



NORDIC AMERICAN TANKER SHIPPING LTD (NAT)

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

JUNE 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 \$1,113,567 i.e. \$4,079 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 \$3,194,373 i.e. \$11,701 per day per Vessel.

On July 3, 2000 the Company received \$3,726,000 in Base Hire from the Charterer for the period from July 1 to September 30, 2000.

Results of Operations

The Company's revenues from the Charter Hire for the period January 1 to June 30, 2000 derived from the Base Hire of \$7,330,500 (\$13,500 per day per Vessel) and the determined Additional Hire of \$4,348,440 (\$8,008 per day per Vessel). Total Charter Hire for the period from January 1 to June 30 was \$11,678,940 or \$21,508 per day per Vessel (T/C equivalent of \$30,008 per day per Vessel).

Net costs during the Report Period were \$4,466,766 of which six months depreciation of the Vessels constitutes \$3,415,520.

Net profit during the Report Period was \$7,212,174.

Liquidity and Capital Resources

Total Assets of the Company at June 30, 2000 were \$157,561,595 compared to \$158,056,330 at December 31, 1999. Cash held at June 30, 2000 was \$2,283,060.

Dividend Payment

Based on the minimum Base Hire for the 1st quarter of 2000, from January 1 to March 31 2000, 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 1st quarter of 2000 and the minimum Base Hire for the 2nd 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 2nd quarter of 2000 and the minimum Base Hire for the 3rd quarter of 2000, from July 1 to August 31, 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.

Total declared Dividend per July 2000 is so far \$14,171,645 or \$1.46 per Common Share. Minimum Dividend for the entire 2000 will thus be \$1,80 per Common Share.

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

Period	1997	1998	1999	2000
1 st Quarter		0,40	0,32	0,34
2 nd Quarter		0,41	0,32	0,45
3 rd Quarter		0,32	0,35	0,67
4 th Quarter	0,30	0,30	0,36	
Total USD	0,30	1,43	1,35	

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INCOME STATEMENT INFORMATION

All figures in USD

	1/1 - 6/30 2000	1/1 - 6/30 1999	2nd Qtr. 2000	2nd Qtr. 1999	1/1 - 12/31 1999
Revenue	11 678 940	7 330 500	6 879 873	3 685 500	14 782 500
Ship Broker Commissions	(92 137)	(91 631)	(32 148)	(46 069)	(184 781)
Management Fee Expense	(125 000)	(125 000)	(62 500)	(62 500)	(250 000)
Insurance Expense	(42 500)	(50 000)	(21 250)	(25 000)	(97 500)
Other Expenses	(10 260)	(36 118)	0	(27 577)	(64 004)
Depreciation	<u>(3 415 520)</u>	<u>(3 415 520)</u>	<u>(1 707 760)</u>	<u>(1 707 760)</u>	<u>(6 831 039)</u>
Net Operating Income	7 993 523	3 612 231	5 056 215	1 816 594	7 355 176
Financial Income	108 207	102 288	57 736	50 000	220 732
Financial Expenses	<u>(889 556)</u>	<u>(886 908)</u>	<u>(443 516)</u>	<u>(445 649)</u>	<u>(1 801 232)</u>
Net Financial Items	<u>(781 349)</u>	<u>(784 620)</u>	<u>(385 780)</u>	<u>(395 649)</u>	<u>(1 580 500)</u>
Net Profit	<u>7 212 174</u>	<u>2 827 611</u>	<u>4 670 435</u>	<u>1 420 945</u>	<u>5 774 676</u>

BALANCE SHEET INFORMATION

All figures in USD

	Jun. 30 2000	Dec. 31 1999
ASSETS		
Vessels	151 990 565	155 406 085
Prepaid Finance charges	65 155	72 395
Prepaid insurance	28 333	70 833
Accounts receivables	3 194 482	0
Cash and cash on deposit	<u>2 283 060</u>	<u>2 507 017</u>
Total Assets	<u>157 561 595</u>	<u>158 056 330</u>
LIABILITIES		
Other Shareholder Equity	127 425 862	127 881 931
SHAREHOLDER'S EQUITY		
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	<u>38 667</u>	<u>77 333</u>
Total liabilities & equity	<u>157 561 595</u>	<u>158 056 330</u>