

NORDIC AMERICAN TANKERS Ltd
Form 20-F
March 27, 2015
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, 2014

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,

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

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

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

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

As of December 31, 2014, 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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

The forward-looking statements are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, our management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

Important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including fluctuations in charter rates and vessel values, changes in demand in the tanker market, as a result of changes in the 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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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 statement of operations and other financial data for each of the three years ended December 31, 2014, 2013 and 2012 and selected balance sheet data as of December 31, 2014 and 2013 have been derived from our audited financial statements included elsewhere in this document. The statement of operations data for each of the years ended December 31, 2011 and 2010 and selected balance sheet data for each of the years ended December 31, 2012, 2011 and 2010 have been derived from our audited financial statements not included in this Annual Report on Form 20-F.

SELECTED CONSOLIDATED

FINANCIAL DATA

Year ended December 31,

All figures in thousands of USD except share data

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|------------|------------|-----------|-----------|-----------|
| Voyage revenues | 351,049 | 243,657 | 130,682 | 94,787 | 126,416 |
| Voyage expenses | (199,430) | (173,410) | (38,670) | (14,921) | - |
| Vessel operating expense – excl. depreciation expense presented below | (62,500) | (64,924) | (63,965) | (54,859) | (47,113) |
| General and administrative expenses | (14,863) | (19,555) | (14,700) | (15,394) | (15,980) |
| Depreciation | (80,531) | (74,375) | (69,219) | (64,626) | (62,545) |
| Impairment Loss on Vessel | - | - | (12,030) | - | - |
| Loss on Contract | - | (5,000) | - | (16,200) | - |
| Fees for provided services | 1,500 | - | - | - | - |
| Net operating (loss) income | (4,775) | (93,608) | (67,902) | (71,213) | 778 |
| Interest income | 181 | 146 | 357 | 1,187 | 632 |
| Interest expense | (12,244) | (11,518) | (5,854) | (2,130) | (1,971) |
| Other financial income (expense) | 4,030 | (437) | (207) | (142) | (248) |
| Total other expenses | (8,033) | (11,809) | (5,290) | (1,085) | (1,587) |
| Net (loss) income | (12,808) | (105,417) | (73,192) | (72,298) | (809) |

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| | | | | | | | | | | |
|---|------------|---|------------|---|------------|---|------------|---|------------|---|
| Basic (loss) earnings per share | (0.15 |) | (1.64 |) | (1.39 |) | (1.53 |) | (0.02 |) |
| Diluted (loss) earnings per share | (0.15 |) | (1.64 |) | (1.39 |) | (1.53 |) | (0.02 |) |
| Cash dividends declared per share | 0.63 | | 0.64 | | 1.20 | | 1.15 | | 1.70 | |
| Basic weighted average shares outstanding | 85,401,179 | | 64,101,923 | | 52,547,623 | | 47,159,402 | | 46,551,564 | |
| Diluted weighted average shares outstanding | 85,401,179 | | 64,101,923 | | 52,547,623 | | 47,159,402 | | 46,551,564 | |
| Market price per common share as of December 31, | 10.07 | | 9.70 | | 8.75 | | 11.99 | | 26.02 | |

Other financial data:

| | | | | | | | | |
|---|--------|---------|---|--------|---|---------|---|--------|
| Net cash (Used in) provided by operating activities | 57,479 | (47,265 |) | (567 |) | (12,163 |) | 57,752 |
| Cash Dividends paid | 54,069 | 41,756 | | 63,497 | | 54,273 | | 78,728 |

Selected Balance Sheet Data (at period end):

| | | | | | |
|----------------------------|-----------|-----------|-----------|-----------|-----------|
| Cash and cash equivalents | 100,736 | 65,675 | 55,511 | 24,006 | 17,221 |
| Total assets | 1,169,024 | 1,136,437 | 1,085,624 | 1,125,385 | 1,083,083 |
| Total long-term debt | 250,000 | 250,000 | 250,000 | 230,000 | 75,000 |
| Common stock | 892 | 754 | 529 | 473 | 469 |
| Total shareholders' equity | 882,075 | 854,984 | 809,383 | 867,563 | 992,955 |

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.

Historically, the tanker markets have been volatile as a result of the many conditions and factors that can affect the price, supply and demand for tanker capacity. While market conditions have improved since the global financial crisis in 2008, continued volatility may reduce demand for transportation of oil over longer distances and increase supply of tankers to carry oil, which may materially affect our revenues, profitability and cash flows. As of the date of this annual report, all of our vessels are operated in the spot market. We are highly dependent on spot market charter rates. If spot charter rates decline, we may be unable to achieve a level of charterhire sufficient for us to operate our vessels profitably. If we are not profitable, we may not be able to meet our obligations, including making payments on any future indebtedness or paying dividends. Furthermore, as charter rates for spot charters are fixed for a single voyage, which may last up to several weeks, during periods in which spot charter rates are rising, we will generally experience delays in realizing the benefits from such increases, or alternatively lose this opportunity, should the rise be short-lived.

