

NORDIC AMERICAN TANKERS Ltd
Form 20-F/A
April 07, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F/A

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

OR

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

For the fiscal year ended December 31, 2013

OR

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

For the transition period from ____ to ____

OR

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

Date of event requiring this shell company report: Not applicable

Commission file number 001-13944

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

(Translation of Registrant's name into English)

BERMUDA
(Jurisdiction of incorporation or organization)

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

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

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

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

New York Stock Exchange
Name of exchange on which registered

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

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

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

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

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

Yes No

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

Yes No

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

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

Yes No

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

Yes

No

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

Large accelerated filer

Accelerated filer

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

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

U.S. GAAP

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

Other

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

Item 17

Item 18

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

Yes

No

EXPLANATORY NOTE

This Amendment No. 1 on Form 20-F/A (the "Amendment") amends Nordic American Tankers Limited's Annual Report on Form 20-F for the fiscal year ended December 31, 2013 (the "Form 20-F"), as filed with the Securities and Exchange Commission on April 4, 2014, and is being filed solely to amend the Report of Independent Registered Public Accounting Firm (the "Audit Report") contained in Item 18 of the Form 20-F to correct a typographical error in the date of the Audit Report from April 4, 2013 to April 4, 2014.

Pursuant to Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, we have included the entire text of Item 18 of the Form 20-F in this Amendment. However, there have been no changes to the text of such item other than the change stated in the immediately preceding paragraph. Furthermore, there have been no changes to the XBRL data filed in Exhibit 101 of the Form 20-F.

Except as expressly set forth above, this Amendment does not, and does not purport to, amend, update or restate the information in any other item of the Form 20-F or reflect any events that have occurred after the filing of the original Form 20-F.

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Item 18. Financial Statements

Exhibits
Filed Herewith

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

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

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

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

15.1 Consent of Independent Registered Public Accounting Firm.

NORDIC AMERICAN TANKERS LIMITED

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

/s/ Deloitte AS

Oslo, Norway
April 4, 2014

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Nordic American Tankers Limited

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

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

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

The footnotes are an integral part of these financial statements.

Nordic American Tankers Limited

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

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

The footnotes are an integral part of these financial statements.

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

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

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

The footnotes are an integral part of these financial statements.

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Nordic American Tankers Limited

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

All figures in USD '000, except number of shares

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

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

The footnotes are an integral part of these financial statements.

Nordic American Tankers Limited

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

All figures in USD '000

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

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

The footnotes are an integral part of these financial statements.

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NORDIC AMERICAN TANKERS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in USD '000 except where noted)

1. NATURE OF BUSINESS

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

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

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

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

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

The Company's Fleet

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

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

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

Comparative Information

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

anticipated load port on its next voyage.

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of Vessels:

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

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

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

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

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

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

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

Defined Benefit Plan:

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

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

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

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

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

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

Share-Based Payments:

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

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

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

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

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

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

Concentrations:

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

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

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

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

Recent Accounting Pronouncements:

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

3. RELATED PARTY TRANSACTIONS

Scandic American Shipping Ltd.:

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

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

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

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

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

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

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

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

Board Member and Employees:

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

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

Orion Tankers Ltd.:

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

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

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

Nordic American Offshore Ltd.:

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

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

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

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

4. REVENUE

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

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

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

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

Voyage Revenues

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

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

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

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

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

5. GENERAL AND ADMINISTRATIVE EXPENSES

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

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

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

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

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

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

6. DEFERRED COMPENSATION LIABILITY

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

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

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

7. VESSELS, NET

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

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

| | | | |
|---------------------------|--------|--------|--------|
| Depreciation expense 2013 | 62,781 | 11,241 | 74,022 |
|---------------------------|--------|--------|--------|

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Impairment Loss on Vessels

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

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

8. NORDIC GALAXY

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

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

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

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

9. OTHER NON-CURRENT ASSETS

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

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

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

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

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

10. ACQUISITION OF BUSINESSES

Acquisition of Subsidiaries

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

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

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

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

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

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

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

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

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

Investment in Nordic American Offshore Ltd.

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

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

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

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

11. SHARE-BASED COMPENSATION PLAN

Management Agreement

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

Equity Incentive Plan 2011

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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12. LONG-TERM DEBT

2012 Credit Facility:

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

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

2005 Credit Facility:

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

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

13. INTEREST EXPENSE

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

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

14. ACCRUED LIABILITIES

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

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

15. EARNINGS (LOSS) PER SHARE

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

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

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

16. SHAREHOLDERS' EQUITY

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

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

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

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

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

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

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

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

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

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Additional Paid in Capital

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

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

Contributed Surplus Account

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

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

Stockholders Rights Plan

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

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

17.COMMITMENTS AND CONTINGENCIES

Nordic Harrier

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

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

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Legal Proceedings and Claims

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

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

18. FINANCIAL INSTRUMENTS AND OTHER FAIR VALUE DISCLOSURES

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

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

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

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

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

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

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

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

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

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

19. SUBSEQUENT EVENTS

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

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

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

On April 2, 2014, the Company declared a cash dividend of \$0.23 per share in respect of the results for the first quarter of 2014, with a payment date on May 25, 2014.

* * * * *

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: April 7, 2014

NORDIC AMERICAN
TANKERS LIMITED
(Registrant)

Name: /s/ Turid M. Sørensen
Turid M. Sørensen
Title: Chief Financial Officer &
EVP

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