



NORDIC AMERICAN TANKER SHIPPING LIMITED

2008 ANNUAL REPORT TO SHAREHOLDERS

BUSINESS

General

Nordic American Tanker Shipping Limited (the “Company”) was formed on June 12, 1995 under the laws of the Islands of Bermuda (“Bermuda”) for the purpose of acquiring and chartering three double-hull Suezmax tankers that were built in 1997 (the “original vessels”). These three vessels were bareboat chartered to BP Shipping Ltd. (“BP Shipping”), for a period of seven years. BP Shipping redelivered the three vessels to the Company in September 2004, October 2004 and November 2004, respectively. We continued contracts with BP Shipping by time chartering to it two of our original vessels at spot market related rates for three-year terms through September and October 2007, respectively. Since then, these vessels have operated in the spot market or on spot market-related charters. We have bareboat chartered the third of our original three vessels to Gulf Navigation Company LLC (“Gulf Navigation”), of Dubai, United Arab Emirates for a five-year term at a fixed rate charterhire, subject to two one-year extensions at Gulf Navigation’s option. Gulf Navigation has exercised its first one-year option and extended the charter through the fourth quarter of 2010. Our fourth vessel was delivered to us in November 2004, our fifth and sixth vessels in March 2005, our seventh vessel in August 2005, our eighth vessel in November 2005, our ninth vessel in April 2006, our 10th and 11th vessels in November 2006 and our 12th vessel in December 2006. In November 2007, the Company agreed to acquire two Suezmax newbuildings which are expected to be delivered in the fourth quarter of 2009 and by end of April 2010, respectively. In December 2008 the Company agreed to acquire our 15th vessel for an aggregate purchase price of \$56.7 million. The Nordic Sprite was delivered to us in February 2009 and is employed in the spot market.

Our Fleet

Our fleet consists of 15 modern double-hull Suezmax tankers of which two are newbuildings. The following chart provides information regarding each vessel, including its employment status.

Vessel	Yard	Year		Employment Status	Flag
		Built	Dwt ⁽¹⁾		
Gulf Scandic	Samsung	1997	151,475	Bareboat	Isle of Man
Nordic Hawk	Samsung	1997	151,475	Spot	Bahamas
Nordic Hunter	Samsung	1997	151,400	Spot	Bahamas
Nordic Freedom	Daewoo	2005	163,455	Spot	Bahamas
Nordic Voyager	Dalian New	1997	149,591	Spot	Norway
Nordic Fighter	Hyundai	1998	153,328	Spot	Norway
Nordic Discovery	Hyundai	1998	153,328	Spot	Norway
Nordic Sprite	Samsung	1999	147,188	Spot, delivered Feb 2009	Norway
Nordic Saturn	Daewoo	1998	157,332	Spot	Marshall Islands
Nordic Jupiter	Daewoo	1998	157,411	Spot	Marshall Islands
Nordic Apollo	Samsung	2003	159,999	Spot	Marshall Islands
Nordic Cosmos	Samsung	2002	159,998	Spot	Marshall Islands
Nordic Moon	Samsung	2003	159,999	Spot	Marshall Islands
Nordic Galaxy	Bohai	2009	163,000	Expected delivery end of Dec. 2009	
Nordic Vega	Bohai	2010	163,000	Expected delivery end of Apr. 2010	

(1) Deadweight tons.

OUR CHARTERS

It is our policy to operate our vessels either in the spot market, on time charters or on bareboat charters. Our goal is to take advantage of potentially higher market rates with spot market related rates and voyage charters. We currently operate twelve of our thirteen existing vessels in the spot market or on spot market related time charters although we may consider charters at fixed rates depending on market conditions. Our thirteenth vessel is on a long term fixed bare boat charter.

Cooperative Arrangements

We currently operate twelve of our thirteen existing vessels in spot market cooperation with other vessels that are not owned by us. These arrangements are managed and operated by the Swedish group Stena Bulk AB and by Frontline Chartering Services Inc, both of which are third party administrators. The administrators have the responsibility for the commercial management of the participating vessels, including marketing, chartering, operating and purchasing bunker (fuel oil) for the vessels. The participants remain responsible for all other costs including the financing, insurance, crewing and technical management of their vessels. The earnings of all of the vessels are aggregated and divided according to the relative performance capabilities of each vessel and the actual earning days each vessel was available during the period. The vessels are operated in the spot market under our supervision.

Spot Charters

During the year ended December 31, 2008, we have temporarily operated several vessels (Nordic Jupiter, Nordic Hawk, Nordic Hunter and Nordic Apollo) in the spot market, other than in cooperative arrangements. Tankers operating in the spot market are typically chartered for a single voyage which may last up to several weeks. Tankers operating in the spot market may generate increased profit margins during improvements in tanker rates, while tankers on fixed-rate time charters generally provide more predictable cash flows.

Under a typical voyage charter in the spot market, we are paid freight on the basis of moving cargo from a loading port to a discharge port. We are responsible for paying both operating costs and voyage costs and the charterer is responsible for any delay at the loading or discharging ports.

Bareboat Charters

We have chartered one of our vessels, the Gulf Scandic, under a bareboat charter to Gulf Navigation, for a five-year term terminating in the fourth quarter of 2009, and subject to two one-year extensions at Gulf Navigation's option. Gulf Navigation has exercised its first one-year option and extended the charter for one additional year through the fourth quarter of 2010. Under the terms of this bareboat charter, Gulf Navigation is obligated to pay a fixed charterhire of \$17,325 per day for the entire charter period. During the charter period, Gulf Navigation is responsible for operating and maintaining the vessel and is responsible for covering all operating costs and expenses with respect to the vessel.

THE 2008 TANKER MARKET (Source: R.S. Platou Economic Research a.s.)

Despite the global economic crisis and a decline in oil consumption, we believe the tanker market experienced its best year ever in 2008.

The oil tanker fleet is generally divided into five major categories of vessels, based on carrying capacity. A tanker's carrying capacity is measured in dwt, which is the amount of crude oil measured in metric tons that the vessel is capable of loading. In the single voyage market the Very Large Crude Carrier ("VLCC"), whose carrying capacity ranges from 200,000 dwt to 320,000 dwt, reached an average spot rate of \$88,000 per day for the year ended December 31, 2008, a significant increase from \$51,000 per day for the year ended December 31, 2007. Suezmaxes, whose carrying capacity ranges from 120,000 dwt to 200,000 dwt, achieved \$67,000 per day for the year ended December 31, 2008, up from \$40,000 for the year ended December 31, 2007. Corresponding rates for Aframax, whose carrying capacity ranges from 80,000 dwt to 120,000 dwt, were \$50,000 per day for the year ended December 31, 2008 as compared with \$35,000 per day for the year ended December 31, 2007. Our fleet is comprised of Suezmax tankers.

