NORDIC AMERICAN TANKER SHIPPING LIMITED

2001 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"). The principal executive offices of the Company are located at Cedar House, 41 Cedar Avenue, Hamilton HM EX, Bermuda, telephone number (441) 295-2244.

Pursuant to an agreement (the "Management Agreement") between the Company and its Manager, Ugland Nordic Shipping AS (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 dead weight tonne 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"). The Vessels were built at Samsung Heavy Industries Co. Ltd. in South Korea (the "Builder").

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 from that 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 shareholders in amounts substantially equal to the amounts received by it under the Charters, less expenses. In 2001, 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 2001, 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 or any other reason. 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.

At least six months prior to the end of the term (including any extension) of a Charter, the Company's shareholders will be entitled to vote on a proposal to sell the related Vessels and to distribute the net proceeds to the shareholders to the extent permitted under Bermuda law. The Board of Directors of the Company (the "Board") will make a recommendation which 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 a majority of the shareholders.

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 2000 thru 2001 are as follows:

	AMEX Low	AMEX High	OSE Low	OSE High
For the quarter ended:				
March 31, 2000	$10.25	$12.75	NOK 90.00	NOK 100.00
June 30, 2000	$12.50	$17.00	NOK 95.00	NOK 130.00
September 30, 2000	$16.56	$22.63	NOK 140.00	NOK 212.00
December 31, 2000	$17.88	$23.25	NOK 170.00	NOK 210.00
March 31, 2001	$16.90	$22.25	NOK 215.00	NOK 155.00
June 30, 2001	$16.00	$22.89	NOK 180.00	NOK 172.00
September 30, 2001	$13.75	$19.52	NOK 190.00	NOK 140.00
December 31, 2001	$13.00	$17.10	NOK 170.00	NOK 125.00

These bid quotations represent interdealer quotations without retail mark-ups, mark-downs or commissions, and do not necessarily represent actual transactions. On December 31, 2001, the closing price of the Shares as quoted on the AMEX was $13.85, and as quoted on the OSE was NOK 131.00. On such date, there were 9,706,606 Shares issued and outstanding.

SELECTED FINANCIAL INFORMATION

The following historical financial information should be read in conjunction with our audited consolidated financial statements and related notes all of which are included elsewhere in this document and "Operating and Financial Review and Prospects." The statements of operations data for each of the three years ended December 31, 1999, 2000, and 2001 and selected balance sheet data as of December 31, 2000 and 2001 are derived from, and qualified by reference to, our audited consolidated financial statements included elsewhere in this document. The statements of operations data for each of the years ended December 31, 1997 1998 and 1999 and selected balance sheet data as of December 31, 1997, 1998 and 1999 are derived from our audited financial statements not included in this document.

SELECTED BALANCE SHEET DATA

	December 31,				
	2001	**2000**	**1999**	**1998**	**1997**
Assets					
Cash and Cash Deposit	630 868	1 922 925	2 507 017	3 637 758	19 499
Prepaid Finance Expenses	43 435	57 915	72 395	86 875	0
Prepaid Insurance	70 000	58 333	70 833	83 333	95 836
Accounts Receivable	170 180	10 228 286	0	0	1 499 380
Vessels	141 744 005	148 575 045	155 406 085	162 237 124	169 068 163
Total Assets	**142 658 488**	**160 842 504**	**158 056 330**	**166 045 090**	**170 682 878**
Accounts Payable	0	0	0	675 384	1 181 385
Accrued expenses	778 000				
Accrued Interest	38 666	43 500	77 333	43 781	0
Bank Loan	30 000 000	30 000 000	30 000 000	30 000 000	0
Total Long-term Liabilities	**30 816 666**	**30 043 500**	**30 077 333**	**30 719 165**	**1 181 385**
Shareholders' Equity					
Share Capital	97 066	97 066	97 066	97 066	118 138
Other comprehensive income	(778 000)				
Other Shareholders Equity	112 522 756	130 701 938	127 881 931	135 228 859	169 383 355
Total Shareholders' Equity	**111 841 822**	**130 799 004**	**127 978 997**	**135 325 925**	**169 501 493**
Total Liabilities and Shareholders Equity	**142 658 488**	**160 842 504**	**158 056 330**	**166 045 090**	**170 682 878**

