



**Nordic American Tankers (NYSE: NAT) – The 3Q2018 report – Optimism in the tanker market. Increased rates for the NAT vessels.**

Hamilton Bermuda, November 12, 2018

**Highlights:**

- **As we had expected, the first half of this year saw the bottom of the tanker market. Our predictions that freight rates for our vessels would rise during the second half of 2018 proved correct.**
- **At this time spot contract indexes for two out of five suezmax routes for our one million barrel tankers are above \$50,000 per day, compared with the first 9 months of 2018, when the freight indexes showed about \$6,000 per day. This is a good illustration of the volatility in freight rates and the potential for earnings in the tanker industry when the tanker market turns. We believe there could be much more to come.**
- **We declared \$0.01 per share in dividend for the 3<sup>rd</sup> quarter on November 1, 2018. This is a reflection of the low market and the subsequent low cash flow during the third quarter of 2018. This is our 85<sup>th</sup> consecutive quarterly dividend distribution, a record unparalleled in the tanker industry. We assure shareholders of our commitment to pay dividends going forward.**
- **The time charter equivalent for our vessels during 3Q2018 was \$12,000 per day per ship. In 2Q2018 it was \$10,500 per day per vessel. Going forward, much higher rates can be expected.**
- **During the third quarter we took delivery of two of our three newbuildings, while the third vessel was delivered to us on October 25, 2018. All three vessels were delivered from a top yard in South Korea, on time and on budget. The adjustments to the fleet have reduced the average age of our fleet.**
- **NAT Net Loss for 3Q2018 (after depreciation, G&A and finance charges) came in at -\$38M, including a non-recurring charge of \$12.7M. Net Loss for 2Q2018 was -\$27.2M. NAT Net Operating Loss for 3Q2018 came in at -\$15.3M against -\$17.5 in 2Q2018. A better reflection of the performance for the quarter, the Adjusted Net Operating Earnings\*, came in at \$2.1M for 3Q2018, against \$0.8M in 2Q 2018.**
- **Our Net Debt\*\* at the end of 3Q2018 stood at about \$313M for the fleet, equaling about \$13.0M per vessel, which is attractive. Our net debt per vessel is among the lowest among publicly traded tanker companies and we will work to secure a financial structure in which NAT has no net debt as was the case earlier.**
- **Later in this report we have included financial information for 3Q2018 and for other periods.**

\* Adjusted Net Operating Earnings (Loss) represents Net Operating Earnings or Loss before depreciation, impairment, disposal of vessels (gain/loss) and non-cash administrative charges.

Please see later in this announcement for a reconciliation of Net Operating Earnings (Loss) to Adjusted Net Operating Earnings (Loss)

\*\* Net Debt is long term debt, less net working capital and deposit paid for newbuilding, divided by 24 vessels.

## **Our Fleet**

We have sold 8 suezmax vessels during the summer of 2018. Two of these vessels were delivered to their new owners at the end 2Q2018 and the remaining 6 were delivered to their respective owners during 3Q2018. The Net Loss from sale of vessels was limited to \$-1.6M in 3Q2018. Our fleet at the time of this report consist of 25 vessels.

Now NAT has 10 vessels built between 2010 and 2018, 13 vessels built from 2000 through 2009 and 2 vessels built in the late 1990s. The average age of our fleet has come down to about 11 years.

The above developments are several of many important steps to renew and grow the NAT fleet in the years to come. In a capital intensive industry like ours, timing and financing are the key issues.

The inspections of our ships by oil companies (“vetting”) continue to reflect the excellent quality of our fleet.

## **Financing**

Our Net Debt at 3Q2018 after delivery of two of our three new additions to the fleet stood at \$13.0M per vessel which is among the lowest in the industry. \*\*

The Company decided not to pursue a bond offering earlier this year as it was not considered in the best interest of NAT. The decision was well received. The Back-stop facility with its associated terms, has been cancelled. The costs associated with the establishment of the Back-stop facility, paid last year, has consequently been expensed in full this quarter (no cash-effect).

Important uncertainty has been removed with the strong tanker market.

As in the past, it is an objective to keep debt low. We wish to come back to the financial position about 10 years ago when NAT did not have any net debt.

## **Dividend**

For 3Q2018 a cash dividend of \$0.01 per share has been declared. NAT has a policy to maximize dividend payments. Payment of the dividend is expected to be on or about December 7, 2018, to shareholders of record on November 21, 2018.

In an improved tanker market, higher dividends can be expected.

## **World Economy and the Tanker Market**

The world economy is enjoying its strongest upswing since 2010. What is good for the world economy and world trade is positive for the crude oil tanker business. Recent macroeconomic data are giving further positive signals for the world economy and consequently for NAT business. Major oil companies and large oil traders are important for the tanker industry. Uncertain political developments may in fact be good.

The world Suezmax fleet (excluding shuttle, product and Jones Act tankers) counts 497 vessels at the end of 3Q2018. For the remainder of 2018 we expect 11 vessels, and in 2019 and 2020 we see 20 and 7 vessels for delivery, respectively. 20 vessels have been disposed during 2018, compared to 17 vessels in 2017.