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

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

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

increased crude oil production from other areas;

increased refining capacity in the Arabian Gulf or West Africa;

increased use of existing and future crude oil pipelines in the Arabian Gulf or West Africa;

a decision by Arabian Gulf or West African oil-producing nations to increase their crude oil prices or to further decrease or limit their crude oil production;

armed conflict in the Arabian Gulf and West Africa and political or other factors; and

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

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

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

We currently operate a fleet of 22 vessels, all of which are employed in the spot market. We are therefore highly dependent on spot market charter rates.

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

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

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

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

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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. Although the frequency of sea piracy worldwide decreased from 2013 to 2014, sea piracy incidents continue to occur, particularly in the Gulf of Aden off the coast of Somalia and increasingly in the Gulf of Guinea, with drybulk vessels and tankers particularly vulnerable to such attacks. If 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.

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

The world economy continues to face a number of challenges, including turmoil and hostilities in the Middle East, North Africa and other geographic areas and continuing economic weakness in the European Union. There has historically been a strong link between the development of the world economy and demand for energy, including oil and gas. An extended period of deterioration in the outlook for the world economy could reduce the overall demand for oil and gas and for our services.

The European Union continues to experience relatively slow growth and exhibit weak economic trends. Over the past six years, the credit markets in Europe have experienced significant contraction, deleveraging and reduced liquidity. While credit conditions are beginning to stabilize, global financial markets have been, and continue to be, disrupted and volatile. Lending by financial institutions worldwide remains at lower levels compared to the period preceding 2008.

Lower growth rates in the Asia Pacific region, especially in Japan and China, may exacerbate the effect on us of the continued slowdown in the rest of the world. Before the global economic financial crisis that began in 2008, China had one of the world's fastest growing economies in terms of gross domestic product, or GDP, which had a significant impact on shipping demand. The growth rate of China's GDP for the year ended December 31, 2014 is estimated to be around 7.4%, down from a growth rate of 7.7% in 2013, and remaining below pre-2008 levels.

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, and may impair their ability to continue to perform under their financing obligations to us, which could negatively impact our ability to fund current and future obligations. As of the date of this annual report we have drawn down an aggregate of \$250.0 million.

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

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

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

Fuel, or bunkers, is a significant, if not the largest, expense in our shipping operations. Changes in the price of fuel may adversely affect our profitability. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Despite recent low fuel prices in the beginning of 2015, 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.

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

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

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

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

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

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

If our vessels suffer damage, they may need to be repaired at a dry-docking facility. The costs of dry-dock repairs are unpredictable and may be substantial. We may have to pay dry-docking costs that our insurance does not cover at all or in full. The loss of earnings while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business and financial condition. In addition, space at dry-docking facilities is sometimes limited and not all dry-docking facilities are conveniently located. We may be unable to find space at a suitable dry-docking facility or our vessels may be forced to travel to a dry-docking facility that is not conveniently located to our vessels' positions. The loss of earnings while these vessels are forced to wait for space or to travel to more distant dry-docking facilities may adversely affect our business and financial condition. Further, the total loss of any of our vessels could harm our reputation. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs, or loss which could negatively impact our business, financial

condition, results of operations and ability to pay dividends.

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

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

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

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

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

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

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

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

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

From time to time, our vessels call on ports located in countries that are subject to restrictions imposed by the U.S. or other governments, 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, 2014. 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.

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

Although we believe that we have been in compliance with all sanctions and embargo laws and regulations that apply to us, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines, penalties or other sanctions that could severely impact our ability to access U.S. capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. Additionally, some investors may decide not to invest in our company simply because we do business with companies that do business in sanctioned countries. The determination by these investors not to invest in, or to divest from, our common stock may adversely affect the price at which our common stock trades. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. In addition, our reputation and the market for our securities may be adversely affected if we engage in certain other activities, such as entering into charters with individuals or entities in countries subject to U.S. sanctions and embargo laws that are not controlled by the governments of those countries, or engaging in operations associated with those countries pursuant to contracts with third parties that are unrelated to those countries or entities controlled by their governments. Investor perception of the value of our common stock may be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

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 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 our manager and wholly-owned subsidiary Scandic American Shipping Ltd., which we refer to as Scandic or our Manager, 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 and two secondhand vessels in 2014. While we always inspect secondhand vessels prior to purchase, this does not provide us with the same knowledge about their condition that we would have had if these vessels had been built for and operated exclusively by us. We may receive the benefit of warranties from the builders for the secondhand vessels that we acquire direct

from yard.

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

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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 8 years to 21 years, depending on the type of vessel. Our cash flows and income are dependent on the revenues earned by the chartering of our vessels. If we are unable to replace the vessels in our fleet upon the expiration of their useful lives, our business, results of operations, financial condition and ability to pay dividends would be adversely affected. Any funds set aside for vessel replacement will not be available for dividends.

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

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

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

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

Under the spot charters of all of our operating vessels, we are responsible for vessel operating expenses. Our vessel operating expenses include the costs of crew, 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. The current global financial crisis may reduce the demand for transportation of oil and oil products which could lead to increased competition. Competition arises primarily from other tanker owners, including major oil companies as well as independent tanker companies, some of whom have substantially greater resources than we do. Competition for the transportation of oil and oil products can be intense and depends on price, location, size, age, condition and the acceptability of the tanker and its operators to the charterers. We will have to compete with other tanker owners, including major oil companies as well as independent tanker companies.

