of Bermuda (the "Companies Act"), govern our affairs. The Companies Act does not as clearly establish your rights and the fiduciary responsibilities of our directors as do statutes and judicial precedent in some U.S. jurisdictions. Therefore, you may have more difficulty in protecting your interests as a shareholder in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction. There is a statutory remedy under Section 111 of the Companies Act which provides that a shareholder may seek redress in the courts as long as such shareholder can establish that our affairs are being conducted, or have been conducted, in a manner oppressive or prejudicial to the interests of some part of the shareholders, including such shareholder.

We are incorporated in Bermuda and it may not be possible for our investors to enforce U.S. judgments against us.

We are incorporated in the Islands of Bermuda. Substantially all of our assets are located outside the U.S. In addition, most of our directors and officers are non-residents of the U.S., and all or a substantial portion of the assets of these non-residents are located outside the U.S. As a result, it may be difficult or impossible for U.S. investors to serve process within the U.S. upon us, or our directors and officers or to enforce a judgment against us for civil liabilities in U.S. courts. In addition, you should not assume that courts in the countries in which we are incorporated or where our are located (1) would enforce judgments of U.S. courts obtained in actions against us based upon the civil liability provisions of applicable U.S. federal and state securities laws or (2) would enforce, in original actions, liabilities against us based on those laws.

ITEM 4.

INFORMATION ON THE COMPANY

A. History and Development of the Company

Nordic American Tankers Limited, or NAT, was founded on June 12, 1995 under the name Nordic American Tanker Shipping Limited under the laws of the Islands of Bermuda and we maintain our principal offices at LOM Building, 27 Reid Street, Hamilton HM 11, Bermuda. Our telephone number at such address is (441) 292-7202. We are an international tanker company that currently owns 20 Suezmax tankers that average approximately 156,000 dwt each and our vessels in our fleet are homogenous, interchangeable and should be viewed as the "Nordic American System". NAT was formed for the purpose of acquiring and chartering three double-hull Suezmax tankers that were built in 1997. In the autumn of 2004, the Company owned three vessels and at the end of 2013 the Company owned 20 vessels. We expect that the expansion process will continue over time and that more vessels will be added to our fleet.

In January 2013 we acquired Scandic American Shipping Ltd. ("Scandic" or the "Manager") and Orion Tankers Ltd ("Orion"). Accordingly, these financial statements are presented on a consolidated basis for NAT and its subsidiaries ("the "Company" or "the "Group").

We describe the "Nordic American System" as follows:

It is essential for us to have an operating model that is sustainable in both a weak and a strong tanker market, which we believe differentiates us from other publicly traded tanker companies. The Nordic American System is transparent and predictable. As a general policy, the Company has a conservative risk profile. Our dividend payments are important for our shareholders, and at the same time we recognize the need to expand our fleet under conditions advantageous to the Company.

NAT maximizes cash flows by employing all of its vessels in the spot market through the Orion pool which increases the efficiency and utilization of the fleet. The spot market gives better earnings than the time charter market over time.

Growth is a central element of the Nordic American System. It is essential that NAT grows accretively, which means that over time our transportation capacity increases more percentagewise than our share count.

We have one type of vessel only - the Suezmax vessel. This type of vessel can carry one million barrels of oil. The Suezmax vessel is highly versatile, able to be utilized on most long-haul trade routes. A homogenous fleet streamlines operating and administration costs, which helps keep our cash-breakeven point low.

The valuation of NAT in the stock market should not be based upon net asset value (NAV), a measure that only is linked to the steel value of our ships. NAT has its own ongoing system value with a homogenous fleet.

We pay our dividend from cash on hand. NAT has a cash break-even level of about \$12,000 per day per vessel, which we consider low in the industry. The cash break-even rate is the amount of average daily revenue our vessels would need to earn in the spot tanker market in order to cover our vessel operating expenses, cash general and administrative expenses, interest expense and all other cash charges.

In April 2010, the Company entered into agreements with Samsung Heavy Industries Co., Ltd. to build two Suezmax tankers of 158,000 dwt each. The purchase prices of these two newbuilding vessels are \$64.7 million each and we took delivery of the two newbuilding vessels in August 2011 and in November 2011.

In August 2010, we did not take delivery of the first of the two newbuilding vessels we agreed to acquire on November 5, 2007 because the vessel in our judgment was not in a deliverable condition as under the Memorandum

of Agreement between the Company and the seller. The seller, a subsidiary of First Olsen Ltd, did not agree with the Company and the parties commenced arbitration procedures which took place in London, in October and November 2011. On January 17, 2012, the arbitral tribunal granted the seller some of their legal costs in their final award decision.

In October 2010, Nordic Harrier (former Gulf Scandic) was redelivered, from a long-term bareboat charter agreement, to the Company, and went directly into drydock for repair. The drydock period lasted until the end of April 2011. The vessel had not been technically operated according to sound maintenance practices by Gulf Navigation Company LLC, and the vessel's condition on redelivery to us was far below the contractual obligation of the charterer. All drydock expenses were paid during 2011. A London arbitration panel ruled in favor of NAT at the end of January 2014 and awarded the Company \$10.2 million plus direct costs and calculated interest. Any amounts received will be recorded upon receipt.

On June 1, 2011, in connection with our annual general meeting of shareholders held in Bermuda, our amended and restated bye-laws were approved and adopted. We increased our authorized share capital from 51,200,000 common shares to 90,000,000 common shares, par value \$0.01 per share. We also changed our legal name to Nordic American Tankers Limited.

On August 24, 2011, we took delivery of the Nordic Breeze and on November 8, 2011 we took delivery of the Nordic Zenith.

In September 2011, the Company announced the acquisition of the vessel, Nordic Aurora, at the purchase price of \$24.5 million.

In November 2011, the Orion Tankers pool was established with Orion as pool manager. This company was owned equally by us and Frontline Ltd. (NYSE:FRO). In mid-November, our vessels were transferred from the Gemini Tankers LLC arrangement to the Orion Tankers pool.

In January 2012, the Company issued 5,500,000 common shares at the price of \$15.57 per share in a registered transaction, used to fund future acquisitions and for general corporate purposes.

In September 2012, it was agreed that Frontline would withdraw its nine Suezmax tankers from the pool during the fourth quarter of 2012. The withdrawal of these vessels was completed effective November 5, 2012.

In October 2012, we entered into a new \$430 million revolving credit facility (the "2012 Credit Facility"). The banking group consists of DNB Bank ASA, Nordea Bank Norge ASA and Skandinaviska Enskilda Banken. See "Operating and Financial Review and Prospects – Liquidity and Capital Resources -- Our Credit Facilities" below.

In November 2012, the Company announced that one of its vessels was detained for a short while in a U.S. port. The vessel was released in early December 2012 and was employed in the spot market. The Company was not prosecuted and was not part of the case.

Effective January 2, 2013, the Company acquired Frontline's shares in Orion for \$271,000, which was its nominal book value as of December 31, 2012, after which Orion became wholly-owned subsidiary of the Company.

Effective January 10, 2013, the Company acquired 100% of the shares of Scandic American Shipping Ltd. from a company owned by the Chairman and Chief Executive Officer of the Company Mr. Herbjørn Hansson and his family. On January 10, 2013, the Manager became a wholly-owned subsidiary of the Company. In addition to gaining full direct control of the Manager's operations, the Company will no longer be obligated to maintain the Manager's ownership of the Company's common shares at 2%. The restricted common shares equal to 2% of our outstanding common shares issued pursuant to the Management Agreement and the restricted common shares issued to the Manager under the 2011 Equity Incentive Plan were not part of the transaction. Please see section "Information on the Company -- Management Agreement" for further information about the acquisition.

Effective January, 10, 2013, the Board of Directors amended the vesting requirements for the 174,000 shares allocated to the Manager under the 2011 Equity Incentive Plan and the vesting requirements were lifted.

Effective January, 10, 2013, the Board of Directors amended the management fee. For its services under the Management Agreement, the Manager receives a management fee of \$150,000 per annum for the total fleet. The management fee has been eliminated in the consolidated financial statements as a result of the acquisition of the Manager by the Company.

On April 1, 2013, the Company issued 11,212,500 common shares at \$9.60 per share in a registered follow-on offering. The net proceeds of the offering were used to fund acquisitions and for general corporate purposes.

On June 5, 2013, Orion, a wholly-owned subsidiary of NAT, renewed its commercial agreement with a subsidiary of the international oil major, ExxonMobil.

On November 21, 2013, the Company issued 9,343,750 common shares at \$8.00 per share in a registered follow-on offering. The net proceeds of the offering were mainly used to acquire shares in Nordic American Offshore.

On November 27, 2013, Nordic American Offshore Limited, or NAO, was established with a private equity placement of \$250 million. The Company participated with \$65 million, which resulted in a 26 % interest in NAO. NAO will own and operate platform supply vessels, or PSVs, and will utilize the Manager for some administrative services. The objective of the Company's investment in NAO is over time to produce higher dividend for shareholders of NAT than otherwise would have been the case.

On January 27, 2014, the Company declared a cash dividend of \$0.12 per share in respect of the results for the fourth quarter of 2013, which was paid on March 3, 2014. In addition, the Board of Directors announced its intention to declare a dividend composed of a portion of the shares that NAT owns in NAO. This portion will be about \$10 million worth, which was equivalent to \$0.13 per NAT share.

On April 2, 2014, the Company declared a cash dividend of \$0.23 per share. The record date is May 15, 2014.

As of the date of this annual report, we have 75,382,001 common shares issued and outstanding.

B. Business Overview

We are an international tanker company that owns 20 double-hull Suezmax tankers that average approximately 156,000 dwt each. Our Suezmax tankers are interchangeable assets within the Orion Tankers pool, because any pool vessel may be offered to the charterer for any voyage.

We chartered all of our vessels in the spot market pursuant to a cooperative arrangement with Gemini Tankers LLC until November 24, 2011. In November 2011, the Orion Tankers pool was established with Orion as pool manager and our vessels were transferred from the Gemini Tankers LLC arrangement to the Orion Tankers pool upon completion of previously fixed charters within Gemini Tankers LLC. In September 2012, it was agreed that Frontline would withdraw its nine Suezmax tankers from the pool during the fourth quarter of 2012. Effective January 2, 2013, the Company acquired Frontline's shares in Orion at their nominal book value as of December 31, 2012, after which Orion Tankers became wholly-owned subsidiary of the Company.

OUR FLEET

Our current fleet consists of 20 Suezmax crude oil tankers. All of our vessels are employed in the spot market as part of the Orion Tankers pool. The vessels are considered homogenous and interchangeable as they have approximately the same freight capacity and ability to transport the same type of cargo.

Vessel	Yard	Built	Deadweight Tons	Delivered to NAT
Nordic Harrier	Samsung	1997	151,459	August 1997
	Samsung	1997	151,475	October 1997

Nordic Hawk	Samsung 1997 151,401	December 1997
Nordic Hunter	Dalian 1997 149,591	November 2004
Nordic Voyager	New	March 2005
Nordic Fighter	Hyundai 1998 153,328	March 2005
Nordic Freedom	Daewoo 2005 159,331	March 2005
Nordic Discovery	Hyundai 1998 153,328	August 2005
Nordic Saturn	Daewoo 1998 157,331	November 2005
Nordic Jupiter	Daewoo 1998 157,411	April 2006
Nordic Moon	Samsung 2002 160,305	November 2006
Nordic Apollo	Samsung 2003 159,998	November 2006
Nordic Cosmos	Samsung 2003 159,999	December 2006
Nordic Sprite	Samsung 1999 147,188	February 2009
Nordic Grace	Hyundai 2002 149,921	July 2009
Nordic Mistral	Hyundai 2002 164,236	November 2009
Nordic Passat	Hyundai 2002 164,274	March 2010
Nordic Vega	Bohai 2010 163,940	December 2010
Nordic Breeze	Samsung 2011 158,597	August 2011
Nordic Aurora	Samsung 1999 147,262	September 2011
Nordic Zenith	Samsung 2011 158,645	November 2011

OUR CHARTERS

It is our policy to operate our vessels either in the spot market or on short term time charters. The spot market gives better earnings than the time charter market over time.

We currently operate all of our 20 vessels in the spot market through Orion Tankers pool, although we may consider charters at fixed rates depending on market conditions.

Spot Market

Spot Charters: Tankers operating in the spot market are typically chartered for a single voyage which may last up to several weeks. Under a voyage charter, revenue is generated from freight billing, as we are responsible for paying voyage expenses and the charterer is responsible for any delay at the loading or discharging ports. When our tankers are operating on spot charters, the vessels are traded fully at the risk and reward of the Company. For vessels operating in the spot market other than through the pool (described below), the vessels will be operated by the pool manager. Under this type of employment, the vessel's revenues are not included in the profit sharing of the participating vessels in the pool. The Company considers it appropriate to present this type of arrangement on a gross basis in the Statements of Operations. See Note 2 to our audited financial statements for further information concerning our accounting policies.

Cooperative Arrangements: The pool manager of the cooperative arrangements has the responsibility for the commercial management of the participating vessels, including marketing, chartering, operating and purchasing bunker (fuel oil) for the vessels. Revenue is generated from freight billing, as the pool manager is responsible for paying voyage expenses and the charterer is responsible for any delay at the loading or discharging ports. The pool manager employs the vessels in the pool under a contract with a particular charterer for a number of voyages, with each single voyage or contract of carriage being performed by a pool vessel after nomination by the pool manager. Each participant in the pool is required to, in relation to each of its vessels, maintain the vessel in a seaworthy condition and to defined technical and operational standards and obtain and maintain the required number of vettings. The owners of the participating vessels remain responsible for the technical costs including, crewing, insurance, repair and maintenance, financing and technical management of their vessels. The revenues, less voyage expenses, or net pool earnings of all of the vessels are aggregated and divided by the actual earning days each vessel is available during the period.

In November 2011, the Orion Tankers pool was established with Orion as pool manager and was owned equally by us and Frontline Ltd. In mid-November 2011, our vessels were transferred from the Gemini Tankers LLC arrangement to the Orion Tankers pool upon completion of previously fixed charters within Gemini Tankers LLC. In September 2012, it was announced that the Company will acquire Frontline's remaining interest in Orion and that Frontline would withdraw its nine Suezmax vessels from the Orion Tankers pool in the fourth quarter of 2012. The withdrawal of these vessels was completed effective November 5, 2012, following which the Orion Tankers pool consists of 20 Suezmax vessels, all owned by the Company. The Orion Tankers' pool arrangement is managed and will continue to be operated by Orion. Orion was owned equally by us and Frontline Ltd. until January 1, 2013. Effective January 2, 2013 the Company acquired Frontline's shares in Orion.

Up and until November 5, 2012, the date of which Frontline completed the withdrawal all of its vessel in the Orion Tanker pool, the Company has considered it appropriate to present this type of arrangement on a net basis in its Statements of Operations. Effective November 5, 2012 the Company has considered it appropriate to present this type of arrangement on a gross basis in its Statement of Operations. See Note 2 to our audited financial statement.

Time Charters

Under a time charter, the charterer pays for the voyage expenses, such as port, canal and fuel costs, while the shipowner pays for vessel operating expenses, including, among other costs, crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs and costs relating to a vessel's intermediate and special surveys. No vessels were employed on time charters during 2013, 2012 or 2011.

Management Agreement

In June 2004, the Company entered into a management agreement, or the "Management Agreement", with Scandic American Shipping Ltd., or the "Manager". Under the Management Agreement, the Manager has the daily, administrative, commercial and operational responsibility for our vessels and is generally required to manage our day-to-day business according to our objectives and policies as established and directed by our Board of Directors. All decisions of a material nature concerning our business are made by the Board of Directors. Agreement shall terminate on the date which is ten years from the calendar date, so that the remaining term of the Management Agreement shall always be ten years unless terminated earlier in accordance with its terms, essentially related to non-performance or negligence by the Manager.

For its services under the Management Agreement, the Manager receives a management fee of \$150,000 per annum for the total fleet and is reimbursed for all of its costs incurred in connection with its services. The management fee was reduced from \$500,000 to \$150,000 per annum effective January 10, 2013. The management fee was increased from \$350,000 to \$500,000 per annum effective December 1, 2011 up and until January 10, 2013. In order to align the Manager's interests with those of the Company, the Company has issued to the Manager restricted common shares equal to 2% of our outstanding common shares as per the Management Agreement. Subsequent to the acquisition of the manager, effective January 10, 2013, the Management Agreement was amended and the 2% provision is no longer part of the agreement. The annual fee has been eliminated in the consolidated financial statements from 2013 onwards.

In February 2011, the Company adopted an equity incentive plan which the Company refers to as the 2011 Equity Incentive Plan, pursuant to which a total of 400,000 restricted shares were reserved for issuance. All of 400,000 restricted shares were allocated among 23 persons employed in the management of the Company, including the Manager and the members of the Board. On January 10, 2013, the Board of Directors amended the vesting requirements for 174,000 shares allocated to the Manager lifting the vesting requirements by means of accelerated vesting. The modification to the vesting requirements resulted in \$1.1 million being charged to General and Administrative expense during the first quarter of 2013.

As of December 31, 2013, a total number of 203,000 restricted common shares that are subject to vesting have been allocated among 17 persons employed in the management of the Company, to the Manager and members of the Board of Directors. The holders of the restricted shares are entitled to voting rights as well as to receive dividends paid during the vesting period.

Effective January 10, 2013, the Company acquired 100% of the shares of the Manager from a company owned by the Chairman and Chief Executive Officer of the Company Mr. Herbjørn Hansson and his immediate family, after which the Manager became a wholly-owned subsidiary of the Company.

Under the Management Agreement, the Manager pays, and receives reimbursement from us, for our administrative expenses including such items as:

- all costs and expenses incurred on our behalf, including operating expenses and other costs for vessels that are chartered out on time charters or traded in the spot market and for monitoring the condition of our vessel that is

operating under bareboat charter,

- executive officer and staff salaries,
- administrative expenses, including, among others, for third party public relations, insurance, franchise fees and registrars' fees,
- all premiums for insurance of any nature, including directors' and officers' liability insurance and general liability insurance,
 - brokerage commissions payable by us on the gross charter hire received in connection with the charters,

- directors' fees and meeting expenses,
 - audit fees,
 - other expenses approved by the Board of the Directors and
- attorneys' fees and expenses, incurred on our behalf in connection with (a) any litigation commenced by or against us or (b) any claim or investigation by any governmental, regulatory or self-regulatory authority involving us.

The Company has agreed to defend, indemnify and hold the Manager and its affiliates (other than us and our subsidiaries that we may form in the future), officers, directors, employees and agents harmless from and against any and all loss, claim, damage, liability, cost or expense, including reasonable attorneys' fees, incurred by the Manager or any such affiliates based upon a claim by or liability to a third party arising out of the operation of our business, unless due to the Manager's or such affiliates' fraud or dishonesty.

The Manager is consolidated in the financial statements from January 10, 2013, the date of acquisition.

Commercial and Technical Management Agreements

The Company has outsourced the commercial and technical management of its vessels to third-party companies operating under the supervision of the Manager. The compensation under the commercial and technical management agreements is in accordance with industry standards.

Commercial management agreements: From July 1, 2010 until November 2011, we placed all of our vessels in a spot market cooperation with Gemini Tankers LLC, where Frontline Ltd, and Teekay Corporation, together with us were the main owners of the participating vessels.

In November 2011, the Orion Tankers pool was established with Orion. as pool manager. This company was owned equally by us and Frontline Ltd. In mid-November 2011, our vessels were transferred from the Gemini Tankers LLC arrangement to the Orion Tankers pool upon completion of previously fixed charters within Gemini Tankers LLC. Effective January 2, 2013, the Company acquired Frontline`s shares in Orion at its nominal book value as of December 31, 2012, after which Orion became wholly-owned subsidiary of the Company.

Orion is consolidated in the financial statements from January 2, 2013, the date of acquisition.

Technical management agreements: As of December 31, 2013, the ship management firm of V.Ships Norway AS or V.Ships provides the technical management for 13 of the Company's vessels. The ship management firm of Colombia Shipmanagement Ltd, Cyprus provides the technical management for four of the Company's vessels. The ship management firm Hellespont Ship Management GmbH & Co KG, Germany provides the technical management for three of the Company's vessels.

Share-based Compensation Plan

Management Agreement: In order to align the Manager's interests with those of the Company, the Company has issued to the Manager restricted common shares equal to 2% of our outstanding common shares. Any time additional common shares were issued, the Manager received restricted common shares in order to maintain the number of common shares issued to the Manager at 2% of our total outstanding common shares. Subsequent to the acquisition of the Manager effective January 10, 2013, the Management Agreement was amended and the 2% provision is no longer part of the agreement.

2011 Equity Incentive Plan: In 2011, the Board of Directors approved a new incentive plan under which a maximum of 400,000 common shares were reserved for issuance. A total of 400,000 restricted common shares that are subject to vesting were allocated among 23 persons employed in the management of the Company, the Manager and the members of the Board. The vesting period is four-year cliff vesting period for 326,000 shares and five-year cliff vesting period for 74,000 shares, that is, none of these shares may be sold during the first four or five years after grant, as applicable, and the shares are forfeited if the grantee discontinues to work for the Company before that time. The holders of the restricted shares are entitled to voting rights as well as receive dividends paid during the vesting period. The Board considers this arrangement to be in the best interests of the Company.

In 2012, the Company repurchased at par value 8,500 unvested restricted common shares. These restricted common shares are held as treasury shares.

Effective January 10, 2013 the Board of Directors amended the vesting requirements for the 174,000 shares allocated to the Manager under the 2011 Equity Incentive Plan and the vesting requirements were lifted.

In 2013, the Company repurchased at par value 14,500 unvested restricted common shares. A total of 23,000 restricted common shares are held as treasury shares as of December 31, 2013. As of December 31, 2013, a total number of 203,000 unvested restricted shares were allocated under the plan.

The International Tanker Market

International seaborne oil and petroleum products transportation services are mainly provided by two types of operators: major oil company captive fleets (both private and state-owned) and independent shipowner fleets. Both types of operators transport oil under short-term contracts (including single-voyage "spot charters") and long-term time charters with oil companies, oil traders, large oil consumers, petroleum product producers and government agencies. The oil companies own, or control through long-term time charters, approximately one third of the current world tanker capacity, while independent companies own or control the balance of the fleet. The oil companies use their fleets not only to transport their own oil, but also to transport oil for third-party charterers in direct competition with independent owners and operators in the tanker charter market.

The current international financial crisis is affecting the international tanker market. It is expected that the global fleet will increase during 2014 because of the present order book. However, some shipping companies are now facing challenges in financing their large newbuilding programs, as shipping banks are more restrictive than before in granting credit. Assuming current scrapping levels, it can be assumed that the Suezmax fleet may contract in 2014 and 2015, given the current order book. The current financial upheaval may delay deliveries of newbuildings and may also lead to the cancellation of newbuilding orders, and there have been reports of cancellations of tanker newbuildings from certain yards. Shipping companies with high debt or other financial commitments may be unable to continue servicing their debt, which could lead to foreclosure on vessels. A reduction in available ship finance is curtailing any significant growth to the order book. Only 4 Suezmax tankers were ordered in 2013 versus 3 in 2012.

The oil transportation industry has historically been subject to regulation by national authorities and through international conventions. Over recent years, however, an environmental protection regime has evolved which has a significant impact on the operations of participants in the industry in the form of increasingly more stringent inspection requirements, closer monitoring of pollution-related events, and generally higher costs and potential liabilities for the owners and operators of tankers.

In order to benefit from economies of scale, tanker charterers will typically charter the largest possible vessel to transport oil or products, consistent with port and canal dimensional restrictions and optimal cargo lot sizes. A tanker's carrying capacity is measured in deadweight tons, or dwt, which is the amount of crude oil measured in metric

tons that the vessel is capable of loading. ULCCs and VLCCs typically transport crude oil in long-haul trades, such as from the Arabian Gulf to Rotterdam via the Cape of Good Hope. Suezmax tankers also engage in long-haul crude oil trades as well as in medium-haul crude oil trades, such as from the Mediterranean and Arabian Gulf towards the Far East, i.e. China, India and other emerging economies in Asia that absorb the shortfall from the traditional routes, from West Africa to the East Coast of the United States used to represent. Aframax-size vessels generally engage in both medium-and short-haul trades of less than 1,500 miles and carry crude oil or petroleum products. Smaller tankers mostly transport petroleum products in short-haul to medium-haul trades.

THE 2013 TANKER MARKET (Source: Fearnleys)

2013 was the third year in a row with TCE earnings barely covering operational expenses and high bunker fuel prices remained an issue for the ship owners. While the weak markets in 2011 and 2012 mainly were caused by high fleet growth, as demand was robust, 2013 turned out more troubling from a demand perspective and fleet growth eased.

The tanker fleet grew by 2.4% in 2013, significantly lower than the 7.3% and 7.4% we registered for 2011 and 2012 respectively. The overall market conditions remained about the same however as trade data available at the time of writing (through October 2013) suggest tonne-miles for tankers above 55 kdwt size fell -2.5% in 2013, compared with the same period of 2012. This was caused by a -2.0% drop in volume demand while average sailing distance contracted by -0.5%. By comparison, tonne-mile demand for the same group grew a strong 4.4% in 2012, driven by a 2.0% growth in volumes and 2.4% growth in average sailing distance.

There are several factors explaining the slow demand in 2013, however two are key factors. OPEC gradually reduced its crude oil production from a high at 31.9 mbpd in April 2012 to a recent low at 29.5 mbpd in November 2013, meaning 2.4 mbpd in transportation demand was lost over an 18 month period. Secondly, OECD commercial oil stocks was drawn well below its long-term averages in 2013, after building significantly in early 2012 ahead of the Iran sanctions that was enforced from July 2012. As transportation demand simplified can be viewed as consumption change +/- stock changes, it is clear that last year's OECD stock draw had a negative impact on tanker demand.

That said, the tanker market had a strong ending in 2013. VLCC earnings averaged \$43,000/day in November and December while Suezmaxes, who saw a strengthening begin a little later than the VLCCs, saw an average earnings of \$50,000/day in December. The improvement could be explained by the typical seasonal factors like higher oil consumption as the winter sets in and owners defer delivery late in the year to the following, but last year's ending was the strongest in years hence there was something more pulling. Adding to the typical year-end factors was a notable decline in newbuilding deliveries overall as the orderbook had come off to healthier levels. While data for first half of 2013 show a monthly average delivery of 2.47 mdwt, this declined -52% to an average 1.19 mdwt in second half of the year. Meanwhile, preliminary trade data suggest there was a good growth in long-haul and cross-basin trading period/period, meaning good progression for tonne-mile demand towards year-end.

Fearnley is forecasting a strengthening tanker market in 2014, although capped by operational factors like speed and waiting days which still represents some excess capacity that needs to be absorbed before a stronger recovery can take place in 2015 and 2016. The improving outlook is based on a more transparent orderbook through 2016 that suggest low fleet growth through the period, while increased cross-basin trading of both crude oil and products is expected to support tonne-mile demand.

Asset values most likely saw its trough levels in 2013. The higher values started with increasing newbuilding prices through second half of the year. While a high-quality Korean yard was willing to build Suezmaxes for a price in the high USDm 50's in Q3'13, the same yard had upped its price idea to USDm 64 in December and current USDm 66. What drove newbuilding prices higher initially was a growing order backlog and confidence at the yards as other segments in shipping and offshore had filled most of their capacity through 2016. For second hand prices we note that 5-year old assets have increased 20-30% in value over 2013, more than the 10-15% increase we have noted for newbuilding prices. Despite this, second hand prices are still well below its long-term average ratio to newbuilding prices, meaning that a fuel saving for eco-newbuildings has been discounted in to the prices. It may therefore be relevant to review second hand opportunities just as much as newbuilding opportunities for those looking to enter the market.

The Tanker Market 2014

The first quarter of 2014 started on a high note. The spike in rates seen toward the end of 2013 persisted into January before declining again. Suezmax rates in the first week of January were around \$56,000 per day, declining to around \$11,000 by mid-February. US refineries went into maintenance earlier than expected and Chinese New Year impacted cargo volumes. Rates increased to around \$17,000 in the last week of March. VLCC rates were around \$39,000 per day the first week of January, and declined less than Suezmax rates until March. The last week of March average VLCC earnings were around \$13,000 per day.

Coming into 2014 vessel values increased significantly. From 4Q13 to 1Q14 5 year old VLCC values rose 22%, while 5 year old Suezmax values rose 19% in the same period. Price rises tied in with an increase in sale and purchase activity, likely linked to the strong rate environment in December and January which bolstered interest in crude tankers.

Environmental and Other Regulation

Government laws and regulations significantly affect the ownership and operation of our vessels. We are subject to various international conventions, laws and regulations in force in the countries in which our vessels may operate or are registered. Compliance with such laws, regulations and other requirements entails significant expense, including vessel modification and implementation costs.