The supply of tanker tonnage is inelastic in the short-term. When there are too many ships in an area, rates tend to go down. When there is scarcity of ships, rates tend to go up. Short-term spot tanker rates are volatile.

### **Corporate Governance/Conflict of Interests**

It is vital to ensure that there is no conflict of interests among shareholders, management, affiliates and related parties. Interests must be aligned. From time to time in the shipping industry, we see that questionable transactions take place which are not in harmony with sound corporate governance principles, both as to transparency and related party aspects. We have zero tolerance for corruption.

### **Strategy**

The NAT strategy is built on expanding and maintaining a homogenous and top quality fleet, leveraging on our industry network and close customer relationships.

A strong balance sheet, combined with a homogenous fleet and economies of scale are giving a low cash break-even level.

The NAT strategy is effective in both a strong tanker market and in a weak one. In an improved market, higher dividends can be expected and vice versa.

Our dividend policy should continue to enable us to pay a higher dividend in a strong tanker market that we see now.

Our fleet of 25 more or less identical vessels is a special feature of NAT that is particularly valuable to our customers.

NAT is firmly committed to protecting its underlying earnings and dividend potential. We shall safeguard and further strengthen this position in a deliberate, predictable and transparent way.

\* \* \* \* \*

# NORDIC AMERICAN TANKERS LIMITED

CONSOLIDATED CONDENSED STATEMENTS OF OPERATION (UNAUDITED)	Three Months Ended			Nine Months Ended	
	Sep. 30, 2018	Jun. 30, 2018	Sep. 30, 2017	Sep. 30, 2018	Sep. 30, 2017
Amounts in USD '000					
<b>Net Voyage Revenue</b>	<b>23 187</b>	<b>27 008</b>	<b>23 667</b>	<b>79 811</b>	<b>117 959</b>
Vessel Operating Expenses	(17 409)	(23 269)	(21 670)	(62 703)	(65 339)
General and Administrative Expenses	(4 194) *	(2 815) *	(2 978) *	(10 675) **	(8 556)
Depreciation Expenses	(15 278)	(14 575)	(25 938)	(44 924)	(76 172)
Impairment Loss on Vessels	0	(2 168)	0	(2 168)	0
Gain (Loss) Disposal of Vessels	(1 642)	(1 716)	0	(3 358)	0
Operating Expenses	(38 523)	(44 543)	(50 586)	(123 828)	(150 067)
<b>Net Operating Earnings (Loss)</b>	<b>(15 336)</b>	<b>(17 535)</b>	<b>(26 919)</b>	<b>(44 017)</b>	<b>(32 108)</b>
Interest Income	45	81	76	250	265
Interest Expense	(8 843)	(8 101)	(6 339)	(24 055)	(14 022)
Other Financial Income (Expenses)	(12 760)	(426)	(82)	(13 512)	(289)
Equity Loss in Associate	(1 084)	(1 206)	(1 007)	(3 506)	(7 450)
Total Other Expenses	(22 642)	(9 652)	(7 352)	(40 823)	(21 496)
<b>Net Gain (Loss)</b>	<b>(37 978)</b>	<b>(27 187)</b>	<b>(34 271)</b>	<b>(84 840)</b>	<b>(53 604)</b>
Basic Earnings per Share	(0,27)	(0,19)	(0,34)	(0,60)	(0,53)
Basic Weighted Average Number of Common Shares Outstanding	141 969 666	141 969 666	101 969 666	141 969 666	101 969 666
Common Shares Outstanding	141 969 666	141 969 666	101 969 666	141 969 666	101 969 666

\* ) The G&A for the three months ended September 30, 2018, June 30, 2018 and September 30, 2017 include non-cash charges of \$0.6m, (\$0.1m) and \$0.3m, respectively, which are charges related to share based compensation and pension cost.

\*\* ) The G&A for the nine months ended September 30, 2018 and September 30, 2017 include non-cash charges of \$0.9m and \$1.0m, respectively which are charges related to share based compensation and pension cost.

CONSOLIDATED CONDENSED BALANCE SHEET (UNAUDITED)	Sep. 30, 2018	Sep. 30, 2017	Dec. 31, 2017
Amounts in USD '000			
Cash and Cash Equivalents	45 529	31 147	58 359
Accounts Receivable, net	20 994	20 306	22 474
Prepaid Expenses	3 381	3 381	3 376
Inventory	20 358	21 403	23 086
Voyages in Progress	15 808	13 712	15 308
Other Current Assets	4 165	3 620	4 384
<b>Total current assets</b>	<b>110 235</b>	<b>93 567</b>	<b>126 987</b>
Vessels, Net	934 620	1 070 595	935 813
Deposit for vessels	16 710	50 130	50 130
Goodwill	0	18 979	0
Investment in Nordic American Offshore Ltd.	8 359	13 349	12 164
Other Non-current Assets	231	477	15 969
<b>Total non-current assets</b>	<b>959 920</b>	<b>1 153 531</b>	<b>1 014 076</b>
<b>Total Assets</b>	<b>1 070 155</b>	<b>1 247 098</b>	<b>1 141 063</b>
Accounts Payable	4 648	3 798	3 218
Accrued Voyage Expenses	6 996	6 932	10 873
Other Current Liabilities	9 397	15 871	11 239
Current portion of Long Term Debt	4 654 *	0	0
<b>Total Current liabilities</b>	<b>25 695</b>	<b>26 601</b>	<b>25 330</b>
Long-term Debt	414 372	443 865	388 855
Deferred Compensation Liability	16 068	14 761	15 814
<b>Total Non-current Liabilities</b>	<b>430 440</b>	<b>458 626</b>	<b>404 669</b>
Shareholders' Equity	614 020	761 872	711 064
<b>Total Liabilities and Shareholders' Equity</b>	<b>1 070 155</b>	<b>1 247 098</b>	<b>1 141 063</b>