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

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

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

seeking to raise additional capital,

refinancing or restructuring our debt,

selling tankers or other assets, or

reducing or delaying capital investments.

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

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

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

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

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

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

These projects are subject to the risk of delay or default by the shipyard caused by, among other things, unforeseen quality or engineering problems, work stoppages or other labor disturbances at the shipyard, bankruptcy of or other financial crisis involving the shipyard, weather interference, unanticipated cost increases, delays in receipt of necessary equipment, political and social or economic disturbances. 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 we obtain some of our insurance through protection and indemnity associations, which result in significant expenses to us, we may be required to make additional premium payments.

We may be subject to increased premium payments, or calls, in amounts based on our claim records, as well as the claim records of other members of the protection and indemnity associations through which we receive insurance coverage for tort liability, including pollution-related liability.

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 krone. Declines in the value of the U.S. dollar relative to the Norwegian krone, or the other currencies in which we may incur expenses in the future, would increase the U.S. dollar cost of paying these expenses and thus would affect our results of operations.

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

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

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

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

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

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

We expect to derive more than 25% of our income each year from our spot chartering or time chartering activities. We also expect that more than 50% of the value of our assets will be devoted to our spot chartering and time chartering. Therefore, since we believe that such income will be treated for relevant United States federal income tax purposes as services income, rather than rental income, we have taken, and will continue to take, the position that such income should not constitute passive income, and that the assets that we own and operate in connection with the production of that income, in particular our vessels, should not constitute assets that produce or are held for the production of passive income for purposes of determining whether we are a PFIC in any taxable year.

There is, however, no direct legal authority under the PFIC rules addressing our method of operation. We believe there is substantial legal authority supporting our position consisting of case law and United States Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income rather than rental income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a

PFIC for any future taxable year if there were to be changes in the nature and extent of our operations.

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

Risks Relating to Our Common Shares

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

The market price of our common shares has historically fluctuated over a wide range and may continue to fluctuate significantly in response to many factors, such as actual or anticipated fluctuations in our operating results, changes in financial estimates by securities analysts, economic and regulatory trends, general market conditions, rumors and other factors, many of which are beyond our control. Since 2008, the stock market has experienced extreme price and volume fluctuations. If the volatility in the market continues or worsens, it could have an adverse 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 that currently owns 24 Suezmax tankers, two of which are newbuildings which average approximately 156,000 dwt each. The vessels in our fleet are homogenous and interchangeable, which is a strategy that we refer to as the "Nordic American System". We were 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 and at the end of 2014 we owned 24 vessels, including two newbuildings currently under construction. We expect that our fleet expansion process will continue over time and the addition of more vessels.

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.

All of our 24 tankers are Suezmaxes. Suezmaxes can carry one million barrels of oil and are highly versatile, able to be utilized on most long-haul trade routes. A homogenous fleet streamlines operating and administration costs, which helps keep our cash-breakeven point low.

We maximize cash flows by employing all of our vessels in the spot market. The spot market gives better earnings than the time charter market over time.

Growth is a central element of the Nordic American System. It is essential that 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.

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

Beginning in September 2012, Frontline Ltd., or Frontline (NYSE:FRO), a Bermuda company with whom we owned Orion in equal parts until January 2013, withdrew its nine Suezmax tankers from the Orion Tankers pool. The withdrawal of these vessels was completed effective November 5, 2012.

In October 2012, we entered into a new \$430.0 million revolving credit facility, or our 2012 Credit Facility. The banking group consists of DNB Bank ASA, Nordea Bank Norge ASA and Skandinaviska Enskilda Banken AB (publ). For more information, please see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources Our Borrowing Activities."

In November 2012, we announced that one of its vessels was detained for a short while in a U.S. port. The vessel was released in early December 2012 and was employed in the spot market. The Company was not prosecuted and face no charges as a result of the detention.

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 the Manager's ownership of 2% of our common shares. The restricted common shares equal to 2% of our outstanding common shares issued pursuant to the Management Agreement and the restricted common shares issued to the Manager under the 2011 Equity Incentive Plan were not part of the transaction. For further information about the acquisition, please see "Item 4. Information on the Company –Management Agreement."

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

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

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.

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. As of December 31, 2014, we hold 19.2 % of NAO's outstanding common shares, which excludes the 333,332 common shares that are issuable by NAO upon exercise of warrant rights that have vested at an exercise price of \$15.00 per common share. NAT received 833,333 warrants from NAO as compensation for coordinating the Private Placement. For more information on the warrants, please see "Item. 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions."

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 a purchase price of \$36.5 million per vessel.

In December 2014, we announced that it had entered into final contracts with Sungdong Shipbuilding & Marine Engineering Co., Ltd, or Sungdong, for the construction of two Suezmax tankers with the carrying capacity of 158,000 deadweight tons each. The two contracted newbuildings will be sold for 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.