A variety of government, quasi-governmental and private organizations subject our vessels to both scheduled and unscheduled inspections. These organizations include the local port authorities, national authorities, harbor masters or equivalent entities, classification societies, relevant flag state (country of registry) and charterers, particularly terminal operators and oil companies. Some of these entities require us to obtain permits, licenses, certificates and approvals for the operation of our vessels. Our failure to maintain necessary permits, licenses, certificates or approvals could require us to incur substantial costs or temporarily suspend operation of one or more of the vessels in our fleet, or lead to the invalidation or reduction of our insurance coverage.

We believe that the heightened levels of environmental and quality concerns among insurance underwriters, regulators and charterers have led to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for tankers 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 local, national and international environmental laws and 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 are frequently changed and may impose increasingly strict 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 results in significant oil pollution or otherwise causes significant adverse environmental impact, such as the 2010 Deepwater Horizon oil spill in the Gulf of Mexico, could result in additional legislation or regulation that could negatively affect our profitability.

International Maritime Organization

The IMO is the United Nations agency for maritime safety and the prevention of pollution by ships. The IMO has adopted several international conventions that regulate the international shipping industry, including but not limited to the CLC, the Bunker Convention, and MARPOL. MARPOL is broken into six Annexes, each of which establishes environmental standards relating to different sources of pollution: Annex I relates to oil leakage or spilling; Annexes

II and III relate to harmful substances carried, in bulk, in liquid or packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, adopted by the IMO in September of 1997, relates to air emissions.

In 2012, the Marine Environment Protection Committee (MEPC) adopted by resolution amendments to the international code for the construction and equipment of ships carrying dangerous chemicals in bulk (IBC Code). The provisions of the IBC Code are mandatory under MARPOL and SOLAS. These amendments, which are expected to enter into force in June 2014, pertain to revised international certificates of fitness for the carriage of dangerous chemicals in bulk and identify new products that fall under the IBC Code. In 2013 the MEPC adopted by resolution amendments to the MARPOL Annex I Conditional Assessment Scheme (CAS). These amendments, which are expected to become effective on October 1, 2014, pertain to revising references to the inspections of bulk carriers and tankers after the 2011 ESP Code, which enhances the programs of inspections, becomes mandatory. 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. Effective May 2005, Annex VI sets limits on nitrogen oxide emissions from ships whose diesel engines were constructed (or underwent major conversions) on or after January 1, 2000. It also prohibits "deliberate emissions" of "ozone depleting substances," defined to include certain halons and chlorofluorocarbons. "Deliberate emissions" are not limited to times when the ship is at sea; they can for example include discharges occurring in the course of the ship's repair and maintenance. Emissions of "volatile organic compounds" from certain tankers, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls (PCBs)) are also prohibited. Annex VI also includes a global cap on the sulfur content of fuel oil (see below).

The IMO's Maritime Environment Protection Committee, or MEPC, adopted amendments to Annex VI on October 10, 2008, which entered into force on July 1, 2010. The amended Annex VI will reduce air pollution from vessels by, among other things (i) implementing a progressive reduction of the amount of sulfur oxide emissions from ships by reducing the global sulfur fuel cap initially to 3.50%, effective January 1, 2012, then progressively to 0.50%, effective globally from January 1, 2020, subject to a feasibility review to be completed no later than 2018; and (ii) establishing new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The United States ratified the Annex VI amendments in October 2008, and the EPA, promulgated equivalent emissions standards in late 2009.

Sulfur content standards are even stricter within certain "Emission Control Areas", or "ECAs". By July 1, 2010, ships operating within an ECA were not permitted to use fuel with sulfur content in excess of 1.0% (from 1.50%), which is further reduced to 0.10% on January 1, 2015. Amended Annex VI establishes procedures for designating new ECAs. The Baltic Sea and the North Sea have been so designated. Effective August 1, 2012, certain coastal areas of North America were designated ECAs, as was the United States Caribbean Sea. 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 EPA or the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for ships. It makes the Energy Efficient Design Index (EEDI) applies to all new ships, and the Ship Energy Efficiency Management Plan (SEEMP) applies to all ships.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The U.S. Environmental Protection Agency promulgated equivalent (and in some senses stricter) emissions standards in late 2009. As a result of these designations or similar future designations, we may be required to incur additional operating or other costs.

Safety Management System Requirements

The IMO also adopted SOLAS, and the International Convention on Load Lines, or LL, which impose a variety of standards that regulate the design and operational features of ships. The IMO periodically revises the SOLAS and LL standards. May 2012 SOLAS amendments entered into force as of January 1, 2014. The Convention on Limitation of Liability for Maritime Claims (LLMC) was recently amended and the amendments are expected to go into effect on June 8, 2015. The amendments alter the limits of liability for a loss of life or personal injury claim and a property claim against ship owners.

Our operations are also subject to environmental standards and requirements contained in the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or ISM Code, promulgated by the

IMO under Chapter IX of SOLAS. The ISM Code requires the owner of a vessel, or any person who has taken responsibility for operation 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 system that has been developed for our vessels for compliance with the ISM Code.

The ISM Code requires that vessel operators also obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with code requirements for a safety management system. No vessel can obtain a certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. We have obtained documents of compliance for its offices and safety management certificates for all of our vessels for which the certificates are required by the ISM Code. These documents of compliance and safety management certificates are renewed as required.

Noncompliance with the ISM Code and other IMO regulations may subject the ship owner 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 and European Union have indicated that vessels not in compliance with the ISM Code by the applicable deadlines will be prohibited from trading in U.S. and European Union ports, as the case may be.

Pollution Control and Liability Requirements

IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatory nations to such conventions. For example, many countries have ratified and follow the liability plan adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage of 1969, CLC, as amended by different Protocol in 1976, 1984, and 1992, and amended in 2000. 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 is 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 of 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 ship owner's actual fault and under the 1992 Protocol where the spill is caused by the ship owner's intentional or reckless act or omission where the ship owner knew pollution damage would probably result. The CLC requires ships 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.

The IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, to impose strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976, as amended). With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in ship's bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

In addition, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in February 2004. 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. The BWM Convention will not become effective until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping. To date, there has not been sufficient adoption of this standard for it to take force, but it is close. Many of the implementation dates originally written in the BWM Convention have already passed, so that once the BWM Convention enters into force, the period for installation of mandatory ballast water exchange requirements would be extremely short, with several thousand ships a year needing to install ballast water management systems (BWMS). For this reason, on December 4, 2013, the IMO Assembly passed a resolution revising the application dates

of BWM Convention so that they are triggered by the entry into force date and not the dates originally in the BWM Convention. This in effect makes all vessels constructed before the entry into force date 'existing' vessels, and allows for the installation of a BWMS on such vessels at the first renewal survey following entry into force. If mid-ocean ballast exchange or ballast water treatment requirements become mandatory, the cost of compliance could increase for ocean carriers. Although we do not believe that the costs of compliance with a mandatory mid-ocean ballast exchange would be material, it is difficult to predict the overall impact of such a requirement on our operations.

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, or 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 in the United States, its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S. territorial sea and its 200 nautical mile exclusive economic zone. The United States has also enacted the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, which applies to the discharge of hazardous substances other than oil, whether on land or at sea. OPA and CERCLA both define "owner or operator" in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Accordingly, both OPA and CERCLA impact our 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. OPA defines these other damages broadly to include:

- injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;
- injury to, or economic losses resulting from, the destruction of real and personal property;
- 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;
- loss of subsistence use of natural resources that are injured, destroyed or lost;
- lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and
- 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 July 31, 2009, the U.S. Coast Guard adjusted the limits of OPA liability to the greater of \$2,000 per gross ton or \$17.088 million for any double-hull tanker that is over 3,000 gross tons (subject to periodic adjustment for inflation), and our fleet is entirely composed of vessels of this size class. 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 (i) report the incident where the responsible party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) 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, which applies to owners and operators of vessels, contains a similar liability regime whereby owners and operators of vessels are liable for cleanup, removal and remedial costs, as well as damage for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing 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 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 both require owners and operators of vessels to establish and maintain with the U.S. Coast Guard 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. We have provided such evidence and received certificates of financial responsibility from the U.S. Coast Guard's for each of our vessels as required to have one.

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. Some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters, however, in some cases, states which have enacted this type of legislation have not yet issued implementing regulations defining tanker owners' responsibilities under these laws.

The 2010 Deepwater Horizon oil spill in the Gulf of Mexico may also result in additional regulatory initiatives or statutes, including the raising of liability caps under OPA. For example, effective on August 15, 2012, the U.S. Bureau of Safety and Environmental Enforcement (BSEE) issued a final drilling safety rule for offshore oil and gas operations that strengthens the requirements for safety equipment, well control systems, and blowout prevention practice. Compliance with any new requirements of OPA may substantially impact our cost of operations or require us to incur additional expenses to comply with any new regulatory initiatives or statutes.

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.

The U.S. Clean Water Act, or 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. Furthermore, 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.

The United States Environmental Protection Agency, or "EPA", and U.S. Coast Guard, or USCG, have enacted rules relating to ballast water discharge, compliance with which requires the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, and/or otherwise restrict our vessels from entering U.S. waters.

EPA, has enacted rules requiring a permit regulating ballast water discharges and other discharges incidental to the normal operation of certain vessels within United States waters under the Vessel General Permit for Discharges Incidental to the Normal Operation of Vessels, or VGP. For a new vessel delivered to an owner or operator after September 19, 2009 to be covered by the VGP, the owner must submit a Notice of Intent, or NOI, at least 30 days before the vessel operates in United States waters. On March 28, 2013, the EPA re-issued the VGP for another five years, which took effect December 19, 2013. The 2013 VGP contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in US waters, more stringent requirements for exhaust gas scrubbers and the use of environmentally acceptable lubricants.

In addition, under §401 of the CWA, the VGP must be certified by the state where the discharge is to take place. Certain states have enacted additional discharge standards as conditions to their certification of the VGP. These local standards bring the VGP into compliance with more stringent state requirements, such as those further restricting

ballast water discharges and preventing the introduction of non-indigenous species considered to be invasive. The VGP and its state-specific regulations and any similar restrictions enacted in the future will increase the costs of operating in the relevant waters.

U.S. Coast Guard regulations adopted under the U.S. National Invasive Species Act, or NISA, also impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters. On June 21, 2012, the U.S. Coast Guard implemented revised regulations on ballast water management by establishing standards on the allowable concentration of living organisms in ballast water discharged from ships in U.S. waters. The revised ballast water standards are consistent with those adopted by the IMO in 2004.

Notwithstanding the foregoing, as of January 1, 2014, vessels are technically subject to the phasing-in of these standards. As a result, the USCG has provided waivers to vessels which cannot install the as-yet unapproved technology. The EPA, on the other hand, has taken a different approach to enforcing ballast discharge standards under the VGP. On December 27, 2013, the EPA issued an enforcement response policy in connection with the new VGP in which the EPA indicated that it would take into account the reasons why vessels do not have the requisite technology installed, but will not grant any waivers.

The U.S. Clean Air Act of 1970, including its amendments of 1977 and 1990, or the 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. Our vessels that operate in such port areas with restricted cargoes are equipped with vapor recovery systems that satisfy these requirements. 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 relating to emissions resulting from vessel loading and unloading operations by requiring the installation of vapor control equipment. As indicated above, our vessels operating in covered port areas are already equipped with vapor recovery systems that satisfy these existing requirements.

Compliance with the EPA and the U.S. Coast Guard regulations could require the installation of certain engineering equipment and water treatment systems to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters.

European Union Regulations

In October 2009, the European Union amended a directive to impose 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. Member States were required to enact laws or regulations to comply with the directive by the end of 2010. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims.

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. On January 1, 2013 two new sets of mandatory requirements to address greenhouse gas emissions from ships that MEPC adopted in July 2011 entered into force. Currently operating ships will be required to develop SEEMPs, and minimum energy efficiency levels per capacity mile will apply to new ships. These requirements could cause us to incur additional compliance costs. The IMO is planning to implement market-based mechanisms to reduce greenhouse gas emissions from ships at an upcoming MEPC session. The European Union has indicated that it intends to propose an expansion of the existing European Union emissions trading scheme to include emissions of greenhouse gases from

marine vessels, and in January 2012 the European Commission launched a public consultation on possible measures to reduce greenhouse gas emissions from ships. In the United States, the EPA has issued a finding that greenhouse gases endanger the public health and safety and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and large stationary sources. Although the mobile source emissions regulations do not apply to greenhouse gas emissions from vessels, such regulation of vessels is foreseeable, and the EPA has in recent years received petitions from the California Attorney General and various environmental groups seeking such regulation. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol, that restrict emissions of greenhouse gases could require us to make significant financial expenditures which we cannot predict with certainty at this time.

International Labour Organization

The International Labour Organization (ILO) is a specialized agency of the UN with headquarters in Geneva, Switzerland. The ILO has adopted the Maritime Labor Convention 2006 (MLC 2006). A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance will be required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. The MLC 2006 will enter into force one year after 30 countries with a minimum of 33% of the world's tonnage have ratified it. On August 20, 2012, the required number of countries was met and MLC 2006 entered into force on August 20, 2013 and requires us to develop new procedures to ensure full compliance with its requirements.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. In 2002, the U.S. Maritime Transportation Security Act of 2002, or the MTSA, came into effect, and to implement certain portions of the MTSA the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. The regulations also impose requirements on certain ports and facilities, some of which are regulated by the U.S. Environmental Protection Agency (EPA).

Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new Chapter V became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, and mandates compliance with the ISPS Code. The ISPS Code is designed to enhance the security of ports and ships against terrorism. Amendments to SOLAS Chapter VII, made mandatory in 2004, apply to vessels transporting dangerous goods and require those vessels be in compliance with the International Maritime Dangerous Goods Code, or "IMDG Code".

To trade internationally, a vessel must attain an International Ship Security Certificate, or ISSC, from a recognized security organization approved by the vessel's flag state. Among the various requirements are:

- 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; and
 - compliance with flag state security certification requirements.

Ships operating without a valid certificate may be detained at port until an ISSC is obtained, or may be expelled from port, or refused entry at port.

The U.S. Coast Guard regulations, intended to align with international maritime security standards, exempt from MTSA vessel security measures non-U.S. vessels that have on board a valid ISSC attesting to the vessel's compliance with SOLAS 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.

Inspection by Classification Societies

Every seagoing vessel must be "classed" by a classification society. The classification society certifies that the vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. 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.

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country 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 each class renewal. Intermediate surveys are to be carried out at or between the occasion of the second or third annual survey.

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 the intervals indicated by the character of classification for the hull. 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. 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. In lieu of the 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 within a five-year cycle.

At an owner's application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years.

Most vessels are also dry-docked every 30 to 36 months for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a "recommendation" or "Condition of Class" or "Memo to Owners" which must be rectified by the ship owner within prescribed time limits.

Any Condition of Class issued by the surveyor will trigger a trading restriction on the vessel as the charterers will not accept a vessel with a CC.

Most insurance underwriters make it a condition for insurance coverage 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 issued draft harmonized Common Structure Rules, that align with IMO goal standards, for industry review in 2012 and it expects them to be adopted in Winter 2013. All our vessels are certified as being "in class" by Lloyd's

Register of Shipping, American Bureau of Shipping, Det norske Veritas and Germanischer Lloyd. All new and secondhand vessels that we purchase must be certified prior to their delivery under our standard contracts.

Risk of Loss and Liability Insurance

The operation of any cargo vessel includes risks such as mechanical failure, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities, labor strikes and piracy attack. 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 owners, operators and demise charterers of any vessel trading in the United States exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship owners and operators trading in the United States market. Furthermore, while we believe that our present insurance coverage is adequate, not all risks can be insured, any specific claim may not be paid, and we may not always be able to obtain adequate insurance coverage at reasonable rates.

Hull and Machinery Insurance

We have obtained marine hull and machinery and war risk insurance, which include the risk of actual or constructive total loss, for all of the vessels in our fleet. The vessels in our fleet are each covered up to at least fair market value, with deductibles of \$350,000 per vessel per incident. We also arranged increased value coverage for each vessel. Under this increased value coverage, in the event of total loss of a vessel, we will be able recover for amounts not recoverable under the hull and machinery policy by reason of any under-insurance.

Protection and Indemnity Insurance

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I Associations, which covers our 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 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, with deductibles of \$100,000 per vessel per incident. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or "clubs." Our coverage, except for pollution, is unlimited.

Our current protection and indemnity insurance coverage for pollution is \$1 billion per vessel per incident. The thirteen 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. Each P&I Association has capped its exposure to this pooling agreement at \$7.5 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 its claim records as well as the claim records of all other members of the individual associations, and members of the pool of P&I Associations comprising the International Group.

Competition

As described in the section "History and Development of the Company" we, operate "the Nordic American System" of 20 homogenous Suezmax tankers in markets that are highly competitive and based primarily on supply and demand. We compete for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as on our reputation as an operator.

Since July 1, 2010 and until mid-November 2011, our vessels were employed in a spot market arrangement with Gemini Tankers LLC, of where Frontline Ltd., Teekay Corporation, and we were the main owners of the participating vessels. In November 2011, the Orion Tankers pool was established, with Orion as pool manager. Orion was owned equally by us and Frontline Ltd., and therefore a related party of the Company as of December 31, 2012. Effective January 2, 2013, the Company acquired Frontline's shares in Orion at its nominal book value as of December 31, 2012, after which Orion became wholly-owned subsidiary of the Company

We currently operate all of our vessels in spot market through Orion Tankers pool. This arrangement is managed and operated by Orion as pool manager. The pool manager has the responsibility for the commercial management of the participating vessels, including marketing, chartering, operating and purchasing bunker (fuel oil) for the vessels. From time to time, we may also arrange our time charters and voyage charters in the spot market through the use of brokers, who negotiate the terms of the charters based on market conditions. We compete primarily with owners of tankers in the Suezmax class size. Ownership of tankers is highly fragmented.

Permits and Authorizations

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our vessels. The kinds of permits, licenses and certificates required depend upon several factors, including the commodity transported, the waters in which the vessel operates, the nationality of the vessel's crew and the age of a vessel. We have been able to obtain all permits, licenses and certificates currently required to permit our vessels to operate. Additional laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase our cost of doing business.

Seasonality

Historically, oil trade and, therefore, charter rates increased in the winter months and eased in the summer months as demand for oil in the Northern Hemisphere rose in colder weather and fell in warmer weather. The tanker industry, in general, has become less dependent on the seasonal transport of heating oil than a decade ago as new uses for oil and oil products have developed, spreading consumption more evenly over the year. This is most apparent from the higher seasonal demand during the summer months due to energy requirements for air conditioning and motor vehicles.

C. Organizational Structure

Since May 30, 2003, Scandic American Shipping Ltd. has acted as the Company's Manager, and provides such services pursuant to the Management Agreement. The Management Agreement was amended on October 12, 2004 to further align the Manager's interests with those of the Company as a shareholder of the Company. On January 10, 2013, the Manager became a wholly-owned subsidiary of the Company. Scandic is based on Bermuda, and has an European branch. See Item 4—Information on the Company—Business Overview—The Management Agreement.

Since November 11, 2011, Orion Tankers Ltd has been the pool manager for the Company's vessels. On January 3, 2013, Orion became a wholly owned subsidiary of the Company. Orion Tankers Ltd consists of the parent company based in Bermuda, and its wholly owned subsidiary Orion Tankers AS which is based in Norway.

D. Property, Plants and Equipment

See Items 4—Information on the Company—Business Overview—Our Fleet, for a description of our vessels. The vessels are mortgaged as collateral under the 2012 Credit Facility.

ITEM 4A.

UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following management's discussion and analysis should be read in conjunction with our historical financial statements and their notes included elsewhere in this report. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth in the section entitled "Risk Factors" and elsewhere in this annual report.

A. Operating Results

We present our Statement of Operations using voyage revenues and voyage expenses. During the years ended December 31, 2013, 2012 and 2011, all of our vessels were employed in the spot market.

Under a spot charter, revenue is generated from freight billing and is included in voyage revenue. Under a spot charter, the vessel owner pays all vessel voyage expenses and these expenses are included in voyage expenses. We consider it appropriate to present this type of arrangement on a gross basis in the Consolidated Statements of Operations.

Our homogenous and interchangeable fleet is operated by Orion Tankers pool and the pool manager employs the vessels under a contract with a particular charterer for a number of voyages, with each single voyage or contract of carriage being performed by a pool vessel after nomination by the pool manager. The fleet is considered homogenous in terms of freight capacity and the types of cargoes that can be transported and the vessels are interchangeable as the Pool Manager can nominate any vessel to a specific charterer for a specific voyage. The voyage revenues less voyage expenses of all of the vessels in the pool are aggregated and divided by the actual earning days each vessel is available during the period. From November 2011 through November 5, 2012, we have considered it appropriate to present this type of arrangement on a net basis in our Statements of Operations. In September 2012, it was agreed that Frontline would withdraw its nine Suezmax tankers from the Orion Tankers pool during the fourth quarter of 2012. The withdrawal of these vessels was completed effective November 5, 2012, after which all vessels in the Orion Tankers pool are owned by us. We have considered it appropriate to present this type of cooperative arrangement on a gross basis in the Statement of Operations effective from November 5, 2012. Effective January 2, 2013, the owner of the Orion Tankers Pool, Orion is a wholly owned subsidiary of NAT after the Company acquired the remaining 50 % of the shares which were previously held by Frontline.

For further information, see "Item 4.B—Business Overview—Our Charters."

Since the amount of voyage expenses that we incur for a charter depends on the type of the charter, we use net voyage revenues to provide comparability among the different types of charters. Management believes that net voyage revenue, a non-GAAP financial measure, provides more meaningful disclosure than voyage revenues, the most directly comparable financial measure under accounting principles generally accepted in the United States, or US GAAP because it enables us to compare the profitability of our vessels which are employed under bareboat charters, spot related time charters and spot charters. Net voyage revenues divided by the number of days on the charter provides the Time Charter Equivalent (TCE) rate. Net voyage revenues and TCE rates are widely used by investors and analysts in the tanker shipping industry for comparing the financial performance of companies and for preparing industry averages. We believe that our method of calculating net voyage revenue is consistent with industry standards. The following table reconciles our net voyage revenues to voyage revenues.

YEAR ENDED DECEMBER 31, 2013 COMPARED TO YEAR ENDED DECEMBER 31, 2012

All figures in USD '000	Year Ended December 31,		Variance
	2013	2012	
Voyage Revenue	243,657	130,682	86.5%
Voyage Expenses	(173,410)	(38,670)	(348.4%)
Vessel Operating Expenses	(64,924)	(63,965)	(1.5%)
General and Administrative Expenses	(19,555)	(14,700)	(33.0%)
Depreciation Expenses	(74,375)	(69,219)	(7.4%)
Impairment of Vessel	-	(12,030)	-
Loss on Contract	(5,000)	-	-
Net Operating (Loss) Income	(93,608)	(67,902)	37.9%
Interest Income	146	357	(59.3%)
Interest Expenses	(11,518)	(5,854)	(96.8%)
Other Financial Income (Expenses)	(437)	207	(311.2%)
Net (Loss) Income	(105,417)	(73,192)	(44.0%)

All figures in USD '000	Year Ended December 31,		Variance
	2013	2012	
Voyage Revenue – net pool earnings	-	77,287	-
Voyage Revenue – gross freight	243,657	53,395	-
Total Voyage Revenue	243,657	130,682	-
Less Voyage expenses – gross	(173,410)	(38,670)	-
Net Voyage Revenue	70,246	92,012	(23.7%)
Vessel Calendar Days (1)	7,300	7,320	(0.3%)
Less off-hire days	971	555	75%
Total TCE days	6,329	6,765	(6.4%)
TCE Rate per day (2)	\$ 11,099	\$ 13,601	(18.4%)
Total Days – vessel operating expenses	7,300	7,320	(0.3%)

(1) Vessel Calendar Days is the total number of days the vessels were in our fleet.

(2) Time Charter Equivalent, ("TCE"), results from Net Voyage Revenue divided by Total TCE days.

Voyage revenue was \$243.7 million for the year ended December 31, 2013 compared to \$130.7 million for the year ended December 31, 2012. The change in Voyage revenue is due to four main factors:

- i) Changes in the type of vessel employment
- ii) Whether the employment was accounted for on a net or gross basis
- iii) The number of TCE days
- iv) The change in the TCE rate achieved.

On i), for the year ended December 31, 2013 and 2012 we employed all vessels in the spot market, either as spot charters or through cooperative arrangements. No vessels were employed on time charters.

On ii), all our vessels were employed as spot charters during the year ended December 31, 2013 presented on gross basis. For the year ended December 31, 2012 all our vessels were employed through cooperative arrangements presented on a net basis until November 5, 2012, except four vessels, which were temporarily operated on spot

charters. From November 5 until the year ended 2012 all our vessels were employed as spot charters presented on a gross basis.

On iii), the increase in off hire days to 971 for the year ended December 31, 2013 from 555 days for the year ended December 31, 2012 was partly a result of planned off-hire of 757 days in connection with required drydockings in 2013. The increase in off hire days was the primary reason for the 6.4 % decrease in TCE days.

On iv), the TCE rate per day was \$11,099 for the year ended December 31, 2013, compared to \$13,601 for the year ended December 31, 2012, representing a decrease of 18.4%. The indicative spot rates presented by Marex Spectron for the twelve months of 2013 and 2012 decreased by 6.1 % to \$14,615 from \$15,577, respectively. The average Marex Spectron rates for the year ended 2013 were significantly influenced by the spike in the market in December. The year to date average as of November 30, 2013 was \$12,125, representing a decrease of 22.2 % compared to the year ended December 31, 2012. The effect of this spike will not materialize for the Company until the first quarter of 2014.

As a result of iii) and iv), net voyage revenues decreased by 23.7% from \$92.0 million for the year ended December 31, 2012, to \$70.3 million for the year ended December 31, 2013.

Voyage expenses were \$173.4 million for the year ended December 31, 2013, compared to \$38.7 million for the year ended December 31, 2012, representing an increase of 348.4%. The increase in voyage expenses was primarily a result of changes to the presentation of net voyage revenues from cooperative arrangements from net basis presentation to gross basis presentation, effective as of November 5, 2012, as of which date the Orion Tankers pool consisted only of vessel owned by us. For the period ended November 5, 2012 voyage expenses consisted of fuel, port charges and commissions from all our vessels operated in the spot market.

Vessel operating expenses were \$64.9 million for the year ended December 31, 2013 compared to \$63.9 million for the year ended December 31, 2012, an increase of 1.5%. Vessel operating expenses incurred regardless of off-hire days, and reflect a stable average operating expense per day of \$8,700 for the years ended 2013 and 2012.

General and administrative expenses were \$19.6 million for the year ended December 31, 2013 compared to \$14.7 million for the year ended December 31, 2012, an increase of 33%. The increase of \$4.9 million is a result of non-recurring items. These were charges of \$3.6 million related to the acquisition of Scandic American Shipping Ltd and \$1.0 million in legal fees related to the Gulf Navigation Holding PJSC arbitration.

Depreciation expenses were \$74.4 million for the year ended December 31, 2013 compared to \$69.2 million for the year ended December 31, 2012, an increase of 7.4%. The increase of \$5.2 million in depreciation expenses for the year ended December 31, 2013 compared to the year ended December 31, 2012 is a result of drydocking cost capitalized in 2012 being amortized over a full year in 2013 and drydocking of seven vessels in 2013 being partially amortized.

Impairment Loss on vessels was \$0.0 million for the year ended December 31, 2013 compared to \$12.0 million for the year ended December 31, 2012. The impairment loss in 2012 relates to one vessel where we believed that future undiscounted cash flow was less than the carrying value.

We recorded a settlement loss of \$5.0 million during the year ended December 31, 2013 compared to \$0.0 million for the year ended December 31, 2012. The settlement loss relates to a preexisting contractual relationship between us and Scandic American Shipping Ltd, which was recognized when the purchase of Scandic was completed.

Net operating loss was \$93.6 million for the year ended December 31, 2013 compared to net operating loss of \$67.9 million for the year ended December 31, 2012, an increase of 37.9%. The increase in net operating loss of \$25.7 million is primarily caused by the reduction in net voyage caused by a significant reduction in the spot market rates, and charges of \$8.6 million related to the acquisition of Scandic American Shipping Ltd and of \$1.0 million related to the Gulf Navigation Holding PJSC arbitration.

Interest income was \$0.2 million for the year ended December 31, 2013 compared to \$0.4 million for the year ended December 31, 2012, a decrease of \$0.2 million. The decrease in interest is caused by the Company holding less excess cash in the period.

Interest expense was \$11.5 million for the year ended December 31, 2013 compared to \$5.9 million for the year ended December 31, 2012. The increase in interest expenses for the year ended December 31, 2013 is due to an increase in interest rates during the year ended December 31, 2013 compared to the year ended December 31, 2012.