SELECTED STATEMENT OF OPERATIONS DATA

	Year Ended December 31,				
	2001	**2000**	**1999**	**1998**	**1997**
Revenue	28 359 568	36 577 262	14 782 500	16 006 199	5 265 880
Ship Broker Commissions	(184 781)	(185 288)	(184 781)	(184 781)	(47 081)
Mgmt. Fee & Admin. Exp.	(281 406)	(290 791)	(314 004)	(412 779)	(461 674)
Directors Insurance	(72 333)	(82 500)	(97 500)	0	0
Depreciation	(6 831 040)	(6 831 040)	(6 831 039)	(6 831 039)	(1 707 807)
Net Operating Income	**20 990 008**	**29 187 643**	**7 355 176**	**8 577 600**	**3 049 318**
Net Financial Items	(1 604 532)	(1 518 677)	(1 580 498)	51 912	147 176
Net Profit for the Year	**19 385 476**	**27 668 966**	**5 774 678**	**8 629 512**	**3 196 492**
Basic Earnings Per Share {a}	2,00	2,85	0,59	0,73	1,06
Diluted Earnings Per Share	2,00	2,85	0,59	0,73	0,57
Cash Dividends					
Declared Per Share	3,87	2,56	1,35	1,33	1,57
Weighted Average Shares Outstanding:					
Basic	9 706 606	9 706 606	9 706 606	11 796 530	3 018 518
Diluted	9 706 606	9 706 606	9 706 606	11 796 530	5 606 055

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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.

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 charterhire for 2001 decreased 22% from 2000 to $28,359,568 or $25,899 per day per vessel (T/C equivalent of $34,399 per day per vessel). Charterhire revenue for 2001 was derived from Base Hire of $14,782,500 ($13,500 per day per Vessel) and Additional Hire of $13,577,068 ($12,399 per day per vessel).

Market rates which are used to determine additional hire decreased in 2001. The decrease was driven by OPEC oil production decreases and a slow down in the world economy. Additional hire by quarter, as determined by the Brokers Panel was $7,994,018, $3,572,587, $1,840,283 and $170,180 for the first through the fourth quarters of 2001 respectively. Charterhire (time charter equivalent) in each quarter of 2001 was $51,607, $35,088, $28,668 and $22,617 per day per Vessel, respectively.

Comparatively, Base Hire in 2000 and 1999 was $14,823,000 and $14,782,500 ($13,500 per day per Vessel) respectively. Additional Hire was $21,754,262 in 2000 and $0 in 1999.

Management, insurance and administrative costs (MI&A) for 2001, 2000 and 1999 were $538,520, $558,759 and $596,285 respectively. The Company's MI&A for all three years consisted of ship brokers commissions of approximately $185,000 and management fees of $250,000 which are fixed. The decrease in costs of $20,239 from 2000 to 2001 is mainly due to lower insurance costs. Depreciation expense approximated $6,831,040 for each of the three years.

Liquidity and Capital Resources

The Company's cash flows are primarily from charter hire revenue.

Cash flows provided by operating activities increased in 2001 to $36,272,601 due primarily to the decrease in accounts receivable of $10,058,106 partially offset by a decrease in charterhire revenue. The decrease in accounts receivable was due to the Additional Charter Hire for the 4th quarter 2000 was paid in January 2001.

Cash flow used in financing activities increased 51% to $37,564,658 due to the increase in dividends paid during the year.

There were no cash flows from investing activities during the year.

Dividend payment

Total dividend paid out in 2001 was $37,564,658 or $3.87 per Share. The dividend payments per share in 1997, 1998, 1999, 2000 and 2001 have been as follows:

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

The Company declared a dividend of $0.36 per share for the first quarter of 2002. The dividend of $0.36 will be paid to Shareholders in February 2002.

