

NORDIC AMERICAN TANKERS Ltd  
Form 20-F  
March 23, 2016  
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, 2015

OR

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

For the transition period from \_\_\_\_ to \_\_\_\_

OR

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

Date of event requiring this shell company report: Not applicable

Commission file number 001-13944

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

(Translation of Registrant's name into English)

BERMUDA  
(Jurisdiction of incorporation or organization)

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

Herbjørn Hansson, Chairman, President, and Chief Executive Officer,  
Tel No. 1 (441) 292-7202,

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LOM Building, 27 Reid Street, Hamilton HM 11, Bermuda  
(Name, Telephone, E-mail and/or Facsimile number and  
Address of Company Contact Person)

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

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

New York Stock Exchange  
Name of exchange on which registered

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

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

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

As of December 31, 2015, there were 89,182,001 shares outstanding of the Registrant's common stock, \$0.01 par value per share.

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

Yes No

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

Yes No

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

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

Yes No

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

Yes No

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

Large accelerated filer      Accelerated filer

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

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

U.S. GAAP

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

Other

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

Item 17

Item 18

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

Yes No

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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.

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ITEM 18. FINANCIAL STATEMENTS

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## PART I

## ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable

## ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable

## ITEM 3. KEY INFORMATION

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 and other financial data for each of the three years ended December 31, 2015, 2014 and 2013 and selected balance sheet data as of December 31, 2015 and 2014 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, 2012 and 2011 and selected balance sheet data for each of the years ended December 31, 2013, 2012 and 2011 have been derived from our audited financial statements not included in this Annual Report on Form 20-F.

## SELECTED CONSOLIDATED FINANCIAL DATA

All figures in thousands of USD except share data	Year ended December 31,				
	2015	2014 (Adjusted*)	2013	2012	2011
Voyage Revenues	445,738	351,049	243,657	130,682	94,787
Voyage Expenses	(158,656 )	(199,430 )	(173,410 )	(38,670 )	(14,921 )
Vessel Operating Expense	(66,589 )	(62,500 )	(64,924 )	(63,965 )	(54,859 )
General and Administrative Expenses	(9,790 )	(14,863 )	(19,555 )	(14,700 )	(15,394 )
Depreciation Expenses	(82,610 )	(80,531 )	(74,375 )	(69,219 )	(64,626 )
Impairment Loss on Vessel	-	-	-	(12,030 )	-
Loss on Contract	-	-	(5,000 )	-	(16,200 )
Fees for Provided Services	-	1,500	-	-	-
Net Operating Income (Loss)	128,093	(4,775 )	(93,608 )	(67,902 )	(71,213 )
Interest Income	114	181	146	357	1,187
Interest Expense	(10,855 )	(12,244 )	(11,518 )	(5,854 )	(2,130 )
Other Financial Income (Expense)	(2,725 )	3,672	(437 )	207	(142 )
Total Other Expenses	(13,467 )	(8,391 )	(11,809 )	(5,290 )	(1,085 )
Net Income (Loss)	114,627	(13,166 )	(105,417 )	(73,192 )	(72,298 )
Basic Earnings (Loss) per share	1.29	(0.15 )	(1.64 )	(1.39 )	(1.53 )
Diluted Earnings (Loss) per share	1.29	(0.15 )	(1.64 )	(1.39 )	(1.53 )

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Cash Dividends Declared per share	1.38	0.63	0.64	1.20	1.15
Basic Weighted Average Shares Outstanding	89,182,001	85,401,179	64,101,923	52,547,623	47,159,402
Diluted Weighted Average Shares Outstanding	89,182,001	85,401,179	64,101,923	52,547,623	47,159,402
Market price per common share as of December 31,	15.54	10.07	9.70	8.75	11.99

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## Other financial data:

Net cash Provided by (Used in) operating activities	174,392	57,460	(47,265 )	(567 )	(12,163 )
Cash Dividends paid	123,071	54,069	41,756	63,497	54,273
Selected Balance Sheet Data (at period end):					
Cash and cash equivalents	29,889	100,736	65,675	55,511	24,006
Total assets	1,244,626	1,175,860	1,136,437	1,085,624	1,125,385
Total long-term debt	330,000	250,000	250,000	250,000	230,000
Common stock	892	892	754	529	473
Total shareholders' equity	880,721	888,911	854,984	809,383	867,563

\* Adjusted to retrospectively present our investment in Nordic American Offshore Ltd. under the equity method of accounting. For more information please see Item 18. Financial Statements - Note 4 - Investments.

## 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, is depressed in the future, our earnings and available cash flow may decrease.

The tanker industry is both cyclical and volatile in terms of charter rates and profitability. Fluctuations in charter rates and tanker values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for oil and oil products.

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

The factors that influence demand for tanker capacity include:

demand for oil and oil products,

supply of oil and oil products,

regional availability of refining capacity,

regional imbalances in production/demand,

global and regional economic and political conditions, including developments in international trade and fluctuations in industrial and agricultural production,

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changes in seaborne and other transportation patterns, including changes in the distances over which oil and oil products are transported by sea,

weather and acts of God and natural disasters, including hurricanes and typhoons,

environmental and other legal and regulatory developments,

currency exchange rates,

competition from alternative sources of energy and from other shipping companies and other modes of transportation, and

international sanctions, embargoes, import and export restrictions, nationalizations, piracy and wars.

The factors that influence the supply of tanker capacity include:

current and expected purchase orders for tankers,

the number of tanker newbuilding deliveries,

the scrapping rate of older tankers,

conversion of tankers to other uses or conversion of other vessels to tankers,

the price of steel and vessel equipment,

technological advances in tanker design and capacity,

tanker freight rates, which are affected by factors that may affect the rate of newbuilding, scrapping and laying up of tankers,

the number of tankers that are out of service, and

changes in environmental and other regulations that may limit the useful lives of tankers.

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;

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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.

We currently operate a fleet of 24 vessels, all of which are employed in the spot market. We are therefore highly dependent on spot market charter rates.

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 are complex and requires us to make various estimates, including future freight rates and earnings from the vessel. All of these items have been historically volatile. We evaluate the recoverable amount as the undiscounted estimated cash flow, from the vessels over their remaining useful lives. If the recoverable amount is less than the carrying amount of the vessel and less than the estimated fair market value, the vessel is deemed impaired. The carrying values of our vessels may not represent their fair market value at any point in time because the market prices of secondhand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. Any impairment charges incurred as a result of declines in charter rates could negatively affect our business, financial condition and operating results. Impairment charges may be limited to each individual vessels.

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

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

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

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean and in the Gulf of Aden off the coast of Somalia. Sea piracy incidents continue to occur, particularly in the Gulf of Aden off the coast of Somalia and increasingly in the Gulf of Guinea. Acts of piracy could result in harm or danger to the crews that man our vessels. In addition, if piracy attacks occur in regions in which our vessels are deployed that insurer's 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.

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 2012 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 \$330 million under the 2012 Credit Facility.

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

Fuel, or bunkers, is a significant, if not the largest, expense in our shipping operations. Changes in the price of fuel may adversely affect our profitability. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Despite low fuel prices in 2015 and the beginning of 2016, 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 U.S. Oil Pollution Act of 1990, or OPA, the Comprehensive Environmental Response, Compensation, and Liability Act (generally referred to as CERCLA), the U.S. Clean Water Act, the U.S. Clean Air Act, the U.S. Outer Continental Shelf Lands Act, European Union Regulations, the International Maritime Organization, or IMO, International Convention on Civil Liability for Oil Pollution Damage of 1969 (as from time to time amended and generally referred to as CLC), the IMO International Convention for the Prevention of Pollution from Ships of 1973 (as from time to time amended and generally referred to as MARPOL), the IMO International Convention for the Safety of Life at Sea of 1974 (as from time to time amended and generally referred to as SOLAS), the IMO International Convention on Load Lines of 1966 (as from time to time amended), the International Convention on Civil Liability for Bunker Oil Pollution Damage (generally referred to as the Bunker Convention), the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention (generally referred to as the ISM Code), the International Convention for the Control and Management of Ships' Ballast Water and Sediments Discharge (generally referred to as the BWM Convention), International Ship and Port Facility Security Code, and the U.S. Maritime Transportation Security Act of 2002 (generally referred to as the MTSA). Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions, including greenhouse gases, the management of ballast waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition and our ability to pay dividends. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the

suspension or termination of our operations. Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200-nautical mile exclusive economic zone around the United States (unless the spill results solely from the act or omission of a third party, an act of God or an act of war). An oil spill could result in significant liability, including fines, penalties, criminal liability and remediation costs for natural resource damages under other international and U.S. federal, state and local laws, as well as third-party damages, including punitive damages, and could harm our reputation with current or potential charterers of our tankers. We are required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although we have arranged insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, results of operations, cash flows and financial condition, and our ability to pay dividends.

Furthermore, the explosion of the Deepwater Horizon and the subsequent release of oil into the Gulf of Mexico, or other 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 United States regarding offshore oil and gas drilling. 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.

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, 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 operation of our vessels is affected by the requirements set forth in the IMO's International Management Code for the Safe Operations of Ships and Pollution Prevention, or the ISM Code, promulgated by the IMO under the International Convention for the Safety of Life at Sea of 1974, or SOLAS. The ISM Code requires the party with operational control of a vessel to develop and maintain an extensive "Safety Management System" that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. If we fail to comply with the ISM Code, we may be subject to increased liability, may invalidate existing insurance or decrease available insurance coverage for our affected vessels and such failure may result in a denial of access to, or detention in, certain ports.

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

Tanker values have generally experienced high volatility. The market 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 2012 Credit Facility. Due to the cyclical nature of the tanker market, if for any reason we sell vessels at a time when tanker prices have fallen, the sale may be at less than the vessel's carrying amount on our financial statements, with the result that we would also incur a loss and a reduction in earnings. Any such reduction could result in a lower price of our common shares.

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

The international shipping industry is an inherently risky business involving global operations. Our vessels are at a risk of damage or loss because of events such as mechanical failure, collision, human error, war, terrorism, piracy, cargo loss and bad weather. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. These sorts of events could interfere with shipping routes and result in market disruptions which may reduce our revenue or increase our expenses.

International shipping is subject to various security and customs inspections and related procedures in countries of origin and destination and trans-shipment points. Inspection procedures can result in the seizure of the cargo and/or our vessels, delays in loading, offloading or delivery, and the levying of customs duties, fines or other penalties against us. It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. Furthermore, changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.

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

Continuing conflicts in the Middle East and North Africa and the presence of the United States and other armed forces in Afghanistan, may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain financing on terms acceptable to us or at all. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea and the Gulf of Aden off the coast of Somalia. Any of these occurrences, or the perception that our vessels are potential terrorist targets, could have a material adverse impact on our operating results, revenues, costs and ability to pay dividends in amounts anticipated or at all.

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

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

From time to time, our vessels call on ports located in countries that are subject to restrictions imposed by the U.S. or other governments, 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 or Iran during the period January 1 through December 31, 2015. Our vessels may, on charterers' instructions, call on ports in Sudan. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. With effect from July 1, 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which expanded the scope of the Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions to companies, such as ours, and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or

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

On November 24, 2013, the P5+1 (the United States, United Kingdom, Germany, France, Russia and China) entered into an interim agreement with Iran entitled the "Joint Plan of Action," or the JPOA. Under the JPOA it was agreed that, in exchange for Iran taking certain voluntary measures to ensure that its nuclear program is used only for peaceful purposes, the U.S. and EU would voluntarily suspend certain sanctions for a period of six months. On January 20, 2014, the U.S. and E.U. indicated that they would begin implementing the temporary relief measures provided for under the JPOA. These measures include, among other things, the suspension of certain sanctions on the Iranian petrochemicals, precious metals, and automotive industries from January 20, 2014 until July 20, 2014. The U.S. initially extended the JPOA until November 24, 2014, and it has since extended it until June 30, 2015.

On July 14, 2015, the P5+1 and the EU announced that they reached a landmark agreement with Iran titled the Joint Comprehensive Plan of Action Regarding the Islamic Republic of Iran's Nuclear Program (the "JCPOA"), which is intended to significantly restrict Iran's ability to develop and produce nuclear weapons for 10 years while simultaneously easing sanctions directed toward non-U.S. persons for conduct involving Iran, but taking place outside of U.S. jurisdiction and does not involve U.S. persons. On January 16, 2016 ("Implementation Day"), the United States joined the EU and the UN in lifting a significant number of their nuclear-related sanctions on Iran following an announcement by the International Atomic Energy Agency ("IAEA") that Iran had satisfied its respective obligations under the JCPOA.

U.S. sanctions prohibiting certain conduct that is now permitted under the JCPOA have not actually been repealed or permanently terminated at this time. Rather, the U.S. government has implemented changes to the sanctions regime by: (1) issuing waivers of certain statutory sanctions provisions; (2) committing to refrain from exercising certain discretionary sanctions authorities; (3) removing certain individuals and entities from OFAC's sanctions lists; and (4) revoking certain Executive Orders and specified sections of Executive Orders. These sanctions will not be permanently "lifted" until the earlier of "Transition Day," set to occur on October 20, 2023, or upon a report from the IAEA stating that all nuclear material in Iran is being used for peaceful activities.

Although it is our intention to comply with the provisions of the JPOA, there can be no assurance that we will be in compliance in the future as such regulations and U.S. Sanctions may be amended over time, and the U.S. retains the authority to revoke the aforementioned relief if Iran fails to meet its commitments under the JPOA.

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 United States, and European Union 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.

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## Company Specific Risk Factors

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

We have made cash distributions quarterly since October 1997. It is possible that our revenues could be reduced as a result of decreases in charter rates or that we could incur other expenses or contingent liabilities that would reduce or eliminate the cash available for distribution as dividends. Our 2012 Credit Facility prohibits the declaration and payment of dividends if we are in default under the 2012 Credit Facility. 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.

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

Our ability to declare and pay dividends is subject at all times to the discretion of our board of directors, or the Board of Directors, and compliance with Bermuda law, and may be dependent, among other things, upon the adoption at the annual meeting of shareholders of a resolution effectuating a reduction in our share premium in an amount equal to the estimated amount of dividends to be paid in the next succeeding year. 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.

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 wholly-owned subsidiary Scandic American Shipping Ltd., which we refer to as Scandic, 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 four secondhand vessels from July 2009 to September 2011, two secondhand vessels in 2014, and two secondhand vessels in 2015. We may receive the benefit of warranties from the builders for the secondhand vessels that we acquire direct from yard.

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

Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which the vessels may engage.

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

If we do not set aside funds and are unable to borrow or raise funds for vessel replacement, we will be unable to replace the vessels in our fleet upon the expiration of their remaining useful lives, which we expect to range from 6 years to 20 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 spot 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.

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Our market share may decrease in the future. We may not be able to compete profitably as we expand our business into new geographic regions or provide new services. New markets may require different skills, knowledge or strategies than we use in our current markets, and the competitors in those new markets may have greater financial strength and capital resources than we do.