On an annual average basis, the tanker fleet increased by 4.3% from 2007 to 2008. Deliveries of new tankers reached approximately 33 million dwt for the year ended December 31, 2008, up from 29 million dwt for the year ended December 31, 2007. Scrapping amounted to approximately 4 million dwt. Five VLCCs were sold for scrapping; one Suezmax, nine Aframax and 54 smaller tankers were reported as sold for scrapping. The average scrapping age for all tankers was 24.8 years for the year ended December 31, 2008, compared with 27.6 years for the year ended December 31, 2007. It has further been reported that 11.4 million dwt or 86 tankers were undergoing conversions to other uses, of which 19 were VLCCs and 14 were Suezmaxes.

Estimates indicate an increase in seaborne oil trade of 1- 2% from 2007 to 2008 and a relatively strong increase in the average transport distance, driven by a strong rise in Middle East oil production. Other factors such as more floating storage and reduced speed (due in part to the record-high bunker prices) contributed strongly to the high growth in demand for tonnage. Charterers' steadily reduced acceptance of single-hull tankers also played a large role in the increase in demand for double-hull tonnage. In 2008, the single-hull vessels represented approximately an average of 21% of the existing tanker fleet. Tonnage demand growth increased by approximately 7%, resulting in an increase in capacity utilization from 88% in 2007 to 90.5% in 2008.

Extreme volatility and record-high crude prices characterized the oil market in 2008. After OPEC cut output in 2007, the year 2008 started with relatively low oil inventories and an oil price of \$100 per barrel on a distinct rising trend. OPEC then had a strong incentive to raise its output until the capacity limit was reached in July, at a price level of \$147 per barrel. OPEC crude supply increased by 4% to 5% in the first half of the year, with the Middle East supply increasing by 6% to 7%. This strong supply growth was the main driver of the strong tanker market in 2008. As the global economy weakened sharply in the second half of the year, oil prices steeply declined and OPEC cut output targets a number of times but did not prevent prices falling as low as \$35 per barrel. For the year ended December 31, 2008, as a whole, OPEC crude production (including Angola and Ecuador) was up 0.9 million barrels per day ("mbd") or 3%, while OPEC natural gas liquid, or NGL, production increased by 0.2 mbd. World oil consumption contracted for the first time since 1983, according to the International Energy Agency, or IEA, by 0.4%. U.S. oil consumption fell dramatically by 6%, while China increased its consumption by more than 4%.

Secondhand tanker sales fell from approximately 400 in the year ended December 31, 2007 to approximately 300 in the year ended December 31, 2008. After the collapse of the U.S. and European financial markets, virtually no sales have been reported. Values for double-hull vessels had increased some 40% to 50% from the start of the year to the peak in July, then fell to values of approximately 30% lower than at the beginning of the year.

According to the IEA's World Energy Outlook, published in November 2008, as much as 84% of the projected increase in world oil supply between 2007 and 2015 will come from OPEC countries. The Middle East will account for 69% of this increase in oil production, while two thirds of the projected increase in oil trade will be exported from this region. According to BP's Statistical Review of World Energy for 2008, the Middle East had 61% of the world's proven oil reserves, which will continue to drive long and medium haul seaborne transportation. Given the dominance of world oil reserves located in this region, this share is expected to grow in coming years as oil fields in other parts of the world gradually reach maturity and begin a process of natural decline. The length of transportation distances between the Middle East and consuming areas means that such a trend would boost ton-miles (the product of volumes and transport distances) and may increase tanker demand.

A significant and ongoing shift toward quality in vessels and operations has taken place during the last decade as charterers and regulators increasingly focus on safety and protection of the environment. Since 1990, there has been an increasing emphasis on environmental protection through legislation and regulations such as the Oil Pollution Act of 1990, or OPA, International Maritime Organization, or IMO, protocols and classification society procedures. Such regulations emphasize higher quality tanker construction, maintenance, repair and operations. Operators that have proven an ability to seamlessly integrate these required safety regulations into their operations are being rewarded. For example, the emergence of vessels equipped with double-hulls represented a differentiation in vessel quality and enabled such vessels to command improved earnings in the spot charter markets. The effect has been a shift in major charterers' preference towards greater use of double-hulls and, therefore, more difficult trading conditions for older single-hull vessels.

OUR CREDIT FACILITY

In September 2005, the Company entered into a \$300 million revolving credit facility, which is referred to as the 2005 Credit Facility. The 2005 Credit Facility became effective as of October 2005 and replaced the previous facility from October 2004, a portion of which was set to mature in September 2005.

The 2005 Credit Facility provides funding for future vessel acquisitions and general corporate purposes. The 2005 Credit Facility cannot be reduced by the lender and there is no repayment obligation of the principal during the five year term. Amounts borrowed under the 2005 Credit Facility bear interest at an annual rate equal to LIBOR plus a margin between 0.7% and 1.2% (depending on the loan to vessel value ratio). The Company pays a commitment fee of 30% of the applicable margin on any undrawn amounts.

In September 2006, the Company increased the 2005 Credit Facility to \$500 million. The other material terms of the 2005 Credit Facility were not amended.

In April 2008, the Company extended the term of the 2005 Credit Facility to 2013. All other terms are unchanged.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Results of Operations

<i>All figures in USD '000</i>	Year ended December 31,		
	2008	2007	Variance
Voyage Revenue	228,000	186,986	
Voyage Expenses	(10,051)	(47,122)	
Net Voyage Revenues	217,950	139,864	55.8%
Vessel Operating Expense	(35,593)	(32,124)	10.8%
General and Administrative Expenses	(12,785)	(12,132)	5.4%
Depreciation Expense	(48,284)	(42,363)	14.0%
Net Operating Income	121,288	53,245	127.8%
Interest Income	931	904	3.0%
Interest Expense	(3,392)	(9,683)	(65.0%)
Other Financial Income (Expense)	17	(260)	106.5%
Net Income	118,844	44,206	168.8%
Revenue days ⁽¹⁾	4,224	4,117	2.6%

⁽¹⁾ Revenue days consist of 366 days related to the one vessel employed on bareboat charter and 3,858 days related to vessels employed in the spot market.

Our net voyage revenues increased from \$139.9 million for year ended December 31, 2007 to \$217.9 million for the year ended December 31, 2008, an increase of 55.8%. The increase in net voyage revenues was primarily the result of an increase in the spot market rates for the period. The average spot market rate for our fleet during 2008 was \$54,900 per day compared to \$35,600 during 2007, a 54.2% increase.

Vessel operating expenses were \$35.6 million for the year ended December 31, 2008 compared to \$32.1 million for the year ended December 31, 2007. The average operating expenses for the vessels increased from approximately \$8,000 per day per vessel for the fiscal year 2007 to approximately \$8,800 per day per vessel during the fiscal year 2008. The increase in vessel operating expenses was primarily a result of increased repair and maintenance activity in 2008. In addition, we experienced an industry wide price increase in vessel operating costs, in particular crewing costs, lubricating oil costs and repair and maintenance costs.