Long-Term Debt and Repurchase of Common Stock

In 1998 the Company borrowed $30.0 million from Den norske Bank ASA, Oslo, Norway (DnB) to finance the repurchase of 2,107,244 shares through a "Dutch Auction" self-tender offer at a price of $12.50 per Share. 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% per annum for the next 3 years. The swap agreement terminates on the final repayment date of the Loan, i.e., the fourth quarter of the year 2004.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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

Name	Age	Position
Peter Bubenzer		Secretary
Tharald Brøvig	59	Director
Niels Erik Feilberg	40	Vice President and Treasurer
Hon. Sir David Gibbons	74	Director
Herbjørn Hansson	54	Director and President
George C. Lodge	74	Director
Axel Stove Lorentzen	49	Director
Andreas Ove Ugland	47	Director

The Manager

Name	Age	Position
Peter Antturi	43	Director
Niels Erik Feilberg	40	Chief Financial Officer
Herbjørn Hansson	54	Director; President
Bjørn Møller	44	Director
Paul Wogan	39	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 Antturi has been a director of the Manager since December 2001. Mr Antturi is Vice President and Chief Financial Officer of Teekay Shipping Corp. Mr Antturi joined Teekay in 1991, as Manager, Accounting and Controller, before becoming CFO in 1997. Since 1985, Mr. Antturi has held a number of accounting and finance roles in the shipping industry.

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.

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.

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.

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.

Bjørn Møller has been a director of the Manager since April 2001. Mr. Moller is the President and CEO of Teekay Shipping Corp. and has been with Teekay since 1985, serving as Head of Group Chartering and Strategic Development before heading up overall operations in 1997 with his promotion to Chief Operating Officer. In 1998 Mr. Moller assumed the role of President and Chief Executive Officer. Mr. Moller has a multinational background in shipping and commodities and is a graduate of the Copenhagen School of Business Economics.

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.

Paul Wogan has been a director of the Manager since April 2001. Mr Wogan is the Managing Director of Teekay Shipping (UK). Mr Wogan, the former Chief Executive Officer of Seachem Tankers, joined Teekay in November 2000. Mr. Wogan spent 10 years with Seachem, the world's fourth largest chemical tanker company, serving as Vice President of Marketing before becoming CEO in 1997. Prior to joining Seachem, he was involved in chartering for a major crude oil and product carrier fleet controlled by the Ceres Hellenic Group (Livanos), the company that subsequently founded Seachem. Mr. Wogan holds an MBA from Cranfield School of Management.

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, 2001, 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 1,150,221 (11.85%) Shares in the Company as of February 1, 2002, 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.

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.

FEBRUARY 28, 2002

NORDIC AMERICAN TANKER SHIPPING LIMITED

NORDIC AMERICAN TANKER SHIPPING LIMITED

TABLE OF CONTENTS.

Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Nordic American Tanker Shipping Ltd
Bermuda

We have audited the accompanying balance sheets of Nordic American Tanker Shipping Ltd. as of December 31, 2001 and 2000 and the related statements of operations, comprehensive income and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche AS
Oslo, February 28, 2002

BALANCE SHEETS AT DECEMBER 31,

(all figures are in USD)

ASSETS

Current assets		2001	2000
Cash and cash equivalents	Note 1	630,868	1,922,925
Accounts receivable		170,180	10,228,286
Prepaid finance costs	Note 6	43,435	57,915
Prepaid insurance		70,000	58,333
Total current assets		914,483	12,267,459
Long term assets			
Vessels	Note 4	141,744,005	148,575,045
TOTAL ASSETS		**142,658,488**	**160,842,504**

LIABILITIES AND SHAREHOLDERS EQUITY

Current liabilities		2001	2000
Accrued interest	Note 6	38,666	43,500
Long-term liabilities			
Derivative contract	Note 7,8	778,000	0
Long-term Debt	Note 6,8	30,000,000	30,000,000
Shareholders Equity			
Common Stock	Note 7	97,066	97,066
Additional Paid in Capital	Note 7	144,395,866	144,395,866
Retained Earnings	Note 7	(31,873,110)	(13,693,928)
Other comprehensive income	Note 7,8	(778,000)	0
Total Shareholders Equity		111,841,822	130,799,004
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		**142,658,488**	**160,842,504**

The footnotes are an integral part of these financial statements

STATEMENTS OF OPERATIONS

(all figures in USD)