YEAR ENDED DECEMBER 31, 2012 COMPARED TO YEAR ENDED DECEMBER 31, 2011

All figures in USD '000	Year Ended December 31,		Variance
	2012	2011	
Voyage Revenue	130,682	94,787	37.9%
Voyage Expenses	(38,670)	(14,921)	(159.2%)
Vessel Operating Expenses	(63,965)	(54,859)	(16.6%)
General and Administrative Expenses	(14,700)	(15,394)	(4.5%)
Depreciation Expense	(69,219)	(64,626)	(7.1%)
Impairment of Vessel	(12,030)	-	-
Loss on Contract	-	(16,200)	-
Net Operating Loss	(67,902)	(71,213)	4.6%
Interest Income	357	1,187	(69.9%)
Interest Expense	(5,854)	(2,130)	(174.8%)
Other Financial Expense	207	(142)	245.8%
Net Loss	(73,192)	(72,298)	1.2%

All figures in USD '000	Year Ended December 31,		Variance
	2012	2011	
Voyage Revenue – net pool earnings	77,287	76,618	0.9%
Voyage Revenue – gross freight	53,395	18,169	193.9%
Total Voyage Revenue	130,682	94,787	37.9%
Less Voyage expenses – gross voyage expenses	(38,670)	(14,921)	(159.2%)
Net Voyage Revenue	92,012	79,866	15.2%
Vessel Calendar Days (1)	7,320	6,367	15.0%
Less off-hire days (2)	555	116	378.4%
Total TCE days	6,765	6,251	8.2%
TCE Rate per day (3)	\$ 13,601	\$ 12,777	6.4%
Total Days – vessel operating expenses	7,320	6,370	14.9%

(1) Vessel Calendar Days is the total number of days the vessels were in our fleet.

(2) The Nordic Harrier (former Gulf Scandic) was redelivered from a bareboat charter in October 2010 and went directly into drydock for repairs. The drydock period was completed in late April 2011 and the vessel was employed in the spot market pursuant to cooperative arrangements on May 1, 2011. The calendar days and the off-hire days in connection with the drydock period of the Nordic Harrier are not included in this table because the vessel had not operated in the spot market prior to May 1, 2011 and as a result, the number of calendar and off-hire days would not have an impact on the comparison of TCE rate per day.

(3) Time Charter Equivalent, ("TCE"), results from Net Voyage Revenue divided by Total TCE days.

Voyage revenue was \$130.7 million for the year ended December 31, 2012 compared to \$94.8 million for the year ended December 31, 2011, representing an increase of 37.9%. The increase in voyage revenue was primarily a result of changes to the presentation of net voyage revenues from cooperative arrangements from net basis presentation to gross basis presentation, effective as of November 5, 2012, as of which date the Orion Tankers pool consisted only of vessels owned by the Company.

Voyage expenses were \$38.7 million for the year ended December 31, 2012, compared to \$14.9 million for the year ended December 31, 2011, representing an increase of 159.2%. The increase in voyage expenses was primarily a result of changes to the presentation of net voyage revenues from cooperative arrangements from net basis presentation to gross basis presentation, effective as of November 5, 2012, as of which date the Orion Tankers pool consisted only of vessel owned by the Company. For the period ended November 5, 2012 voyage expenses consisted of fuel, port charges and commissions from all our vessels operated in the spot market.

Net voyage revenue were \$92.0 million for the year ended December 31, 2012, compared to \$79.9 million for the year ended December 31, 2011, representing an increase of 15.2%. The increase in net voyage revenues was primarily a result of an increase in revenue days of 8.2%, due to revenue days for the full year in 2012 for the three vessels delivered in 2011, and due to revenue days for the full year in 2012 for the Nordic Harrier which was employed in the spot market pursuant to a cooperative arrangement on May 1, 2011. The increase in net voyage revenues was also the result of an increase in the spot market rates for the period. Average TCE rate was \$13,601 for the year ended December 31, 2012 compared to \$12,777 for the year ended December 31, 2011, representing an increase of 6.5%. The revenue days consist of vessel calendar days less vessel off-hire days. The increase in off hire days to 555 days for the year ended December 31, 2012 from 116 days for the year ended December 31, 2011 was primarily the result of planned off hire days in connection with our eight vessels that required dry dockings in 2012.

Vessel operating expenses were \$63.9 million for the year ended December 31, 2012 compared to \$54.9 million for the year ended December 31, 2011, an increase of 16.6%. The increase in operating expenses was a result of an increase in operating days of 14.9%, due to operating days for the full year in 2012 of the three vessels delivered in 2011, and due to operating days for the Nordic Harrier which was employed in the spot market from May 1, 2011. The increase in operating expenses was also due to an increase in the average operating expenses per day of \$8,700 for the year ended December 31, 2012 from \$8,600 per day for the year ended December 31, 2011.

General and administrative expenses were \$14.7 million for the year ended December 31, 2012 compared to \$15.4 million for the year ended December 31, 2011, a decrease of 4.5%. The decrease of \$0.7 million is a result of an increase of \$1.1 million related to share-based compensation and pension costs, an increase of \$0.5 million in salary, wages and management fee, offset by a decrease of \$2.3 million in legal fees due to the arbitration procedures for the Nordic Galaxy expensed in 2011. General and administrative expenses for the year ended December 31, 2012 include \$4.2 million in expenses related to share-based compensation and pension costs as compared to \$3.1 million for the year ended December 31, 2011. The increase in general and administrative expenses of \$1.1 million related to share-based compensation and pension costs for the year ended December 31, 2012 compared for the year ended December 31, 2011, is a result of an increase in costs of \$1.5 million related to the issuance of restricted shares to the Manager under the Management Agreement after a follow-on offering that was conducted in January 2012 as compared to no such costs for the year ended December 31, 2011. In addition, a decrease in costs of \$0.4 million for the year ended December 31, 2012 is attributable to foreign currency exchange fluctuations of \$0.8 million and increase of \$0.6 million as a result of the financial assumptions related to deferred compensation agreements which are denominated in Norwegian Krone.

Depreciation expenses were \$69.2 million for the year ended December 31, 2012 compared to \$64.6 million for the year ended December 31, 2011, an increase of 7.1%. The increase of \$4.6 million in depreciation expenses for the year ended December 31, 2012 compared to the year ended December 31, 2011 is a result of an increase of depreciation for the full year in 2012 of the three vessels delivered in 2011, and an increase in amortization expenses of drydocking costs related to capitalized drydocking costs during 2012 and 2011.

Impairment Loss on vessels was \$12.0 million for the year ended December 31, 2012 compared to \$0.0 million for the year ended December 31, 2011. The impairment loss relates to one vessel where we believed that future undiscounted cash flow was less than the carrying value. A portfolio approach would cause no impairment charge as the combined undiscounted cashflows are considerably in excess of the combined carrying value of our fleet.

Loss on Contract was \$0.0 million for the year ended December 31, 2012 compared to \$16.2 million for the year ended December 31, 2011. Loss on Contract was a result of the award granted by the arbitral tribunal related to the arbitration involving the Nordic Galaxy in 2011.

Net operating loss was \$67.9 million for the year ended December 31, 2012 compared to net operating loss of \$71.2 million for the year ended December 31, 2011, a decrease of 4.7%. The decrease in net operating loss of \$3.3 million was due to an increase in revenue days and an increase in spot market rates, offset by an increase in vessel operating expenses and depreciation expenses due to expansion of the fleet by three vessels during 2011. The net operating loss was also impacted by recorded an impairment loss on vessels of \$12.0 million for the year ended December 31, 2012 and by recorded an loss of contract of \$16.2 million for the year ended December 31, 2011.

Interest income was \$0.4 million for the year ended December 31, 2012 compared to \$1.2 million for the year ended December 31, 2011, a decrease of \$0.8 million. The decrease in interest income was primarily due to the Company recorded interest income of \$0.0 million derived from a loan furnished to the seller of Nordic Galaxy for the year ended December 31, 2012 compared to \$1.2 million for the year ended December 31, 2011. The decrease in interest income was offset by an increase in interest income of \$0.4 million for the year ended December 31, 2012 compared

to \$0.0 million for the year ended December 31, 2011 due to increase of cash on hand.

Interest expense was \$5.9 million for the year ended December 31, 2012 compared to \$2.1 million for the year ended December 31, 2011. The increase in interest expenses for the year ended December 31, 2012 is the result of an increase in amounts borrowed under the 2005 Credit Facility to \$250.0 million from \$230.0 million as of December 31, 2011. The increase in interest expenses is also the result of an increase of amortization of deferred finance costs in connection with refinancing of the 2012 Credit Facility and an increase in interest rates for the year ended December 31, 2012 compared to the year ended December 31, 2011.

Inflation

Inflation has had only a moderate effect on our expenses given recent economic conditions. In the event that significant global inflationary pressures appear, these pressures would increase our operating costs.

B. Liquidity and Capital Resources

Our Credit Facilities

2005 Credit Facility

We had a \$500 million revolving credit facility, which is referred to as the 2005 Credit Facility. The 2005 Credit Facility provided funding for future vessel acquisitions and general corporate purposes. Amounts borrowed under the 2005 Credit Facility borne interest at an annual rate equal to LIBOR plus a margin between 0.7% and 1.2% (depending on the loan to vessel value ratio). We paid a commitment fee of 30% of the applicable margin on any undrawn amounts. Borrowings under the 2005 Credit facility were secured by first priority mortgage over the Company's vessels and assignment of earning and insurance.

The 2005 Credit Facility was repaid to the lenders on November 14, 2012.

2012 Credit Facility

On October 26, 2012, we entered into a \$430 million revolving credit facility with a syndicate of lenders in order to refinance the 2005 Credit Facility, fund future vessel acquisitions and for general corporate purposes (the "2012 Credit Facility"). Amounts borrowed under the 2012 Credit Facility bear interest at an annual rate equal to LIBOR plus a margin and the Company pays a commitment fee, which is a percentage of the applicable margin, on any undrawn amounts. The 2012 Credit Facility matures in late October 2017.

Borrowings under the 2012 Credit Facility are secured by first priority mortgages over the Company's vessels and assignments of earnings and insurance. Under the 2012 Credit Facility, we are subject to certain covenants requiring among other things, the maintenance of (i) a minimum amount of equity; (ii) a minimum equity ratio; (iii) a minimum level of liquidity; and (iv) positive working capital. The 2012 Credit Facility also includes customary events of default including non-payment, breach of covenants, insolvency, cross default and material adverse change. The Company is permitted to pay dividends in accordance with its dividend policy as long as it is not in default under the 2012 Credit Facility. The finance costs of \$6.1 million incurred in connection with the refinancing of the 2012 Credit Facility are deferred and amortized over the term of the 2012 Credit Facility on a straight-line basis.

As of December 31, 2013 and December 31, 2012 the Company had \$250.0 million outstanding under the 2012 Credit Facility and \$180.0 million available for additional borrowing. We were in compliance with our loan covenants under the 2012 Credit Facility as of December 31, 2013 and December 31, 2012. Cash on hand was \$65.7 million as of December 31, 2013.

Management believes that the Company's working capital is sufficient for its present requirements.

Cash Flow

YEAR ENDED DECEMBER 31, 2013 COMPARED TO YEAR ENDED DECEMBER 31, 2012

Cash flows (used in) operating activities increased to (\$47.3) million for the year ended December 31, 2013 from (\$0.6) million for the year ended December 31, 2012. The increase in cash flows used in operating activities is primarily due to a decrease in spot market rates, an increase in offhire days and cash tied up in short term receivables. The increase in short term receivables of \$ 20.8 million is due to higher activity in December 2013 compared to December 2012.

Cash flows (used in) investing activities decreased to (\$73.3) million for the year ended December 31, 2013 compared to cash flows provided by investing activities of \$6.1 million for the year ended December 31, 2012. Cash flows used in investing activities during 2013 consist primarily of the acquisition of Nordic American Offshore Ltd and Scandic American Shipping Ltd. \$18.1 million of the purchase price of Scandic American Shipping Ltd. was paid in shares, which was issued to the seller.

Cash flows provided by financing activities increased to \$130.9 million for the year ended December 31, 2013 compared to cash flow provided by financing activities of \$25.9 million for the year ended December 31, 2012. The financing activities for the year ended December 31, 2013 consist of proceeds from two follow-on offerings of \$172.6 million in total offset by dividends paid.

As of December 31, 2013, the Company had \$180.0 million available for additional borrowing under the 2012 Credit Facility. Cash on hand was \$65.7 million as of December 31, 2013. We believe that our borrowing capacity under the 2012 Credit Facility, together with the working capital, is sufficient to fund our ongoing operations and contractual obligations. For further information on contractual obligations please see Item 5F.

YEAR ENDED DECEMBER 31, 2012 COMPARED TO YEAR ENDED DECEMBER 31, 2011

Cash flows (used in) operating activities decreased to (\$0.6) million for the year ended December 31, 2012 from (\$12.2) million for the year ended December 31, 2011. The decrease in cash flows used in operating activities is primarily due to an increase in spot market rates and an increase in calendar days, offset by an increase of vessel operating expenses due to an increase in operating days for the three vessels delivered in 2011 and due to operating days for Nordic Harrier which was employed in the spot market from May 1, 2011.

Cash flows provided by investing activities increased to \$6.1 million for the year ended December 31, 2012 compared to cash flow (used) of (\$81.8) million for the year ended December 31, 2011. Cash flows provided by investing activities during 2012 consist primarily of loan repayment from the seller of Nordic Galaxy of \$9.0 million offset by vessel improvements of \$2.8 million. Cash flows (used in) investing activities during 2011 consist primarily of payments in connection with the delivery of the Nordic Breeze, the Nordic Aurora and the Nordic Zenith and payments in connection with vessel upgrade of the Nordic Harrier.

Cash flows provided by financing activities decreased to \$25.9 million for the year ended December 31, 2012 compared to cash flow provided by financing activities of \$100.7 million for the year ended December 31, 2011. The financing activities for the year ended December 31, 2012 consist of proceeds from our follow-on offering of \$75.6 million, the net proceeds from the drawdown of \$20.0 million under our 2005 Credit Facility less \$63.5 million paid in dividends and \$6.1 million of credit facility costs paid. The financing activities for the year ended December 31, 2011 represent net proceeds from a drawdown of \$155.0 million under the 2005 Credit Facility less \$54.3 million paid in dividends.

As of December 31, 2012, we had \$180.0 million available for additional borrowing under the 2012 Credit Facility. Cash on hand was \$55.5 million as of December 31, 2012.

C. Research and Development, Patents and Licenses, Etc.

Not applicable.

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D. Trend Information

The oil tanker industry has been highly cyclical, experiencing volatility in charterhire rates and vessel values resulting from changes in the supply of and demand for crude oil and tanker capacity. See Item 4. Information on the Company – Business Overview – The 2013 Tanker Market.

E. Off Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

F. Tabular Disclosure Of Contractual Obligations

The Company's contractual obligations as of December 31, 2013, consist of our obligations as borrower under our 2012 Credit Facility and our deferred compensation agreement for our Chairman, President and CEO and our Chief Financial Officer and EVP.

The following table sets out financial, commercial and other obligations outstanding as of December 31, 2013 (all figures in thousands of USD).

PART II

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
2012 Credit Facility (1)	250,000	-	-	250,000	-
Interest Payments (2)	34,883	9,100	18,200	7,583	-
Commitment Fees (3)	8,142	2,124	4,248	1,770	-
Deferred Compensation Agreement (4)	12,191	-	-	-	12,191
Total	305,216	11,224	22,448	259,353	12,191

Notes:

- (1) Refers to obligation to repay indebtedness outstanding as of December 31, 2013.
- (2) Refers to estimated interest payments over the term of the indebtedness outstanding as of December 31, 2013. Estimate based on applicable interest rate and drawn amount as of December 31, 2013.
- (3) Refers to estimated commitment fees over the term of the indebtedness outstanding as of December 31, 2013. Estimate based on applicable commitment fee and drawn amount as of December 31, 2013.
- (4) Refers to estimated deferred compensation agreements payable to the Company's CEO and CFO as of December 31, 2013.

The disclosed contractual obligations are based on estimates as of December 31, 2013. There may be uncertainties on the future obligations related to interest and commitment fees, as the LIBOR rate and the drawn amount may fluctuate.

CRITICAL ACCOUNTING ESTIMATES

We prepare our financial statements in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. Following is a discussion of the accounting policies that involve a high degree of judgment and the methods of their application. For a further description of our material accounting policies, please read Item 18 – Financial Statements— Note 2 – Summary of Significant Accounting Policies.

Revenue and voyage expense

Revenues and voyage expenses are recognized on an accruals basis. Revenues are generated from spot charters and cooperative arrangements.

Voyage revenues and voyage expenses are recognized ratably over the estimated length of each voyage and, therefore, are allocated between reporting periods based on the relative transit time in each period. The impact of recognizing voyage expenses ratably over the length of each voyage is not materially different on a quarterly and annual basis from a method of recognizing such costs when incurred. Probable losses on voyages are provided for in full at the time such losses can be estimated. Based on the terms of the customer agreement, a voyage is deemed to commence upon the completion of discharge of the vessel's previous cargo and is deemed to end upon the completion of discharge of the current cargo. However, we do not recognize revenue if a charter has not been contractually committed to by a customer and the Company, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage.

Spot Charters: Tankers operating in the spot market are typically chartered for a single voyage which may last up to several weeks. Under a voyage charter revenue is generated from freight billing, as we are responsible for paying voyage expenses and the charterer is responsible for any delay at the loading or discharging ports. When our tankers are operating on spot charters the vessels are traded fully at the risk and reward of the Company. For vessels operating in the spot market other than through the pool (described below under "Cooperative arrangement"), the vessels will be operated by the pool manager. Under this type of employment, the vessel's revenues are not included in the profit sharing of the participating vessels in the pool. We consider it appropriate to present this type of arrangement on a gross basis in the Statements of Operations. See note 2 to our audited financial statements for further information concerning our accounting policies.

Cooperative arrangement: The pool manager of the cooperative arrangements has the responsibility for the commercial management of the participating vessels, including marketing, chartering, operating and purchasing bunker (fuel oil) for the vessels. Revenue is generated from freight billing, as the pool manager is responsible for paying voyage expenses and the charterer is responsible for any delay at the loading or discharging ports. The pool manager employs the vessels in the pool under a contract with a particular charterer for a number of voyages, with each single voyage or contract of carriage being performed by a pool vessel after nomination by the pool manager. Each participant in the pool shall, in relation to each of its vessels, maintain the vessel in a seaworthy condition and to defined technical and operational standards and obtain and maintain the required number of vettings. The owners of the participating vessels remain responsible for the technical costs including crewing, insurance, repair and maintenance, financing and technical management of their vessels. The revenues, less voyage expenses, or net pool earnings of all of the vessels are aggregated and divided by the actual earning days each vessel is available during the period.

From November 2011 and through November 5, 2012, the date on which Frontline completed the withdrawal of all of its vessel from the Orion Tankers pool, we have considered it appropriate to present this type of arrangement on a net basis in its Statements of Operations. Effective November 5, 2012 we have considered it appropriate to present this type of arrangement on a gross basis in our Statement of Operations. See Note 2 to our audited financial statements.

Long-lived assets

A significant part of the Company's total assets consists of our vessels. The oil tanker market is highly cyclical. The useful lives of our vessels are principally dependent on the technical condition of our vessels.

Vessels are stated at their historical cost, which consists of the contracted purchase price and any direct expenses incurred upon acquisition (including improvements, on site supervision expenses incurred during the construction period, commissions paid, delivery expenses and other expenditures to prepare the vessel for its initial voyage) less accumulated depreciation. Financing costs incurred during the construction period of the vessels are also capitalized and included into each vessel's cost based on the weighted average method. Certain subsequent expenditures for conversions and major improvements are also capitalized if it is determined that they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessel. Depreciation is calculated based on cost less estimated residual value, and is provided over the estimated useful life of the related assets using the straight-line method. The estimated useful life of a vessel is 25 years from the date the vessel is delivered from the shipyard. Repairs and maintenance are expensed as incurred.

Management uses considerable judgment when establishing the depreciable lives of our vessels. In order to estimate useful lives of our vessels, Management must make assumptions about future market conditions in the oil tanker market. We consider the establishment of depreciable lives to be a critical accounting estimate.

We are not aware of any regulatory changes or environmental liabilities that we anticipate will have a material impact on our current or future operations.

Drydocking

The Company's vessels are required to be drydocked approximately every 30 to 60 months. The Company capitalizes a substantial portion of the costs incurred during drydocking and amortizes those costs on a straight-line basis from the completion of a drydocking or intermediate survey to the estimated completion of the next drydocking.

Drydocking costs include a variety of costs incurred while vessels are placed within drydock, including expenses related to the in dock preparation and port expenses at the drydock shipyard, general shipyard expenses, expenses related to hull, external surfaces and decks, expenses related to machinery and engines of the vessel, as well as expenses related to the testing and correction of findings related to safety equipment on board. Consistent with prior periods, the Company includes in capitalized drydocking those costs incurred as part of the drydock to meet classification and regulatory requirements. The Company expenses costs related to routine repairs and maintenance performed during drydocking, and for annual class survey costs. Ballast tank improvements are capitalized and amortized on a straight-line basis over a period of eight years. The capitalized and unamortized drydocking costs are included in the book value of the vessels. Amortization expense of the drydocking costs is included in depreciation expense.

If we change our estimate of the next drydock date, we will adjust our annual amortization of drydocking expenditures accordingly.

Vessel Impairment

The carrying values of the Company's vessels may not represent their fair value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. Historically, both charter rates and vessel values tend to be cyclical. Our vessels are evaluated for possible impairment whenever events or changes in circumstances indicate that the carrying amount of a vessel may not be recoverable. If the estimated undiscounted future cash flows expected to result from the use of the vessel and its eventual disposition is less than the carrying amount of the vessel, the vessel is deemed impaired. Impairment charges may be limited to each individual vessels or be based on a portfolio approach. In 2012, we recognized impairment charges on one vessel using an individual approach. There was no impairment on vessels in 2013 and 2011. The amount of the impairment is measured as the difference between the carrying value and the estimated fair value of the vessel. This assessment is made at the individual vessel level as separately identifiable cash flow information for each vessel is available.

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, operating expenses, capital expenditures, 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 as well as future expectations. The estimated net operating cash flows are determined by considering an estimated daily time charter equivalent for the remaining operating days. We estimate the daily time charter equivalent for the remaining operating days utilizing fifteen year historical average spot market rates for similar vessels over the remaining estimated life of the vessel, assumed to be 25 years from the delivery of the vessel from the shipyard, net of brokerage commissions, expected outflows for vessels' maintenance and vessel operating expenses (including planned drydocking expenditures). The salvage value used in the impairment test is estimated to be \$9.7 million per vessel. If our estimate of undiscounted future cash flows for any vessel is lower than the vessel's carrying value, the carrying value is written down, by recording a charge to operations, to the vessel's fair market value if the fair market value is lower than the vessel's carrying value. Fair market value is calculated based on estimated discounted operating cashflow. Although we believe that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective. There can be no assurance as to how long charter rates and vessel values will remain at their currently low levels or whether they will improve by any significant degree.

Estimated outflows for operating expenses and drydocking requirements are based on historical and budgeted costs. Finally, utilization is based on historical levels achieved.

During the fourth quarter 2012, we identified one vessel where we believed that future undiscounted cash flows for the vessel were less than the carrying value and therefore not fully recoverable. The impairment loss of \$12.0 million which was recorded was equal to the difference between the asset's carrying value and estimated fair value.

The Total Fleet – Comparison of Carrying Value versus Market Value: During the past six years, the market values of vessels have experienced particular volatility, with substantial declines in many vessel classes. There are few transactions in the second hand market for Suezmax tankers. According to Clarkson Ltd. 68 Suezmax tankers were sold and bought in total during 2009, 2010, 2011, 2012 and 2013. We believe that the NAT fleet should be valued as a transportation system as it is not meaningful under our strategy to assess the value of each individual vessel.

Factors and conditions which could impact our estimates of future cash flows of our vessels include:

- Declines in prevailing market charter rates;
- Changes in behaviors and attitudes of our charterers towards actual and preferred technical, operational and environmental standards; and
- Changes in regulations over the requirements for the technical and environmental capabilities of our vessels.

Our estimates of 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, and are held for use. Our estimates are based on the estimated market values for our vessels that we have received from shipbrokers and these are inherently uncertain. The market value of a vessel as determined by shipbrokers could be an arbitrary assessment giving an estimate of a value for a transaction that has not taken place. There is very low liquidity in the secondhand market for our type of vessels. The valuation of the Company in the stock market should not be based upon net asset value (NAV), a measure that only is linked to the steel value of our ships. NAT has its own ongoing system value with a homogenous fleet. Based on our unique business model an alternative method to measure the value of our fleet is the implied value expressed by the stock price.

The table set forth below indicates (i) The rates used for the period, (ii) The break even rate and (iii) actual rates.

(\$ per day)	Rates used (1)			Break even	Actual Rates (3)	
	First year	Second year	Thereafter	rate (2)	2013	2009-2013
NAT fleet	17,370	14,438	29,521	25,273	11,100	17,188

1. We use an average estimated day rate provided by Marex Spectron for the first and second year, and the average 15 year Suezmax Earnings Trend from Clarkson for the years thereafter. Both are adjusted for average achieved TCE rate for NAT.
2. The break even rate is the lowest rate used instead of the rates described in (1) which would result in the undiscounted cash flow not recovering the book value.
3. Actual rates are the trailing average day rate achieved by NAT for 2013 and the five year period 2009-2013.

If trailing five year average historical rates had been used in the cash flow forecast, the carrying value of all of our vessels would have been impaired. Using the trailing one year average rates in the cash flow forecast, would have resulted in the carrying value for each of our vessels not being recovered.

The table set forth below indicates (i) the carrying value of each of our vessels as of December 31, 2013, (ii) which of those vessels we believe has a market value, based on shipbrokers reports, below its carrying value, and (iii) the aggregate difference between carrying value and market value represented by such vessels.

Vessel	Built	Deadweight Tons	Delivered to NAT	Carrying Value \$ millions
Nordic Harrier*	1997	151,459	August 1997	27.8
Nordic Hawk *	1997	151,475	October 1997	31.1
Nordic Hunter*	1997	151,401	December 1997	29.0
Nordic Voyager*	1997	149,591	November 2004	25.0
Nordic Freedom*	2005	159,331	March 2005	55.1
Nordic Fighter*	1998	153,328	March 2005	40.3
Nordic Discovery*	1998	153,328	August 2005	43.4
Nordic Saturn*	1998	157,331	November 2005	42.0
Nordic Jupiter*	1998	157,411	April 2006	43.8
Nordic Apollo*	2003	159,998	November 2006	58.5
Nordic Moon*	2002	160,305	November 2006	57.4
Nordic Cosmos*	2003	159,999	December 2006	59.1
Nordic Sprite*	1999	147,188	February 2009	41.8
Nordic Grace*	2002	149,921	July 2009	45.7
Nordic Mistral*	2002	164,236	November 2009	41.8
Nordic Passat*	2002	164,274	March 2010	43.4
Nordic Vega*	2010	163,940	December 2010	80.2
Nordic Breeze*	2011	158,597	August 2011	61.5
Nordic Aurora*	1999	147,262	September 2011	22.5
Nordic Zenith*	2011	158,645	November 2011	62.0

*Indicates vessel for which we believe that the carrying value of the vessel exceeds the market value, based on uncertain estimates by shipbrokers as of December 31, 2013. We believe that the aggregate carrying value of our

vessels exceeds their aggregate market value by approximately \$436.0 million.

Goodwill

We allocate the cost of acquired companies to the fair value of identifiable tangible and intangible assets and liabilities acquired, with the remaining amount being classified as goodwill. Our future operating performance may be affected by the potential impairment charges related to goodwill. Accordingly, the allocation of the purchase price to goodwill may affect our future operating results. Goodwill is not amortized, but reviewed for impairment annually, or more frequently if impairment indicators arise. The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis.

The allocation of the purchase price of acquired companies requires management to make significant estimates and assumptions, including estimates of future cash flows expected to be generated by the acquired assets and the appropriate discount rate to value these cash flows. In addition, the process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis. The evaluation has been performed in accordance with ASC 350-20-35

As of December 31, 2013, we had one reporting unit with goodwill attributable to it.

As of the date of this Annual Report, we do not believe that there is a reasonable possibility that the goodwill might be impaired within the next year. However, certain factors that impact our goodwill impairment tests are inherently difficult to forecast and as such we cannot provide any assurances that an impairment will or will not occur in the future. An assessment for impairment involves a number of assumptions and estimates that are based on factors that are beyond our control. Please read "Part I—Forward-Looking Statements."