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

Borrowing under the 2012 Credit Facility requires us to dedicate a part of our cash flow from operations to paying interest on our indebtedness. These payments limit funds available for working capital, capital expenditures and other purposes, including making distributions to shareholders and further equity or debt financing in the future. Amounts borrowed under the 2012 Credit Facility bear interest at variable rates. Increases in prevailing rates could increase the amounts that we would have to pay to our lenders, even though the outstanding principal amount remains the same, and our net income and cash flows would decrease. We expect our earnings and cash flow to vary from year to year due to the cyclical nature of the tanker industry. In addition, our current policy is not to accumulate cash, but rather to distribute our available cash to shareholders. If we do not generate or reserve enough cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans, such as:

seeking to raise additional capital,

refinancing or restructuring our debt,

selling tankers or other assets, or

reducing or delaying capital investments.

However, these alternative financing plans, if necessary, may not be sufficient to allow us to meet our debt obligations. If we are unable to meet our debt obligations or if some other default occurs under the 2012 Credit Facility, the lenders could elect to declare that debt, together with accrued interest and fees, to be immediately due and payable and proceed against the collateral securing that debt, which constitutes our entire fleet.

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

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

pay dividends and make capital expenditures if we do not repay amounts drawn under the 2012 Credit Facility or if we are otherwise in default under the 2012 Credit Facility,

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

Therefore, we may need to seek permission from our lenders in order to engage in some corporate actions. Our lenders' interests may be different from ours and we may not be able to obtain our lenders' permission when needed. This may limit our ability to pay dividends to you, finance our future operations or capital requirements, make acquisitions or pursue business opportunities.

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

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

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

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

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 Sungdong Shipbuilding & Marine Engineering Co., Ltd., or Sungdong, for the construction of two Suezmax newbuildings that are currently under construction, with expected delivery dates in the third quarter 2016 and the first quarter 2017. 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.





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.

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

### Risks Relating to Our Common Shares

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

The market price of our common shares has historically fluctuated over a wide range and may continue to fluctuate significantly in response to many factors, such as actual or anticipated fluctuations in our operating results, changes in financial estimates by securities analysts, economic and regulatory trends, general market conditions, rumors and other factors, many of which are beyond our control. Since 2008, the stock market has experienced extreme price and volume fluctuations. If the volatility in the market continues or worsens, it could have an adverse 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 and we maintain our principal offices at LOM Building, 27 Reid Street, Hamilton HM 11, Bermuda. Our telephone number at such address is (441) 292-7202. We are an international tanker company originally formed for the purpose of acquiring and chartering three double-hull Suezmax tankers that were built in 1997. In the autumn of 2004, we owned three vessels. We currently own 26 vessels, including two newbuildings currently under construction, of approximately 156,000 dwt each. We expect that our fleet expansion process will continue over time and the addition of more vessels. The vessels in our fleet are homogenous and interchangeable, which is a strategy we refer to as the "Nordic American System".

In January 2013, we acquired Scandic and Orion Tankers Ltd, or Orion, as wholly owned subsidiaries. Accordingly, these financial statements 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, the Company has a conservative risk profile. Our dividend payments are important for our shareholders, and at the same time we recognize the need to expand our fleet under conditions advantageous to us.

Our 26 tankers are all Suezmaxes which can carry one million barrels of oil, are highly versatile and 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 percentagewise 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 dividend from cash on hand. We have a cash break-even level of about \$12,000 per day per vessel, which we consider low in the industry. The cash break-even rate is the amount of average daily revenue our vessels would need to earn in the spot tanker market in order to cover our vessel operating expenses, cash general and administrative expenses, interest expense and all other cash charges.

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

Effective January 10, 2013, we acquired 100% of the shares of Scandic from a company owned by our Chairman and Chief Executive Officer Mr. Herbjørn Hansson and his family. As a result of the purchase we are no longer obligated to maintain Scandic's ownership of 2% of our common shares. The restricted common shares equal to 2% of our outstanding common shares issued pursuant to a prior management agreement by and among the Company and Scandic and the restricted common shares issued to Scandic under the 2011 Equity Incentive Plan were not part of the transaction.

As part of the transaction, the Board of Directors amended the vesting requirements for the 174,000 shares allocated to Scandic under the 2011 Equity Incentive Plan and the vesting requirements were lifted.

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

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

On November 21, 2013, we issued 9,343,750 common shares at \$8.00 per share in an underwritten registered follow-on offering. The net proceeds of the offering were principally used to acquire shares in Nordic American Offshore Ltd, or NAO, that was established through a private equity placement of \$250.0 million, or the Private Placement, on November 27, 2013. The Company acquired 4,333,566 of NAO's common shares in the Private Placement for a purchase price of approximately \$65.0 million which resulted in a 26% ownership interest in NAO.

On August 12, 2014 we distributed 669,802 NAO shares as dividend in kind to our shareholders.

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 announced that we had entered into final contracts with Sungdong for the construction of two Suezmax tankers with the carrying capacity of 158,000 deadweight tons each. The two contracted newbuildings will be purchased for approximately \$65.0 million per vessel and are expected to be delivered in the third quarter 2016 and the first quarter 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 2012 Credit Facility. Under this agreement, our 2012 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. As of the date of this annual report, we have 89,182,001 common shares issued and outstanding.

#### B. Business Overview

We are an international tanker company that owns 26 double-hull Suezmax tankers, two of which are newbuildings that average approximately 156,000 dwt each. Our Suezmax tankers are interchangeable assets, as any vessel may be offered to a charterer for any voyage.

#### Our Fleet

Our fleet currently consists of 26 Suezmax crude oil tankers, of which 24 were built in Korea. All of our vessels are employed in the spot market. The vessels are considered homogenous and interchangeable as they have approximately the same freight capacity and ability to transport the same type of cargo.

<u>Vessel</u>	<u>Built</u>	<u>Deadweight Tons</u>	<u>Delivered</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
Newbuilding(1)	2016	158,000	2016(2)
Newbuilding(1)	2017	158,000	2017(2)

(1) Vessel under construction.

(2) Expected delivery third quarter 2016 and first quarter 2017.

#### Employment of Our Fleet

It is our policy to operate our vessels either in the spot market or on short term time charters.

#### Spot Market

Spot Charters: Tankers operating in the spot market are typically chartered for a single voyage which may last up to several weeks. Under a voyage charter, revenue is generated from freight billing, as we are responsible for paying voyage expenses and the charterer is responsible for any delay at the loading or discharging ports. When our tankers are operating on spot charters, the vessels are traded fully at the risk and reward of the Company. 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 audited financial statements. The tanker industry is typically stronger in the fall and winter months 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 the spot market charters.

#### Technical Management



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

#### Share-based Compensation Plan

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

In 2012, the Company repurchased at par value 8,500 restricted common shares and in 2013, the Company repurchased at par value 14,500 restricted common shares. These 23,000 restricted common shares are held as treasury shares.

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.

In 2014, we repurchased at fair value 10,000 restricted common shares, and distributed 33,000 restricted common shares among employees of the Company. In 2015, 193,000 shares under the 2011 Equity Incentive Plan were transferred to employees.

In December 2015, we amended and restated the 2011 Equity Incentive Plan, which we refer to as the Amended and Restated 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. On January 8, 2016, all 137,665 restricted shares reserved under the Amended and Restated 2011 Equity Incentive Plan were issued to 30 persons.

#### 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.

An improved balance between supply and demand for tanker vessels is affecting the market positively since late 2014.

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

In order to benefit from economies of scale, tanker charterers will typically charter the largest possible vessel to transport oil or products, consistent with port and canal dimensional restrictions and optimal cargo lot sizes. A tanker's carrying capacity is measured in deadweight tons, or dwt, which is the amount of crude oil measured in metric tons that the vessel is capable of loading. ULCCs and VLCCs typically transport crude oil in long-haul trades, such as from the Arabian Gulf to Rotterdam via the Cape of Good Hope. Suezmax tankers also engage in long-haul crude oil trades as well as in medium-haul crude oil trades, such as from the Mediterranean and Arabian Gulf towards the Far East, i.e. China, India and other emerging economies in Asia that absorb the shortfall from the traditional routes, from West Africa to the East Coast of the United States used to represent. Aframax-size vessels generally engage in both medium-and short-haul trades of less than 1,500 miles and carry crude oil or petroleum products. Smaller tankers mostly transport petroleum products in short-haul to medium-haul trades.

#### The 2015 Tanker Market (Source: Fearnleys)

The tanker market continued on an upward trend starting from 2014 last year, with earnings going from around cash break-even levels in 2014 to end as one of the strongest yielding years on record in 2015. Continued low fleet growth

combined with strong oil consumption growth were the key drivers. Demand was furthermore strengthened by stock building as the oil market oversupply continued, which also caused significant port delays and ullage issues as supporting factors for the market balance.

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Data from Fearnley show Suezmax earnings jumped 67% in 2015 as compared to 2014 to an average of \$45,800/day, following up on the 79% improvement experienced in 2014 as compared to 2013. VLCC earnings ended by comparison at \$62,500/day, meaning the differential between the segments normalized, after Suezmaxes the previous years had earned about the same as the VLCCs.

Overall tanker fleet growth ended at 3.1%, in 2015, up from 1.9% in 2014 and 2.4% in 2013, respectively. The 2015 fleet growth percentage was however inflated by high fleet growth in the smaller product tanker segments, which have limited direct impact on the Suezmax market. The Suezmax segment had a low 1.2% fleet growth while the bigger and highly correlated VLCC segment had a 2.7% fleet growth.

The Suezmax segment took delivery of an average 5.2 newbuildings per month at the peak of newbuilding deliveries in first half of 2012. The following year this declined to 2.5 newbuilding delivered per month while since second half of 2013 the number has been a stable and very low 0.5 newbuilding delivery on average per month. With the exception of the Panamax/LR1 segment, there have been no other tanker segments experiencing lower fleet growth the past few years. A significant part of the explanation for this is the financial distress experienced at China's biggest privately owned yard, Jiangsu Rongsheng Shipbuilding, in 2013. The yard had more than 50% of the worldwide Suezmax orderbook at the time. The low fleet growth in the Suezmax segment has also been caused by extensive delays at the Atlantico Sul shipyard in Brazil.

Measured in net supply, the Suezmax segment took delivery of 9 newbuildings last year, of which 6 were delivered during the first half of 2015. As earnings rallied to very strong levels there were few incentives to sell vessels for demolition, hence no vessels were scrapped, and by the end of 2015 the Suezmax fleet consisted of 451 vessels, excluding shuttle tankers. By comparison, 8 vessels were delivered and 8 were scrapped during 2014. At the previous peak for newbuilding deliveries in 2012, net supply counted as many as 40 vessels, as 45 newbuildings were delivered and 5 vessels were scrapped. The VLCC segment meanwhile saw the addition of 21 newbuildings last year while 1 vessel was scrapped, leaving net supply at 20 vessels and a fleet size by the end of 2015 counting 651 vessels. Net supply was by comparison 16 VLCC vessels in 2014 while at its recent peak net supply counted as many as 59 vessels in 2011.

The strengthening tanker market was furthermore driven by strong demand. Overall tanker ton-miles grew 3.4% which may be compared with an average of 2.3% since 2010. Volume growth was 2.9% while the average sailing distance for the tanker fleet grew 0.5%. The ton-mile growth was particularly driven by a 6.3% growth for VLCC ton-miles as volumes traded on these vessels grew by 5.1% and the average distance travelled grew by 1.2%. While the Suezmaxes had outperformed the VLCCs in ton-miles three out of the previous four years, the Suezmax ton-miles underperformed in 2015, growing a moderate 0.7%. Volume growth was a strong 6.7%, however the average sailing distance was down a huge -5.7% as fewer cargo liftings on Suezmaxes from West Africa to Asia in particular caused the latter. Ton-miles on that particular route were down -14.6% as compared to 2014, while a -22.0% decline in Suezmax trading from the Middle East to Europe also capped the overall result.

On the positive side, the West Africa to Europe Suezmax trade, a trade that now accounts for 15.3% of all Suezmax ton-miles versus 6.7% five years ago, grew another 4.3% and continued thereby an uptrend that accelerated from 2011 when European refineries increasingly experienced short fall in crude oil supply from Libya and Iran. Meanwhile, the West Africa to the U.S. Suezmax trade rebounded with a 19.4% ton-mile growth last year, to account 2.6% of overall Suezmax ton-miles. Prior to the U.S shale oil boom, this trade accounted for nearly 15% of the Suezmax ton-miles by comparison. The most important support to the overall result came from a 58% growth in Suezmax trading from Latin- and South-America to Asia however, mostly with fuel oil from the Caribbean. The latter has been a new tonnage intensive trade, due to its long sailing distance, developing over the past five years where Suezmaxes, who contrary to most VLCCs, have taken the advantage of having the heating coils needed to take heavy fuel oils. This trade accounted for 10% of the total Suezmax ton-miles.

Other factors that supported tanker demand through 2015 that resulted from oil market contango and constrained storage capacity, were floating storage, an increase in waiting days due to ullage issues and a trend of more part-discharges as onshore storage capacity has been increasingly constrained. "Semi-storage" can also be used as a term as the charterers have chosen the long routes, like going around Cape Good Hope rather than through the Suez Canal.

Asset values experienced a mixed development last year as second hand prices strengthened while newbuilding prices weakened. Ample available yard capacity compared with slow contracting interest from mostly depressed shipping and offshore segments caused the downward pressure for newbuilding prices. The latter also capped the upside of second hand prices, which were low compared with market earnings in a historic perspective. Funding issues and several fleets out for sale through 2015 may be other explanations to why asset values underperformed earnings. According to data from Fearnley, 5 year old Suezmax was valued USDm 60 by the end of 2015, 13.2% higher than a year earlier. Newbuilding prices were on the other hand down -1.5% to USDm64.

Fearnley forecast that earnings will weaken from last year's extraordinary levels to around longer-term averages in 2016. First half of the year is expected to be stronger than second half as fleet growth accelerates only gradually throughout the year. Meanwhile, the tanker market is expected to see continued support from an oversupplied oil market through first half of the year, before the oil market may balance better in second half of the year. The latter could include recovering oil prices, the loss of the forward market contango and thereby loss of the incremental stock building volumes for the tanker market. There is however great uncertainty linked to the timing of a rebalanced oil market and a prolonged oversupply would mean continued support to tanker demand. A prolonged oil market oversupply could also trigger an increase in floating storage as remaining onshore storage capacity is believed to be limited. Fearnley therefore consider risk to be on the upside of its forecast for 2016.

#### The Tanker Market 2016

The first quarter of 2016, so far, is a solid quarter in the tanker market. The general uptick in rates seen through 2015 continued. Suezmax rates up to the week ending March 11, 2016 averaged about \$39,000 per day based on the Clarksons Modern Suezmax Tanker Index. For the equivalent VLCC index the average was about \$59,000 per day.

Coming into 2016 vessel values saw modest declines. The following values are based on weekly observations up to the week ending March 11, 2016. According to the Clarksons data, Five year old Suezmaxes declined in value by 2.8% from an average of \$60.0 million in 4Q2015 to \$58.3 million in 1Q2016. Five year old VLCCs declined in value by 0.8% from an average of \$79.8 million in 4Q2015 to \$79.1 million in 1Q2016. Prices declined as a result of a fewer buyers for secondhand vessels, and a decline in newbuilding prices from the shipyards.

