



**Nordic American
Tanker Shipping Limited**

***NORDIC AMERICAN TANKER
SHIPPING LIMITED***

***1998 ANNUAL
REPORT TO
SHAREHOLDERS***

Cedar House
41 Cedar Ave.
P.O.Box HM 1179
Hamilton HM EX, Bermuda

Tel.: (809) 295-2244
Fax: (809) 292-8666
(809) 295-5328

Managers:
Ugland Nordic Shipping ASA
P.O.Box 54
3201 Sandefjord, Norway

Tel.: (47) 33 42 15 00
Fax: (47) 33 42 15 45

BUSINESS

General

Nordic American Tanker Shipping Limited (the "Company") was incorporated on June 12, 1995, under the laws of the Islands of Bermuda ("Bermuda") for the purpose of acquiring, disposing, owning, leasing, and chartering three double hull Suezmax oil tankers (the "Vessels") and engaging in activities necessary, suitable or convenient to accomplish, or in connection with or incidental to, the foregoing. The principal executive offices of the Company are located at: Cedar House, 41 Cedar Avenue, Hamilton HM EX, Bermuda, and its telephone number is (441) 295-2244.

In September 1995, the Company offered and sold to the public 11,731,613 warrants ("Warrants") at the initial public offering price of \$5.00 per Warrant. The exercise price of a Warrant was \$10.21. Prior to September 30, 1997 (the "Exercise Date"), 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 dead-weight tonne ("dwt") Suezmax tankers (the "Vessels"). The Vessels were built at Samsung Heavy Industries Co. Ltd. in South Korea (the "Builder").

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 (the "Shares"). There is a total of 11,813,850 Shares in issue. Expenses in the total amount of approximately \$337,000 related to the exercise of the Warrants have been deducted from the proceeds of the exercise.

On October 6, 1997, the Company paid to the Charterer for payment to the Builder a total of \$119,490,000 for final payment of the three Vessels.

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.

Pursuant to an agreement (the "Management Agreement") between the Company and its Manager, Uglund Nordic Shipping ASA (the "Manager"), the Manager provides certain management, administrative and advisory services to the Company.

Vessels owned by the Company

Each Vessel acquired by the Company is a newly built, approximately 150,000 dwt double hull Suezmax oil tanker built at the shipyard of the Builder in South Korea. The purchase price of each Vessel is approximately \$56.9 million per Vessel (the "Original Contract Price"). The Vessels were delivered between August and December 1997 and have been designed according to the specifications set forth in the shipbuilding contracts between the Builder and the Company (the "Shipbuilding Contracts").

Each Vessel is registered in Bermuda and flies the British flag.

Chartering Operations Commenced on September 30, 1997

By their terms, each Vessel is chartered to BP Shipping Ltd. (the "Charterer"), pursuant to separate "hell and high water" bareboat charters (the "Charters"). The initial term of these charters is from September 30, 1997 and will end approximately seven years after the such date, subject to extension at the option of the Charterer for up to seven successive one-year periods. Under each Charter, the Charterer is required to provide the Company with at least twelve months' prior notice of each such extension. The Company's dividend policy is to pay dividends to the holders of the Company's Shares in amounts substantially equal to the amounts received by it under the Charters, less expenses. In 1998, a portion of these dividends was considered return of capital for United States federal income tax purposes.

The daily charterhire rate payable under each Charter is comprised of two components: (i) a fixed minimum rate of charterhire of \$13,500 per Vessel per day (the "Base Rate"), paid quarterly in advance, and (ii) additional charterhire (which will be determined and paid quarterly in arrears and may equal zero) which would equal the excess, if any, of a weighted average of the daily time charter rates for two round-trip trade routes traditionally served by Suezmax tankers (Bonny, Nigeria to/from the Louisiana Offshore Oil Port, and Hound Point, U.K. to/from Philadelphia, Pennsylvania (the "Reference Ports")), over the sum of (A) an agreed amount of \$8,500 representing daily operating costs and (B) the Base Rate ("Additional Hire"). The amount of Additional Hire, if any, will be determined by the London Tanker Brokers Panel or another panel of ship brokers mutually acceptable to the Charterer and the Company (the "Brokers Panel"). In 1998, the Company received Additional Hire for the first quarter.

