

NORDIC AMERICAN TANKERS Ltd
Form 20-F
May 15, 2018
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, 2017

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

For the transition period from _____ to _____

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)

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Herbjørn Hansson, Chairman, President, and Chief Executive Officer,
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 Shares, \$0.01 par value
Series A Participating Preferred Shares
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

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

As of December 31, 2017, there were outstanding 141,969,666 common shares of the Registrant, \$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, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Emerging Growth Company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

☐ Yes

☐ No

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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. This report and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance, and are not intended to give any assurance as to future results. When used in this document, the words "believe," "expect," "anticipate," "estimate," "intend," "plan," "target," "project," "likely," "may," "could" and similar expressions, terms, or phrases may 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 petroleum production levels set by the Organization of the Petroleum Exporting Countries, or OPEC, and worldwide 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, or the SEC.

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

Throughout this annual report, all references to "Nordic American Tankers," "NAT," the "Company," "the Group," "we," "our," and "us" refer to Nordic American Tankers Limited and its subsidiaries. Unless otherwise indicated, all references to "U.S. dollars," "USD," "dollars," "US\$" and "\$" in this annual report are to the lawful currency of the United States of America and references to "Norwegian Kroner" or "NOK" are to the lawful currency of Norway.

A. Selected Financial Data

The following selected historical financial information should be read in conjunction with our audited financial statements and related notes, which are included herein, together with Item 5. Operating and Financial Review and Prospects. The Statements of Operations data for each of the three years ended December 31, 2017, 2016 and 2015 and selected balance sheet data as of December 31, 2017 and 2016 have been derived from our audited financial statements included elsewhere in this document. The Statements of Operations data for each of the years ended December 31, 2014 and 2013 and selected balance sheet data as of December 31, 2015, 2014 and 2013 have been derived from our audited financial statements not included in this Annual Report on Form 20-F, with the information as at December 31, 2016, 2015, 2014 and 2013, adjusted as described below.

SELECTED CONSOLIDATED

FINANCIAL DATA

Year ended December 31,

All figures in thousands of USD except share data

	2017	2016	2015	2014	2013
Voyage Revenues	297,141	357,451	445,738	351,049	243,657
Voyage Expenses	(142,465)	(125,987)	(158,656)	(199,430)	(173,410)
Vessel Operating Expense	(87,663)	(80,266)	(66,589)	(62,500)	(64,924)
General and Administrative Expenses	(12,575)	(12,296)	(9,790)	(14,863)	(19,555)
Depreciation Expenses	(100,669)	(90,889)	(82,610)	(80,531)	(74,375)
Impairment Loss on Vessel	(110,480)	-	-	-	-
Impairment Loss on Goodwill	(18,979)	-	-	-	-
Loss on Contract	-	-	-	-	(5,000)
Fees for Provided Services	-	-	-	1,500	-
Settlement Received	-	5,328	-	-	-
Net Operating Income (Loss)	(175,690)	53,341	128,093	(4,775)	(93,608)
Interest Income	347	215	114	181	146
Interest Expense	(20,464)	(11,170)	(10,855)	(12,244)	(11,518)
Other Financial (Expense) Income	(644)	(98)	(167)	2,160	(351)
Total Other Expenses	(20,761)	(11,053)	(10,908)	(9,903)	(11,723)
Income Tax Expense	(83)	(102)	(96)	(47)	(86)
Impairment Loss on Equity Method Investment	(8,435)	(46,642)	(2,462)	1,559	-
Net (Loss) Income	(204,969)	(4,456)	114,627	(13,166)	(105,417)
Basic Earnings (Loss) per Share	(1.97)	(0.05)	1.29	(0.15)	(1.64)
Diluted Earnings (Loss) per Share	(1.97)	(0.05)	1.29	(0.15)	(1.64)
Cash Dividends Declared per Share	0.53	1.37	1.38	0.61	0.64
Basic Weighted Average Shares Outstanding	103,832,680	92,531,001	89,182,001	85,401,179	64,101,923
Diluted Weighted Average Shares Outstanding	103,832,680	92,531,001	89,182,001	85,401,179	64,101,923
	2.46	8.40	15.54	10.07	9.70

Market Price per Common Share as of
December 31,

Other financial data:

Net Cash Provided by (Used in) Operating

Activities	31,741	127,786	174,392	57,460	(47,265)
Cash Dividends Paid	54,226	125,650	123,071	54,069	41,756

Selected Balance Sheet Data (at period end):

Cash and Cash Equivalents	58,359	82,170	29,889	100,736	65,675
Total Assets	1,141,063	1,349,904	1,239,194	1,173,628	1,132,977
Total Long-Term Debt (1)	388,855	442,820	324,568	247,768	246,540
Common Stock	1,420	1,020	892	892	754
Total Shareholders' Equity	711,064	871,049	880,721	888,911	854,984

(1) Debt consists of \$391,641, \$447,000, \$330,000, \$250,000, and \$250,000 as of December 31, 2017, 2016, 2015, 2014 and 2013, respectively (all numbers in thousands of U.S. dollars).

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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. Other risks relate principally to 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 and volatile, is depressed in the future, our revenues, earnings and available cash flow may decrease.

Historically, the tanker industry has been highly cyclical, with volatility in profitability, charter rates and asset values resulting from changes in the supply of and demand for tanker capacity. Fluctuations in charter rates and tanker values result from changes in the supply of and demand for tanker capacity and changes in the supply of and demand for oil and oil products. These factors may adversely affect the rates payable and the amounts we receive in respect of our vessels. Our ability to re-charter our vessels on the expiration or termination of their current spot and time charters and the charter rates payable under any renewal or replacement charters will depend upon, among other things, economic conditions in the tanker market and we cannot guarantee that any renewal or replacement charters we enter into will be sufficient to allow us to operate our vessels profitably.

The factors that influence demand for tanker capacity include:

- supply and demand for oil and oil products;
- global and regional economic and political conditions, including developments in international trade, national oil reserves policies, fluctuations in industrial and agricultural production and armed conflicts;
- regional availability of refining capacity;
- environmental and other legal and regulatory developments;
- 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 tanker cargoes are transported by sea;
- increases in the production of oil in areas linked by pipelines to consuming areas, the extension of existing, or the development of new, pipeline systems in markets we may serve, or the conversion of existing non-oil pipelines to oil pipelines in those markets;
- currency exchange rates;
- weather and acts of God and natural disasters;
- competition from alternative sources of energy and from other shipping companies and other modes of transport;
- international sanctions, embargoes, import and export restrictions, nationalizations, piracy and wars; and
- regulatory changes including regulations adopted by supranational authorities and/or industry bodies, such as safety and environmental regulations and requirements by major oil companies.

The factors that influence the supply of tanker capacity include:

- current and expected purchase orders for tankers;
- the number of tanker newbuilding deliveries;
- any potential delays in the delivery of newbuilding vessels and/or cancellations of newbuilding orders;
- the scrapping rate of older tankers;
- technological advances in tanker design and capacity;
- tanker freight rates, which are affected by factors that may affect the rate of newbuilding, swapping and laying up of tankers;
- port and canal congestion;
- price of steel and vessel equipment;
- conversion of tankers to other uses or conversion of other vessels to 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.

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, including those discussed above.

Continued volatility may reduce demand for transportation of oil over longer distances and increase supply of tankers to carry that oil, which may have a material adverse effect on our business, financial condition, results of operations, cash flows, ability to pay dividends and existing contractual obligations.

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. One such factor is the price of worldwide crude oil.

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, availability and relative costs of nuclear power, natural gas, coal and other alternative sources of energy.

In addition, volatile economic conditions affecting the 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.

The 30 vessels that we currently operate are primarily employed in the spot market. We are therefore highly dependent on spot market charter rates.

The international oil tanker industry has experienced volatile charter rates and vessel values and there can be no assurance that these charter rates and vessel values will not decrease in the near future.

The Baltic Dirty Tanker Index, or the BDTI, a U.S. dollar daily average of charter rates issued by the Baltic Exchange that takes into account input from brokers around the world regarding crude oil fixtures for various routes and oil tanker vessel sizes, has been volatile. For example, in 2017, the BDTI reached a high of 1,088 and a low of 617. The Baltic Clean Tanker Index, or BCTI, a comparable index to the BDTI, has similarly been volatile. In 2017, the BCTI reached a high of 867 and a low of 508. Although the BDTI and BCTI were 641 and 563, respectively, as of March 15, 2018, there can be no assurance that the crude oil and petroleum products charter market will increase, and the market could again decline. This volatility in charter rates depends, among other factors, on changes in the supply and demand for tanker capacity and changes in the supply and demand for oil and oil products, the demand for crude oil and petroleum products, the inventories of crude oil and petroleum products in the United States and in other industrialized nations, oil refining volumes, oil prices, and any restrictions on crude oil production imposed by the Organization of the Petroleum Exporting Countries, or OPEC, and non-OPEC oil producing countries.

Charter rates in the tanker industry are volatile. We anticipate that future demand for our vessels, and in turn our future charter rates, will be dependent upon economic growth in the world's economies, as well as seasonal and regional changes in demand and changes in the capacity of the world's fleet. We believe that the relatively high charter rates that were paid prior to 2008 were the result of economic growth in the world economies that exceeded growth in global vessel capacity. Since 2008, charter rates have been volatile, and there can be no assurance that economic growth will not stagnate or decline leading to a decrease in vessel values and charter rates. A decline in vessel values and charter rates would have an adverse effect on our business, financial condition, results of operation and ability to pay dividends.

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.

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 is complex and requires us to make various estimates, including future freight rates and earnings from operating the vessel. All of these items have historically been volatile. We estimate the undiscounted net cash flows from operating the vessels over their remaining useful lives and compare to the net carrying values of the vessels. If the total estimated undiscounted net cash flows for a vessel are less than the carrying amount of the vessel the vessel is deemed impaired and written down to its fair market value. 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 is assessed on a vessel by vessel basis.

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. In recent years, shipyards have produced a large number of new tankers. 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. Sea piracy incidents continue to occur, particularly in the Gulf of Aden off the coast of Somalia and in the Gulf of Guinea, although some sources report that there was a drop in the number of piracy incidents in 2016. Acts of piracy and war like conditions could result in harm or danger to the crews onboard our vessels. In addition, if piracy attacks occur in regions in which our vessels are deployed that insurers' characterized as "war risk" zones or by the Joint War Committee as "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.

Volatile economic conditions throughout the world could have an adverse impact on our operations and financial results.

Our ability to secure funding is dependent on well-functioning capital markets and on an appetite to provide funding to the shipping industry. At present, capital markets are well-functioning and funding is available for the shipping industry. However, if global economic conditions worsen or lenders for any reason decide not to provide debt financing to us, we may not be able to secure additional financing to the extent required, on acceptable terms or at all. If additional financing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our obligations as they come due, or we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

The world economy faces a number of challenges, including the effects of volatile oil prices, continuing turmoil and hostilities in the Middle East, the Korean Peninsula, North Africa and other geographic areas and countries. If one or more of the major national or regional economies should weaken, there is a substantial risk that such a downturn will impact the world economy. There has historically been a strong link between the development of the world economy and demand for energy, including oil and gas.

In Europe, large sovereign debts and fiscal deficits, low growth prospects and high unemployment rates in a number of countries have contributed to the rise of Eurosceptic parties, which would like their countries to leave the Euro. The exit of the United Kingdom from the European Union and potential new trade policies in the United States further increase the risk of additional trade protectionism.

In China, a transformation of the Chinese economy is underway, as China transforms from a production-driven economy towards a service or consumer-driven economy. The Chinese economic transition implies that we do not expect the Chinese economy to return to double digit GDP growth rates in the near term. The quarterly year-over-year growth rate of China's GDP was approximately 6.9% for the year ended December 31, 2017, and despite slightly increasing from approximately 6.7% for the year ended December 31, 2016, continues to remain below pre-2008 levels. Furthermore, there is a rising threat of a Chinese financial crisis resulting from massive personal and corporate indebtedness.

While the recent developments in Europe and China have been without significant immediate impact on our charter rates, an extended period of deterioration in the world economy could reduce the overall demand for our services. Such changes could adversely affect our future performance, results of operations, cash flows and financial position. Credit markets in the United States and Europe have in the past experienced significant contraction, de-leveraging and reduced liquidity, and there is a risk that U.S. federal government and state governments and European authorities continue to implement a broad variety of governmental action and/or new regulation of the financial markets. Global financial markets and economic conditions have been, and continue to be, volatile.

We face risks attendant to changes in economic environments, changes in interest rates and instability in the banking and securities markets around the world, among other factors. We cannot predict how long the current market conditions will last. These recent and developing economic and governmental factors may have a material adverse effect on our results of operations and financial condition and may cause the price of our common shares to decline.

Prospective investors should consider the potential impact, uncertainty and risk associated with the development in the wider global economy. Further economic downturn in any of these countries could have a material effect on our future performance, results of operations, cash flows and financial position.

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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.

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 \$430.0 million revolving credit facility, or the Credit Facility, which we refinanced and expanded to \$500.0 million in December 2015, 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 \$387.4 million under the Credit Facility. However we are unable to draw further on the Credit Facility due to the terms under the waivers obtained.

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 OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Despite low fuel prices in 2017, 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 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 United States (U.S.) Oil Pollution Act of 1990 (OPA), the Comprehensive Environmental Response, Compensation, and Liability Act (generally referred to as CERCLA), the U.S. Clean Water Act (CWA), the U.S. Clean Air Act (CAA), the U.S. Outer Continental Shelf Lands Act, European Union (EU) 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, including the designation of emission control areas (ECAs) thereunder), 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 for 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 (ISPS), 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 U.S. (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, and risk of environmental damages and impacts 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.

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Furthermore, the explosion of the Deepwater Horizon and the subsequent release of oil into the Gulf of Mexico, or other similar incidents in the future, 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. For example, on August 15, 2012, the U.S. Bureau of Safety and Environmental Enforcement (BSEE) implemented a final drilling safety rule for offshore oil and gas operations that strengthens the requirements for safety equipment, well control systems, and blowout prevention practices. A new rule issued by the U.S. Bureau of Ocean Energy Management (BOEM) that increased the limits of liability of damages for offshore facilities under OPA based on inflation took effect in January 2015. In April 2015, it was announced that new regulations are expected to be imposed in the U.S. regarding offshore oil and gas drilling and the BSEE announced a new Well Control Rule in April 2016. In December 2015, the BSEE announced a new pilot inspection program for offshore facilities. 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. Additional legislation, regulations, or other requirements applicable to the operation of our vessels that may be implemented in the future could adversely affect our business.

It should be noted that the U.S. is currently experiencing changes in its environmental policy, the results of which have yet to be fully determined. For example, in April 2017, the U.S. President signed an executive order regarding environmental regulations, specifically targeting the U.S. offshore energy strategy, which may affect parts of the maritime industry and our operations. Furthermore, recent action by the IMO's Maritime Safety Committee and United States agencies indicate that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity threats. For example, cyber-risk management systems must be incorporated by ship-owners and managers by 2021. This might cause companies to cultivate additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. However, the impact of such regulations is hard to predict at this time.

Regulations relating to ballast water treatment coming into effect during September 2019 may adversely affect our revenues and profitability.

The IMO has imposed updated guideline of ballast water management systems specifying the maximum amount of viable organisms allowed to be discharged from a vessel's ballast water. Depending on the date of the IOPP renewal survey, existing vessels must comply with the updated D-2 standard on or after September 8, 2019. For most vessels, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. We currently have 28 vessels that do not comply with the updated guideline. Costs of compliance may be substantial and may adversely affect our revenues and profitability.

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 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, or the Paris Agreement (discussed further below), a new treaty may be adopted in the future that includes restrictions on shipping emissions.

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

compliance with SOLAS and LL Convention standards.

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Under Chapter IX of the SOLAS Convention, or the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (the "ISM Code"), our operations are also subject to environmental standards and requirements. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that we and our technical management team have developed for compliance with the ISM Code. The failure of a vessel owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

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

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

Amendments to the SOLAS Convention Chapter VII apply to vessels transporting dangerous goods and require those vessels be in compliance with the International Maritime Dangerous Goods Code ("IMDG Code"). Effective January 1, 2018, the IMDG Code includes (1) updates to the provisions for radioactive material, reflecting the latest provisions from the International Atomic Energy Agency, (2) new marking, packing and classification requirements for dangerous goods, and (3) new mandatory training requirements.

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

The 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 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 our 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.

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.

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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.

International geopolitical events could affect our results of operations and financial condition.

Continuing conflicts in the Middle East and North Africa, 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, which 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. We have not been involved in business to and from Cuba, Syria, Iran, Crimea or North Korea during the period January 1 through December 31, 2017. Our vessels may, on charterers' instructions, call on ports in Sudan. We emphasize that neither the vessels nor the Company employs U.S. citizens and does not carry U.S.-origin cargoes in connection with the business in the port of Bashayer in North Sudan. During 2017, four vessels owned by the Company made six calls to North Sudan for the year ended December 31, 2017. All of these calls involved loading of oil cargoes in the North Sudanese port of Bashayer to be carried to international locations outside of the United States pursuant to voyage charters with non-U.S. charterers.

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 U.S., 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 U.S. 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. In January 2013, the United States enacted the Iran Freedom and Counter Proliferation Act of 2012 (the "IFCPA") which expanded the scope of United States sanctions on any person that is part of Iran's energy, shipping or shipbuilding sector and operators of ports in Iran, and imposes penalties on any person who facilitates or otherwise knowingly provides significant financial, material or other support to these entities.

The United States, United Kingdom, Germany, France, Russia, and China, the European Union, and Iran entered into an agreement with Iran titled the Joint Comprehensive Plan of Action Regarding the Islamic Republic of Iran's Nuclear Program, or the JCPOA, which was intended to significantly restrict Iran's ability to develop and produce nuclear weapons by easing certain sanctions directed toward non-United States persons for conduct involving Iran. Pursuant to the JCPOA, which was implemented on January 16, 2016, the United States, the EU and the UN suspended or lifted a significant number of their nuclear-related sanctions on Iran following an announcement by the International Atomic Energy Agency that Iran had satisfied its obligations under the JCPOA. On May 8, 2018, President Trump announced that the United States will withdraw from the JCPOA, resulting in the re-institution of sanctions against Iran that were lifted or waived under the JCPOA since 2016 and suspended under the JPOA since 2013. President Trump directed the U.S. Department of Treasury to re-impose shipping and petroleum-related sanctions after a 180-day wind-down period ends on November 4, 2018. Certain other sanctions are to be re-imposed after a 90-day wind-down period ends on August 6, 2018.

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 U.S., and EU and/or other international bodies as a result of the Crimea and Russia conflict 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.

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 Credit Facility prohibits the declaration and payment of dividends if we are in default under the Credit Facility. For more information, please see Item 5. Operating and Financial Review and Prospectus B. Liquidity and Capital Resources - Our Borrowing Activities. We may not continue to pay dividends at rates previously paid or at all. If we do not pay dividends, the market price for our common shares must appreciate for investors to realize a gain on their investment. This appreciation may not occur and our common shares may in fact depreciate in value, in part because of any future decreases in or elimination of our dividend payments.

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, and compliance with Bermuda law, and may be dependent, among other things, upon our having sufficient available distributable reserves. For more information, please see Item 8. Financial Information - Dividend Policy. We may not continue to pay dividends at rates previously paid or at all.

We have antitakeover protections which could prevent a change in our control.

We have antitakeover protections which could prevent a change in our control. For example, on June 16, 2017, our Board, after the expiration of a previous shareholder rights agreement, adopted a new shareholders rights agreement and declared a dividend of one preferred share purchase right to purchase one one-thousandth of a Series A Participating Preferred Share of the Company for each outstanding common share, par value \$0.01 per share. The dividend was payable on June 26, 2017 to shareholders of record on that date. Each right entitles the registered holder to purchase from us one one-thousandth of a Series A Participating Preferred Share of the Company at an exercise price of \$30.00, subject to adjustment. We can redeem the rights at any time prior to a public announcement that a person or group has acquired ownership of 15% or more of the Company's common shares. This shareholders rights plan was designed to enable us to protect shareholder interests in the event that an unsolicited attempt is made for a business combination with, or a takeover of, the Company. Our shareholders rights plan is not intended to deter offers that our Board determines are in the best interests of our shareholders.

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. It is possible that the number of employees employed by the company, or 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 expand or execute the certain aspects of our business or events 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 two secondhand vessels in 2014, two secondhand vessels in 2015, and four secondhand vessels in 2016. We may not receive the benefit of warranties from the builders for the secondhand vessels that we acquire direct from yard.

Even following a physical inspection of secondhand vessels prior to purchase, we do not have the same knowledge about their condition and cost of any required (or anticipated) repairs that we would have had if these vessels had been built for and operated exclusively by us. Accordingly, we may not discover defects or other problems with such vessels prior to purchase. Any such hidden defects or problems, when detected may be expensive to repair, and if not detected, may result in accidents or other incidents for which we may become liable to third parties. Also, when purchasing previously owned vessels, we do not receive the benefit of any builder warranties if the vessels we buy are older than one year.

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

If we do not set aside funds and are unable to borrow or raise funds for vessel replacement, at the end of a vessels' 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 1 year to 25 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.

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

Under the charters of all of our operating vessels, we are responsible for vessel operating expenses. Our vessel operating expenses include the costs of crew, lube oil, provisions, deck and engine stores, insurance and maintenance and repairs, which depend on a variety of factors, many of which are beyond our control. 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. 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.

We are exposed to the offshore supply market through our equity method investment in Nordic American Offshore Ltd.

We have an equity method investment in Nordic American Offshore Ltd, or NAO, where as of December 31, 2017 we owned 16.1 % of their common shares. A portion of our income or loss relates to NAO's operations. Demand for NAO's services depends on activity in offshore oil and natural gas exploration, development and production. The levels of which have historically been characterized by high volatility.