#### 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. Effective May 2005, Annex VI sets limits on nitrogen oxide emissions from ships whose diesel engines were constructed (or underwent major conversions) on or after January 1, 2000. It also prohibits "deliberate emissions" of "ozone depleting substances," defined to include certain halons and chlorofluorocarbons. "Deliberate emissions" are not limited to times when the ship is at sea; they can for example include discharges occurring in the course of the ship's repair and maintenance. Emissions of "volatile organic compounds" from certain tankers, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls (PCBs)) are also prohibited. Annex VI also includes a global cap on the sulfur content of fuel oil (see below).

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

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

As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for ships. Currently operating ships are now required to develop and implement Ship Energy Efficiency Management Plans (SEEMPs), and new ships must be designed in compliance with minimum energy efficiency levels per capacity mile, as defined by the Energy Efficient Design Index (EEDI). These requirements could cause us to incur additional compliance costs.

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

## Safety Management System Requirements

The IMO also adopted SOLAS, and the International Convention on Load Lines, or LL, which impose a variety of standards that regulate the design and operational features of ships. The IMO periodically revises the SOLAS and LL standards. May 2012 SOLAS amendments entered into force as of January 1, 2014. Additionally, May 2013 SOLAS amendments, pertaining to emergency drills, entered into force in January 2015. The Convention on Limitation of Liability for Maritime Claims (LLMC) was recently amended and the amendments went into effect on June 8, 2015. The amendments alter the limits of liability for a loss of life or personal injury claim and a property claim against ship owners.

Our operations are also subject to environmental standards and requirements contained in the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or ISM Code, promulgated by the IMO under Chapter IX of SOLAS. The ISM Code requires the owner of a vessel, or any person who has taken responsibility for operation of a vessel, to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that has been developed for our vessels for compliance with the ISM Code.

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



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

#### Pollution Control and Liability Requirements

IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatory nations to such conventions. For example, many countries have ratified and follow the liability plan adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage of 1969, CLC, as amended by different Protocol in 1976, 1984, and 1992, and amended in 2000. Under the CLC and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain exceptions. The 1992 Protocol changed certain limits on liability, expressed using the International Monetary Fund currency unit of Special Drawing Rights. The limits on liability have since been amended so that the compensation limits on liability were raised. The right to limit liability is forfeited under the CLC where the spill is caused by the ship owner's actual fault and under the 1992 Protocol where the spill is caused by the ship owner's intentional or reckless act or omission where the ship owner knew pollution damage would probably result. The CLC requires ships covered by it to maintain insurance covering the liability of the owner in a sum equivalent to an owner's liability for a single incident. We believe that our protection and indemnity insurance will cover the liability under the plan adopted by the IMO.

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

In addition, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements to be replaced in time with mandatory concentration limits. The BWM Convention will not become effective until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping. As of early March 2016, 48 states had adopted the BWM convention, approaching to the 35% threshold. Notwithstanding the foregoing, the BWM convention has not yet been ratified. Proposals regarding implementation have recently been submitted to the IMO, but we cannot predict the ultimate timing for ratification. Many of the implementation dates originally written in the BWM Convention have already passed, so that once the BWM Convention enters into force, the period for installation of mandatory ballast water exchange requirements would be extremely short, with several thousand ships a year needing to install ballast water management systems (BWMS). For this reason, on December 4, 2013, the IMO Assembly passed a resolution revising the application dates of BWM Convention so that they are triggered by the entry into force date and not the adoption date in the BWM Convention. This in effect makes all vessels constructed before the entry into force date 'existing' vessels, and allows for the installation of a BWMS on such vessels at the first renewal survey following entry into force of the convention. Furthermore, in October 2014 the MEPC met and adopted additional resolutions concerning the BWM Convention's implementation. If mid-ocean ballast exchange or ballast water treatment requirements become mandatory, the cost of compliance could increase for ocean carriers and the costs of ballast water treatments 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 United States 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. Although we do not believe that the costs of compliance with a mandatory mid-ocean ballast exchange would be material, it is difficult to predict the overall impact of such a requirement on our operations.

The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

#### U.S. Regulations

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

Under OPA, vessel owners and operators are "responsible parties" and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels. OPA defines these other damages broadly to include:

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

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

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

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

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

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

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective December 21, 2015, the U.S. Coast Guard adjusted the limits of OPA liability to the greater of \$2,200 per gross ton or \$18,796,800 for any double-hull tanker that is over 3,000 gross tons (subject to periodic adjustment for inflation), and our fleet is entirely composed of vessels of this size class. These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident where the 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.

## European Union Regulations

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. Member States were required to enact laws or regulations to comply with the directive by the end of 2010. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims.

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 then 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.

## 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. The 2015 United Nations Convention on Climate Change Conference in Paris did not result in an agreement that directly limited greenhouse gas emissions from ships.

As of January 1, 2013, all ships must comply with mandatory requirements adopted by the MEPC in July 2011 relating to greenhouse gas emissions. Currently operating ships are now required to develop SEEMPs, and minimum energy efficiency levels per capacity mile will apply to new ships. These requirements could cause us to incur additional compliance costs. The IMO is planning to implement market-based mechanisms to reduce greenhouse gas emissions from ships at an upcoming MEPC session. In April 2015, a regulation was adopted requiring that large ships (over 5,000 gross tons) calling at European Union, EU, ports from January 2018 collect and publish data on carbon dioxide emissions and other information. In the United States, the EPA has issued a finding that greenhouse gases endanger the public health and safety and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and large stationary sources. The EPA enforces both the CAA and the international standards found in Annex VI of MARPOL concerning marine diesel engines, their emissions, and the sulfur content in marine fuel. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol, that restrict emissions of greenhouse gases from marine vessels, could require us to make significant financial expenditures, including capital expenditures to upgrade our vessels, which we cannot predict with certainty at this time.

## International Labour Organization

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

## Vessel Security Regulations

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

Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new Chapter XI-2 became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, and mandates compliance with the ISPS Code. The ISPS Code is designed to enhance the security of ports and ships against terrorism.

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

on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;

on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;

the development of vessel security plans;

ship identification number to be permanently marked on a vessel's hull;

a continuous synopsis record kept onboard showing a vessel's history, including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and

compliance with flag state security certification requirements.

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

The U.S. Coast Guard regulations, intended to align with international maritime security standards, exempt from MTSA vessel security measures non-U.S. vessels that have on board a valid ISSC attesting to the vessel's compliance with SOLAS security requirements and the ISPS Code. We have implemented the various security measures addressed by MTSA, SOLAS and the ISPS Code, and our fleet is in compliance with applicable security requirements.

#### Inspection by Classification Societies

Every seagoing vessel must be "classed" by a classification society. The classification society certifies that the vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

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





**Annual Surveys:** For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant, and where applicable for special equipment classed, within three months before or after each anniversary date of the date of commencement of the class period indicated in the certificate.

**Intermediate Surveys:** Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys are to be carried out at or between the occasion of the second or third annual survey.

**Class Renewal Surveys:** Class renewal surveys, also known as special surveys, are carried out for the ship's hull, machinery, including the electrical plant, and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals.

### 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 of 24 homogenous Suezmax tankers in markets that are highly competitive and based primarily on supply and demand. We currently operate all 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 Information on the Company—A. History and Development of the Company.

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## 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, 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. For a description of the terms of the Management agreement, please see "Item 4. Information on the Company –B. Business Overview Management Agreement."

On January 3, 2013, Orion became our wholly owned subsidiary. Orion consists of the parent company based in Bermuda, and its wholly owned subsidiary, Orion Tankers 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 2012 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 Statements of Operations using voyage revenues and voyage expenses. Our homogenous and interchangeable fleet is operated 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 US GAAP because it enables us to compare the profitability of our vessels which are employed under bareboat charters, spot related time charters and spot charters. Net voyage revenues divided by the number of days on the charter provides the Time Charter Equivalent (TCE) Rate. Net voyage revenues and TCE rates are widely used by investors and analysts in the tanker shipping industry for comparing the financial performance of companies and for preparing industry averages. We believe that our method of calculating net voyage revenue is consistent with industry standards. The table below reconciles our net voyage revenues to voyage revenues.

## YEAR ENDED DECEMBER 31, 2015 COMPARED TO YEAR ENDED DECEMBER 31, 2014

	Years Ended		Variance	
	2015	December 31, 2014		
All figures in USD '000	2015	(Adjusted)	Variance	
Voyage Revenue	445,738	351,049	27.0	%
Voyage Expenses	(158,656)	(199,430 )	(20.4	%)
Vessel Operating Expenses	(66,589 )	(62,500 )	6.5	%
General and Administrative Expenses	(9,790 )	(14,863 )	(34.1	%)
Depreciation Expenses	(82,610 )	(80,531 )	2.6	%
Fees for Services Provided	-	1,500	(100	%)
Net Operating Income (Loss)	128,093	(4,775 )	2,792.6	%
Interest Income	114	181	(37.3	%)
Interest Expenses	(10,855 )	(12,244 )	(11.3	%)
Gain on Shares*	-	3,286	(100	%)
Other Financial Expenses*	(263 )	(1,173 )	(77.6	%)
Equity (Loss) Income*	(2,462 )	1,559	(257.9	%)
Net Income (Loss)	114,627	(13,166 )	970.6	%

\* During 2015, the Company's ownership interest in Nordic American Offshore Ltd. ("NAO") increased to 26.7% due to NAO's share repurchase program and the Company's purchase of an additional 1,521,300 shares in NAO on November 12, 2015. Based on the significance of the Company's ownership interest and potential future increase in ownership interest, through NAO's share repurchase program, the Company determined it has the ability to exercise significant influence over NAO and therefore, changed its method of accounting for the investment in NAO from an available-for-sale security to an equity method investment. The change in accounting method has been retrospectively

applied to the consolidated financial statements as of and for the year ended December 31, 2014, resulting in an increase of \$0.4 million and \$7.2 million to Net Loss and Other Comprehensive Loss, respectively, and increases to both the Investment in Nordic American Offshore Ltd and total Shareholders' Equity of \$6.8 million.

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Reconciliation of net voyage revenues to voyage revenues	Years Ended		
	December 31,		
All figures in USD '000, except TCE rate per day	2015	2014	Variance
Voyage Revenue	445,738	351,049	27.0 %
Less Voyage expenses	(158,656)	(199,430)	(20.4 %)
Net Voyage Revenue	287,082	151,619	89.3 %
Vessel Calendar Days (1)	8,195	7,619	7.6 %
Less off-hire days	484	229	111.2 %
Total TCE days	7,711	7,390	4.3 %
TCE Rate per day (2)	\$37,228	\$20,517	81.5 %
Total Days – vessel operating expenses	8,195	7,619	7.6 %

- (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.

On i), the increase of 255 days in offhire days was a result of planned offhire in connection with required drydocking increasing by 119 days, and 110 days related to commercial offhire events in 2015.

The increase in vessel calendar days is due to two vessels delivered in September and October 2015, and full effect of two vessels delivered in July 2014.

On ii), the TCE rate increased by \$16,711, or 81.5%. The indicative rates presented by Clarksons Shipping increased by 86.1% for the twelve months of 2015 and 2014, to \$50,220 from \$26,993.

As a result of i) and ii) voyage revenues increased by 27.0% from \$351.0 million for the year ended December 31, 2014, to \$445.7 million for the year ended December 31, 2015.

Voyage expenses decreased to \$158.7 million from \$199.4 million, or 20.4%. 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 6.5%. This was primarily due to the increase in our fleet. In cooperation with our technical managers we have a continued focus on keeping the fleet in top technical condition while keeping costs low. Operating expenses per vessel per day decreased to \$8,130 from \$8,200 for the twelve months ended December 31, 2015 and 2014, respectively.

General and administrative expenses decreased by \$5.1 million, or 34.1%. The decrease is primarily a result of the weakening of Norwegian Kroner compared with U.S. Dollars, and general cost savings in 2015 compared to 2014. Depreciation expenses increased by \$2.1 million, or 2.6%. The increase is primarily due to the addition of two vessels delivered in September and October 2015, and full effect of two vessels delivered in July 2014.

Interest expenses decreased by 11.3%. The decrease is due to a reduction in the margin on amounts drawn under the 2012 Credit Facility.

Gain on shares of \$3.3 million in 2014 relates to gain on shares held in NAO in connection with the initial public offering and dividend in kind in 2014.

Other Financial Expenses decreased by 77.6%. The decrease is due to a \$0.9 million reduction in fair value of warrants held in NAO which was expensed in 2014.

Equity (Loss) Income decreased to (\$2.5) million in 2015 from \$1.6 million in 2014, due to reduction of earnings in our investment in NAO.

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YEAR ENDED DECEMBER 31, 2014 COMPARED TO YEAR ENDED DECEMBER 31, 2013

All figures in USD '000	Years Ended		Variance	
	2014	2013		
	(Adjusted)			
Voyage Revenue	351,049	243,657	44.1	%
Voyage Expenses	(199,430)	(173,410)	15.0	%
Vessel Operating Expenses	(62,500 )	(64,924 )	(3.7	%)
General and Administrative Expenses	(14,863 )	(19,555 )	8.3	%
Depreciation Expenses	(80,531 )	(74,375 )	(24.0	%)
Loss on Contract	-	(5,000 )	-	
Fees for services provided	1,500	-	-	
Net Operating (Loss)	(4,775 )	(93,608 )	(94.9	%)
Interest Income	181	146	24.0	%
Interest Expenses	(12,244 )	(11,518 )	6.3	%
Gain on Shares*	3,286	-	100.0	%
Other Financial Income (Expenses)*	(1,173 )	(477 )	145.9	%
Equity Income*	1,559	40	3797.5	%
Net (Loss)	(13,166 )	(105,417)	(87.5	%)

\* During 2015, the Company's ownership interest in Nordic American Offshore Ltd. ("NAO") increased to 26.7% due to NAO's share repurchase program and the Company's purchase of an additional 1,521,300 shares in NAO on November 12, 2015. Based on the significance of the Company's ownership interest and potential future increase in ownership interest, through NAO's share repurchase program, the Company determined it has the ability to exercise significant influence over NAO and therefore, changed its method of accounting for the investment in NAO from an available-for-sale security to an equity method investment. The change in accounting method has been retrospectively applied to the consolidated financial statements as of and for the year ended December 31, 2014, resulting in an increase of \$0.4 million and \$7.2 million to Net Loss and Other Comprehensive Loss, respectively, and increases to both the Investment in Nordic American Offshore Ltd and total Shareholders' Equity of \$6.8 million.

Reconciliation of net voyage revenues to voyage revenues All figures in USD '000, except TCE rate per day	Years Ended		
	2014	2013	Variance
Voyage Revenue	351,049	243,657	44.1 %
Less Voyage expenses	(199,430)	(173,410)	15.0 %
Net Voyage Revenue	151,619	70,246	115.8%
Vessel Calendar Days (1)	7,619	7,300	4.4 %
Less off-hire days	229	971	(76.4 %)
Total TCE days	7,390	6,329	16.8 %
TCE Rate per day (2)	\$20,517	\$11,099	84.8 %
Total Days – vessel operating expenses	7,619	7,300	4.4 %

- (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.