Pursuant to the terms of the Charters, the Charterer's obligation to pay charterhire is absolute, regardless whether there is loss or damage to a Vessel of any kind or whether such Vessel or any part thereof is rendered unfit for use or is requisitioned for hire or for title, and regardless of any other reason whatsoever. The Charterer is also obligated to indemnify and hold the Company harmless from all liabilities arising from the operation, design and construction of the Vessels prior to and during the term of the Charters, including environmental liabilities, other than liabilities arising out of the gross negligence or willful misconduct of the Company. The obligations of the Charterer are guaranteed by BP Amoco p.l.c., the successor company to the merger between Amoco Corp and The British Petroleum Company p.l.c.

The Charters will end approximately seven years after the Exercise Date, unless extended as noted above. At least six months prior to the end of the term (including any extension thereof) of a Charter, the holders of the Common Shares will be entitled to vote on a proposal to sell the related Vessel and to distribute the net proceeds of such sale to the holders of the Common Shares to the extent permitted under Bermuda law. The Board of Directors of the Company (the "Board") will make a recommendation as to that proposal, which recommendation may favor such sale or an alternative plan, such as the operation, rechartering or other disposition of the Vessel. The proposal to sell the Vessel and distribute the resulting net proceeds shall be adopted if approved by the holders of a majority of the Common Shares voting at the meeting called for such purpose.

Nature of Trading Market

The primary trading market for the Shares is the American Stock Exchange (the "AMEX"), on which the Shares/Warrants are listed under the symbol NAT. The secondary trading market for the Shares/Warrants is the Oslo Stock Exchange (the "OSE") also with the symbol NAT.

The high and low bid prices for the Shares (Warrant before September 30, 1997), by quarter, in 1997 and 1998 are as follows:

	<u>AMX</u> <u>Low</u>	<u>AMX</u> <u>High</u>	<u>OSE</u> <u>Low</u>	<u>OSE</u> <u>High</u>
For the quarter ended:				
March 31, 1997	\$3 3/4	\$4 5/8	NOK 24.00	NOK 30.00
June 30, 1997	\$3 5/8	\$5	NOK 25.00	NOK 34.00
September 30, 1997	\$5	\$7 5/8	NOK 35.00	NOK 48.00
December 31, 1997	\$16 3/8	\$19 1/8	NOK 110.00	NOK 130.00
March 31, 1998	\$14 7/8	\$16 1/2	NOK 110.00	NOK 120.00
June 30, 1998	\$14 3/4	\$16 1/4	NOK 115.00	NOK 129.0
September 30, 1998	\$11 3/4	\$15 1/2	NOK 125.00	NOK 125.00
December 31, 1998	\$10 3/4	\$13 1/2	NOK 95.00	NOK 99.00

These bid quotations represent interdealer quotations, without retail mark-ups, mark-downs or commissions, and do not necessarily represent actual transactions.

On December 31, 1998, the closing price of the Shares as quoted on the AMEX was \$11 1/2 and as quoted on the OSE was NOK 95.00. On such date, there were 9,706,606 Shares issued and outstanding.

SELECTED FINANCIAL INFORMATION

The following balance sheet as of December 31, 1998 and Income Statement for the period January 1, 1998 through December 31, 1998, have been derived from the Financial Statements of the Company which are included herein and which have been audited by Deloitte & Touche, independent auditors, whose report thereon is also included herein. The balance sheet information provided below should be read in conjunction with the accompanying Financial Statements and the related notes thereto, and the discussion under Management's Discussion and Analysis of Financial Condition and Results of Operations herein.

BALANCE SHEET INFORMATION
DECEMBER 31, 1998

ASSETS:

Cash and cash on deposit	\$ 3,637,758
Prepaid Finance Expenses	86,875
Prepaid Insurance	83,333

Nordic American Tanker Shipping Ltd.