General and administrative expenses were \$12.8 million for the year ended December 31, 2008 compared to \$12.1 million for the year ended December 31, 2007. The general and administrative expenses in 2008 include a non-cash charge related to stock-based compensation to our manager, Scandic American Shipping Ltd., or the Manager, of \$3.6 million related to one follow-on offering in 2008 and costs of \$1.4 million related to the deferred compensation plan for the Company's Chief Executive Officer. For further details of the management agreement and administrative expenses we refer you to the section "The Management Agreement" on page 7 and Note 5 of our audited financial statements included herein. The general and administrative expenses in 2007 included a non-cash charge of \$2.2 million of stock-based compensation to our Manager, related to one follow-on offerings concluded in that year and costs of \$2.7 million related to the deferred compensation plan for the Company's CEO.

Depreciation expense was \$48.3 million for the year ended December 31, 2008 compared to \$42.4 million for the year ended December 31, 2007. The increase is primarily the result of the depreciation of the cost deferred for the drydocking of vessels during 2008.

Net operating income was \$121.3 million for the year ended December 31, 2008 compared to \$53.2 million for the year ended December 31, 2007, an increase of approximately 127.8%. This increase is primarily due to significantly higher spot market rates during 2008 compared to 2007.

Interest income was \$0.9 million for both the year ended December 31, 2008 and the year ended December 31, 2007. Interest income was derived from the excess cash in interim periods from the proceeds of the follow-on offering in May 2008 and the timing of subsequent repayment of debt during the year.

Interest expense was \$3.4 million for the year ended December 31, 2008 compared to \$9.7 million for the year ended December 31, 2007. The decrease is primarily due to the repayment of debt during 2008 with the proceeds from the follow-on offering concluded in May 2008.

Liquidity and Capital Resources

Cash flows provided by operating activities increased by 53.0% to \$127.9 million for the year ended December 31, 2008 from \$83.6 million for the year ended December 31, 2007 primarily due to significantly higher spot market rates during 2008, as described above.

Cash flows used in investing activities decreased by 62.0% to \$10.1 million for the year ended December 31, 2008 compared to \$26.4 million for the year ended December 31, 2007. The investing activities during 2008 represent vessel improvements. The investing activities during 2007 represent deposits for new acquisitions and vessel improvements.

Cash flows used in financing activities increased by 79.5% to \$99.8 million for the year ended December 31, 2008 compared to \$55.6 million for the year ended December 31, 2007. The financing activities for the year ended December 31, 2008 represent (i) net repayment of debt under the 2005 Credit Facility of \$90.5 million, (ii) payment of \$2.3 million in fees related to the extension of the 2005 Credit Facility, and (iii) dividends paid of \$165.9 million, all of which were offset by proceeds from a follow-on offering of \$158.9 million.

Management believes that the Company's working capital is sufficient for its present requirements.

Dividend payment

Total dividends paid in 2008 were \$165.9 million or \$4.89 per share. The quarterly dividend payments per share in 2008, 2007 and 2006 were as follows:

Period	2008	2007	2006
1 st Quarter	\$0.50	\$1.00	\$1.88
2 nd Quarter	1.18	1.24	1.58
3 rd Quarter	1.60	1.17	1.07
4 th Quarter	1.61	0.40	1.32
Total USD	\$4.89	\$3.81	\$5.85

The dividend paid out each quarter is based on the results of the previous quarter.

The Company declared a dividend of \$0.87 per share in respect of the fourth quarter of 2008 which was paid to shareholders in March 2009.

THE MANAGEMENT AGREEMENT

Scandic American Shipping Ltd is the Manager of the Company. Under the Management Agreement the Manager has the daily commercial and operational responsibility for our vessels and is generally required to manage our day-to-day business subject to our objectives and policies as established and directed by the Board of Directors. All decisions of a material nature concerning our business are reserved to the Board of Directors. The Management Agreement will terminate on June 30, 2019, unless terminated earlier pursuant to its terms or extended by the parties by mutual agreement.

For its services under the Management Agreement, the Manager is reimbursed for all of its costs incurred plus a management fee equal to \$225,000 per annum. The Management Agreement formerly provided that the Manager would receive 1.25% of any gross charterhire paid to us. In order to further align the Manager's interests with those of the Company, in 2004, the Manager agreed with us to amend the Management Agreement to eliminate this payment, and instead the Company issued to the Manager restricted common shares equal to 2% of our outstanding common shares. Any time additional common shares are issued, the Manager will receive additional restricted common shares to maintain the number of common shares issued to the Manager at 2% of our total outstanding common shares. In connection with seven follow-on offerings, we have issued a total of 757,874 restricted shares to our Manager pursuant to the Management Agreement. These restricted shares are non-transferable for three years from the date of issuance.

COMMERCIAL AND TECHNICAL MANAGEMENT AGREEMENTS

The Company has outsourced its commercial and technical management of its vessels to third party operators. Under the supervision of the Manager, the ship management firm of V.Ships Norway AS or V.Ships, provides the technical management for 12 of the Company's 13 vessels.

The Company also works together with Frontline Ltd. (NYSE:FRO) and the private Stena group of Sweden - both world names in the tanker industry - to provide commercial management services. These arrangements are expected to create synergies through economies of scale, resulting in a positive impact on the overall results. Under the supervision of the Manager, Frontline and Stena's duties include seeking and negotiating charters for these vessels.

We believe that compensation under the commercial and technical management agreements is in accordance with industry standards.

SHAREHOLDERS' RIGHTS PLAN

The Board of Directors adopted a shareholder rights plan in 2007 designed to enable the Company to protect shareholder interests in the event that an unsolicited attempt is made for a business combination with or takeover of the Company. The Company believes that the shareholder rights plan will enhance the Board's negotiating power on behalf of shareholders in the event of a coercive offer or proposal. The Company is not currently aware of any such offers or proposals, and adopted the plan as a matter of prudent corporate governance.

The terms of the shareholder rights plan are set forth in the Company's Form 8-A filed with the Securities and Exchange Commission on February 14, 2007. Rights under the plan were issued to shareholders of record as of the close of business on February 27, 2007.

COMPENSATION OF DIRECTORS AND OFFICERS

The six non-employee directors received, in the aggregate, approximately \$390,000 in cash fees for their services as directors for the year ended December 31, 2008. The Vice Chairman of the Board of Directors receives an additional annual cash retainer of \$5,000 per year. The members of the Audit Committee receive an additional annual cash retainer of \$10,000 each per year. The Chairman of the Audit Committee receives an additional annual cash retainer of \$5,000 per year. We do not pay director fees to employee directors. We do, however, reimburse all of our directors for all reasonable expenses incurred by them in connection with serving on our Board of Directors. Directors may receive restricted shares or other grants under our 2004 Stock Incentive Plan described below.