Voyage revenue was \$351.0 million for the year ended December 31, 2014 compared to \$243.7 million for the year ended December 31, 2013. The change in Voyage revenue is due to two main factors:

- iii) The number of TCE days  
iv) The change in the TCE rate achieved.



On i), the reduction in off hire days to 229 for the year ended December 31, 2014 from 971 days for the year ended December 31, 2013 was partly a result of planned off-hire of 757 days in connection with required drydockings in 2013 compared to 161 days in 2014.

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The increase in vessel calendar days is due to the delivery of two new vessels in 2014.

On ii), the TCE rate per day was \$20,517 for the year ended December 31, 2014, compared to \$11,099 for the year ended December 31, 2013, representing an increase of 84.8%. The indicative spot rates presented by Marex Spectron for the twelve months of 2014 and 2013 increased by 88.1% to \$27,495 from \$14,615, respectively.

As a result of i) and ii) net voyage revenues increased by 115.8% from \$70.3 million for the year ended December 31, 2013, to \$151.6 million for the year ended December 31, 2014.

Voyage expenses were \$199.4 million for the year ended December 31, 2014, compared to \$173.4 million for the year ended December 31, 2013, representing an increase of 15%. The increase in voyage expenses was primarily a result of increase in activity, and the delivery of two new vessels. This was offset by the fall in bunker prices in 2014 reduced the voyage expenses.

Vessel operating expenses were \$62.5 million for the year ended December 31, 2014 compared to \$64.9 million for the year ended December 31, 2013, a decrease of 3.7%. The Company's focus on keeping the fleet in top technical condition and reducing costs in co-operation with its technical managers has given a reduction of operating expenses per vessel per day from \$8,700 for the year ended December 31, 2013 to \$8,200 for the year ended December 31, 2014.

General and administrative expenses were \$14.9 million for the year ended December 31, 2014 compared to \$19.6 million for the year ended December 31, 2013, a decrease of 24%. The decrease of \$4.7 million is a result of charges of \$3.6 million related to the acquisition of Scandic and \$1.0 million in legal fees related to the Gulf Navigation Holding PJSC arbitration recognized in 2013.

Depreciation expenses were \$80.5 million for the year ended December 31, 2014 compared to \$74.4 million for the year ended December 31, 2013, an increase of 8.2%. The increase of \$6.1 million in depreciation expenses for the year ended December 31, 2014 compared to the year ended December 31, 2013 is a result the addition of two new vessels and of drydocking cost capitalized for seven vessels in 2013 being amortized over a full year in 2014.

We recorded no settlement loss during the year ended December 31, 2014 compared to \$5.0 million for the year ended December 31, 2013. The settlement loss relates to a preexisting contractual relationship between us and Scandic, which was recognized when the purchase of Scandic was completed.

We recorded a success fee received of \$1.5 million during the year ended December 31, 2014. The success fee, which is presented as fees for services provided in the Statements of Operations, was received in relation to the successful listing of NAO on the New York Stock Exchange, or the NYSE, in June 2014.

Net operating loss was \$4.8 million for the year ended December 31, 2014 compared to a net operating loss of \$93.6 million for the year ended December 31, 2013, a decrease of 94.9%. The decrease in net operating loss of \$88.8 million is primarily caused by the increase in net voyage revenues caused by significant improvements in the spot market rates, and charges of \$8.6 million related to the acquisition of Scandic and of \$1.0 million related to the Gulf Navigation Holding PJSC arbitration in 2013.

Interest expense was \$12.2 million for the year ended December 31, 2014 compared to \$11.5 million for the year ended December 31, 2013. The increase in interest expenses for the year ended December 31, 2013 is due to a higher average margin for the year ended December 31, 2014 compared to the year ended December 31, 2013.

Gain on shares of \$3.3 million in 2014 relates to gain on shares held in NAO in connection with the initial public offering and dividend in kind in 2014.

Equity Income increased by \$1.5 million in 2014 due to the increase in activity in NAO. For further information please see Item 7. Major Shareholders and Related Party Transactions.

## 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

### Equity Issuances

In April 2014, we completed an underwritten registered follow-on offering of 13,800,000 common shares at \$8.62 per share. The net proceeds from the offering were approximately \$113.4 million. The net proceeds of the offering were used to finance the acquisition of two vessels Nordic Sprinter and Nordic Skier, and for general corporate purposes.

### Our Borrowing Activities

#### 2012 Credit Facility

On October 26, 2012, we entered into the 2012 Credit Facility, a \$430.0 million revolving credit facility, with a syndicate of lenders in order to refinance the 2005 Credit Facility, fund future vessel acquisitions and for general corporate purposes. Amounts borrowed under the 2012 Credit Facility bear interest at an annual rate equal to LIBOR plus a margin and the Company pays a commitment fee, which is a percentage of the applicable margin, on any undrawn amounts. The 2012 Credit Facility original maturity date is in late October 2017.

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

As of December 31, 2015 and 2014 the Company had \$330.0 million and \$250.0 million, respectively, outstanding under the 2012 Credit Facility and \$100.0 million and \$180.0 million, respectively, available for additional borrowing. We were in compliance with our loan covenants under the 2012 Credit Facility as of December 31, 2015 and December 31, 2014. Cash on hand was \$29.9 million as of December 31, 2015.

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

On December 17, 2015, we announced that the Company had agreed to extend and refinance the 2012 Credit Facility up to the end of 2020, with an increase in the facility from \$430 million to \$500 million. The extension was effective in January 2016.

### Cash Flows

#### YEAR ENDED DECEMBER 31, 2015 COMPARED TO YEAR ENDED DECEMBER 31, 2014

Cash flows provided by operating activities increased to \$174.4 million for the year ended December 31, 2015 from \$57.5 million for the year ended December 31, 2014. The change in cash flows provided by operating activities is primarily due to the improvement in the market with increased rates, and the increase in our fleet.

Cash flows used in investing activities increased to (\$197.4) million for the year ended December 31, 2015 compared to (\$81.7) million for the year ended December 31, 2014. The increase of cash flows used in investing activities are due to investments in vessels.

Cash flows provided by (used in) financing activities decreased to (\$47.7) million for the year ended December 31, 2015 compared to cash flow provided by (used in) financing activities of \$59.4 million for the year ended December 31, 2014. The decrease is due to the Company not issuing common stock in 2015 and an increase in dividends. This was offset by utilization of our 2012 Credit Facility.

As of December 31, 2015, the Company had \$100.0 million available for additional borrowing under the 2012 Credit Facility. Cash on hand was \$29.9 million as of December 31, 2015. We believe that our borrowing capacity under the 2012 Credit Facility, together with the working capital, is sufficient to fund our ongoing operations and contractual obligations. For further information on contractual obligations please see Item 5. Operating and Financial Review and Prospects F. Tabular Disclosure of Contractual Obligations.

#### YEAR ENDED DECEMBER 31, 2014 COMPARED TO YEAR ENDED DECEMBER 31, 2013

Cash flows provided (used in) operating activities increased to \$57.5 million for the year ended December 31, 2014 from (\$47.3) million for the year ended December 31, 2013. The change in cash flows provided by (used in) operating activities is primarily due to an increase in spot market rates, a decrease in offhire days and cash tied up in short term receivables.

Cash flows (used in) investing activities increased to (\$81.7) million for the year ended December 31, 2014 compared to (\$73.3) million for the year ended December 31, 2013. Cash flows used in investing activities during 2013 primarily consisted of the investment in NAO and acquisition of Scandic, of which \$18.1 million of the purchase price was paid in shares, which were issued to the seller. Cash flows used in investing activities during 2014 primarily consisted of the purchase of two vessels and investments in NAO.

Cash flows provided by financing activities decreased to \$59.4 million for the year ended December 31, 2014 compared to cash flow provided by financing activities of \$130.9 million for the year ended December 31, 2013. The decrease is due to less capital raised from issuance of common stock, and an increase in dividends distributed.

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

Not applicable.

#### D. Trend Information

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

#### E. Off Balance Sheet Arrangements

As of December 31, 2015, we do not have any off-balance sheet arrangements.

#### F. Tabular Disclosure of Contractual Obligations

The Company's contractual obligations as of December 31, 2015, consist of our obligations as borrower under our 2012 Credit Facility, preliminary contracts on two new vessels and our deferred compensation agreement for our Chairman, President and CEO and our Chief Financial Officer and EVP.

The following table sets out financial, commercial and other obligations outstanding as of December 31, 2015.

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Contractual Obligations in \$'000s	Total	Less		More	
		than 1 year	1-3 years	3-5 years	than 5 years
2012 Credit Facility (1)	330,000	-	330,000	-	-
Interest Payments (2)	20,061	11,044	9,017	-	-
Commitment Fees (3)	2,143	1,180	963	-	-
Deferred Compensation Agreement (4)	12,838	-	1,320	1,320	10,198
Newbuilds (5)	64,000	32,000	32,000	-	-
Total	429,042	44,224	382,650	-	2,169

Notes:

- (1) Refers to obligation to repay indebtedness outstanding as of December 31, 2015\*.
- (2) Refers to estimated interest payments over the term of the indebtedness outstanding as of December 31, 2015\*.  
Estimate based on applicable interest rate and drawn amount as of December 31, 2015\*.
- (3) Refers to estimated commitment fees over the term of the indebtedness outstanding as of December 31, 2015\*.  
Estimate based on applicable commitment fee and drawn amount as of December 31, 2015\*.
- (4) Refers to estimated deferred compensation agreements payable to the Company's CEO and CFO as of December 31, 2015.
- (5) Refers to obligation to pay for two newbuilding contracts for vessels to be delivered.

\* On December 17, 2015, the Company announced that we had agreed to extend and refinance the 2012 Credit Facility up to end 2020, with an increase in the facility from \$430 million to \$500 million. As the extension was taken into effect in January 2016 it is not included in the table above. Under the new facility, estimated contractual obligations for interest payments and commitment fees over the new terms of indebtedness outstanding of December 31, 2015 would have been \$40.9 million and \$6.6 million, respectively.

The disclosed contractual obligations are based on estimates as of December 31, 2015. There may be uncertainties on the future obligations related to interest and commitment fees, as the LIBOR rate and the drawn amount may fluctuate.

## CRITICAL ACCOUNTING ESTIMATES

We prepare our financial statements in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. Following is a discussion of the accounting policies that involve a high degree of judgment and the methods of their application. For a further description of our material accounting policies, please see 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. Revenues are generated from spot charters and cooperative arrangements.

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

Spot Charters: 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.

## Long-lived assets

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

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

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

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

## Drydocking

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

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

## Vessel Impairment

The carrying values of the Company's vessels may not represent their fair value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. Historically, both charter rates and vessel values tend to be cyclical. Our vessels are evaluated for possible impairment whenever events or changes in circumstances indicate that the carrying amount of a vessel may not be recoverable. If the estimated undiscounted future cash flows expected to result from the use of the vessel and its eventual disposition is less than the carrying amount of the vessel, the vessel is deemed impaired. Impairment charges may be limited to each individual vessel. There was no impairment on vessels for the years ended December 31, 2015, 2014 or 2013. 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.

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In developing estimates of future undiscounted cash flows, we make assumptions and estimates about the vessels' future performance, with the significant assumptions being related to charter rates, fleet utilization, operating expenses, capital expenditures, residual value and the estimated remaining useful life of each vessel. The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations. The estimated net operating cash flows are determined by considering an estimated daily time charter equivalent for the remaining operating days. We estimate the daily time charter equivalent for the remaining operating days utilizing fifteen year historical average spot market rates for similar vessels over the remaining estimated life of the vessel, assumed to be 25 years from the delivery of the vessel from the shipyard, net of brokerage commissions, expected outflows for vessels' maintenance and vessel operating expenses (including planned drydocking expenditures). The salvage value used in the impairment test is estimated to be \$9.7 million per vessel. If our estimate of undiscounted future cash flows for any vessel is lower than the vessel's carrying value, the carrying value is written down, by recording a charge to operations, to the vessel's fair market value if the fair market value is lower than the vessel's carrying value. Fair market value is calculated based on estimated discounted operating cashflow. Although we believe that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective.

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

The Total Fleet – Comparison of Carrying Value versus Market Value: During the past six years, the market values of vessels have experienced particular volatility, with substantial declines in many vessel classes. There are few transactions in the second hand market for Suezmax tankers. According to Clarkson Ltd. 114 Suezmax tankers were sold and bought in total during 2011, 2012, 2013, 2014 and 2015. 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. Our estimates are based on the estimated market values for our vessels that we have received from shipbrokers and these are inherently uncertain. The market value of a vessel as determined by shipbrokers could be an arbitrary assessment giving an estimate of a value for a transaction that has not taken place. There is very low liquidity in the secondhand market for our type of vessels. 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 homogenous fleet. Based on our unique business model an alternative method to measure the value of our fleet is the implied value expressed by the stock price.

The table set forth below indicates (i) the carrying value of each of our vessels as of December 31, 2015, (ii) which of those vessels we believe has a market value, based on shipbrokers reports, below its carrying value, and (iii) the aggregate difference between carrying value and market value represented by such vessels.

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Vessel	Built	Deadweight Tons	Delivered to NAT	Carrying Value \$ millions
Nordic Harrier*	1997	151,459	1997	21.7
Nordic Hawk *	1997	151,475	1997	24.5
Nordic Hunter*	1997	151,401	1997	23.3
Nordic Voyager*	1997	149,591	2004	20.4
Nordic Freedom*	2005	159,331	2005	49.5
Nordic Fighter*	1998	153,328	2005	30.3
Nordic Discovery*	1998	153,328	2005	33.0
Nordic Saturn*	1998	157,331	2005	32.7
Nordic Jupiter*	1998	157,411	2006	33.9
Nordic Apollo*	2003	159,998	2006	50.4
Nordic Moon*	2002	160,305	2006	48.6
Nordic Cosmos*	2003	159,999	2006	50.9
Nordic Sprite*	1999	147,188	2009	33.1
Nordic Grace*	2002	149,921	2009	38.8
Nordic Mistral*	2002	164,236	2009	36.3
Nordic Passat*	2002	164,274	2010	37.4
Nordic Vega*	2010	163,940	2010	74.4
Nordic Breeze	2011	158,597	2011	56.5
Nordic Aurora	1999	147,262	2011	18.0
Nordic Zenith	2011	158,645	2011	57.0
Nordic Sprinter	2005	159,089	2014	35.1
Nordic Skier	2005	159,089	2014	35.1
Nordic Light	2010	158,475	2015	60.3
Nordic Cross	2010	158,475	2015	60.6

\*Indicates vessel for which we believe that the carrying value of the vessel exceeds the market value, based on uncertain estimates by shipbrokers as of December 31, 2015. We believe that the aggregate carrying value of our vessels exceeds their aggregate market value by approximately \$167.1 million.

#### Goodwill

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

The allocation of the purchase price of acquired companies requires management to make significant estimates and assumptions, including estimates of future cash flows expected to be generated by the acquired assets and the appropriate discount rate to value these cash flows. In addition, the process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis.

As of December 31, 2015 and December 31, 2014, we had one reporting unit with goodwill attributable to it.