Currently NAO is operating in a challenging market, and a prolonged lack of investment in offshore and gas exploration, development and production can have a significant negative impact on our earnings through the equity method of accounting, NAO's ability to distribute cash dividends and NAO's share price.

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Ineffective internal controls could impact the Company's business and financial results.

The Company's internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If the Company fails to maintain the adequacy of its internal controls, including any failure to implement required new or improved controls, or if the Company experiences difficulties in their implementation, the Company's business and financial results could be harmed and the Company could fail to meet its financial reporting obligations.

For example, in connection with management's evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2017, management determined that the Company did not maintain effective controls over procedures in relation to evaluating uncertainties about its ability to continue as a going concern in accordance with ASC 205-40. Management determined that the ineffective controls over going concern constitute a material weakness. See Item 15: Controls and Procedures, for a discussion of the Company's internal control over financial reporting, including a discussion of the material weakness. If the new controls being implemented to address the material weakness and to strengthen the overall internal control over accounting for going concern are not designed or do not operate effectively, or if the Company is unsuccessful in implementing or following these new processes or is otherwise unable to remediate this material weakness, this may result in untimely or inaccurate reporting of the Company's financial condition or results of operations.

Risks Related to our Indebtedness

The incurrence of indebtedness to refinance our existing Credit Facility may impact our financial position and subject us to additional financial and operating restrictions.

On November 28, 2017, we entered into a fully underwritten commitment letter with DNB Bank ASA, providing for a senior secured loan facility of up to \$375.0 million, or the Backstop Facility, to support the recapitalization of the Company. The facility agreement was signed on December 20, 2017. The facility is not intended to be drawn and is expected to be cancelled when the recapitalization has been completed. Upon completion of the plan to recapitalize the Company, we plan to fully repay the existing Credit Facility and enter into a new revolving credit facility that will be part of our new capital structure. An unsecured bond is also expected to be part of the recapitalization package. If we are unable to raise capital on acceptable terms, we may need to rely on our Backstop Facility, which may result in substantially higher borrowing costs and a shorter maturity than those from other anticipated financing alternatives. In addition, the Backstop Facility may include more restrictive negative covenants and financial covenants than the proposed unsecured bonds and new revolving credit facility. Under the terms of the Backstop Facility, the lender has the right at any time from January 8 to December 31, 2018 to require us to proceed with an offering of senior secured high yield bonds of up to \$375.0 million or senior unsecured high yield bonds of up to \$200.0 million, each with terms and pricing parameters as set forth in the Backstop Facility, which bonds may carry a higher interest rate than the Backstop Facility.

The incurrence of indebtedness will subject us to additional financial and operating covenants, which may limit our flexibility in responding to our business needs and to continue the way in which we operate our business. A prolonged unfavorable charter rate environment, material declines in vessel values, unanticipated capital expenditures and other unexpected non-recurring items could impact our ability to service our debt and comply with covenants. If we are not able to maintain compliance with stated financial covenants or if we breach other covenants in any debt agreement, we could be in default under such agreement. Such a default may allow our creditors to accelerate the related indebtedness and may result in the acceleration of any other indebtedness to which a cross-acceleration or cross-default provision applies, and to foreclose on the collateral securing such indebtedness, which could constitute all or substantially all of our assets.

Our overall leverage and terms of our financing may, among other things, limit our ability to:

- pay dividends and make capital expenditures;

- create or allow to subsist any security interest over any of our 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;
- obtain additional financing in the future for working capital, capital expenditures and acquisitions;
- satisfy our obligations under the terms of our indebtedness;
- refinance our indebtedness on terms acceptable to us or at all;
- enter into a new line of business or adjust to changing business and market conditions, increasing our vulnerability to general adverse economic and industry conditions; and
- maintain adequate liquidity.

We are limited in our ability to make dividend payments due to the terms of our debt. Under the terms of the amendments to our Credit Facility we can distribute a maximum dividend of \$4.3 million in the aggregate or \$0.03 per share per quarter, subject to a corresponding amount being repaid under the Credit Facility. Additionally, under the Backstop Facility, we will be limited to paying dividends, during the period before the Backstop Facility is cancelled, in an amount equal to the lower of \$5.0 million in the aggregate or \$0.03 per share per quarter.

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

Borrowing under the 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 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 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 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 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 Credit Facility or if we are otherwise in default under the Credit Facility;

- create or allow to subsist any security interest over any of our 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.

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.

Such operating and financial restrictions include, or may in the future include, a requirement on us to maintain specified financial ratios and satisfy financial covenants, including ratios and covenants based on the market value of the vessels in our fleet.

Events beyond our control, including changes in the economic and business conditions in the shipping markets in which we operate, may affect our ability to comply with these covenants. Should our charter rates or vessel values materially decline in the future, we may be required to take action to reduce our debt or to act in a manner contrary to our business objectives to meet any such financial ratios and satisfy any such financial covenants. We cannot assure you that we will meet these ratios or satisfy these covenants or that our lenders will waive any failure to do so. A breach of any of the covenants in, or our inability to maintain the required financial ratios under our debt agreements would prevent us from borrowing additional money under debt agreements and could result in a default under our Credit Facility or future debt agreements into which we may enter. If a default occurs under our Credit Facility or any debt agreement which we may enter into in the future, the lenders could elect to declare the outstanding debt, together with accrued interest and other fees, to be immediately due and payable and foreclose on the collateral securing that debt, which could constitute all or substantially all of our assets.

In 2017 we entered into amendments to the credit agreement for our Credit Facility modifying certain of our financial covenants until December 31, 2018 and the Company has entered into further amendments to the Credit Facility in 2018. Under the revised terms of the credit agreement, we are unable to draw further on the Credit Facility and our margin is increased to 6.0% from January 1, 2018. We can distribute a maximum dividend of \$0.03 per share or \$4.3 million in the aggregate, subject to a corresponding amount being repaid under the Credit Facility. Additionally, the Company undertakes to not make new investments, excluding the Newbuildings, as defined below, except for investments made in connection with normal maintenance of the vessels. As of December 31, 2017 we were in compliance with the covenants of our Credit Facility, as waived or amended.

Although we have received waivers lowering our covenant requirements, should our charter rates, market capitalization or vessel values materially decline further in the future, we may be required to take action to reduce our debt or to act in a manner contrary to our business objectives to meet any such financial ratios and satisfy any such financial covenants.

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

Interest in most loan agreements in our industry, including our Credit Facility, is based on published London Interbank Offered Rates, or LIBOR. Amounts borrowed under our 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 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 charter agreements with our customers, and our 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. As a result, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows, as well as our ability to pay dividends, if any, in the future, and comply with covenants in our Credit Facility.

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Delays or defaults by the shipyards in the construction of our Newbuildings could increase our expenses and diminish our net income and cash flows.

We have contracted with Samsung Heavy Industries Co. Ltd., or Samsung, for the construction of three Suezmax newbuildings that are currently under construction with expected delivery in 2018. Vessel construction projects are generally subject to risks of delay that are inherent in any large construction project, which may be caused by numerous factors, including shortages of equipment, materials or skilled labor, unscheduled delays in the delivery of ordered materials and equipment or shipyard construction, failure of equipment to meet quality and/or performance standards, financial or operating difficulties experienced by equipment vendors or the shipyard, unanticipated actual or purported change orders, inability to obtain required permits or approvals, design or engineering changes and work stoppages and other labor disputes, adverse weather conditions or any other events of force majeure. Failure to construct or deliver the ship by the shipyard or any significant delays could increase our expenses and diminish our net income 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. 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.

The operation of tankers involve certain unique operational risks.

The operation of tankers has unique operational risks associated with the transportation of oil. An oil spill may cause significant environmental damage, and a catastrophic spill could exceed the insurance coverage available. 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. Further, 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 and market disruptions, delay or rerouting.

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and may be substantial. We may have to pay drydocking costs that our insurance does not cover at all or in full. The loss of revenues while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business and financial condition. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. We may be unable to find space at a suitable drydocking facility or our vessels may be forced to travel to a drydocking facility that is not conveniently located relative to our vessels' positions. The loss of earnings while these vessels are forced to wait for space or to travel to more distant drydocking facilities may adversely affect our business and financial condition. Further, the total loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs or loss which could negatively impact our business, financial condition, results of operations, cash flows 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 mostly incur our expenses in U.S. dollars, we may incur expenses in other currencies, most notably the Norwegian Kroner. Declines in the value of the U.S. dollar relative to the Norwegian Kroner, 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 for our future taxable years.

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.

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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 Investing in 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 effect 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 was founded on June 12, 1995 under the name Nordic American Tanker Shipping Limited and organized under the laws of the Islands of Bermuda. 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 originally formed for the purpose of acquiring and chartering three double-hull Suezmax tankers that were built in 1997. Our fleet currently consists of 33 vessels, including three Suezmax newbuildings currently under construction at Samsung Heavy Industries Co. Ltd., or Samsung, each approximately 157,000 deadweight tons, or dwt, which we refer to as the Newbuildings. We expect that our fleet will expand over time despite the short-term plan of selling vessels. The vessels in our fleet are homogenous and interchangeable, which is a business strategy we refer to as the "Nordic American System". Our common shares trade under the symbol "NAT" on the New York Stock Exchange, or the NYSE.

In January 2013, we acquired Scandic American Shipping Ltd, or Scandic, and NAT Chartering (formerly Orion Tankers Ltd), or NATC, as wholly-owned subsidiaries. Accordingly, the financial statements contained herein are presented on a consolidated basis for us and our subsidiaries, which we refer to as the Company or the Group.

The Nordic American System:

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, we have 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 when conditions are advantageous to us. Our 33 tankers are all Suezmaxes, which have a carrying capacity of one million barrels of oil, are highly versatile, and are 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.

Growth is a central element of the Nordic American System. It is essential that we grow accretively, which means that over time our transportation capacity increases more on a percentage basis than our share count.

Our valuation 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. We have our own ongoing system value with a homogenous fleet.

We pay our dividends from cash on hand. As of December 31, 2017 we have a cash break-even level of about \$12,200 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 order to cover our vessel operating expenses, cash general and administrative expenses, interest expense and all other cash charges.

On August 12, 2014, we distributed, a dividend in kind to our shareholders of 669,802 shares of Nordic American Offshore Ltd. (NYSE: NAO), or NAO, which we acquired in a private placement conducted in connection with NAO's establishment in November 2013.

On April 11, 2014, we issued 13,800,000 shares at \$8.62 per share in an underwritten registered follow-on offering. The net proceeds of the offer were primarily used to acquire two new vessels.

In May 2014, we announced the acquisition of two secondhand Suezmax tankers, the Nordic Sprinter and Nordic Skier at an average purchase price of \$36.5 million per vessel. We took delivery of the Nordic Sprinter in July 2014 and we took delivery of the Nordic Skier in August 2014.

In December 2014, we entered into final contracts with Sungdong Shipbuilding & Marine Engineering Co. Ltd. for the construction of two Suezmax tankers. The two contracted newbuildings were purchased for approximately \$65.0 million per vessel and we took delivery of the Nordic Star in September 2016 and the Nordic Space in February 2017. In July 2015, we announced the acquisition of two secondhand Suezmax tankers, the Nordic Light and Nordic Cross at a purchase price of \$61.1 million per vessel. We took delivery of the Nordic Light in September 2015 and we took delivery of the Nordic Cross in August 2015.

In December 2015, we agreed to refinance and extend the \$430.0 million revolving credit facility that we entered into in October 2012 with the banking group consisting of DNB Bank ASA, Nordea Bank Norge ASA and Skandinaviska Enskilda Banken AB (publ), or our Credit Facility. Under this agreement, our Credit Facility was increased to \$500.0 million and the maturity date was extended from 2017 to 2020. For more information, please see Item 5 Operating and Financial Review and Prospects - B. Liquidity and Capital Resources - Our Borrowing Activities.

In May 2016, we announced the acquisition of four secondhand Suezmax tankers, Nordic Luna, Nordic Castor, Nordic Sirius and Nordic Pollux. Nordic Luna, Nordic Castor and Nordic Sirius were delivered to us in June 2016 and Nordic Pollux was delivered to us in July 2016.

On September 30, 2016, we sold 12,650,000 common shares at a price of \$10.00 per share in an underwritten registered follow-on offering. The net proceeds of the offering were primarily used to pay for the deposits for our three Newbuildings and for general corporate purposes.

In March 2017, NAO completed a follow-on offering of its common shares in which NAT participated, purchasing approximately \$10.0 million worth of NAO shares. Following the investment, NAT owned 22.6% of NAO. As a consequence of the reduced holdings from 29.1% to 22.6% in NAO, NAT recorded a dilution charge (non-cash) of \$2.6 million in the first quarter of 2017. Our Chairman, President and CEO, together with his immediate family participated in the above offering, purchasing approximately \$2.0 million of NAO shares.

On June 16, 2017, our Board declared a dividend of one preferred share purchase right, or a Right, for each outstanding common share and adopted a shareholder rights plan, as set forth in the Shareholders Rights Agreement dated as of June 16, 2017, or the Rights Agreement, by and between the Company and Computershare Trust Company, N.A., as rights agent.

On August 31, 2017, we paid a dividend, which included a cash dividend of \$0.10 per share and a distribution of an aggregate of 4,024,745 common shares of NAO, which were owned by the Company. Each of our shareholders that held 250 or more of our common shares received one NAO common share per 24.4 NAT common shares, which we recognized at a cash value of \$0.05 per share. Fractional shares were compensated by a cash dividend based on the closing price of NAO shares on the NYSE as of July 20, 2017, which was \$1.22. Each of our shareholders that held 249 or fewer shares received an additional cash dividend of \$0.05 per common share. In connection to the above distribution of NAO shares, we recorded a loss of \$0.7 million. Following this distribution, we owned 16.1% of the outstanding common shares of NAO.

Recapitalization

On November 28, 2017, we entered into a fully underwritten commitment letter with DNB Bank ASA, providing for a senior secured loan facility of up to \$375.0 million, or the Backstop Facility, to support the recapitalization of NAT with the objective of retiring the Credit Facility. The facility agreement was signed on December 20, 2017. The recapitalization is intended to encompass the equity of \$110.0 million raised in December 2017, a large secured bond or a new revolving credit facility and an unsecured bond offering.

The Backstop Facility is providing for a senior secured loan facility of up to \$375.0 million to support the recapitalization of the Company. The Backstop Facility is available for drawing from July 1, 2018. Further, the facility, if utilized and not repaid, will be rolled into a term loan on January 1, 2019 with maturity on November 30, 2020. The Backstop Facility will have no amortization until December 31, 2018, upon and following which date the principal of the loan must be repaid in quarterly instalments of \$10.0 million. In May 2018 the Board authorized management to sell two vessels. A sale will also improve the cash balance of the Company. In addition, the Board has authorized that the Company may further adjust the size of the fleet.

We are evaluating different options for the final steps of the recapitalization program. We are in discussions with the lenders to either issue and sell a large secured bond or enter into a new Revolving Credit Facility of \$250.0 million together with the issuance of an unsecured bond for \$150.0 million. We expect these measures to be completed by the end of the second quarter of 2018. Upon securing this financing it is not expected to draw down on the Backstop Facility as described above.

On December 1, 2017, we announced our final agreements for the financing of the outstanding commitments of \$39.0 million per ship, due on delivery, for our Newbuildings with a subsidiary of Ocean Yield ASA. The three Newbuildings are expected to be delivered in July, August and October 2018, respectively. Under the terms of the financing agreement, the lender will pay 77.5% of the purchase price for each of the three Newbuildings.

On May 4, 2018 we executed an amendment to the Credit Facility expiring on December 31, 2018.

For more information please see Item 5.B. Liquidity and Capital Resources with regard to the above described transactions.

On December 14, 2017, we sold 40,000,000 common shares at a price of \$2.75 per share in an underwritten registered follow-on offering. The net proceeds of the offering were primarily used to repay outstanding amounts under our Credit Facility, which matures in December 2020 and currently has an interest rate of LIBOR plus 6.0%, general corporate purposes and expansion of our fleet.

As of the date of this annual report, we have 141,969,666 common shares issued and outstanding.

B. Business Overview

Our Fleet

Our fleet currently consists of 33 Suezmax crude oil tankers, 31 of which were built, or are currently under construction, in Korea. The majority of our vessels are employed in the spot market, together with five vessels currently on longer term time charter agreements. 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	Deadweight		Delivered
	Built	Tons	
Nordic Harrier	1997	151,459	1997
Nordic Hawk	1997	151,475	1997
Nordic Hunter	1997	151,401	1997
Nordic Voyager	1997	149,591	2004
Nordic Fighter	1998	153,328	2005
Nordic Freedom	2005	159,331	2005
Nordic Discovery	1998	153,328	2005
Nordic Saturn	1998	157,331	2005
Nordic Jupiter	1998	157,411	2006
Nordic Moon	2002	160,305	2006
Nordic Apollo	2003	159,998	2006
Nordic Cosmos	2003	159,999	2006
Nordic Sprite	1999	147,188	2009
Nordic Grace	2002	149,921	2009
Nordic Mistral	2002	164,236	2009
Nordic Passat	2002	164,274	2010
Nordic Vega	2010	163,940	2010
Nordic Breeze	2011	158,597	2011
Nordic Aurora	1999	147,262	2011
Nordic Zenith	2011	158,645	2011
Nordic Sprinter	2005	159,089	2014
Nordic Skier	2005	159,089	2014
Nordic Light	2010	158,475	2015
Nordic Cross	2010	158,475	2015
Nordic Luna	2004	150,037	2016
Nordic Castor	2004	150,249	2016
Nordic Sirius	2000	150,183	2016
Nordic Pollux	2003	150,103	2016
Nordic Star	2016	159,000	2016
Nordic Space	2017	159,000	2017
Newbuilding(1)	2018	157,000	2018
Newbuilding(1)	2018	157,000	2018
Newbuilding(1)	2018	157,000	2018

(1) Vessel under construction at Samsung, Korea. To be delivered in July, August and October 2018, respectively.

Employment of Our Fleet

It is our policy to operate our vessels either in the spot market or on short term time charters. Large international oil companies both in the Western and the Eastern parts of the world are important customers.

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. The Company considers it appropriate to present this type of arrangement on a gross basis in the Statements of Operations. For further information concerning our accounting policies, please see Note 2 to our financial statements.

The tanker industry has historically been stronger in the fall and winter months in anticipation of increased oil consumption in the norther hemisphere during the winter months. Seasonal variations in tanker demand normally result in seasonal fluctuations in the spot market charters.

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Time Charters: Under a time charter, the charterer is responsible and pays for the voyage expenses, such as port, canal and fuel costs, while the shipowner is responsible and 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.

Technical Management

The technical management of our vessels is handled by companies under direct instructions from NAT. The ship management firms of V.Ships Norway AS, Columbia Shipmanagement Ltd, Cyprus and Hellestont Ship Management GmbH & Co KG, Germany, provide the technical management services. The compensation paid under the technical management agreements is in accordance with industry standards.

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 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 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 what 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 2017 Tanker Market (Source: Fearnleys)

The cyclical market downturn that started half-way into 2016 continued in 2017. Suezmax earnings, basis fixtures for modern vessels, averaged \$15,500/day according to Fearnleys, down 45% on the year to less than what most Suezmax owners need to cover their cash break-evens. Earnings in the highly correlated VLCC and Aframax segments meanwhile averaged \$18,800/day and \$12,700/day, down 51% and 44% on the year respectively. A continued acceleration in fleet growth combined with slower demand caused by OPEC's production cut and attempt to rebalance the oil market were the key factors explaining the weaker development.

The total crude oil and product tanker fleet above 25,000 dwt grew 3.9% in 2017, compared to the fleet at year-end 2016. However, the effective and experienced fleet growth was well above this level. A total 35.6 million dwt of newbuilding tonnage entered the market during 2017, an amount that only the 2009-2011 period can match since the turn of year 2000. Meanwhile, scrapping for the year increased to 8.5 million dwt, compared to 1.9 million dwt in 2016, a level that only 2010, 2012 and 2013 matches during the past 10 years. A comparison of newbuilding deliveries less scrapping at the end of 2017 to the total fleet in existence at year-end 2016 shows that fleet growth was 5.3% last year, rather than the above mentioned 3.9%. The deviation is partially linked to vessels changing status last year, mostly VLCCs changing status to FSO's. The vessels in the latter category had no impact on the supply/demand balance though, as they had left active trading for alternative duties prior to 2017, hence why Fearnleys sees the 5.3% fleet growth number as more representative than the 3.9%. Adjusting also for what the scrapped vessels had been

doing up to death date suggest that effective fleet growth was even higher than 5.3%.

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In the VLCC segment, seven of the ten vessels scrapped during 2017 had left active trading for floating storage duties in 2015/16. As no active vessels replaced these storage units scrapped last year, the market balance effect of seven of the ten VLCCs scrapped last year was enjoyed in 2015/16 rather than 2017. In the Suezmax segment, seven of the 12 scrapped vessels had left active trading prior to 2017. Taking all this into account, Fearnleys has concluded that the effective fleet growth was around 7% last year – and therefore a factor explaining the weaker market, as it was a further acceleration from 6.1% in 2016, 3.1% in 2015 and 1.9% in 2014.

The Suezmax segment was the segment with the highest fleet growth last year, relative to the other segments. An all-time high 51 Suezmax newbuildings were delivered during the year, beating the previous high of 45 deliveries from 2009 and 2012. In the VLCC segment, 50 newbuildings were delivered, up just three from 2016, but the past two years combined have seen the delivery of 97 VLCC newbuildings versus just 44 deliveries combined in 2014-2015. In the Aframax/LR2 segments a combined 63 newbuildings were delivered last year, that being one more than total deliveries were in 2013-2015 combined. At year-end 2017, the VLCC fleet counted 717 vessels, the Suezmax fleet 515 vessels while the Aframax/LR2 fleet counted 970 vessels.

