



NORDIC AMERICAN TANKER SHIPPING LIMITED

**2000 ANNUAL
REPORT TO
SHAREHOLDERS**

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, telephone number (441) 295-2244.

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").

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 1997 built, 151,459 dwt double hull Suezmax oil tanker. The purchase price of each Vessel was approximately \$56.9 million (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 the Isle of Man and flies the British flag.

Chartering Operations Commenced on September 30, 1997

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 the 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 2000, 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 2000, the Company received Additional Hire for all four quarters.

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 September 30, 1997, 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 Shares will be entitled to vote on a proposal to sell the related Vessels and to distribute the net proceeds of such sale to the holders of the 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 Vessels. The proposal to sell the Vessels 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 are listed under the symbol NAT. The secondary trading market for the Shares is the Oslo Stock Exchange (the "OSE") also with the symbol NAT.

The high and low bid prices for the Shares by quarter, in 1999 thru 2000 are as follows:

	<u>AMEX</u> <u>Low</u>	<u>AMEX</u> <u>High</u>	<u>OSE</u> <u>Low</u>	<u>OSE</u> <u>High</u>
For the quarter ended:				
March 31, 1999	\$10 1/8	\$11 5/8	NOK N/A	NOK N/A
June 30, 1999	\$10 7/8	\$11 3/4	NOK N/A	NOK N/A
September 30, 1999	\$11 1/4	\$12 3/4	NOK 95.00	NOK 95.00
December 31, 1999	\$10 1/8	\$12	NOK 94.00	NOK 95.00
March 31, 2000	\$10 1/4	\$12 3/4	NOK 90.00	NOK 100.00
June 30, 2000	\$12 1/2	\$17	NOK 95.00	NOK 130.00
September 30, 2000	\$16 9/16	\$22 5/8	NOK 140.00	NOK 212.00
December 31, 2000	\$17 7/8	\$23 1/4	NOK 170.00	NOK 210.00

These bid quotations represent interdealer quotations, without retail mark-ups, mark-downs or commissions, and do not necessarily represent actual transactions. On December 31, 2000, the closing price of the Shares as quoted on the AMEX was \$20, and as quoted on the OSE was NOK 177.00. On such date, there were 9,706,606 Shares issued and outstanding.

SELECTED FINANCIAL INFORMATION

The following Balance Sheets and Income Statements 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 SHEETS FOR THE YEAR ENDING DECEMBER 31,

	2000	1999	1998	1997	1996
Assets					
Cash and Cash Deposit	1 922 925	2 507 017	3 637 758	19 499	83 275
Prepaid Finance Expenses	57 915	72 395	86 875	0	0
Prepaid Insurance	58 333	70 833	83 333	95 836	180 000
Account Receivables	10 228 286	0	0	1 499 380	111 644
Vessels	148 575 045	155 406 085	162 237 124	169 068 163	51 224 760
Total Assets	160 842 504	158 056 330	166 045 090	170 682 878	51 599 679
Account Payables	0	0	675 384	1 181 385	0
Accrued Interest	43 500	77 333	43 781	0	0
Bank Loan	30 000 000	30 000 000	30 000 000	0	0
Total Long-term Liabilities	30 043 500	30 077 333	30 719 165	1 181 385	0
Shareholders' Equity					
Share Capital	97 066	97 066	97 066	118 138	12 822
Other Shareholders Equity	130 701 938	127 881 931	135 228 859	169 383 355	51 586 857
Total Shareholders' Equity	130 799 004	127 978 997	135 325 925	169 501 493	51 599 679
Total Liabilities and Shareholders Equity	160 842 504	158 056 330	166 045 090	170 682 878	51 599 679

INCOME STATEMENT FOR THE PERIOD 01.01. - 31.12.,

	2000	1999	1998	1997	1996
Revenue	36 577 262	14 782 500	16 006 199	5 265 880	0
Ship Broker Commissions	(185 288)	(184 781)	(184 781)	(47 081)	0
Mgmt. Fee & Admin. Exp.	(290 791)	(314 004)	(412 779)	(461 674)	(430 000)
Directors Insurance	(82 500)	(97 500)	0	0	0
Depreciation	(6 831 040)	(6 831 039)	(6 831 039)	(1 707 807)	0
Net Operating Income	29 187 643	7 355 176	8 577 600	3 049 318	(430 000)
Net Financial Items	(1 518 679)	(1 580 500)	51 912	147 174	0
Net Profit for the Year	27 668 964	5 774 676	8 629 512	3 196 492	(430 000)

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

Overview

The Company owns three modern double hull 151,459 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.