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

Recent Accounting Pronouncements:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, which provides new authoritative guidance on the methods of revenue recognition and related disclosure requirements. The ASU will be effective for the first interim period beginning after December 15, 2017 and early adoption is not permitted. The Company is in the process of evaluating the impact of this standard, if any, on its consolidated statements and related disclosures.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which provides new authoritative guidance regarding management's responsibility to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The standard is effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. The Company is not planning to early adopt, and the adoption is not expected to have material impact on the consolidated financial statements.

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In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which provides new authoritative guidance regarding whether reporting entities should consolidate certain legal entities. The standard is effective for annual periods beginning after December 15, 2015 and interim periods within annual periods beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. A reporting entity also may apply the amendments retrospectively. The Company is not planning to early adopt, and the adoption is not expected to have material impact on the consolidated financial statements. In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs related to a recognized debt liability to be presented in the Balance Sheets as a direct deduction from the debt liability rather than as an asset. In August 2015, ASU 2015-15 clarified this standard to state that debt issuance costs of line of credit arrangements would not be required to be reclassified from other assets to liabilities. Upon adoption, an entity must apply the new guidance retrospectively to all prior periods presented in the financial statements. The Company will adopt the standard effective January 1, 2016 which will result in the netting of our deferred financing costs against long-term debt balances in the Balance Sheets for the periods presented and related disclosure. There will be no impact to the manner in which deferred financing costs are amortized in our consolidated financial statements.

In July 2014, the FASB issued ASU No. 2015-11, Inventory (Topic 330) – Simplifying the Measurement of Inventory, which requires an entity to measure inventory at the lower of cost and net realizable value. The amendments in the update are effective for fiscal years beginning after December 15, 2016. Early adoption is permitted for annual or interim reporting periods for which the financial statements have not been previously issued. The Company is not planning to early adopt, and the adoption is not expected to have material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), introducing a new lessee model to determine classification of leases. The amendments in the Update are effective for fiscal years beginning after December 15, 2018. Early adoption of the amendments is permitted. The Company is not planning to early adopt, and the adoption is not expected to have material impact on the consolidated financial statements.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and Senior Management

#### Directors and Senior Management of the Company

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 director elected holds office until a successor is elected. Officers are elected from time to time by vote of the respective Board of Directors and hold office until a successor is elected.

#### The Company

Name	Age	Position
Herbjørn Hansson	68	Chairman, Chief Executive Officer, President and Director
Andreas Ove Ugland	61	Vice Chairman, Director and Audit Committee Chairman
Jan Erik Langangen	65	Director
James Gibbons	52	Director
Richard H. K. Vietor	70	Director
Jim Kelly	62	Director and Audit Committee Member
Turid M. Sørensen	55	Chief Financial Officer & EVP
Frithjof Bettum	54	Senior Vice President Technical Operations

Paal Stenberg	44	Vice President – Technical Operations and Vetting
Jan H. A. Møller	31	Head of Investor Relations & Financial Manager
John G. Bernander	58	Advisor *
Marianne Lie	54	Advisor *

\* part time

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

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

Richard H. K. Vietor has been a director of the Company since July 2007. Mr. Vietor is the Paul Whiton Cherrington Professor of Business Administration where he teaches courses on the regulation of business and the international

political economy. He was appointed Professor in 1984. Before coming to Harvard Business School in 1978, Professor Vietor held faculty appointments at Virginia Polytechnic Institute and the University of Missouri. He received a B.A. in economics from Union College in 1967, an M.A. in history from Hofstra University in 1971, and a Ph.D. from the University of Pittsburgh in 1975.



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

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

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

Paal Stenberg was appointed Vice President Vetting & Technical Operations in 2013 after nearly a year in the position as Vice President Vetting. Paal Stenberg has a Maritime Education from Bakkenteigen Nautical College in Norway. He has 21 years of experience in the Shipping Industry commencing his career in the Royal Norwegian Navy. He has served as Deck Officer on Chemical Tankers and he ended his sea career on Shuttle Tankers as Captain for Ugland Nordic Shipping. After ended sea career, he joined Transpetrol as HSEQ Superintendent as well as Designated Person in the company in 2005. From 2007, he was given the position as Marine-& HSEQ Manager for Transpetrol in addition to the position as Designated Person in the company where he worked until he took up the position as Vice President Vetting in our company early 2013.

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

John G. Bernander was appointed Advisor to the Chairman in June 2012. After some years as a practicing lawyer and corporate counsel for companies such Johan G Olsen Industrier AS and the regional bank Sørlandsbanken AS he has been engaged in politics both on the regional and national scene. He is a former Member of Parliament, Deputy

Minister of the Department of Trade and Industry and of the City Council of Kristiansand. From 1991 to 1994 he was the Deputy Leader of the Conservative Party. After leaving active politics he has held a number of positions in Norwegian commercial life, most notably as CEO of the Gard P&I Club and Gard Services AS (1993 to 2001), CEO and Editor in Chief of the Norwegian Broadcasting Company, NRK (2001 to 2007) and until recently CEO of the Norwegian Federation of Enterprises, NHO (2009 to 2012) Norway.

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

## B. Compensation

### 2011 Equity Incentive Plan

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

As of December 31, 2015, a total number of 33,000 restricted common shares were allocated among 10 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. On January 8, 2016, all 137,665 restricted shares reserved under the Amended and Restated 2011 Equity Incentive Plan were issued to 30 persons.

A copy of the Amended and Restated 2011 Equity Incentive Plan is filed as Exhibit 4.14 to this report.

### Compensation of Directors

The five directors received, in the aggregate, \$400,000 in cash fees for their services as directors for the year ended December 31, 2015. The Vice Chairman of the Board of Directors received an additional annual cash compensation of \$10,000 in 2015. The members of the Audit Committee receive an additional annual cash retainer of \$12,000 each per year. The Chairman of the Audit Committee receives an additional annual cash compensation of \$6,000 per year. We do not pay director fees to the Chairman, President and Chief Executive Officer. We do, however, reimburse all of our directors for all reasonable expenses incurred by them in connection with their services as members of our Board of Directors.

### Executive Pension Plan

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



## Employment Agreements

As of December 31, 2015 we have employment agreements with Herbjørn Hansson, our Chairman, President & Chief Executive Officer and Turid M. Sørensen, our Chief Financial Officer & EVP, 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 2015. 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 2015, 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, 2015, the parent company had two full-time employees and the Company had a total of 21 full time employees.

## E. Share Ownership

With respect to the total amount of common stock owned by all of our officers and directors individually and as a group, 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	High Seas AS (Hansson family)	3,370,695	3.8%
	Jim Kelly		*
	Richard Vietor		*
	Andreas Ove Ugland		*
	Jan Erik Langangen		*
	Turid M. Sorensen		*

(1) Based on 89,182,001 common shares outstanding as of the date of this annual report.

\* Less than 1% of our outstanding shares.

As of December 31, 2015 institutions owned approximately 42% of the shares outstanding.

B. Related Party Transactions

Orion Tankers Ltd.

Orion was acquired by the Company in January 2, 2013, and is a subsidiary and all intercompany balances and transactions have been eliminated in the consolidated financial statements.

Scandic American Shipping Ltd.

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

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 in costs in each of the years ended December 31, 2015, 2014 and 2013, 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 included within "Accounts Payable" at December 31, 2015 or at December 31, 2014.

In 2014, we entered into an agreement with an immediate family member of the Chairman, for the use of an asset owned by him for corporate and marketing activities. We pay a fixed annual fee for this agreement and fees associated with the actual use. The cost of this arrangement for the year ended December 31, 2015 and December 31, 2014 was \$0.1 million, which is included in General and Administrative costs. No amounts were due to the related party as of December 31, 2015 or at December 31, 2014.

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On January 8, 2016, a total number of 137,665 restricted common shares, reserved for issuance under the Amended and Restated 2011 Equity Incentive Plan and that are subject to trade restrictions, were allocated among 30 persons employed in the management of the Company and the members of the Board of Directors. The holders of the restricted shares are entitled to voting rights as well as to receive dividends paid during the period of trade restrictions. Nordic American Offshore Ltd.:

NAO was established through the Private Placement on November 27, 2013 for the purpose of owning and operating Platform Supply Vessels, or PSVs, in the offshore sector. We acquired 4,333,566 of NAO's common shares in the Private Placement for a purchase price of approximately \$65.0 million, which resulted in a 26% ownership interest in NAO. NAO was accounted for using the equity method of accounting.

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

In December 2014 we acquired 488,216 shares in NAO, giving us an ownership of 19.2% as of December 31, 2014.

In May 2015 NAO announced a share repurchase program of under which NAO may repurchase up to 2.5 million of its outstanding shares. Per December 31, 2015 NAO had repurchased 870,839 shares and had 22,560,531 shares outstanding.

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

As of the date of this annual report, we own 29.0% of NAO's outstanding common shares and the investment is accounted for using the equity method of accounting.

As compensation for coordinating the Private Placement we received 833,333 warrants with an exercise price of \$15.00 per common share. The warrants vest in 20% increments at each 10% increase in the volume weighted average price, or VWAP, of NAO's common shares between increases of 25% to 65%. The VWAP must be above an exercise level for a minimum of 10 business days, with a minimum trading volume of \$2 million above exercise levels. The warrants expired on December 31, 2015. In 2014 333,333 warrants vested. The warrants were out of the money as of December 31, 2015 and December 31, 2014 and have no recognized value in the balance sheet as of these dates.

We 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.

Scandic performed supportive functions for NAO from January 1, 2014 which generated external revenues for the Group. In addition, costs of \$2.1 million, \$2.2 million and \$0.3 million incurred for the years ended December 31, 2015, 2014 and 2013 respectively associated with NAO were reimbursed.



## C. Interests of Experts and Counsel

Not applicable.

## ITEM 8. FINANCIAL INFORMATION

## A. Consolidated Statements and other Financial Information

See Item 18.

## Legal Proceedings

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

A London arbitration panel ruled in our favor at the end of January 2014 and awarded the Company \$10.2 million plus direct costs and calculated interest. As of December 31, 2015, no amounts had been received and any future amounts will be recognized upon receipt. We are trying to protect our interest, but the outcome is uncertain.

## 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 2015 were \$123.1 million or \$1.38 per share. The quarterly dividend payments per share in 2015, 2014, 2013, 2012 and 2011 have been as follows:

Period	2015	2014	2013	2012	2011
1st Quarter	\$0.22	\$0.12	\$0.16	\$0.30	\$0.25
2nd Quarter	0.38	0.23	0.16	0.30	0.30
3rd Quarter	0.40	0.28*	0.16	0.30	0.30
4th Quarter	0.38	0.14	0.16	0.30	0.30
Total	\$1.38	\$0.77	\$0.64	\$1.20	\$1.15

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

The Company declared a dividend of \$0.43 per share in respect of the fourth quarter of 2015 which was paid to shareholders on February 10, 2016.

## 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
2011	\$26.80	\$11.58
2012	\$16.04	\$8.15
2013	\$12.00	\$7.00
2014	\$12.61	\$6.95
2015	\$17.45	\$9.15

	NYSE	NYSE
For the quarter ended:	HIGH	LOW
March 31, 2014	\$12.61	\$9.27
June 30, 2014	\$10.07	\$8.01
September 30, 2014	\$9.65	\$7.95
December 31, 2014	\$10.42	\$6.95
March 31, 2015	\$12.08	\$9.15
June 30, 2015	\$15.00	\$11.20
September 30, 2015	\$17.45	\$12.31
December 31, 2015	\$17.02	\$13.75

The high and low market prices for our common shares by month since October 2015 have been as follows:

	NYSE	NYSE
For the month:	HIGH	LOW
October 2015	\$17.02	\$14.65
November 2015	\$15.80	\$14.20
December 2015	\$15.71	\$13.75
January 2016	\$15.57	\$12.50
February 2016	\$14.35	\$9.94
March 2016*	\$14.82	\$12.81

\*Through and including March 22, 2016

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Memorandum of Association and Bye-Laws

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

Under our Memorandum of Association, as amended, our authorized capital consists of 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.

#### Dividend Reinvestment and Direct Stock Purchase Plan

On November 6, 2013, a registration statement on Form F-3 was declared effective by the SEC relating to the Dividend Reinvestment and Direct Stock Purchase Plan for 1,664,450 shares of common stock to allow existing shareholders to purchase additional common stock by reinvesting all or a portion of the dividends paid on their common stock and by making optional cash investments and new investors to enter into the plan by making an initial investment. As at December 31, 2015, no shares were issued pursuant to the plan.

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

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

#### 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 2012 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 December 2014, the Company announced that it had entered into final contracts with Sungdong for the construction of two Suezmax tankers with a carrying capacity of 158,000 deadweight tons each. The two contracted newbuildings were acquired at a purchase price of approximately \$65.0 million per vessel and are expected to be delivered in the third quarter 2016 and the first quarter 2017.

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

### D. Exchange Controls

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

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

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

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

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

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



The Bermuda government actively encourages foreign investment in "exempted" entities like the Company that are based in Bermuda but do not operate in competition with local business. In addition to having no restrictions on the degree of foreign ownership, the Company is subject neither to taxes on its income or dividends nor to any exchange controls in Bermuda other than outlined above. In addition, there is no capital gains tax in Bermuda, and profits can be accumulated by the Company, as required, without limitation. For more information, please see Item 10—Additional Information —E. Taxation—Bermuda Tax Considerations.

## 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 2015 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.

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 2015 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 2015 taxable year. However, because of the factual nature of the issues relating to this determination, no assurance can be given that we will qualify for the exemption in any future taxable year. For example, if 5% Shareholders owned 50% or more of our common shares, then we would have to satisfy certain requirements regarding the identity and residence of our 5% Shareholders. These requirements are onerous and there is no assurance that we could satisfy them.

#### United States Federal Income Taxation of Gain on Sale of Vessels

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

#### 4% Gross Basis Tax Regime

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

#### Net Basis and Branch Profits Tax Regime

To the extent that the benefits of the exemption under section 883 of the Code are unavailable and our United States-Source Shipping Income is considered to be "effectively connected" with the conduct of a United States trade or business, as described below, any such "effectively connected" United States-Source Shipping Income, net of applicable deductions, would be subject to the United States federal income tax currently imposed at corporate rates of up to 35%. In addition, we may be subject to the 30% "branch profits" taxes on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of the United States trade or business.

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

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

United States Federal Income Taxation of United States Holders

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

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

#### Distributions

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

Dividends paid on our common shares to a United States Holder who is an individual, trust or estate, or a United States Individual Holder, will generally be treated as "qualified dividend income" that is taxable to such United States Individual Holders at preferential tax rates provided that (1) the common shares are readily tradable on an established securities market in the United States (such as the NYSE on which our common shares are traded); (2) we are not a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year (as discussed below); (3) the United States Individual Holder has owned the common shares for more than 60 days in the 121-day period beginning 60 days before the date on which the common shares become ex-dividend, and (4) the United States Individual Holder is not under an obligation (whether pursuant to a short sale or otherwise) to make payments with respect to positions in substantially similar or related property. There is no assurance that any dividends paid on our common shares will be eligible for these preferential rates in the hands of a United States Individual Holder. Any dividends paid by 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 taxable years ending on or after December 31, 2013, a United States Holder of our common shares would be required to file annual information returns with the IRS.