		Year Ended December 31,		
	Notes	**2001**	**2000**	**1999**
Operating Revenue	1, 3	28 359 568	36 577 262	14 782 500
Ship Broker Commissions		(184 781)	(185 288)	(184 781)
Administrative Expenses	2, 5	(353 739)	(373 291)	(411 504)
Depreciation	4	(6 831 040)	(6 831 040)	(6 831 039)
Net Operating Income		**20 990 008**	**29 187 643**	**7 355 176**
Interest Income		189 244	277 552	214 532
Interest Expense	6	(1 769 000)	(1 770 808)	(1 767 449)
Other Financial Charges		(24 776)	(25 423)	(27 583)
Net Financial Items		(1 604 532)	(1 518 679)	(1 580 500)
Net Profit before tax		**19 385 476**	**27 668 964**	**5 774 676**
Tax Expense		0	0	0
Net Profit for the Year		**19 385 476**	**27 668 964**	**5 774 676**
Basic and Diluted Earnings per Share		2.00	2.85	0.59
Weighted Average Number of Shares Outstanding		9 706 606	9 706 606	9 706 606

STATEMENTS OF COMPREHENSIVE INCOME

(all figures in USD)

	2001	**2000**	**1999**
Net income	19 385 476	27 668 964	5 774 676
Cash flow hedges:			
Unrealized gain (loss) on derivatives	(1 656 146)	0	0
Reclassified to earnings	260 052	0	0
Total other comprehensive income	(1 396 094)	0	0
Comprehensive income	**17 989 382**	**27 668 964**	**5 774 676**

The footnotes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS

(all figures in USD)

	Year Ended December 31,		
	2001	**2000**	**1999**
Net Profit	19 385 476	27 668 964	5 774 676
Reconciliation of Net Profit to Net Cash from Operating Activities			
Depreciation	6 831 040	6 831 040	6 831 039
Amortization of prepaid finance costs	14 480	14 480	14 480
Increase (decrease) in receivables and payables	10 041 605	(10 249 619)	(629 332)
Net Cash from Operating Activities	**36 272 601**	**24 264 865**	**11 990 863**
Financing Activities			
Additional Warrant Issue Cost	0	0	(17 686)
Dividends paid	(37 564 658)	(24 848 957)	(13 103 918)
Net Cash from Financing Activities	**(37 564 658)**	**(24 848 957)**	**(13 121 604)**
Net (decrease) in Cash and Cash Equivalents	**(1 292 057)**	**(584 092)**	**(1 130 741)**
Beginning Cash and Cash Equivalents	**1 922 925**	**2 507 017**	**3 637 758**
Ending Cash and Cash Equivalents	**630 868**	**1 922 925**	**2 507 017**
Cash Paid for Interest	1 773 834	1 804 641	1 767 449

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 principal business of Nordic American Tanker Shipping Limited (the ”Company”) is the charter of three Suezmax tankers 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 accounting principles generally accepted in the United States of America necessarily includes amounts based on estimates and assumptions made by management. Actual results could differ from those amounts.

Cash and Cash Equivalents: Cash and cash equivalents consist 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 property consists solely of vessels. The estimated useful life of these vessels is 25 years.

Impairment of Long-Lived Assets: Long-lived assets are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than the carrying amount of the asset, the asset is deemed impaired. The amount of the impairment is measured as the difference between the carrying value and the fair value of the asset.

Revenue Recognition: 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 at the beginning of the quarter, 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.

Revenue from vessel charter is recognized on the basis of the number of days in the fiscal period.

Segment Information: The Company has only one type of vessels – oil tankers on bareboat charters. As a result, management, including the chief operating decision makers, reviews operating results solely by revenue per day and thus the Company has determined that it operates under one reportable segment.

Interest Rate Swap: The Company uses interest rate swap to mitigate its exposure to interest rate fluctuations on Company’s long-term debt. Interest rate swap is classified as a matched transaction. The differential to be paid or received as interest rates change is accrued and recognized as an adjustment to interest expense. The related amount payable to, or receivable from the counterparty, is included in accounts receivable or accrued liabilities.

The fair value of long-term debt was determined based on borrowing rates currently available for debt with similar terms. The fair value of the interest rate swap is based on the amount the Company would pay or receive to terminate the swap. The fair values of cash and cash equivalents and short-term assets and liabilities approximate their carrying value due to the short-term nature of these instruments.

The Company is exposed to credit risk associated with the interest rate swap. However, as the counterparty is the creditor on the long-term debt and an institution with high credit quality, management believes the risk of default is remote.

Taxes: The company is incorporated in Bermuda. Under current Bermuda law, the Company is not subject to corporate income taxes.