Vessels 1998 Annual report to Shareholders
162,237,124

Total Assets \$166,045,090

LIABILITIES

Accounts payable \$ 675,384

Accrued interest on Bank Loan \$ 43,781

Bank Loan \$ 30,000,000

SHAREHOLDERS' EQUITY:

9,706,606 common shares, par value
\$0.01 per share, outstanding,
50 million authorized \$ 97,066

Other Shareholders Equity \$135,228,859

Total Liabilities and Equity \$166,045,090

INCOME STATEMENT INFORMATION JANUARY 1, 1998
THROUGH DECEMBER 31, 1998

Revenue	\$16,006,199
Ship brokers commision	\$ (184,781)
Management fee & Misch. administration cost	\$ (412,779)
<u>Depreciation</u>	<u>\$ 6,831,039</u>
Net operating income	\$ 8,577,600
Net financial items	\$ 51,912
<u>NET PROFIT FOR THE YEAR</u>	<u>\$ 8,629,512</u>

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

Overview

The Company owns three modern double hull 150,000 dead weight tonne Suezmax tankers (the Vessels), which were delivered in the last half of 1997. The Vessels were built at Samsung Heavy Industries Ltd. in South Korea.

Nordic American Tanker 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 (time charter 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.

In January 1999, the Brokers Panel in London determined that there would be no Additional Hire for the period October 1 to December 31, 1998. The total charterhire for 1998 was thus \$16,006,199. Charterhire (time charter equivalent) in the first, second, third and fourth quarter of 1998 was \$26,532, \$22,000, \$22,000 and \$22,000 per day per Vessel, respectively.

On January 4, 1999, the Company received \$3,645,000 in Base Hire from the Charterer for the period from January 1 up to March 31, 1999.

Results of Operations

The Company's revenues from the charterhire for the period January 1 to December 31, 1998 derived from Base Hire of \$14,782,500 (\$13,500 per day per Vessel) and Additional Hire for the three month period of January 1 to March 31, 1998 of \$1,223,699 (\$4,532 per day per Vessel). Total charterhire for the period from January 1 to December 31 was \$16,006,199 (time charter equivalent of \$23,117 per day per Vessel)..

Net costs during the period from January 1 to December 31, 1998, were \$7,376,876 of which twelve months depreciation of the Vessels constitutes \$6,831,039.

Liquidity and Capital Resources

Total assets of the Company at December 31, 1998 were \$166,045,090 compared to \$174,327,878 at December 31, 1997. Cash held at December 31, 1998 was \$3,637,758.

Dividend payment

Total dividend paid out in 1998 was \$16,893,806.10 or \$1.43 per Share. The dividend payments in 1998 have been as follows:

1. quarter	\$0.40 per share
2. quarter	\$0.41 per share
3. quarter	\$0.32 per share
4. quarter	\$0.30 per share

Total dividend for the year 1998 derived from hire received in 1998 was \$15,712,421.10 or \$1.33 per Share.

NAT has declared a dividend of \$0.32 for the first quarter of 1999. The dividend of \$0.32 was paid on February 12 to Shareholders of record as of January 27, 1999.

The Company is incorporated in Bermuda. Under current Bermuda law, the Company is not subject to tax on income or capital gains, and no Bermuda withholding tax will be imposed upon payments of dividends by the Company to its shareholders. No Bermuda tax is imposed on holders with respect to the sale or exchange of Shares. Furthermore, the Company has received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966, as amended, an assurance that, in the event that Bermuda enacts any legislation imposing any tax computed on profits or income, including any dividend or capital gains withholding tax, or computed on any capital asset, appreciation, or any tax in the nature of an estate, duty or inheritance tax, then the imposition of any such tax shall not be applicable. The assurance further provides that such taxes, and any tax in the nature of estate duty or inheritance tax, shall not be applicable to the Company or any of its operations, nor to the shares, debentures or other obligations of the Company, until March 2016.

Repurchase of Common Stock

On December 28, 1998, the Company repurchased 2,107,244 Shares through a "Dutch Auction" self-tender offer at a price of \$12.50 per Share. After the repurchase, a total of 9,706,606 Shares are in issue, down from 11,813,850 Shares. Payment for the repurchased Shares was at the end of December 1998.