EMPLOYMENT AGREEMENTS

We have an employment agreement with Herbjørn Hansson, our Chairman, President and Chief Executive Officer, Turid M. Sørensen, our Chief Financial Officer, and Rolf I. Amundsen, our Chief Investor Relations Officer and Advisor to the Chairman. Mr. Hansson does not receive any additional compensation for serving as a director or the Chairman of the Board. The aggregate compensation of our executive officers during 2008 was approximately \$1.3 million. The aggregate compensation of our executive officers is expected to be approximately \$1.5 million during 2009. Under certain circumstances, the employment agreement may be terminated by us or Mr. Hansson upon six months' written notice to the other party. The employment agreement with Ms. Sørensen may be terminated by us or by Ms. Sørensen upon six months' written notice to the other party. The employment agreement with Mr. Amundsen may be terminated by us or Mr. Amundsen upon three months' written notice to the other party.

In May 2007, the Board of Directors approved the implementation of a deferred compensation plan for the President and CEO. The CEO has served in his present position since the inception of the Company in 1995. Please see Note 6 to the audited financial statements included herein for further information about the Plan.

2004 STOCK INCENTIVE PLAN

Under the terms of the Company's 2004 Stock Incentive Plan (the "Plan"), the directors, officers and certain key employees of the Company and the Manager are eligible to receive awards which include incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, restricted stock units, performance shares and phantom stock units. A total of 400,000 common shares are reserved for issuance upon exercise of options, as restricted share grants or otherwise under the Plan. Included under the 2004 Stock Incentive Plan are options to purchase common shares at an exercise price equal to \$38.75, subject to annual downward adjustment if the payment of dividends in the related fiscal year exceeds a 3% yield calculated based on the initial strike price. During 2005, the Company granted an aggregate of 320,000 stock options under the terms of the Plan. These options vest in equal installments on each of the first four anniversaries of the grant dates. During 2006, the Company granted an aggregate of 16,700 restricted shares. No stock options were granted in 2006. During 2007, the Company granted 10,000 stock options to a newly elected Board member with an exercise price equal to \$35.17, subject to annual downward adjustment if the payment of dividends in the related fiscal year exceeds a 3% yield calculated based on the initial strike price. During 2008, a former Board member cancelled his stock incentive award in agreement with the Company and received compensation of \$100,000. Please see Note 9 to the audited financial statements included herein for further information about the Plan.

May 8, 2009

NORDIC AMERICAN TANKER
SHIPPING LIMITED

NORDIC AMERICAN TANKER SHIPPING LIMITED

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Nordic American Tanker Shipping Limited
Hamilton, Bermuda

We have audited the accompanying balance sheets of Nordic American Tanker Shipping Ltd. (the "Company") as of December 31, 2008 and 2007, and the related statements of operations, shareholders' equity and cash flows for each of the three years ended December 31, 2008. 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 the standards of the Public Company Accounting Oversight Board (United States). 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Nordic American Tanker Shipping Ltd as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

Deloitte AS

Oslo, Norway
May 8, 2009

Audit & Advisory • Tax & Legal • Consulting • Financial Advisory •

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STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

All figures in USD '000, except share and per share amount

	Notes	Year Ended December 31,		
		2008	2007	2006
Voyage Revenues	3	228,000	186,986	175,520
Voyage Expenses		(10,051)	(47,122)	(40,172)
Vessel Operating Expenses - excluding depreciation expense presented below		(35,593)	(32,124)	(21,102)
General and Administrative Expenses	2,5,6,9	(12,785)	(12,132)	(12,750)
Depreciation Expense	7	(48,284)	(42,363)	(29,254)
Net Operating Income		121,288	53,245	72,242
Interest Income		931	904	1,602
Interest Expense	11	(3,392)	(9,683)	(6,339)
Other Financial Income (Expense)		17	(260)	(112)
Total Other Expense		(2,443)	(9,039)	(4,849)
Net Income		118,844	44,206	67,393
Basic Earnings per Share	14	3.63	1.56	3.14
Diluted Earnings per Share	14	3.62	1.56	3.14
Basic Weighted Average Number of Common Shares Outstanding		32,739,057	28,252,472	21,476,196
Diluted Weighted Average Number of Common Shares Outstanding		32,832,854	28,294,997	21,476,196

The footnotes are an integral part of these financial statements.

BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007*All figures in USD '000, except share and per share amount*

	<u>Notes</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents		31,378	13,342
Accounts Receivable, net \$0 allowance at December 31, 2008 and 2007	3	40,335	14,489
Voyages in Progress		-	7,753
Prepaid Expenses and Other Assets	4	22,406	9,219
Total Current Assets		94,119	44,803
Non-current Assets			
Vessels, Net	7	707,853	740,631
Deposit on Contract	8	9,000	18,305
Other Non-current Assets		2,906	889
Total Non-current Assets		719,759	759,825
Total Assets		813,878	804,628
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable	2	1,947	7,290
Deferred Revenue	12	449	537
Accrued Liabilities	13	3,817	16,531
Total Current Liabilities		6,214	24,358
Long-term Debt	10	15,000	105,500
Deferred Compensation Liability	6	4,078	2,665
Total Liabilities		25,292	132,523
Commitments and Contingencies	16		
SHAREHOLDERS' EQUITY			
Common Stock, par value \$0.01 per Share; 51,200,000 shares authorized, 34,373,271 shares issued and outstanding and 29,975,312 shares issued and outstanding at December 31, 2008 and December 31, 2007, respectively	15	344	300
Additional Paid-in Capital		905,262	852,121
Retained Earnings		(117,020)	(180,316)
Total Shareholders' Equity		788,586	672,105
Total Liabilities and Shareholders' Equity		813,878	804,628

The footnotes are an integral part of these financial statements.

STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

All figures in USD '000, except number of shares

	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2005	16,644,496	166	432,682	(61,977)	370,872
Net Income				67,393	67,393
Common Shares Issued, net of \$16.5 million issuance costs	10,047,500	103	288,254		288,357
Issuance of Restricted Shares	222,092		6,369		6,369
Share-based Compensation			1,545		1,545
Dividend Paid, \$5.85 per share				(122,590)	(122,590)
Balance at December 31, 2006	26,914,088	269	728,851	(117,174)	611,946
Net Income				44,206	44,206
Common Shares Issued, net of \$4.5 million issuance costs	3,000,000	31	119,720		119,751
Issuance of Restricted Shares	61,224		2,289		2,289
Share-based Compensation			1,261		1,261
Dividend Paid, \$3.81 per share				(107,349)	(107,349)
Balance at December 31, 2007	29,975,312	300	852,121	(180,316)	672,105
Net Income				118,844	118,844
Common Shares Issued, net of \$6.5 million issuance costs	4,310,000	43	158,847		158,890
Issuance of Restricted Shares	87,959	1	3,617		3,618
Share-based Compensation			1,015		1,015
Dividend Paid, \$4.89 per share			(110,338)	(55,548)	(165,886)
Balance at December 31, 2008	34,373,271	344	905,262	(117,020)	788,586