RECENT ACCOUNTING PRONOUNCEMENTS

There are no recent pronouncements issued whose adoption would have a material impact on the Company's consolidated financial statements in the current year or are expected to have a material impact on future years.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors And Senior Management

Directors and Senior Management of the Company and the Manager

Pursuant to the Management Agreement with Scandic American Shipping Ltd., or the Manager, the Manager provides administrative, commercial and operational services to us for the fiscal year ended 2013. The Manager was owned by a company controlled by Herbjørn Hansson, our Chairman and Chief Executive Officer and his family. The Manager may engage in business activities other than with respect to the Company. Effective January 10, 2013, the Company acquired 100% of the Manager which is now a consolidated subsidiary. See Item 4—Information on the Company—Business Overview— The Management Agreement.

Set forth below are the names and positions of the directors of the Company and senior management of the Company and the Manager. The directors of the Company are elected annually, and each director elected holds office until a successor is elected. Officers of both the Company and the Manager are elected from time to time by vote of the respective Board of Directors and hold office until a successor is elected.

The Company

Name	Age	Position
Herbjørn Hansson	66	Chairman, Chief Executive Officer, President and Director
Andreas Ove Ugland	59	Vice Chairman, Director and Audit Committee Chairman
Jan Erik Langangen	63	Executive Vice President—Business Development and Legal and Director
James Gibbons	49	Director
Richard H. K. Vietor	68	Director
Jim Kelly	60	Director and Audit Committee Member
Turid M. Sørensen	53	Chief Financial Officer & EVP

The Manager

Name	Age	Position
Herbjørn Hansson	66	Chairman and Chief Executive Officer
Frithjof Bettum	52	Senior Vice President Technical Operations
Jan Halvard Aas Møller	29	Financial Manager
Rolf Amundsen	69	Advisor *
Marianne Lie	52	Advisor *
John G. Bernander	56	Advisor *

* part time

Certain biographical information with respect to each director and senior management of the Company and the Manager listed above is set forth below.

Herbjørn Hansson earned his M.B.A. at the Norwegian School of Economics and Business Administration and Harvard Business School. In 1974 he was employed by the Norwegian Shipowners' Association. In the period from 1975 to 1980, he was Chief Economist and Research Manager of INTERTANKO, an industry association whose members control about 70% of the world's independently owned tanker fleet, excluding state owned and oil company fleets. During the 1980s, he was Chief Financial Officer of Kosmos/Anders Jahre, at the time one of the largest Norwegian based shipping and industry groups. In 1989, Mr. Hansson founded Ugland Nordic Shipping AS, or UNS, which became one of the world's largest owners of specialized shuttle tankers. He served as Chairman in the first phase and as Chief Executive Officer as from 1993 to 2001 when UNS, under his management, was sold to Teekay Shipping Corporation, or Teekay, for an enterprise value of \$780.0 million. He continued to work with Teekay, recently as Vice Chairman of Teekay Norway AS, until he started working full-time for the Company on September 1, 2004. Mr. Hansson is the founder and has been Chairman and Chief Executive Officer of the Company since its establishment in 1995. He also has been a member of various governing bodies of companies within shipping, insurance, banking, manufacturing, national/international shipping agencies including classification societies and protection and indemnity associations. Mr. Hansson is fluent in Norwegian and English, and has a command of German and French for conversational purposes.

Andreas Ove Ugland has been a director of the Company since 1997. Mr. Ugland has also served as director and Chairman of Ugland International Holding plc, a shipping/transport company listed on the London Stock Exchange; Andreas Ugland & Sons AS, Grimstad, Norway, Høegh Ugland Autoliners AS, Oslo and Buld Associates Inc., Bermuda. Mr. Ugland has spent his whole career in shipping in the Ugland family owned shipping group. Mr. Ugland is Chairman of our Audit Committee.

Jan Erik Langangen has been a director of the Company since June 2010. Mr. Langangen was the Executive Vice President, Business Development and Legal, of the Manager from November 2004 until September 2010. From October 2010 Mr. Langangen is employed by the Company. Mr. Langangen previously served as the Chief Financial Officer from 1979 to 1983, and as Chairman of the Board from 1987 to 1992, of Statoil, an oil and gas company that is controlled by the Norwegian government and that is the largest company in Scandinavia. He also served as Chief Executive Officer of UNI Storebrand from 1985 to 1992. Mr. Langangen was also Chairman of the Board of the Norwegian Governmental Value Commission from 1998 to 2001, being appointed by the Norwegian Prime Minister. Mr. Langangen is a partner of Langangen & Helset, a Norwegian law firm and previously was a partner of the law firm Langangen & Engesæth from 1996 to 2000 and of the law firm Thune & Co. from 1994 to 1996. Mr. Langangen received a Masters of Economics from The Norwegian School of Business Administration and his law degree from the University of Oslo.

James Gibbons has been a director of the Company since September 2013. Mr. Gibbons was educated at Harrow School, England and received a BSBA in Finance from Georgetown University in 1985. Mr. Gibbons has worked as a registered representative for Prudential Bache Securities 1985-1986, as a Director of Gibbons Management Services Limited from 1986-1989, as Managing Director of Gibbons Deposit Company Limited from 1989-1999, as President and CEO of CAPITAL G Limited from 1999 – 2010 Chairman of Capital G Bank Limited 1999 - 2013 and is currently Treasurer of Edmund Gibbons Limited, the Chairman of Harbour International Trust Company Limited, a Director of Capital G Bank Limited and President of Bermuda Air Conditioning Limited. Mr. Gibbons is an Independent Director of RenaissanceRe Holdings Ltd and other Boards, and was a member of Bermuda Government's Council of Economic Advisors, The Waterfront Task Force, and Monetary Advisory Committee, the Mayor's Commission on the Future of the City of Hamilton and Public Funds Investment Committee. Mr. Gibbons is currently a member of Youthnet's Advisory Board and an Honorary Trustee of the Bermuda Underwater Exploration Institute.

Richard H. K. Vietor has been a director of the Company since July 2007. Mr. Vietor is the Paul Whiton Cherrington Professor of Business Administration where he teaches courses on the regulation of business and the international political economy. He was appointed Professor in 1984. Before coming to Harvard Business School in 1978, Professor Vietor held faculty appointments at Virginia Polytechnic Institute and the University of Missouri. He received a B.A. in economics from Union College in 1967, an M.A. in history from Hofstra University in 1971, and a Ph.D. from the University of Pittsburgh in 1975.

Jim Kelly has been a director of the Company since June 2010. Mr. Kelly has worked for Time Inc., the world's largest magazine publisher, since 1978. He served as Foreign Editor during the fall of the Soviet Union and the first Gulf War, and was named Deputy Managing Editor in 1996. In 2001, Mr. Kelly became the magazine's managing editor, and during his tenure the magazine won a record four National Magazine awards. In 2004, Time Magazine received its first EMMA for its contribution to the ABC News Series "Iraq: Where Things Stand." In late 2006, Mr. Kelly became the managing editor of all of Time Inc., helping supervise the work of more than 2,000 journalists working at 125 titles, including Fortune, Money, Sports Illustrated and People. Since 2009, Mr. Kelly has worked as a consultant at Bloomberg LP and taught at Princeton and Columbia Universities. Jim Kelly was elected as member of our Audit Committee in February, 2012.

Turid M. Sørensen was appointed Executive Vice President & Chief Financial Officer June 1, 2012. She previously served as Chief Financial Officer from February 6, 2006. Ms. Sørensen has a Bachelor's Degree in Business Administration from the Norwegian School of Management, a M.B.A. in Management Control from the Norwegian School of Economics and Business Administration and Advanced Management Program from Harvard Business School. She has 29 years of experience in the shipping industry. During the period from 1984 to 1987, she worked for Anders Jahre AS and Kosmos AS in Norway and held various positions within accounting and information technology. In the period from 1987 to 1995, Ms. Sørensen was Manager of Accounting and IT for Skaugen PetroTrans Inc., in Houston, Texas. After returning to Norway she was employed by Ugland Nordic Shipping ASA and Teekay Norway AS as Vice President, Accounting. From October 2004 until her appointment as Chief Financial Officer in February 2006, she served as our Treasurer and Controller. In June 2012, she became Chief Financial Officer & EVP.

Frithjof Bettum was appointed Senior Vice President—Technical Operations & Chartering of the Manager on October 1, 2005. Mr. Bettum has a Mechanical Engineering degree from Vestfold University College. Mr. Bettum has 25 years of experience in the shipping and the offshore business. From 1984 to 1992, Mr. Bettum was employed by Allum Engineering AS in Sandefjord, Norway where he served as project manager. At Allum Engineering AS Mr. Bettum worked on projects in the areas of engineering, the new building and conversion management of shuttle tankers, Floating Production, Storage and Offloading (FPSO), semi-submersible drilling units and the shore based manufacturer industry. From 1993 to 2001, Mr. Bettum was employed by Nordic American Shipping AS (which later became Ugland Nordic Shipping ASA) where he served as Technical Director in Ugland Nordic Shipping ASA and President of Ugland Stena Storage AS. In 2004, Mr. Bettum joined Teekay Norway AS as Director Offshore where he was responsible for business development, the daily operations of the company and the conversion of shuttle tankers and offshore units.

Jan Halvard Aas Møller was appointed Financial Manager of the Manager on June 1, 2013. Mr. Møller has a Master's Degree in Audit and Accounting from the Norwegian School of Economics and Business Administration, and is a State Authorized Public Accountant. From 2006 to he was hired by the Company Mr. Møller was employed by KPMG as an auditor and consultant and worked in both capacities with several companies listed both in Europe and the United States.

Rolf Amundsen was appointed Advisor to the Chairman in February 2013. He previously served as Chief Investor Relations Officer and Advisor to the Chairman from February 6, 2006. He has also served as our Chief Financial

Officer from June 2004 until February 2006. Mr. Amundsen has an M.B.A. in economics and business administration, and his entire career has been in international banking. Previously, Mr. Amundsen has served as the President of the Financial Analysts' Society in Norway. Mr. Amundsen served as the chief executive officer of a Nordic investment bank for many years, where he established a large operation for the syndication of international shipping investments.

Marianne Lie was appointed Advisor to the Chairman in June 2009. Having broad international experience, Marianne Lie has been and still is a board member of several Norwegian companies mainly within the shipping, offshore business, energy and finance industries. She is a member of the shareholders Committee of the Central Bank of Norway. She was in the Norwegian Shipowners Association from 1988 until 1998, after which she was managing director of the Norwegian Branch of Vattenfall, a Swedish based energy group. Ms. Lie was also a board member of the Finnish energy group Fortum. She was managing director of the Norwegian Shipowners Association from 2002 to 2008. Ms. Lie has studied law and political science at the University of Oslo.

John G. Bernander was appointed Advisor to the Chairman in June 2012. After some years as a practicing lawyer and corporate counsel for companies such as Johan G Olsen Industrier AS and the regional bank Sørlandsbanken AS he has been engaged in politics both on the regional and national scene. He is a former Member of Parliament, Deputy Minister of the Department of Trade and Industry and of the City Council of Kristiansand. From 1991 to 1994 he was the Deputy Leader of the Conservative Party. After leaving active politics he has held a number of positions in Norwegian commercial life, most notably as CEO of the Gard P&I Club and Gard Services AS (1993 to 2001), CEO and Editor in Chief of the Norwegian Broadcasting Company, NRK (2001 to 2007) and until recently CEO of the Norwegian Federation of Enterprises, NHO (2009 to 2012) Norway.

B. Compensation

2011 Equity Incentive Plan

In 2011, the Board of Directors approved a new incentive plan under which a maximum of 400,000 common shares were reserved for issuance. A total of 400,000 restricted common shares that are subject to vesting were allocated among 23 persons employed in the management of the Company, the Manager and the members of the Board. The vesting period is four-year cliff vesting period for 326,000 shares and five-year cliff vesting period for 74,000 shares, that is, none of these shares may be sold during the first four or five years after grant, as applicable, and the shares are forfeited if the grantee discontinues to work for the Company before that time. The holders of the restricted shares are entitled to voting rights as well as receive dividends paid during the vesting period. The Board considers this arrangement to be in the best interests of the Company.

In 2012, the Company repurchased at par value, 8,500 unvested restricted common shares and these restricted common shares are held as treasury shares. As of December 31, 2012, a total number of 391,500 unvested restricted common shares were allocated among 21 persons employed in the management of the Company, the Manager and the members of the Board of Directors.

On January 10, 2013, the Manager became a wholly-owned subsidiary of the Company. The Board of Directors amended the vesting requirements for the 174,000 shares allocated to the Manager under the 2011 Equity Incentive Plan and the vesting requirements were lifted.

In 2013, the Company repurchased at par value, 14,500 unvested restricted common shares and these restricted common shares are held as treasury shares. As of December 31, 2013, a total number of 203,000 unvested restricted common shares were allocated among 17 employees.

A copy of the 2011 Equity Incentive Plan is filed as Exhibit 4.14 to the Company's annual report on Form 20-F for the fiscal year ended December 31, 2011.

Compensation of Directors

The five directors received, in the aggregate, \$471,000 in cash fees for their services as directors for the year ended December 31, 2013. The Vice Chairman of the Board of Directors received an additional annual cash compensation of \$10,000 in 2013. The members of the Audit Committee receive an additional annual cash retainer of \$12,000 each per year. The Chairman of the Audit Committee receives an additional annual cash compensation of \$6,000 per year. We do not pay director fees to the Chairman, President and Chief Executive Officer. We do, however, reimburse all of our directors for all reasonable expenses incurred by them in connection with their services as members of our Board of Directors.

Executive Pension Plan

Our Chairman, President and Chief Executive Officer and our Chief Financial Officer & EVP have individual deferred compensation agreements. The Chief Executive Officer has served in his present position since the inception of the Company in 1995. Please see Note 6 to the audited financial statements for further information about the agreements.

Employment Agreements

As of December 31, 2013 we have employment agreements with Herbjørn Hansson, our Chairman, President & Chief Executive Officer, Turid M. Sørensen, our Chief Financial Officer & EVP, Rolf I. Amundsen, Advisor to the Chairman and Jan Erik Langangen, our Executive Vice President, Business Development & Legal. Mr. Hansson does not receive any additional compensation for his services as a director or Chairman of the Board. The aggregate compensation of our executive officers during the year ended December 31, 2013 was approximately \$2.5 million.

C. Board Practices

The members of the Company's Board of Directors serve until the next annual general meeting following his or her election to the board. The members of the current Board of Directors were elected at the annual general meeting held in 2013. The Company's Board of Directors has established an Audit Committee, consisting of two independent directors, Mr. Ugland and Mr. Gibbons for the year ended December 2011. In February 2012, the Audit Committee was expanded by one member when Mr. Kelly was elected. Sir David Gibbons resigned from the Audit Committee in 2013, and the Committee now consists of Mr. Ugland and Mr. Kelly. Mr. Ugland serves as the audit committee financial expert. The members of the Audit Committee received during 2013, additional remuneration of \$30,000 in aggregate for serving on the Audit Committee. The Audit Committee provides assistance to the Company's Board of Directors in fulfilling their responsibility to shareholders, and investment community relating to corporate accounting, reporting practices of the Company, and the quality and integrity of the financial reports of the Company. The Audit Committee, among other duties, recommends to the Company's Board of Directors the independent auditors to be selected to audit the financial statements of the Company; meets with the independent auditors and financial management of the Company to review the scope of the proposed audit for the current year and the audit procedures to be utilized; reviews with the independent auditors, and financial and accounting personnel, the adequacy and effectiveness of the accounting and financial controls of the Company; and reviews the financial statements contained in the annual report to shareholders with management and the independent auditors.

Pursuant to an exemption for foreign private issuers, we are not required to comply with many of the corporate governance requirements of the New York Stock Exchange that are applicable to U.S. listed companies, for more information, see Item 16G – Corporate Governance.

There are no contracts between us and any of our directors providing for benefits upon termination of their employment.

D. Employees

As at December 31, 2013, NAT had two full-time employees and 2 part-time employees. The Group had a total of 21 full time employees.

E. Share Ownership

With respect to the total amount of common stock owned by all of our officers and directors individually and as a group, see Item 7. "Major Stockholders and Related Party Transactions."

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information regarding the largest beneficial owners of our common shares and of our officers and directors as a group as of April 4, 2014. All of the shareholders, including the shareholders listed in this table, are entitled to one vote for each common stock held.

<To be updated close to filing>

Title	Identity of Person	No. of Shares	Percent of Class
Common	Herbjørn Hansson (1)	3,103,845	4.1 %
	James Gibbons		*
	Jim Kelly		*
	Richard Vietor		*
	Andreas Ove Ugland		*
	Richard Vietor		*
	Jan Erik Langangen		*
	Turid M. Sorensen		*
	Rolf Amundsen		*

* Less than 1% of our outstanding shares of common stock.

B. Related Party Transactions

Scandic American Shipping Ltd.:

In June 2004, the Company entered into a Management Agreement with Scandic American Shipping Ltd. ("Scandic" or the "Manager"). The Manager has been, from its inception and up to January 10, 2013, owned by a company controlled by the Chairman and Chief Executive Officer of the Company, Mr. Herbjørn Hansson and his family. In order to align the Manager's interests with those of the Company, the Company has as per the Management Agreement issued to the Manager restricted common shares equal to 2% of the Company's outstanding common shares.

The Manager has the daily administrative, commercial and operational responsibility for the Company's vessels and is required to manage the Company's day-to-day business subject to the Company's objectives and policies as established by the Board of Directors.

For its services under the Management Agreement, the Manager receives a management fee of \$150,000 per annum for the total fleet and is reimbursed for all of its costs incurred in connection with its services. The management fee was reduced from \$500,000 to \$150,000 per annum effective January 10, 2013. The management fee was increased

from \$350,000 to \$500,000 per annum effective December 1, 2011 up and until January 10, 2013.

The Company recognized \$3.9 million and \$3.8 million of total costs for services provided under the Management Agreement for the years ended December 31, 2012 and 2011, respectively. These costs are included in "General and Administrative Expenses" in the statements of operations. The related party balances included within accounts payable were \$1.5 million at December 31, 2012. All fees paid, and related party balances, are eliminated in the consolidated financial statements as of and for the year ended December 31, 2013.

In January 2012, the Company issued to the Manager 112,245 shares at a fair value of \$13.73, in connection with an underwritten public offering of 5,500,000 common shares. During 2011, the Company issued to the Manager 4,612 shares at an average fair value of \$14.45 in connection with the adoption of the 2011 Equity Incentive Plan. The Company recognized \$1.5 million and \$0.1 million in noncash share-based compensation expense for the years ended December 31, 2012 and 2011, respectively, related to the issuance of shares to the Manager. All of these costs are included in "General and Administrative Expenses" within the Statements of Operations. In connection with nine follow-on offerings, we have issued a total of 1,054,833 restricted shares to our Manager pursuant to the Management Agreement.

Effective January 10, 2013 the Company acquired Scandic American Shipping Ltd. The purchase price was \$33.3 million, \$18.1 million of which was paid in shares, \$8.0 million of which was paid in cash and \$7.2 million was payable to the seller, a company controlled by the President, and CEO, for additional assets which were sold during the first quarter of 2013. The number of shares issued were 1,910,112, trading at \$9.50 on the acquisition date. The share component of the purchase price was subject to a one-year lock-up, while the cash component was primarily used by the seller to pay taxes associated with this transaction.. The transaction was effective January 10, 2013, and the Manager is a wholly-owned subsidiary of the Company. In addition to gaining full direct control of the Manager's operations, the Company is no longer obligated to maintain the Managers ownership of the Company's common shares at 2%. The Company shares owned by the Manager were not part of the transaction and remained with the seller. The acquisition was accounted for using the acquisition method.

In February 2011, the Company adopted an equity incentive plan which we refer to as the 2011 Equity Incentive Plan, pursuant to which a total of 400,000 restricted shares were reserved for issuance. A total of 174,000 restricted shares were allocated to the Manager. The vesting period four-year cliff vesting period for 100,000 shares and five-year cliff vesting period for 74,000 shares, that is, none of these shares may be sold during the first four or five years after grant, as applicable, and the shares are forfeited if the grantee discontinues working for the Company before that time. The holders of the restricted shares are entitled to voting rights as well as receive dividends paid in the period. Under the terms of the Plan, the directors, officers and certain key employees of the Company and the Manager are eligible to receive awards which include incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, restricted stock units and other equity-based awards. On January, 10, 2013 the Board of Directors amended the vesting requirements for the 174,000 shares allocated to the Manager under the 2011 Equity Incentive Plan and the vesting requirements were lifted.

In February 2014, the Company paid our former director Paul J. Hopkins of \$99,300 for his agreed termination of his rights to 10,000 shares of common stock of the Company issued to him pursuant to the 2011 Equity Incentive Plan and in accordance with the relevant restricted stock award agreement dated April 19, 2011 and his service to the Company. The payment represents the fair market value of our common stock as reported at the closing of the New York Stock Exchange on February 11, 2014.

As of December 31, 2013, the Chairman and Chief Executive Officer of the Company Mr. Hansson and his family owned 4.78 % of the Company's shares. The Management Agreement terminates on the date which is ten years from the calendar date, so that the remaining term of the Management Agreement is always ten years unless terminated earlier in accordance with its terms, essentially related to non-performance or negligence by the Manager.

Board Member and Employees:

Mr. Jan Erik Langangen, Board Member and part-time employee of the Company, is a partner of Langangen & Helset Advokatfirma AS, a firm which provides legal services to the Company. The Company recognized \$0.1 million in costs in each of the years ended December 31, 2013, 2012 and 2011, respectively, for the services provided by Langangen & Helset Advokatfirma AS. These costs are included in "General and Administrative Expenses" within the

Statements of Operations. There was \$5,000 included within "Accounts Payable" at December 31, 2013 and no related amount at December 31, 2012.

Mr. Rolf Amundsen, the Advisor to the Chairman, is a partner of Amundsen & Partners AS, a firm which provides consultancy services to the Company. The Company recognized \$0.1 million in costs in each of the years ended December 31, 2013 and 2012 and 2011, respectively, for the services provided by Amundsen & Partners AS. These costs are included in "General and Administrative Expenses" within the Statements of Operations. There was \$10,000 included within "Accounts Payable" at December 31, 2013 and no related amount at December 31, 2012.

Orion Tankers Ltd.:

Orion Tankers Ltd. was established as equally owned by us and Frontline Ltd. (NYSE:FRO). In September 2012, it was agreed that Frontline would withdraw its nine Suezmax tankers from the pool during the fourth quarter of 2012. The withdrawal of these vessels was completed effective November 5, 2012. In September 2012, the Company announced that effective January 2, 2013 the Company will acquire Frontline's shares in Orion Tankers Ltd. at its nominal book value as of December 31, 2012, after which Orion Tankers Ltd. became a wholly-owned subsidiary of the Company.

As of December 31, 2012 the "Related party receivables" amounted to \$37.0 million. The "Related party receivable" amount represents the outstanding working capital from Orion Tankers pool. The working capital represents the value of bunkers on board our vessels at the time of vessel delivery to the cooperative arrangements, including payment of initial funding of \$0.2 million per vessel. The working capital is to be repaid to the Company within six months after the date of the withdrawal from the agreements.

As of December 31, 2012, the "Accounts Receivable, net related party" amounted to \$12.9 million. The "Accounts Receivable, net related party" amount represent the outstanding net voyage revenues from Orion Tankers pool.

As of December 31, 2013, Orion is a subsidiary and all intercompany balances and transactions have been eliminated in the consolidated financial statements.

Nordic American Offshore Ltd.:

Nordic American Offshore Ltd. ("NAO") was established on November 27, 2013 with a private equity placement of \$250 million, and will operate Platform Supply Vessels ("PSV") in the offshore sector. NAT participated with \$65 million in the equity placement, which gives an ownership of 26 %. NAO was accounted for using the equity method of accounting.

As compensation for coordinating the private placement NAT received 833,333 warrants with an exercise price of \$15.00 per common share. The warrants vest in 20 % increments at each 10% increase in the volume weighted average price, or VWAP, of NAO's common shares between increases of 25% to 65%. The VWAP must be above an exercise level for a minimum of 10 business days, with a minimum trading volume of \$2 million above exercise levels. The warrants mature on December 31, 2015.

Scandic will perform supportive functions for NAO from January 1, 2014 which will generate external revenues for the Group. In addition, costs incurred which in prior periods have been fully reimbursed by NAT will be partly reimbursed by NAO from January 1, 2014.

The related party balances included within accounts payable were \$0.2 million at December 31, 2013.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8.

FINANCIAL INFORMATION

A. Consolidated Statements and other Financial Information

See Item 18.

Legal Proceedings

Nordic Galaxy: In August 2010, we did not take delivery of the first of the two newbuilding vessels we agreed to acquire on November 5, 2007, because the vessel in our judgment was not in a deliverable condition as under the Memorandum of Agreement between the Company and the seller. The seller, a subsidiary of First Olsen Ltd, did not agree with the Company and the parties commenced arbitration procedures which took place in London, in October and November 2011. According to the first partial award received on November 18, 2011, the vessel was found to be in a deliverable condition in August 2010. The seller originally claimed \$26.8 million in compensation, which was the same amount as the outstanding loan balance between the Company and the seller as per December 31, 2010. However, the first partial award was limited to \$16.2 million. The recorded Loss on Contract did not have an impact on the Company's net cash flow

As a consequence of the first partial award, the seller repaid to us the net outstanding loan balance of \$10.6 million. In November 2011, the seller paid \$1.2 million in interest income to us in connection with the outstanding balance of the loan, which is presented as interest income in the Statement of Operations.

On January 17, 2012, we received the final award from the tribunal and as a consequence we shall be responsible for some of the legal costs of the seller. The Company recognized \$2.4 million, including the legal fees of the seller related to the Nordic Galaxy for the years ended December 31, 2011. These costs are included in "General and Administrative Expenses" in the Statement of Operations.

Nordic Harrier: In October 2010, Nordic Harrier was redelivered, from a long-term bareboat charter agreement, to the Company, and went directly into drydock for repair. The drydock period lasted until the end of April 2011. The vessel had not been technically operated according to sound maintenance practices by Gulf Navigation Company LLC, and the vessel's condition on redelivery to us was far below the contractual obligation of the charterer. All drydock expenses are capitalized and were paid during 2011.

A London arbitration panel ruled in favor of NAT at the end of January 2014 and awarded the Company \$10.2 million plus direct costs and calculated interest. Any amounts received will be recorded upon receipt.

Dividend Policy

Our policy is to declare quarterly dividends to shareholders as decided by the Board of Directors. The dividend to shareholders could be higher than the operating cash flow or the dividend to shareholders could be lower than the operating cash flow after reserves as the Board of Directors may from time to time determine are required, taking into account contingent liabilities, the terms of our Credit Facility, our other cash needs and the requirements of Bermuda law. However, if we declare a dividend in respect of a quarter in which an equity issuance has taken place, we calculate the dividend per share as our net operating cash flow for the quarter (after taking into account the factors described above) divided by the weighted average number of shares over that quarter. Net operating cash flow

represents net income plus depreciation and non-cash administrative charges. The dividend paid is the calculated dividend per share multiplied by the number of shares outstanding at the end of the quarter.

Total dividends paid in 2013 were \$41.8 million or \$0.55 per share. The quarterly dividend payments per share in 2013, 2012, 2011, 2010 and 2009 have been as follows:

Period	2013	2012	2011	2010	2009
1st Quarter	\$ 0.16	\$ 0.30	\$ 0.25	\$ 0.25	\$ 0.87
2nd Quarter	0.16	0.30	0.30	0.60	0.88
3rd Quarter	0.16	0.30	0.30	0.60	0.50
4th Quarter	0.16	0.30	0.30	0.25	0.10
Total	\$ 0.64	\$ 1.20	\$ 1.15	\$ 1.70	\$ 2.35

The Company declared a dividend of \$0.12 per share in respect of the fourth quarter of 2013 which was paid to shareholders in March 2014. In addition, the board announced its intention to declare a dividend composed of a portion of the shares that NAT owns in NAO. This portion will be about \$10 million worth, which was equivalent to \$0.13 per NAT share.

On April 2, 2014, the Company declared a cash dividend of \$0.23 per share. The record date is May 15, 2014.

B. Significant Changes

Not applicable.

ITEM 9. THE OFFER AND LISTING

Not applicable except for Item 9.A.4. and Item 9.C.

Share History and Markets

Since November 16, 2004, the primary trading market for our common shares has been the New York Stock Exchange, or the NYSE, on which our shares are listed under the symbol "NAT."