The Company has drawn down upon a Loan of \$30 million with Den norske Bank ASA, Oslo (DnB) to finance the repurchase of Shares. The total purchase price of the Shares including the costs associated with the transaction was \$ 27.1 million. The balance of approximately \$2.9 million will remain in the Company until it has been decided how these funds should be utilised.

An important objective of the repurchase of Shares was to increase the Company's cash distribution to shareholders while the Vessels are on charter to the Charterer. While the Vessels are on charter, the minimum cash distribution per Share is expected to increase by \$0.09, from \$1.20 to \$1.29 per year, an increase of 7.5%.

The Company has entered into an interest swap agreement with DnB, enabling the Company to pay a fixed interest on the loan of 5.80 % p.a. including the margin of 0.525 % for the next 6 years. The swap agreement terminates on the final repayment date of the Loan, i.e. the fourth quarter of the year 2004.

DIRECTORS AND OFFICERS

Directors and Senior Management of the Company and the Manager

Pursuant to the Management Agreement, the Manager provides management, administrative and advisory services to the Company with respect to the Vessels.

Set forth below are the names and positions of the directors and executive officers of the Company and the Manager. Directors of both the Company and the Manager are elected annually, and each director elected holds office until a successor is elected. Officers of both the Company and the Manager are elected from time to time by vote of the respective board of directors and hold office until a successor is elected.

The Company

<u>Name</u>	<u>Age</u>	<u>Position</u>
Herbjørn Hansson	51	Director and President
John D. Campbell	56	Director and Secretary
Niels Erik Feilberg	37	Vice President and Treasurer
Tharald Brøvig	56	Director
Hon. Sir David Gibbons	71	Director
George C. Lodge	71	Director
Axel Stove Lorentzen	46	Director
Andreas Ove Ugland	44	Director

The Manager

<u>Name</u>	<u>Age</u>	<u>Position</u>
Arve Andersson	44	Director
Herbjørn Hansson	50	Director; President and Chief Executive Officer
Axel Stove Lorentzen	46	Director;
Tharald Brøvig	56	Director
Njål Hansson	56	Director
Christian Rytter Jr	43	Director
Andreas Ove Ugland	44	Director, Chairman

Certain biographical information with respect to each director and executive officer of the Company and the Manager is set forth below.

Herbjørn Hansson has been President and Chief Executive Officer of the Company and of the Manager since July 1995 and September 1993, respectively, and has served as a director of the Manager since its organization in June 1989 and as a director of the Company since July 1995. Mr. Hansson formerly served as the Chairman of the Board of the Manager from June 1989 to September 1993. Mr. Hansson has been involved in various aspects of the shipping industry and international finance since the early 1970s, including serving as Chief Economist of Intertanko, the International Association of Tanker Owners and independent operators, from 1975-1980. He was an officer of the Anders Jahre/Kosmos Group from 1980 to 1989, serving as Chief Financial Officer from 1983 to 1988.

John D. Campbell has been Secretary of the Company and a director of the Company since July 1995. Mr. Campbell has been the Senior Partner of the law firm of Appleby, Spurling & Kempe, Bermuda counsel to the Company, since December 1987. Mr. Campbell has also served as a director of ADT Limited (new Tyes International Limited), from September 1984 to August 1991 and Sea Containers Limited since February 1980.

Niels Erik Feilberg has been Vice President and Treasurer of the Company since July 1995 and is Chief Financial Officer of the Manager, which he has been with since 1994. He was working in the Treasury Department of Anders Jahre/Kosmos Group from 1987 and in the same area in the Skaugen Group from 1989 to the end of 1993.

Tharald Brøvig has been a director of the Company since July 1995 and has been a director of the Manager since its organization in June 1989.

Sir David Gibbons has been a director of the Company since September 1995. Sir David served as the Prime Minister of Bermuda from August 1977 to January 1982. Sir David has served as Chairman of The Bank of N.T. Butterfield and Son Limited since 1986 and as Chief Executive Officer of Edmund Gibbons Ltd. since 1954.

