



NORDIC AMERICAN TANKER SHIPPING LTD (NAT)

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

June 30, 2003

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, 2003 the Company received \$3,645,000 in Base Hire from the Charterer for the period from January 1 to March 31, 2003. In April 2003 the Broker Panel determined that the Additional Hire for the period January 1 to March 31, 2003 was \$9,654,187 i.e. \$35,756 per day per Vessel. The hire rate for the 1st quarter was thus \$49,256 per day per vessel.

On April 2, 2003 the Company received \$3,685,500 in Base Hire from the Charterer for the period from April 1 to June 30, 2003. In July 2003 the Broker Panel determined that the Additional Hire for the period April 1 to June 30, 2003 was \$4,447,441 i.e. \$16,291 per day per Vessel. The hire rate for the 2nd quarter was thus \$29,791 per day per vessel.

On July 2, 2003 the Company received \$3,726,000 in Base Hire from the Charterer for the period from July 1 to September 30, 2003.

At the annual general meeting of the company on May 30, 2003 it was decided to novate the management agreement from Umland Nordic Shipping AS to Scandic American Shipping Ltd.

Results of Operations – 2nd quarter 2003

The Company's revenues from the Charter Hire for the period April 1 to June 30, 2003 of \$8,132,941 in total, derived from the Base Hire of \$3,685,500 (\$13,500 per day per Vessel) and the determined Additional Hire of \$4,447,441 (\$16,291 per day per Vessel).

Net costs during the Report Period were \$1,866,293 of which three months depreciation of the Vessels constitutes \$1,707,760.

Net profit during the Report Period was \$5,830,181.

Liquidity and Capital Resources

Total Assets of the Company at June 30, 2003 were \$136,725,448 compared to \$138,579,559 at December 31, 2002. Cash held at June 30, 2003 was \$725,514.

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 additional hire of \$3,275,489 for the 4th quarter 2002 and the minimum Base Hire for the 1st quarter of 2003, from January 1 to March 31, the Board of Directors declared in January 2003 a Dividend of \$6,115,187 or \$0.63 per Common Share. The dividend was paid to Shareholders in February 2003.

Based on the additional hire of \$9,654,187 for the 1st quarter 2003 and the minimum Base Hire for the 2nd quarter of 2003, from April 1 to June 30, the Board of Directors declared in April 2003 a Dividend of \$12,327,390 or \$1.27 per Common Share to be paid to Shareholders in May 2003.

Based on the additional hire of \$4,447,441 for the 2nd quarter 2003 and the minimum Base Hire for the 3rd quarter of 2003, from July 1 to September 30, the Board of Directors declared in July 2003 a Dividend of \$7,571,153 or \$0.78 per Common Share to be paid to Shareholders in August 2003.

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

Period	1997	1998	1999	2000	2001	2002	2003
1 st Quarter		0.40	0.32	0.34	1.41	0.36	0.63
2 nd Quarter		0.41	0.32	0.45	1.19	0.34	1.27
3 rd Quarter		0.32	0.35	0.67	0.72	0.33	0.78
4 th Quarter	0.30	0.30	0.36	1.10	0.55	0.32	
Total USD	0.30	1.43	1.35	2.56	3.87	1.35	

Claim from Norwegian Tax Assessment Board

In September 2002, the Company received a letter from the Norwegian Central Tax Office stating that the Central Tax Office had determined that the Company was subject to Norwegian income taxation for the years 1995 through 2000. Notwithstanding that the Company believed that it had no taxable income under Norwegian tax principles in that period, the Company believed that the Central Tax Office's determination was without merit and appealed the tax claim.

The Norwegian Tax Appeal Board upheld the Company's appeal of the claim of the Norwegian Central Tax Office that the Company should be subject to Norwegian income tax for the years 1995 to 2000. **Accordingly, the tax claim was dismissed.**

The Company is not currently involved in any other legal proceedings that would have a significant effect on the Company's financial position or profitability.

Controls and procedures

Within 90 days prior to the date of this report, the Company's Chairman and Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rule 13a-14(c)). Based on that evaluation, these officers have concluded that as of the evaluation date, the Company's disclosure controls and procedures were adequate and designed to assure that material information relating to the Company would be made known to them by others within the Company.

There were no significant changes in the Company's internal controls, or to the Company's knowledge, in other factors that could significantly affect the Company's disclosure controls and procedures subsequent to the evaluation date.

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NORDIC AMERICAN TANKER SHIPPING LTD. (NAT)

INCOME STATEMENT INFORMATION

All figures in USD

	01.01 - 06.30 2003	01.01 - 06.30 2002	2nd Qtr. 2003	2nd Qtr. 2002
Revenue	21 432 128	7 330 500	8 132 941	3 685 500
Ship Broker Commissions	(91 631)	(91 631)	(46 069)	(46 069)
Management Fee Expense	(125 000)	(125 000)	(62 500)	(62 500)
Insurance Expense	(50 000)	(42 000)	(25 000)	(21 000)
Other Expenses	(85 001)	(18 356)	(24 964)	(2 505)
Depreciation	(3 415 520)	(3 415 520)	(1 707 760)	(1 707 760)
Net Operating Income	17 664 976	3 637 993	6 266 648	1 845 666
Financial Income	11 695	11 468	6 782	5 326
Financial Expenses	(907 049)	(882 348)	(443 249)	(451 938)
Net Financial Items	(895 354)	(870 880)	(436 467)	(446 612)
Net Profit	16 769 622	2 767 113	5 830 181	1 399 054
Earnings per Share	1,73	0,29	0,60	0,14
Cash Flow per Share	2,08	0,64	0,78	0,32

BALANCE SHEET INFORMATION

All figures in USD

	Jun. 30 2003	Dec. 31 2002
ASSETS		
Vessels	131 497 445	134 912 965
Prepaid Finance charges	21 715	28 955
Prepaid insurance	33 333	83 333
Accounts receivables	4 447 441	3 276 523
Cash and cash on deposit	725 514	277 783
Total Assets	136 725 448	138 579 559
LIABILITIES		
Other Shareholder Equity	106 593 018	108 266 031
SHAREHOLDER'S EQUITY		
9,706,606 Common Shares, par value \$.01 per share, outstanding 50 million authorized	97 066	97 066
Other Comprehensive Income	(1 764 000)	(2 016 000)
Long Term Debt	30 000 000	30 000 000
Accounts Payable	0	996
Accrued Expenses	1 764 000	2 016 000
Accrued Interest	35 364	215 466
Total liabilities & equity	136 725 448	138 579 559