### United States Holders Making a Timely QEF Election

**Pass-Through of Ordinary Earnings and Net Capital Gain.** A United States Holder who makes a timely QEF Election with respect to our common shares, or an Electing Holder, would report for United States federal income tax purposes his pro rata share of our "ordinary earnings" (i.e., the net operating income determined under United States federal income tax principles) and our net capital gain, if any, for our taxable year that ends with or within the taxable year of the Electing Holder. Our "net capital gain" is any excess of any of our net long term capital gains over our net short term capital losses and is reported by the Electing Holder as long term capital gain. Our net operating losses or net

capital losses would not pass through to the Electing Holder and will not offset our ordinary earnings or net capital gain reportable to Electing Holders in subsequent years (although such losses would ultimately reduce the gain, or increase the loss, if any, recognized by the Electing Holder on the sale of his common shares).

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

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

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

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

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

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

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

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

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

A United States Holder who does not make a timely QEF Election or a timely mark-to-market election, which we refer to as a Non-Electing Holder, would be subject to special rules with respect to (i) any "excess distribution" (generally, the portion of any distributions received by the Non-Electing Holder on the common shares in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common shares), and (ii) any gain realized on the sale or other disposition of common shares. Under these rules, (i) the excess distribution or gain would be allocated ratably over the Non-Electing Holder's holding period for the common shares; (ii) the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, would be taxed as ordinary income; and (iii) the amount allocated to each of the other prior taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed tax deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year. If a Non-Electing Holder dies while owning common shares, the Non-Electing Holder's successor would be ineligible to receive a step-up in the tax basis of those common shares.

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

#### United States Holders Who Acquired Shares Before 2005

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

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

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

#### Dividends on Common Shares

Non-United States Holders generally will not be subject to United States federal income or withholding tax on dividends received from us with respect to our common shares, unless that income is effectively connected with the Non-United States Holder's conduct of a trade or business in the United States. If the Non-United States Holder is entitled to the benefits of a United States income tax treaty with respect to those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-United States Holder in the United States.

#### Sale, Exchange or Other Disposition of Common Shares

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

the gain is effectively connected with the Non-United States Holder's conduct of a trade or business in the United States (and, if the Non-United States Holder is entitled to the benefits of a United States income tax treaty with respect to that gain, that gain is attributable to a permanent establishment maintained by the Non-United States Holder in the United States); or

the Non-United States Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

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



## Backup Withholding and Information Reporting

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

fail to provide an accurate taxpayer identification number;

are notified by the IRS that you have failed to report all interest or dividends required to be shown on your United States federal income tax returns; or

in certain circumstances, fail to comply with applicable certification requirements.

Non-United States Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on 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.

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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](http://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

We furnish holders of our common shares with annual reports containing audited financial statements and a report by our independent registered public accounting firm, and intend to make available quarterly reports containing summary unaudited financial information and other data. The audited financial statements will be prepared in accordance with U.S. GAAP and those reports will include a "Management's Discussion and Analysis of Financial Condition and Results of Operations" section for the relevant periods. As a "foreign private issuer," we are exempt from the rules under the Securities Exchange Act prescribing the furnishing and content of proxy statements to shareholders. While we furnish proxy statements to shareholders in accordance with the rules of any stock exchange on which our common shares may be listed in the future, those proxy statements will not conform to Schedule 14A of the proxy rules promulgated under the Securities Exchange Act. In addition, as a "foreign private issuer," our officers and directors are exempt from the rules under the Securities Exchange Act relating to short swing profit reporting and liability.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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



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

A 100 basis point increase in LIBOR would have resulted in an increase of approximately \$2.6 million in our interest expense for the year ended December 31, 2015.

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 2015, a \$1,000 per day decrease in the spot market rate would have decreased our voyage revenue by approximately \$7.7 million.

#### ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

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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, 2015. The term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

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

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

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

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria for effective internal control over financial reporting set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in its 2013 Internal Control-Integrated Framework. Based on this assessment, management has concluded that, as of December 31, 2015, our internal control over financial reporting was effective based on those criteria.

C. Attestation report of the registered public accounting firm.

The Company's internal control over financial reporting as of December 31, 2015 has been audited by KPMG AS, an independent registered public accounting firm, as stated in their report included in this annual report.



D. Changes in internal control over financial reporting.

There have been no changes in internal controls over financial reporting (identified in connection with management's evaluation of such internal controls over financial reporting) that occurred during the year covered by this annual report that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

ITEM 16. RESERVED

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that Mr. Ugland, who serves as Chairman of the Audit Committee, qualifies as an "audit committee financial expert" under 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](http://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, 2015, 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 and Deloitte AS, for the fiscal years ended December 31, 2015 and 2014, 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, 2015 and 2014.

For further information on change in principal accountant see Item 16F. Change in Registrants Certifying Accountant.

FISCAL YEAR ENDED DECEMBER 31, 2015	\$508,370
FISCAL YEAR ENDED DECEMBER 31, 2014	\$543,080

For fiscal year ended December 31, 2014 included in the amounts are services related to limited review procedures, review of registration statements and other filings with the SEC, and issuance of comfort letters and consents of \$127,252.

B. Audit-Related Fees

FISCAL YEAR ENDED DECEMBER 31, 2015	\$0
FISCAL YEAR ENDED DECEMBER 31, 2014	\$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.

Effective June 19, 2015, Deloitte AS, or Deloitte, was dismissed as the independent registered public accounting firm that audits the financial statements of the Company.

Effective June 19, 2015, KPMG AS, or KPMG, was approved by the general meeting to replace Deloitte as our independent registered public accounting firm for the year ended December 31, 2015.

Deloitte's report on our consolidated financial statements for the years ended December 31, 2014 and 2013 did not contain an adverse opinion or disclaimer of opinions and was not qualified or modified as to uncertainty, audit scope or accounting principles. The audit report of Deloitte was modified by including an explanatory paragraph with regards to the retrospective application of the equity method to account for the investment in Nordic American Offshore Ltd for the year ended December 31, 2014.

In connection with the audit of our consolidated financial statements for the years ended December 31, 2014 and 2013, and through the period ended June 19, 2015, there were no disagreements with Deloitte on any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures which, if not resolved to the satisfaction of Deloitte, would have Deloitte to make reference to the matter of such disagreements in their reports.

In connection with the audit of our consolidated financial statements for the years ended December 31, 2014 and 2013, and through the period ended June 19, 2015, none of the events described in paragraphs (A) through (D) of Item 16F(a)(1)(v) of Form 20-F occurred.

We engaged KPMG as our new independent registered public accounting firm to audit our 2015 consolidated financial statements. In connection with the audit of our financial statements for the fiscal years ended December 31, 2014 and 2013, and through the period ended June 19, 2015, neither the Company nor anyone on its behalf have



consulted with KPMG on the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's financial statements or any matter that was the subject of a disagreement, as that term is defined in Item 16F(a)(1)(iv) of Form 20-F and the related instructions to Item 16F of Form 20-F, or a reportable event, as that term is defined in Item 16F(a)(1)(v).

The Company has provided Deloitte with a copy of these disclosures prior to the filing hereof and has requested that Deloitte furnish to the Company a letter addressed to the Securities and Exchange Commission stating whether Deloitte agrees with the statements made by the Company in this item. Deloitte has furnished such letter, which letter is filed as Exhibit 15.3 hereto as required by Item 16F(a)(3) of Form 20-F.

#### 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.

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

#### 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 and is 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 Bye-Laws of the Company incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on January 18, 2012.
- 2.1 Form of Share Certificate 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.
- 4.1 Restated Management Agreement dated June 30, 2004, between Scandic American Shipping Ltd. and Nordic American Tanker Shipping Limited, incorporated by reference to Exhibit 4.4 to the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on June 30, 2005.
- 4.2 Amendment to Restated Management Agreement dated October 12, 2004, between Scandic American Shipping Ltd. and Nordic American Tanker Shipping Limited, incorporated by reference to Exhibit 4.4 to the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on June 30, 2005.
- 4.3 Amendment to Restated Management Agreement dated October 12, 2004, between Scandic American Shipping Ltd. and Nordic American Tanker Shipping Limited, incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on October 29, 2004.
- 4.4 Amendment to Restated Management Agreement dated April 29, 2005, between Scandic American Shipping Ltd. and Nordic American Tanker Shipping Limited, incorporated by reference to Exhibit 4.3 to the Company's annual report on Form 20-F for the fiscal year ended December 31, 2006 filed with the Securities and Exchange Commission on June 29, 2007.
- 4.5 Amendment to Restated Management Agreement dated November 19, 2005, between Scandic American Shipping Ltd. and Nordic American Tanker Shipping Limited 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.
- 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.



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- 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.
- 4.11 Share Purchase Agreement by and between Nordic American Tankers and Burma Shipping & Investment AS, dated as of December 15, 2012, incorporated by reference to Exhibit 4.15 to the Company's annual report on Form 20-F 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.
- 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 – Deloitte AS.
- 15.3 Letter of Deloitte AS, dated March 22, 2016, regarding change in the Company's certifying accountant.
- 101.INS XBRL Instance Document
- 101.SCHXBRL Taxonomy Extension Schema Document
- 101.CALXBRL Taxonomy Extension Schema Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Schema Definition Linkbase Document
- 101.LABXBRL Taxonomy Extension Schema Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Schema Presentation Linkbase Document

SIGNATURES

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

NORDIC AMERICAN TANKERS LTD.

/s/Herbjørn Hansson

March 23, 2016

Name: Herbjørn Hansson

Title: Chairman, President, and Chief Executive Officer

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NORDIC AMERICAN TANKERS LIMITED

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders  
Nordic American Tankers Limited:

We have audited the accompanying consolidated balance sheet of Nordic American Tankers Limited and subsidiaries (the Company) as of December 31, 2015, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the year ended December 31, 2015. We also have audited the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Nordic American Tankers Limited's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nordic American Tankers Limited and subsidiaries as of December 31, 2015, and the results of their operations and their cash flows for the year ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Nordic American Tankers Limited maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in



Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/KPMG AS

Oslo, Norway  
March 23, 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the consolidated balance sheet of Nordic American Tankers Limited and subsidiaries (the "Company") as of December 31, 2014, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such 2014 and 2013 consolidated financial statements present fairly, in all material respects, the financial position of Nordic American Tankers Limited and subsidiaries as of December 31, 2014, and the results of their operations and their cash flows for the years ended December 31, 2014 and 2013, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the consolidated financial statements, the accompanying 2014 financial statements have been retrospectively adjusted for the accounting change in the investment in Nordic American Offshore Ltd.

/s/ Deloitte AS

Oslo, Norway  
March 27, 2015

March 23, 2016 as to Note 4

## Nordic American Tankers Limited

Consolidated Statements of Operations for the Years Ended December 31, 2015, 2014 (adjusted) and 2013

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

	Year Ended December 31,		
	2015	2014 (Adjusted)	2013
Voyage Revenues	445,738	351,049	243,657
Voyage Expenses	(158,656 )	(199,430 )	(173,410 )
Vessel Operating Expenses	(66,589 )	(62,500 )	(64,924 )
General and Administrative Expenses	(9,790 )	(14,863 )	(19,555 )
Depreciation Expense	(82,610 )	(80,531 )	(74,375 )
Loss on Contract	-	-	(5,000 )
Fees for Provided Services	-	1,500	-
Net Operating Income (Loss)	128,093	(4,775 )	(93,608 )
Interest Income	114	181	146
Interest Expenses	(10,855 )	(12,244 )	(11,518 )
Gain on Shares	-	3,286	-
Other Financial Expenses	(167 )	(1,126 )	(391 )
Total Other Expenses	(10,908 )	(9,903 )	(11,763 )
Net Income (Loss) Before Income Taxes and Equity (Loss) Income	117,185	(14,678 )	(105,371 )
Income Tax Expense	(96 )	(47 )	(86 )
Equity (Loss) Income	(2,462 )	1,559	40
Net Income (Loss)	114,627	(13,166 )	(105,417 )
Basic and Diluted Earnings (Loss) per Share	1.29	(0.15 )	(1.64 )
Basic and Diluted Average Number of Common Shares Outstanding	89,182,001	85,401,179	64,101,923
Cash Dividends per Share	1.38	0.63	0.64

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

## Nordic American Tankers Limited

Consolidated Statements of Comprehensive Income (Loss) for The Years Ended December 31, 2015, 2014 (adjusted) and 2013

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

	Year Ended December 31,		
	2015	2014 (Adjusted)	2013
Net Income (Loss)	114,627	(13,166 )	(105,417)
Other Comprehensive Loss Current Period			
Translation Differences	(326 )	(425 )	(160 )
Unrealized Gain (Loss) on Defined benefit plan	192	(253 )	-
Reclassification Adjustments			
Reclassification of Realized Gains to Net Loss for Available-for-Sale Securities	-	-	84
Other Comprehensive Loss	(134 )	(678 )	(76 )
Total Comprehensive Income (Loss)	114,493	(13,844 )	(105,493)

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

## Nordic American Tankers Limited

Consolidated Balance Sheets as of December 31, 2015 and 2014 (Adjusted)

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

	As of December 31,	
	2015	2014 (Adjusted)
Assets		
Current Assets		
Cash and Cash Equivalents	29,889	100,736
Accounts Receivable, net	28,001	15,739
Accounts Receivable, Related Party	596	673
Prepaid Expenses	4,372	5,513
Inventory	14,843	22,223
Voyages in Progress	37,353	29,586
Other Current Assets	3,125	2,029
Total Current Assets	118,179	176,499
Non-Current Assets		
Vessels, net	962,685	909,992
Deposits paid for Vessels	64,000	-
Goodwill	18,979	18,979
Investment in Nordic American Offshore Ltd	64,877	62,059
Other Non-Current Assets	15,906	8,331
Total Non-Current Assets	1,126,447	999,361
Total Assets	1,244,626	1,175,860
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable	4,247	6,664
Accrued Voyage Expenses	7,035	8,784
Accrued Liabilities	9,577	8,587
Total Current Liabilities	20,859	24,035
Long Term Debt	330,000	250,000
Deferred Compensation Liability	13,046	12,914
Total Liabilities	363,905	286,949
Commitment and Contingencies	-	-
Shareholders' Equity		
Common Stock, Par Value \$0.01 per Share 180,000,000 authorized 89,182,001 issued and outstanding at December 31, 2015 and December 31, 2014.	892	892
Additional Paid-In Capital	114,679	114,291
Contributed Surplus	766,122	787,732
Accumulated Other Comprehensive Loss	(972)	(838)
Accumulated Deficit	-	(13,166)
Total Shareholders' Equity	880,721	888,911
Total Liabilities and Shareholders' Equity	1,244,626	1,175,860

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, 2015, 2014 (adjusted) and 2013

