



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

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

**SEPTEMBER 30, 2000**

**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 3, 2000 the Company received \$3,685,500 in Base Hire from the Charterer for the period from January 1 to March 31, 2000. In April 2000 the Broker Panel determined that the Additional Hire for the period January 1 to March 31, 2000 was \$1,113,458 i.e. \$4,079 per day per Vessel. The hire rate for the 1<sup>st</sup> quarter was thus \$26,076 per day per vessel.

On April 3, 2000 the Company received \$3,685,500 in Base Hire from the Charterer for the period from April 1 to June 30, 2000. In July 2000 the Broker Panel determined that the Additional Hire for the period April 1 to June 30, 2000 was \$3,194,315 i.e. \$11,701 per day per Vessel. The hire rate for the 2<sup>nd</sup> quarter was thus \$33,701 per day per vessel.

On June 30, 2000 the Company received \$3,726,000 in Base Hire from the Charterer for the period from July 1 to September 30, 2000. In October 2000 the Broker Panel determined that the Additional Hire for the period July 1 to September 30, 2000 was \$7,218,203 i.e. \$26,153 per day per Vessel. The hire rate for the 3<sup>rd</sup> quarter was thus \$48,153 per day per vessel.

On **October 2**, 2000 the Company received \$3,726,000 in Base Hire from the Charterer for the period from October 1 to December 31, 2000.

### **Results of Operations**

The Company's revenues from the Charter Hire for the period January 1 to September 30, 2000 derived from the Base Hire of \$11,097,000 (\$13,500 per day per Vessel) and the determined Additional Hire of \$11,525,976 (\$14,022 per day per Vessel). Total Charter Hire for the period from January 1 to September 30 was \$22,622,976 or \$27,521 per day per Vessel (T/C equivalent of \$36,021 per day per Vessel).

Net costs during the Report Period were \$5,539,793 of which nine months depreciation of the Vessels constitutes \$5,123,280.

Net profit during the Report Period was \$15,928,661.

## Liquidity and Capital Resources

Total Assets of the Company at September 30, 2000 were \$159,774,656 compared to \$158,056,330 at December 31, 1999. Cash held at September 30, 2000 was \$2,205,030.

## Dividend Payment

Based on the minimum Base Hire for the 1<sup>st</sup> quarter of 2000, from January 1 to March 31, the Board of Directors declared in January 2000 a Dividend of \$3,300,268.54 or \$0.34 per Common Share. The dividend was paid to Shareholders in February 2000.

Based on the Additional Hire of \$1,113,567 for the 1<sup>st</sup> quarter of 2000 and the minimum Base Hire for the 2<sup>nd</sup> quarter of 2000, from April 1 to June 30, the Board of Directors declared in April 2000 a Dividend of \$4,367,973 or \$0.45 per Common Share. The dividend was paid to Shareholders in May 2000.

Based on the Additional Hire of \$3,194,373 for the 2<sup>nd</sup> quarter of 2000 and the minimum Base Hire for the 3<sup>rd</sup> quarter of 2000, from July 1 to September 30, the Board of Directors declared in July 2000 a Dividend of \$6,503,426 or \$0.67 per Common Share to be paid to Shareholders in August 2000.

Based on the Additional Hire of \$7,218,203 for the 3<sup>rd</sup> quarter of 2000 and the minimum Base Hire for the 4<sup>th</sup> quarter of 2000, from October 1 to December 31, the Board of Directors declared in October 2000 a Dividend of \$10,677,267 or \$1.10 per Common Share to be paid to Shareholders in November 2000.

Total declared Dividend per October 2000 is so far \$24,848,934 or \$2.56 per Common Share.

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>
1 <sup>st</sup> Quarter		0.40	0.32	0.34
2 <sup>nd</sup> Quarter		0.41	0.32	0.45
3 <sup>rd</sup> Quarter		0.32	0.35	0.67
4 <sup>th</sup> Quarter	0.30	0.30	0.36	1.10
<b>Total USD</b>	<b>0.30</b>	<b>1.43</b>	<b>1.35</b>	<b>2.56</b>

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### INCOME STATEMENT INFORMATION

All figures in USD

	1/1 - 9/30 2000	1/1 - 9/30 1999	3rd Qtr. 2000	3rd Qtr. 1999	1/1 - 12/31 1999
Revenue	22 622 976	11 056 500	10 944 036	3 726 000	14 782 500
Ship Broker Commissions	(138 713)	(138 206)	(46 576)	(46 575)	(184 781)
Management Fee Expense	(187 500)	(187 500)	(62 500)	(62 500)	(250 000)
Insurance Expense	(63 750)	(75 000)	(21 250)	(25 000)	(97 500)
Other Expenses	(26 550)	(59 543)	(16 290)	(23 425)	(64 004)
Depreciation	(5 123 280)	(5 123 280)	(1 707 760)	(1 707 760)	(6 831 039)
Net Operating Income	17 083 183	5 472 971	9 089 660	1 860 740	7 355 176
Financial Income	183 384	154 672	75 177	52 384	220 732
Financial Expenses	(1 337 906)	(1 343 744)	(448 350)	(456 836)	(1 801 232)
Net Financial Items	(1 154 522)	(1 189 072)	(373 173)	(404 452)	(1 580 500)
Net Profit	<u>15 928 661</u>	<u>4 283 899</u>	<u>8 716 487</u>	<u>1 456 288</u>	<u>5 774 676</u>
Earnings per Share	1,64	0,44	0,90	0,15	0,59
Cash Flow per Share	2,17	0,97	1,07	0,33	1,30

### BALANCE SHEET INFORMATION

All figures in USD

	Sep. 30 2000	Dec. 31 1999
<b>ASSETS</b>		
Vessels	150 282 805	155 406 085
Prepaid Finance charges	61 535	72 395
Prepaid insurance	7 083	70 833
Accounts receivables	7 218 203	0
Cash and cash on deposit	2 205 030	2 507 017
<b>Total Assets</b>	<u>159 774 656</u>	<u>158 056 330</u>
<b>LIABILITIES</b>		
Other Shareholder Equity	129 638 923	127 881 931
<b>SHAREHOLDER'S EQUITY</b>		
9,706,606 Common Shares, par value \$.01 per share, outstanding 50 million authorized	97 066	97 066
Long Term Debt	30 000 000	30 000 000
Accrued Interest	38 667	77 333
<b>Total liabilities &amp; equity</b>	<u>159 774 656</u>	<u>158 056 330</u>