\* Current Portion of Long Term Debt is related to debt associated with Ocean Yield financing arrangement.

## NORDIC AMERICAN TANKERS LIMITED

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (UNAUDITED)	Three Months Ended			Nine Months Ended	
	Sep. 30, 2018	Jun. 30, 2018	Sep. 30, 2017	Sep. 30, 2018	Sep. 30, 2017
Amounts in USD '000					
Voyage Revenue	62 729	73 435	55 621	202 759	224 558
Voyage Expense	(39 543)	(46 427)	(31 954)	(122 949)	(106 599)
<b>Net Voyage Revenue</b>	<b>23 187</b>	<b>27 008</b>	<b>23 667</b>	<b>79 811</b>	<b>117 959</b>

  

	Three Months Ended			Nine Months Ended	
	Sep. 30, 2018	Jun. 30, 2018	Sep. 30, 2017	Sep. 30, 2018	Sep. 30, 2017
Net Operating Income	(15 336)	(17 535)	(26 919)	(44 017)	(32 108)
Depreciation Expense	15 278	14 575	25 938	44 924	76 172
Impairment Loss on Vessels and Goodwill	0	2 168	0	2 168	0
(Gain) Loss Disposal of Vessels	1 642	1 716	0	3 358	0
Share Based Compensation and Pension Cost	557	(81)	254	940	968
<b>Adjusted Net Operating Earnings<sup>(2)</sup></b>	<b>2 141</b>	<b>843</b>	<b>(727)</b>	<b>7 373</b>	<b>45 032</b>

- (1) Net voyage revenues represents voyage revenues less voyage expenses such as bunker fuel, port fees, canal tolls and brokerage commissions. Net voyage revenues is included because certain investors use this data to measure a shipping company's financial performance. Net voyage revenues is not required by accounting principles generally accepted in the United States and should not be considered as an alternative to net income or any other indicator of the Company's performance required by accounting principles generally accepted in the United States.
- (2) Adjusted Net Operating Earnings represents Net Operating Earnings (Loss) before depreciation, impairment, (gain) loss disposal of vessels and non-cash administrative charges. Adjusted Net Operating Earnings is included because certain investors use this data to measure a shipping company's financial performance. Adjusted Net Operating Earnings is not required by accounting principles generally accepted in the United States and should not be considered as an alternative to net income or any other indicator of the Company's performance required by accounting principles generally accepted in the United States. The line item was previously referred to as "Operating Cash Flow"

## NORDIC AMERICAN TANKERS LIMITED

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW (UNAUDITED)	Nine Months ended		Twelve months ended
	Sep. 30, 2018	Sep. 30, 2017	Dec. 31, 2017
Amounts in USD '000			
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(25 408)</b>	<b>37 042</b>	<b>31 741</b>
Investment in Vessels	(4 248)	(37 744)	(37 567)
Investment in Nordic American Offshore Ltd	0	(10 000)	(10 000)
Sale of Vessels	71 722	0	0
Other	(60)	0	0
Return from Investments	300	841	1 041
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>67 714</b>	<b>(46 903)</b>	<b>(46 526)</b>
Net Proceeds from Issuance of Common Stock	(16)	(47)	103 748
Proceeds from Ship Financing	8 328	0	0
Repayments on Credit Facility	(54 890)	0	(55 359)
Transaction Costs Borrowing Facilities	0	0	(13 125)
Cash Dividends Paid to Shareholders	(8 517)	(51 168)	(54 226)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(55 095)</b>	<b>(51 215)</b>	<b>(18 962)</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(12 789)	(61 076)	(33 747)
Effect of exchange rate changes on Cash	(41)	53	(64)
Cash and Cash Equivalents at Beginning of Period	58 359	82 170	82 170
Release of Restricted Cash	0	10 000	10 000
<b>Cash and Cash Equivalents at End of Period</b>	<b>45 529</b>	<b>31 147</b>	<b>58 359</b>

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

Important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including fluctuations in charter rates and vessel values, changes in demand in the tanker market, as a result of changes in OPEC's petroleum production levels and worldwide oil consumption and storage, changes in our operating expenses, including bunker prices, drydocking and insurance costs, the market for our vessels, availability of financing and refinancing, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, vessels breakdowns and instances of off-hires and other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission, including the prospectus and related prospectus supplement, our Annual Report on Form 20-F, and our reports on Form 6-K.

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