The footnotes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

All figures in USD '000

	Year Ended December 31,		
	2008	2007	2006
Cash Flows from Operating Activities			
Net Income	118,844	44,206	67,393
Reconciliation of Net Income to Net Cash Provided by Operating Activities			
Depreciation Expense	48,284	42,363	29,254
Amortization of Deferred Finance Costs	618	514	402
Deferred Compensation Liability	1,413	2,665	-
Compensation - Restricted Shares	1,015	2,289	6,369
Share-based Compensation	3,618	1,261	1,545
Capitalized Interest	(607)	(305)	-
<i>Changes in Operating Assets and Liabilities:</i>			
Accounts Receivables	(25,846)	(1,072)	6,140
Accounts Payable and Accrued Liabilities	(5,461)	(2,971)	9,763
Dry-dock Expenditures	(18,049)	(9,496)	-
Prepaid and Other Assets	(3,585)	2,260	(8,332)
Deferred Revenue	(88)	-	-
Voyages in Progress	7,753	100	(5,407)
Other Non-current Assets	(9)	1,835	(514)
Net Cash Provided by Operating Activities	127,900	83,649	106,613
Cash Flows from Investing Activities			
Deposit on Contract	-	(18,000)	-
Investment in Vessels	(10,053)	(8,424)	(317,800)
Net Cash (Used in) Investing Activities	(10,053)	(26,424)	(317,800)
Cash Flows from Financing Activities			
Proceeds from Issuance of Common Stock	158,890	119,751	288,357
Proceeds from Use of Credit Facility	25,000	55,000	274,500
Repayments on Credit Facility	(115,500)	(123,000)	(231,000)
Credit Facility Costs	(2,316)	(14)	(591)
Dividends Paid	(165,886)	(107,349)	(122,590)
Net Cash (Used in) Provided by Financing Activities	(99,812)	(55,612)	208,676
Net Increase (Decrease) in Cash and Cash Equivalents	18,036	1,613	(2, 511)
Cash and Cash Equivalents at the Beginning of Year	13,342	11,729	14,240
Cash and Cash Equivalents at the End of Year	31,378	13,342	11,729
Cash Paid for Interest	3,441	9,690	5,499
Cash Paid for Taxes	-	-	-

The footnotes are an integral part of these financial statements.

NORDIC AMERICAN TANKER SHIPPING LIMITED

NOTES TO FINANCIAL STATEMENTS

(All amounts in USD '000 except where noted)

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: Nordic American Tanker Shipping Limited (the "Company") was formed on June 12, 1995 under the laws of the Islands of Bermuda. The Company owns and operates crude oil tankers. The Company trades under the symbol "NAT" on the New York Stock Exchange.

As of December 31, 2008 the Company owns 15 double hull Suezmax tankers including one vessel delivered in February 2009 and two newbuildings. The following chart provides information regarding each vessel.

Vessel	Yard	Year Built	Dwt ⁽¹⁾	Employment Status	Flag
Gulf Scandic	Samsung	1997	151,475	Bareboat	Isle of Man
Nordic Hawk	Samsung	1997	151,475	Spot	Bahamas
Nordic Hunter	Samsung	1997	151,400	Spot	Bahamas
Nordic Freedom	Daewoo	2005	163,455	Spot	Bahamas
Nordic Voyager	Dalian New	1997	149,591	Spot	Norway
Nordic Fighter	Hyundai	1998	153,328	Spot	Norway
Nordic Discovery	Hyundai	1998	153,328	Spot	Norway
Nordic Sprite	Samsung	1999	147,188	Spot, delivered Feb 2009	Norway
Nordic Saturn	Daewoo	1998	157,332	Spot	Marshall Islands
Nordic Jupiter	Daewoo	1998	157,411	Spot	Marshall Islands
Nordic Apollo	Samsung	2003	159,999	Spot	Marshall Islands
Nordic Cosmos	Samsung	2002	159,998	Spot	Marshall Islands
Nordic Moon	Samsung	2003	159,999	Spot	Marshall Islands
Nordic Galaxy	Bohai	2009	163,000	Expected delivery end of Dec 2009	
Nordic Vega	Bohai	2010	163,000	Expected delivery end of Apr. 2010	

(1) Deadweight tons.

Basis of Accounting: These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Use of Estimates: Preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those amounts. The affects of changes in accounting estimates are accounted for in the same period in which the estimates are changed.

Foreign Currency Translation: The functional currency of the Company is the United States ("U.S.") dollar as all revenues are received in U.S. dollars and the majority of the Company's expenditures are incurred and paid in U.S. dollars. The Company's reporting currency is also the U.S. dollar. Transactions in foreign currencies during the year are translated into U.S dollars at the rates of exchange in effect at the date of the transaction.

Cash and Cash Equivalents: Cash and cash equivalents consist of deposits with original maturities of three months or less.

Inventories: Inventories, which are comprised of bunker fuel and lubrication oil, are stated at cost which is determined on a first-in, first-out (FIFO) basis. Inventory is reported within "Prepaid Expenses and Other Current Assets" within the balance sheet.

Vessels, net: Vessels are stated at their historical cost, which consists of the contracted purchase price and any direct material expenses incurred upon acquisition (including improvements, on site supervision expenses incurred during the construction period, commissions paid, delivery expenses and other expenditures to prepare the vessel for her initial voyage) less accumulated depreciation. Financing costs incurred during the construction period of the vessels are also capitalized and included in vessels' cost based on the weighted average method. Certain subsequent expenditures for conversions and major improvements are also capitalized if it is determined that they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessel. Depreciation is calculated based on cost less estimated residual value and is provided over the estimated useful life of the related assets using the straight-line method. The estimated useful life of a vessel is 25 years from the date the vessel is delivered from the shipyard. Repairs and maintenance are expensed as incurred.

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. There have been no impairments recorded for the years ended December 31, 2008, 2007 or 2006.

Drydocking: The Company's vessels are required to be drydocked approximately every 30 to 60 months for overhaul repairs and maintenance that cannot be performed while the vessels are in operation. The Company follows the deferral method of accounting for drydocking costs whereby actual costs incurred are deferred and are amortized on a straight-line basis through the expected date of the next drydocking. Ballast tank improvements are capitalized and amortized on a straight-line basis over a period of eight years. Major steel improvements are capitalized and amortized on a straight-line basis over the remaining useful life of the vessel. Unamortized drydocking costs of vessels that are sold are written off to income in the year of the vessel's sale. The capitalized and unamortized drydocking costs are included in the book value of the vessels. Amortization expense of the drydocking costs is included in depreciation expense.

Segment Information: The Company has identified only one operating segment under Statement of Financial Accounting Standards ("SFAS") No. 131 "Segments of an Enterprise and Related Information." The Company has only one type of vessel – Suezmax crude oil tankers – operating on time charter contracts at market related rates, in the spot market and on long-term bareboat contract.