The following table sets forth the high and low market prices for shares of our common stock as reported by the New York Stock Exchange:

For the year ended:	NYSE HIGH	NYSE LOW
2009	\$ 38.10	\$ 22.25
2010	\$ 34.19	\$ 25.27
2011	\$ 26.80	\$ 11.58
2012	\$ 16.04	\$ 8.15
2013	\$ 11.76	\$ 7.16

For the quarter ended:	NYSE HIGH	NYSE LOW
March 31, 2012	\$ 16.04	\$ 12.20
June 30, 2012	\$ 15.96	\$ 12.00
September 30, 2012	\$ 13.88	\$ 9.26
December 31, 2012	\$ 10.22	\$ 8.15
March 31, 2013	\$ 11.76	\$ 8.61
June 30, 2013	\$ 11.02	\$ 7.16
September 30, 2013	\$ 10.25	\$ 7.53
December 31, 2013	\$ 9.72	\$ 7.75

The high and low market prices for our common shares by month since October 2013 have been as follows:

For the month:	NYSE HIGH	NYSE LOW
October 2013	\$ 8.65	\$ 7.87
November 2013	\$ 9.05	\$ 7.75
December 2013	\$ 9.72	\$ 7.88

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January 2014	\$	12.54	\$	9.58
February 2014	\$	10.57	\$	9.58
March 2014	\$	10.76	\$	9.84
April 2014*	\$	9.96	\$	9.66

*As of April 3, 2014

ITEM 10.

ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Memorandum of Association and Bye-Laws

The following description of our capital stock summarizes the material terms of our Memorandum of Association and our bye-laws.

Under our Memorandum of Association, as amended, our authorized capital consists of 90,000,000 common shares having a par value of \$0.01 per share.

The purposes and powers of the Company include the entering into of any guarantee, contract, indemnity or suretyship and to assure, support, secure, with or without the consideration or benefit, the performance of any obligations of any person or persons; and the borrowing and raising of money in any currency or currencies to secure or discharge any debt or obligation in any manner.

Our bye-laws provide that our board of directors shall convene and the Company shall hold annual general meetings of shareholders in accordance with the requirements of the Companies Act at such times and places as the Board shall decide. However, under Bermuda law, a company may by resolution in general meeting, elect to dispense with the holding of an annual general meeting for (a) the year in which it is made and any subsequent year or years; (b) for a specified number of years; or (c) indefinitely. Our board of directors may call special general meetings of shareholders at its discretion or as required by the Companies Act. Under the Companies Act, holders of one-tenth of our issued common shares may call special general meetings.

Under our bye-laws, five days advance notice of an annual general meeting or any special general meeting must be given to each shareholder entitled to vote at that meeting unless, in the case of an annual general meeting, a shorter notice period for such meeting is agreed to by all of the shareholders entitled to vote thereat and, in the case of any other meeting, a shorter notice period for such meeting is agreed to by at least 75% of the shareholders entitled to vote thereat. Under Bermuda law, accidental failure to give notice will not invalidate proceedings at a meeting. Our board of directors may set a record date for the purpose of identifying the persons entitled to receive notice of and vote at a meeting of shareholders at any time before or after the date on which such notice is dispatched.

Our board of directors must consist of at least three and no more than 11 directors, or such number in excess thereof as the board of directors may from time to time determine by resolution. Our directors are not required to retire because of their age, and our directors are not required to be holders of our common shares. Directors serve for one-year terms, and shall serve until re-elected or until their successors are appointed at the next annual general meeting. Casual vacancies on our board of directors may be filled by a majority vote of the then-current directors.

Any director retiring at an annual general meeting will be eligible for reappointment and will retain office until the close of the meeting at which such director retires or (if earlier) until a resolution is passed at that meeting not to fill the vacancy or the resolution to re-appoint such director is put to a vote at the meeting and is lost. If a director's seat is not filled at the annual general meeting at which he or she retires, such director shall be deemed to have been reappointed unless it is resolved by the shareholders not to fill the vacancy or a resolution for the reappointment of the director is voted upon and lost. No person other than a director retiring shall be appointed a director at any general

meeting unless (i) he or she is recommended by the board of directors or (ii) a notice executed by a shareholder (not being the person to be proposed) has been received by our secretary no less than 120 days and no more than 150 days prior to the date our proxy statement is released to shareholders in connection with the prior year's annual general meeting declaring the intention to propose an individual for the vacant directorship position.

A director may at any time summon a meeting of the board of directors. The quorum necessary for the transaction of business at a meeting of the board of directors may be fixed by the board of directors and, unless so fixed at any other number, shall be two directors. Questions arising at any meeting of the board of directors shall be determined by a majority of the votes cast.

Our bye-laws do not prohibit a director from being a party to, or otherwise having an interest in, any transaction or arrangement with the Company or in which the Company is otherwise interested. Our bye-laws provide that a director who has an interest in any transaction or arrangement with the Company and who has complied with the provisions of the Companies Act and with our bye-laws with regard to disclosure of such interest shall be taken into account in ascertaining whether a quorum is present, and will be entitled to vote in respect of any transaction or arrangement in which he is so interested.

Our bye-laws permit us to increase our authorized share capital with the approval of a majority of votes cast in respect of our outstanding common shares represented in person or by proxy.

There are no pre-emptive, redemption, conversion or sinking fund rights attached to our common shares. The holders of common shares are entitled to one vote per share on all matters submitted to a vote of holders of common shares. Unless a different majority is required by law or by our bye-laws, resolutions to be approved by holders of common shares require approval by a simple majority of votes cast at a meeting at which a quorum is present. Shareholders present in person or by proxy and entitled to vote at a meeting of shareholders representing the holders of at least one-third of the issued shares entitled to vote at such general meeting shall be a quorum for all purposes.

Under our bye-laws, our board of directors is authorized to attach to our undesignated shares such preferred, qualified or other special rights, privileges, conditions and restrictions as the board of directors may determine. The board of directors may allot our undesignated shares in more than one series and attach particular rights and restrictions to any such shares by resolution; provided, however, that the board of directors may not attach any rights or restrictions to our undesignated shares that would alter or abrogate any of the special rights attached to any other class or series of shares without such sanction as is required for any such alternation or abrogation unless expressly authorized to do so by the rights attaching to or by the terms of the issue of such shares.

Subject to Bermuda law, special rights attaching to any class of our shares may be altered or abrogated with the consent in writing of not less than 75% of the issued shares of that class or with the sanction of a resolution of the holders of such shares voting in person or by proxy.

In the event of our liquidation, dissolution or winding up, the holders of common shares are entitled to share in our assets, if any, remaining after the payment of all of our debts and liabilities, subject to any liquidation preference on any outstanding preference shares.

Our bye-laws provide that our board of directors may, from time to time, declare and pay dividends or distributions out of contributed surplus, which we refer to collectively as dividends. Each common share is entitled to dividends if and when dividends are declared by our board of directors, subject to any preferred dividend right of the holders of any preference shares.

There are no limitations on the right of non-Bermudians or non-residents of Bermuda to hold or vote our common shares.

Bermuda law permits the bye-laws of a Bermuda company to contain a provision in its Bye-laws indemnifying the Company's directors and officers for any loss arising or liability attaching to him or her by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the officer or person may be guilty, save

with respect to fraud or dishonesty. Bermuda law also grants companies the power generally to indemnify directors and officers of a company, except in instances of fraud and dishonesty, if any such person was or is a party or threatened to be made a party to a threatened, pending or completed action, suit or proceeding by reason of the fact that he or she is or was a director and officer of such company or was serving in a similar capacity for another entity at such company's request.

Our bye-laws provide that each director, alternate director, officer, person or member of a committee, if any, resident representative, and any liquidator, manager or trustee for the time being acting in relation to the affairs of the Company, and his heirs, executors or administrators, which we refer to collectively as an indemnitee, will be indemnified and held harmless out of our assets to the fullest extent permitted by Bermuda law against all liabilities, loss, damage or expense (including, but not limited to, liabilities under contract, tort and statute or any applicable foreign law or regulation and all reasonable legal and other costs and expenses properly payable) incurred or suffered by him or by reason of any act done, conceived in or omitted in the conduct of the Company's business or in the discharge of his duties except in respect of fraud or dishonesty. In addition, each indemnitee shall be indemnified out of the assets of the Company against all liabilities incurred in defending any proceedings, whether civil or criminal, in which judgment is given in such indemnitee's favor, or in which he is acquitted.

Under our bye-laws, we and our shareholders have agreed to waive any claim or right of action we or they may have at any time against any indemnitee on account of any action taken by such indemnitee or the failure of such indemnitee to take any action in the performance of his duties with or for the Company with the exception of any claims or rights of action arising out of fraud or actions to recover any gain, personal profit or advantage to which such indemnitee is not legally entitled.

Our board of directors may, at its discretion, purchase and maintain insurance for, among other persons, any indemnitee or any persons who are or were at the time directors, officers or employees of the Company, or of any other company in which the Company has a direct or indirect interest that is allied or associated with the Company, or of any subsidiary undertaking of the Company or such other company, against liability incurred by such persons in respect of any act or omission in the actual or purported execution or discharge of their duties or in the exercise or purported exercise of their powers or otherwise in relation to their duties, powers or offices in relation to the Company, subsidiary undertaking or any such other company.

Our Memorandum of Association may be amended with the approval of a majority of votes cast in respect of our outstanding common shares represented in person or by proxy and our bye-laws may be amended by approval by not less than 75% of the votes cast in respect of our issued and outstanding common shares represented in person or by proxy.

Dividend Reinvestment and Direct Stock Purchase Plan

On November 6, 2013, a registration statement on Form F-3 was declared effective by the SEC relating to the Dividend Reinvestment and Direct Stock Purchase Plan for 1,664,450 shares of common stock to allow existing shareholders to purchase additional common stock by reinvesting all or a portion of the dividends paid on their common stock and by making optional cash investments and new investors to enter into the plan by making an initial investment. As at December 31, 2013 no shares were issued pursuant to the plan.

Stockholders Rights Plan

On February 13, 2007, the Board of Directors adopted a stockholders rights agreement and declared a dividend of one preferred stock purchase right to purchase one one-thousandth of a share of our Series A Participating Preferred Stock for each outstanding share of our common stock, par value \$0.01 per share. The dividend was payable on February 27, 2007 to stockholders of record on that date. Each right entitles the registered holder to purchase from us one one-thousandth of a share of Series A Participating Preferred Stock at an exercise price of \$115, subject to adjustment. We can redeem the rights at any time prior to a public announcement that a person has acquired ownership of 15% or more of the Company's common stock.

This stockholders rights plan was designed to enable us to protect stockholder interests in the event that an unsolicited attempt is made for a business combination with, or a takeover of, the Company. We believe that the stockholders rights plan should enhance our Board's negotiating power on behalf of stockholders in the event of a coercive offer or proposal. We are not currently aware of any such offers or proposals.

C. Material Contracts

For a description of our 2012 Credit Facility, which the Company entered into during the 2012 fiscal year, see Item 5—Operating and Financial Review and Prospectus—Liquidity and Capital Resources—Our Credit Facilities.

Otherwise, the Company has not entered into any material contracts outside the ordinary course of business during the past two years.

D. Exchange Controls

The Company has been designated as a non-resident of Bermuda for exchange control purposes by the Bermuda Monetary Authority, whose permission for the issue of its common shares was obtained prior to the offering thereof.

The Company's common shares are currently listed on an appointed stock exchange. For so long as the Company's shares are listed on an appointed stock exchange the transfer of shares between persons regarded as resident outside Bermuda for exchange control purposes and the issuance of common shares to or by such persons may be effected without specific consent under the Bermuda Exchange Control Act of 1972 and regulations made thereunder. Issues and transfers of common shares between any person regarded as resident in Bermuda and any person regarded as non-resident for exchange control purposes require specific prior approval under the Bermuda Exchange Control Act 1972 unless such common shares are listed on an appointed stock exchange.

Subject to the foregoing, there are no limitations on the rights of owners of shares in the Company to hold or vote their shares. Because the Company has been designated as non-resident for Bermuda exchange control purposes, there are no restrictions on its ability to transfer funds in and out of Bermuda or to pay dividends to United States residents who are holders of common shares, other than in respect of local Bermuda currency.

In accordance with Bermuda law, share certificates may be issued only in the names of those with legal capacity. In the case of an applicant acting in a special capacity (for example, as an executor or trustee), certificates may, at the request of the applicant, record the capacity in which the applicant is acting. Notwithstanding the recording of any such special capacity, the Company is not bound to investigate or incur any responsibility in respect of the proper administration of any such estate or trust.

The Company will take no notice of any trust applicable to any of its shares or other securities whether or not it had notice of such trust.

As an "exempted company," the Company is exempt from Bermuda laws which restrict the percentage of share capital that may be held by non-Bermudians, but as an exempted company, the Company may not participate in certain business transactions including: (i) the acquisition or holding of land in Bermuda (except that required for its business and held by way of lease or tenancy for terms of not more than 21 years) without the express authorization of the Bermuda legislature; (ii) the taking of mortgages on land in Bermuda to secure an amount in excess of \$50,000 without the consent of the Minister of Economic Development of Bermuda; (iii) the acquisition of securities created or issued by, or any interest in, any local company or business, other than certain types of Bermuda government securities or securities of another "exempted company, exempted partnership or other corporation or partnership resident in Bermuda but incorporated abroad"; or (iv) the carrying on of business of any kind in Bermuda, except in so far as may be necessary for the carrying on of its business outside Bermuda or under a license granted by the Minister of Economic Development of Bermuda.

The Bermuda government actively encourages foreign investment in "exempted" entities like the Company that are based in Bermuda but do not operate in competition with local business. In addition to having no restrictions on the degree of foreign ownership, the Company is subject neither to taxes on its income or dividends nor to any exchange controls in Bermuda other than outlined above. In addition, there is no capital gains tax in Bermuda, and profits can be accumulated by the Company, as required, without limitation.

E. Taxation

Bermuda Tax Considerations

Under current Bermuda law, there are no taxes on profits, income or dividends nor is there any capital gains tax. Furthermore, the Company has received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act of 1966, as amended, an undertaking that, in the event that Bermuda enacts any legislation imposing tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax shall not be applicable to the Company or to any of its operations, or the common shares, debentures or other obligations of the Company, until March 31, 2035. This undertaking does not, however, prevent the imposition of any such tax or duty on such persons as are ordinarily resident in Bermuda and holding such shares, debentures or obligations of the Company or of property taxes on Company-owned real property or leasehold interests in Bermuda.

The United States does not have a comprehensive income tax treaty with Bermuda. However, Bermuda has legislation in place (U.S.A. – Bermuda Tax Convention Act 1986) which authorizes the enforcement of certain obligations of Bermuda pursuant to the Convention Between The Government Of The United Kingdom Of Great Britain And Northern Ireland (On Behalf Of The Government Of Bermuda) And The Government Of The United States Of America Relating To The Taxation Of Insurance Enterprises And Mutual Assistance In Tax Matters entered into on 11 July 1986 (the "Convention"). Article 5 of the Convention states that the U.S.A. and Bermuda "shall provide assistance as appropriate in carrying out the laws of the respective covered jurisdictions (Bermuda and U.S.A.) relating to the prevention of tax fraud and the evasion of taxes. In addition, the competent authorities shall, through consultations, develop appropriate conditions, method, and techniques for providing, and shall thereafter provide, assistance as appropriate in carrying out the fiscal laws of the respective covered jurisdictions other than those relating to tax fraud and the evasion of taxes."

United States Federal Income Tax Considerations

The following discussion is a summary of the material United States federal income tax considerations relevant to the Company and to a United States Holder and Non-United States Holder (each defined below) of our common shares. This discussion is based on advice received by us from Seward & Kissel LLP, our United States counsel. This discussion does not purport to deal with the tax consequences of owning common shares to all categories of investors, some of which (such as dealers in securities or currencies, investors whose functional currency is not the United States dollar, financial institutions, regulated investment companies, real estate investment trusts, tax-exempt organizations, insurance companies, persons holding our common shares as part of a hedging, integrated, conversion or constructive sale transaction or a straddle, persons liable for alternative minimum tax and persons who are investors in pass-through entities) may be subject to special rules. This discussion only applies to shareholders who (i) own our common shares as a capital asset and (ii) own less than 10% of our common shares. Shareholders are encouraged to consult their own tax advisors with respect to the specific tax consequences to them of purchasing, holding or disposing of common shares.

United States Federal Income Taxation of the Company

Operating Income: In General

Unless exempt from United States federal income taxation under section 883 of the United States Internal Revenue Code of 1986, as amended, or the Code, a foreign corporation is subject to United States federal income taxation in the manner described below in respect of any income that is derived from the use of vessels, from the hiring or leasing of vessels for use on a time, voyage or bareboat charter basis, or from the performance of services directly related to such use, which we refer to as Shipping Income, to the extent that such Shipping Income is derived from sources within the United States, which we refer to as United States-Source Shipping Income.

Shipping Income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States will be considered to be 50% derived from sources within the United States. Shipping Income that is attributable to transportation that both begins and ends in the United States will be considered to be 100% derived from sources within the United States.

Shipping Income that is 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 United States federal income tax.

Our vessels will be operated in various parts of the world and, in part, are expected to be involved in transportation of cargoes that begins or ends, but that does not both begin and end, in United States ports. Accordingly, it is not

expected that we will engage in transportation that gives rise to 100% United States-Source Shipping Income.

Exemption of Operating Income from United States Federal Income Taxation

Pursuant to section 883 of the Code, we will be exempt from United States federal income taxation on our United States-Source Shipping Income if (i) we are organized in a foreign country that grants an equivalent exemption from income taxation to corporations organized in the United States, which we refer to as the Country of Organization Requirement, and (ii) either (A) more than 50% of the value of our common shares is owned, directly or indirectly, by individuals who are "residents" of such country or of another foreign country that grants an equivalent exemption to corporations organized in the United States, which we refer to as the 50% Ownership Test, or (B) our common shares are "primarily and regularly traded on an established securities market" in such country, in another country that grants an equivalent exemption to United States corporations, or in the United States, which we refer to as the Publicly-Traded Test.

Bermuda, the country in which we are incorporated, grants an equivalent exemption to United States corporations. Therefore, we will satisfy the Country of Organization Requirement and will be exempt from United States federal income taxation with respect to our United States-Source Shipping Income if we satisfy either the 50% Ownership Test or the Publicly-Traded Test.

The regulations promulgated by the United States Department of the Treasury (the "Treasury Regulations") under section 883 of the Code provide that stock 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 stock that is traded during any taxable year on all established securities markets in that country exceeds the number of shares in each such class that is traded during that year on established securities markets in any other single country.

The Publicly-Traded Test also requires our common shares be "regularly traded" on an established securities market. Under the Treasury Regulations, our common shares are considered to be "regularly traded" on an established securities market if shares representing more than 50% of our outstanding common shares, by both total combined voting power of all classes of stock entitled to vote and total value, are listed on the market, referred to as the "Listing Threshold." The Treasury Regulations further require that with respect to each class of stock relied upon to meet the listing threshold, (i) such class of stock is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or 1/6 of the days in a short taxable year, which is referred to as the Trading Frequency Test; and (ii) the aggregate number of shares of such class of stock traded on such market during the taxable year is at least 10% of the average number of shares of such class of stock outstanding during such year (as appropriately adjusted in the case of a short taxable year), which is referred to as the Trading Volume Test. Even if we do not satisfy both the Trading Frequency and Trading Volume Tests, the Treasury Regulations provide that the Tests will be deemed satisfied if our common shares are traded on an established securities market in the United States and such stock is regularly quoted by dealers making a market in our common shares.

We believe that we satisfied the Publicly-Traded Test for our 2013 taxable year since, on more than half the days the days of the taxable year, we believe the Company's common shares were primarily and regularly traded on an established securities market in the United States, namely the New York Stock Exchange, or NYSE.

Notwithstanding the foregoing, we will not satisfy the Publicly-Traded Test if 50% or more of the vote and value of our common shares is owned (or is treated as owned under certain stock ownership attribution rules) by persons each of whom owns (or is treated as owning under certain stock ownership attribution rules) 5% or more of the value of our common shares, or 5% Shareholders, for more than half the days during the taxable year, to which we refer to as the 5% Override Rule. In the event the 5% Override Rule is triggered, the 5% Override Rule will nevertheless not apply if we can establish that among the closely-held group of 5% Shareholders, there are sufficient 5% Shareholders that are considered to be "qualified shareholders" for purposes of section 883 of the Code to preclude non-qualified 5% Shareholders in the closely-held group from owning 50% or more of our common shares for more than half the number of days during the taxable year. In order to determine the persons who are 5% Shareholders, we are permitted to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the United States

Securities and Exchange Commission as having a 5% or more beneficial interest in our common shares.

We are not aware of any facts which would indicate that 50% or more of our common shares were actually or constructively owned by 5% Shareholders during our 2013 taxable year. Accordingly, we expect that our common shares will be considered to be "primarily and regularly traded on an established securities market" and that we will, therefore, qualify for the exemption under section 883 of the Code for our 2013 taxable year. However, because of the factual nature of the issues relating to this determination, no assurance can be given that we will qualify for the exemption in any future taxable year. For example, if 5% Shareholders owned 50% or more of our common shares, then we would have to satisfy certain requirements regarding the identity and residence of our 5% Shareholders. These requirements are onerous and there is no assurance that we could satisfy them.

United States Federal Income Taxation of Gain on Sale of Vessels

Regardless of whether we qualify for exemption under section 883 of the Code, we will generally not be subject to United States federal income taxation with respect to gain realized on the sale of a vessel, provided the sale is considered to occur outside of the United States under United States federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. It is expected that any sale of a vessel by us will be considered to occur outside of the United States.

4% Gross Basis Tax Regime

To the extent that the benefits of section 883 of the Code are unavailable with respect to any item of United States-Source Shipping Income, such Shipping Income that is considered not to be "effectively connected" with the conduct of a trade or business in the United States, as discussed below, would be subject to a 4% tax imposed by section 887 of the Code on a gross basis, without benefit of deductions, which we refer to as the 4% Gross Basis Tax Regime. Since under the sourcing rules described above, no more than 50% of our Shipping Income would be derived from United States sources, the maximum effective rate of United States federal income tax on our gross Shipping Income would never exceed 2% under the 4% Gross Basis Tax Regime.

Net Basis and Branch Profits Tax Regime

To the extent that the benefits of the exemption under section 883 of the Code are unavailable and our 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 the United States federal income tax currently imposed at corporate rates of up to 35%. In addition, we may be subject to the 30% "branch profits" taxes 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 United States trade or business.

Our United States-Source Shipping Income would be considered "effectively connected" with the conduct of a U.S. trade or business only if (i) we have, or are considered to have, a fixed place of business in the United States involved in the earning of Shipping Income and (ii) substantially all of our United States-Source Shipping Income is attributable to regularly scheduled transportation, such as the operation of a vessel that followed a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the United States, or, in the case of income from the chartering of a vessel, is attributable to a fixed place of business in the United States.

We do not intend to have a fixed place of business in the United States involved in the earning of Shipping Income. Based on the foregoing and on the expected mode of our shipping operations and other activities, we believe that none of our United States-Source Shipping Income will be "effectively connected" with the conduct of a United States trade or business.

United States Federal Income Taxation of United States Holders

As used herein, the term "United States Holder" means, for United States federal income tax purposes, a beneficial owner of common shares who is (A) an individual citizen or resident of the United States, (B) a corporation (or other entity treated as a corporation) created or organized in or under the laws of the United States or of any state or the District of Columbia, (C) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (D) a trust if a court within the United States is able to exercise primary

supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

If a partnership holds our common shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner in a partnership holding our common shares, you are urged to consult your tax advisors.

Distributions

Subject to the discussion below of passive foreign investment companies, or PFICs, any distributions made by us with respect to our common shares to a United States Holder will generally constitute dividends, which may be taxable as ordinary income or "qualified dividend income," as described in more detail below, to the extent of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of the United States Holder's tax basis in his common shares on a dollar-for-dollar basis and thereafter as capital gain. Because we are not a United States corporation, United States Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common shares will generally be treated as "passive category income" or, in the case of certain types of United States Holders, "general category income" for purposes of computing allowable foreign tax credits for United States foreign tax credit purposes.

Dividends paid on our common shares to a United States Holder who is an individual, trust or estate, or a United States Individual Holder, will generally be treated as "qualified dividend income" that is taxable to such United States Individual Holders at preferential tax rates provided that (1) the common shares are readily tradable on an established securities market in the United States (such as the NYSE on which our common shares are traded); (2) we are not a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year (as discussed below); (3) the United States Individual Holder has owned the common shares for more than 60 days in the 121-day period beginning 60 days before the date on which the common shares become ex-dividend, and (4) the United States Individual Holder is not under an obligation (whether pursuant to a short sale or otherwise) to make payments with respect to positions in substantially similar or related property. There is no assurance that any dividends paid on our common shares will be eligible for these preferential rates in the hands of a United States Individual Holder. Any dividends paid by the company which are not eligible for these preferential rates will be taxed as ordinary income to a United States Individual Holder.

We were a PFIC for taxable years through 2004. Therefore, the dividends paid by us through 2005 were not treated as "qualified dividend income," but rather were taxed as ordinary income to a United States Individual Holder. If we pay an "extraordinary dividend" on our common shares (generally, a dividend in an amount which is equal to or in excess of 10% of a shareholder's adjusted tax basis (or fair market value in certain circumstances) in the common shares) that is treated as "qualified dividend income," then any loss derived by a United States Individual Holder from the sale or exchange of such common shares will be treated as long-term capital loss to the extent of such dividend.

Sale, Exchange or other Disposition of Common Shares

Assuming we do not constitute a PFIC for taxable years after 2004, a United States Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common shares 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 common shares. 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. A United States Holder's ability to deduct capital losses is subject to certain limitations.

Special rules may apply to a United States Holder who purchased shares before 2005 and did not make a timely QEF election or a mark-to-market election (as discussed below). Such United States Holders are encouraged to consult their tax advisors regarding the United States federal income tax consequences to them of the disposal of our common shares.

Passive Foreign Investment Company Considerations

Special United States federal income tax rules apply to a United States Holder that holds shares in a foreign corporation classified as a PFIC for United States federal income tax purposes. In general, we will be treated as a PFIC with respect to a United States Holder if, for any taxable year in which such Holder held our common shares, 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 the assets held by us during such taxable year produce, or are held for the production of, such passive income.

For purposes of determining whether we are a PFIC, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own at least 25% of the value of the subsidiary's shares. Income earned, or deemed earned, by us in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute passive income unless we were treated under specific rules as deriving our rental income in the active conduct of a trade or business.

For taxable years through 2004, we were a PFIC. However, based on our current operations and future projections, we do not believe that we have been, or will become, a PFIC with respect to our taxable years after 2004. Although there is no legal authority directly on point, and we are not relying upon an opinion of counsel on this issue, our belief is based principally on the position that, for purposes of determining whether we are a PFIC, the gross income we derive or are deemed to derive from our time chartering and voyage chartering activities should constitute services income, rather than rental income. Correspondingly, such income should not constitute passive income, and the assets that we own and operate or are deemed to 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. We believe there is substantial legal authority supporting our position consisting of case law and Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, we note that there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. In the absence of any legal authority specifically relating to the statutory provisions governing PFICs, the IRS or a court could disagree with our position. In addition, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC, we cannot assure you that the nature of our operations will not change in the future.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year which included a United States Holder's holding period in our common shares, then such United States Holder would be subject to different United States federal income taxation rules depending on whether the United States Holder makes an election to treat us 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 our common shares, as discussed below. In addition, if we were to be treated as a PFIC for taxable years beginning after March 18, 2010, a United States Holder of our common shares would be required to file annual information returns with the IRS.

United States Holders Making a Timely QEF Election

Pass-Through of Ordinary Earnings and Net Capital Gain. A United States Holder who makes a timely QEF Election with respect to our common shares, or an Electing Holder, would report for United States federal income tax purposes his pro rata share of our "ordinary earnings" (i.e., the net operating income determined under United States federal income tax principles) and our net capital gain, if any, for our taxable year that ends with or within the taxable year of the Electing Holder. Our "net capital gain" is any excess of any of our net long term capital gains over our net short term capital losses and is reported by the Electing Holder as long term capital gain. Our net operating losses or net capital losses would not pass through to the Electing Holder and will not offset our ordinary earnings or net capital gain reportable to Electing Holders in subsequent years (although such losses would ultimately reduce the gain, or increase the loss, if any, recognized by the Electing Holder on the sale of his common shares).

For purposes of calculating our ordinary earnings, the cost of each vessel is depreciated on a straight-line basis over 18 years. Any gain on the sale of a vessel would be treated as ordinary income, rather than capital gain, to the extent of such depreciation deductions with respect to such vessel.

In general, an Electing Holder would not be taxed twice on his share of our income. Thus, distributions received from us by an Electing Holder are excluded from the Electing Holder's gross income to the extent of the Electing Holder's prior inclusions of our ordinary earnings and net capital gain. The Electing Holder's tax basis in his shares would be increased by any amount included in the Electing Holder's income. Distributions received by an Electing Holder, which are not includible in income because they have been previously taxed, would decrease the Electing Holder's tax basis in the common shares. Distributions, if any, in excess of such tax basis would be treated as capital gain (which gain will be treated as long term capital gain if the Electing Holder held its common shares for more than one year at the time of distribution).