George C. Lodge has been a director of the Company since September 1995. Professor Lodge has been a member of the Harvard Business School faculty since 1963. He was named associate professor of business administration at Harvard in 1968 and received tenure in 1972.

Axel Stove Lorentzen has been a director of the Company since September 1995. Mr. Stove Lorentzen has also served as a director and Chairman of the Manager since May 1991 and September 1993 to June 1996, respectively, a director and Chairman of Lorentzen & Stemoco A/S since January 1981 and November 1994, respectively, and as a director of Skipskredittforeningen AS from March 1988 to May 1996. Mr. Stove Lorentzen formerly served as a director of Grand Hotel A/S from May 1986 to October 1993 and a director of Belships Company Ltd. Ships A/S from February 1984 to June 1993.

Njål Hansson has been a director of the Manager since its organization in June 1989. Mr. Hansson is a private investor and owns the company Siv.ing, Njål Hansson A/S is a company engaged in the importing and distribution of consumer electronics in Norway. Mr. Hansson is the brother of Herbjøn Hansson.

Arve Andersson has been a director of the Manager since June 1996. Mr Andersson is a director of Andreas Ugland & Sons AS.

Andreas Ove Ugland has been a director of the Company since February 1997. Mr. Ugland has also served as director and Chairman of: Ugland International Holding Plc, a shipping/transport company listed on the London Stock Exchange, Andreas Ugland & Sons AS, Grimstad, Norway, Høegh Ugland Autoliners AS, Oslo and Buld Associates Inc., Bermuda. Mr. Ugland has had his whole career in shipping in the Ugland family owned shipping group.

Christian Rytter Jr has been a director of the Manager since May 1996. Mr. Rytter is Managing Director of L.Giil-Johannessen AS and is also Chairman of Seabulk a.s.

COMPENSATION OF DIRECTORS AND OFFICERS

Pursuant to the Management Agreement, the Manager will pay from the Management Fee the annual directors' fees of the Company, currently estimated at an aggregate amount of \$60,000 per annum.

From the inception of the Company through December 31, 1998, an aggregate of \$0 has been paid to the Company's directors and executive officers as a group for services rendered by them to the Company in all capacities.

INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS

The Manager owns 1,993,771 Shares in the Company as of the date hereof and is party to the Management Agreement with the Company, pursuant to which the Manager is entitled to a management fee of \$250,000 per annum.

ADDITIONAL INFORMATION

The Company will file with the Securities and Exchange Commission an Annual Report on Form 20-F. A copy of such report is available without cost to each shareholder.

BP Amoco p.l.c, the successor company to the merger between Amoco Corp and The British Petroleum Company p.l.c., files annual reports on Form 20-F (File No. 005-42076) and periodic reports on Form 6-K with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

**NORDIC AMERICAN TANKER
SHIPPING LIMITED**

ikx4528_98

NORDIC AMERICAN TANKER SHIPPING LIMITED

TABLE OF CONTENTS.

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1998 AND FOR THE PERIOD FROM JANUARY 1, 1998 THROUGH DECEMBER 31, 1998:	
Balance Sheets	2
Statement of Operations	3
Statements of Cash Flows	4
Notes to Financial Statements	5-6



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nordic American Tanker Shipping Limited
Bermuda

We have audited the accompanying balance sheets of Nordic American Tanker Shipping Limited as of December 31, 1998 and the related statements of operations, shareholders' equity and cash flows for the year ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Nordic American Tanker Shipping Limited as of December 31, 1998 and the results of its operations and its cash flows for the year ended December 31, 1998 in conformity with generally accepted accounting principles.

Deloitte & Touche
March 24, 1999

BALANCE SHEET AT DECEMBER 31.

