



## **NORDIC AMERICAN TANKER SHIPPING LTD (NAT)**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS AS OF**

**June 30, 2002**

#### **Overview**

In September 1995, the Company offered and sold to the public 11,731,613 Warrants at the initial public offering price of \$5.00 per Warrant. The exercise price of a Warrant was \$10.21. Prior to the Exercise Date (September 30, 1997), the Company did not have any operations other than certain limited operations related to the acquisition of the Vessels, of which all three were delivered in the last half of 1997. The Company now owns three modern double hull 150,000 dwt suezmax tankers. The Vessels were built at Samsung Heavy Industries.

On September 30, 1997 all of the outstanding Warrants of the Company were exercised at an exercise price of \$10.21 per Warrant. The Company received a total of \$119,779,768.73 by issuing a total of 11,731,613 new Common Shares. On November 30, 1998, the Company's shareholders approved a proposal to allow the Company to borrow money for the purpose of repurchasing its Shares. On December 28, 1998, the Company purchased 2,107,244 Shares through a "Dutch Auction" self-tender offer at a price of \$12.50 per Share. In addition, the Company paid \$715,000 in transaction costs. After the repurchase, a total of 9,706,606 Shares are in issue, down from 11,813,850 Shares. The Company funded the repurchase with the proceeds of a long-term loan from a syndicate of international lenders in the total amount of \$30,000,000.

BP Shipping Ltd (the "Charterer") has agreed to charter each Vessel for a period of seven years from September 30, 1997. Each Charter is subject to extension at the option of the Charterer for up to seven successive one-year periods. During the term of each Charter (including any extension thereof) the Charterer is obligated to pay (i) the Base Rate, which is charterhire at a fixed minimum daily rate of \$13,500 per Vessel per day (T/C equivalent of \$22,000 per day), payable quarterly in advance and (ii) Additional Hire, to the extent spot charter rates exceed certain levels, payable quarterly in arrears, from January 1998. The amount of Additional Hire for each quarter, if any, will be determined by the Brokers Panel.

On January 2, 2002 the Company received \$3,645,000 in Base Hire from the Charterer for the period from January 1 to March 31, 2002. In April 2002 the Broker Panel determined that there would be no Additional Hire for the period January 1 to March 31, 2002.

On April 2, 2002 the Company received \$3,685,500 in Base Hire from the Charterer for the period from April 1 to June 30, 2002. In July 2002 the Broker Panel determined that there would be no Additional Hire for the period April 1 to June 30, 2002.

On July 1, 2002 the Company received \$3,726,000 in Base Hire from the Charterer for the period from July 1 to September 30, 2002.

## **Results of Operations – 2<sup>nd</sup> quarter 2002**

The Company's revenues from the Charter Hire for the period April 1 to June 30, 2002 derived from the Base Hire of \$3,685,500 (\$13,500 per day per Vessel).

Net costs during the Report Period were \$1,839,834 of which three months depreciation of the Vessels constitutes \$1,707,760.

Net profit during the Report Period was \$1,399,054.

## **Liquidity and Capital Resources**

Total Assets of the Company at June 30, 2002 were \$138,622,306 compared to \$142,658,488 at December 31, 2001. Cash held at June 30, 2002 was \$229,626.

The Company's only source of income is from the contract with BP Shipping. The contracts for the NAT vessels are drawn up in a way that secures income 365 days a year for the vessels and no off-hire. The contracts with BP Shipping commenced on October 1, 1997 and run for minimum 7 years and maximum 14 years if all options are declared. The contracts are guaranteed by BP Amoco p.l.c.

The Company's dividend policy is to pay to its shareholders dividends that are substantially equal to the amounts received by it under the Charters, less fixed administrative and interest expenses.

## **Dividend Payment**

Based on the minimum Base Hire for the 1<sup>st</sup> quarter of 2002, from January 1 to March 31 and additional hire for the 4<sup>th</sup> quarter of 2001, the Board of Directors declared in January 2002 a Dividend of \$3,494,378 or \$0.36 per Common Share. The dividend was paid to Shareholders in February 2002.