Disposition of Common Shares. An Electing Holder would generally recognize capital gain or loss on the sale or exchange of common shares in an amount equal to the difference between the amount realized by the Electing Holder from such sale or exchange and the Electing Holder's tax basis in the common shares. Such gain or loss would generally be treated as long term capital gain or loss if the Electing Holder's holding period in the common shares at the time of the sale or exchange is more than one year. A United States Holder's ability to deduct capital losses may be limited.

Making a QEF Election. A United States Holder makes a QEF Election for a taxable year by completing and filing IRS Form 8621 (Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) in accordance with the instructions thereto. If we were aware that we were to be treated as a PFIC for any taxable year, we would provide each United States Holder with all necessary information in order to make the QEF Election described above.

United States Holders Making a Timely Mark-to-Market Election

Mark-to-Market Regime. A United States Holder who does not make a QEF Election may make a "mark-to-market" election under section 1296 of the Code, provided that the common shares are regularly traded on a "qualified exchange." The NYSE, on which the common shares are traded, is a "qualified exchange" for these purposes. A United States Holder who makes a timely mark-to-market election with respect to the common shares would include annually in the United States Holder's income, as ordinary income, any excess of the fair market value of the common shares at the close of the taxable year over the United States Holder's then adjusted tax basis in the common shares. The excess, if any, of the United States Holder's adjusted tax basis at the close of the taxable year over the then fair market value of the common shares would be deductible in an amount equal to the lesser of the amount of the excess or the net mark-to-market gains that the United States Holder included in income in previous years with respect to the common shares. A United States Holder's tax basis in his common shares would be adjusted to reflect any income or loss amount recognized pursuant to the mark-to-market election.

Disposition of Common Shares. A United States Holder who makes a timely mark-to-market election would recognize ordinary income or loss on a sale, exchange or other disposition of the common shares 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 the common shares; provided, however, that any ordinary loss on the sale, exchange or other disposition may not exceed the net mark-to-market gains that the United States Holder included in income in previous years with respect to the common shares. The amount of any loss in excess of such net mark-to market gains is treated as capital loss.

Making the Mark-to-Market Election. A United States Holder makes a mark-to-market election for a taxable year by completing and filing IRS Form 8621 (Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) in accordance with the instructions thereto.

United States Holders Not Making a Timely QEF Election or Mark-to-Market Election

A United States Holder who does not make a timely QEF Election or a timely mark-to-market election, which we refer to as a Non-Electing Holder, would be subject to special rules with respect to (i) any "excess distribution" (generally, the portion of any distributions received by the Non-Electing Holder on the common shares 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 shares), and (ii) any gain realized on the sale or other disposition of common shares. Under these rules, (i) the excess distribution or gain would be allocated ratably over the Non-Electing Holder's holding period for the common shares; (ii) the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, would be taxed

as ordinary income; and (iii) the amount allocated to each of the other prior 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 tax deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year. If a Non-Electing Holder dies while owning common shares, the Non-Electing Holder's successor would be ineligible to receive a step-up in the tax basis of those common shares.

Distributions received by a Non-Electing Holder that are not "excess distributions" would be includible in the gross income of the Non-Electing Holder as dividend income to the extent that such distributions are paid out of our current or accumulated earnings and profits as determined under United States federal income tax principles. Such dividends would not be eligible to be treated as "qualified dividend income" eligible for preferential tax rates. Distributions in excess of our current or accumulated earnings and profits would be treated first as a return of the United States Holder's tax basis in the common shares (thereby increasing the amount of any gain or decreasing the amount of any loss realized on the subsequent sale or disposition of such common shares) and thereafter as capital gain.

United States Holders Who Acquired Shares Before 2005

We were a PFIC through the 2004 taxable year. Therefore, a United States Holder who acquired our common shares before 2005 may be subject to special rules with respect to our common shares. In particular, a United States Holder who did not make a timely QEF Election or a mark-to-market election may continue to be subject to the PFIC rules with respect to our common shares. Such United States Holders are encouraged to consult their tax advisors regarding the application of these rules as well as the availability of certain elections which may ameliorate the application of these rules.

United States Federal Income Taxation of Non-United States Holders

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

Dividends on Common Shares

Non-United States Holders generally will not be subject to United States federal income or withholding tax on dividends received from us with respect to our common shares, 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 Shares

Non-United States Holders generally will not be subject to United States federal income or withholding tax on any gain realized upon the sale, exchange or other disposition of our common shares, 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 a United States 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 shares, including dividends and the gain from the sale, exchange or other disposition of the common 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, 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 United States 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 United States Individual Holder. Such payments may also be subject to backup withholding tax if you are a United States Individual 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 United States 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 IRS Form W-8BEN, W-8BEN-E, W-8ECI or W-8IMY, as applicable.

If you are a Non-United States Holder and you sell your common shares 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 are a Non-United States Holder and you sell your common shares 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, 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 shares 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 his records that you are a non-United States person and certain other conditions are met, or you otherwise establish an exemption.

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

Pursuant to recently enacted legislation, individuals who are United States Holders (and to the extent specified in applicable Treasury regulations, certain individuals who are Non-United States Holders and certain United States entities) 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, an individual Non-United States Holder or a United States entity) 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 consult their own tax advisors regarding their reporting obligations under this legislation.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements we file reports and other information with the Securities and Exchange Commission. These materials, including this annual report and the accompanying exhibits may be inspected and copied at the public reference facilities maintained by the Commission at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330, and you may obtain copies at prescribed rates from the Public Reference Section of the Commission at its principal office in Washington, D.C. The SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, documents referred to in this annual report may be inspected at the Company's headquarters at LOM Building, 27 Reid Street, Hamilton, HM11, Bermuda.

We furnish holders of our common shares with annual reports containing audited financial statements and a report by our independent registered public accounting firm, and intend to make available quarterly reports containing selected unaudited financial data for the first three quarters of each fiscal year. The audited financial statements will be prepared in accordance with United States generally accepted accounting principles. As a "foreign private issuer," we are exempt from the rules under the Securities Exchange Act prescribing the furnishing and content of proxy statements to shareholders. While we intend to furnish proxy statements to shareholders in accordance with the rules of the New York Stock Exchange, those proxy statements do not conform to Schedule 14A of the proxy rules promulgated under the Exchange Act. All reports, proxy statements and other information filed by us with the New York Stock Exchange may be inspected at the New York Stock Exchange's offices at 20 Broad Street, New York, New York 10005. In addition, as a "foreign private issuer," we are exempt from the rules under the Exchange Act relating to short swing profit reporting and liability.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates related to the variable rate of the Company's borrowings under our 2012 Credit Facility.

Amounts borrowed under the 2012 Credit Facility bear interest at a rate equal to LIBOR plus a margin. Increasing interest rates could affect our future profitability. In certain situations, the Company may enter into financial instruments to reduce the risk associated with fluctuations in interest rates.

A 100 basis point increase in LIBOR would have resulted in an increase of approximately \$1.8 million in our interest expense for the year ended December 31, 2013.

The Company is exposed to the spot market. Historically, the tanker markets have been volatile as a result of the many conditions and factors that can affect the price, supply and demand for tanker capacity. Changes in demand for transportation of oil over longer distances and supply of tankers to carry that oil may materially affect our revenues, profitability and cash flows. All of our vessels are currently operated in the spot market through a cooperative arrangement. We believe that over time, spot employment generates premium earnings compared to longer-term employment.

We estimate that during 2013, a \$1,000 per day decrease in the spot market rate would have decreased our voyage revenue by approximately \$3.8 million.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART III

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures.

Pursuant to Rules 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), the Company's management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2013. The term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective.

B. Management's annual report on internal control over financial reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the reliability of financial reporting and the preparation of published financial statements for external purposes in accordance with Generally Accepted Accounting Principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2012. In making this assessment, management used the criteria for effective internal control over financial reporting set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 1992 in Internal Control-Integrated Framework. Based on this assessment, management has concluded that, as of December 31, 2013, our internal control over financial reporting was effective based on those criteria.

C. Attestation report of the registered public accounting firm.

The Company's internal control over financial reporting as of December 31, 2013 has been audited by Deloitte AS, an independent registered public accounting firm, as stated in their report included in this annual report.

D. Changes in internal control over financial reporting.

There have been no changes in internal controls over financial reporting (identified in connection with management's evaluation of such internal controls over financial reporting) that occurred during the year covered by this annual

report that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

ITEM 16.

RESERVED

ITEM 16A.

AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that Mr. Ugland, who serves as Chairman of the Audit Committee, qualifies as an "audit committee financial expert" under Securities and Exchange Commission rules. Mr. Ugland is "independent" as determined in accordance with the rules of the New York Stock Exchange.

ITEM 16B.

CODE OF ETHICS

The Company has adopted a code of ethics that applies to all of the Company's employees, including our principal executive officer, principal financial officer, principal accounting officer or controller. The code of ethics may be downloaded at our website (www.nat.bm). Additionally, any person, upon request, may ask for a hard copy or an electronic file of the code of ethics. If we make any substantive amendment to the code of ethics or grant any waivers, including any implicit waiver, from a provision of our code of ethics, we will disclose the nature of that amendment or waiver on our website. During the year ended December 31, 2013, no such amendment was made or waiver granted.

ITEM 16C.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

A. Audit Fees

The Company's Board of Directors has established preapproval and procedures for the engagement of the Company's independent public accounting firms for all audit and non-audit services. The following table sets forth, for the two most recent fiscal years, the aggregate fees billed for professional services rendered by our principal accountant, Deloitte AS, for the audit of the Company's annual financial statements and services provided by the principal accountant in connection with statutory and regulatory filings or engagements for the two most recent fiscal years.

FISCAL YEAR ENDED DECEMBER 31, 2013	\$ 993,982
FISCAL YEAR ENDED DECEMBER 31, 2012	\$ 544,868

Included in the amounts are services related to limited review procedures, review of registration statements and other filings with the Commission, and issuance of comfort letters and consents for the fiscal years 2013 and 2012 of \$561,423 and \$194,720, respectively. Also included in the amounts are costs associated with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 for the fiscal years 2013 and 2012 of \$118,977 and \$91,930, respectively.

B. Audit-Related Fees (1)

FISCAL YEAR ENDED DECEMBER 31, 2013	\$ 0
FISCAL YEAR ENDED DECEMBER 31, 2012	\$ 0

(1) Audit-Related Fees not included as audit fees.

C. Tax Fees

Not applicable.

D. All Other Fees

Not applicable.

E. Audit Committee's Pre-Approval Policies and Procedures

Our audit committee pre-approves all audit, audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees prior to the engagement of the independent auditor with respect to such services.

F. Not applicable.

ITEM 16D.

EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PERSONS.

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT.

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Pursuant to an exception for foreign private issuers, we, as a Bermuda company, are not required to comply with the corporate governance practices followed by U.S. companies under the NYSE listing standards. We believe that our established practices in the area of corporate governance are in line with the spirit of the NYSE standards and provide adequate protection to our shareholders.

There are four significant differences between our corporate governance practices and the NYSE standards applicable to listed U.S. companies. The NYSE requires that non-management directors meet regularly in executive sessions without management. The NYSE also requires that all independent directors meet in an executive session at least once a year. As permitted under Bermuda law and our bye-laws, our non-management directors do not regularly hold executive sessions without management and we do not expect them to do so in the future. The NYSE requires that a listed U.S. company have a nominating/corporate governance committee of independent directors and a committee charter specifying the purpose, duties and evaluation procedures of the committee. As permitted under Bermuda law and our bye-laws, we do not currently have a nominating or corporate governance committee. The NYSE requires, among other things, that a listed U.S. company have an audit committee with a minimum of three members. As permitted by Rule 10A-3 under the Securities Exchange Act of 1934, our audit committee consists of three independent members of our Board of Directors. The NYSE requires U.S. companies to adopt and disclose corporate governance guidelines. The guidelines must address, among other things: director qualification standards, director responsibilities, director access to management and independent advisers, director compensation, director orientation and continuing education, management succession and an annual performance evaluation. We are not required to adopt such guidelines under Bermuda law and we have not adopted such guidelines

Information about our corporate governance practices may also be found on our website, www.nat.bm under "Investor Relations/Corporate Governance."

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART IV

ITEM 17. FINANCIAL STATEMENTS

See Item 18.

ITEM 18. FINANCIAL STATEMENTS

See pages F-1 through F-23.

ITEM 19. EXHIBITS

1.1 Memorandum of Association of the Company.

1.2 Bye-Laws of the Company incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on January 18, 2012.

2.1 Form of Share Certificate.

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- 4.1 Restated Management Agreement dated June 30, 2004, between Scandic American Shipping Ltd. and Nordic American Tanker Shipping Limited, incorporated by reference to Exhibit 4.4 to the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on June 30, 2005
- 4.2 Amendment to Restated Management Agreement dated October 12, 2004, between Scandic American Shipping Ltd. and Nordic American Tanker Shipping Limited, incorporated by reference to Exhibit 4.4 to the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on June 30, 2005.
- 4.3 Amendment to Restated Management Agreement dated October 12, 2004, between Scandic American Shipping Ltd. and Nordic American Tanker Shipping Limited, incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on October 29, 2004.
- 4.4 Amendment to Restated Management Agreement dated April 29, 2005, between Scandic American Shipping Ltd. and Nordic American Tanker Shipping Limited, incorporated by reference to Exhibit 4.3 to the Company's annual report on Form 20-F for the fiscal year ended December 31, 2006 filed with the Securities and Exchange Commission on June 29, 2007.
- 4.5 Amendment to Restated Management Agreement dated November 19, 2005, between Scandic American Shipping Ltd. and Nordic American Tanker Shipping Limited.
- 4.6 Amendment to Restated Management Agreement dated May 3, 2008, between Scandic American Shipping Ltd. and Nordic American Tanker Shipping Limited incorporated by reference to Exhibit 4.3 to the Company's annual report on Form 20-F for the fiscal year ended December 31, 2007 filed with the Securities and Exchange Commission on May 9, 2008.
- 4.7 Amendment to Restated Management Agreement dated May 31, 2009, between Scandic American Shipping Ltd. and Nordic American Tanker Shipping Limited incorporated by reference to Exhibit 4.5 to the Company's annual report on Form 20-F for the fiscal year ended December 31, 2009 filed with the Securities and Exchange Commission on May 24, 2010.
- 4.8 Amendment to Restated Management Agreement dated July 1, 2010, between Scandic American Shipping Ltd. and Nordic American Tanker Shipping Limited incorporated by reference to Exhibit 4.8 to the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on April 17, 2012.
- 4.9 Amendment to Restated Management Agreement dated December 1, 2011 between Scandic American Shipping Ltd. and Nordic American Tankers Limited incorporated by reference to Exhibit 4.8 to the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on April 17, 2012.
- 4.10 Revolving Credit Facility Agreement by and among the Company and the financial institutions listed in schedule 1 thereto, dated September 14, 2005, incorporated by reference into the Company's annual report on Form 20-F for the fiscal year ended December 31, 2005 filed June 30, 2006.
- 4.11 Addendum No. 1 to Revolving Credit Facility Agreement by and among the Company and the financial institutions listed in schedule 2 thereto, dated September 21, 2006, incorporated by reference to Exhibit 4.6 to the Company's annual report on Form 20-F for the fiscal year ended December 31, 2006 filed with the Securities and Exchange Commission on June 29, 2007.
- 4.12 Addendum No. 2 to Revolving Credit Facility Agreement by and among the Company and the financial institutions listed in schedule 2 thereto, dated April 15, 2008, incorporated by reference to Exhibit 4.8 to the

Company's annual report on Form 20-F for the fiscal year ended December 31, 2007 filed with the Securities and Exchange Commission on May 9, 2008.

4.13 2011 Equity Incentive Plan Limited incorporated by reference to Exhibit 4.11 to the Company's annual report on Form 20-F for the fiscal year ended December 31, 2010 filed with the Securities and Exchange Commission on April 21, 2011.

4.14 Revolving Credit Facility Agreement by and among the Company and the financial institutions listed in schedule 1 thereto, dated October 26, 2012 incorporated by reference to Exhibit 4.14 to the Company's annual report on Form 20-F for the fiscal year ended December 31, 2012 filed with the Securities and Exchange Commission on March 19, 2013.

4.15 Amendment to Restated Management Agreement dated January 10, 2013 between Scandic American Shipping Ltd. and Nordic American Tankers Limited incorporated by reference to Exhibit 4.14 to the Company's annual report on Form 20-F for the fiscal year ended December 31, 2012 filed with the Securities and Exchange Commission on March 19, 2013.

4.16 Share Purchase Agreement by and between Nordic American Tankers and Burma Shipping & Investment AS, dated as of December 15, 2012, incorporated by reference to Exhibit 4.15 to the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on April 19, 2013.

8.1 Subsidiaries of the Company

12.1 Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer.

12.2 Rule 13a-14(a) /15d-14(a) Certification of the Chief Financial Officer.

13.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

13.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

15.1 Consent of Independent Registered Public Accounting Firm.

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Schema Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Schema Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Schema Label Linkbase Document

101.PRE XBRL Taxonomy Extension Schema Presentation Linkbase Document

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this annual report on its behalf.

NORDIC AMERICAN TANKERS LTD.

/s/Turid M. Sørensen

April 4, 2014

Name: Turid M. Sørensen

Title: Chief Financial Officer & EVP

NORDIC AMERICAN TANKERS LIMITED

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Nordic American Tankers Limited
Hamilton, Bermuda

We have audited the accompanying consolidated balance sheets of Nordic American Tankers Limited and its subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, shareholders' equity and cash flows for each of the three years ended December 31, 2013. We also have audited the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's annual report on internal control over financial reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nordic American Tankers Limited and its subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte AS

Oslo, Norway
April 4, 2013

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Nordic American Tankers Limited

Consolidated Statements of Operations for the Years Ended December 31, 2013, 2012 and 2011

All figures in USD '000, except share and per share amount

	Year Ended December 31,		
	2013	2012	2011
Voyage Revenues	243,657	130,682	94,787
Voyage Expenses	(173,410)	(38,670)	(14,921)
Vessel Operating Expenses – excluding depreciation expense presented below	(64,924)	(63,965)	(54,859)
General and Administrative Expenses	(19,555)	(14,700)	(15,394)
Depreciation Expenses	(74,375)	(69,219)	(64,626)
Impairment Loss on Vessel	-	(12,030)	-
Loss on Contract	(5,000)	-	(16,200)
Net Operating Loss	(93,608)	(67,902)	(71,213)
Interest Income	146	357	1,187
Interest Expenses	(11,518)	(5,854)	(2,130)
Equity Income	40	-	-
Other Financial Income (Expenses)	(391)	207	(142)
Total Other Expenses	(11,723)	(5,290)	(1,085)
Net Loss before income taxes	(105,331)	(73,192)	(72,298)
Income Tax Expense	(86)	-	-
Net Loss	(105,417)	(73,192)	(72,298)
Basic (Loss) Earnings per Share	(1.64)	(1.39)	(1.53)
Diluted (Loss) Earnings per Share	(1.64)	(1.39)	(1.53)
Basic Weighted Average Number of Common Shares Outstanding	64,101,923	52,547,623	47,159,402
Diluted Weighted Average Number of Common Shares Outstanding	64,101,923	52,547,623	47,159,402
Cash Dividends per share	0.64	1.20	1.15

The footnotes are an integral part of these financial statements.

Nordic American Tankers Limited

Consolidated Statements of Comprehensive Income (Loss) for The Years Ended December 31, 2013, 2012 and 2011
All figures in USD '000, except share and per share amount

	Year Ended December 31,		
	2013	2012	2011
Net (Loss) Income	(105,417)	(73,192)	(72,298)
Other Comprehensive (Loss) Income Current period			
Unrealized gain (losses) on available-for-sale securities		128	(212)
Translation differences	(160)	-	-
Reclassification adjustments			
Reclassification of realized gains (losses) to net loss for available-for-sale securities	84	-	-
Other Comprehensive (loss) income	(76)	128	(212)
Total Comprehensive (Loss) Income	(105,493)	(73,064)	(72,510)

The footnotes are an integral part of these financial statements.

Nordic American Tankers Limited
Consolidated Balance Sheets as of December 31, 2013 and 2012
All figures in USD '000, except share and per share amount

	As of December 31,	
	2013	2012
Assets		
Current Assets		
Cash and Cash Equivalents	65,675	55,511
Marketable securities	-	549
Accounts receivable, net	18,801	54
Accounts receivable, net related party	-	12,862
Prepaid expenses	5,436	4,365
Inventory	24,281	4,048
Voyages in Progress	14,953	-
Other Current Assets	2,251	1,184
Total Current Assets	131,396	78,573
Non-Current Assets		
Vessels, Net	911,429	964,855
Goodwill	18,979	-
Investment in Nordic American Offshore Ltd	64,128	-
Related party receivables	-	36,987
Other Non-current Assets	10,504	5,209
Total Non-current Assets	1,005,041	1,007,051
Total Assets	1,136,437	1,085,624
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable	6,447	3,095
Accounts Payable, related party	-	1,536
Accrued Voyage Expenses	6,249	-
Accrued Liabilities	6,567	10,343
Total Current Liabilities	19,263	14,974
Long-term Debt	250,000	250,000
Deferred tax liability	37	-
Deferred Compensation Liability	12,154	11,267
Total Liabilities	281,453	276,241
Commitments and Contingencies		
Shareholders' Equity		
Common Stock, par value \$0.01 per Share; 90,000,000 and 90,000,000 shares authorized, 75,382,001 and 52,915,639 shares issued and outstanding at December 31, 2013 and December 31, 2012, respectively	754	529
Additional Paid-in Capital	208,240	15,615

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Contributed Surplus	751,567	866,515
Accumulated Other Comprehensive Loss	(160)	(84)
Accumulated Deficit	(105,417)	(73,192)
Total Shareholders' Equity	854,984	809,383
Total Liabilities and Shareholders' Equity	1,136,437	1,085,624

The footnotes are an integral part of these financial statements.

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Nordic American Tankers Limited

Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2013, 2012 and 2011

All figures in USD '000, except number of shares

	Number of Shares	Treasury shares	Common Stock	Additional Paid-in Capital	Contributed Surplus	Accumulated other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
Balance at December 31, 2010	46,898,782		469	11,480	981,815	–	(809)	992,955
Accumulated coverage of loss as of December 31, 2010	–		–	–	(809)	–	809	–
Net (Loss) Income	–		–	–	–	–	(72,298)	(72,298)
Common Shares Issued, 2011								
Equity Incentive Plan	400,000		4	–	–	–	–	4
Other Comprehensive (Loss) Income	–		–	–	–	(212)	–	(212)
Compensation – Restricted Shares	4,612		–	67	–	–	–	67
Share-based Compensation	–		–	1,320	–	–	–	1,320
Return of Capital	–		–	–	(54,273)	–	–	(54,273)
Balance at December 31, 2011	47,303,394		473	12,867	926,733	(212)	(72,298)	867,563
Accumulated coverage of loss as of December 31, 2011	–		–	–	(72,298)	–	72,298	–
Net (Loss) Income	–		–	–	–	–	(73,192)	(73,192)
Common Shares Issued, net of \$2.0 million issuance costs	5,500,000		55	75,527	–	–	–	75,582
Reduction of share premium	–		–	(75,577)	75,577	–	–	–
Other Comprehensive (Loss) Income	–		–	–	–	128	–	128
Compensation – Restricted Shares	112,245		1	1,540	–	–	–	1,541
Common Shares repurchased, 2011	-8,500	8,500	–	–	–	–	–	–

Equity Incentive Plan								
Share-based								
Compensation	–	–	1,258	–	–	–	–	1,258
Return of Capital	–	–	–	(63,497)	–	–	–	(63,497)
Balance at								
December 31, 2012	52,907,139	8,500	529	15,615	866,515	(84)	(73,192)	809,383
Accumulated coverage of loss as of December 31, 2012								
	–	–	–	–	(73,192)	–	73,192	–
Net (Loss) Income								
	–	–	–	–	–	–	(105,417)	(105,417)
Common Shares Issued, net of \$0.7 million issuance cost								
	20,556,250		206	172,405	–	–	–	172,611
Other Comprehensive (Loss) Income								
	–	–	–	–	–	(76)	–	(76)
Common shares issued in connection with the Scandic acquisition								
	1,910,112		19	18,127	–	–	–	18,1461
Common Shares repurchased, 2011								
Equity Incentive Plan	-14,500	14,500	–	–	–	–	–	–
Share-based								
Compensation	–	–	2,093	–	–	–	–	2,093
Return of Capital	–	–	–	(41,756)	–	–	–	(41,756)
Balance at								
December 31, 2013	75,359,001	23,000	754	208,240	751,567	(160)	(105,417)	854,984

The footnotes are an integral part of these financial statements.

Nordic American Tankers Limited

Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011

All figures in USD '000

	Year Ended December 31,		
	2013	2012	2011
Cash Flows from Operating Activities			
Net (Loss) Income	(105,417)	(73,192)	(72,298)
Reconciliation of Net (Loss) Income to Net Cash Provided by Operating Activities			
Depreciation Expense	74,375	69,219	64,626
Impairment Loss on Vessel	-	12,030	-
Loss on Contract	5,000	-	16,200
Dry-dock Expenditures	(17,928)	(16,538)	(11,577)
Amortization of Deferred Finance Costs	1,228	1,365	653
Deferred Compensation Liability	832	1,391	1,741
Compensation- Restricted Shares	-	1,540	67
Share-based Compensation	2,093	1,258	1,320
Other, net	(5)	(170)	-
Changes in Operating Assets and Liabilities:			
Accounts Receivables	(11,435)	17,532	(9,682)
Accounts Receivables Related party	-	(11,291)	1,571
Inventory	3,528	3,538	(3,982)
Prepaid and Other Current Assets	(130)	7,799	(4,167)
Accounts Payable and Accrued Liabilities	(3,796)	(7,609)	13,983
Accounts Payable Related party	-	610	926
Voyages in Progress	4,390	5,233	(5,233)
Non-current Related party Receivables	-	(13,282)	(18,941)
Other Non-current Assets	-	-	12,630
Net Cash Provided by (Used in) Operating Activities	(47,265)	(567)	(12,163)
Cash Flows from Investing Activities			
Proceeds from Sale (Investment in) Marketable Securities	600	-	(795)
Investment in Vessels	(6,983)	(2,745)	(91,536)
Investment in Other Fixed Assets	(1,864)	-	--
Deposit and Loan repayment from seller	5,475	9,000	10,609
Acquisition of Nordic American Offshore Ltd	(65,004)	-	-
Acquisition of Orion Tankers Ltd	(271)	-	--
Cash arising from obtaining control of Orion Tankers Ltd	6,544	-	-
Acquisition of Scandic American Shipping Ltd, net of cash acquired	(7,641)	-	-
Acquisition of Scandic, Assets Held for Sale	(5,467)	-	-
Proceeds from Sale of Scandic Assets Held for Sale	5,467	-	-
Change in Restricted Cash	(5,000)	-	-
Other, net	889	(129)	(61)
Net Cash Provided by (Used in) Investing Activities	(73,255)	6,126	(81,783)
Cash Flows from Financing Activities			
Proceeds from Issuance of Common Stock	172,611	75,582	4
Proceeds from Use of Credit Facility	40,000	270,000	155,000

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Repayments on Credit Facility	(40,000)	(250,000)	–
Credit Facility Costs	-	(6,139)	–
Dividends Paid	(41,756)	(63,497)	(54,273)
Net Cash Provided by Financing Activities	130,855	25,946	100,731
Net Increase (Decrease) in Cash and Cash Equivalents	10,335	31,505	6,785
Cash and Cash Equivalents at the Beginning of Year	55,511	24,006	17,221
Effect of exchange rate changes on Cash and Cash Equivalents	(171)	-	-
Cash and Cash Equivalents at the End of Year	65,675	55,511	24,006
Cash Paid for Interest	7,158	2,928	1,902
Cash Paid for Taxes	214	-	-

The footnotes are an integral part of these financial statements.

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NORDIC AMERICAN TANKERS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in USD '000 except where noted)

1. NATURE OF BUSINESS

Nordic American Tankers Limited ("NAT") was formed on June 12, 1995 under the laws of the Islands of Bermuda. The Company's shares trade under the symbol "NAT" on the New York Stock Exchange. The Company was formed for the purpose of acquiring and chartering double-hull tankers.

In January 2013 NAT acquired Scandic American Shipping Ltd. ("Scandic" or the "Manager") and Orion Tankers Ltd ("Orion"). Accordingly, these financial statements are presented on a consolidated basis for NAT and its subsidiaries ("the Company" or "the Group"). For the year ended December 31 2013, Scandic had the daily administrative, commercial and operational responsibility and Orion has provided services as the pool manager. The Group provided assistance in the formation of Nordic American Offshore. Otherwise no services were provided by the subsidiaries for parties outside the Group. For further details on the acquisition of the subsidiaries please see Note 3 and Note 10.