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 24 double-hull Suezmax tankers, two of which are newbuildings that average approximately 156,000 dwt each. Our Suezmax tankers are interchangeable assets within the Orion Tankers pool, as any vessel may be offered to a charterer for any voyage.

Until November 24, 2011, we chartered all of our vessels in the spot market pursuant to a cooperative arrangement with Gemini.

In November 2011, the Orion Tankers pool was established and was then owned equally by us and Frontline. Orion served and continues to serve as manager of the pool. Upon completion of previously fixed charters within the Gemini arrangement, we transferred our vessels to the Orion Tankers pool. In September 2012, upon announcement that we

would acquire Frontline's remaining interest in Orion, Frontline withdrew its nine Suezmax vessels from the Orion Tankers pool. Effective January 2, 2013, we acquired all of Frontline's shares in Orion at their nominal book value as of December 31, 2012, after which Orion Tankers became our wholly-owned subsidiary.

Our Fleet

Our fleet currently consists of 24 Suezmax crude oil tankers. All of our vessels are employed in the spot market as part of the Orion Tankers pool. The vessels are considered homogenous and interchangeable as they have approximately the same freight capacity and ability to transport the same type of cargo.

| <u>Vessel</u> | <u>Yard</u> | <u>Built</u> | <u>Deadweight Tons</u> | <u>Delivery Date</u> |
|------------------|-------------|--------------|------------------------|----------------------|
| Nordic Harrier | Samsung (1) | 1997 | 151,459 | August 1997 |
| Nordic Hawk | Samsung | 1997 | 151,475 | October 1997 |
| Nordic Hunter | Samsung | 1997 | 151,401 | December 1997 |
| Nordic Voyager | Dalian (1) | 1997 | 149,591 | November 2004 |
| Nordic Fighter | Hyundai (1) | 1998 | 153,328 | March 2005 |
| Nordic Freedom | Daewoo(1) | 2005 | 159,331 | March 2005 |
| Nordic Discovery | Hyundai | 1998 | 153,328 | August 2005 |
| Nordic Saturn | Daewoo | 1998 | 157,331 | November 2005 |
| Nordic Jupiter | Daewoo | 1998 | 157,411 | April 2006 |
| Nordic Moon | Samsung | 2002 | 160,305 | November 2006 |
| Nordic Apollo | Samsung | 2003 | 159,998 | November 2006 |
| Nordic Cosmos | Samsung | 2003 | 159,999 | December 2006 |
| Nordic Sprite | Samsung | 1999 | 147,188 | February 2009 |
| Nordic Grace | Hyundai | 2002 | 149,921 | July 2009 |
| Nordic Mistral | Hyundai | 2002 | 164,236 | November 2009 |
| Nordic Passat | Hyundai | 2002 | 164,274 | March 2010 |
| Nordic Vega | Bohai(1) | 2010 | 163,940 | December 2010 |
| Nordic Breeze | Samsung | 2011 | 158,597 | August 2011 |
| Nordic Aurora | Samsung | 1999 | 147,262 | September 2011 |
| Nordic Zenith | Samsung | 2011 | 158,645 | November 2011 |
| Nordic Sprinter | Hyundai | 2005 | 159,089 | July 2014 |
| Nordic Sprinter | Hyundai | 2005 | 159,089 | August 2014 |
| Newbuilding(2) | Sungdong | 2016 | | August 2016(3) |
| Newbuilding(2) | Sungdong | 2017 | | January 2017(3) |

(1) As used in this annual report, "Samsung" refers to Samsung Heavy Industries Co., Ltd, "Hyundai" refers to Hyundai Heavy Industries Co., Ltd., "Daewoo" refers to Daewoo Shipbuilding and Marine Engineering S.A., "Dalian" refers to Dalian Shipbuilding Industry Co. Ltd., and "Bohai" refers to Bohai Shipbuilding Heavy Industry Co. Ltd.

(2) Vessel under construction.

(3) Expected delivery date.

Employment of Our Fleet

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

We currently operate all of our 22 vessels in the spot market through Orion Tankers pool, although we may consider charters at fixed rates depending on market conditions.

Spot Market

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

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

In November 2011, the Orion Tankers pool was established. Orion serves and continues to serve as manager of the pool, which was then owned equally by us and Frontline. Upon completion of previously fixed charters within the Gemini arrangement, we transferred our vessels to the Orion Tankers pool in mid-November 2011. In September 2012, upon announcement that we would acquire Frontline's remaining interest in Orion, Frontline withdrew its nine Suezmax vessels from the Orion Tankers pool. Effective January 2, 2013, we acquired all of Frontline's shares in Orion at their nominal book value as of December 31, 2012, after which Orion Tankers became our wholly-owned subsidiary.

Until November 5, 2012, when Frontline completed the withdrawal of its vessel in the Orion Tankers pool, we considered it appropriate to present this type of arrangement on a net basis in our Statements of Operations. Effective November 5, 2012, we have considered it appropriate to present this type of arrangement on a gross basis in our Statement of Operations. For more information, please see Note 2 to our audited financial statements.