Geographical Segment: The Company currently operates 12 of its 13 vessels in spot market cooperations with other vessels that are not owned by the Company. The cooperations are managed by third party commercial managers. The earnings of all of the vessels are aggregated and divided according to the relative performance capabilities of the vessel and the actual earning days each vessel is available. The vessels in the cooperations are operated in the spot market by the commercial managers. As a significant portion of the Company's vessels are operated in cooperations, it is not practical to allocate geographical data to each vessel nor would it give meaningful information to the reader.

Fair Value of Financial Instruments: The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate carrying value because of the short-term nature of these instruments.

Deferred Financing Costs: Finance costs, including fees, commissions and legal expenses, which are recorded as "Other assets" on the balance sheet are deferred and amortized on a straight-line basis over the term of the relevant debt borrowings. Amortization of finance costs is included in "Interest Expense" in the statement of operations.

Revenue and Expense Recognition: Revenue and expense recognition policies for voyage and time charter agreements are as follows:

Cooperative agreements: Revenues and voyage expenses of the vessels operating in cooperative agreements are combined and the resulting net revenues, calculated on a time charter equivalent basis, are allocated to the participants according to an agreed formula. Formulas used to allocate net revenues vary among different cooperative arrangements, but generally, revenues are allocated to participants on the basis of the number of days a vessel operates with weighting adjustments made to reflect each vessels' differing capacities and performance capabilities. The administrators of the cooperations are responsible for collecting voyage revenue, paying voyage expenses and distributing net pool revenues to the participants.

Based on the guidance from Emerging Issuance Task Force ("EITF") No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent" ("EITF 99-19"), earnings generated from cooperative agreements in which the Company is the principal of its vessels' activities are recorded based on gross method. Earnings generated from cooperative agreements in which the Company is not regarded as the principal of its vessels' activities are recorded based on the net method.

The Company accounts for the net revenues allocated by these cooperative agreements as "Voyage Revenue" in its statements of operations. See Note 3 for further information

Spot charters: Voyage revenues are recognized on a pro rata basis based on the relative transit time in each period. A voyage is deemed to commence upon the completion of discharge of the vessel's previous cargo and is deemed to end upon the completion of discharge of the current cargo. Voyage expenses are recognized as incurred and primarily include only those specific costs which are borne by the Company in connection with voyage charters which would otherwise have been borne by the charterer under time charter agreements. These expenses principally consist of fuel, canal and port charges. Demurrage income represents payments by the charterer to the vessel owner when loading and discharging time exceed the stipulated time in the voyage charter. Demurrage income is measured in accordance with the provisions of the respective charter agreements and the circumstances under which demurrage claims arise and is recognized on a pro rata basis over the length of the voyage to which it pertains. Demurrage income is included in "Voyage Revenues" in the Statement of Operations. At December 31, 2008 and 2007, the Company had no reserves associated with demurrage revenues.

Bareboat: Revenues from bareboat charters are recorded at a fixed charterhire rate per day over the term of the charter. The charterhire is payable monthly in advance. During the charter period the charterer is responsible for operating and maintaining the vessel and bears all costs and expenses with respect to the vessel. The expected minimum payments to be received under the bareboat charter to Gulf Navigation amount to \$6.3 million annually. The contract was scheduled to terminate in the fourth quarter of 2009, and subject to two one-year extensions. Gulf Navigation has exercised its first one-year option and extended the charter for one additional year.

Vessel Operating Expenses: Vessel operating expenses include crewing, repair and maintenance, insurance, stores, lubricants, communication expenses and tonnage tax. These expenses are recognized when incurred.

Derivative Instruments: The Company did not hold any derivative instruments at December 31, 2008 or 2007.

Share-Based Compensation: Effective December 31, 2005, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R) "Share-Based Payment" ("SFAS 123R"), using the modified prospective application transition method which requires measurement of compensation cost for all stock based awards at fair value and recognition of compensation over the requisite service period for awards expected to vest. See Note 9 for additional information.

Restricted Shares to Manager: Restricted shares issued to the Manager are accounted for in accordance with EITF Issue No. 00-18, "Accounting for Certain Transactions Involving Equity Instruments Granted to Other Than Employees", which states that the measurement date for an award that is nonforfeitable and that vests immediately should be the date the award is issued, even though services have not yet been performed. Accordingly the compensation expense for each of the respective issuances was measured at fair value on the date the award was issued, or the grant date, and expensed immediately as performance was deemed to be complete. The fair value was determined using the stated par value, the number of shares issued, and the Company's stock price on the date of grant.

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

Other Comprehensive Income (Loss): The Company follows the provisions of SFAS No. 130 "Statement of Comprehensive Income" ("SFAS 130") which requires separate presentation of certain transactions that are recorded directly as components of stockholders' equity. The Company has no other comprehensive income / (loss) and accordingly comprehensive income / (loss) is equal to net income for the periods presented.

Concentrations:

Fair value: The Company operates in the shipping industry which historically has been cyclical with corresponding volatility in profitability and vessel values. Vessel values are strongly influenced by charter rates which in turn are influenced by the level and pattern of global economic growth and the world-wide supply and demand for vessels. The spot market for tankers is highly competitive and charter rates are subject to significant fluctuations. Dependence on the spot market may result in lower utilization. Each of the aforementioned factors are important considerations associated with the Company's assessment of whether the carrying amount of its own vessels are recoverable.

Credit risk: Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The fair value of the financial instrument approximates the net book value. The Company maintains its cash with financial institutions it believes are reputable. The terms of these deposits are on demand to minimize risk. The Company has not experienced any losses related to these cash deposits and believes it is not exposed to any significant credit risk. However, due to the current financial crisis the maximum credit risk the Company would be exposed to is a total loss of outstanding cash and cash equivalents and accounts receivable. See Note 3 for further information.

Accounts receivable consist of uncollateralized receivables from international customers engaged in the international shipping industry. The Company routinely assesses the financial strength of its customers. Accounts receivable are presented net of allowances for doubtful accounts. If amounts become uncollectible, they will be charged to operations when that determination is made. For the years ended December 31, 2008 and 2007, the Company did not record an allowance for doubtful accounts.

Interest risk: The Company is exposed to interest rate risk for its debt borrowed under the 2005 Credit Facility. In certain situations, the Company may enter into financial instruments to reduce the risk associated with fluctuations in interest rates. The Company has no outstanding derivatives at December 31, 2008 and 2007, and has not entered into any such arrangements during 2008.