The Company is an international tanker company that currently owns 20 Suezmax tankers, an increase from three vessels owned in the autumn of 2004. The Company expects that the expansion process will continue over time and that more vessels will be added to its fleet. The 20 vessels the Company currently operates average approximately 156,000 dwt each.

In 2013 and 2012, the Company chartered all of its operating vessels into a spot market arrangement with Orion. The Orion Tankers Pool was established in November 2011. In 2011, the Company chartered all of its operating vessels in the spot market pursuant to a cooperative arrangement with Gemini Tankers LLC, until November 24, 2011, at which time the Company entered into a spot market arrangement with Orion.

Tanker markets are typically stronger in the fall and winter months (the fourth and first quarters of the calendar year) in anticipation of increased oil consumption in the northern hemisphere during the winter months. Seasonal variations in tanker demand normally result in seasonal fluctuations in spot market charter rates.

The Company's Fleet

The Company's current fleet consists of 20 Suezmax crude oil tankers, and all of its vessels are employed in the spot market.

	Yard	Delivered to NAT
Nordic Harrier	Samsung 1997	151,459 August 1997
Nordic Hawk	Samsung 1997	151,475 October 1997
Nordic Hunter	Samsung 1997	151,401 December 1997
Nordic Voyager	Dalian 1997 New	149,591 November 2004
	Hyundai 1998	153,328

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Nordic			March
Fighter			2005
Nordic	Daewoo	2005	159,331 March
Freedom			2005
Nordic	Hyundai	1998	153,328 August
Discovery			2005
Nordic	Daewoo	1998	157,331 November
Saturn			2005
Nordic	Daewoo	1998	157,411 April
Jupiter			2006
Nordic	Samsung	2002	160,305 November
Moon			2006
Nordic	Samsung	2003	159,998 November
Apollo			2006
Nordic	Samsung	2003	159,999 December
Cosmos			2006
Nordic	Samsung	1999	147,188 February
Sprite			2009
Nordic	Hyundai	2002	149,921 July 2009
Grace			
Nordic	Hyundai	2002	164,236 November
Mistral			2009
Nordic	Hyundai	2002	164,274 March
Passat			2010
Nordic	Bohai	2010	163,940 December
Vega			2010
Nordic	Samsung	2011	158,597 August
Breeze			2011
Nordic	Samsung	1999	147,262 September
Aurora			2011
Nordic	Samsung	2011	158,645 November
Zenith			2011

Comparative Information

In 2013 the Company acquired 100 % of Scandic American Shipping Ltd and the remaining 50 % of Orion. As a consequence the accounts as of December 31, 2013 are presented on a fully consolidated basis. The comparative information as of December 31, 2012 and 2011 have not been adjusted and is presented on a non-consolidated basis. As a result the Statement of Financial position and the Statement of Operations as of December 31, 2013 are not fully comparable with the December 31, 2012 and 2011 comparative information. The most noticeable effects are:

In the statements of operations General and administrative expenses for the year ended December 31, 2013 include \$2.2 million as a result of the consolidation.

In the statement of financial position as of December 31, 2012 and 2011, the Company presents two asset line items representing net receivables from the Orion Tankers Pool. These line items were "Accounts Receivable, net related party" in the current asset section and "Related party receivable" in the non-current asset section. In 2013 these line items are not shown as the Orion Tankers Pool is fully consolidated. Consequently, the Company present "Accounts receivable, net", "Inventory", "Voyages in Progress" and "Accrued Voyage expenses" in the statement of financial position as of December 31, 2013.

There are no other noticeable effects following the consolidation of subsidiaries.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Use of Estimates: Preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The effects of changes in accounting estimates are accounted for in the same period in which the estimates are changed.

Foreign Currency Translation: The functional currency of NAT is the United States ("U.S.") dollar as all revenues are received in U.S. dollars and the majority of the expenditures are incurred and paid in U.S. dollars. NAT's reporting currency is also the U.S. dollar. Transactions in foreign currencies during the year are translated into U.S dollars at the rates of exchange in effect at the date of the transaction. The subsidiary of Orion Tankers Ltd, Orion Tankers AS, and the European branch of Scandic American Shipping Ltd, both have Norwegian Kroners as their functional currency. The financial statements of these entities are translated as part of the consolidation of the Group.

Revenue and Expense Recognition: Revenues and expenses are recognized on the accruals basis. Revenues are generated from spot charters and cooperative arrangements.

Voyage revenues and expenses are recognized ratably over the estimated length of each voyage and, therefore, are allocated between reporting periods based on the relative transit time in each period. The impact of recognizing voyage expenses ratably over the length of each voyage is not materially different on a quarterly and annual basis from a method of recognizing such costs as incurred. Probable losses on voyages are provided for in full at the time such losses can be estimated. Based on the terms of the customer agreement, a voyage is deemed to commence upon the completion of discharge of the vessel's previous cargo and is deemed to end upon the completion of discharge of the current cargo. However, the Company does not recognize revenue if a charter has not been contractually committed to by a customer and the Company, even if the vessel has discharged its cargo and is sailing to the

anticipated load port on its next voyage.

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Spot Charters: Revenues and voyage expenses of the vessels operating on spot charters are tankers typically chartered for a single voyage which may last up to several weeks. Revenue is generated from freight billing, as the Company is responsible for paying voyage expenses and the charterer is responsible for any delay at the loading or discharging ports. When the Company's tankers are operating on spot charters the vessels are traded fully at the risk and reward of the Company. For vessels operating in the spot market other than through the pool (described below under "Cooperative arrangement"), the vessels will be operated by the pool manager. Under this type of employment, the vessel's revenues are not included in the profit sharing of the participating vessels in the pool. The Company considers it appropriate to present the gross amount earned revenue from the spot charter, showing voyage expenses related to the voyage separately in the statements of operations.

Cooperative Arrangement: Revenues and voyage expenses of the vessels operating in pool arrangements, through cooperative arrangements, are combined and the resulting net pool revenues, calculated on a time charter equivalent basis, are allocated to pool participants according to an agreed formula. Formulas used to allocate net revenues vary among different cooperative arrangements, but generally, revenues are allocated to participants on the basis of the number of days a vessel operates with weighting adjustments made to reflect each vessels' differing capacities and performance capabilities. The same revenue and expense principles stated above are applied in determining the pool's net pool revenues. The manager of the cooperative agreements is responsible for collecting voyage revenue, paying voyage expenses and distributing net pool revenues to the owners of the participating vessels.

Until November 5, 2012 the Company's net voyage revenues were generated from cooperative agreements with other vessels that are not owned by the Company. The Company considers it appropriate to record the net voyage revenues, in which the Company is not regarded as the principal of its vessels' activities based on the net method. The Company accounts for the net revenues allocated by these cooperative agreements as "Voyage Revenue" in its statements of operations.

Orion was established as equally owned by the Company and Frontline Ltd. ("Frontline"). On November 5, 2012, Frontline completed the withdrawal of its nine Suezmax tankers from the cooperative agreements, following which the Orion Tankers pool consists of 20 Suezmax vessels, all owned by the Company. The Company considers it appropriate to present the gross amount earned revenue from the cooperative agreements from November 5, 2012, showing voyage expenses related to the voyage separately in the statements of operations.

When in the cooperative arrangements described above a vessel which did not temporarily comply with the pool requirements, the vessel will continue to be operated in the spot market by the pool manager, as described above under "Spot Charters."

Vessel Operating Expenses: Vessel operating expenses include crewing, repair and maintenance, insurance, stores, lubricants, management fee, communication expenses and tonnage tax. These expenses are recognized when incurred.

Consolidation: Entities in which NAT has controlling financial interest are consolidated in accordance with Accounting Standard Codification ("ASC") Topic 810, "Consolidation". Subsidiaries are consolidated from the date on which control is obtained. The subsidiaries' accounting policies are in conformity with U.S. GAAP. The consolidated subsidiaries did not generate external revenues for the Group, and the expenses from the subsidiaries are included in the statement of operations as from January 1, 2013.

Cash and Cash Equivalents: Cash and cash equivalents consist of highly liquid investments such as time deposits with original maturities of three months or less.

Marketable Securities: Marketable equity securities held by the Company are considered to be available-for-sale securities and as such are carried at fair value. Any resulting unrealized gains and losses, are recorded as a separate component of other comprehensive income in equity unless the securities are considered to be other than temporarily impaired, in which case unrealized losses are recorded in the statement of operations.

Accounts Receivable: Accounts and other receivables are presented net of allowances for doubtful balances. If amounts become uncollectable, they are charged against income when that determination is made.

Inventories: Inventories, which are comprised of bunker fuel and lubrication oil, are stated at the lower of cost or market. Cost is determined on a first-in, first-out ("FIFO") basis.

Vessels, Net: Vessels are stated at their historical cost, which consists of the contracted purchase price and any direct expenses incurred upon acquisition (including improvements, on site supervision expenses incurred during the construction period, commissions paid, delivery expenses and other expenditures to prepare the vessel for its initial voyage) less accumulated depreciation. Financing costs incurred during the construction period of the vessels are also capitalized and included in vessels' cost based on the weighted-average method. Certain subsequent expenditures for conversions and major improvements are also capitalized if it is determined that they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessel. Depreciation is calculated based on cost less estimated residual value, and is provided over the estimated useful life of the related assets using the straight-line method. The estimated useful life of a vessel is 25 years from the date the vessel is delivered from the shipyard. Repairs and maintenance are expensed as incurred.

Impairment of Vessels:

The Company reviews for impairment long-lived assets held and used whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In this respect, the Company reviews its assets for impairment on an asset by asset basis. When the estimate of undiscounted cash flows, excluding interest charges, expected to be generated by the use of the asset is less than its carrying amount, the Company evaluates the asset for impairment loss. The impairment loss is determined by the difference between the carrying amount of the asset and fair value (calculated based on estimated discounted operating cashflow). In developing estimates of future undiscounted cash flows, the Company makes assumptions and estimates about the vessels' future performance, with the significant assumptions being related to charter rates, fleet utilization, operating expenses, capital expenditures, 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 as well as future expectations. The estimated net operating cash flows are determined by considering an estimated daily time charter equivalent for the remaining operating days. The Company estimates the daily time charter equivalent for the remaining operating days based on the most recent fifteen year historical average for similar vessels and utilizing available market data for spot market rates over the remaining estimated life of the vessel, assumed to be 25 years from the delivery of the vessel from the shipyard, net of brokerage commissions, expected outflows for vessels' maintenance and vessel operating expenses (including planned drydocking expenditures). The salvage value used in the impairment test is estimated to be \$9.7 million per vessel. If the Company's estimate of undiscounted future cash flows for any vessel is lower than the vessel's carrying value, the carrying value is written down, by recording a charge to operations, to the vessel's fair value if the fair value is lower than the vessel's carrying value. Although the Company believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are subjective. There can be no assurance as to how long charter rates and vessel values will remain at their currently low levels or whether they will improve by any significant degree. In 2012, the Company recognized impairment charges on one vessel using an individual approach. There was no impairment on vessels in 2013 and 2011.

Drydocking: The Company's vessels are required to be drydocked approximately every 30 to 60 months. The Company capitalizes a substantial portion of the costs incurred during drydocking and amortizes those costs on a straight-line basis from the completion of a drydocking or intermediate survey to the estimated completion of the next drydocking. Consistent with prior periods, drydocking costs include a variety of costs incurred while vessels are placed within drydock, including expenses related to the dock preparation and port expenses at the drydock shipyard, general shipyard expenses, expenses related to hull, external surfaces and decks, expenses related to machinery and engines of the vessel, as well as expenses related to the testing and correction of findings related to safety equipment on board. The Company includes in capitalized drydocking those costs incurred as part of the drydock to meet classification and regulatory requirements. The Company expenses costs related to routine repairs and maintenance performed during drydocking, and for annual class survey costs. Ballast tank improvements are capitalized and amortized on a straight-line basis over a period of eight years. The capitalized and unamortized drydocking costs are included in the book value of the vessels. Amortization expense of the drydocking costs is included in depreciation expense.

Investments in Equity Method Investees: Investments in other entities where the Company has a "significant influence" in accordance with U.S. GAAP are accounted for using the equity method of accounting. Under the equity method of accounting, the investment is stated at initial cost and is adjusted for subsequent additional investments and the Company's proportionate share of earnings or losses and distributions. The Company evaluates its investment in equity method investees for impairment when events or circumstances indicate that the carrying value of the investment may have experienced an other than temporary decline in value below its carrying value. If the estimated fair value is less than the carrying value and is considered an other than temporary decline, the carrying value is written down to its estimated fair value and the resulting impairment is recorded in net income (loss).

Business combinations: The Company uses the acquisition method of accounting, which requires an acquirer in a business combination to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at their fair values at the acquisition date. The costs of the acquisition and any related restructuring costs are to be recognized separately in the Consolidated Statements of Operations. The acquired company's operating results are included in the Company's consolidated financial statements starting on the date of acquisition.

The purchase price is equivalent to the fair value of the consideration transferred and liabilities incurred. Tangible and identifiable intangible assets acquired and liabilities assumed as of the date of acquisition are recorded at the acquisition date fair value. Goodwill is recognized for the excess of purchase price over the net fair value of assets acquired and liabilities assumed.

Goodwill: Goodwill is not amortized, but reviewed for impairment at the reporting unit level on an annual basis or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. When goodwill is reviewed for impairment, the Company may elect to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. Alternatively, the Company may bypass this step and use a fair value approach to identify potential goodwill impairment and, when necessary, measure the amount of impairment. The Company uses a discounted cash flow model to determine the fair value of the reporting unit, unless there is a readily determinable fair market value.

Deferred Compensation Liability: The Company has two individual deferred compensation agreements with the Company's CEO and CFO & EVP. The deferred compensation liabilities are denominated in Norwegian currency. The liabilities are accounted for on an accrual basis using actuarial calculations. Any currency translation adjustments as well as actuarial gains and losses are recognized in general and administration expenses as incurred.

Defined Benefit Plan:

The employees of the subsidiaries have defined benefit pension plans. The Company accrues the costs and related obligations associated with its defined benefit pension plans based on actuarial computations using the projected benefits obligation method and management's best estimates of expected plan investment performance, salary escalation, and other relevant factors. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. The overfunded or underfunded status of the defined benefit pension plans are recognized as assets or liabilities in the consolidated balance sheet. The Company recognizes as a component of other comprehensive loss, the gains or losses that arise during a period but that are not recognized as part of net periodic benefit costs

Other Comprehensive Income (Loss): The Company follows the guidance in ASC Topic 220, "Comprehensive Income" which requires separate presentation of certain transactions that are recorded directly as components of shareholders' equity.

Segment Information: The Company has identified only one operating segment under ASC Topic 280, "Segment Reporting." The Company has only one type of vessel – Suezmax crude oil tankers.

Geographical Segment: The Company does not provide a geographical analysis because the Company's business is global in nature and the location of its vessels continually changes.

Fair Value of Financial Instruments: The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate carrying value because of the short-term nature of these instruments. For further information on fair value of financial instruments please see Note 18.

Deferred Financing Costs: Finance costs, including fees, commissions and legal expenses, which are recorded as "Other Current Assets" and "Other Non-current Assets" in the Balance Sheet are deferred and amortized on a straight-line basis over the term of the 2012 Credit Facility. Amortization of finance costs is included in "Interest Expense" in the Statement of Operations.

Share-Based Payments:

Share-Based Compensation: The compensation costs for all of the Company's stock-based compensation awards are based on the fair value method as defined in ASC Topic 718, "Compensation – Stock Compensation."

Restricted Shares to Employees and Non-Employees: The fair value of restricted shares is estimated based on the market price of the Company's shares. The fair value of unvested restricted shares granted to employees is measured at grant date and the Company records the compensation expense for such awards over the requisite service period. The fair value of unvested restricted shares granted to non-employees is measured at fair value at each reporting date and the Company records the compensation expense for such awards over the period the service is rendered by the non-employee.

Restricted Shares to Manager: Restricted shares issued to the Manager are non-forfeitable and vest immediately. Accordingly, the compensation expense for each of the respective issuances was measured at fair value on the date the award was issued, or the grant date, and expensed immediately as performance was deemed to be complete. The fair value was determined using the Company's stock price on the date of grant.

The agreement which gave the Manager the right to be issued restricted shares was terminated when the Manager was acquired.

Income Taxes: The Company is incorporated in Bermuda. Under current Bermuda law, the Company is not subject to corporate income taxes.

The Group includes two wholly-owned subsidiaries in Norway which are subject to income tax in their jurisdictions at 28 % of their taxable profit. The income tax incurred in Norway for the year ended December 31, 2013 was \$65,000. Income tax liability in subsidiaries before acquisition, related to the year ended December 31, 2012 was \$214,000, which was paid in 2013.

Concentrations:

Fair value: The Company operates in the shipping industry which historically has been cyclical with corresponding volatility in profitability and vessel values. Vessel values are strongly influenced by charter rates which in turn are influenced by the level and pattern of global economic growth and the world-wide supply and demand for vessels. The spot market for tankers is highly competitive and charter rates are subject to significant fluctuations. Dependence on the spot market may result in lower utilization. Each of the aforementioned factors is important considerations associated with the Company's assessment of whether the carrying amounts of its own vessels are recoverable.

Credit risk: Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The fair value of the financial instrument approximates the net book value. The Company maintains its cash with financial institutions it believes are reputable. The terms of these deposits are on demand to minimize risk. The Company has not experienced any losses related to these cash deposits and believes it is not exposed to any significant credit risk. However, due to the current financial crisis the maximum credit risk the Company would be exposed to is a total loss of outstanding cash and cash equivalents and accounts receivable. See Note 4 for further information.

Accounts receivable, net, consists of uncollateralized receivables from international customers engaged in the international shipping industry. The Company routinely assesses the financial strength of its customers. Accounts receivable are presented net of allowances for doubtful accounts. If amounts become uncollectible, they will be charged to operations when that determination is made. For the years ended December 31, 2013 and 2012, the Company did not record an allowance for doubtful accounts.

Interest risk: The Company is exposed to interest rate risk for its debt borrowed under the Credit Facility. In certain situations, the Company may enter into financial instruments to reduce the risk associated with fluctuations in interest rates. The Company has no such outstanding derivatives at December 31, 2013 and 2012, and has not entered into any such arrangements during 2013, 2012 and 2011.

Recent Accounting Pronouncements:

There are no recent pronouncements issued whose adoption would have a material impact on the Company's consolidated financial statements in the current year or are expected to have a material impact on future years.

3. RELATED PARTY TRANSACTIONS

Scandic American Shipping Ltd.:

In June 2004, the Company entered into a Management Agreement with Scandic. The Manager has been, from its inception and up to January 10, 2013, owned by a company controlled by the Chairman and Chief Executive Officer of the Company, Mr. Herbjørn Hansson and his family. In order to align the Manager's interests with those of the Company, the Company pursuant to the Management Agreement issued to the Manager restricted common shares equal to 2% of the Company's outstanding common shares, through January 1, 2013. The arrangement ended when the Company acquired the Manager, as described below.

The Manager has the daily administrative, commercial and operational responsibility for the Company's vessels and is required to manage the Company's day-to-day business subject to the Company's objectives and policies as established by the Board of Directors.

On December 15, 2012, the Company entered into an agreement to acquire 100% of the shares of the Manager. The acquisition is described in note 10.

For its services under the Management Agreement, the Manager receives a management fee of \$150,000 per annum for the total fleet and is reimbursed for all of its costs incurred in connection with its services. The management fee was reduced from \$500,000 to \$150,000 per annum effective January 10, 2013. The management fee was increased from \$350,000 to \$500,000 per annum effective December 1, 2011 up and until January 10, 2013.

The Company recognized \$3.9 million and \$3.8 million of total costs for services provided under the Management Agreement for the years ended December 31, 2012 and 2011, respectively. These costs are included in "General and Administrative Expenses" in the statements of operations. The related party balances included within accounts payable were \$1.5 million at December 31, 2012. All fees paid, and related party balances, are eliminated in the consolidated financial statements as of and for the year ended December 31, 2013.

In February 2011, the Company adopted an equity incentive plan which the Company refers to as the 2011 Equity Incentive Plan, pursuant to which a total of 400,000 restricted shares were reserved for issuance. All of 400,000 restricted shares were allocated among 23 persons employed in the management of the Company, including the Manager and the members of the Board. On January 10, 2013, the Board of Directors amended the vesting requirements for 174,000 shares allocated to the Manager lifting the vesting requirements by means of accelerated

vesting. The modification to the vesting requirements resulted in \$1.1 million being charged to General and Administrative expense during the first quarter of 2013.

As of December 31, 2013, a total number of 203,000 restricted common shares that are subject to vesting have been allocated among 17 persons employed in the management of the Company, by the Manager and the members of the Board of Directors. The holders of the restricted shares are entitled to voting rights as well as to receive dividends paid during the vesting period.

Board Member and Employees:

Mr. Jan Erik Langangen, Board Member and part-time employee of the Company, is a partner of Langangen & Helset Advokatfirma AS, a firm which provides legal services to the Company. The Company recognized \$0.1 million in costs in each of the years ended December 31, 2013, 2012 and 2011, respectively, for the services provided by Langangen & Helset Advokatfirma AS. These costs are included in "General and Administrative Expenses" within the statements of operations. There was \$5,000 included within "Accounts Payable" at December 31, 2013 and no related amount at December 31, 2012.

Mr. Rolf Amundsen, the Advisor to the Chairman, is a partner of Amundsen & Partners AS, a firm which provides consultancy services to the Company. The Company recognized \$0.1 million in costs in each of the years ended December 31, 2013 and 2012 and 2011, respectively, for the services provided by Amundsen & Partners AS. These costs are included in "General and Administrative Expenses" within the statements of operations. There was \$10,000 included within "Accounts Payable" at December 31, 2013 and no related amount at December 31, 2012.

Orion Tankers Ltd.:

Orion was established as a pool manager equally owned by the Company and Frontline. In September 2012, it was agreed that Frontline would withdraw its nine Suezmax tankers from the pool during the fourth quarter of 2012. The withdrawal of these vessels was completed effective November 5, 2012. Effective January 2, 2013 the Company acquired Frontline's shares in Orion at their nominal book value as of December 31, 2012, after which Orion became a wholly-owned subsidiary of the Company.

As of December 31, 2012, "Related party receivable" amounted to \$37.0 million. The "Related party receivable" amount represented the outstanding working capital from the Orion pool. The working capital represented the value of bunkers on board the Company's vessels on delivery to the cooperative arrangements, including payment of initial funding of \$0.2 million per vessel. As of December 31, 2012, "Accounts Receivable, net related party" amounted to \$12.9 million. The "Accounts Receivable, net related party" amount represented the outstanding voyage revenue from Orion pool.

As of December 31, 2013, Orion is a subsidiary and all intercompany balances and transactions have been eliminated in the consolidated financial statements.

Nordic American Offshore Ltd.:

Nordic American Offshore Ltd. ("NAO") was established on November 27, 2013 with a private equity placement of \$250 million, and operates Platform Supply Vessels ("PSV") in the offshore sector. NAT participated with \$65 million in the equity placement, which gives an ownership of 26 %. NAO is accounted for using the equity method of accounting.

In addition to participating in the equity placement the Company also assisted with the coordination of the establishment of NAO. As compensation for its services the Company received 833,333 warrants with an exercise price of \$15.00 per common share. The warrants vest in 20 % increments at each 10% increase in the volume weighted average price, or VWAP, of NAO's common shares between increases of 25% to 65%. The VWAP must be above an exercise level for a minimum of 10 business days, with a minimum trading volume of \$2 million above exercise levels. The warrants mature on December 31, 2015.

Scandic will perform supportive functions for NAO from January 1, 2014 which will generate external revenues for the Group. In addition, general and administrative costs incurred by Scandic, which in prior periods have been fully reimbursed by NAT, will be allocated for reimbursed between NAO and NAT from January 1, 2014.

For further information and details on the investment in NAO please see Note 10.

4. REVENUE

In 2013 and 2012, the Company chartered all of its operating vessels into a spot market arrangement with Orion. The Orion Tankers Pool was established in November 2011, and was equally owned by the Company and Frontline until the Company acquired the remaining shares in January 2013.

From January until November 2011, the Company placed all of its vessels in a spot market cooperative arrangement with Gemini Tankers LLC, where Frontline and Teekay Corporation (NYSE: TK), together with the Company were the main owners of the participating vessels.

During 2012, the Company temporarily operated six vessels in the spot market, other than through cooperative arrangements as spot charters. During 2011, the Company temporarily operated six vessels in the spot market, other than through cooperative arrangements as spot charters.

The table below provides the breakdown of revenues recorded as per the net method and the gross method.

Voyage Revenues

All figures in USD '000	2013	2012	2011
Net pool spot market earnings, cooperative arrangements	-	77,287	76,618
Gross pool spot market earnings, Orion Tankers pool	-	36,339	-
Gross spot market earnings, through spot charters	243,657	17,056	18,169
Total Voyage Revenues	243,657	130,682	94,787

In November 2011, the Orion Tankers pool was established with Orion as pool manager and was owned equally by the Company and Frontline Ltd. In mid-November 2011, the Company's vessels were transferred from the Gemini Tankers LLC arrangement to the Orion Tankers pool upon completion of previously fixed charters within Gemini Tankers LLC. In September 2012, it was announced that the Company will acquire Frontline's remaining interest in Orion and that Frontline would withdraw its nine Suezmax vessels from the Orion Tankers pool in the fourth quarter of 2012. The withdrawal of these vessels was completed effective November 5, 2012, following which the Orion Tankers pool consists of 20 Suezmax vessels, all owned by the Company. The Orion Tankers' pool arrangement is managed and will continue to be operated by Orion. Orion was owned equally by the Company and Frontline Ltd. until January 1, 2013. Effective January 2, 2013 the Company acquired Frontline's shares in Orion at its nominal book value after which time Orion became a wholly-owned subsidiary of the Company.

The Orion Tankers Pool accounted for 98% and Gemini Tankers LLC accounted for 2% of the Company's revenues for the year ended December 31, 2012. Gemini Tankers LLC accounted for 97% and the Orion Tankers Pool accounted for 3% of the Company's revenues for the year ended December 31, 2011. For the year ended December 31, 2013 two costumers accounted for 42% of the total revenues.

Accounts receivable, net, as of December 31, 2013 and 2012 were \$18.8 million and \$0.01 million, respectively. Four charterers accounted for 52 % the outstanding amount as of December 31, 2013.

Accounts receivable, net related party, as of December 31, 2013 and 2012 were \$0 and \$12.9 million, respectively. Orion Tankers pool accounted for 100% of the Company's accounts receivable, net related party for the year ended December 31, 2012.

5. GENERAL AND ADMINISTRATIVE EXPENSES

All figures in USD '000	2013	2012	2011
Management fee to related party	-	500	363
Directors and officers insurance	80	74	86
Salaries and wages	6,560	3,282	2,904
Audit, legal and consultants	5,575	1,007	1,099
Legal fees – Nordic Galaxy	-	-	2,362
Administrative services provided by related party	-	3,930	3,821
Other fees and expenses	4,213	1,718	1,631
Compensation – Restricted shares to Manager	-	1,540	67
Share-based compensation	2,093	1,258	1,320

Deferred compensation plan	1,033	1,391	1,741
Total for year ended December 31,	19,555	14,700	15,394

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General and administrative expenses for the year ended December 31, 2013 also include those of Scandic and Orion. Accordingly, the administrative services provided by related party are eliminated, and the expenses in the subsidiaries are presented under the remaining items.

Expenses for "Audit, legal and consultants" include one-time charges related to the acquisition of Scandic of \$2.5 million and legal fees related to the Gulf Navigation Holding PSJ arbitration of \$1.0 million.

Expenses for "Other fees and expenses" include one-time charges related to the acquisition of Scandic of \$1.1 million, and \$2.2 million in General and Administrative expenses incurred in the subsidiaries.

The subsidiaries employees have a deferred group benefit plan. The deferred liability for the employees as of December 31, 2013 is \$0.1 million, and recognized cost in the statement of operations for the year ended December 31, 2013 is \$0.3 million.

6. DEFERRED COMPENSATION LIABILITY

In 2010, the Board of Directors approved an unfunded deferred compensation agreement for Turid M. Sørensen, the Company's Chief Financial Officer and Executive Vice President. The agreement provides for unfunded deferred compensation computed as a percentage of salary, and certain benefits for dependents. The deferred compensation liabilities are denominated in Norwegian currency. Benefits vest over a period of employment of 20.5 years up to a maximum of 66% of the salary level at the time of retirement, age of 67. Interest is imputed at 4.00% and 3.90% as of December 31, 2013 and 2012, respectively. The rights under the agreement commenced in May 2008. As the agreement was effective in 2010, vested rights under the agreement were recognized in 2010.