Time Charters

Under a time charter, the charterer pays for the voyage expenses, such as port, canal and fuel costs, while the shipowner pays for vessel operating expenses, including, among other costs, crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs and costs relating to a vessel's intermediate and special surveys. No vessels were employed on time charters during 2014, 2013 or 2012.

Management Agreement

In June 2004, the Company entered into a management agreement, or the Management Agreement, with Scandic. Under the Management Agreement, the Manager has the daily, administrative, commercial and operational responsibility for our vessels and is generally required to manage our day-to-day business according to our objectives and policies as established and directed by our Board of Directors. All decisions of a material nature concerning our

business are made by the Board of Directors. The Management Agreement shall terminate on the date which is ten years from the calendar date, so that the remaining term of the Management Agreement shall always be ten years unless terminated earlier in accordance with its terms, essentially related to non-performance or negligence by the Manager.

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

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

As of December 31, 2014, a total number of 226,000 restricted common shares that are subject to vesting have been allocated among 26 persons employed in the management of the Company, to the Manager, Orion and members of the Board of Directors. The holders of the restricted shares are entitled to voting rights as well as to receive dividends paid during the vesting period.

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

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

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

executive officer and staff salaries,

administrative expenses, including, among others, for third party public relations, insurance, franchise fees and registrars' fees,

all premiums for insurance of any nature, including directors' and officers' liability insurance and general liability insurance,

brokerage commissions payable by us on the gross charter hire received in connection with the charters,

directors' fees and meeting expenses,

audit fees,

other expenses approved by the Board of the Directors and

attorneys' fees and expenses, incurred on our behalf in connection with (a) any litigation commenced by or against us or (b) any claim or investigation by any governmental, regulatory or self-regulatory authority involving us.

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

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

Commercial and Technical Management Agreements

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

Commercial management agreements: As of December 31, 2014, we operate all of our vessels in the spot market through Orion Tankers pool; Orion serves as pool manager and has the responsibility for the commercial management of the vessels.

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

Technical management agreements: As of December 31, 2014, the ship management firm of V.Ships Norway AS or V.Ships provides the technical management for 14 of our vessels. The ship management firm Colombia Shipmanagement Ltd, Cyprus provides the technical management for four of our vessels. The ship management firm Hellepont Ship Management GmbH & Co KG, Germany provides the technical management for four of the Company's vessels.

Share-based Compensation Plan

Management Agreement: In order to align the Manager's interests with ours, we previously issued to the Manager restricted common shares equal to 2% of our outstanding common shares. Any time we issued common shares, the Manager received restricted common shares in order to maintain 2% of our total outstanding common shares. Subsequent to the acquisition of the Manager on January 10, 2013, the 2% provision is no longer a part of the Management Agreement.

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

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

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

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

In 2014, we repurchased at fair value 10,000 unvested restricted common shares, and distributed 33,000 restricted common shares among employees of the Manager. As of December 31, 2014, a total of 226,000 unvested restricted shares were allocated under the plan.

The International Tanker Market

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

An improved balance between supply and demand for tanker vessels is affecting the market positively. It is expected that the global fleet will increase slightly during 2015 because of the present order book. However, some shipping companies are now facing challenges in financing their large newbuilding programs, as shipping banks are more restrictive than before in granting credit. Assuming current scrapping levels, it can be assumed that the Suezmax fleet may contract in 2015, before resuming growth in 2016, given the current order book. The current financial upheaval may delay deliveries of newbuildings and may also lead to the cancellation of newbuilding orders, and there have been reports of cancellations of tanker newbuildings from certain yards. Shipping companies with high debt or other financial commitments may be unable to continue servicing their debt, which could lead to foreclosure on vessels. A reduction in available ship finance is curtailing any significant growth to the order book. 41 Suezmax tankers were ordered in 2014 versus 4 in 2013.

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 2014 Tanker Market (Source: Fearnleys)

The tanker market saw some significant improvements in 2014, after earnings during the 2011-2013 period had been below the cash break-even level needed for most owners. The improvements were driven by a combination of further slowing in fleet growth and improving transportation demand, as expected a year ago.

Data from Fearnleys show Suezmax earnings jumped 79% year/year to an average \$27,800/day in 2014. In addition to being a stronger year overall, Suezmax earnings outperformed earnings for the bigger VLCC vessels for the third out of the past four years. VLCC earnings averaged \$27,300/day in 2014 by comparison.

Overall tanker fleet growth ended at 1.9%, slowing from 2.4% in 2013 and 7.4% in 2012. While the Suezmax segment took delivery of as many as 5.2 newbuildings on average per month at its supply peak during the first half of 2012, deliveries have gradually declined since. The past 18 months period up to the end of 2014 show a steady 0.7 newbuilding delivered per month on average by comparison. A similar development was seen in most other segments, with the VLCC segment coming off from an average 5.7 newbuildings delivered per month at its supply peak in first half of 2011, to an average 1.8 delivered per month the last 18 months leading up to year-end 2014.