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 of qualifying hedges offset corresponding changes in the fair value of the hedged item in the statement of operations. The Company implemented SFAS 133 on January 1, 2001.

2. RELATED PARTY TRANSACTION

The Company has entered into a management agreement with Ugland Nordic Shipping AS (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, 2001 11.9% of the shares.

Management fees expense was $250,000 for 2001, 2000 and 1999.

3. REVENUE

The table below illustrates the breakdown of the charter hire for the years ended December 31, 2001, 2000 and 1999:

Period	**2001**	**2000**	**1999**
Base Hire	14,782,500	14,823,000	14,782,500
Additional Hire	13,577,068	21,754,262	0
Total	**28,359,568**	**36,577,262**	**14,782,500**

4. VESSELS

The long term assets consist of 3 suezmax oil tankers built in 1997.

All Vessel	2001	2000
Aquisition cost 1997	170,775,970	170,775,970
Accumulated depreciation 31.12.	29,031,965	22,200,925
Book value as of 31.12.	**141,744,005**	**148,575,045**

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

	2001	2000	1999
Management fee, Ugland Nordic Shipping AS	$ 250,000	$ 250,000	$ 250,000
Directors and officers insurance	$ 72,333	$ 82,500	$ 97,500
Other fees and expenses	$ 31,406	$ 40,791	$ 64,004
Total administrative expenses	$ 353,739	$ 373,291	$ 411,504

6. LONG-TERM DEBT

In 1998, the Company entered into a loan agreement for $30 million with Den norske Bank ASA, 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, approximately 2.5% at December 31, 2001. Accrued interest at December 31, 2001 and 2000 was $38,666 and $43,500. 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 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% annually for the next 3 years. The swap agreement terminates on the final repayment date of the Loan, i.e. the 4th quarter of year 2004.

Estimated fair values and carrying amounts of long term debt are as follows:

	December 31, 2001		December 31, 2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term Debt	30,000,000	30,000,0000	30,000,000	30,000,000

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	APIC	Retained earnings	Accumulated other comprehensive income	Total
Balance at 12.31.98	97 066	144 395 866	(9 167 007)	-	135 325 925
Net profit			5 774 676		5 774 676
Additional costs, repurchase of Shares			(17 686)		(17 686)
Dividends paid			(13 103 918)		(13 103 918)
Balance at 12.31.99	97 066	144 395 866	(16 513 935)	-	127 978 997
Net profit			27 668 964		27 668 964
Dividends paid			(24 848 957)		(24 848 957)
Balance at 12.31.00	97 066	144 395 866	(13 693 928)	-	130 799 004
Transition adjustment				618 094	618 094
Net profit			19 385 476		19 385 476
Dividends paid			(37 564 658)		(37 564 658)
Cash flow hedges				(1 396 094)	(1 396 094)
Balance at 12.31.01	**97 066**	**144 395 866**	**(31 873 110)**	**(778 000)**	**111 841 822**

The only component of accumulated other comprehensive income is:

	2001	2000
Cash flow hedges	(778 000)	-

Par value of the common shares is $.01. At December 31, 2001 and 2000 the number of shares authorized, issued and outstanding was 9,706,606.

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 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. The repurchased shares were retired.

8. DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

The company is exposed to interest rate risk from its variable rate loan of $ 30 million. The company's risk management objective has been to lock in the interest payments on the loan. The company has entered into an interest rate swap where the company pays a fixed interest and receives a variable interest and has designated this swap as a cash flow hedge of the interest payments on the loan.

Gains or losses on the interest rate swap designated as a cash flow hedge will be deferred to accumulated other comprehensive income and will be reclassified to earnings when the hedged interest payments are recognized. No ineffectiveness has been recognized in earnings during 2001 since the critical terms of the interest rate swap and the hedged loan are the same. As of December 31, 2001 loss of $848,500 after tax is expected to be reclassified from accumulated other comprehensive income to earnings during the next twelve months. The maximum length of time that the company has hedged its exposure to variability in future interest payments is approximately 36 months as of December 31, 2001.

The fair value of the swap of $ -778,000 is recorded as a liability as of December 31, 2001. The fair value and carrying amount of the swap was $ 618,094 and 0, respectively, at December 31, 2000.

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 that would have a material adverse effect on future earnings or financial position.