On a macro level, oil demand growth remained very robust at 1.6% in 2017, according to the IEA. However, production growth, a measure reflecting both the demand growth and the stock-cycle development, hence a better indication of transportation demand, remained slow at 0.4% versus 0.5% in 2016 and an average 2.9% in 2014/2015. OPEC showed a good discipline on their production cut and attempt to rebalance the oil market, resulting in a -1.4% decline in OPEC's crude oil output (-0.9% with NGLs included). Among the Non-OPEC countries, production grew 1.4%, driven entirely by a solid 5.3% growth in U.S. production, with the rest of Non-OPECs experiencing a marginal 0.2 change in output. Overall, the slow oil production development limited the flow of crude oils in 2017, as much of the consumption growth could be covered by local stocks.

Preliminary seaborne trade flow data from Fearnleys suggest that crude oil volumes out of the Middle East were down on the year, caused by less lifted in to the West but showing moderate growth to Asia. This was however more than counterbalanced by a good growth in cargoes lifted the longer route from the Atlantic to Asia, especially from the Caribbean/U.S. Gulf. Despite lack of growth in volumes out of West Africa, Fearnleys registered that more headed the longer route East to Asia, rather than to the traditional buyers in Europe and the U.S. This favored VLCCs over Suezmaxes and caused the latter to lose market share to VLCCs last year, even as Suezmaxes partly counterbalanced this by taking a higher year/year market share versus the VLCCs for loadings in the Middle East.

The Middle East volume growth for Suezmaxes headed West, mostly in to the Mediterranean Sea on a route considered to be a back-haul for Suezmaxes returning to the Atlantic basin after liftings cargoes from the Atlantic to Asia. Although Suezmaxes lost market share to VLCCs on West Africa loadings, the segment still experienced trade growth from the region into Asia, thereby partly counterbalancing the slower demand from West Africa to the U.S. and Europe. The slower West Africa-Europe Suezmax demand was caused by a combination of recovering Libya exports and the already mentioned flow of volumes into the Mediterranean Sea from the Middle East.

The most positive demand development in 2017 was continued good growth in trading from the Americas to Asia – a very shipping intensive long route that for Suezmaxes often includes fuel oil cargoes in addition to crude oils.

The Tanker Market 2018

The first quarter of 2018 was weaker than the fourth quarter of 2017, and the average Suezmax Earnings per day was reduced from \$17,054 in the fourth quarter of 2017 to \$7,651 for the first quarter of 2018. The quoted rates are an average of observations, and as rates are earned over a voyage the earnings for vessel owners is not expected to decline as much from the fourth quarter of 2017 to the first quarter of 2018 as the indicative rates reported by Clarksons.

The orderbook for Suezmaxes has decreased over the last twelve months, with 11 vessels delivered in the first quarter of 2018 and 52 on order of which 25 are expected to be delivered in 2018. There have been no new orders of Suezmaxes so far in 2018.

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.

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 2013, the MEPC adopted by resolution amendments to the MARPOL Annex I Conditional Assessment Scheme (CAS). These amendments, which became 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 from vessels. Effective May 2005, Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from all commercial vessel exhausts and prohibits "deliberate emissions" of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile compounds from cargo tanks, and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions, as explained below. Emissions of "volatile organic compounds" from certain tankers, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls, or PCBs) are also prohibited. We believe that all our vessels are currently compliant in all material respects with these regulations.

The IMO's Marine Environmental Protection Committee ("MEPC"), adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone depleting substances, which entered into force on July 1, 2010. The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. On October 27, 2016, at its 70th session, the MEPC agreed to implement a global 0.5% m/m sulfur oxide emissions limit (reduced from the current 3.50%) starting from January 1, 2020. This limitation can be met by using low-sulfur compliant fuel oil, alternative fuels, or certain exhaust gas cleaning systems. Once the cap becomes effective, ships will be required to obtain bunker delivery notes and International Air Pollution Prevention ("IAPP") Certificates from their flag states that specify sulfur content. This subjects ocean-going vessels in these areas to stringent emissions controls, and may cause us to incur additional costs.

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

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for marine diesel engines, depending on their date of installation. At the MEPC meeting held from March to April 2014, amendments to Annex VI were adopted which address the date on which Tier III Nitrogen Oxide (NOx) standards in ECAs will go into effect. Under the amendments, Tier III NOx standards apply to ships that operate in the North American and U.S. Caribbean Sea ECAs designed for the control of NOx with a marine diesel engine installed and constructed on or after January 1, 2016. Tier III requirements could apply to areas that will be designated for Tier III NOx in the future. At MEPC 70 and MEPC 71, the MEPC approved the North Sea and Baltic Sea as ECAs for nitrogen oxide for ships built after January 1, 2021. 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.

As determined at the MEPC 70, the new Regulation 22A of MARPOL Annex VI is effective as of March 1, 2018 and requires ships above 5,000 gross tonnage to collect and report annual data on fuel oil consumption to an IMO database, with the first year of data collection commencing on January 1, 2019.

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As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for ships. All ships are now required to develop and implement Ship Energy Efficiency Management Plans ("SEEMP"), and new ships must be designed in compliance with minimum energy efficiency levels per capacity mile as defined by the Energy Efficiency Design Index. Under these measures, by 2025, all new ships built will be 30% more energy efficient than those built in 2014.

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

Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatories to such conventions. For example, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments (the "BWM Convention") in 2004. The BWM Convention entered into force on September 9, 2017. The BWM Convention requires ships to manage their ballast water to remove, render harmless, or avoid the uptake or discharge of new or invasive aquatic organisms and pathogens within ballast water and sediments. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits, and require all ships to carry a ballast water record book and an international ballast Water management certificate.

On December 4, 2013, the IMO Assembly passed a resolution revising the application dates of BWM Convention so that the dates are triggered by the entry into force date and not the dates originally in the BWM Convention. This, in effect, makes all vessels delivered before the entry into force date "existing vessels" and allows for the installation of ballast water management systems on such vessels at the first International Oil Pollution Prevention (IOPP) renewal survey following entry into force of the convention. The MEPC adopted updated guidelines for approval of ballast water management systems (G8) at MEPC 70. At MEPC 71, the schedule regarding the BWM Convention's implementation dates was also discussed and amendments were introduced to extend the date existing vessels are subject to certain ballast water standards. Ships over 400 gross tons generally must comply with a "D-1 standard," requiring the exchange of ballast water only in open seas and away from coastal waters. The "D-2 standard" specifies the maximum amount of viable organisms allowed to be discharged, and compliance dates vary depending on the IOPP renewal dates. Depending on the date of the IOPP renewal survey, existing vessels must comply with the D2 standard on or after September 8, 2019. For most ships, compliance with the D2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Costs of compliance may be substantial. Once mid-ocean ballast exchange ballast water treatment requirements become mandatory under the BWM Convention, the cost compliance could increase for ocean carriers and may be material. However, many countries already regulate the discharge of ballast water carried by vessels from country to country to prevent the introduction of invasive and harmful species via such discharges. The U.S., for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternate measure, and to comply with certain reporting requirements. The costs of compliance with a mandatory mid-ocean ballast exchange could be material, and it is difficult to predict the overall impact of such a requirement on our operations.

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

United States Regulations

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 U.S., 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 U.S. has also enacted the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, which applies to the discharge of hazardous substances other than oil, except in limited circumstances, whether on land or at sea. OPA and CERCLA both define "owner 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 December 21, 2015, the USCG adjusted the limits of OPA liability to the greater of \$2,200 per gross ton or \$18,796,800 (subject to periodic adjustment for inflation) for tank vessels greater than 3,000 gross tons, other than a single hull tank vessel, such as double hull tankers. Our fleet is entirely composed of double hull vessels. 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 responsibility 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 (USCG) evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject.

The 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 EPA and the USCG have also enacted rules relating to ballast water discharge, compliance with which could require 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, or which may otherwise restrict our vessels from entering U.S. waters. It presently remains unclear how the ballast water requirements set forth by the EPA, the USCG, and IMO BWM Convention, some of which are in effect and some which are pending, will co-exist.

The 2010 Deepwater Horizon oil spill in the Gulf of Mexico resulted in additional regulatory initiatives or statutes, including the raising of liability caps under OPA, new regulations regarding offshore oil and gas drilling, and a pilot inspection program for offshore facilities. However, the status of several of these initiatives and regulations is currently in flux. For example, the U.S. Bureau of Safety and Environmental Enforcement ("BSEE") announced a new Well Control Rule in April 2016, but pursuant to orders by the U.S. President in early 2017, the BSEE announced in August 2017 that this rule would be revised. In January 2018, the U.S. President proposed leasing new sections of U.S. waters to oil and gas companies for offshore drilling, vastly expanding the U.S. waters that are available for such activity over the next five years. The effects of the proposal are currently unknown. 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. Additional legislation or regulations applicable to the operation of our vessels that may be implemented in the future could adversely affect our business.

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

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. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims.

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

Greenhouse Gas Regulation

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions with

targets extended through 2020. International negotiations are continuing with respect to a successor to the Kyoto Protocol, and restrictions on shipping emissions may be included in any new treaty. In December 2009, more than 27 nations, including the U.S. and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The 2015 United Nations Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016 and does not directly limit greenhouse gas emissions from ships. On June 1, 2017, the U.S. president announced that it is withdrawing from the Paris Agreement. The timing and effect of such action has yet to be determined.

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At MEPC 70 and MEPC 71, a draft outline of the structure of the initial strategy for developing a comprehensive IMO strategy on reduction of greenhouse gas emissions from ships was approved. In accordance with this roadmap, an initial IMO strategy for reduction of greenhouse gas emissions is expected to be adopted at MEPC 72 in April 2018. The IMO may implement market-based mechanisms to reduce greenhouse gas emissions from ships at the upcoming MEPC session.

The EU made a unilateral commitment to reduce overall greenhouse gas emissions from its member states from 20% of 1990 levels by 2020. The EU also committed to reduce its emissions by 20% under the Kyoto Protocol's second period from 2013 to 2020. Starting in January 2018, large ships calling at EU ports are required to collect and publish data on carbon dioxide emissions and other information.

In the United States, the EPA issued a finding that greenhouse gases endanger the public health and safety, adopted regulations to limit greenhouse gas emissions from certain mobile sources, and proposed regulations to limit greenhouse gas emissions from large stationary sources. However, in March 2017, the U.S. President signed an executive order to review and possibly eliminate the EPA's plan to cut greenhouse gas emissions. The outcome of this order is not yet known. Although the mobile source emissions regulations do not apply to greenhouse gas emissions from vessels, the EPA or individual U.S. states could enact environmental regulations that would affect our operations. For example, California has introduced a cap-and-trade program for greenhouse gas emissions, aiming to reduce emissions 40% by 2030.

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

International Labour Organization

The International Labour Organization, or the 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 is required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. We believe that all our vessels are in substantial compliance with and are certified to meet MLC 2006.

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 MTSA came into effect, and to implement certain portions of the MTSA the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the U.S. The regulations also impose requirements on certain ports and facilities, some of which are regulated by the EPA.

Similarly, Chapter XI-2 of the SOLAS Convention 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.

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. The following are among the various requirements, some of which are found in SOLAS:

- 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.

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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 USCG 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

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and SOLAS. Most insurance underwriters make it a condition for insurance coverage and lending that a vessel be certified "in class" by a classification society which is a member of the International Association of Classification Societies, the IACS. The IACS has adopted harmonized Common Structural Rules, or the Rules, which apply to oil tankers and bulk carriers constructed on or after July 1, 2015. The Rules attempt to create a level of consistency between IACS Societies. All of our vessels are certified as being "in class" by all the applicable Classification Societies (e.g., American Bureau of Shipping, Lloyd's Register of Shipping).

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

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

We operate in what we refer to as the Nordic American System, which describes our operation of our homogenous Suezmax tanker fleet in markets that are highly competitive and based primarily on supply and demand. We currently operate the majority of our vessels in the spot market. 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. For more information on the "Nordic American System", please see Item 4.A. History and Development of the Company.

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 has acted as our Manager, or the Manager, providing 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 our wholly-owned subsidiary. Scandic is based in Bermuda, and has a European branch.

On January 3, 2013, NATC became our wholly owned subsidiary. NATC consists of the parent company based in Bermuda, and its wholly owned subsidiary, NAT Chartering AS which is based in Norway.

D. Property, Plant and Equipment

Please see Item 4. Information on the Company B. Business Overview Our Fleet, for a description of our vessels. The vessels are mortgaged as collateral under the Credit Facility.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

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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 notes thereto 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 Item 3.D. Risk Factors and elsewhere in this annual report.

A. Operating Results

We present our Consolidated Statements of Operations using voyage revenues and voyage expenses. Our homogenous and interchangeable fleet is operated mainly in the spot charter market. Under a spot charter, revenue is generated from freight billing and is included in voyage revenue, and the vessel owner pays all vessel voyage expenses. We consider it appropriate to present this type of arrangement on a gross basis in the Consolidated Statements of Operations.

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 U.S. 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 table below reconciles our net voyage revenues to voyage revenues.

YEAR ENDED DECEMBER 31, 2017 COMPARED TO YEAR ENDED DECEMBER 31, 2016

	Years Ended		Variance	
	2017	2016		
All figures in USD '000	December 31,			
Voyage Revenue	297,141	357,451	(16.9	%)
Voyage Expenses	(142,465)	(125,987)	13.1	%
Vessel Operating Expenses	(87,663)	(80,266)	9.2	%
Impairment Loss on Vessels	(110,480)	-	N/A	
Impairment Loss on Goodwill	(18,979)	-	N/A	
General and Administrative Expenses	(12,575)	(12,296)	2.3	%
Depreciation Expenses	(100,669)	(90,889)	10.8	%
Settlement Received	-	5,328	N/A	
Net Operating Income (Loss)	(175,690)	53,341	(429.4	%)
Interest Income	347	215	61.4	%
Interest Expenses	(20,464)	(11,170)	83.2	%
Other Financial Expenses	(727)	(200)	263.5	%
Equity (Loss) Income from Associate	(8,435)	(46,642)	(81.9	%)
Net (Loss) Income	(204,969)	(4,456)	4,499.8	%

Reconciliation of net voyage revenues to voyage revenues	Years Ended		Variance	
	2017	2016		
All figures in USD '000, except TCE rate per day	December 31,			
Voyage Revenue	297,141	357,451	(16.9	%)
Less Voyage expenses	(142,465)	(125,987)	13.1	%
Net Voyage Revenue	154,676	231,464	(33.2	%)
Vessel Calendar Days (1)	10,892	9,666	12.7	%
Less off-hire days	867	418	107.4	%
Total TCE days	10,025	9,248	8.4	%
TCE Rate per day (2)	\$ 15,428	\$ 25,029	(38.4	%)
Total Days – vessel operating expenses	10,892	9,666	12.7	%

- (1) Vessel Calendar Days is the total number of days the vessels were in our fleet.
- (2) Time Charter Equivalent ("TCE") Rate, results from Net Voyage Revenue divided by total TCE days.

The change in Voyage revenue is due to two main factors:

- i) The number of TCE days
- ii) The change in the TCE rate achieved.

With regards to i), the increase of 449 days in offhire days was a result of increased number of vessels in drydock in 2017 compared to 2016, where 709 days out of the 867 days were planned offhire.

The increase in vessel calendar days is due to one vessel being delivered in February of 2017, in combination with the full year effect of four vessels acquired and delivered in June and July 2016.

With regards to ii), the TCE rate decreased by \$9,601, or 38.4%. The indicative rates presented by Clarksons Shipping decreased by 47.0% for the twelve months of 2017 compared to the same twelve months in 2016, to \$15,570 from \$29,376, respectively.

As a result of i) and ii) voyage revenues decreased by 16.9% from \$357.5 million for the year ended December 31, 2016, to \$297.1 million for the year ended December 31, 2017.

Voyage expenses increased to \$142.5 million from \$126.0 million, or 13.1%. The increase in voyage expenses was primarily due to increase in bunker costs and the total number of TCE days. The increase in bunkers cost is mainly due to price increases of fuel oil experienced in 2017 compared to 2016.

Vessel operating expenses increased by \$7.4 million, or 9.2%. The increase in operating expenses was primarily due to the increase in our fleet and the number of Vessel Calendar Days, which increased by 12.7%, partly offset by a general reduction in the average operating expense per vessel. We emphasize together with our technical managers on keeping the fleet in top technical condition in combination with cost efficient operations.

An impairment loss on vessels and an impairment loss on goodwill have been recorded for the year ended December 31, 2017 by \$110.5 million and \$19.0 million, respectively. No impairment charges were recorded for the year ended December 31, 2016.

General and administrative expenses increased insignificantly by \$0.3 million, or 2.3%.

Depreciation expenses increased by \$9.8 million, or 10.8%. The increase is primarily due to the addition of one vessel in 2017 and the full-year effect of four vessels delivered in June and July 2016.

Interest expenses increased by 83.2%. The increase is due to increased margin on the Credit Facility as a result of modification of certain financial covenants. The margin has increased by 2.50% during 2017. Per December 31, 2017 we have drawn \$391.6 million as compared to \$447.0 million per December 31, 2016.

The equity loss from Associate was reduced from \$46.6 million in 2016 to \$8.4 million in 2017. The loss in 2017 is representing our proportional share of net losses in NAO, including a distribution loss of \$0.7 million related to shares distributed as dividend-in-kind. The decrease of \$38.2 million is mainly attributable to the other-than-temporarily impairment of the investment in NAO in 2016 of \$37.3 million.

Please see Item 5. Operating and Financial Review and Prospects H Critical Accounting Estimates for further information.

YEAR ENDED DECEMBER 31, 2016 COMPARED TO YEAR ENDED DECEMBER 31, 2015

All figures in USD '000	Years Ended		Variance
	2016	2015	
Voyage Revenue	357,451	445,738	(19.8 %)
Voyage Expenses	(125,987)	(158,656)	(20.6 %)
Vessel Operating Expenses	(80,266)	(66,589)	20.5 %
General and Administrative Expenses	(12,296)	(9,790)	25.6 %
Depreciation Expenses	(90,889)	(82,610)	10.0 %
Settlement Received	5,328	-	N/A
Net Operating Income (Loss)	53,341	128,093	(58.4 %)
Interest Income	215	114	88.6 %
Interest Expenses	(11,170)	(10,855)	2.9 %
Other Financial Expenses	(200)	(263)	(24.0 %)
Equity (Loss) Income from Associate	(46,642)	(2,462)	1,794.5 %
Net (Loss) Income	(4,456)	114,627	(103.4 %)

Reconciliation of net voyage revenues to voyage revenues	Years Ended		
	December 31,		
All figures in USD '000, except TCE rate per day	2016	2015	Variance
Voyage Revenue	357,451	445,738	(19.8 %)
Less Voyage expenses	(125,987)	(158,656)	(20.6 %)
Net Voyage Revenue	231,464	287,082	(19.4 %)
Vessel Calendar Days (1)	9,666	8,195	17.9 %
Less off-hire days	418	484	(13.6 %)
Total TCE days	9,248	7,711	19.9 %
TCE Rate per day (2)	\$25,029	\$37,230	(32.8 %)
Total Days – vessel operating expenses	9,666	8,195	17.9 %

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

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

The change in Voyage revenue is due to two main factors:

- i) The number of TCE days
- ii) The change in the TCE rate achieved.

With regards to i), the decrease of 66 days in offhire days was a result of reduced planned offhire in relation to drydocking of vessels.

The increase in vessel calendar days is due to four vessels delivered in June and July of 2016, one vessel delivered in December 2016 and the full-year effect of two vessels delivered in September and October 2015.

With regards to ii), the TCE rate decreased by \$12,202, or 32.8%. The indicative rates presented by Clarksons Shipping increased by 41.5% for the twelve months of 2016 and 2015, to \$29,376 from \$50,220, respectively. We were able to secure contracts at a time where rates were more profitable in 2016 which gave us a lower decrease in rates than the indicative rates presented by Clarksons Shipping.

As a result of i) and ii) voyage revenues decreased by 19.8% from \$445.7 million for the year ended December 31, 2015, to \$357.5 million for the year ended December 31, 2016.

Voyage expenses decreased to \$126.0 million from \$158.7 million, or 20.6%. The decrease in voyage expenses was primarily due to a significant decrease in bunker costs caused by the reduction in oil prices. This was slightly offset by increased port costs due to increased activity and the increase in fleet.

Vessel operating expenses increased by \$13.7 million, or 20.5%. This was primarily due to the increase in our fleet, as made evident by the 17.9 % increase in vessel calendar days presented above. In cooperation with our technical managers we have a continued focus on keeping the fleet in top technical condition while keeping costs low.

General and administrative expenses increased by \$2.5 million, or 25.6%. In addition to a general increase in expenses the change is a result of a \$1.1 million increase in share based compensation and deferred compensation liability costs, which are non-cash items.

Depreciation expenses increased by \$8.3 million, or 10.0%. The increase is primarily due to the addition of four vessels delivered in June and July 2016, and the full-year effect of two vessels delivered in September and October 2015.

Interest expenses increased by 2.9%. The increase is due to an increase in drawn amounts under the Credit Facility. Per December 31, 2016, we have drawn \$447.0 million as compared to \$330.0 million per December 31, 2015.

The settlement gain is amounts received from the arbitration proceeding with Gulf Navigation Holding PJSC which was recognized in the third quarter of 2016.

The equity loss representing our share of increased trading losses from our investment in NAO increased to \$9.3 million in 2016 from \$2.5 million in 2015. The total loss in 2016 was \$46.6 million including the below impairment charge of \$ 37.3 million.