Measured in net supply the Suezmax segment took delivery of 8 newbuildings last year while 8 older vessels were also scrapped, hence a net supply growth of nil. By comparison the Suezmax segment had a net supply growth of 12 vessels in 2013 while at peak in 2012 the net supply was as many as 40 vessels, after 45 newbuildings were delivered and only 5 were sold for demolition. The average age for the Suezmax vessels scrapped the past years has been 22 years. For the VLCC segment, net supply growth was 17 vessels last year after 24 VLCC newbuildings were delivered

and 7 older vessels were scrapped. The latter was a slight acceleration from a net supply of 12 vessels in 2013, but well off the supply growth during the 2011-2012 period, which was 59 and 33 vessels net respectively.

Improving transportation demand also came the tanker market to aid. After a -1.2% contraction for overall crude tanker tonne-miles in 2013, there was a modest 1.3% recovery in 2014, preliminary data suggest. Slow oil demand weighed negative while low oil stocks at the beginning of the year and lower oil prices sparked restocking throughout 2014. By key importers a further -12.4% drop in tonne-miles related to U.S imports weighed negative while continued strong Chinese imports of 10.9% was the single most positive factor, followed by 6.9% stronger tonne-miles related to Japanese crude oil imports.

There were variances though. While Suezmax demand grew 3.0% in 2013, being the only segment with gains that year, Suezmax demand slowed and ended flattish in 2014. A further -54% reduction in U.S related Suezmax tonne-miles continued to weigh negative and while other and new trades managed to more than compensate this in 2013, slower growth in these other and new trades was only sufficient to keep the overall flat last year. The West Africa to Europe Suezmax trade that earlier had compensated much of the lost U.S interest declined -1.8%, while the new Suezmax long-haul trades from the Atlantic to Asia slowed to 5.7% growth for the West Africa to Asia trade and 1.3% for the Americas Atlantic Coast to Asia trade. Suezmax trading out of the Middle East, both to Europe and Asia, strengthened the most by growing 42% and 26% year/year respectively.

Despite slower Suezmax tonne-mile performance last year, relative to 2013 and the other crude tanker segments, the Suezmax segment has shown great flexibility the past years, when the historic and single most important trade, the West Africa to U.S trade, has dropped -81% measured in tonne-miles since 2010. While 78% of all Suezmax tonne-miles were triggered by exports from an Atlantic basin oil supplier in 2010, this had declined to 67% last year. Meanwhile as much as 60% of the tonne-miles ended with an Atlantic basin buyer in 2010, versus only 40% last year. More trade specific we find it interesting to note that while the West Africa to the U.S trade in 2010 accounted for 19% of all Suezmax tonne-miles, this had declined to only 3% last year. Meanwhile trades like West Africa to Europe had grown from accounting for 9% in 2010 to 15% last year, and the Middle East to Europe trade from 2% in 2010 to 7% last year. This highlights how the Suezmax market has been able to create new trades and how this asset has become a more globally traded asset size the past 5 years.

Alongside the improving earnings there was a positive development also for asset values through 2014. Fearnleys data show the value of a 5-year old Suezmax improved 29% throughout the year, to USD 53m. The value of a 10-year old Suezmax strengthened as much as 39% year/year to USD 38m. Newbuilding prices were up a modest 1.6% year/year as yard capacity available for late 2016 and 2017 deliveries has been ample, the latter due to slow offshore and container markets in particular.

Fearnleys is forecasting further improvements in 2015. Continued low fleet growth combined with accelerating oil demand growth and restocking at lower prices are expected to be the key drivers. Further restocking is mainly expected to be driven by China, as both new commercial and SPR storage capacity combined with lower oil prices is believed to be sufficient incentives for incremental purchases. OECD oil stocks have however reached a level that may cause a stock drawing period if energy prices at some point recover substantially. The latter would pose a demand risk as much of the oil consumption growth then will be covered by local stocks, rather than generating new long-haul transportation demand. As the oil market is expected to remain oversupplied short term by the key energy agencies, this risk may be more relevant for 2016 than current year though.

The Tanker Market 2015

The first quarter of 2015 was the strongest quarter in years. The general uptick in rates seen through the fourth quarter of 2015 continued without the fallback seen during the same quarter in 2014. Suezmax rates up to the week ending March 13, 2015 averaged just over \$51,000 per day based on the Clarksons Modern Suezmax Tanker Index. For the equivalent VLCC index the average was just over \$53,000 per day.

Coming into 2015 vessel values continued to rise. The following values are based on weekly observations up to the week ending March 13, 2015. According to the Clarksons data, 5 year old Suezmaxes rose in value by 8.4% from an average of \$54.9m in 4Q2014 to \$59.5m in 1Q2015. 5 year old VLCCs rose in value by 5.2% from an average of \$76.7m in 4Q2014 to \$80.7m in 2015. Prices rose as a result of a stronger earnings environment and increased activity in the timecharter market.

Environmental and Other Regulation

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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 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 are expected to go into effect on June 8, 2015. The amendments alter the limits of liability for a loss of life or personal injury claim and a property claim against ship owners.

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

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

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

Pollution Control and Liability Requirements

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

sum equivalent to an owner's liability for a single incident. We believe that our protection and indemnity insurance will cover the liability under the plan adopted by the IMO.