Recent Accounting Pronouncements: In February 2008, the FASB issued FASB Staff Position ("FSP") No. 157-2 ("FSP 157-2"), which delays the effective date of SFAS No. 157, "Fair Value Measurement," ("SFAS 157") to fiscal years beginning after November 15, 2008 and interim periods with those fiscal years for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) until January 1, 2009 for calendar year end entities. The Company adopted SFAS 157, except as it applies to nonfinancial assets and liabilities as noted in FSP 157-2, beginning from January 1, 2008. The partial adoption of SFAS 157 did not have any effect on the Company's financial position or results of operations and cash flows. The Company is currently evaluating the effect that the adoption of SFAS 157, as it relates to nonfinancial assets and liabilities, will have on its financial position, results of operations or cash flows

In December 2007, the FASB issued SFAS No. 141(R) "Business Combinations" ("SFAS 141(R)"), which replaces SFAS No. 141, "Business Combinations". This statement establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The Company must adopt this standard as of January 1, 2009. As the provisions of SFAS No. 141 (R) are applied prospectively, the impact to the Company cannot be determined until any such transaction occurs.

In December 2007, the FASB issued SFAS No. 160 "Noncontrolling Interests in Consolidated Financial Statements, an Amendment of Accounting Research Bulletin No. 51" ("SFAS 160"). This statement establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure

requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company's adoption of SFAS 160 did not have any impact on the Company's financial position, results of operations and cash flows

In March 2008, the FASB issued FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities". The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The adoption of SFAS 161 did not have any impact on the Company's financial position, results of operations and cash flows

2. RELATED PARTY TRANSACTIONS

Scandic American Shipping Ltd. (the "Manager"), is owned by a company owned by the Chairman and Chief Executive Officer ("CEO") of the Company, Mr. Herbjørn Hansson, and his family. The Manager, under a management agreement with the Company (the "Management Agreement"), assumes commercial and operational responsibility for the Company's vessels and is required to manage the Company's day-to-day business, subject to the objectives and policies established by the Board of Directors. For its services under the Management Agreement, the Manager is entitled to reimbursement of costs directly related to the Company plus a management fee equal to \$225,000 per annum. The Manager also has a right to ownership of 2% of the Company's total outstanding shares. During 2008, the Company issued to the Manager 87,959 shares at an average fair value of \$39.45. The Company recognized \$2.2 million, \$2.2 million and \$1.6 million of total costs for services provided under the Management Agreement for the years ended December 31, 2008, 2007, and 2006, respectively. Additionally, the Company recognized \$3.6 million, \$2.3 million and \$6.3 million in non-cash share-based compensation expense for the years ended December 31, 2008, 2007 and 2006, respectively, related to the issuance of shares to the Manager. All of these costs are included in "General and Administrative Expenses" within the statement of operations. The related party balances included within accounts payable were \$0.4 million and \$0.7 million at December 31, 2008 and 2007, respectively.

Mr. Jan Erik Langangen, Executive Vice President of the Manager, is a partner of Langangen & Helset Advokatfirma AS, a firm which provides legal services to the Company. The Company recognized \$0.1 million, \$0.2 million, and \$0.1 million in costs for the years ended December 31, 2008, 2007 and 2006, respectively, for the services provided by Langangen & Helset Advokatfirma AS. These costs are included in "General and Administrative Expenses" within the statement of operations. There were no related amounts included within "Accounts Payable" at December 31, 2008 and December 31, 2007, respectively.

3. REVENUE

For the twelve months ending December 31, 2008, the Company's only source of revenue was from the Company's 12 existing vessels.

Revenues generated from cooperations in which the Company is the principal of its vessels' activities are recorded based on the gross method. Revenues generated from cooperations in which the Company is not regarded as the principal of its vessels' activities are recorded per the net method.

The table below provides the breakdown of revenues recorded as per the net method and the gross method.

<i>All figures in USD '000</i>	2008	2007	2006
Net Method	204,402	65,354	53,177
Gross Method	23,598	121,632	122,343
Total Voyage Revenue	228,000	186,986	175,520

Two cooperation arrangements accounted for 50% and 41% of the Company's revenues for the year ended December 31, 2008. Five cooperation arrangements accounted for 24%, 23%, 16%, 15% and 14% of the Company's revenues, respectively, for the year ended December 31, 2007. One cooperation arrangement accounted for 23% of the Company's revenues during the year ended December 31, 2006.

Accounts receivable at December 31, 2008 and 2007 are \$40.3 million and \$14.5 million, respectively. The following is a breakdown of this amount:

<i>All figures in USD '000</i>	2008	2007
Accounts Receivable	-	113
Accounts Receivable - Technical and Commercial Managers	40,335	14,376
Total as per December 31,	40,335	14,489

Two cooperation arrangements accounted for 53% and 43% of the Company's accounts receivables for the year ended December 31, 2008. Two cooperation arrangements accounted for 45% and 40% of the Company's accounts receivables, for the year ended December 31, 2007.

4. PREPAID EXPENSES AND OTHER ASSETS

<i>All figures in USD '000</i>	2008	2007
Bunkers and lubricants - Technical and Commercial Managers	2,137	6,835
Other current assets - Technical and Commercial Managers	-	580
Prepaid expenses - Technical and Commercial Managers	2,304	1,046
Deposit on Contract	9,000	-
Receivables related to Newbuildings	7,370	-
Financial Charges	653	514
Other	942	244
Total as per December 31,	22,406	9,219

5. GENERAL AND ADMINISTRATIVE EXPENSES

<i>All figures in USD '000</i>	2008	2007	2006
Management fee to related party	225	162	100
Directors and officers insurance	87	109	116
Salary and wages	1,711	1,331	1,022
Audit, legal and consultants	684	849	1,171
Administrative services provided by related party	2,208	2,162	1,564
Other fees and expenses	1,724	1,304	864
Total General and Administration expense with cash effect	6,639	5,917	4,836
Compensation – restricted shares issued to related party	3,618	2,289	6,369
Share-based compensation (2004 Stock Incentive Plan)	1,115	1,261	1,545
Deferred compensation plan	1,413	2,665	-
Total General and Administrative expense without cash effect	6,146	6,215	7,914
Total as per December 31,	12,785	12,132	12,750

6. DEFERRED COMPENSATION LIABILITY

In May 2007, the Board of Directors approved a new unfunded deferred compensation plan for Herbjørn Hansson, the Chairman, President and CEO. The plan provides for unfunded deferred compensation computed as a percentage of salary. Benefits vest over a period of employment of 11 years up to a maximum of 66% of the salary level at the time of retirement. Interest is imputed at 6.0% and 4.5% as per December 31, 2008 and 2007, respectively.

The rights under the plan commenced on October 2004. The total expense recognized in 2008 was \$1.4 million. The total expense recognized in 2007 was \$2.7 million, of which \$1.8 million relates to retroactive effect. As the plan was effective in 2007, the full expense was recognized in 2007. The CEO has served in his present position since the inception of the Company in 1995.

7. VESSELS, NET

Vessels, net consist of 12 modern double hull Suezmax crude oil tankers and drydocking charges. Depreciation is calculated on a straight-line basis over the estimated useful life of the vessels. The estimated useful life of a new vessel is 25 years.