Also, after considering factors including, but not limited to, the fair value of NAO based on the quoted market price of the shares as compared to its carrying value based on our share of its net assets, the length of time the investment's fair value had been below carrying value and the limited near-term prospects for a recovery in the share price of NAO, we concluded that as of December 31, 2016, the investment in NAO was other-than-temporarily impaired. Accordingly, the carrying value of our investment in NAO was written-down to \$16.6 million, the fair value based on the observable share price at December 31, 2016, and a non-cash impairment charge was recorded through the "Equity Loss" line in the Statement of Operations. NAO is operating in a challenging market which based on market reports may extend to late 2019. We believe our investment in NAO will become profitable as the offshore market rebalances, and we intend to keep our investment in NAO, but as we could not objectively conclude that our previous carrying value would be recovered within the next 1-3 years we recorded the write-down of \$37.3 million. Please see Item 5. Operating and Financial Review and Prospects H. Critical Accounting Estimates for further information.

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

We operate in a cyclical and capital intensive industry and we have historically financed our acquisitions of Suezmax tankers mainly through raising new equity. In addition, we have partly utilized our \$500.0 million Credit Facility to acquire Suezmax tankers. Our net debt per vessel as of December 31, 2017 is near the current scrap value of our vessels. We define net debt as interest bearing debt less working capital and deposits paid for Newbuildings. As of December 31, 2017 and 2016 we had cash and cash equivalents of \$58.4 million and \$82.2 million, respectively. Our Credit Facility requires us to maintain a minimum liquidity of \$25.0 million or 6% of interest bearing debt.

Equity Issuances

In October 2016, we completed an underwritten registered follow-on offering of 12,650,000 common shares at \$10.00 per share. The net proceeds from the offering were approximately \$119.9 million. The net proceeds of the offering were primarily used to pay for the deposits for our three Newbuildings, and for general corporate purposes.

In December 2017, we completed an underwritten registered follow-on offering of 40,000,000 common shares at \$2.75 per share. The net proceeds from the offering were approximately \$103.7 million. The net proceeds of the offering were used to repay \$55.4 million under our Credit Facility and for general corporate purposes.

Our Borrowing Activities

Credit Facility and recapitalization

In 2012, we entered into a \$430 million revolving credit facility, which in 2015 was increased to \$500 million, with a syndicate of lenders in order to refinance its existing credit facility, fund future vessel acquisitions and for general corporate purposes. Amounts borrowed under the 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 maturity of the credit facility is December 2020. There are no repayment requirements before maturity on the Credit Facility.

In connection with the expansion of the Credit Facility, the Company incurred \$4.6 million in deferred financing costs in 2015, which is amortized over the term of the loan and presented net of the outstanding loan balance.

Borrowings under the Credit Facility are secured by first priority mortgages over the Company's vessels and assignments of earnings and insurance. Under the Credit Facility, we are subject to certain covenants requiring among other things, the maintenance of (i) a minimum amount of value adjusted equity; (ii) a minimum value adjusted equity ratio; (iii) a minimum level of liquidity; (iv) positive working capital; (v) minimum market cap; (vi) minimum market cap to value adjusted total assets and (vii) security ratio covenant. The security ratio and the minimum market cap to value adjusted total assets ratio are based on the fair market value of vessels as assessed by two independent shipbrokers. The 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 Credit Facility.

At the end of 2017 and 2016, we had \$391.6 and \$447.0 million drawn under the Credit Facility, respectively. The estimated fair value for the long-term debt is considered to be approximately equal to the carrying value since it bears a variable interest rate.

As of December 31, 2016, we were in default with one of our debt covenants; (v) required security ratio of vessel value clause. A waiver was obtained lowering the required ratio to a level where we were in compliance. This waiver was effective until May 31, 2018. Under the terms of the waiver obtained, we were unable to draw further on the Credit Facility, our margin was increased by 2.0 % for the period of the waiver and limitations on dividend distribution until compliance with the terms of the original Credit Facility. The waiver has subsequently been modified and amended.

As of December 31, 2017 and as of the date of the issuance of this report, we are in compliance with the modified terms under the Credit Facility and the loan is not considered currently callable. On May 4, 2018, we entered into an amendment to the credit agreement for the Credit Facility modifying certain of the financial covenants until December 31, 2018, lowering the required security ratio to 135%, lowering the liquidity covenant to \$15.0 million (original requirements to be reinstated upon delivery of the first Newbuilding), the minimum market capitalization ratio to \$200.0 million and the minimum market capitalization to value adjusted total assets to 25% for the remaining duration of the waiver. Under the revised terms of the credit agreement, we are unable to draw further on the Credit Facility and the margin was increased to 6.0% from January 1, 2018. We can distribute a maximum dividend of \$0.03 per share or \$4.3 million in the aggregate, subject to a corresponding amount being repaid under the Credit Facility. Further, until December 31, 2018, half of any proceeds received by the Company from the sale of equity, up to \$75.0 million, must be used to repay the Credit Facility. We repaid \$3.1 million on the Credit Facility in relation to the dividend paid out on December 5, 2017 and \$52.3 million in relation to the offering in December 2017. We further repaid \$ 4.3 million on March 10, 2018 in relation to the dividend paid out on March 9, 2018. Additionally, the Company undertakes to not make new investments, excluding the Newbuildings, except for investments made in connection with normal maintenance of the Vessels.

We are in the process of retiring the Credit Facility and signed on December 20, 2017 for the \$375.0 million Backstop Facility. The financing facility is providing for a senior secured loan facility of up to \$375.0 million to support our recapitalization. The Backstop Facility is available for drawing from July 1, 2018. Further, the facility, if utilized and not repaid, will be rolled into a term loan on January 1, 2019 with maturity on November 30, 2020. The Backstop Facility will have no amortization until December 31, 2018, upon and following which date the principal of the loan must be repaid in quarterly instalments of \$10.0 million. The Backstop Facility carries an interest rate that will step-up over time and carries a maximum interest margin of 10.5% per annum. We can distribute quarterly dividends up to \$0.03 per share per quarter under the Backstop Facility. The Backstop Facility contains financial covenants in relation to minimum liquidity of \$30.0 million, minimum value ratio and book equity that will come into effect upon utilizing the Backstop Facility.

The Backstop Facility is part of the recapitalization program that was initiated in December 2017. The first steps in the recapitalization program encompassed the financing of the three Newbuildings to be delivered in 2018 and raising new equity of \$103.7 million (\$110.0 million gross). We are evaluating different options for the final steps of the recapitalization program. We are in discussions with our lenders to either issue and sell a large secured bond or enter into a new Revolving Credit Facility of \$250.0 million together with an issuance of a bond for \$150.0 million. Associated fees of \$13.1 million incurred in December 2017 will be amortized over the term of the associated financing arrangement. We expect these measures to be completed by the end of the second quarter of 2018. Upon

securing this financing the Company is not expected to enter into the terms of the Backstop Facility as described above. In May 2018, the Board authorized management to sell two vessels. A sale will also improve the cash balance of the Company. In addition, the Board has authorized that the Company may further adjust the size of the fleet.

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We have the option to utilize the Backstop Facility with the associated terms. We have flexibility to cover any need for liquidity, also under the scenario that the tanker market remains low for a longer period, to strengthen our liquidity through selling additional vessels or raise equity to ensure that we have sufficient working capital. In a prolonged marked downturn the Company will have to further adjust the size of its fleet selling up to ten vessels in accordance with the authorization mentioned above in order to comply with the liquidity and other covenants under the existing Credit Facility or the Backstop Facility, if utilized. Sale of a vessel requires a proportionate repayment of the Credit Facility and an equally proportionate reduction of the Backstop Facility.

On December 1, 2017, we announced our final agreements for the financing of the outstanding commitments of \$39.0 million per ship, due on delivery, for our Newbuildings with a subsidiary of Ocean Yield ASA. The three Newbuildings are expected to be delivered in July, August and October 2018, respectively. Under the terms of the financing agreement, the lending provider will finance 77.5% of the purchase price for each of the three Newbuildings. Net proceeds received from Ocean Yield ASA shall be used towards prepayment of the Credit Facility, unless the Credit Facility is retired before the deliveries of the vessels. After delivery of each of the vessels, we will enter into ten-year bareboat charter agreements. We have obligations to purchase the vessels upon the completion of the ten-year bareboat charter agreement, but also have the flexibility to purchase the vessels after year five and seven. The financing agreement contains certain financial covenants requiring us to maintain a minimum value adjusted equity of \$175.0 million and ratio of 25%; a minimum liquidity of \$20.0 million; and a minimum vessel value to outstanding lease clause.

Cash on hand was \$58.4 million as of December 31, 2017.

On a regular basis, we perform cash flow projections to evaluate whether we will be in a position to cover our liquidity needs for the next 12-month period and the compliance with financial and security ratios under our existing and future financing agreements. In developing estimates of future cash flows, we make assumptions about the vessels' future performance, market rates, operating expenses, capital expenditure, fleet utilization, general and administrative expenses, loan repayments and interest charges. The assumptions applied are based on historical experience and future expectations.

We believe that our current cash and cash equivalents and cash expected to be generated from operations, together with the above measures, are sufficient to meet our working capital needs and other liquidity requirements for the next 12 months from the date of this report.

Cash Flows

YEAR ENDED DECEMBER 31, 2017, COMPARED TO YEAR ENDED DECEMBER 31, 2016

Cash flows provided by operating activities decreased to \$31.7 million for the year ended December 31, 2017, from \$127.8 million for the year ended December 31, 2016. The change in cash flows provided by operating activities is primarily due to reduction in market rates achieved in 2017 compared to 2016.

Cash flows used in investing activities decreased to (\$46.5) million for the year ended December 31, 2017, compared to (\$186.8) million for the year ended December 31, 2016. The decrease of cash flows used in investing activities is primarily due the Company acquiring one vessel in 2017 compared to the four vessels acquired in 2016, offset by a \$10.0 million investment in NAO in 2017.

Cash flows provided by (used in) financing activities decreased to (\$19.0) million for the year ended December 31, 2017, compared to cash flow provided by (used in) financing activities of \$111.3 million for the year ended December 31, 2016. The decrease is primarily due to the Company issuing common stock in 2017 with net proceeds of \$103.7 million, offset by repayment of the Credit Facility by \$55.4 million and dividends paid of \$54.2 million, compared to proceed from issuing equity in 2016 of \$120.1 million, offset by cash dividends of \$125.7 million and utilization of Credit Facility by \$117.0 million.

The cash on hand was \$58.4 million as of December 31, 2017. We had a restricted deposit account of \$10.0 million related to the deferred compensation liability for our CEO per Dec 31, 2016, where the restriction was lifted in 2017. For further information on contractual obligations please see Item 5. Operating and Financial Review and Prospects F. Tabular Disclosure of Contractual Obligations.

YEAR ENDED DECEMBER 31, 2016 COMPARED TO YEAR ENDED DECEMBER 31, 2015

Cash flows provided by operating activities decreased to \$127.8 million for the year ended December 31, 2016, from \$174.4 million for the year ended December 31, 2015. The change in cash flows provided by operating activities is primarily due to the market rates decreasing.

Cash flows used in investing activities decreased to (\$186.8) million for the year ended December 31, 2016, compared to (\$197.4) million for the year ended December 31, 2015. The decrease of cash flows used in investing activities is primarily due to us not investing in Nordic American Offshore Ltd., or NAO, in 2016.

Cash flows provided by (used in) financing activities increased to \$111.2 million for the year ended December 31, 2016, compared to cash flow provided by (used in) financing activities of (\$47.7) million for the year ended December 31, 2015. The increase is primarily due to the Company issuing common stock in 2016 and increasing the utilization of our Credit Facility.

The cash on hand was \$82.2 million as of December 31, 2016.

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

Not applicable.

D. Trend Information

The oil tanker industry has been highly cyclical, experiencing volatility in charter hire 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

B. Business Overview –The International Tanker Market.

E. Off Balance Sheet Arrangements

As of December 31, 2017, we do not have any off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

The Company's contractual obligations as of December 31, 2017, consist of our obligations as borrower under our Credit Facility, contracts on three new vessels and our deferred compensation agreement for our Chairman, President and Chief Executive Officer and our former Chief Financial Officer and Executive Vice President.

The following table sets out financial, commercial and other obligations outstanding as of December 31, 2017.

		Less than 1	1-3	3-5	More than 5
Contractual Obligations in '\$'000s	Total	year	years	years	years
Credit Facility (1)	391,641	4,258	387,383	-	-
Interest Payments (2)	87,708	30,100	57,608	-	-
Commitment Fees (3)	7,976	2,721	5,255	-	-
Deferred Compensation Agreement (4)	14,698	-	-	1,320	13,378
Newbuilds (5)	116,970	116,970	-	-	-
Total	618,994	154,049	450,247	1,320	13,378

Notes:

(1) Refers to obligation to repay indebtedness outstanding as of December 31, 2017.

(2) Refers to estimated interest payments over the term of the indebtedness outstanding as of December 31, 2017. Estimate based on applicable interest rate and drawn amount as of December 31, 2017.

(3) Refers to estimated commitment fees over the term of the indebtedness outstanding as of December 31, 2017. Estimate based on applicable commitment fee and drawn amount as of December 31, 2017.

(4) Refers to estimated deferred compensation agreements payable to the Company's CEO and former CFO as of December 31, 2017.

(5) Refers to obligation to pay for three newbuilding contracts for vessels to be delivered in 2018.

We have further entered into a financing arrangement for the three newbuildings to be delivered in the latter part of 2018. Upon delivery of each of the vessels, we will simultaneously sell the vessels and enter into ten-year bareboat charter agreements. We have obligations to purchase the vessels upon the completion of the ten-year bareboat charter agreement, but also have the flexibility to purchase the vessels after five or seven years.

G. Safe Harbor

See "Cautionary Statement Regarding Forward Looking Statements" at the beginning of this annual report.

H. Critical Accounting Estimates

We prepare our financial statements in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. For a description of our material accounting policies, please read Item 18. Financial Statements Note 2 - Summary of Significant Accounting Policies.

Revenues and voyage expenses

Revenues and voyage expenses are recognized on an accruals basis.

Voyage revenues and voyage expenses are recognized ratably over the estimated length of each voyage from discharge to discharge 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 prior cargo and is sailing to the anticipated load port on its next voyage.

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. The Company considers it appropriate to present the gross amount of earned revenue from the spot charter, showing voyage expenses related to the voyage separately in the Statements of Operations.

We are adopting ASC 606 Revenue from Contracts with Customers with effect from January 1, 2018. The change in the revenue guidance will affect the timing of recognition of revenue from spot charters, as we change recognition of revenue from a discharge-to-discharge basis to a load-to-discharge basis. Please see Note 2 to our financial statements for further information.

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 secondhand 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 vessel. Under this approach no impairment on vessels for the years ended December 31, 2016 or 2015 was identified. 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/periodical maintenance, 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 revenues are determined by considering an estimated daily time charter equivalent for the remaining operating days over the useful life of the vessel. The daily time charter equivalent rates are converted to annual forecasted revenues by multiplying the daily rate by the number of days in the year less days for expected off-hire and dry-docking. 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.

The estimated daily time charter equivalents applied are based on an average of several broker estimates for the first two years of the analysis. For the remaining period from year 3 and to the end of the useful life of each vessel, we have applied a daily time charter equivalent equaling the fifteen year historical average spot market rate for similar vessels. The broker estimates applied in year one and two are considered a more precise forecast as it captures the shorter-term expected market development of our business. The broker estimates are normally not available for a period exceeding two years. For year 3 and beyond, we believe that the 15 year historical average is a reasonable proxy for our expected cash flows as this average is most likely to encompass the charter rate cycles that our vessels will experience.

The 15 year historical Suezmax Earnings Trend is obtained from Clarksons. We have compared our own achieved rates over the preceding 13 years to rates obtained from Clarksons for the same time period, and we have made an adjustment to the 15 year historical Suezmax Earnings Trend from Clarksons for the differences between our own historical performance and the dayrates reported by Clarksons.

When we calculate the expected undiscounted net cash flows for the vessels, we deduct operating expenses and expected cost of dry-docking and other expected capital expenditures from the operating revenues before adding an estimated scrap value of the vessel at the end of its useful life. The operating expenses applied are based on the 2018 forecasted operating cost for the vessels, which is adjusted in subsequent periods for expected growth. We have applied a compounded growth factor to the operating expenses, which is calculated based on the average increase in our operating expenses over the last thirteen years. Estimated cash outflows for dry-docking are based on historical and forecasted expenditure. Vessel utilization is based on historical average levels achieved. The scrap value applied is assessed to be \$8.0 million per vessel based on market price of scrap per ton multiplied by lightweight tonnage of the vessel, less estimated cost associated with scrapping the vessel. All vessels are maintained for and assumed to have a useful life of 25 years.

We have performed a probability-weighted approach as part of our vessel impairment assessment, where we have assessed different scenarios for the vessels. Further, we have performed cash flow forecasts for the following twelve months as required under ASC 205-40 Going Concern and we have performed these analyses for different market scenarios. These forecasts are prepared under the assumption of utilizing the Backstop facility that is the financing arrangement we currently have available under the recapitalization program. Under this assumption, with possible prolonged weak tanker market rates, we applied the probability-weighted approach and identified that we have to sell up to ten vessels to comply with the covenant requirements under the Backstop Facility. As a result, we have as of December 31, 2017 recorded an impairment loss of \$110.5 million related to our ten pre-2000 built vessels and written these vessels down to their estimated fair values, as estimated by brokers. Assumed recapitalization transactions outside of the Backstop facility are not taken into consideration when assessing the probability of selling vessels in the probability-weighted approach.

For the vessels in our fleet that are not subject to impairment we have in the table below indicated the following: (1) freight rates applied in our vessel impairment assessment; (2) the break-even rate, if applied from year 1 to the end of the useful life for each vessel, indicates the rate at which undiscounted cash flow do not exceed the book value for the first vessel in our fleet and (3) achieved rates, which represents the five and ten year average freight rates achieved by the Company.

	Rates used (1)			Break even rate (2)	Achieved Rates (3)	
	First year	Second year	Thereafter		2013 -2017	2008-2017
(\$ per day)				2017		
NAT fleet	16,238	23,555	29,843	22,198	22,534	24,257

If the five or ten year average historical rates described under "Achieved Rates" had been used in the cash flow forecast instead of the rates used from year three and onwards, carrying value would exceed the total undiscounted cash flows for one and none of our vessels, respectively. The one vessel being impaired under this assumption would have resulted in the Company recording an estimated impairment loss of \$25.5 million.

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The Total Fleet – Comparison of Carrying Value versus Market Value: During the past five years, the market values of vessels have experienced particular volatility, with substantial declines for many vessel classes. According to Clarksons Ltd. 135 Suezmax tankers were sold and bought in total between 2013 and 2017, however such transactions may not be vessels as well maintained as the vessels in our fleet. We believe that our 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. Most oil companies require CAP 2 notation or better. All relevant vessels in our fleet have CAP1 notation for Hull, as well as Machinery & Cargo. CAP is an abbreviation for Condition Assessment Program. The quality of the NAT fleet is at the top as evidenced by our vetting statistics, that is, inspections of our ships by clients. In such vetting processes safety for our crew, the environment and our assets are main considerations.

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. In Management's view the valuation of the Company on the NYSE should not be based upon net asset value (NAV), a measure that only is linked to the steel value of our ships. We have our own ongoing system value with a large and homogenous fleet allowing us to offer our transportation services to our clients across the globe.

Vessel	Built	Deadweight Tons	Delivered to NAT	Carrying Value \$ (millions) Dec 31, 2017	Carrying Value \$ (millions) Dec 31, 2016
Nordic Harrier	1997	151,459	1997	9.5	18.1
Nordic Hawk	1997	151,475	1997	9.5	20.9
Nordic Hunter	1997	151,401	1997	9.5	19.8
Nordic Voyager	1997	149,591	2004	9.5	16.8
Nordic Freedom*	2005	159,331	2005	42.5	46.1
Nordic Fighter	1998	153,328	2005	10.0	27.8
Nordic Discovery	1998	153,328	2005	10.0	30.2
Nordic Saturn	1998	157,331	2005	10.0	30.1
Nordic Jupiter	1998	157,411	2006	10.0	30.7
Nordic Apollo*	2003	159,998	2006	42.3	46.4
Nordic Moon*	2002	160,305	2006	41.3	44.2
Nordic Cosmos*	2003	159,999	2006	43.7	46.6
Nordic Sprite	1999	147,188	2009	11.0	30.2
Nordic Grace*	2002	149,921	2009	33.1	35.2
Nordic Mistral*	2002	164,236	2009	32.4	33.4
Nordic Passat*	2002	164,274	2010	35.4	34.2
Nordic Vega*	2010	163,940	2010	67.0	70.8
Nordic Breeze*	2011	158,597	2011	52.2	55.0
Nordic Aurora	1999	147,262	2011	11.0	17.5
Nordic Zenith*	2011	158,645	2011	52.6	55.4
Nordic Sprinter*	2005	159,089	2014	30.3	32.7

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Nordic Skier*	2005	159,089	2014	30.5	32.9
Nordic Light*	2010	158,475	2015	53.8	57.1
Nordic Cross*	2010	158,475	2015	54.0	57.3
Nordic Luna*	2004	150,037	2016	26.6	28.8
Nordic Castor*	2004	150,249	2016	26.5	28.8
Nordic Sirius*	2000	150,183	2016	16.2	18.1
Nordic Pollux*	2003	150,103	2016	25.3	25.9
Nordic Star*	2016	159,000	2016	62.8	65.4
Nordic Space*	2017	159,000	2017	64.8	-

* The carrying value of our vessels as of December 31, 2017 is \$935.8 million. We have obtained broker estimates from two independent shipbrokers indicating a fair value of our fleet on a charter free basis to be \$623.0 million, based on an average of the two estimates including the inherent uncertainty in such estimates. Each vessel marked with an asterisk has a fair value that is lower than the carrying value. The total carrying value based on the above is consequently exceeding the fair value of the vessels by approximately \$312.8 million as of December 31, 2017. Except for the ten impaired vessels described above, we have in our vessel impairment analysis estimated future undiscounted cash flows generated by the vessels over their estimated useful life that exceed their carrying values as of December 31, 2017.