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

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

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

U.S. Regulations

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

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

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

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

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

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

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

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

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective July 31, 2009, the U.S. Coast Guard adjusted the limits of OPA liability to the greater of \$2,000 per gross ton or \$17.088 million for any double-hull tanker that is over 3,000 gross tons (subject to periodic adjustment for inflation), and our fleet is entirely composed of vessels of this size class. These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident where the 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.

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.

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. The European Parliament and Council of Ministers are expected to endorse regulations that would require the monitoring and reporting of greenhouse gas emissions from marine vessels in 2015. 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 sulphur 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 V became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, and mandates compliance with the ISPS Code. The ISPS Code is designed to enhance the security of ports and ships against terrorism. Amendments to SOLAS Chapter VII, made mandatory in 2004, apply to vessels transporting dangerous goods and require those vessels be in compliance with the International Maritime Dangerous Goods Code, or "IMDG Code".

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

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

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

the development of vessel security plans;

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

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

compliance with flag state security certification requirements.

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

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

with SOLAS security requirements and the ISPS Code. We have implemented the various security measures addressed by MTSA, SOLAS and the ISPS Code, and our fleet is in compliance with applicable security requirements.

Inspection by Classification Societies

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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 compete for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as on our reputation as an operator. For more information on the Nordic American System, please see "Item 4.A. History and Development of the Company."

We currently operate all of our vessels in spot market through Orion Tankers pool which was established in November 2011, prior to which employed our vessels in a spot market arrangement with Gemini. As pool manager of the Orion Tankers pool, Orion has the responsibility for the commercial management of the participating vessels, including marketing, chartering, operating and purchasing bunker (fuel oil) for the vessels. From time to time, we may also arrange our time charters and voyage charters in the spot market through the use of brokers, who negotiate the terms of the charters based on market conditions. Ownership of tankers is highly fragmented and we compete primarily with owners of tankers in the Suezmax class size.

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 on 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."

Since November 11, 2011, Orion has been pool manager of the Orion Tankers pool in which all of our vessels operate as of the date of this annual report. 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, Plants and Equipment

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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 Statement of Operations using voyage revenues and voyage expenses. During the years ended December 31, 2014, 2013 and 2012, all of our vessels were employed in the spot market. Under a spot charter, revenue is generated from freight billing and is included in voyage revenue, and the vessel owner pays all vessel voyage expenses and these expenses are included in voyage expenses. We consider it appropriate to present this type of arrangement on a gross basis in the Consolidated Statements of Operations. Our homogenous and interchangeable fleet is operated by the Orion Tankers pool, in which the pool manager, Orion, employs the vessels under contracts with a particular charterer for a number of voyages. Orion can nominate any pool vessel for employment under a specific contract because our fleet is considered homogenous and interchangeable in terms of freight capacity and the types of cargo that can be transported. Voyage revenues less voyage expenses of all of the vessels in the pool are aggregated and divided by the actual earning days each vessel is available during the period. From November 2011 through November 5, 2012, we considered it appropriate to present this type of arrangement on a net basis in our Statements of Operations. Since November 5, 2012, when Frontline completed the withdrawal of its nine Suezmax tankers from the Orion Tankers pool leaving only our vessels operating therein, we considered it appropriate to present this type of cooperative arrangement on a gross basis in the Statement of Operations effective. On January 2, 2013, we acquired Frontline's ownership interest in Orion, after which Orion became our wholly-owned subsidiary.

For further information, please see "Item 4. Information on the Company—B. Business Overview—Our Charters."

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

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

| All figures in USD '000 | Year Ended | | | |
|-------------------------|--------------|-----------|----------|---|
| | December 31, | | | |
| | 2014 | 2013 | Variance | |
| Voyage Revenue | 351,049 | 243,657 | 44.1 | % |
| Voyage Expenses | (199,430) | (173,410) | 15.0 | % |

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| | | | | |
|-------------------------------------|-----------|------------|-------|----|
| 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 | % |
| Other Financial Income (Expenses) | 2,365 | (477) | - | |
| Equity Income | 1,665 | 40 | - | |
| Net (Loss) | (12,808) | (105,417) | (87.9 | %) |

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| Reconciliation of net voyage revenues to voyage revenues All figures in USD '000, except TCE rate per day | Year Ended December 31, | | |
|--|-------------------------|-----------|----------|
| | 2014 | 2013 | Variance |
| Voyage Revenue – gross freight | 351,049 | 243,657 | 44.1 % |
| Less Voyage expenses – gross | (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"), 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:

- i) The number of TCE days
 ii) 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.

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 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 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.

Other financial income (expenses) increased to \$4.0 million for the year ended December 31, 2014 compared to (\$0.4) for the year ended December 31, 2013. In 2014 the Company received \$2.8 million in equity income from NAO for the portion of the year the investment was recognized under the equity method, and \$0.2 million in dividends for the portion of the year the investment was recognized as an available-for-sale security. Additionally the Company had a gain of \$3.3 million on the investment in NAO.