(all figures are in \$)

ASSETS

Current assets		1998	1997
Bank deposits	Note 1	3,637,758	3,664,499
Bare-Boat –hire receivable		0	1,499,380
Prepaid finance costs	Note 6	86,875	0
Prepaid insurance		83,333	95,836
Total current assets		<u>3,807,966</u>	<u>5,259,715</u>
Long term assets			
Vessels	Note 3	<u>162,237,124</u>	<u>169,068,163</u>
Total long-term assets		<u>162,237,124</u>	<u>169,068,163</u>
TOTAL ASSETS		<u>166,045,090</u>	<u>174,327,878</u>

LIABILITIES AND SHAREHOLDERS EQUITY

Current liabilities		1998	1997
Dividend payable		0	1,181,385
Prepaid hire		0	3,645,000
Accounts payable	Note 5	675,384	0
Accrued interest on Bank loan	Note 6	43,781	0
Total Current Liabilities		<u>719,165</u>	<u>4,826,385</u>
Long-term liabilities			
Mortgage Loan	Note 6	<u>30,000,000</u>	<u>0</u>
Total Long-term liabilities		<u>30,000,000</u>	<u>0</u>
Shareholders Equity			
Share Capital	Note 7	97,066	118,138
Other Shareholders Equity	Note 7	<u>135,228,859</u>	<u>169,383,355</u>
Total Shareholders Equity		<u>135,325,925</u>	<u>169,501,493</u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		<u>166,045,090</u>	<u>174,327,878</u>

PROFIT AND LOSS ACCOUNT
(all figures are in \$)

		1998	1997
Operating revenues		16,006,199	5,265,880
Commissions paid		(184,781)	(47,081)
Administrative expenses	Note 2,4	(412,779)	(461,674)
Depreciation	Note 3	<u>(6,831,039)</u>	<u>(1,707,807)</u>
Net operating income		8,577,600	3,049,318
Interest income		105,999	147,504
Accrued interest Bank Loan	Note 6	(43,781)	0
Bank charges		<u>(10,306)</u>	<u>(330)</u>
Net financial income		51,912	147,174
NET PROFIT BEFORE TAX		<u>8,629,512</u>	<u>3,196,492</u>
Tax expense		0	0
NET PROFIT FOR THE YEAR		<u>8,629,512</u>	<u>3,196,492</u>

STATEMENT OF CASH FLOW
(all figures are in \$)

	1998	1997
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit (loss)	8,629,512	3,196,492
Depreciation	6,831,039	1,707,807
Increase (decrease) in receivables and payables	(2,682,212)	2,341,428
Net cash used in operating activities	12,778,339	7,245,727
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in Vessels	0	(119,551,210)
Cash flow used in investing activities	0	(119,551,210)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from sale of common stock	0	119,442,862
Additional warrant issue costs	(36,676)	0
Dividends paid	(15,712,421)	(3,544,155)
Repurchase of B Stock	0	(12,000)
Bank Loan	30,000,000	0
Repurchase of Common Stock	(27,055,933)	0
Cash flow provided by financing activities	(12,768,354)	115,886,707
NET (DECREASE) INCREASE IN CASH	(26,691)	3,581,224
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	3,664,449	83,275
CASH AND CASH EQUIVALENT, END OF YEAR	3,637,758	3,664,499

NORDIC AMERICAN TANKER SHIPPING LIMITEDNOTES TO FINANCIAL STATEMENTS
PERIOD JANUARY 1, 1998 THROUGH DECEMBER 31, 1998**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Cash and Cash on Deposit - Cash and cash on deposit consists of all cash and demand deposits with a maturity of three months or less.

Income and Expenses - The Company accounts for all income and expenses using the accrual method of accounting.

Income taxes - The Company is not subject to taxation in the United States of America.

2. RELATED PARTY TRANSACTION

The Company has entered into a management agreement with Uglund Nordic Shipping ASA (UNS) under which UNS will provide certain administrative, management and advisory services to the Company for an amount of \$250,000 per year. In addition, a fee of \$1.85 million was in 1995 paid by the Company to UNS on the date of the issuance of the warrants in consideration for certain of UNS' previous activities on behalf of the Company prior to the consummation of the offering.

This fee was included as part of the offering costs in 1995.