Goodwill and impairment of 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. Goodwill is not amortized, but reviewed for impairment annually or more frequently if impairment indicators arise. At least annually, we assess whether goodwill is impaired based on qualitative factors or we apply the unconditional option to bypass the qualitative factors and go directly to step one. If assessing qualitative factors and those indicate that it is more likely than not that impairment of goodwill has occurred, we will proceed to step one of the process to assess goodwill for potential impairment. Under step one, we assess whether impairment exists by comparing the fair value of the relevant reporting unit to its carrying value, including goodwill.

We use an income valuation approach to estimate the fair value of our goodwill. NAT's market capitalization was lower than the book value of its equity as of December 31, 2017 and we determined that we would perform a step one assessment as of December 31, 2017.

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 goodwill in our consolidated financial statements originates from the acquisition of Scandic American Shipping Ltd, which handles the daily the administrative, commercial and operational activities for our Company and the vessels. As of December 31, 2017 and December 31, 2016, we had one reporting unit, which encompasses the entire company, with goodwill attributable to it. The determined fair value exceeded the carrying value by 36.4% as of December 31, 2016.

The most important assumptions and estimates applied by us in the goodwill impairment assessment includes estimated future cash flows from our vessel operations, which is mainly driven by estimated daily time charter equivalents (TCE), operating expenses and the discount rate. The estimated future cash flows for revenues and operating expenses applied in the goodwill impairment model are aligned with the cash flows applied in the vessel impairment model and we refer to the section above for further details.

The goodwill impairment model is further based on an assumption that the fleet size is maintained throughout the lifetime of the analysis through replacement of retired vessels. The model includes a discrete time period of 28 years leading up to the terminal value. No growth factor is applied to the terminal value.

As a result of the impairment loss related to the ten pre-2000 built vessels discussed under the section entitled "Vessel Impairment", we have assessed and concluded that this possible reduction of our fleet does not support the assumption that the fleet size is maintained throughout the lifetime of the analysis through replacement of retired vessels. The assumed reduction in the fleet has resulted in the fair value of the reporting unit to fall below the carrying value of the fleet implying a negative value of the goodwill. As a result we have recorded an impairment loss whereby the value of the goodwill of \$19.0 million is written down. As of December 31, 2017, the carrying value of goodwill is zero after the impairment loss is recognized.

Vessels

The useful lives of our vessels are principally dependent on the technical condition of our vessels. Vessels are stated at their historical cost and the estimated useful life of a vessel is 25 years from the date the vessel is delivered from the shipyard. Certain subsequent expenditures for 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 and depreciated over the remaining useful life of the vessel.

Depreciation is calculated based on cost less estimated residual value using the straight-line method. The residual value is estimated by management and reviewed annually, where the market price of scrap per ton is considered when evaluating this.

Drydocking

The Company's vessels are required to be drydocked approximately every 30 to 60 months. Vessels exceeding 15 years are subject to periodical maintenance surveys every 30 months, whereas vessels under 15 years of age are subject to survey intervals every 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 direct expenses incurred related to the in preparation for docking 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.

Investment in Nordic American Offshore

NAT's equity method investment of NAO, had operating losses in 2017 and 2016. NAO operates in the offshore market that has been heavily impacted by the downturn in the activity level in the industry. As per December 31, 2017 and 2016 we owned 9,993,535 and 6,018,280 shares, representing 16.1 % and 29.1 % of the shares outstanding, respectively.

The Company uses a set of quantitative and qualitative criteria to assess the investment to evaluate if the loss in value of the investment is other-than-temporary and should be recorded. The criteria Management considers include, but are not necessarily limited to:

- The observable fair value based on the market price of the shares, compared to carrying value;
- The length of time the investment's fair value has been below carrying value;
- Management's intent to sell the security, and if not, the ability of the Company to hold the investment until the value recovers;
- The financial condition and near-term prospectus of the issuer, including any specific events that may affect its operations or earnings; and
- Other items including, third-party analysts' reports, debt restructurings, acquisitions and general industry trends.

The share price fell significantly through the period of 2015 to 2016, which the Company considered as an indicator of "other-than-temporary" decline in value. After due consideration, we concluded that as of December 31, 2016, the investment in NAO was other-than-temporarily impaired. The investment was therefore written down to \$16.6 million, the fair value based on the observable market price for the shares at December 31, 2016, and a non-cash impairment charge recorded in the Statement of Operations. We believe our investment in NAO will become profitable as the offshore market rebalances, and we intend to keep our investment in NAO, but as we could not objectively conclude that the share-price would increase such that our previous carrying value would be recovered within the next 1-3 years we recorded an impairment charge of \$37.3 million.

In March 2017, we purchased 8,000,000 of NAO's common shares at \$1.25 per share in NAO's underwritten public follow-on offering of common shares.

On August 31, 2017, we paid a dividend, which included a cash dividend of \$0.10 per share and a distribution of an aggregate of 4,024,745 common shares of NAO, which were owned by the Company. Each of our shareholders that held 250 or more of our common shares received one NAO common share per 24.4 NAT common shares, which we recognized at a cash value of \$0.05 per share. Fractional shares were compensated by a cash dividend based on the closing price of NAO shares on the NYSE on July 20, 2017, which was \$1.22. Each of our shareholders that held 249 or fewer shares received an additional cash dividend of \$0.05 per common share. In connection to the above distribution of NAO shares, we recorded a loss of \$0.7 million. Following this distribution, we own 16.1% of the outstanding common shares of NAO.

We have subsequently made an assessment that we are able to exercise significant influence over NAO. Accordingly, we have continued to account for the investment in NAO under the equity method.

As of December 31, 2017 the carrying value of the investment in NAO approximated the fair value of the investment, based on the observable share price of the NAO stock on NYSE stock exchange. Consequently, we have not recorded any impairment charge related to this investment as of this date.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

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

The Company

Name	Age	Position
Herbjørn Hansson	70	Chairman, Chief Executive Officer, President and Director
Andreas Ove Ugland	63	Vice Chairman, Director and Audit Committee Chairman
Jan Erik Langangen	67	Director
Richard H. K. Vietor	72	Director
Jim Kelly	64	Director and Audit Committee Member
Bjørn Giaever	50	Chief Financial Officer

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

Herbjørn Hansson earned his M.B.A. at the Norwegian School of Economics and Business Administration and attended 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 from November 2004 until September 2010. 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.

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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.

Bjørn Giaever joined the Company as Chief Financial Officer and Secretary on October 16, 2017. Mr. Giaever has over 20 years of experience in the shipping & offshore industry, holding key roles in corporate finance and equity research. He joined the Company from Fearnley Securities AS, where he served as partner and director in the Corporate Finance division. From 2006 to 2010, Mr. Giaever served as a senior corporate advisor in the John Fredriksen group in London. In addition, Mr. Giaever has been a top rated Shipping Analyst at DNB Markets and partner at Inge Steensland AS, specializing in gas and maritime matters. Mr. Giaever holds a BSc in business and economics.

B. Compensation

2011 Equity Incentive Plan

In 2011, the Board of Directors approved an incentive plan under which 400,000 common shares were reserved for issuance and were allocated among 23 persons employed in the management of the Company and the members of the Board of Directors. Of those 400,000 common shares, 326,000 and 74,000 had a five year and four year trade restriction, respectively, and the shares are forfeited if the grantee discontinues working for the Company before such time. The holders of the restricted shares are entitled to voting rights as well as receive dividends paid during the vesting period. Our Board of Directors considers this arrangement to be in the best interests of the Company.

On January 10, 2013, the Board of Directors amended the trade restrictions for 174,000 of the shares allocated under the 2011 Equity Incentive Plan and the trade restrictions were lifted.

Between 2012 and 2014, we repurchased at par value 23,000 common shares, and 10,000 shares at fair value. The aggregate of 33,000 common shares were distributed to certain of our employees in 2014.

In 2015, 193,000 shares under the 2011 Equity Incentive Plan were distributed to employees.

In December 2015, we amended and restated the 2011 Equity Incentive Plan to reserve an additional 137,665 restricted shares for issuance to persons employed in the management of the Company and members of the Board of Directors under the same terms as the original plan. The holders of the restricted shares are entitled to voting rights as well as to receive dividends paid during the trade restriction period. All 137,665 restricted shares reserved under the Amended and Restated 2011 Equity Incentive Plan were issued to 30 employees in 2016.

In 2017 we granted 4,500 common shares to employees. In 2017 and 2016, employees forfeited 8,500 and 13,500, respectively, upon their resignations. The Company holds 22,000 treasury shares as of December 31, 2017.

As of December 31, 2017, a total number of 138,665 restricted common shares have been allocated among 26 employees.

A copy of the Amended and Restated 2011 Equity Incentive Plan is filed as Exhibit 4.14 to our 2015 Annual Report on Form 20-F filed with the Commission on March 23, 2016.

Compensation of Directors

The five directors received, in the aggregate, \$320,000 in cash fees for their services as directors for the year ended December 31, 2017. The Vice Chairman of the Board of Directors received an additional annual cash compensation of \$10,000 in 2017. 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 \$18,000 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 has an individual deferred compensation agreement. The Chief Executive Officer has served in his present position since the inception of the Company in 1995. Please see Note 7 to the audited financial statements for further information about the agreement including information related to the deferred compensation agreement for our former Chief Financial Officer who resigned from the Company during 2017. Our current Chief Financial Officer, joining the Company in October 2017, has a regular contribution pension plan in line with the Company's policy for employees.

Employment Agreements

As of December 31, 2017 we have employment agreement with Herbjørn Hansson, our Chairman, President & Chief Executive Officer. Mr. Hansson does not receive any additional compensation for his services as a director or Chairman of the Board.

C. Board Practices

The members of our Board of Directors serve until the next annual general meeting following his or her election. The members of our current Board of Directors were elected at the annual general meeting held in 2017. Our Board of Directors has established an Audit Committee, consisting of two independent directors, Mr. Ugland and Mr. Kelly. Mr. Ugland serves as the audit committee financial expert. The members of the Audit Committee received during 2017, additional remuneration of \$30,000 in aggregate for serving on the Audit Committee. The Audit Committee provides assistance to our 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 Board of Directors the independent auditors to be selected to audit our financial statements; meets with the independent auditors and our financial management 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 NYSE that are applicable to U.S. listed companies, for more information, please 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 of December 31, 2017, the Company had a total of 21 full time employees.

E. Share Ownership

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

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY
TRANSACTIONS

A. Major Shareholders

The following table sets forth information regarding beneficial ownership of our common shares for (i) owners of more than five percent of our common shares and (ii) our directors and officers, of which we are aware of the date of this annual report.

Title	Identity of Person	No. of Shares	Percent of Class(1)	
Common	Morgan Stanley (2)	7,132,477	5.00	%
	High Seas AS (Hansson family)	3,858,409	2.72	%
	Jim Kelly		*	
	Richard Vietor		*	
	Andreas Ove Ugland		*	
	Jan Erik Langangen		*	
	Bjørn Giæver		*	

(1) Based on 141,969,666 common shares outstanding as of the date of this annual report.

(2) Based on information contained in a Schedule 13G that was filed with the SEC on January 12, 2018.

* Less than 1% of our common outstanding shares.

As of May 8, 2018, we had 697 holders of record in the United States, including Cede & Co., which is the Depositary Trust Company's nominee for holding shares on behalf of brokerage firms, as a single holder of record. We had a total of 141,969,666 Common Shares outstanding as of the date of this annual report.

B. Related Party Transactions

Board Members and Employees:

Mr. Jan Erik Langangen, a member of our Board of Directors and an advisor of the Company, is a partner of Langangen & Helset Advokatfirma AS, a firm which provides legal services to us. We recognized \$0.1 million in costs for the year ended December 31, 2017, \$0.3 million in costs for the year ended December 31, 2016 and \$0.1 million during each of the years ended December 31, 2015, respectively, for the services provided by Langangen & Helset Advokatfirma AS. These costs are included in "General and Administrative Expenses" within the Statements of Operations contained herein. No amounts were due to the related party as of December 31, 2017, 2016 or 2015.

In 2014, we entered into an agreement with an immediate family member of our Chairman for the use of an asset for corporate and marketing activities. We paid a fixed annual fee and fees associated with actual use. This agreement was terminated in the first quarter of, 2017. The cost of this arrangement for the year ended December 31, 2016 and 2015, respectively, was \$0.1 million per year, which are included in General and Administrative costs. No amounts were due to the related party as of December 31, 2017, 2016 or 2015.

On January 8, 2016, a total number of 137,665 common shares, reserved for issuance under the Amended and Restated 2011 Equity Incentive Plan and that are subject to trade restrictions, were allocated to 30 persons employed in our management and to members of the Board of Directors. The holders of the shares are entitled to voting rights as well as to receive dividends paid during the period of trade restrictions. Subsequently, 10,000 shares have vested and 20,000 shares have forfeited from this allocation. We granted 4,500 common shares to employees in 2017 and as of December 31, 2017, a total of 138,665 common shares are outstanding under the Amended and Restated 2011 Equity Incentive Plan among 26 employees.

On September 30, 2016, we issued 12,650,000 common shares at \$10.00 per share in an underwritten registered follow-on offering. At our request, the underwriters reserved for sale an aggregate of 534,000 common shares to all of the members of the Company's board of directors, certain members of the Company's management, and all of the Company's advisors at the public offering price. The 534,000 common shares include approximately 100,000 common shares which were purchased by the Company's Chairman and Chief Executive Officer and 400,000 common shares which were purchased by the Company's Vice Chairman.

On December 13, 2017, we issued 40,000,000 common shares at \$2.75 per share in an underwritten registered follow-on offering. At our request, the underwriters reserved for sale an aggregate of 449,817 common shares to all of the members of the Company's board of directors, management, and advisors at the public offering price.

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During 2017 and up to the date of this annual report, our Chairman and Chief Executive Officer purchased approximately 870,000 of our common shares. This includes the 363,636 shares purchased in the offering completed on December 13, 2017, discussed above.

Nordic American Offshore Ltd.:

Nordic American Offshore Ltd. was established in November 2013 for the purpose of owning and operating platform supply vessels in the offshore sector. In connection with its establishment, NAO conducted a private placement, or the Private Placement, of its common shares, in which we acquired 4,333,566 common shares for a purchase price of approximately \$65.0 million, which resulted in our 26% ownership interest in NAO.

As compensation for coordinating the Private Placement we received 833,333 warrants from NAO with an exercise price of \$15.00 per common share. The warrants expired on December 31, 2015.

We also received a success fee of \$1.5 million after the successful listing of NAO on the NYSE in 2014. The success fee is presented as a separate line item in the Statements of Operations for the year ended December 31, 2014.

In December 2013, we entered into a management agreement with NAO for the provision of administrative services. For services under the management agreement, NAT received a management fee of \$100,000 for 2017, \$100,000 for 2016 and \$200,000 for 2015, and is reimbursed for cost incurred in connection with its services. We also receive reimbursement for a portion of the operational costs such as salary and office rent, among others, incurred by NAT, which is attributable to NAO. For the year ended December 31, 2017, 2016 and 2015, the Company recognized an aggregate of \$2.3 million, \$2.2 million and \$2.1 million, respectively, for such costs incurred which was included in General and Administrative Expenses.

In August 2014, we distributed 699,802 of our NAO common shares to our shareholders as a dividend in kind, reducing our ownership to 17.1% on NAO's outstanding common shares.

In December 2014, we acquired 488,216 of NAO's common shares, resulting in our ownership of 19.2% of NAO's outstanding common shares as of December 31, 2014.

In November 2015, we acquired 1,521,300 NAO common shares in a private transaction.

In March 2017, we purchased 8,000,000 of NAO's common shares at \$1.25 per share in NAO's underwritten public follow-on offering of common shares. Our Chairman and Chief Executive Officer Mr. Herbjørn Hansson and his son Alexander purchased 1,600,000 shares in NAO's offering. Other senior executives of NAT also participated in the offering.

On August 31, 2017, we paid a dividend, which included a cash dividend of \$0.10 per share and a distribution of an aggregate of 4,024,745 common shares of NAO, which were owned by the Company. Each of our shareholders that held 250 or more of our common shares received one NAO common share per 24.4 NAT common shares, which we recognized at a cash value of \$0.05 per share. Fractional shares were compensated by a cash dividend based on the closing price of NAO shares on the NYSE on July 20, 2017, which was \$1.22. Each of our shareholders that held 249 or fewer shares received an additional cash dividend of \$0.05 per common share. In connection to the above distribution of NAO shares, we recorded a loss of \$0.7 million. Following this distribution, we own 16.1% of the outstanding common shares of NAO.

As of the date of this annual report, we own 16.1% of NAO's outstanding common shares and our investment in NAO is accounted for using the equity method of accounting. As of the date of issue of this annual report our Chairman, President and CEO with immediate family owns 13.2% of NAO's outstanding common shares. As noted under Item 5. Operating and Financial Review and Prospects: H Critical Accounting Estimates, after due consideration, we recorded an other-than-temporary impairment charge of \$37.3 million, and wrote the investment down to its fair value of \$16.6 million, based on the observable market price of the shares at December 31, 2016. No impairment charge has been recorded in 2017.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and other Financial Information

See Item 18.

Legal Proceedings

To our knowledge, we are not currently a party to any lawsuit that, if adversely determined, would have a material adverse effect on our financial position, results of operations or liquidity. As such, we do not believe that pending legal proceedings, taken as a whole, should have any significant impact on our financial statements. From time to time in the future we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. While we expect that these claims would be covered by our existing insurance policies, those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. We have not been involved in any legal proceedings which may have, or have had, a significant effect on our financial position, results of operations or liquidity, nor are we aware of any proceedings that are pending or threatened which may have a significant effect on our financial position, results of operations or liquidity. In 2016, the arbitration proceeding with Gulf Navigation Holding PJSC was settled. In addition to the amount received, we made a reversal of related accruals, which had a positive impact on our net income (loss) of approximately \$5.3 million in total in 2016.

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.

Total dividends distributed in 2017 totaled \$59.1 million or \$0.58 per share. The quarterly dividend payments per share over the last 5 years have been as follows:

Period	2017	2016	2015	2014	2013
1st Quarter	\$0.20	\$0.43	\$0.22	\$0.12	\$0.16
2nd Quarter	0.20	0.43	0.38	0.23	0.16
3rd Quarter	0.15**	0.25	0.40	0.28*	0.16
4th Quarter	0.03	0.26	0.38	0.14	0.16
Total	\$0.58	\$1.37	\$1.38	\$0.77	\$0.64

* Includes \$0.16 per share distributed as dividend-in-kind.

** Includes \$0.05 per share distributed as dividend-in-kind.

The Company declared a dividend of \$0.03 per share in respect of the fourth quarter of 2017, which was paid to shareholders on March 9, 2018.

On April 27, 2018, the Company declared a cash dividend of \$0.01 per share in respect of the results for the first quarter of 2018, which we expect to pay on or around June 9, 2018.

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 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 NYSE:

	NYSE	NYSE
For the year ended:	HIGH	LOW
2013	\$11.51	\$7.01
2014	\$12.27	\$7.13
2015	\$17.13	\$9.34
2016	\$15.87	\$7.60
2017	\$9.29	\$2.46

	NYSE	NYSE
For the quarter ended:	HIGH	LOW
March 31, 2016	\$15.02	\$10.89
June 30, 2016	\$15.87	\$13.31
September 30, 2016	\$14.10	\$9.86
December 31, 2016	\$9.94	\$7.60
March 31, 2017	\$9.29	\$7.66
June 30, 2017	\$8.56	\$5.61
September 30, 2017	\$6.53	\$4.53
December 31, 2017	\$5.76	\$2.46
March 31, 2018	\$2.64	\$1.88

The high and low market prices for our common shares by month since October 2017 have been as follows:

	NYSE	NYSE
For the month:	HIGH	LOW
November 2017	\$4.37	\$3.99
December 2017	\$3.99	\$2.46
January 2018	\$2.64	\$2.31
February 2018	\$2.38	\$1.97
March 2018	\$2.28	\$1.88
April 2018	\$2.18	\$1.87
May 2018*	\$2.09	\$1.88

* Through and including May 11, 2018.

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 share capital 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 180,000,000 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 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.

Shareholder Rights Agreement

On June 16, 2017, our Board declared a dividend of one preferred share purchase right, or a Right, for each outstanding common share and adopted a shareholder rights plan, as set forth in the Shareholders Rights Agreement dated as of June 16, 2017, or the Rights Agreement, by and between the Company and Computershare Trust Company, N.A., as rights agent.

The Board adopted the Rights Agreement to protect shareholders from coercive or otherwise unfair takeover tactics. In general terms, it works by imposing a significant penalty upon any person or group that acquires 15% or more of our outstanding common shares without the approval of the Board. If a shareholder's beneficial ownership of our common shares as of the time of the public announcement of the rights plan and associated dividend declaration is at or above the applicable threshold, that shareholder's then-existing ownership percentage would be grandfathered, but the rights would become exercisable if at any time after such announcement, the shareholder increases its ownership percentage by 1% or more.