In May 2007, the Board of Directors approved an unfunded deferred compensation agreement for Herbjørn Hansson, the Chairman, President and CEO. The agreement provides for unfunded deferred compensation computed as a percentage of salary, and certain benefits for dependents. The deferred compensation liabilities are denominated in Norwegian currency. Benefits vest over a period of employment of 14 years up to a maximum of 66% of the salary level at the time of retirement, age of 70. Interest is imputed at 4.00% and 3.90% as of December 31, 2013 and 2012, respectively. The rights under the agreement commenced in October 2004. The CEO has the right to require a bank guarantee for the deferred compensation liability and the CEO has served in his position since the inception of the Company in 1995.

The total expense, related to the deferred compensation agreements for the Chairman, President and CEO and for the Company's Chief Financial Officer and Executive Vice President, recognized in 2013, 2012 and 2011 were \$0.8 million, \$1.4 million and \$1.7 million, respectively.

7. VESSELS, NET

Vessels, net, consist of the carrying value of 20 vessels including drydocking costs.

All figures in USD '000	Vessels	Drydocking	Total
Carrying Value December 31, 2012	933,424	31,431	964,855
Accumulated depreciation December 31, 2012	397,641	15,822	413,463
Impairment Loss on Vessel 2012	12,030	-	12,030
Depreciation expense 2012	62,795	6,424	69,219
Carrying Value December 31, 2013	872,846	38,583	911,429
Accumulated depreciation December 31, 2013	460,422	27,063	487,485

Depreciation expense 2013	62,781	11,241	74,022
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Impairment Loss on Vessels

The Company recorded impairment loss on vessels of \$nil, \$12.0 million and \$nil for the years ended December 31, 2013, 2012 and 2011, respectively. The Company continually monitors events and changes in circumstances that could indicate that the carrying amounts of each of its vessels may not be recoverable. For the year ended December 31, 2013 the Company performed impairment tests at each quarter end. Impairment tests performed did not result in carrying value for any of the Company's vessels exceeding future undiscounted cash flows.

During the fourth quarter of 2012, the Company identified one vessel where the Company believed that future undiscounted cash flow was less than the carrying value and therefore not fully recoverable. The impairment loss recorded is equal to the difference between the asset's carrying value and estimated fair value.

8. NORDIC GALAXY

In August 2010, the Company did not take delivery of the first of the two newbuilding vessels they agreed to acquire on November 5, 2007, because the vessel in the Company's judgment was not in a deliverable condition as under the Memorandum of Agreement between the Company and the seller. The seller, a subsidiary of First Olsen Ltd, did not agree with the Company and the parties commenced arbitration procedures which took place in London, in October and November 2011. The agreed total price at scheduled delivery was \$90.0 million per vessel, including supervision expenses. The Company paid \$9.0 million as deposit on contract in 2010. The Company furnished to the seller a loan equivalent to the payment installments under the shipbuilding contract. The loan from the Company to the seller accrued interest at a rate equal to the Company's cost of funds, and the loan was to be repaid on delivery of the vessel.

According to the first partial award received on November 18, 2011, the vessel was found to be in a deliverable condition in August 2010. The seller originally claimed \$26.8 million in compensation, which was the same amount as the outstanding loan balance between the Company and the seller as per December 31, 2010. However, the first partial award was limited to \$16.2 million. The Loss on Contract of \$16.2 million was recognized in the Company's statement of operations in 2011. The recorded Loss on Contract did not have an impact on the Company's net cash flow.

In November 2011, as a consequence of the first partial award, the seller repaid to us the net outstanding loan balance of \$10.6 million and \$1.2 million in interest income. The interest received is presented as interest income in the Statement of Operations for 2011.

On January 17, 2012, the Company received the final award from the tribunal and as a consequence they became responsible for some of the legal costs of the seller. The amount of legal fees of the seller was estimated to approximately \$1.2 million. During the year ended December 31, 2011, the Company recognized \$2.4 million, including the legal fees of the seller. These costs are included in "General and Administrative Expenses" in the Statement of Operations. In February 2012, the Company received the deposit on contract of \$9.0 million and interest income of \$0.2 million.

9. OTHER NON-CURRENT ASSETS

All figures in USD '000	2013	2012
Investment in joint venture	-	271
Fixture, Furniture and Equipment	1,129	-
Warrants	915	-
Deferred Finance Costs	3,460	4,938
Long term deposit	5,000	-
Total as of December 31,	10,504	5,209

Fixture, furniture and equipment were acquired as part of the acquisition of Orion and Scandic.

The long term deposit relates to the Company transferring cash to a restricted account in accordance with the deferred compensation agreement for Herbjørn Hansson, the Chairman, President and CEO, described in Note 6.

The deferred finance cost is a result of the Company entering into a \$430 million revolving credit facility (the "2012 Credit Facility"). The finance cost of \$6.1 million that were incurred was deferred and is being amortized over the term of the 2012 Credit Facility on a straight-line basis. The 2012 Credit Facility matures in late October 2017.

For further information related to the warrants please see Note 10.

10. ACQUISITION OF BUSINESSES

Acquisition of Subsidiaries

Effective January 10, 2013 the Company acquired Scandic American Shipping Ltd. The purchase price was \$33.3 million, \$18.1 million of which was paid in shares, \$8.0 million of which was paid in cash and \$7.2 million was payable to the seller for additional assets which were sold during the first quarter of 2013. The number of shares issued were 1,910,112, trading at \$9.50 on the acquisition date. The share component of the purchase price is subject to a one-year lock-up, while the cash component was primarily used by the seller to pay taxes associated with this transaction. The transaction was effective January 10, 2013, and the Manager is a wholly-owned subsidiary of the Company. In addition to gaining full direct control of the Manager's operations, the Company is no longer obligated to maintain the Managers ownership of the Company's common shares at 2%. The Company shares owned by the Manager were not part of the transaction and remained with the seller. The acquisition was accounted for using the acquisition method.

Effective January 2, 2013, the Company acquired the remaining 50% of Orion at its nominal book value as of December 31, 2012. It was determined that the fair value of the assets and liabilities of Orion matched their book values. Fair value of total assets acquired was \$1.8 million and liabilities assumed \$1.3 million, accordingly the cash consideration for the Company was \$0.3 million for the 50% stake and no goodwill or gain/loss was recognized.

All services provided by Orion were to the Group for the year ended December 31, 2013. Scandic provided immaterial services to NAO in the year ended December 31, 2013, all other services provided by Scandic was to the Group. All intercompany transactions and balances are eliminated in the Consolidated Financial Statements.

For further background related to the acquisitions please see Note 3.

The fair value of the assets and liabilities of Scandic were determined with the assistance of an external valuation specialist. The following is a summary of the fair values of the assets and liabilities:

Amounts in \$ million	Scandic As of January 10, 2013
ASSETS	
Cash and cash equivalents	0.4
Assets held for sale	6.6
Other current assets	2.4
Furniture, fixture and equipment	1.0
Other non-current assets	0.2
Total assets acquired	10.6
LIABILITIES	
Accounts payable	0.2
Tax payable	0.2
Other current liabilities	0.9
Total liabilities assumed	1.3
Net assets acquired	9.3
Cash consideration	8.0
Common shares issued	18.1
Payable to seller	7.2
Total consideration	33.3
Net assets acquired	9.3
Difference	24.0
Settlement loss	5.0
Net Goodwill recognized	19.0

Assembled workforce was identified. However as ASC 805 precludes recognition of workforce as a separate intangible asset workforce value is included in Goodwill recognized.

The settlement loss of \$5.0 million relates to a preexisting contractual relationship between the acquirer and acquiree which was recognized as a loss on contract in the Consolidated Statement of Operations for the year ended December 31, 2013. The loss was recognized in accordance with ASC 805-10-55-21.

Acquisition related expenses amounted to \$3.6 million, which was recognized in General and Administrative expenses in the Consolidated Statements of Operations. For further information on the costs please see Note 5.

Investment in Nordic American Offshore Ltd.

NAO was established on November 27, 2013 with a private equity placement of \$250 million. The Company participated with \$65 million (26 %).

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The investment gives the Company "significant influence" as defined in U.S. GAAP, and the investment is accounted for using the equity method of accounting. The method of accounting is described in Note 2. The Company recognized equity income of \$40,000 on the investment for the year ended 2013.

As compensation for coordinating the transaction the Company received 833,333 warrants with an exercise price of \$15.00 per common share. The warrants vest in 20 % increments at each 10% increase in the volume weighted average price, or VWAP, of NAO's common shares between increases of 25% to 65%. The VWAP must be above an exercise level for a minimum of 10 business days, with a minimum trading volume of \$2 million above exercise levels. The warrants mature on December 31, 2015.

The warrants are recognized as "Other Non-current Assets" in the Consolidated Balance Sheets as of December 31, 2013.

11. SHARE-BASED COMPENSATION PLAN

Management Agreement

In order to align the Manager's interests with the Company's, the Company agreed to issue to the Manager restricted common shares equal to 2% of its outstanding common shares at par value of \$0.01 per share. Any time additional common shares are issued, the Manager was entitled to receive additional restricted common shares to maintain the number of common shares issued to the Manager at 2% of total outstanding common shares. During the twelve months ended December 31, 2012, the Company issued to the Manager 112,245 restricted shares at an average fair value of \$13.73. In December 2012, the Company announced that it would acquire 100% of the shares of the Manager. The acquisition was effective January 10, 2013. In addition to gaining full direct control of the Manager's operations, the Company is no longer obligated to maintain the Manager's ownership of the Company's common shares at 2%. The compensation for the Manager was partly in shares, and the Company issued 1,910,112 new shares related to the acquisition, the shares have a lock up period of one year from issuance.

Equity Incentive Plan 2011

In 2011, the Board of Directors decided to establish a new incentive plan involving a maximum of 400,000 restricted shares of which all 400,000 shares have been allocated among 23 persons employed in the management of the Company, the Manager and the members of the Board of Directors. These allocated shares constituted 0.8% of the outstanding shares of the Company. The vesting period is four year cliff vesting period for 326,000 shares and five year cliff vesting period for 74,000 shares, that is, none of these shares may be sold during the first four or five years after grant, as applicable, and the shares are forfeited if the grantee leaves the Company before that time. The holders of the restricted shares are entitled to receive dividends paid in the period as well as voting rights. The Board considers this arrangement to be in the best interests of the Company.

In 2013 and 2012 respectively, the Company repurchased from employees who had resigned from the Manager 14,500 and 8,500 restricted common shares that had a four-year cliff vesting period. The total 23,000 restricted common shares are held as treasury shares as of December 31, 2013.

In 2013 the Board of Directors amended the vesting requirements for the 174,000 shares allocated to the Manager under the 2011 Equity Incentive Plan and the vesting requirements were lifted. The lifting of the vesting requirements was in relation with the acquisition of Scandic American Shipping Ltd. This resulted in \$1.1 million being charged to General and Administrative expense in the first quarter of 2013.

The remaining 203,000 restricted shares under the Plan were allocated among 17 persons employed in the management of the Company, the Manager and the members of the Board. The shares will be fully vested in February 2015.

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Under the terms of the equity incentive plan 400,000 shares of restricted stock awards were granted to certain employees and Directors and to non-employees during 2011. Of these shares, 326,000 restricted shares were granted on February 23, 2011, at a grant date fair value of \$23.88 per share, and 74,000 restricted shares were granted on August 5, 2011, at a grant date fair value of \$18.05 per share. The

Company repurchased 14,500 and 8,500 restricted common shares in 2013 and 2012 respectively, the shares were granted on February 23, 2011.

The fair value of restricted shares is estimated based on the market price of the Company's shares. The fair value of restricted shares granted to employees is measured at grant date and the fair value of unvested restricted shares granted to non-employees is measured at fair value at each reporting date.

The shares are considered restricted as the shares vest after a period of four years and five years.

The compensation cost for employees, Directors and non-employees is recognized on a straight-line basis over the vesting period and is presented as part of the general and administrative expenses. The total compensation cost related to restricted shares under the plan for the year ended December 31, 2013 was \$2.1 million, compared to \$1.3 million for the years ended December 31, 2012 and 2011.

As of December 31, 2013, there were 203,000 restricted shares outstanding at a weighted-average grant date fair value of 23.88 for both Employees of the Company including members of the Board and for Non-Employees. Non-Employees include persons employed by the Manager. As of December 31, 2013, unrecognized cost related to unvested shares aggregated \$ 1.1 million, which will be recognized over a weighted period of 1,09 years.

The tables below summarize the Company's restricted stock awards as of December 31, 2013:

	Restricted shares - Employees	Weighted-average grant-date fair value - Employees	Restricted shares - Non-employees	Weighted-average grant-date fair value - Non-employees
Non-vested at January 1, 2013	163,000	\$23.88	228,500	\$22.06
Granted during the year	-	-	-	-
Vested during the year	-	-	(174,000)	-
Forfeited during the year	-	-	(14,500)	-
Non-vested at December 31, 2013	163,000	\$23.88	40,000	\$24.84

The tables below summarize the Company's restricted stock awards as of December 31, 2012:

	Restricted shares - Employees	Weighted-average grant-date fair value - Employees	Restricted shares - Non-employees	Weighted-average grant-date fair value - Non-employees

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Non-vested at January 1, 2012	163,000	\$23.88	237,000	\$22.06
Granted during the year	-	-	-	-
Vested during the year	-	-	-	-
Forfeited during the year	-	-	(8,500)	-
Non-vested at December 31, 2012	163,000	\$23.88	228,500	\$22.06

The total fair value of the shares vested in 2013 was \$1.7 million.

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12. LONG-TERM DEBT

2012 Credit Facility:

On October 26, 2012, the Company entered into a \$430 million revolving credit facility with a syndicate of lenders in order to refinance its existing credit facility, fund future vessel acquisitions and for general corporate purposes (the "2012 Credit Facility"). Amounts borrowed under the 2012 Credit Facility bear interest at an annual rate equal to LIBOR plus a margin and the Company pays a commitment fee, which is a percentage of the applicable margin, on any undrawn amounts. The 2012 Credit Facility matures in late October 2017.

Borrowings under the 2012 Credit Facility are secured by first priority mortgages over the Company's vessels and assignments of earnings and insurance. Under the 2012 Credit Facility, the Company is subject to certain covenants requiring among other things, the maintenance of (i) a minimum amount of equity; (ii) a minimum equity ratio; (iii) a minimum level of liquidity; and (iv) positive working capital. The 2012 Credit Facility also includes customary events of default including non-payment, breach of covenants, insolvency, cross default and material adverse change. The Company is permitted to pay dividends in accordance with its dividend policy as long as it is not in default under the 2012 Credit Facility. The finance costs of \$6.1 million incurred in connection with the refinancing of the 2012 Credit Facility has been deferred and amortized over the term of the 2012 Credit Facility on a straight-line basis.

2005 Credit Facility:

The Company entered into a \$300 million revolving credit facility in September 2005, which is referred to as the 2005 Credit Facility. During 2006, the Company increased the 2005 Credit Facility from \$300 million to \$500 million, and in March 2008 the term was extended from September 2010 to September 2012. All other terms remained unchanged. The 2005 Credit Facility provided funding for future vessel acquisitions and general corporate purposes. The 2005 Credit Facility was not subject to reduction by the lenders and there was no repayment obligation of the principal during the five year term. Amounts borrowed under the 2005 Credit Facility bore interest at an annual rate equal to LIBOR plus a margin, and the Company paid a commitment fee, calculated as a percentage of the applicable margin, on any undrawn amounts. The 2005 Credit Facility was repaid to the lenders on November 14, 2012.

Total commitment fees and interest paid, for the 2012 Credit Facility, for the year ended December 31, 2013 and the 2005- and 2012 Credit Facility, for the year ended December 31, 2012 were \$9.7 million and \$2.9 million, respectively. For the year ended December 31, 2011 the total commitment fees and interest paid was \$1.9 million for the 2005 Credit Facility. The undrawn amount of 2012 Credit Facility as of December 31, 2013 and December 31, 2012 was \$180.0 million. The Company was in compliance with its loan covenants as of December 31, 2013.

13. INTEREST EXPENSE

Interest expense consists of interest expense on the long-term debt, the commitment fee and amortization of the deferred financing costs related to the 2012 Credit Facility that the Company entered into on October 26, 2012 and to the 2005 Credit Facility that was repaid to the lender in November 2012. Amounts borrowed bear interest at an annual rate equal to LIBOR plus a margin and the Company pays a commitment fee, which is a percentage of the applicable margin, on any undrawn amounts.

The financing costs of \$6.1 million incurred related to the 2012 Credit Facility that the Company entered into on October 26, 2012 are deferred and amortized over the term of the 2012 Credit Facility on a straight-line basis. The amortization of deferred financing costs for the years ended December 31, 2013, 2012 and 2011 was \$1.2 million, \$1.4 million and \$0.7 million, respectively. Total deferred financing costs were \$4.6 million and \$5.9 million at December 31, 2013 and 2012, respectively.

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14. ACCRUED LIABILITIES

All figures in USD '000	2013	2012
Accrued Interest	1,600	1,730
Accrued Expenses	4,967	8,613
Total as of December 31,	6,567	10,343

The decrease of accrued expenses as of December 31, 2013 to \$5.0 million from \$8.6 million as of December 31, 2012, is related to unpaid drydocking costs of \$1.1 million that were capitalized in 2013, but are due for payment in 2014, compared to \$4.0 million related to unpaid drydocking costs that were capitalized in 2012, but due for payment in 2013.

15. EARNINGS (LOSS) PER SHARE

Basic earnings per share ("EPS") are computed by dividing net income/(loss) by the weighted-average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income by the weighted-average number of common shares and dilutive common stock equivalents outstanding during the period.

For the year ended December 31, 2013, 2012 and 2011, the Company had a net loss, thus any effect of common stock equivalents outstanding would be antidilutive. For the years ended December 31, 2013 and 2012, the Company had 400,000 restricted shares outstanding, which were included in the total common shares issued and outstanding as at December 31, 2013 and 2012, respectively.

All figures in USD	2013	2012	2011
Numerator:			
Net Income (Loss)	(105,417,590)	(73,191,830)	(72,298,337)
Denominator:			
Basic - Weighted Average Common Shares Outstanding	64,101,923	52,547,623	47,159,402
Dilutive – Weighted-Average Common Shares Outstanding	64,101,923	52,547,623	47,159,402
Income (Loss) per Common Share:			
Basic	(1.64)	(1.39)	(1.53)
Diluted	(1.64)	(1.39)	(1.53)

16. SHAREHOLDERS' EQUITY

Authorized, issued and outstanding common shares roll-forward is as follows:

All figures in USD '000, except number of shares	Authorized Shares	Issued and Out-standing Shares	Common Stock
Balance as of December 31, 2010	51,200,000	46,898,782	469
Common Shares Issued, 2011 Equity Incentive Plan		400,000	4
Compensation – Restricted Shares		4,612	0
Increased authorized share capital	38,800,000		0
Balance as of December 31, 2011	90,000,000	47,303,394	473
Common Shares Issued in Follow-on Offering		5,500,000	55
Compensation – Restricted Shares		112,245	1
Balance as of December 31, 2012	90,000,000	52,915,639	529
Common Shares Issued in Follow-on Offering		20,556,250	206
Shares issued in connection with the Scandic acquisition		1,910,112	19
Balance as of December 31, 2013	90,000,000	75,382,001	754

The total issued and outstanding shares, as of December 31, 2013, were 75,382,001 shares of which 690,551 shares were restricted shares issued to the Manager under the former agreement, 1,910,112 was issued as compensation related to the acquisition of the Manager and of which 40,000 shares were restricted to members of the Board, employees of the Company and to persons employed by the Manager. The total issued and outstanding shares, as of December 31, 2012, were 52,915,639 shares of which 690,551 shares were restricted shares issued to the Manager and of which 217,500 shares were restricted to members of the Board, employees of the Company and to persons employed by the Manager. The total issued and outstanding shares, as of December 31, 2011, were 47,303,094 shares of which 578,306 shares were restricted shares issued to the Manager and of which 226,000 shares were restricted to members of the Board, employees of the Company and to persons employed by the Manager.

In April and November 2013, the Company completed an underwritten public offering of 11,212,500 and 9,343,750 common shares which strengthened its equity by \$102.2 million and \$70.9 million, respectively.

Compensation for Scandic was partly paid in shares. The Company transferred 1,910,112 shares which are subject to a one-year lock up. For further background and details related to the acquisition please see Note 3 and 10.

In January 2012, the Company completed an underwritten public offering of 5,500,000 common shares which strengthened its equity by \$75.6 million.

On June 1, 2011, at its Annual General Meeting ("AGM") held in Bermuda, the Company increased authorized share capital from 51,200,000 common shares to 90,000,000 common shares, par value \$0.01 per share.

In connection with the issuance of 400,000 shares related to the 2011 Equity Incentive Plan, the Manager was entitled to 4,612 restricted shares in the Company. The 4,612 restricted shares were issued to the Manager on October 24, 2011. In 2013 and 2012, the Company repurchased at par value from employees who had resigned from the Manager,

14,500 and 8,500 restricted common shares, respectively, and these restricted common shares are held as treasury shares.

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Additional Paid in Capital

Included in Additional Paid in Capital is the Company's Share Premium Fund as defined by Bermuda law. The Share Premium Fund cannot be distributed without complying with certain legal procedures designed to protect the creditors of the Company, including public notice to its creditors and a subsequent period for creditor notice of concern, regarding the Company's intention to make such funds available for distribution following shareholder approval. The Share Premium Fund was \$172.4 million and \$0.0 million as of December 31, 2013 and 2012 respectively. Credits and Charges to Additional Paid in Capital was a result of the accounting for the Company's share based compensation programs and issuance of shares in relation to the acquisition of Scandic.

On May 21, 2012, at the Company's Annual General Meeting, shareholders voted to reduce the Share Premium Fund by the amount of \$75.6 million. The legal procedures related to this reduction were finalized in July 2012, upon which the amount became eligible for distribution

Contributed Surplus Account

The Company's Contributed Surplus Account as defined by Bermuda law, consists of amounts previously recorded as share premium, transferred to Contributed Surplus Account when resolutions are adopted by the Company's shareholders to make Share Premium Fund distributable or available for other purposes. As indicated by the laws governing the Company, the Contributed Surplus Account can be used for dividend distribution and to cover accumulated losses from its operations.

For 2013, the Company had a net loss of \$105.4 million. As such, all dividend distributions were charge to the Company's Contributed Surplus Account. The accumulated deficit at year end of 2012 was charged against the Company's Contributed Surplus Account in 2013. The accumulated deficit at the end of 2013 is to be charged against the Company's Contributed Surplus Account in 2014.

Stockholders Rights Plan

In 2007, the Board of Directors adopted a stockholders rights agreement and declared a dividend of one preferred stock purchase right to purchase one one-thousandth of a share of the Company's Series A Participating Preferred Stock for each outstanding share of its common stock, par value \$0.01 per share. The dividend was payable on February 27, 2007 to stockholders of record on that date. Each right entitles the registered holder to purchase from us one one-thousandth of a share of Series A Participating Preferred Stock at an exercise price of \$115, subject to adjustment. The Company can redeem the rights at any time prior to a public announcement that a person has acquired ownership of 15% or more of the Company's common stock.

This stockholders rights plan was designed to enable us to protect stockholder interests in the event that an unsolicited attempt is made for a business combination with, or a takeover of, the Company. The Company believes that the stockholders rights plan should enhance its Board's negotiating power on behalf of stockholders in the event of a coercive offer or proposal. The Company is not currently aware of any such offers or proposals.

17.COMMITMENTS AND CONTINGENCIES

Nordic Harrier

The arbitration hearings involving the Suezmax vessel Gulf Scandic (now named Nordic Harrier) have finished. Gulf Navigation Holding PJSC (GulfNav) was the other party in the arbitration. The case relates to the 6 year bareboat charter with GulfNav of the Gulf Scandic covering the period 2004 to 2010.

When the vessel was redelivered to the Company by the charterer in October 2010, it was in very poor technical condition. The vessel had not been operated according to sound maintenance practices by the charterer. The Company had the vessel repaired in the autumn of 2010/spring 2011, and made a claim against GulfNav for costs incurred. A London arbitration panel ruled in favor of NAT at the end of January 2014 and awarded the Company \$10.2 million plus direct costs and calculated interest. Any amounts received will be recorded upon receipt.

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Legal Proceedings and Claims

The Company may become a party to various legal proceedings generally incidental to its business and is subject to a variety of environmental and pollution control laws and regulations. As is the case with other companies in similar industries, the Company faces exposure from actual or potential claims and legal proceedings. Although the ultimate disposition of legal proceedings cannot be predicted with certainty, it is the opinion of the Company's management that the outcome of any claim which might be pending or threatened, either individually or on a combined basis, will not have a materially adverse effect on the financial position of the Company, but could materially affect the Company's results of operations in a given year.

No claims have been filed against the Company for the fiscal years 2013, 2012 or 2011, and the Company has not been a party to any legal proceedings for the years ended December 31, 2013, December 31, 2012 and December 31, 2011, except for information set forth above and disclosed in Note 8.

18. FINANCIAL INSTRUMENTS AND OTHER FAIR VALUE DISCLOSURES

The Company did not hold any material derivative instruments during 2012 and 2011, or as of December 31, 2012. In 2013 the Company received warrants as compensation for its contribution in coordinating the establishment of NAO. The warrants hold no material value, and have low associated risk. For further background and details related to the warrants please see Note 10.

The majority of NAT and its subsidiaries' transactions, assets and liabilities are denominated in United States dollars, the functional currency of the Company. There is no significant risk that currency fluctuations will have a negative effect on the value of the Company's cash flows.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments and other financial assets.

- The carrying value of cash and cash equivalents and marketable securities, is a reasonable estimate of fair value.
 - The estimated fair value for the working capital, cooperative arrangements is consider to be equal to the carrying values since it is not possible to estimate the time or period of repayment, and the effect of this discounting the outstanding balance is not expected to be material as compared to carrying value.
- The estimated fair value for the long-term debt is considered to be equal to the carrying values since it bears variable interest rates.
- The estimated fair value of the warrants in NAO was calculated based on a Black-Scholes model using comparative market data for other companies in the PSV segment to estimate volatility, and by assigning an estimated probability for achieving the exercise levels presented in Note 10.

The Company categorizes its fair value estimates using a fair value hierarchy based on the inputs used to measure fair value for those assets that are recorded on the balance sheet at fair value. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets.
 Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
 Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The carrying value and estimated fair value of the Company's financial instruments at December 31, 2013 and 2012 are as follows:

All figures in USD '000	Fair Value Hierarchy Level	2013 Fair Value	2013 Carrying Value	2012 Fair Value	2012 Carrying Value
Cash and Cash Equivalents	1	65,675	65,675	55,511	55,511
Marketable Securities	1	-	-	549	549
Warrants in NAO	3	915	915	-	-
Working capital, Related Party		-	-	36,987	36,987
Credit Facility		(250,000)	(250,000)	(250,000)	(250,000)

The valuation of vessels measured at fair value on a non-recurring basis as of the valuation date:

In accordance with the provisions of relevant guidance, a long-lived asset held and used with a carrying amount of \$41.4 million was written down to its fair value of \$29.4 million as determined based on estimated discounted operating cashflow, using the income approach, resulting in an impairment charge of \$12.0 million, which was included in the statement of operations for December 31, 2012. The input factors to the discounted cash flow model are similar to those used for the undiscounted cash flow when testing for impairment (see Note 2) and are significantly based on unobservable inputs (Level 3) assessed from the perspective of a willing market participant.

19. SUBSEQUENT EVENTS

On January 31, 2014, the Company announced an award of \$10.2 million in its favor in the arbitration claim versus Gulf Navigation Holding PJSC. For further background and details related to the arbitration please see Note 17.

On January 27, 2014, the Company declared a cash dividend of \$0.12 per share in respect of the results for the fourth quarter of 2013, which was paid on March 3, 2014. In addition, the board announced its intention to declare a dividend composed of a portion of the shares that NAT owns in NAO. This portion will be about \$10 million worth, which was equivalent to \$0.13 per NAT share.

In February 2014, the Company paid its former director, Paul J. Hopkins, \$99,300 for his agreed termination of his rights to 10,000 shares of common stock of the Company issued to him pursuant to the 2011 Equity Incentive Plan and in accordance with the relevant restricted stock award agreement dated April 19, 2011 and his service to the Company. The payment represents the fair market value of our common stock as reported at the closing of the New York Stock Exchange on February 11, 2014.

On April 2, 2014, the Company declared a cash dividend of \$0.23 per share in respect of the results for the first quarter of 2014, with a payment date on May 25, 2014.

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