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

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

| All figures in USD '000, except TCE rate per day | Year Ended December 31, | | Variance |
|--|----------------------------|----------|----------|
| | 2013 | 2012 | |
| Voyage Revenue – net pool earnings | - | 77,287 | - |
| Voyage Revenue – gross freight | 243,657 | 53,395 | - |
| Total Voyage Revenue | 243,657 | 130,682 | - |
| Less Voyage expenses - gross | (173,410) | (38,670) | - |
| Net Voyage Revenue | 70,246 | 92,012 | (23 %) |
| Vessel Calendar Days (1) | 7,300 | 7,320 | (0.3 %) |
| Less off-hire days | 971 | 555 | 75 % |
| Total TCE days | 6,329 | 6,765 | (6.4 %) |
| TCE Rate per day (2) | \$11,099 | \$13,601 | (18.4 %) |
| Total Days – vessel operating expenses | 7,300 | 7,320 | (0.3 %) |

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2005 Credit Facility

We had a \$500.0 million revolving credit facility, which is referred to as the 2005 Credit Facility. The 2005 Credit Facility provided funding for future vessel acquisitions and general corporate purposes. Amounts borrowed under the 2005 Credit Facility borne interest at an annual rate equal to LIBOR plus a margin between 0.7% and 1.2% (depending on the loan to vessel value ratio). We paid a commitment fee of 30% of the applicable margin on any undrawn amounts. Borrowings under the 2005 Credit facility were secured by first priority mortgage over the

Company's vessels and assignment of earning and insurance.

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

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 matures in late October 2017.

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

As of December 31, 2014 and 2013 the Company had \$250.0 million outstanding under the 2012 Credit Facility and \$180.0 million available for additional borrowing. We were in compliance with our loan covenants under the 2012 Credit Facility as of December 31, 2014 and December 31, 2013. Cash on hand was \$100.7 million as of December 31, 2014.

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

Cash Flows

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 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 due to less capital raised from issuance of common stock, and an increase in dividends distributed.

As of December 31, 2014, the Company had \$180.0 million available for additional borrowing under the 2012 Credit Facility. Cash on hand was \$100.7 million as of December 31, 2014. 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, 2013 COMPARED TO YEAR ENDED DECEMBER 31, 2012

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

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

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

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

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, 2014, we do not have any off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

The Company's contractual obligations as of December 31, 2014, 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, 2014.

| | | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
|-------------------------------------|---------|------------------------|--------------|--------------|-------------------------|
| Contractual Obligations | Total | | | | |
| 2012 Credit Facility (1) | 250,000 | - | 250,000 | - | - |
| Interest Payments (2) | 22,548 | 7,958 | 14,590 | - | - |
| Commitment Fees (3) | 6,018 | 2,124 | 3,894 | - | - |
| Deferred Compensation Agreement (4) | 12,475 | - | - | - | 12,475 |
| Newbuilds (5) | 128,000 | - | 128,000 | - | - |
| Total | 419,041 | 10,082 | 396,484 | - | 12,475 |

Notes:

- (1) Refers to obligation to repay indebtedness outstanding as of December 31, 2014.
- (2) Refers to estimated interest payments over the term of the indebtedness outstanding as of December 31, 2014.
- (2) Estimate based on applicable interest rate and drawn amount as of December 31, 2014.
- (3) Refers to estimated commitment fees over the term of the indebtedness outstanding as of December 31, 2014.
- (3) Estimate based on applicable commitment fee and drawn amount as of December 31, 2014.
- (4) Refers to estimated deferred compensation agreements payable to the Company's CEO and CFO as of December 31, 2014.
- (5) Refers to obligation to pay for two newbuilding contracts for vessels to be delivered.

The disclosed contractual obligations are based on estimates as of December 31, 2014. 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."

Revenue and voyage expense

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

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

Spot Charters: Tankers operating in the spot market are typically chartered for a single voyage which may last up to several weeks. Under a voyage charter revenue is generated from freight billing, as we are responsible for paying

voyage expenses and the charterer is responsible for any delay at the loading or discharging ports. When our tankers are operating on spot charters the vessels are traded fully at the risk and reward of the Company. For vessels operating in the spot market other than through the pool (described below under "Cooperative arrangement"), the vessels will be operated by the pool manager. Under this type of employment, the vessel's revenues are not included in the profit sharing of the participating vessels in the pool. We consider it appropriate to present this type of arrangement on a gross basis in the Statements of Operations. See note 2 to our audited financial statements for further information concerning our accounting policies.

Long-lived assets

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

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

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

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

Drydocking

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

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

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

Vessel Impairment

The carrying values of the Company's vessels may not represent their fair value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. Historically, both charter rates and vessel values tend to be cyclical. Our vessels are evaluated for possible impairment whenever events or changes in circumstances indicate that the carrying amount of a vessel may not be recoverable. If the estimated undiscounted future cash flows expected to result from the use of the vessel and its eventual disposition is less than the carrying amount of the vessel, the vessel is deemed impaired. Impairment charges may be limited to each individual vessels or be based on a portfolio approach. In 2012, we recognized impairment charges on one vessel using an individual approach. There was no impairment on vessels in 2014 and 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.

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 rem