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.

Results of Operations

The Company's revenues from the charterhire for 2000 were derived from Base Hire of \$14,823,000 (\$13,500 per day per Vessel) and Additional Hire of \$21,754,262 (\$19,813 per day per vessel). Total Charterhire for the period was \$36,577,262 or \$33,313 per day per vessel (T/C equivalent of \$41,813 per day per vessel).

In January 2001, the Brokers Panel in London determined that the Additional Hire for the period October 1 to December 31, 2000 was \$10,228,286, i.e., \$37,059 per day per Vessel. The total Charterhire for 2000 was thus \$36,577,262. Charterhire (time charter equivalent) in each quarter of 2000 was \$26,079, \$33,701, \$48,153 and \$59,059 per day per Vessel, respectively.

Comparatively, 1999 Base Hire was \$14,782,500 (\$13,500 per day per Vessel) and Additional Hire of \$0, for a total of \$14,782,500. Comparatively, 1998 Base Hire was \$14,782,500 (\$13,500 per day per Vessel) and Additional Hire of \$1,223,699 (\$4,532 per day per vessel) for a total of \$16,006,199.

Operating costs for 2000 and 1999 were \$7,389,619 and \$7,427,324 respectively. Depreciation of the Vessels represents \$6,831,040, which in 2000 approximates the 1999 depreciation. Management Fee and administrative expenses decreased \$23,213 mainly due to lower insurance cost.

Operating costs for 1998 approximated the 1999 amounts.

Liquidity and Capital Resources

Dividend payment

Total dividend paid out in 2000 was \$24,848,956 or \$2.56 per Share. The dividend payments in 1998, 1999 and 2000 have been as follows:

Period	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	0.36	1.10
Total USD	1.43	1.35	2.56

The Company declared a dividend of \$1.41 for the first quarter of 2001. The dividend of \$1.41 was paid to Shareholders in February 2001.

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 made at the end of December 1998.

In 1998 the Company borrowed \$30.0 million from Den norske Bank ASA, Oslo, Norway (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. On May 12, 1999, the General Shareholders Meeting approved the remaining proceeds being utilized to increase the quarterly dividends.

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 (assuming receipt of Base Hire and no increase of expenses) has increased by \$0.15, from \$1.20 to \$1.35 per year, an increase of 12.5%.

The Company has entered into an interest swap agreement with DnB, as a result of which the Company pays a fixed interest on the Loan of 5.80% p.a. including the margin of 0.525% for the next 5 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 the Company 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	53	Director and President
Peter Bubenzer		Secretary
Niels Erik Feilberg	39	Vice President and Treasurer
Tharald Brøvig	58	Director
Hon. Sir David Gibbons	73	Director
George C. Lodge	73	Director
Axel Stove Lorentzen	48	Director
Andreas Ove Ugland	46	Director

The Manager

<u>Name</u>	<u>Age</u>	<u>Position</u>
Tharald Brøvig	58	Director
Niels Erik Feilberg	39	Chief Financial Officer
Herbjørn Hansson	53	Director; President and Chief Executive Officer
Njål Hansson	58	Director
Ulf G. Ryder	49	Director
Christian Rytter Jr	45	Director
Andreas Ove Ugland	46	Director, Chairman
Johan Benad Ugland	47	Director

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 Independent Tanker Owners, from 1975-1980. He was an executive officer of the Anders Jahre/Kosmos Group from 1980 to 1989, serving as Chief Financial Officer from 1983 to 1988.

Peter Bubenzer has been the Secretary of the Company since May 1999. Mr. Bubenzer has been a Partner of the law firm of Appleby, Spurling & Kempe, Bermuda since 1986.

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 Siving, Njål Hansson A/S is a company engaged in the importing and distribution of consumer electronics in Norway. Mr. Hansson is the brother of Herbjørn Hansson.

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.

Johan Benad Ugland has been a director of the Manager since May 1999. Mr Ugland is Chairman of JBO Holding AS.

Ulf G. Ryder has been a Director of the Manager since June 1999. Mr. Ryder is Managing Director of Stena Bulk AB of Gothenburg, Sweden.

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 \$95,000 per annum. Accordingly, from the inception of the Company through December 31, 2000, the Directors of the Company have not been paid by the Company any amount for services rendered by them to the Company in any capacity.

INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS

The Manager owns 1,593,621 (16.42%) Shares in the Company as of April 2, 2001, 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.

APRIL 5, 2001

**NORDIC AMERICAN TANKER
SHIPPING LIMITED**

NORDIC AMERICAN TANKER SHIPPING LIMITED

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This page will be replaced by the Auditors' Report.

BALANCE SHEETS AT DECEMBER 31,

(all figures are in USD)

ASSETS

Current assets		<u>2000</u>	<u>1999</u>
Cash and Cash Equivalents	Note 1	1,922,925	2,507,017
Accounts receivable		10,228,286	0
Prepaid finance costs	Note 6	57,915	72,395
Prepaid insurance		<u>58,333</u>	<u>70,833</u>
Total current assets		<u>12,267,459</u>	<u>2,650,245</u>
Long term assets			
Vessels	Note 4	<u>148,575,045</u>	<u>155,406,085</u>
TOTAL ASSETS		<u>160,842,504</u>	<u>158,056,330</u>

LIABILITIES AND SHAREHOLDERS EQUITY

Current liabilities		<u>2000</u>	<u>1999</u>
Accrued interest	Note 6	<u>43,500</u>	<u>77,333</u>
Long-term liabilities			
Long-term Debt	Note 6	<u>30,000,000</u>	<u>30,000,000</u>
Commitments and Contingencies	Note 10	0	0
Shareholders Equity			
Common Stock	Note 8	97,066	97,066
Additional Paid in Capital	Note 8	<u>130,701,938</u>	<u>127,881,931</u>
Total Shareholders Equity		<u>130,799,004</u>	<u>127,978,997</u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		<u>160,842,504</u>	<u>158,056,330</u>

The footnotes are an integral part of these financial statements

STATEMENTS OF OPERATIONS

(all figures in USD)

	Notes	2000	1999	1998
Operating Revenue	1, 3	36 577 262	14 782 500	16 006 199
Ship Broker Commissions		(185 288)	(184 781)	(184 781)
Administrative Expenses	2, 5	(373 291)	(411 504)	(412 779)
Depreciation	4	(6 831 040)	(6 831 039)	(6 831 039)
Net Operating Income		29 187 643	7 355 176	8 577 600
Interest Income	6	277 552	214 532	105 999
Interest Expense	6	(1 770 808)	(1 767 449)	(43 781)
Other Financial Charges		(25 423)	(27 583)	(10 306)
Net Financial Items		(1 518 679)	(1 580 500)	51 912
Net Profit before tax		27 668 964	5 774 676	8 629 512
Tax Expense		0	0	0
Net Profit for the Year		27 668 964	5 774 676	8 629 512
Earnings per Share (EPS)		2.85	0.59	0.89

STATEMENTS OF CASH FLOW

(all figures in USD)

Reconciliation of Net Profit to Net Cash from Operating Activities

	2000	1999	1998
Net Profit	27 668 964	5 774 676	8 629 512
Depreciation	6 831 040	6 831 039	6 831 039
Increase (decrease) in receivables and payables	(10 235 140)	(614 852)	(2 682 212)
Net Cash from Operating Activities	24 264 864	11 990 863	12 778 339
Financial Activities			
Additional Warrant Issue Cost	0	(17 686)	(36 676)
Dividends paid	(24 848 956)	(13 103 918)	(15 712 421)
Bank Loan	0	0	30 000 000
Repurchasing of Common Stock	0	0	(27 055 933)
Net Cash from Financing Activities	(24 848 956)	(13 121 604)	(12 805 030)
Net (decrease) in Cash and Cash Equivalents	(584 092)	(1 130 741)	(26 691)
Beginning Cash and Cash Equivalents	2 507 017	3 637 758	3 664 449
Ending Cash and Cash Equivalents	1 922 925	2 507 017	3 637 758
Cash Paid for Interest	1 770 808	1 767 449	43 781

The footnotes are an integral part of these financial statements

NORDIC AMERICAN TANKER SHIPPING LIMITED

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Nature of Business and Concentration of Risk: The Company's principal business is the ownership of three suezmax tankers on charter to BP Shipping until September 2004, with a further seven one-year options in BP's favour.

Use of estimates: Preparation of financial statements in accordance with generally accepted accounting principles necessarily includes amounts based on estimates and assumptions made by management. Actual results could differ from those amounts.

Cash and cash equivalents consists of deposits with original maturities of three months or less.