Based on the minimum Base Hire for the 2<sup>nd</sup> quarter of 2002, from April 1 to June 30, the Board of Directors declared in April 2002 a Dividend of \$3,300,246 or \$0.34 per Common Share. The dividend was paid to Shareholders in May 2002.

Based on the minimum Base Hire for the 3<sup>rd</sup> quarter of 2002, from July 1 to September 30, the Board of Directors declared in July 2002 a Dividend of \$3,203,180 or \$0.33 per Common Share to be paid to Shareholders in August 2002.

The table below illustrates the historical development of the Dividend per Common Share:

<b>Period</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
1 <sup>st</sup> Quarter		0.40	0.32	0.34	1.41	0.36
2 <sup>nd</sup> Quarter		0.41	0.32	0.45	1.19	0.34
3 <sup>rd</sup> Quarter		0.32	0.35	0.67	0.72	0.33
4 <sup>th</sup> Quarter	0.30	0.30	0.36	1.10	0.55	
<b>Total USD</b>	<b>0.30</b>	<b>1.43</b>	<b>1.35</b>	<b>2.56</b>	<b>3.87</b>	

## NORDIC AMERICAN TANKER SHIPPING LTD. (NAT)

### INCOME STATEMENT INFORMATION

All figures in USD

	1/1 - 6/30 2002	1/1 - 6/30 2001	2nd Qtr. 2002	2nd Qtr. 2001	All 2001
Revenue	7 330 500	18 897 105	3 685 500	7 258 087	28 359 568
Ship Broker Commissions	(91 631)	(91 631)	(46 069)	(46 069)	(184 781)
Management Fee Expense	(125 000)	(125 000)	(62 500)	(62 500)	(250 000)
Insurance Expense	(42 000)	(34 998)	(21 000)	(17 499)	(72 333)
Other Expenses	(18 356)	(23 993)	(2 505)	(14 536)	(31 406)
Depreciation	(3 415 520)	(3 415 520)	(1 707 760)	(1 707 760)	(6 831 040)
Net Operating Income	3 637 992	15 205 963	1 845 665	5 409 723	20 990 008
Financial Income	11 468	144 868	5 326	55 232	189 244
Financial Expenses	(882 348)	(887 051)	(451 938)	(443 538)	(1 793 776)
Net Financial Items	(870 880)	(742 183)	(446 611)	(388 306)	(1 604 532)
Net Profit	<b>2 767 113</b>	<b>14 463 780</b>	<b>1 399 054</b>	<b>5 021 417</b>	<b>19 385 476</b>
Earnings per Share	0,29	1,49	0,14	0,52	2,00
Cash Flow per Share	0,64	1,84	0,32	0,69	2,70

### BALANCE SHEET INFORMATION

All figures in USD

	Jun. 30 2002	Dec. 31 2001
<b>ASSETS</b>		
Vessels	138 328 485	141 744 005
Prepaid Finance charges	36 195	43 435
Prepaid insurance	28 000	70 000
Accounts receivables	0	170 180
Cash and cash on deposit	229 626	630 868
<b>Total Assets</b>	<b>138 622 306</b>	<b>142 658 488</b>
<b>LIABILITIES</b>		
Other Shareholder Equity	108 495 195	112 522 756
<b>SHAREHOLDER'S EQUITY</b>		
9,706,606 Common Shares, par value \$.01 per share, outstanding 50 million authorized	97 066	97 066
Other Comprehensive Income	(1 288 000)	(778 000)
Long Term Debt	30 000 000	30 000 000
Accounts Payable	0	0
Accrued Expenses	1 288 000	778 000
Accrued Interest	30 045	38 666
<b>Total liabilities &amp; equity</b>	<b>138 622 306</b>	<b>142 658 488</b>