The Rights may have anti-takeover effects. The Rights will cause substantial dilution to any person or group that attempts to acquire us without the approval of our Board. As a result, the overall effect of the Rights may be to render more difficult or discourage any attempt to acquire us. Because our Board can approve a redemption of the Rights for a permitted offer, the Rights should not interfere with a merger or other business combination approved by our Board. For those interested in the specific terms of the Rights Agreement, we provide the following summary description. Please note, however, that this description is only a summary, and is not complete, and should be read together with the entire Rights Agreement, which is an exhibit to the Form 8-A filed by us on June 16, 2017 and incorporated herein by reference. The foregoing description of the Rights Agreement is qualified in its entirety by reference to such exhibit.

The Rights. The Rights trade with, and are inseparable from, our common shares. The Rights are evidenced only by certificates that represent our common shares. New Rights will accompany any new common shares of the Company issues after June 26, 2017 until the Distribution Date described below.

Exercise Price. Each Right allows its holder to purchase from the Company one one-thousandth of a Series A Participating Preferred Share (a "Preferred Share") for \$30.00 (the "Exercise Price"), once the Rights become exercisable. This portion of a Preferred Share will give the shareholder approximately the same dividend, voting and liquidation rights as would one common share. Prior to exercise, the Right does not give its holder any dividend, voting, or liquidation rights.

Exercisability. The Rights are not exercisable until ten days after the public announcement that a person or group has become an "Acquiring Person" by obtaining beneficial ownership of 15% or more of our outstanding common shares. Certain synthetic interests in securities created by derivative positions, whether or not such interests are considered to be ownership of the underlying common shares or are reportable for purposes of Regulation 13D of the Securities Exchange Act of 1934, as amended, are treated as beneficial ownership of the number of our common shares equivalent to the economic exposure created by the derivative position, to the extent our actual common shares are directly or indirectly held by counterparties to the derivatives contracts. Swaps dealers unassociated with any control intent or intent to evade the purposes of the Rights Agreement are exempt from such imputed beneficial ownership.

For persons who, prior to the time of public announcement of the Rights Agreement, beneficially own 15% or more of our outstanding common shares, the Rights Agreement "grandfathers" their current level of ownership, so long as they do not purchase additional shares in excess of certain limitations.

The date when the Rights become exercisable is the "Distribution Date." Until that date, our common share certificates (or, in the case of uncertificated shares, by notations in the book-entry account system) will also evidence the Rights, and any transfer of our common shares will constitute a transfer of Rights. After that date, the Rights will separate from our common shares and will be evidenced by book-entry credits or by Rights certificates that the Company will mail to all eligible holders of our common shares. Any Rights held by an Acquiring Person are null and void and may not be exercised.

Preferred Share Provisions

Each one one-thousandth of a Preferred Share, if issued, will, among other things:

- not be redeemable;
- entitle holders to quarterly dividend payments in an amount per share equal to the aggregate per share amount of all cash dividends, and the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions
- other than a dividend payable in our common shares or a subdivision of our outstanding common shares (by reclassification or otherwise), declared on our common shares since the immediately preceding quarterly dividend payment date; and
- entitle holders to one vote on all matters submitted to a vote of the shareholders of the Company.

The value of one one-thousandth interest in a Preferred Share should approximate the value of one common share.

Consequences of a Person or Group Becoming an Acquiring Person.

Flip In. If an Acquiring Person obtains beneficial ownership of 15% or more of our common shares, then each Right will entitle the holder thereof to purchase, for the Exercise Price, a number of our common shares (or, in certain circumstances, cash, property or other securities of the Company) having a then-current market value of twice the Exercise Price. However, the Rights are not exercisable following the occurrence of the foregoing event until such time as the Rights are no longer redeemable by the Company, as further described below.

Following the occurrence of an event set forth in preceding paragraph, all Rights that are or were, under certain circumstances specified in the Rights Agreement, beneficially owned by an Acquiring Person or certain of its transferees will be null and void.

Flip Over. If, after an Acquiring Person obtains 15% or more of our common shares, (i) the Company merges into another entity; (ii) an acquiring entity merges into the Company; or (iii) the Company sells or transfers 50% or more of its assets, cash flow or earning power, then each Right (except for Rights that have previously been voided as set forth above) will entitle the holder thereof to purchase, for the Exercise Price, a number of our common shares of the person engaging in the transaction having a then-current market value of twice the Exercise Price.

Notional Shares. Shares held by affiliates and associates of an Acquiring Person, including certain entities in which the Acquiring Person beneficially owns a majority of the equity securities, and Notional Common Shares (as defined in the Rights Agreement) held by counterparties to a Derivatives Contract (as defined in the Rights Agreement) with an Acquiring Person, will be deemed to be beneficially owned by the Acquiring Person.

Redemption . The Board may redeem the Rights for \$0.01 per Right at any time before any person or group becomes an Acquiring Person. If the Board redeems any Rights, it must redeem all of the Rights. Once the Rights are redeemed, the only right of the holders of the Rights will be to receive the redemption price of \$0.01 per Right. The redemption price will be adjusted if the Company has a stock dividend or a stock split.

Exchange. After a person or group becomes an Acquiring Person, but before an Acquiring Person owns 50% or more of our outstanding common shares, the Board may extinguish the Rights by exchanging one common share or an equivalent security for each Right, other than Rights held by the Acquiring Person. In certain circumstances, the Company may elect to exchange the Rights for cash or other securities of the Company having a value approximately equal to one common share.

Expiration. The Rights expire on the earliest of (i) June 16, 2027; or (ii) the redemption or exchange of the Rights as described above.

Anti-Dilution Provisions. The Board may adjust the purchase price of the Preferred Shares, the number of Preferred Shares issuable and the number of outstanding Rights to prevent dilution that may occur from a stock dividend, a stock split, or a reclassification of the Preferred Shares or our common shares. No adjustments to the Exercise Price of less than 1% will be made.

Amendments. The terms of the Rights and the Rights Agreement may be amended in any respect without the consent of the holders of the Rights on or prior to the Distribution Date. Thereafter, the terms of the Rights and the Rights Agreement may be amended without the consent of the holders of Rights, with certain exceptions, in order to (i) cure any ambiguities; (ii) correct or supplement any provision contained in the Rights Agreement that may be defective or inconsistent with any other provision therein; (iii) shorten or lengthen any time period pursuant to the Rights Agreement; or (iv) make changes that do not adversely affect the interests of holders of the Rights (other than an Acquiring Person or an affiliate or associate of an Acquiring Person).

Taxes. The distribution of Rights should not be taxable for federal income tax purposes. However, following an event that renders the Rights exercisable or upon redemption of the Rights, shareholders may recognize taxable income.

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 common shares to allow existing shareholders to purchase additional common shares by reinvesting all or a portion of the dividends paid on their common shares and by making optional cash investments and new investors to enter into the plan by making an initial investment. As at December 31, 2017, no shares were issued pursuant to the plan.

On February 13, 2007, the Board of Directors adopted a shareholders' rights agreement and declared a dividend of one preferred share purchase right to purchase one one-thousandth of a share of our Series A Participating Preferred Share for each outstanding common share, par value \$0.01 per share. The dividend was payable on February 27, 2007 to shareholders of record on that date. Each right entitles the registered holder to purchase from us one one-thousandth of a Series A Participating Preferred Share at an exercise price of \$115.00, 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 shares.

This shareholders' rights plan was designed to enable us to protect shareholder 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 shareholders' rights plan should enhance our Board of Director's negotiating power on behalf of shareholders in the event of a coercive offer or proposal. We are not currently aware of any such offers or proposals.

Listing

Our common shares are listed on the NYSE under the symbol "NAT."

Transfer Agent

The registrar and transfer agent for our common shares is Computershare Trust Company, N.A.

C. Material Contracts

For a description of our Credit Facility, which the Company entered into during the 2012 fiscal year and subsequently refinanced and expanded in December 2015, please see Item 5. Operating and Financial Review and Prospectus B. Liquidity and Capital Resources - Our Borrowing Activities."

In October 2016, we entered into final contracts with Samsung for the construction of three Suezmax tankers with a carrying capacity of 157,000 dwt each. The three contracted newbuildings were acquired for a purchase price of approximately \$56.0 million per vessel and are expected to be delivered to us during the second half of 2018. On December 1, 2017, we announced our final agreements for the financing of the outstanding commitments of \$39.0 million per ship, due on delivery, for our Newbuildings with a subsidiary of Ocean Yield ASA. The three newbuildings are expected to be delivered in July, August and October 2018, respectively. Under the terms of the financing agreement, the lender will finance 77.5% of the purchase price for each of the three newbuildings. Net proceeds received from Ocean Yield ASA shall be used towards prepayment of the Credit Facility, unless the Credit Facility is retired before the deliveries of the vessels. After delivery of each of the vessels, we will enter into ten-year bareboat charter agreements. We have obligations to purchase the vessels upon the completion of the ten-year bareboat charter agreement, but also have the flexibility to purchase the vessels after year five and seven. The financing agreement contains certain financial covenants requiring us to maintain a minimum value adjusted equity of \$175.0 million and ratio of 25%; minimum liquidity of \$20.0 million; and minimum value clause. On December 20, 2017 we signed an agreement for a financing facility, or the Backstop Facility, for \$375.0 million. The financing facility is providing for a senior secured loan facility of up to \$375.0 million to support the recapitalization of the Company. The Backstop Facility is available for drawing from July 1, 2018. Further, the facility, if utilized and not repaid, will be rolled into a term loan on January 1, 2019 with maturity on November 30, 2020. The Backstop Facility will have no amortization until December 31, 2018, upon and following which date the principal of the loan must be repaid in quarterly instalments of \$10.0 million. The Backstop Facility carries an interest rate that will step-up over time and carries a maximum interest margin of 10.5% per annum. We can distribute quarterly dividends up to \$0.03 per share per quarter under the Backstop Facility. The Backstop Facility contains financial covenants in relation to minimum liquidity of \$30.0 million, minimum value and book equity.

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 for land required for its business by way of lease for a term not exceeding 50 years or otherwise, with the express authorization of the Ministers of Economic Development of Bermuda, land by way of lease for a term not exceeding 21 years in order to provide accommodation or recreational facilities for its officers and employees; (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.

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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 2017 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 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 SEC as having a 5% or more beneficial interest in our common shares.

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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 2017 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 2017 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 imposed at corporate rates of up to 35% with respect to the 2017 taxable year and 21% for future taxable years. 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.

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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 generally 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 us which are not eligible for these preferential rates will be 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 a taxable year ending on or after December 31, 2013, a United States Holder of our common shares would be required to file an annual information return with the IRS for such year.

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 the applicable recovery period for vessels. 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.

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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.

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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 an IRS Form W-8.

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.

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.

In addition to the tax consequences discussed above, we may be subject to tax in one or more other jurisdictions where we conduct activities. The amount of any such tax imposed upon our operations may be material.

The above mentioned tax considerations does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the shares. Shareholders who wish to clarify their own tax situation should consult and rely upon their own tax advisors.

Other Tax Considerations

In addition to the tax consequences discussed above, we may be subject to tax in one or more other jurisdictions where we conduct activities. The amount of any such tax imposed upon our operations may be material.

F.Dividends and Paying Agents

Not applicable.

G.Statement by Experts

Not applicable.

H.Documents on Display

We are 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 SEC. These materials, including this annual report and the accompanying exhibits may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, NE, Room 1580, Washington, D.C. 20549. The SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information that we and other registrants have filed electronically with the SEC. Our filings are also available on our website at www.nat.bm. This web address is provided as an inactive textual reference only. Information contained on our website does not constitute part of this annual report.

Shareholders may also request a copy of our filings at no cost, by writing or telephoning us at the following address:

Nordic American Tankers Limited
LOM Building
27 Reid Street
Hamilton, HM11, Bermuda.
Tel: +1 441 292 7202
Fax: +1 441 292 3266

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 Credit Facility.

Amounts borrowed under the 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 \$4.4 million in our interest expense for the year ended December 31, 2017.

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 2017, a \$1,000 per day per vessel decrease in the spot market rate would have decreased our voyage revenue by approximately \$10.0 million.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

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, 2017. Disclosure controls and procedures 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 this assessment, the Company determined that our disclosure controls and procedures were not effective as a result of the material weakness that existed as of December 31, 2017, described below.

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

Our internal control system is designed to provide reasonable assurance to the Company's 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. Our system of internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. All internal control systems, no matter how well designed and operated, can only provide reasonable, not absolute, assurance that the objectives of the control system will be met. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Additionally, any projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with our policies and procedures.

Our management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting as at December 31, 2017, based on the framework established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management has concluded that our internal control over financial reporting was not effective as of December 31, 2017, because the following material weakness existed as of December 31, 2017:

The Company did not design and maintain effective internal controls to ensure the proper application of ASC 205-40, Going Concern, related to the identification, evaluation and presentation of matters relevant to the Company's ability to continue as a going concern as of December 31, 2017. ASC 205-40, Going Concern, requires that management evaluate whether there are conditions and events, considered in aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are to be issued. The Company determined that the timeliness and comprehensiveness of the performance of its controls was not effective as of December 31, 2017, to ensure that those factors were properly identified, that the appropriate actions were in place, and that any such factors were correctly disclosed in the consolidated financial statements. The resultant deficiencies were identified and corrected by management before issuing the consolidated financial statements for the year ended December 31, 2017. As a result of these actions, the Company recorded a vessel impairment loss of \$110.5 million and a goodwill impairment loss of \$19.0 million for the year ended December 31, 2017.

C. Attestation report of the registered public accounting firm.

The effectiveness of our internal control over financial reporting as of December 31, 2017 has been audited by KPMG AS, an independent registered public accounting firm, as stated in their report that appears herein.

D. Remediation of Material Weakness.

As discussed in greater detail in Item 15 of our Annual Report on Form 20-F for the year ended December 31, 2016, we initially identified and disclosed a material weakness in our internal controls designed to ensure the proper application of ASC 205-40, Going Concern (described as ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, in Item 15 of our Annual Report on Form 20-F for the year ended December 31, 2016, which was codified in ASC 205-40 upon its effective date). Specifically, we did not have adequate controls to ensure that all those factors that might indicate substantial doubt about an entity's ability to continue for at least the twelve-month period from the date of approval of its annual report were appropriately identified, addressed, and disclosed in the consolidated financial statements

We have made progress in executing the remediation plan as described in Item 15 of our Annual Report on Form 20-F for the year ended December 31, 2016 during 2017. We implemented the following measures in 2017:

- designed and implemented additional monitoring controls and enhanced and revised the design of existing review controls; and

- enhanced the formality and rigor of the going concern assessment through revising and formalizing the going concern analysis process and enhancing the robustness of review models.

We believe that the remedial actions taken have improved our internal control over financial reporting related to the material weakness. However, we identified that the operation of our controls over the going concern analysis process were ineffective as they were not sufficiently timely and robust. Due to this remaining deficiency, management concluded that there was a material weakness in our controls to assess the Company's ability to continue as a going concern in accordance with ASC 205-40, Going Concern.

Subsequent to December 31, 2017, we continue to take measures to remediate the underlying causes of the control deficiencies that gave rise to the material weakness, including:

- enhancing the procedures related to the review of the sensitivity of the going concern analysis and assessment of how changes in our key assumptions applied in the going concern assessment could result in our asset values becoming impaired.

We are committed to maintaining an effective internal control environment and believe these measures will remediate the material weakness identified. While we have completed these measures as of the date of this report, we have not completed and tested all of the planned corrective processes, enhancements, procedures and related evaluation that we believe are necessary to determine whether the material weakness has been fully remediated. We believe the corrective actions and controls need to be in operation for a sufficient period of time for management to conclude that the control environment is operating effectively and has been adequately tested through audit procedures. Therefore, the material weakness has not been fully remediated as of the date of this report. As we continue to evaluate and work to remediate the control deficiencies that gave rise to the material weakness, we may determine that additional measures or time are required to address the control deficiencies or that we need to modify or otherwise adjust the remediation measures described above. We will continue to assess the effectiveness of our remediation efforts in connection with our evaluation of our ICFR.

E. Changes in internal control over financial reporting.

There have been no other changes in internal controls over financial reporting that occurred during the year covered by this Annual Report, other than those described above, 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 SEC rules, and that Mr. Ugland is "independent" under applicable NYSE rules and SEC standards.

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, 2017, no such amendment was made or waiver granted.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

A. Audit Fees

Our 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, KPMG AS, for the fiscal years ended December 31, 2017 and 2016, respectively, 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 years ended December 31, 2017 and 2016. The figures listed below include fees associated with the underwritten public offerings completed during June 2016 and December 2017.

FISCAL YEAR ENDED DECEMBER 31, 2017 \$1,048,022

FISCAL YEAR ENDED DECEMBER 31, 2016 \$810,434

B. Audit-Related Fees

FISCAL YEAR ENDED DECEMBER 31, 2017 \$0

FISCAL YEAR ENDED DECEMBER 31, 2016 \$0

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 two 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

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ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

See Item 18.

ITEM 18. FINANCIAL STATEMENTS

The financial information required by this Item is set forth on pages F-1 to F-26 filed as part of this annual report.

ITEM 19. EXHIBITS

- 1.1 Memorandum of Association of the Company incorporated by reference to Exhibit 1.1 to the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on April 17, 2012.
- 1.2 By-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 incorporated by reference to Exhibit 2.1 to the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on April 17, 2012.
- 2.2 Shareholder Rights Agreement dated as of June 16, 2017 by and between the Company and Computershare Trust Company, N.A., as rights agent incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on June 16, 2017.
- 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 Exhibit 99 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 incorporated by reference to Exhibit 4.5 to the Company's annual report on Form 20-F filed with the Securities and Exchange Commission April 17, 2012.
- 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.

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- 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 4.9 to the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on April 17, 2012.
- 4.10 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.
- 4.14 Amended and Restated 2011 Equity Incentive Plan, incorporated by reference to Exhibit 4.14 to the Company's annual report on Form 20-F for the fiscal year ended December 31, 2015 filed with the Securities and Exchange Commission on March 23, 2016.
- 8.1 Subsidiaries of Nordic American Tankers Limited
- 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 – KPMG AS.
- 15.2 Consent of Independent Registered Public Accounting Firm -- KPMG AS (Financial Statements of Nordic American Offshore Ltd.)
- 15.3 Consent of Fearnleys
- 15.4 Consolidated Financial Statements of Nordic American Offshore Ltd.
- 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 LIMITED

/s/Herbjørn Hansson

May 15, 2018

Name: Herbjørn Hansson

Title: Chairman, President, and Chief Executive Officer

NORDIC AMERICAN TANKERS LIMITED

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Nordic American Tankers Limited:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Nordic American Tankers Limited and subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive (loss) income, shareholders' equity, and cash flows for each of the years in the three year period ended December 31, 2017, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated May 15, 2018 expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG AS

We have served as the Company's auditor since 2015.

Oslo, Norway
May 15, 2018

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Nordic American Tankers Limited:

Opinion on Internal Control Over Financial Reporting

We have audited Nordic American Tankers Limited and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, because of the effect of the material weakness, described below, on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive (loss) income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the consolidated financial statements), and our report dated May 15, 2018 expressed an unqualified opinion on those consolidated financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness related to the effectiveness of controls to ensure the proper application of Accounting Standards Codification ("ASC") 205-40, Going Concern, related to the identification, evaluation and presentation of matters relevant to the Company's ability to continue as a going concern has been identified and included in management's assessment. The material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2017 consolidated financial statements, and this report does not affect our report on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's annual report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

Disclaimer on Additional Information in Management's Report

We do not express an opinion or any other form of assurance on management's statements, included in the accompanying Management's annual report on internal control over financial reporting, referring to corrective actions taken after December 31, 2017, relative to the aforementioned material weakness in internal control over financial reporting.