Property and Equipment: Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. The Company's sole of property consists of vessels. The estimated useful life of these vessels is 25 years.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the assets, a loss is recognized for the difference.

Revenue recognition: Revenue from vessel charter is recognized on the basis of the number of days in the fiscal period. Revenue is due quarterly in advance.

New Pronouncements: In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). This standard incorporating the amendments from SFAS 138 requires derivative instruments to be recorded in the balance sheet at their fair value. Changes in the fair value are recorded to earnings for each period unless specific hedge criteria are met. Changes in fair value for qualifying cash flow-hedges are recorded in equity and are realized in earnings in conjunction with the gain or loss on the hedged item or transaction. Changes in the fair value for qualifying offset corresponding changes in the fair value of the hedged item in the income statement. The Company implemented SFAS 133 on January 1, 2001. The statement will not have significant impact on NATS' consolidated statement.

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. UNS is the Commercial Manager of the Company, and owns as of December 31, 2000 18.8% of the shares.

Management fees expense was \$250,000 for 2000, 1999 and 1998.

3. REVENUE

The table below illustrates the breakdown of the charter hire for the years ended December 31, 2000, 1999 and 1998:

Period	2000	1999	1998
Base Hire	14,823,000	14,782,500	14,782,500
Additional Hire	21,754,262	0	1,223,699
Total	36,577,262	14,782,500	16,006,199

4. VESSELS

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.

5. ADMINISTRATIVE EXPENSES

Management fee, Uglund Nordic Shipping ASA	\$ 250,000
Directors and officers insurance	\$ 82,500
Other fees and expenses	\$ 40,791
Total administrative expenses	\$ 373,291

6. LONG-TERM DEBT

The Company has since 1998 had a loan of \$30 million with Den norske Bank, Oslo (DnB). The loan falls due in full in September 2004. Interest is payable semi-annually at a variable rate of LIBOR plus 0.525% margin. Accrued interest at December 31, 2000 and 1999 was \$43,500 and \$77,333. The Company has pledged the vessels as collateral. In association with the loan the Company must meet certain financial covenants. The main covenants are associated with change in ownership, new contracts or change in existing contracts, minimum value adjusted equity and minimum liquidity. The Company satisfied the loan covenants at year end.

The Company pays an annual agency fee of \$10,000 to DnB in connection with the loan.

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 5 years. The swap agreement terminates on the final repayment date of the Loan, i.e. the 4th quarter of year 2004.

Prepaid finance costs

In connection with the loan in 1998, 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. EQUITY

	Common Stock		Class B Stock		Retained
	Issued Shares	Amount	Issued Shares	Amount	Earnings/ Add. paid- in Capital
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			119 325 546
Net Profit					3 196 492
Dividends paid					-4 725 540
BALANCE DECEMBER 31, 1997	11 813 850	118 138	0	0	169 383 355
Repurchase of Common Stock	-2 107 244	-21 072			-27 071 537
Net Profit					8 629 512
Dividends paid					-15 712 471
BALANCE DECEMBER 31, 1998	9 706 606	97 066	0	0	135 228 859
Additional costs, Repurchase of Shares					-17 686
Net Profit					5 774 676
Dividends paid					-13 103 918
BALANCE DECEMBER 31, 1999	9 706 606	97 066	0	0	127 881 931
Net Profit					27 668 964
Dividends paid					-24 848 957
BALANCE DECEMBER 31, 2000	9 706 606	97 066	0	0	130 701 938

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

Period	1997	1998	1999	2000	2001
1 st Quarter		0.40	0.32	0.34	1.41
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	1.10	
Total USD	0.30	1.43	1.35	2.56	1.41

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.

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”). At that time there was 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 were 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.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair values and carrying amounts of financial instruments are as follows:

	December 31, 2000		December 31, 1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term Debt	30,000,000	30,000,000	30,000,000	30,000,000
Interest rate Swap	-	618,094	-	1,689,105

The fair value of long-term debt was determined based on borrowing rates currently available for debt with similar terms. The fair value of interest rate swaps is based on the amount the Company would pay or receive to terminate the swaps. The carrying amounts of all other financial instruments reported in the financial statements approximate their fair value.

9. CONCENTRATIONS

The Company's charter revenues and accounts receivable are derived entirely from bareboat charters with one counterparty, BP Shipping Ltd.

10. COMMITMENTS AND CONTINGENCIES

The Company is subject to claims and litigation in the normal course of business. In the view of the management, there were no such matters of significance at December 31, 2000 or 1999.