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 December 31, 2012	52,907,139	8,500	529	15,615	866,515	(84 )	(73,192 )	809,383
Accumulated coverage of loss as of December 31, 2012	-	-	-	-	(73,192 )	-	73,192	-
Net Loss	-	-	-	-	-	-	(105,417 )	(105,417 )
Common Shares Issued, net of \$0.7 million issuance cost	20,556,250	-	206	172,405	-	-	-	172,611
Other Comprehensive Loss	-	-	-	-	-	(76 )	-	(76 )
Common Shares Issued in connection with acquisition of Scandic	1,910,112	-	19	18,127	-	-	-	18,146
Common Shares Repurchased – 2011 Equity Incentive Plan Share-Based Compensation	(14,500 )	14,500	-	-	-	-	-	-
Dividends paid	-	-	-	2,093	-	-	-	2,093
Dividends paid	-	-	-	-	(41,756 )	-	-	(41,756 )
Balance at December 31, 2013	75,359,001	23,000	754	208,240	751,567	(160 )	(105,417 )	854,984
Accumulated coverage of loss as of December 31, 2013	-	-	-	-	(105,417 )	-	105,417	-
Net Loss	-	-	-	-	-	-	(13,166 )	(13,166 )
Common Shares Repurchased – 2011 Equity Incentive Plan	(10,000 )	10,000	-	(99 )	-	-	-	(99 )
Common Shares Distributed – 2011 Equity Incentive Plan	33,000	(33,000)	-	-	-	-	-	-
Common Shares Issued, net of \$0.2 million issuance cost	13,800,000	-	138	113,295	-	-	-	113,433
Reduction of share premium	-	-	-	(208,240)	208,240	-	-	-
Other Comprehensive Loss	-	-	-	-	-	(678 )	-	(678 )
Share Based Compensation	-	-	-	1,096	-	-	-	1,096
Dividends paid	-	-	-	-	(66,658 )	-	-	(66,658 )

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Balance at December 31, 2014 (Adjusted)	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 Paid	-	-	-	-	(8,444 )	-	(114,627 )	(123,071 )
Balance at December 31, 2015	89,182,001	-	892	114,679	766,122	(972 )	-	880,721

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, 2015, 2014 (adjusted) and 2013

All figures in USD '000

	Year Ended December 31,		
	2015	2014 (Adjusted)	2013
Cash Flows from Operating Activities			
Net Income (Loss)	114,627	(13,166 )	(105,417)
Reconciliation of Net Loss to Net Cash Provided by (Used in) Operating Activities			
Depreciation Expense	82,610	80,531	74,375
Loss on Contract	-	-	5,000
Equity Loss (Income)	2,462	(1,497 )	-
Return on Investment	-	1,929	-
Dry-dock Expenditure	(11,450 )	(5,346 )	(17,928 )
Amortization of Deferred Finance Costs	1,240	1,228	1,228
Deferred Compensation Liability	324	782	832
Share-based Compensation	388	997	2,093
Gain on Equity Method Investment	-	(3,285 )	-
Adjustment of warrants to fair value	-	915	-
Other, net	(61 )	(37 )	(5 )
Changes in Operating Assets and Liabilities			
Accounts Receivables	(11,832 )	3,539	(11,435 )
Accounts Receivables, Related Party	77	-	-
Inventory	7,380	2,438	3,528
Prepaid Expenses and Other Current Assets	262	300	(130 )
Accounts Payable and Accrued Liabilities	(3,869 )	2,784	(3,796 )
Voyages in Progress	(7,767 )	(14,633 )	4,390
Net Cash Provided by (Used in) Operating Activities	174,391	57,479	(47,265 )
Cash Flows from Investing Activities			
Proceeds from Sale of Marketable Securities	-	-	600
Investment in Vessels	(123,373)	(73,772 )	(6,983 )
Investment in Other Fixed Assets	(103 )	(281 )	(1,864 )
Sale of Other Fixed Assets	334	-	-
Deposits to and Repayment from Seller	(64,000 )	-	5,475
Investments in Nordic American Offshore Ltd	(9,508 )	(11,403 )	(65,004 )
Acquisition of Orion Tankers Ltd	-	-	(271 )
Cash Arising from Obtaining Control of Orion Tankers Ltd	-	-	6,544
Acquisition of Scandic American Shipping Ltd, net of Cash acquired	-	-	(7,641 )
Acquisition of Scandic, Assets Held for Sale	-	-	(5,467 )
Proceeds from Sale of Scandic Assets Held for Sale	-	-	5,467
Long-term Deposits	(5,000 )	-	(5,000 )
Return of Investments	4,227	3,772	-
Other, net	-	-	889
Net Cash Provided by (Used in) Investing Activities	(197,423)	(81,685 )	(73,255 )
Cash Flows from Financing Activities			
Proceeds from Issuance of Common Stock	-	113,433	172,611
Proceeds from Use of Credit Facility	80,000	-	40,000
Repayments on Credit Facility	-	-	(40,000 )

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Credit Facility Costs	(4,640 )	-	-
Dividends Distributed	(123,071 )	(54,069 )	(41,756 )
Net Cash (Used In) Provided by Financing Activities	(47,711 )	59,364	130,855
Net (Decrease) Increase in Cash and Cash Equivalents	(70,743 )	35,158	10,335
Cash and Cash Equivalents at Beginning of Year	100,736	65,675	55,511
Effect of Exchange Rate changes on Cash and Cash Equivalents	(104 )	(97 )	(171 )
Cash and Cash Equivalents at End of Year	29,889	100,736	65,675
Cash Paid for Interest, Net of Amounts Capitalized	9,374	9,700	7,158
Cash Paid for Taxes	47	86	214
Fair value of shares distributed as dividend in kind	-	12,589	-

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 double-hull tankers.

The Company is an international tanker company that currently owns 26 Suezmax tankers, including two newbuildings, an increase from three vessels owned in the autumn of 2004. The Company expects that the expansion process will continue over time and that more vessels will be added to its fleet. The 24 vessels the Company currently operates average approximately 156,000 dwt each. In 2015, 2014 and 2013, the Company chartered all of its operating vessels in the spot market.

In January 2013 NAT acquired Scandic American Shipping Ltd. ("Scandic") and Orion Tankers Ltd ("Orion"). Accordingly, these financial statements are presented on a consolidated basis for NAT and its subsidiaries ("the Company"). For the year ended December 31, 2015 and December 31, 2014 Scandic had the daily administrative and operational responsibility and Orion has provided services as the commercial manager. The Group provided assistance in the formation of Nordic American Offshore in 2013 and the initial public offering in 2014, and Scandic has provided administrative services in 2015, 2014 and 2013. For further details on the acquisition of the subsidiaries and the investment in NAO please see Note 4 and Note 5, respectively.

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 two newbuildings, the Company's current fleet consists of 26 Suezmax crude oil tankers of which 24 were built in Korea. The Company has entered into preliminary contracts for the construction of two Suezmax vessels expected to be delivered in the third quarter 2016 and first quarter 2017.

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<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
Newbuilding 1	158,000	2016
Newbuilding 2	158,000	2017

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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").

Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year presentation.

**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 upon consolidation.

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

During 2015, the Company's ownership interest in Nordic American Offshore Ltd. ("NAO") increased to 26.7%. Based on the significance of the Company's ownership interest and potential future increase in ownership interest, through NAO's share repurchase program, the Company determined it has the ability to exercise significant influence over NAO and therefore, changed its method of accounting for the investment in NAO from an available-for-sale security to an equity method investment. The change in accounting method has been retrospectively applied to the consolidated financial statements as of and for the year ended December 31, 2014. For more information on our investment in NAO please see Note 4.

**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 subsidiary of Orion, Orion Tankers AS, and the European branch of Scandic, both have Norwegian Kroners 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 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.



**Spot Charters:** 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.

**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.

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

**Accounts Receivable:** Accounts 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, 2015 and December 31, 2014, the Company has not made any allowance for doubtful balances.

**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 cashflow). In developing estimates of future undiscounted cash flows, the Company makes assumptions and estimates about the vessels' future performance, with the significant assumptions being related to charter rates, fleet utilization, operating expenses, capital expenditures, residual value and the estimated remaining useful life of each vessel. The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations. The estimated net operating cash flows are determined by considering an estimated daily time charter equivalent for the remaining operating days. The Company estimates the daily time charter equivalent for the remaining operating days based on the most recent fifteen year historical average for similar vessels and utilizing available market data for spot market rates over the remaining estimated life of the vessel, assumed to be 25 years from the delivery of the vessel from the shipyard, net of brokerage commissions, expected outflows for vessels' maintenance and vessel operating expenses (including planned drydocking expenditures). The salvage value used in the impairment test is estimated to be \$9.7 million per vessel. If the Company's estimate of undiscounted future cash flows for any vessel is lower than the vessel's carrying value, the carrying value is written down, by recording a charge to operations, to the vessel's fair value if the fair value is lower than the vessel's carrying value. Although the Company believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are subjective. There can be no assurance as to how long charter rates and vessel values will remain at their currently low levels or whether they will improve by any significant degree. There was no impairment on vessels for the years ended December 31, 2015, 2014 and 2013.

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

**Investments in Equity Method Investees:** Investments in other entities where the Company has "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.

**Business combinations:** The Company uses the acquisition method of accounting, which requires an acquirer in a business combination to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at their fair values at the acquisition date. The costs of the acquisition and any related restructuring costs are



to be recognized separately in the Consolidated Statements of Operations. The acquired company's operating results are included in the Company's consolidated financial statements starting on the date of acquisition.

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

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

Defined Benefit Plan: The employees of Scandic and Orion have defined benefit pension plans. The Company accrues the costs and related obligations associated with its defined benefit pension plans based on actuarial computations using the projected benefits obligation method and management's best estimates of expected plan investment performance, salary escalation, and other relevant factors. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. The underfunded status of the defined benefit pension plans are recognized as deferred compensation liability in the Balance Sheets. The Company recognizes as a component of other comprehensive loss, the gains or losses that arise during a period but that are not recognized as part of net periodic benefit costs. As of December 31, 2015 and 2014 the net liability was \$0.2 million and \$0.4 million, respectively.

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

Segment Information: The Company has identified only one operating segment. The Company has only one type of vessel – Suezmax crude oil tankers.

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

Fair Value of Financial Instruments: The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate carrying value because of the short-term nature of these instruments. For further information on fair value of financial instruments please see Note 16.

Deferred Financing Costs: Financing costs, including fees, commissions and legal expenses, which are recorded as "Other Non-Current Assets" and "Other Current Assets" on the Balance Sheets are deferred and amortized on a straight-line basis over the term of the arrangement. Applying the straight-line basis is not materially different from the effective interest method.

Stock-Based Payments:

Restricted Shares to Employees: The fair value of restricted shares is estimated based on the market price of the Company's shares. The fair value of restricted shares granted to employees is measured at grant date and the 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 27%, 27% and 28% for the years ended December 31, 2015, 2014 and 2013, respectively, of their taxable profit. The income tax expensed for year ended December 31, 2015, 2014 and 2013 was \$96,000, \$47,000 and \$65,000, respectively. Deferred tax assets related to these entities is not material. The Company does not have any unrecognized tax benefits, material accrued interests or penalties related to income taxes.

Concentrations:

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 minimal. Concentrations of credit risk relative to accounts receivable are limited to our client base in the 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, 2015 two customers' accounted for approximately 30% and 12% of the total revenues, respectively. For the year ended December 31, 2014 two customers accounted for approximately 40% of the total revenues and for the year ended December 31, 2013 two customers accounted for approximately 42% of the total revenues.

Accounts receivable, net, as of December 31, 2015 and 2014 were \$28.6 million and \$16.4 million, respectively. Two charterers accounted for 22% and 21% of the outstanding amount as of December 31, 2015 and, three charterers accounted for 62% of the outstanding amount as of December 31, 2014.

Recent Accounting Pronouncements:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, which provides new authoritative guidance on the methods of revenue recognition and related disclosure requirements. The ASU will be effective for the first interim period beginning after December 15, 2017 and early adoption is not permitted. The Company is in the process of evaluating the impact of this standard, if any, on its consolidated statements and related disclosures.

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In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which provides new authoritative guidance regarding management's responsibility to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances.

The standard is effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. The Company is not planning to early adopt, and the adoption is not expected to have material impact on the consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which provides new authoritative guidance regarding whether reporting entities should consolidate certain legal entities. The standard is effective for annual periods beginning after December 15, 2015 and interim periods within annual periods beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. A reporting entity also may apply the amendments retrospectively. The Company is not planning to early adopt, and the adoption is not expected to have material impact on the consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs related to a recognized debt liability to be presented in the Balance Sheets as a direct deduction from the debt liability rather than as an asset. In August 2015, ASU 2015-15 clarified this standard to state that debt issuance costs of line of credit arrangements would not be required to be reclassified from other assets to liabilities. Upon adoption, an entity must apply the new guidance retrospectively to all prior periods presented in the financial statements. The Company will adopt the standard effective January 1, 2016 which will result in the netting of our deferred financing costs against long-term debt balances in the Balance Sheets for the periods presented and related disclosure. There will be no impact to the manner in which deferred financing costs are amortized in our consolidated financial statements.

In July 2014, the FASB issued ASU No. 2015-11, Inventory (Topic 330) – Simplifying the Measurement of Inventory, which requires an entity to measure inventory at the lower of cost and net realizable value. The amendments in the update are effective for fiscal years beginning after December 15, 2016. Early adoption is permitted for annual or interim reporting periods for which the financial statements have not been previously issued. The Company is not planning to early adopt, and the adoption is not expected to have material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), introducing a new lessee model to determine classification of leases. The amendments in the Update are effective for fiscal years beginning after December 15, 2018. Early adoption of the amendments is permitted. The Company is not planning to early adopt, and the adoption is not expected to have material impact on the consolidated financial statements.

### 3. VESSELS, NET

Vessels, net, consist of the carrying value of 24 vessels and 22 vessels for the year ended December 31, 2015 and December 31, 2014, respectively. Vessels, net include drydocking costs.

All Figures in USD '000	2015	2014
Vessels	1,530,245	1,406,872
Drydocking	82,695	70,765
Total	1,612,940	1,477,637
Less Accumulated Depreciation	(650,255 )	(567,645 )
Vessels, net	962,685	909,992

## Impairment Loss on Vessels

The Company has not recorded impairment loss on vessels for the years ended December 31, 2015, 2014 and 2013, respectively. The Company continually monitors events and changes in circumstances that could indicate that the carrying amounts of each of its vessels may not be recoverable.

## 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. NAO was accounted for using the equity method of accounting.

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. The shares were measured at fair value at the time of the distribution, and a gain of \$2.1 million was recognized in the Statements of Operations. In December 2014 the Company acquired an additional 488,216 shares in the open market bringing its ownership to 19.2% per December 31, 2014.

In May 2015 NAO announced a share repurchase program of under which NAO may repurchase up to 2.5 million of its outstanding shares. Per December 31, 2015 NAO had repurchased 870,839 shares and had 22,560,531 shares outstanding.