/s/ KPMG AS

Oslo, Norway
May 15, 2018

Nordic American Tankers Limited

Consolidated Statements of Operations for the Years Ended December 31, 2017, 2016 and 2015

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

	Year Ended December 31,		
	2017	2016	2015
Voyage Revenues	297,141	357,451	445,738
Voyage Expenses	(142,465)	(125,987)	(158,656)
Vessel Operating Expenses	(87,663)	(80,266)	(66,589)
Impairment Loss on Vessels	(110,480)	-	-
Impairment Loss on Goodwill	(18,979)	-	-
General and Administrative Expenses	(12,575)	(12,296)	(9,790)
Depreciation Expense	(100,669)	(90,889)	(82,610)
Received Settlement	-	5,328	-
Net Operating (Loss) Income	(175,690)	53,341	128,093
Interest Income	347	215	114
Interest Expenses	(20,464)	(11,170)	(10,855)
Other Financial Expenses	(644)	(98)	(167)
Total Other Expenses	(20,761)	(11,053)	(10,908)
Net (Loss) Income Before Income Taxes and Equity (Loss)	(196,451)	42,288	117,185
Income Tax Expense	(83)	(102)	(96)
Equity (Loss) from Associate	(8,435)	(46,642)	(2,462)
Net Income (Loss)	(204,969)	(4,456)	114,627
Basic and Diluted (Loss) Earnings per Share	(1.97)	(0.05)	1.29
Basic and Diluted Average Number of Common Shares Outstanding	103,832,680	92,531,001	89,182,001
Cash Dividends per Share	0.53	1.37	1.38

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

Nordic American Tankers Limited

Consolidated Statements of Comprehensive (Loss) Income for The Years Ended December 31, 2017, 2016 and 2015

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

	Year Ended December 31,		
	2017	2016	2015
Net (Loss) Income	(204,969)	(4,456)	114,627
Other Comprehensive Loss Current Period			
Translation Differences	110	29	(326)
Unrealized (Loss) Gain on Defined benefit plan	(260)	(94)	192
Other Comprehensive Loss	(150)	(65)	(134)
Total Comprehensive (Loss) Income	(205,119)	(4,521)	114,493

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

Nordic American Tankers Limited
Consolidated Balance Sheets as of December 31, 2017 and 2016
All figures in USD '000, except share and per share amount

	As of December 31,	
	2017	2016
Assets		
Current Assets		
Cash and Cash Equivalents	58,359	82,170
Accounts Receivable, Net	21,699	17,487
Accounts Receivable, Related Party	775	583
Prepaid Expenses	3,376	4,480
Inventory	23,086	20,886
Voyages in Progress	15,308	35,610
Other Current Assets	4,384	2,493
Total Current Assets	126,987	163,709
Non-Current Assets		
Vessels, Net	935,813	1,058,049
Deposits for Vessels under Construction	50,130	82,130
Goodwill	-	18,979
Investment in Nordic American Offshore Ltd	12,164	16,550
Other Non-Current Assets	15,969	10,487
Total Non-Current Assets	1,014,076	1,186,195
Total Assets	1,141,063	1,349,904
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable	3,218	4,294
Accrued Voyage Expenses	10,873	9,583
Accrued Liabilities	11,239	7,648
Total Current Liabilities	25,330	21,525
Long-Term Debt	388,855	442,820
Deferred Compensation Liability	15,814	14,510
Total Non-Current Liabilities	404,669	457,330
Commitment and Contingencies	-	-
Shareholders' Equity		
Common Stock, Par Value \$0.01 per Share		
180,000,000 authorized 141,969,666 issued and outstanding at December 31, 2017 and 101,969,666 issued and outstanding at December 31, 2016.	1,420	1,020
Additional Paid-In Capital	123,439	235,050
Contributed Surplus	796,817	640,472
Accumulated Other Comprehensive Loss	(1,187)	(1,037)
Accumulated Deficit	(209,425)	(4,456)
Total Shareholders' Equity	711,064	871,049
Total Liabilities and Shareholders' Equity	1,141,063	1,349,904

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

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Nordic American Tankers Limited

Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2017, 2016 and 2015

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	Retained Earnings (Accumulated Deficit)	Total Shareholders' Equity
Balance at January 1, 2015	89,182,001	-	892	114,291	787,732	(838)	(13,166)	888,911
Accumulated coverage of loss as of December 31, 2014	-	-	-	-	(13,166)	-	13,166	-
Net Income	-	-	-	-	-	-	114,627	114,627
Other Comprehensive Loss	-	-	-	-	-	(134)	-	(134)
Share Based Compensation	-	-	-	388	-	-	-	388
Dividends Distributed	-	-	-	-	(8,444)	-	(114,627)	(123,071)
Balance at December 31, 2015	89,182,001	-	892	114,679	766,122	(972)	-	880,721
Net Income	-	-	-	-	-	-	(4,456)	(4,456)
Common Shares Distributed – 2011 Equity Incentive Plan	137,665	-	1	-	-	-	-	1
Common Shares Issued, net of \$0.4 million issuance cost	12,650,000	-	127	119,942	-	-	-	120,069
Other Comprehensive Loss	-	-	-	-	-	(65)	-	(65)
Share Based Compensation	-	-	-	429	-	-	-	429
Forfeited shares – 2011 Equity Incentive Plan	-	13,500	-	-	-	-	-	-
Dividends Distributed	-	-	-	-	(125,650)	-	-	(125,650)
Balance at December 31, 2016	101,969,666	13,500	1,020	235,050	640,472	(1,037)	(4,456)	871,049
Net Income	-	-	-	-	-	-	(204,969)	(204,969)
Reduction of share premium	-	-	-	(215,481)	215,481	-	-	-
Common Shares Issued, net of \$0.8 million issuance	40,000,000	-	400	103,348	-	-	-	103,748

cost								
Other								
Comprehensive								
Loss	-	-	-	-	-	(150)	-	(150)
Share Based								
Compensation	-	(4,500)	-	522	-	-	-	522
Forfeited shares –								
2011 Equity								
Incentive Plan	-	13,000	-	-	-	-	-	-
Dividends								
Distributed	-	-	-	-	(59,136)	-	-	(59,136)
Balance at								
December 31, 2017	141,969,666	22,000	1,420	123,439	796,817	(1,187)	(209,425)	711,064

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

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Nordic American Tankers Limited

Consolidated Statements of Cash Flows for the Years Ended December 31, 2017, 2016 and 2015

All figures in USD '000

	Year Ended December 31,		
	2017	2016	2015
Cash Flows from Operating Activities			
Net (Loss) Income	(204,969)	(4,456)	114,627
Reconciliation of Net Loss to Net Cash Provided by Operating Activities			
Depreciation Expense	100,669	90,889	82,610
Impairment Loss on Vessels	110,480	-	-
Impairment Loss on Goodwill	18,979	-	-
Equity Loss from Associate	8,435	46,642	2,462
Drydock Expenditure	(18,776)	(15,382)	(11,450)
Amortization of Deferred Finance Costs	1,393	1,382	1,240
Deferred Compensation Liability	1,303	1,369	324
Share-based Compensation	522	430	388
Other, net	(163)	33	(61)
Changes in Operating Assets and Liabilities			
Accounts Receivables	(4,258)	10,084	(11,832)
Accounts Receivables, Related Party	(145)	12	77
Inventory	(2,200)	(6,043)	7,380
Prepaid Expenses and Other Current Assets	(904)	415	262
Accounts Payable and Accrued Liabilities	1,072	668	(3,869)
Voyages in Progress	20,303	1,743	(7,767)
Net Cash Provided by Operating Activities	31,741	127,786	174,391
Cash Flows from Investing Activities			
Investment in Vessels	(37,567)	(138,277)	(123,373)
Investment in Other Fixed Assets	-	(87)	(103)
Sale of Other Fixed Assets	-	-	334
Deposits for Vessels under Construction	-	(50,130)	(64,000)
Investments in Nordic American Offshore Ltd	(10,000)	-	(9,508)
Dividends received from Associate	1,041	1,685	4,227
Net Cash Used in Investing Activities	(46,526)	(186,809)	(192,423)
Cash Flows from Financing Activities			
Proceeds from Issuance of Common Stock	103,748	120,068	-
Proceeds from Use of Credit Facility	-	117,000	80,000
Repayments on Credit Facility	(55,359)	-	-
Transaction Costs Borrowing Facilities	(13,125)	(130)	(4,640)
Dividends Distributed	(54,226)	(125,650)	(123,071)
Net Cash (Used In)/Provided by Financing Activities	(18,962)	111,288	(47,711)
Net (Decrease) Increase in Cash and Cash Equivalents	(33,747)	52,266	(65,743)
Cash and Cash Equivalents at Beginning of Year	82,170	29,889	100,736
Effect of Exchange Rate changes on Cash and Cash Equivalents	(64)	15	(104)
Release / (deposit) of restricted cash	10,000	-	(5,000)
Cash and Cash Equivalents at End of Year	58,359	82,170	29,889
Cash Paid for Interest, Net of Amounts Capitalized	19,476	9,840	9,374
Restricted cash	-	10,149	10,000
Cash Paid for Taxes	102	96	47
Fair value of shares distributed as dividend in kind	4,910	-	-

The accompanying notes are an integral part of these consolidated 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 out double-hull tankers.

The Company is an international tanker company that currently has a fleet of 33 Suezmax tankers, including three newbuildings expected to be delivered in 2018, an increase from the three vessels owned in the autumn of 2004. The Company expects to expand the fleet over time despite the short-term plan of disposing of certain vessels. The 30 vessels the Company operated per December 31, 2017, average approximately 156,000 dwt each. In 2017, 2016 and 2015, the Company chartered its operating vessels primarily in the spot market.

NAT has the subsidiaries Scandic American Shipping Ltd. ("Scandic"), providing administrative and operational services, and NAT Chartering Ltd ("NATC"), providing services as commercial manager. Accordingly, these financial statements are presented on a consolidated basis for NAT and its subsidiaries ("the Company").

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

Including three newbuildings, the Company's current fleet consists of 33 Suezmax crude oil tankers of which 31 were built, or are under construction, in Korea.

<u>Vessel</u>	<u>Built</u>	<u>Deadweight Tons</u>	<u>Delivered to NAT</u>
Nordic Harrier	1997	151,459	1997
Nordic Hawk	1997	151,475	1997
Nordic Hunter	1997	151,401	1997
Nordic Voyager	1997	149,591	2004
Nordic Fighter	1998	153,328	2005
Nordic Freedom	2005	159,331	2005
Nordic Discovery	1998	153,328	2005
Nordic Saturn	1998	157,331	2005
Nordic Jupiter	1998	157,411	2006
Nordic Moon	2002	160,305	2006
Nordic Apollo	2003	159,998	2006
Nordic Cosmos	2003	159,999	2006
Nordic Sprite	1999	147,188	2009
Nordic Grace	2002	149,921	2009
Nordic Mistral	2002	164,236	2009
Nordic Passat	2002	164,274	2010
Nordic Vega	2010	163,940	2010
Nordic Breeze	2011	158,597	2011
Nordic Aurora	1999	147,262	2011

Nordic Zenith	2011 158,645	2011
Nordic Sprinter	2005 159,089	2014
Nordic Skier	2005 159,089	2014
Nordic Light	2010 158,475	2015
Nordic Cross	2010 158,475	2015
Nordic Luna	2004 150,037	2016
Nordic Castor	2004 150,249	2016
Nordic Sirius	2000 150,183	2016
Nordic Pollux	2003 150,103	2016
Nordic Star	2016 159,000	2016
Nordic Space	2017 159,000	2017
Newbuilding(1)	2018 157,000	2018(2)
Newbuilding(1)	2018 157,000	2018(2)
Newbuilding(1)	2018 157,000	2018(2)

(1) Vessel under construction per December 31, 2017.

(2) Expected delivery during the July, August and October 2018, respectively

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2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Principles of Consolidation: Entities in which NAT has controlling financial interest are consolidated. Subsidiaries are consolidated from the date on which control is obtained. The subsidiaries' accounting policies are in conformity with U.S. GAAP. All intercompany balances and transactions have been eliminated in the consolidation.

The equity method of accounting is used for investments in companies which NAT does not control, but over which NAT has the ability to exercise significant influence.

Use of Estimates: Preparation of financial statements in accordance with U.S. 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. 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 subsidiaries of NATC, NAT Chartering AS, and the European branch of Scandic, have Norwegian Kroner as their functional currency. All assets and liabilities of those entities are translated into U.S. dollars as of each balance sheet date. Translation gains and losses are reflected in shareholders' equity as part of accumulated other comprehensive loss.

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

Spot Charters: 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.

Revenue is generated from freight billing. 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. The Company considers it appropriate to present the gross amount of earned revenue from the spot charter, showing voyage expenses related to the voyage separately in the Statements of Operations.

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.

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.

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.

Accounts Receivable, Net: Account receivable and other receivables are presented net of allowance for doubtful balances. If balances are determined uncollectable, after all means of collections have been exhausted and the potential for recovery is considered to be remote, they are charged against the allowance for doubtful balances. As of December 31, 2017 and December 31, 2016, we made an allowance of approximately \$0 and \$150,000 for doubtful receivables, respectively.

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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 a vessel by vessel 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 cashflows). 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/periodical maintenance, 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 of the vessel. The Company estimates the daily time charter equivalent for the remaining operating days, utilizing available market data for spot market rates for the initial two-year period and the most recent fifteen-year historical average for similar vessels for the remaining estimated life of the vessel. Useful economic life is 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 \$8.0 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 an impairment charge. 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. The Company has further applied a probability-weighted approach taking into consideration different scenarios for the vessels being assessed.

Drydocking: The Company's vessels are required to be drydocked approximately every 30 to 60 months. The Company capitalizes eligible 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 "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 the Statements of Operations.

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Goodwill: Goodwill represents the excess of costs over the fair value of the assets of businesses NAT has acquired. Goodwill is not amortized, but instead tested for impairment at the reporting unit level on an annual basis as of December 31, 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 tested 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 one individual deferred compensation agreement with the Company's CEO. The former CFO & EVP had an individual deferred compensation agreement, denominated in Norwegian currency, where further benefits do not accrue upon leaving the Company as of Dec 31, 2017. 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 administrative expenses as incurred.

Other Comprehensive (Loss) Income: 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. The Company has only one type of vessel – Suezmax crude oil tankers. 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 16.

Deferred Financing Costs: Financing costs, including fees, commissions and legal expenses are deferred and amortized over the term of the arrangement, which approximates the effective interest method. Incurred fees related to loans not yet drawn are presented as Other non-current Assets. The deferred financing costs are accounted as a direct deduction from the associated debt liability in Long-Term Debt.

Stock-Based Payments:

The fair value of restricted shares to employees 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 Company records the compensation expense for such awards over the requisite service period.

Income Taxes: The Company is incorporated in Bermuda. Under current Bermuda law, the Company is not subject to corporate income taxes. The statutory applicable rate to consolidated corporate earnings is 0%.

Two of the Company's wholly-owned subsidiaries are located in Norway and are subject to income tax in that jurisdiction at 24%, 25%, and 27% for the years ended December 31, 2017, 2016 and 2015, respectively, of their taxable profit. The income tax expensed for year ended December 31, 2017, 2016 and 2015 was \$83,000, \$102,000 and \$96,000, respectively. Deferred tax assets related to these entities are inconsequential. The Company does not have any unrecognized tax benefits, material accrued interests or penalties related to income taxes.

Concentration of Credit Risk: Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivables. The Company's cash is primarily held in major banks and financial institutions and typically insured up to a set amount. Accordingly, the Company believes the risk of any potential loss on deposits held in these institutions is remote. Concentrations of credit risk relative to accounts receivable are limited to our client base in the oil and energy industry that may be affected by changes in economic or other external conditions. The Company does not require collateral for its accounts receivable. The fair value of the financial instruments approximates the net book value.

For the year ended December 31, 2017, one customer accounted for 12% of the total revenues. For the year ended December 31, 2016, one customer accounted for 32% of the total revenues. For the year ended December 31, 2015, two customers accounted for 42% of the total revenues, with 30% and 12%.

Accounts receivable, net, as of December 31, 2017, and 2016 were \$21.7 and \$17.5 million, respectively. As of December 31, 2017, two charterers accounted for 25% of the outstanding accounts receivable, with 11% and 14%. As of December 31, 2016, three charterers accounted for 44% of the outstanding accounts receivable, with 16%, 16%, and 12%.

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Recent Accounting Pronouncements:

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. This update establishes a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. Effective date is for reporting periods commencing on or after December 15, 2017.

The Company has concluded that it will continue to recognize revenue from voyage charters over time. Under ASC606 the period for revenue recognition will change from the current method of discharge-to-discharge to load-to-discharge. Revenues from voyage charters will not change, however the timing of revenue recognition will change materially and will affect the voyage results recognized in each period. Recognizing revenues from load-to-discharge results in delayed revenue recognition compared to the current practice and we also expect more volatility in the results as the revenue is recognized over a shorter time period.

Under this new guidance the Company will also capitalize the voyage costs incurred between contract signing and the next load port if the voyage costs qualify as fulfilment cost and will be expensed over the same period as the related revenue is recognized.

The implementation of this standard is as of December 31, 2017, estimated to result in a reduction of accrued revenue of \$5.3 million, a reduction of accrued voyage expenses of \$0.6 million and recognition of capitalized spot charter contract fulfilment cost of \$0.6 million, with the net effect being recorded as a reduction of equity per January 1, 2018. The Company has elected to apply the option to implement the standard under the modified retrospective method.

The Company also generates revenues from time charter contracts, which is recognized on an accrual basis over the term of the charter contract. Time charter revenues are not expected to be affected materially from this new guidance.

Under the modified retrospective approach prior year figures will not be adjusted. The cumulative effect of adopting this guidance will be recorded as an adjustment to its opening balance of retained earnings (accumulated loss) as of January 1, 2018.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The update requires an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. It also offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The guidance will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and early adoption is permitted. The Company is in the process of evaluating the impact of this standard update on its consolidated financial statements and related disclosures.

Implemented in 2017

In November 2016, the FASB issued ASU 2016-18, Statement of cash flows (230): Restricted cash, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Company has early adopted this ASU in 2017 and retrospectively applied this to all periods presented. As such, \$5.0 million has been transferred from Investing Activities to be presented separately below the Statements of Cash Flows for the 2015 financial year.

In August 2016, the FASB issued ASU No. 2016-15, Statement of cash flows (Topic 230). The Company has early adopted this ASU and the adoption did not have any effect on the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04 Intangibles – Goodwill and other (Topic 350), which simplifies the test for goodwill impairment. This update eliminates Step 2 from the goodwill impairment test. The Company has early adopted this ASU and the adoption resulted in that the Company did not perform step 2 in the goodwill impairment testing in 2017.

Effective January 1, 2017, the Company adopted ASU 2016-07, Investments-Equity Method and Joint Ventures (Topic 323). The adoption did not have any effect on the consolidated financial statements.

Effective January 1, 2017, the Company adopted ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. The adoption did not have any effect on the consolidated financial statements.

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3. VESSELS, NET

Vessels, net, consist of the carrying value of 30 vessels and 29 vessels for the year ended December 31, 2017 and December 31, 2016, respectively. Vessels, net include drydocking costs.

All Figures in USD '000	2017	2016
Vessels	1,769,967	1,700,040
Drydocking	119,303	99,153
Total	1,889,270	1,799,193
Less Accumulated Depreciation	(842,977)	(741,144)
Less Impairment Loss on Vessels	(110,480)	-
Vessels, net	935,813	1,058,049

The Company has taken delivery of one vessel, Nordic Space, in 2017. Further, the Company has taken ten vessels through periodical maintenance surveys in 2017.

The Company has paid \$50.1 million in deposits for three vessels under construction to be delivered in 2018 and has total remaining capital commitments of \$117.0 million, which is payable upon delivery in July, August and October 2018, respectively. The financing of these vessels is secured through a finance agreement with Ocean Yield ASA (see further information in note 9).

Impairment Loss on Vessels

The Company reviewed its assets for impairment on an asset by asset basis. The Company recorded an impairment loss of \$110.5 million for the year ended December 31, 2017. The Company has not recorded impairment loss on vessels for the years ended December 31, 2016 and 2015, respectively.

The Company performed a probability-weighted approach as part of the vessel impairment assessment, where different scenarios for the vessels were assessed. Further, the Company performed cash flow forecasts for the following twelve months as required under ASC 205-40 Going Concern and performed these analyses for different market scenarios. These forecasts are prepared under the assumption of utilizing the Backstop facility that is the financing arrangement the Company currently has available under the recapitalization program. Under this assumption, with possible prolonged weak tanker market rates, the Company applied the probability-weighted approach and identified that it had to sell up to ten vessels to comply with the covenant requirements under the Backstop Facility. As a result, the Company has as of December 31, 2017 decided to record an impairment loss of \$110.5 million related to the ten pre-2000 built vessels and written these vessels down to their estimated fair values. Fair value is in line with broker estimates. Assumed recapitalization transactions outside of the Backstop facility were not taken into consideration when assessing the probability of selling vessels in the probability-weighted approach.

4. INVESTMENTS

Nordic American Offshore Ltd.

Nordic American Offshore Ltd. ("NAO") was incorporated on October 17, 2013, and operates Platform Supply Vessels ("PSV"). On November 18, 2013, NAO concluded a private placement of \$250 million, wherein the Company participated with an investment of \$65 million, or 4,333,566 shares. In June 2014 NAO completed an initial public offering on the New York Stock Exchange wherein the Company acquired 375,000 shares for \$5.6 million.

In 2014 NAT distributed 699,802 NAO shares as dividend-in-kind to its shareholders. In December 2014 the Company acquired an additional 488,216 shares in the open market. In November 2015 the Company purchased 1,521,300 shares in a private transaction.

In March 2017, Nordic American Offshore Ltd (or "NAO") completed a follow-on offering of its common shares in which NAT participated with a \$10.0 million investment. Following the investment, NAT owned 22.6% of NAO. As a consequence of the reduction of NAT's holdings from 29.1% to 22.6% of the common shares of NAO, NAT

recorded a dilution loss (non-cash) of \$2.6 million in the first quarter of 2017.

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On August 31, 2017, the Company paid a dividend, which included a cash dividend of \$0.10 per share and a distribution of an aggregate of 4,024,745 common shares of NAO, which were owned by the Company. Each of our shareholders that held 250 or more of our common shares received one NAO common share per 24.4 NAT common shares, which we recognized at a cash value of \$0.05 per share. Fractional shares were compensated by a cash dividend based on the closing price of NAO shares on the NYSE on July 20, 2017, which was \$1.22. Each of our shareholders that held 249 or fewer shares received an additional cash dividend of \$0.05 per common share. In connection to the above distribution of NAO shares, we recorded a loss of \$0.7 million. Following this distribution, we owned 16.1% of the outstanding common shares of NAO.

NAT's ownership in NAO as of December 31, 2017 and 2016 was 16.1 % and 29.1% respectively.

As at December 31, 2016 the Company evaluated its investment in NAO for impairment, after considering factors including, but not limited to, the fair value of NAO based on the quoted share price as compared to its carrying value, the length of time the investment's fair value had been below carrying value and the limited near-term prospects for a recovery in the share price of NAO. We concluded that as of December 31, 2016, the investment in NAO was other-than-temporarily impaired and recorded an impairment charge of \$37.3 million to reflect the fair value of the shares. The Company has evaluated the investment on the same basis per December 31, 2017 and has not identified a need for any impairment charges in 2017.

The fair value of NAT's investment in NAO, based on the share price was \$12.0 and \$16.6 million as of December 31, 2017 and 2016, respectively. The carrying value of the investment per December 31, 2017 was \$12.2 million.

Summarized balance sheet information for NAO is as follows:

	December 31, 2017	December 31, 2016
All figures in USD '000		
Current assets	37,076	7,909
Noncurrent assets	350,635	366,945
Total Assets	387,711	374,854
Current liabilities	2,809	4,089
Noncurrent liabilities	136,629	136,568
Total Shareholders' Equity	248,273	234,196
Total liabilities and equity	387,711	374,854

NAT's share of NAO's equity was \$40.0 million and \$68.1 million as of December 31, 2017 and 2016, respectively.