3. DEPRECIATION

Depreciation is calculated on a straight-line basis over the estimated lifetime of 25 years. The basis for the depreciation is the actual cost price of the vessels in 1997, i.e \$ 170,775,970 in total for the three vessels.

All vessels

Total cost price in 1997	\$ 170,775,970
Accumulated depreciation per January 1, 1998	\$ 1,707,807
<u>Depreciation January 1 through December 31, 1998</u>	<u>\$ 6,831,039</u>
Book value per December 31, 1998	\$ 162,237,124

British Harrier

Total cost price in 1997	\$ 56,926,900
Accumulated depreciation per January 1, 1998	\$ 569,269
<u>Depreciation January 1 through December 31, 1998</u>	<u>\$ 2,277,076</u>
Book value per December 31, 1998	\$ 54,080,555

British Hawk

Total cost price in 1997	\$ 56,926,900
Accumulated depreciation per January 1, 1998	\$ 569,269
<u>Depreciation January 1 through December 31, 1998</u>	<u>\$ 2,277,076</u>
Book value per December 31, 1998	\$ 54,080,555

British Hunter

Total cost price in 1997	\$ 56,922,170
Accumulated depreciation per January 1, 1998	\$ 569,269
<u>Depreciation January 1 through December 31, 1998</u>	<u>\$ 2,276,887</u>
Book value per December 31, 1998	\$ 54,076,014

4. ADMINISTRATIVE EXPENSES

Management fee, Uglund Nordic Shipping ASA	\$ 250,000
Directors and officers insurance	\$ 112,503
Other fees and expenses	<u>\$ 50,276</u>
Total administrative expenses	\$ 412,779

5. ACCOUNTS PAYABLE

The account payable of \$ 675,384 is transaction costs from the repurchase of shares in 1998. The total cost was \$ 715,383 of which \$ 675,384 was outstanding as per December 31, 1998.

6. MORTGAGE LOAN, ACCRUED INTEREST, PREPAID FINANCE COSTS

The Company has drawn upon a Loan of \$ 30 mill with Den norske Bank, Oslo (DnB) to finance the repurchase of shares. The Company has entered into an interest swap agreement with DnB, enabling the Company to pay a fixed interest on the loan of 5.80 % p.a. including the margin of 0.525 % for the next 6 years. The swap agreement terminates on the final repayment date of the Loan, i.e. the 4th quarter of year 2004.

The first fixture of the SWAP agreement will be in March 1999. The Company fixed the interest period for the first three months from December 1998 at LIBOR 5,3125 %.

Accrued interest at December 31, 1998

\$30 mill, LIBOR 5.3125 %, pluss margin on Loan 0,525 % for 9 days, \$43,781

Prepaid finance costs

In connection with the draw down of the Mortgage Loan of \$30 mill, the Company paid \$ 86,875 in an arrangement fee and commitment fee. The fees will be amortized over the term of the Loan, i.e. with 1/6 every year from January 1, 1999.

7. **STATEMENT OF SHAREHOLDERS EQUITY**
YEAR ENDED DECEMBER 31, 1998 AND 1997

	Common Stock		Class B Stock		Other Equity
	Issued Shares	Amount	Issued Shares	Amount	
BALANCE DECEMBER 31, 1996	82 237	822	12 000	12 000	51 586 857
Repurchase of B Stock			-12 000	-12 000	
Exercise of Warrants to Common Stock	11 731 613	117 316			119 662 453
Common Stock issue cost					-336 907
Transfer from other equity 1)					-1 529 048
BALANCE DECEMBER 31, 1997	11 813 850	118 138	0	0	169 383 355
Repurchase of Common Stock	-2 107 244	-21 072			-26 319 478
Repurchase cost					-715 383
Additional Warrant exercise cost					-36 676
Transfer from other equity 1)					-7 082 959
BALANCE DECEMBER 31, 1998	9 706 606	97 066	0	0	135 228 859

1) This is part of the amount that the Company paid out of equity for dividends. As the Company distributes all available cash, its distributions may exceed its net profit. The Company has also paid additional capital transaction costs related to the warrant exercise and repurchase of shares in 1997 and 1998

ikx4528_98