Based on the significance of the Company's ownership interest and potential future increase in ownership interest, through NAO's share repurchase program, the Company determined it has the ability to exercise significant influence over NAO and therefore, changed its method of accounting for the investment in NAO from an available-for-sale security to an equity method investment. The change in accounting method has been retrospectively applied to the consolidated financial statements as of and for the year ended December 31, 2014, resulting in the following adjustments:

All figures in USD '000 At December 31, 2014	As previously reported	Adjustments	As adjusted
Consolidated Statements of Operations			
Dividends Received	252	(252)	-
Equity (Loss) Income	1,665	(106)	1,559
Net Loss	(12,808)	(358)	(13,166)
Basic and Diluted Earnings (Loss) per Share	(0.15)	(0.00)	(0.15)
Consolidated Statements of Comprehensive Income (Loss)			
Net Income (Loss)	(12,808)	(358)	(13,166)
Unrealized Gain (Losses) on Available-for-Sale Securities	(7,194)	7,194	-
Total Other Comprehensive Income (Loss)	(20,680)	7,194	(13,844)
Consolidated Balance Sheets			
Investment in Nordic American Offshore	55,223	6,836	62,059
Total Assets	1,169,024	6,836	1,175,860
Accumulated Other Comprehensive Loss	(8,032)	7,194	(838)
Accumulated Deficit	(12,808)	(358)	(13,166)
Total Liabilities and Shareholders' Equity	1,169,024	6,836	1,175,860

Consolidated Statements of Cash Flows

Net Income	(12,808)	(358)	(13,166)
Equity Loss (Income)	-	(1,497)	(1,497)
Return on Investment	-	1,929	1,929
Net Cash Provided by (Used in) Operating Activities	57,479	-	57,479

For the year ended December 31, 2013 no adjustments were required.

In November 2015 the Company purchased 1,521,300 shares in a private transaction after which the Company owned 26.5 % in NAO.

NAT's ownership in NAO as of December 31, 2015 and 2014 was 26.7% and 19.2%, respectively.

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The fair value of NAT's investment in NAO, based on the price of the stock and shares owned was \$31.7 million and \$55.2 million as of December 31, 2015 and 2014, respectively. NAT believes NAO has the ability to recover the carrying value of the investment through its operations, and NAT has both the ability and intent to keep its investment in NAO until it is profitable.

Summarized balance sheet information for NAO is as follows:

	December 31, 2015	December 31, 2014
All figures in USD '000		
Current assets	14,565	51,743
Noncurrent assets	322,802	270,678
Total Assets	337,367	322,421
Current liabilities	7,735	3,191
Noncurrent liabilities	48,775	-
Total Shareholders' Equity	280,857	319,230
Total liabilities and equity	337,367	322,421

NAT's share of NAO's equity was \$75.0 million and \$61.3 million as of December 31, 2015 and 2014, respectively.

Summarized Statement of Operations information for NAO is as follows:

	From October 17, 2013 to December 31, 2013		
	Years ended December 31, 2015	2014	2013
All figures in USD '000			
Operating Revenues	36,372	52,789	1,280
Net Operating (Loss) Income	(8,372 )	11,262	(258 )
Net (Loss) Income	(10,844)	6,931	(70 )

NAT's portion of NAO's Net (Loss) Income in the Statements of Operations per December 31, 2015 and 2014 was (\$2.5) million and \$1.6 million respectively.

## 5. ACQUISITIONS

### Scandic American Shipping Ltd

On January 10, 2013 the Company acquired Scandic, which was previously owned by a company controlled by the Chairman and Chief Executive Officer of the Company, Mr. Herbjørn Hansson and his family. 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 which were sold during the first quarter of 2013. The number of shares issued was 1,910,112, trading at \$9.50 on the acquisition date. 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. A settlement loss of \$5.0 million relates to a preexisting contractual relationship between the Company and Scandic, which was recognized as a loss on contract in the consolidated Statements of Operations for the year ended December 31, 2013.

Orion Tankers Ltd

Orion was established as a pool manager equally owned by the Company and Frontline. In September 2012, it was agreed that Frontline would withdraw its nine Suezmax tankers from the pool during the fourth quarter of 2012. The withdrawal of these vessels was completed effective November 5, 2012. On January 2, 2013, the Company acquired the remaining 50% of Orion at its nominal book value as of December 31, 2012. Fair value of total assets acquired was \$1.8 million and liabilities assumed \$1.3 million, accordingly the cash consideration for the Company was \$0.3 million for the remaining 50% stake and no goodwill or gain or loss was recognized.

6. RELATED PARTY TRANSACTIONS

Nordic American Offshore Ltd.:

As compensation for its services and coordinating NAO's private equity placement in 2013, NAT received 833,333 warrants with an exercise price of \$15.00 per common share. The warrants became exercisable in 20% increments at each 10% increase in the volume weighted average price, or VWAP, of our common shares between increases of 25% and 65%. The VWAP must be above exercise level for a minimum of 10 business days, with a minimum trading volume of \$2 million above exercise levels. Two of the 20% increments became exercisable in 2014; however, the warrants were "out of the money" and not exercised. The warrants expired on December 31, 2015.

On June 12, 2014, NAO was listed on the New York Stock Exchange. As compensation for coordinating this transaction, NAT received a success fee of \$1.5 million, which is included in Fees for provided services for the year ended December 31, 2014.

In December 2013, Scandic entered into a management agreement with NAO for the provision of administrative services as requested by NAO management. For services under the management agreement, Scandic receives a management fee of \$150,000 per annum, and is reimbursed for cost incurred in connection with its services. Scandic also receives reimbursement for a portion of the operational costs such as salary and office rent, among others, incurred by Scandic, which is attributable to NAO. For the year ended December 31, 2015, 2014 and 2013, the Company recognized an aggregate of \$2.1 million, \$2.2 million and \$0.3 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 in costs in each of the years ended December 31, 2015, 2014 and 2013, respectively, for the services provided by Langangen & Helset Advokatfirma AS. These costs are included in General and Administrative Expenses within the Statements of Operations. There was \$0 million included within Accounts Payable at December 31, 2015 and 2014, respectively.

In 2014 NAT entered into an agreement with an immediate family member of the Chairman, for the use of an asset owned by him for corporate and marketing activities. NAT pays a fixed annual fee for this agreement and fees associated with the actual use. The cost of this arrangement for the year ended December 31, 2015 and 2014 was \$0.1 million, which are included in General and Administrative Expenses. No amounts were due to the related party as of December 31, 2015 and 2014.



**7. DEFERRED COMPENSATION LIABILITY**

In 2010, the Board of Directors approved an unfunded deferred compensation agreement for Turid M. Sørensen, the Company's Chief Financial Officer and Executive Vice President. The agreement provides for unfunded deferred compensation computed as a percentage of salary, and certain benefits for dependents. The deferred compensation liabilities are denominated in Norwegian currency. Benefits vest over a period of employment of 20.5 years up to a maximum of 66% of the salary level at the time of retirement, age of 67. Interest is imputed at 2.70% and 2.30% as of December 31, 2015 and 2014, respectively. The rights under the agreement commenced in May 2008. As the agreement was effective in 2010, vested rights under the agreement were recognized in 2010.

In May 2007, the Board of Directors approved an unfunded deferred compensation agreement for Herbjørn Hansson, the Chairman, President and CEO. The agreement provides for unfunded deferred compensation computed as a percentage of salary, and certain benefits for dependents. Benefits vest over a period of employment of 14 years up to a maximum of 66% of the salary level at the time of retirement, age of 70. Interest is imputed at 2.70% and 2.30% as of December 31, 2015 and 2014, respectively. The rights under the agreement commenced in October 2004. The CEO has the right to require a bank guarantee for the deferred compensation liability and the CEO has served in his position since the inception of the Company in 1995.

The total expense related to the deferred compensation agreements for the Chairman, President and CEO and for the Company's Chief Financial Officer and Executive Vice President, recognized in 2015, 2014 and 2013 were \$0.4 million, \$0.4 million and \$0.8 million, respectively. As of December 31, 2015 and 2014 total deferred compensation liability was \$12.5 million and \$12.8 million, respectively.

**8. OTHER NON-CURRENT ASSETS**

All figures in USD '000	2015	2014
Fixture, Furniture and Equipment	474	1,099
Deferred Finance Costs	5,432	2,232
Long term deposit (Restricted Cash)	10,000	5,000
Total as of December 31,	15,906	8,331

The long term deposit relates to the Company transferring cash to a restricted account in accordance with the deferred compensation agreement for Herbjørn Hansson, the Chairman, President and CEO, described in Note 7.

## 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 restricted shares of which all shares were allocated among the management of the Company and the members of the Board of Directors.

On February 23, 2011, at a grant date fair value of \$23.88 per share, 326,000 restricted shares were granted with a four-year cliff-vesting period. On August 5, 2011, at a grant date fair value of \$18.05 per share, 74,000 restricted shares were granted with a five-year cliff-vesting period. The shares are forfeited if the grantee leaves the Company before that time. The holders of the restricted shares are entitled to receive dividends paid in the period as well as voting rights.

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

In 2014 we repurchased 10,000 restricted common shares outstanding.

As of December 31, 2015, the Company had repurchased from employees who have resigned from the manager a total of 33,000 restricted common shares and granted these amongst new members of management with a four-year cliff vesting period and various grant date fair values.

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 \$0.4 million, \$1.1 million, and \$2.1 million for the years ended December 31, 2015, December 31, 2014 and December 31, 2013, respectively.

As of December 31, 2015, unrecognized cost related to unvested shares aggregated to \$0.3 million, which will be recognized over a weighted period of 2.1 years.

The tables below summarize the Company's restricted stock awards as of December 31, 2015:

	Restricted shares - Employees	Weighted-average grant-date fair value - Employees
Non-vested at January 1, 2015	226,000	\$ 22.00
Granted during the year	-	-
Vested during the year	(193,000 )	24.08
Forfeited during the year	-	-
Non-vested at December 31, 2015	33,000	9.84

The total fair value of the shares vested in 2015 was \$1.9 million, \$0.0 million and \$1.7 million for the years ended December 31, 2015, 2014 and 2013, respectively.

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**10. LONG-TERM DEBT****2012 Credit Facility:**

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

In December 2015 the Company expanded the 2012 Credit Facility from \$430 million to \$500 million. The new maturity of the credit facility is December 2020. There are no repayment requirements before maturity on the 2012 Credit Facility. The expanded facility was effective January 2016.

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

In connection with the expansion of the 2012 Credit Facility the Company incurred \$4.6 million in deferred financing costs in 2015.

At the end of 2015 and 2014 the Company had \$330 million and \$250 million drawn, and \$100 million and \$180 million available under its 2012 Credit Facility, respectively.

**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 2012 Credit Facility described in Note 10.

All amounts in USD '000	2015	2014	2013
Interest Expenses, net of capitalized interest	7,590	8,686	7,950
Commitment Fee	2,025	2,330	2,340
Amortization of Deferred Financing Costs	1,240	1,228	1,228
Total Interest Expenses	10,855	12,244	11,518

For the years ended December 31, 2015, 2014 and 2013, \$1.0 million, \$0.0 million and \$0.0 million of interest expenses were capitalized.

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## 12. ACCRUED LIABILITIES

All figures in USD '000	2015	2014
Accrued Interest	1,639	1,452
Accrued Expenses	7,938	4,481
Deferred revenue	-	2,654
Total as of December 31,	9,577	8,587

## 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	2015	2014	2013
Numerator:			
Net Income (Loss)	114,626,581	(13,165,527)	(105,417,590)
Denominator:			
Basic - Weighted Average Common Shares Outstanding	89,182,001	85,401,179	64,101,923
Dilutive – Weighted Average Common Shares Outstanding	89,182,001	85,401,179	64,101,923
Earnings (Loss) per Common Share:			
Basic	1.29	(0.15 )	(1.64 )
Diluted	1.29	(0.15 )	(1.64 )

## 14. SHAREHOLDERS' EQUITY

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

All figures in USD '000, except number of shares	Authorized Shares	Issued and Out-standing Shares	Common Stock
Balance as of January 1, 2013	90,000,000	52,915,639	529
Common Shares Issued		20,556,250	206
Shares issued in connection with the Scandic acquisition		1,910,112	19
Balance as of December 31, 2013	90,000,000	75,382,001	754
Common Shares Issued in Follow-on Offering		13,800,000	138
Increase in Authorized Shares	90,000,000		
Balance as of December 31, 2014	180,000,000	89,182,001	892
Balance as of December 31, 2015	180,000,000	89,182,001	892

As part of the acquisition of Scandic the Company issued 1,910,112 shares. For further background and details related to the acquisition please see Note 4 and 5.

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

In April 2014, the Company completed an underwritten public offering of 13,800,000 common shares which increased its equity by \$113.4 million.

On June 17, 2014, at its Annual General Meeting ("AGM") held in Bermuda, the Company increased authorized share capital from 90,000,000 common shares to 180,000,000.

#### Additional Paid in Capital

Included in Additional Paid in Capital is the Company's Share Premium Fund as defined by Bermuda law. The Share Premium Fund cannot be distributed without complying with certain legal procedures designed to protect the creditors of the Company, including public notice to its creditors and a subsequent period for creditor notice of concern, regarding the Company's intention to make such funds available for distribution following shareholder approval. The Share Premium Fund was \$77.4 million and \$77.4 million as of December 31, 2015 and 2014 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 in relation to the acquisition of Scandic.

On June 17, 2014, at the Company's Annual General Meeting, shareholders voted to reduce the Share Premium Fund by the amount of \$208.2 million. The legal procedures related to this reduction were finalized in July 2014 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 2015, the Company had a net income of \$114.6 million, and paid a dividend of \$123.0 million. Accordingly, a total of \$8.4 million were charged to the Company's Contributed Surplus Account.

For the years ended December 31, 2014 and 2013 the Company had a net loss of \$13.2 million and \$105.4 million, respectively. For these years all dividend distributions were charged to the Contributed Surplus Account.

#### Stockholders Rights Plan

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

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This stockholders rights plan was designed to enable us to protect stockholder interests in the event that an unsolicited attempt is made for a business combination with, or a takeover of, the Company.

#### 15. COMMITMENTS AND CONTINGENCIES

##### Nordic Harrier

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

When the vessel was redelivered to the Company by the charterer in October 2010, it was in very poor technical condition. The vessel had not been operated according to sound maintenance practices by the charterer. The Company had the vessel repaired in the autumn of 2010 and spring of 2011, and made a claim against GulfNav for costs incurred. A London arbitration panel ruled in favor of NAT at the end of January 2014 and awarded the Company \$10.2 million plus direct costs and calculated interest. Any amounts received will be recorded upon receipt, no amounts were received in 2014 or 2015. The Company is trying to protect its interest, but the outcome is uncertain.

##### Legal Proceedings and Claims

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

No claims have been filed against the Company for the fiscal years 2015, 2014 or 2013, and the Company has not been a party to any legal proceedings for the years ended December 31, 2015, 2014 and 2013.

#### 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.

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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 estimated fair value of the warrants in NAO was calculated based on a Black-Scholes model using comparative

-market data for other companies in the Platform Supply Vessel, or "PSV", segment to estimate volatility, and by assigning an estimated probability for achieving the exercise levels presented in Note 6.

The carrying value and estimated fair value of the Company's financial instruments at December 31, 2015 and 2014 are as follows:

All figures in USD '000	Fair Value Hierarchy Level	2015	2015	2014	2014
		Fair Value	Carrying Value	Fair Value	Carrying Value
Cash and Cash Equivalents	1	29,889	29,889	100,736	100,736
Warrants in NAO	3	-	-	-	-
Credit Facility	2	(330,000)	(330,000)	(250,000)	(250,000)

#### 17. SUBSEQUENT EVENTS

On January 13, 2016 the Company declared a cash dividend of \$0.43 per share in respect of the results for the fourth quarter of 2015, with a payment date of February 10, 2016.