Summarized Statement of Operations information for NAO is as follows:

	Years ended December 31,		
All figures in USD '000	2017	2016	2015
Operating Revenues	17,895	17,697	36,372
Net Operating (Loss) Income	(26,068)	(28,543)	(8,372)
Net (Loss) Income	(29,326)	(32,151)	(10,844)

NAT's portion of NAO's Net (Loss) Income in the Statements of Operations per December 31, 2017, 2016 and 2015 was (\$5.1) million, (\$9.3) million and (\$2.5) million, respectively. The Company has received dividends from NAO per Dec 31, 2017 and 2016 of \$ 1.0 million and \$1.7 million, respectively.

5. ACQUISITIONS

In 2013 the Company acquired Scandic. The purchase price was \$33.3 million, of which \$18.1 million was paid in shares, \$8.0 million was paid in cash and \$7.2 million was payable to the seller for additional assets. The Company

performed an analysis of the fair value of the tangible assets acquired and liabilities assumed, resulting in recognition of \$19.0 million of goodwill.

As of December 31, 2017 the Company has recorded an impairment loss of \$19.0 million for the goodwill associated with the Company's one reporting unit, which encompasses the entire company. As a result of the impairment loss related to the ten pre-2000 built vessels, the Company has assessed and concluded that this probable reduction in the fleet does not support the assumption that the fleet size is maintained throughout the lifetime of the analysis through replacement of retired vessels. The assumed reduction in the fleet has resulted in the fair value of the reporting unit to fall below the carrying value, implying a negative value of the goodwill. As a result we have written down the value of the goodwill by \$19.0 million. As of December 31, 2017, the carrying value of goodwill is zero after the impairment loss is recognized.

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6. RELATED PARTY TRANSACTIONS

Nordic American Offshore Ltd.:

In December 2013, NAT entered into a management agreement with NAO for the provision of administrative services. For services under the management agreement, NAT received a management fee of \$100,000 for 2017, \$100,000 for 2016 and \$200,000 for 2015, and is reimbursed for cost incurred in connection with its services. NAT also receives reimbursement for a portion of the operational costs such as salary and office rent, among others, incurred by NAT, which is attributable to NAO. For the year ended December 31, 2017, 2016 and 2015, the Company recognized an aggregate of \$2.3 million, \$2.2 million and \$2.1 million, respectively, for such costs incurred which was included in General and Administrative Expenses.

Board Member and Employees:

Mr. Jan Erik Langangen, Board Member and advisor 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, \$0.3 million and \$0.1 million in costs in each of the years ended December 31, 2017, 2016 and 2015, respectively, for the services provided by Langangen & Helset Advokatfirma AS. These costs are included in General and Administrative Expenses within the Statements of Operations. No amounts were due to the related party as of December 31, 2017 and 2016.

In 2014, the Company entered into an agreement with an immediate family member of the Chairman for the use of an asset for corporate and marketing activities. The Company paid a fixed annual fee and fees associated with actual use. This agreement was terminated in 1Q, 2017. The cost of this arrangement for the year ended December 31, 2016 and 2015, respectively, was \$0.1 million per year, which are included in General and Administrative costs. In 2017, use of the asset is paid for upon utilization. No amounts were due to the related party as of December 31, 2017, 2016 or 2015.

7. DEFERRED COMPENSATION LIABILITY

In 2010, the Board of Directors approved an unfunded deferred compensation agreement for the Company's former Chief Financial Officer and Executive Vice President. The agreements provide for unfunded deferred compensation computed as a percentage of salary, and certain benefits for dependents. The deferred compensation liability for the former Chief Financial Officer and Executive Vice President is denominated in Norwegian currency. The vesting period has ended upon leaving the Company per December 31, 2017 and is payable from the age of 67. Interest is imputed at 2.30% and 2.60% as of December 31, 2017 and 2016, respectively.

In 2007, the Board of Directors approved an unfunded deferred compensation agreement for Herbjørn Hansson, the Chairman, President and CEO, with vesting of benefits accruing from 2004. The agreement provides for unfunded deferred compensation computed as a percentage of salary, and certain benefits for dependents. The agreement has been amended in 2017 for the benefits to vest over a period of employment of 15 years up to a maximum of 66% of the salary level at the time of retirement, age of 72. Interest is imputed at 2.30% and 2.60% as of December 31, 2017 and 2016, respectively. The Company had a restricted deposit account for securing the financing of this deferred compensation liability per December 31, 2016 as described in Note 8, where the restriction was lifted in 2017.

The total expense related to the deferred compensation agreements for the Chairman, President and CEO and the Company's former Chief Financial Officer and Executive Vice President, recognized in 2017, 2016 and 2015 were \$1.3 million, \$1.8 million and \$0.4 million, respectively. As of December 31, 2017 and 2016 total deferred compensation liability was \$15.8 and \$14.5 million, respectively.

8. OTHER NON-CURRENT ASSETS

2017 2016

All figures in USD '000

Fixture, Furniture and Equipment	169	338
Arrangement fees Backstop facility and Newbuildings	15,484	-
Long term Deposit (Restricted Cash)	-	10,149
Other	316	-
Total as of December 31,	15,969	10,487

The Long-Term Deposit relates to the Company having transferred cash to a restricted bank account in accordance with the deferred compensation agreement for the Chairman, President and CEO, described in Note 7.

The Company has in 2017 incurred customary arrangement fees in relation to entering into the Backstop Facility agreement and mandate letter as part of the recapitalization program and securing financing of its three newbuildings (see further information in note 3 and 10).

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9. SHARE-BASED COMPENSATION PLAN

Equity Incentive Plan 2011

In 2011, the Board of Directors decided to establish an incentive plan involving a maximum of 400,000 shares pursuant to a vesting schedule of which all shares were allocated among the management of the Company and the members of the Board of Directors. The shares are forfeited if the grantee leaves the Company before the restricted shares are vested. The holders of the restricted shares are entitled to receive dividends paid in the period as well as voting rights.

In 2011 326,000 and 74,000 restricted shares were granted with a four-year and five-year cliff-vesting period, respectively. 174,000 shares vested in 2013 in relation to the acquisition of Scandic American Shipping Ltd. The remaining shares vested in 2015 and 2016, except for 33,000 common shares that were reallocated to certain employees in 2014 at grant date fair value of \$9.84 and four-year cliff vesting period.

In 2015, we amended and restated the 2011 Equity Incentive Plan to reserve an additional 137,665 restricted shares for issuance to persons employed in the management of the Company and members of the Board of Directors under the same terms as the original plan. The holders of the restricted shares are entitled to voting rights as well as to receive dividends paid during the trade restriction period.

The Company granted 4,500 common shares to employees in 2017 at a grant date fair value of \$9.13. In 2017 and 2016, the Company received 13,000 and 13,500 shares from employees who have resigned, respectively. The shares are held as treasury shares at December 31, 2017.

The compensation expense is recognized on a straight-line basis over the vesting period and is recorded as part of General and Administrative expenses. The total compensation expense related to restricted shares under the plan was \$0.5 million, \$0.4 million, and \$0.4 million for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, respectively.

As of December 31, 2017, unrecognized cost related to unvested shares aggregated to \$0.8 million, which will be recognized over a weighted period of 1.7 years.

As of December 31, 2017, a total number of 138,665 common shares have been allocated among 26 employees. The Company has 22,000 treasury shares related to the Equity Incentive plan.

The tables below summarize the Company's restricted stock awards as of December 31, 2017:

	Restricted shares -Employees	Weighted-average grant-date fair value - Employees
Non-vested at January 1, 2017	157,165	\$ 13.75
Granted during the year	4,500	\$ 9.13
Vested during the year	(10,000)) \$ 14.65
Forfeited during the year	(13,000)) \$ 13.54
Non-vested at December 31, 2017	138,665	\$ 13.55

10. LONG-TERM DEBT

Credit Facility and financing:

In 2012, the Company entered into a \$430 million revolving credit facility, which in 2015 was increased to \$500 million, with a syndicate of lenders in order to refinance its existing credit facility, fund future vessel acquisitions and for general corporate purposes (the "Credit Facility"). Amounts borrowed under the 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 maturity of the credit facility is December 2020. There are no repayment requirements before maturity on the Credit Facility.

In connection with the expansion of the Credit Facility, the Company incurred \$4.6 million in deferred financing costs in 2015, which is amortized over the term of the loan and presented net of the outstanding loan balance.

Borrowings under the Credit Facility are secured by first priority mortgages over the Company's vessels and assignments of earnings and insurance. Under the Credit Facility, the Company is subject to certain covenants requiring among other things, the maintenance of (i) a minimum amount of value adjusted equity; (ii) a minimum value adjusted equity ratio; (iii) a minimum level of liquidity, (iv) positive working capital; and (v) a required security ratio of vessel values to draw on the facility. The security ratio and the market cap to value adjusted total assets ratio are based on the fair market value of vessels, compared to drawn amount on the Credit Facility. The Credit Facility also includes customary events of default including non-payment, breach of covenants, insolvency, cross default and material adverse change. A breach of any of these covenants would, unless waived, result in that the credit facility is callable by the lenders.

At the end of 2017 and 2016 the Company had \$391.6 and \$447.0 million drawn under its Credit Facility, respectively. The estimated fair value for the long-term debt is considered to be approximately equal to the carrying value since it bears spread and a variable interest rate.

As of December 31, 2016, the Company was in default with one of its debt covenants; (v) required security ratio of vessel value clause. A waiver was obtained lowering the required ratio to a level where the Company was in compliance. This waiver was effective until May 31, 2018. Under the terms of the waiver obtained, we were unable to draw further on the Credit Facility, our margin was increased by 2.0 % for the period of the waiver and limitations on dividend distribution until compliance with the terms of the original Credit Facility. The waiver has subsequently been modified and amended.

As of December 31, 2017 and as of the date of the issuance of this report, the Company is in compliance with the modified terms under the Credit Facility and the loan is not considered currently callable. On May 4, 2018 the Company has entered into an amendment to the credit agreement for the Credit Facility modifying certain of the financial covenants until December 31, 2018, lowering the required security ratio to 135%, lowering the liquidity covenant to \$15.0 million (original requirements to be reinstated upon delivery of the first Newbuilding), the minimum market cap ratio to \$200.0 million and the minimum market cap to value adjusted total assets from 45% to 25% for the remaining duration of the waiver. Under the revised terms of the credit agreement, the Company is unable to draw further on the Credit Facility and the margin is increased to 6.0% from January 1, 2018. The Company can distribute a maximum dividend of \$0.03 per share or \$4.3 million in the aggregate, subject to a corresponding amount being repaid under the Credit Facility. Further, until December 31, 2018, half of any proceeds received by the Company from the sale of equity, up to \$75.0 million, must be used to repay the Credit Facility. The Company has repaid \$3.1 million on the Credit Facility in relation to the dividend paid out on December 5, 2017 and \$52.3 million in relation to the offering in December 2017. We have further repaid \$ 4.3 million on March 10, 2018 in relation to the dividend paid out on March 9, 2018. Additionally, the Company undertakes to not make new investments, excluding the Newbuildings, except for investments made in connection with normal maintenance of the Vessels.

The Company is in process of retiring the Credit Facility and signed on December 20, 2017 an agreement for a financing facility, or the Backstop Facility, for \$375.0 million. The financing facility is providing for a senior secured loan facility of up to \$375.0 million to support the recapitalization of the Company. The Backstop Facility is available for drawing from July 1, 2018. Further, the facility, if utilized and not repaid, will be rolled into a term loan on January 1, 2019 with maturity on November 30, 2020. The Backstop Facility will have no amortization until December 31, 2018, upon and following which date the principal of the loan must be repaid in quarterly instalments of \$10.0 million. The Backstop Facility carries an interest rate that will step-up over time and carries a maximum interest margin of 10.5% per annum. The Company can distribute quarterly dividends up to \$0.03 per quarter under the Backstop Facility. The Backstop Facility contains financial covenants in relation to minimum liquidity of \$30.0 million, minimum value and book equity that will come into effect upon utilizing the Backstop Facility.

The Backstop Facility is part of the recapitalization program that was initiated in December 2017. The first steps in the recapitalization program encompassed the financing of the three Newbuildings to be delivered in 2018 and raising

new equity of \$103.7 million (\$110.0 million gross). The Company is evaluating different options for the final steps of the recapitalization program. The Company is in discussion with the lenders to either raise a large secured bond or enter into a new Revolving Credit Facility of \$250.0 million together with the issuance of a bond for \$150.0 million. Associated fees of \$13.1 million incurred in December 2017 have been capitalized as Other Non-Current Assets and will be amortized over the term of the associated financing arrangement. The Company expects these measures to be completed by the end of the second quarter of 2018. Upon securing this financing the Company is not expected to enter into the terms of the Backstop Facility as described above. In May 2018, the Board authorized management to sell two vessels. A sale will also improve the cash balance of the Company. In addition, the Board has authorized that the Company may further adjust the size of the fleet.

The Company has the option to utilize the Backstop Facility with the associated terms. The Company has flexibility to cover any need for liquidity, also under the scenario that the tanker market remains low for a longer period, to strengthen the liquidity through selling additional vessels or raise equity to ensure that the Company has sufficient working capital. In a prolonged marked downturn the Company will have to further adjust the size of its fleet selling up to ten vessels in accordance with the authorization mentioned above in order to comply with the liquidity and other covenants under the existing Credit Facility or the Backstop Facility, if utilized. Sale of a vessel requires a proportionate repayment of the Credit Facility and an equally proportionate reduction of the Backstop Facility.

In December 2017, the Company entered into final agreements for the financing of the outstanding commitments of \$39.0 million per ship for the Newbuildings with a subsidiary of Ocean Yield ASA. The lender will finance 77.5% of the purchase price for each of the three Newbuildings. Net proceeds received from Ocean Yield ASA shall be used towards prepayment of the Credit Facility, unless the Credit Facility is retired before the deliveries of the vessels. After delivery of each of the vessels, the Company will enter into ten-year bareboat charter agreements. The Company has obligations to purchase the vessels upon the completion of the ten-year bareboat charter agreement, but also have the flexibility to purchase the vessels after year five and seven. The financing agreement contains certain financial covenants requiring us to maintain a minimum value adjusted equity of \$175.0 million and ratio of 25% ; minimum liquidity of \$20.0 million; and minimum value clause.

The Company performs on a regular basis cash flow projections to evaluate whether it will be in a position to cover the liquidity needs for the next 12-month period and the compliance with financial and security ratios under the existing and future financing agreements. In developing estimates of future cash flows, the Company makes assumptions about the vessels' future performance, market rates, operating expenses, capital expenditure, fleet utilization, general and administrative expenses, loan repayments and interest charges. The assumptions applied are based on historical experience and future expectations.

The Company believes that the current cash and cash equivalents and cash expected to be generated from operations, together with the above measures taken, are sufficient to meet the working capital needs and other liquidity requirements for the next 12 months from the date of this report.

11. INTEREST EXPENSE

Interest expenses consist of interest expense on the long-term debt, the commitment fee and amortization of deferred financing costs related to the Credit Facility described in Note 10.

All amounts in USD '000	2017	2016	2015
Interest Expenses, net of capitalized interest	18,286	8,811	7,590
Commitment Fee	760	937	2,025
Amortization of Deferred Financing Costs	1,393	1,382	1,240
Other financial costs	25	40	-
Total Interest Expenses	20,464	11,170	10,855

For the years ended December 31, 2017, 2016 and 2015, \$2.5, \$1.6 million and \$1.0 million of interest expenses were capitalized, respectively.

12. ACCRUED LIABILITIES

All figures in USD '000	2017	2016
Accrued Interest	1,031	1,437
Accrued Expenses	10,208	6,211
Total as of December 31,	11,239	7,648

13. 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.

All figures in USD except number of shares and earnings (loss) per common share

	2017	2016	2015
Numerator:			
Net (Loss) Income	(204,969)	(4,456)	114,627
Denominator:			
Basic - Weighted Average Common Shares Outstanding	103,832,680	92,531,001	89,182,001
Dilutive – Weighted Average Common Shares Outstanding	103,832,680	92,531,001	89,182,001
Earnings (Loss) per Common Share:			
Basic	(1.97)	(0.05)	1.29
Diluted	(1.97)	(0.05)	1.29

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14. SHAREHOLDERS' EQUITY

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

	Authorized Shares	Issued and Out- standing Shares	Common Stock
Balance as of January 1, 2015	180,000,000	89,182,001	892
Balance as of December 31, 2015	180,000,000	89,182,001	892
Equity incentive plan issuance		137,665	1
Common Shares Issued			
in Follow-on Offering		12,650,000	127
Balance as of December 31, 2016	180,000,000	101,969,666	1,020
Common Shares Issued			
in Follow-on Offering		40,000,000	400
Balance as of December 31, 2017	180,000,000	141,969,666	1,420

In September 2016, the Company completed an underwritten public offering of 12,650,000 common shares which increased its equity by \$120.1 million.

In December 2017, the Company completed an underwritten public offering of 40,000,000 common shares which increased its equity by \$103.7 million.

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, following shareholder approval, to transfer such funds to the Company's Contributed Surplus Account and thereby make such funds available for distribution. The Share Premium Fund was \$103.4 million and \$215.5 million as of December 31, 2017 and 2016 respectively. Credits and Charges to Additional Paid in Capital were a result of the accounting for the Company's share based compensation programs and issuance of shares.

On December 12, 2017, at the Company's Annual General Meeting, shareholders voted to reduce the Share Premium Fund by the amount of \$215.5 million. The legal procedures related to this reduction were finalized in December 2017 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 the year ended December 31, 2017 the Company paid a dividend of \$59.1 million, which was charged to the Contributed Surplus Account, and on December 12, 2017 the Company's Annual General Meeting voted to reduce the Share Premium Fund by \$215.5 million, which was transferred to the Contributed Surplus Account. For the year ended December 31, 2016 the Company paid a dividend of \$125.7 million, which was charged to the Contributed Surplus Account. The Company's Contributed Surplus account was \$796.8 million and \$640.5 million per December 31, 2017 and 2016, respectively.

Shareholders' Rights Plan

In 2007, the Board of Directors adopted a shareholders' rights agreement and declared a dividend of one preferred share purchase right to purchase one one-thousandth of a Series A Participating Preferred Share for each outstanding

common share, par value \$0.01 per share. The dividend was payable on February 27, 2007, to shareholders of record on that date. Each right entitles the registered holder to purchase from the Company one one-thousandth of a Series A Participating Preferred Share 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 shares.

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In 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 common shares to allow existing shareholders to purchase additional common shares by reinvesting all or a portion of the dividends paid on their common shares and by making optional cash investments and new investors to enter into the plan by making an initial investment.

On June 16, 2017, the Board of Directors, after its expiration, adopted a new shareholders' rights agreement and declared a dividend of one preferred share purchase right to purchase one one-thousandth of a Series A Participating Preferred Share of the Company for each outstanding common share, par value \$0.01 per share. The dividend was payable on June 26, 2017 to shareholders of record on that date. Each right entitles the registered holder to purchase from us one one-thousandth of a Series A Participating Preferred Share of the Company at an exercise price of \$30.00, subject to adjustment. The Company can redeem the rights at any time prior to a public announcement that a person or group has acquired ownership of 15% or more of the Company's common shares. As at December 31, 2017, no shares were issued pursuant to the plan.

This shareholders' rights plan was designed to enable us to protect shareholder interests in the event that an unsolicited attempt is made for a business combination with, or a takeover of, the Company. Our shareholders' rights plan is not intended to deter offers that the Board determines are in the best interests of our shareholders.

15. RECEIVED SETTLEMENTS AND COMMITMENTS AND CONTINGENCIES

Received settlements

In 2016 the arbitration hearings involving the Suezmax vessel Gulf Scandic (now named Nordic Harrier) was settled between the Company and Gulf Navigation Holding PJSC (GulfNav). The Company recognized in 2016 in aggregate \$5.3 million as Received Settlement in the Consolidated Statements of Operations. No transactions related to this matter is recorded in 2017.

Commitments and Contingencies

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, nor has it been part to any legal proceedings, other than the matter discussed above, for the fiscal years ended December 31, 2017 and 2016.

16. FINANCIAL INSTRUMENTS AND OTHER FAIR VALUE DISCLOSURES

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 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 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

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 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 long-term debt is considered to be equal to the carrying values since it bears spreads and variable interest rates which approximate market rates.

- The carrying amount of the Company's restricted cash at December 31, 2016 approximate fair value and is considered to be a Level 1 item.

The carrying value and estimated fair value of the Company's financial instruments at December 31, 2017 and 2016, are as follows:

	Fair Value Hierarchy Level	2017 Fair Value	2017 Carrying Value	2016 Fair Value	2016 Carrying Value
All figures in USD '000					
Cash and Cash Equivalents	1	58,359	58,359	82,170	82,170
Credit Facility	2	(391,641)	(391,641)	(447,000)	(447,000)
Other Non-Current Assets (restricted cash)	1	-	-	10,149	10,149

17. SUBSEQUENT EVENTS

On January 26, 2018 the Company declared a cash dividend of \$0.03 per share in respect of the results for the fourth quarter of 2017, which was paid on March 9, 2018.

On April 27, 2018 the Company declared a cash dividend of \$0.01 per share in respect of the results for the first quarter of 2018, which is to be paid on or around June 12, 2018.

On May 3, 2018 the Company announced that two vessels have been placed in the market for sale.

On May 4, 2018 the Company executed an amendment to the Credit Facility expiring on December 31, 2018. Please see Note 10 to our financial statements for further information.