<i>All figures in USD '000</i>	Vessels	Drydocking	Total
Net Book Value December 31, 2008	686,788	21,066	707,853
Accumulated depreciation December 31, 2008	176,611	9,339	185,950
Depreciation expense 2008	41,063	7,222	48,284
Net Book Value December 31, 2007	717,799	22,832	740,631
Accumulated depreciation December 31, 2007	135,548	3,211	138,759
Depreciation expense 2007	39,893	2,470	42,363

8. DEPOSIT ON CONTRACT

In November 2007, the Company entered into an agreement to acquire two Suezmax newbuildings which are expected to be delivered in the fourth quarter of 2009 and in April 2010, respectively. The Company will take ownership of the vessels upon delivery from the shipyard at which time the title is transferred from the seller. The vessels will be built by a Chinese shipyard. The sellers are subsidiaries of First Olsen Ltd. and the agreed all inclusive price at delivery is \$90.0 million per vessel, including supervision expenses.

The Company has agreed to furnish to the sellers a loan equivalent to the remaining payment installments under the shipbuilding contract. The loan will be paid in installments on the dates and in amounts corresponding to the payment schedule under the shipbuilding contract. The debt shall accrue interest at a rate equal to the Company's cost of funds at any time. The debt will be repayable on delivery of the vessels.

As of December 31, 2008, the Company has paid a deposit of 10% of the purchase price in the aggregate amount of \$18.0 million for both vessels.

The table below shows total capitalized costs related to the two newbuildings:

<i>All figures in USD '000</i>	2008	2007
Newbuilding - Nordic Galaxy expected delivery 4Q09		
Deposit on contract	9,000	9,000
Capitalized interest	163	152
Capitalized cost	108	-
Total Newbuilding – Nordic Galaxy as per December 31,	9,271	9,152
Newbuilding – Nordic Vega expected delivery April 2010		
Deposit on contract	9,000	9,000
Capitalized interest	143	153
Capitalized cost	108	-
Total Newbuilding - Nordic Vega as per December 31,	9,251	9,153
Total as per December 31,	18,522	18,305

Due to the expected delivery of the newbuilding Nordic Galaxy in 4Q09, items related to this vessel have been classified as current assets and recorded within “Prepaid and Other Expenses” in the balance sheet.

9. SHARE-BASED COMPENSATION PLAN

The Company has a share-based compensation plan which is described below. Total compensation cost related to the plan was \$1.1 million, \$1.3 million and \$1.5 million for the years ended December 31, 2008, 2007, and 2006, respectively and was recorded within “General and Administrative expense” in the statement of operations. Unrecognized compensation cost related to the plan was \$0.3 million (stock options plus restricted shares) as of December 31, 2008.

2004 Stock Incentive Plan

Under the terms of the Company’s 2004 Stock Incentive Plan (the “Plan”), the directors, officers and certain key employees of the Company and the Manager are eligible to receive awards which include incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, restricted stock units, performance shares and phantom stock units. The Company believes that such awards better align the interests of its employees with those of its shareholders. A total of 400,000 common shares are reserved for issuance upon exercise of options, as restricted share grants or otherwise under the Plan. A total of 330,000 options and 16,700 restricted shares have been issued as of December 31, 2008. New shares are issued upon exercise of stock options. In August 2007, the Board of Directors adopted amendments to the Plan to provide for the issuance of Phantom Stock Units and to give discretion to the Administrator of the Plan with respect to dividends paid on common shares awarded under the Plan. No modifications were made to the terms of the Plan.

Stock option awards were granted with an exercise price equal to the market price of the Company’s stock at the date of a public offering in November 2004, with later adjustments for dividends to shareholders exceeding 3% of the initial stock option exercise price. Stock options granted in 2007 have an exercise price equal to the market price of the shares at the grant date, with later adjustments for dividends exceeding 3%. Stock option awards generally vest equally over four years from grant date and have a 10-year contractual term.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model that uses the assumptions noted in the table below. Stock options to non-employees are measured at each reporting date and fair value is estimated with the same model used for estimating fair value of the options granted to employees. Because the option valuation model incorporates ranges of assumptions for inputs, those ranges are disclosed. Expected volatilities are based on implied volatilities from historical volatility of the Company’s stock and other factors. Expected life of the options is estimated to be equal to the vesting period for employees when calculating the fair value of the options. When calculating the fair value of the options issued to non-employees the expected life is equal to the actual life of options. The Company recognizes the compensation cost for stock options issued to non-employees over the service period, which is considered to be equal to the vesting period. All options issued are expected to be exercised.

Stock options to employees are measured at fair value at the grant date and the compensation cost is recognized on a straight-line basis over the vesting period. The assumptions used when estimating the fair value at grant date are specified in the table below.

Stock options to non-employees are treated in accordance with EITF 96-18 and unvested options are measured at fair value at each balance sheet date with a final measurement date upon vesting. Fair value measurement of unvested options are considered to be appropriate since the performance commitment for non-employees has not been reached for unvested options. The fair value of the options is used to measure the value of the services provided by the non-employees as it is considered to be more reliable than measuring the fair value of the services received. The compensation cost is recognized using the accelerated method. The assumptions used are specified separately in the table below.

The risk-free rate for periods within the contractual life of the stock options is based on the U.S. Treasury yield curve in effect at the time of grant for options to employees. The risk-free rate at year-end is used for stock options issued to non-employees.

Weighted average figures	December 31, 2008	
	Employees	Non-employees
Expected volatility	40.90 %	41.47 %
Expected dividends	3.0 %	3.0 %
Expected life	2.81	6.27
Risk-free rate (range)	3.25 % - 4.43 %	1.69 – 1.85 %

A summary of option activity under the Plan as of December 31, 2008, and changes during the year then ended is presented below:

Options	Options employees	Options non-employees	Weighted-average exercise price
Outstanding at January 1, 2008	250,000	80,000	\$ 28.54
Granted	-	-	-
Exercised	-	-	-
Forfeited or expired	(10,000)	-	\$24.64
Outstanding at December 31, 2008	240,000	80,000	\$24.81
Exercisable at December 31, 2008	227,500	72,500	\$24.69

Outstanding and exercisable stock options as at December 31, 2008 have a weighted-average remaining contractual term of 6.22 years for employees and 6.33 years for non-employees. The exercise price for outstanding stock options as at December 31, 2008 is in the range of \$24.64 – \$30.19. The intrinsic value of options outstanding at December 31, 2008 was \$2.9 million and the intrinsic value of exercisable options was \$2.8 million

One stock option agreement with a non-executive Director was cancelled in November 2008. The Company paid a lump sum of \$ 0.1 million as full and final consideration for this cancellation. The remaining compensation cost for this specific agreement was less than \$0.1 million and the Company has recognized \$0.1 million as an expense in the period. There have been no other exercise or payments related to the stock option plan during the fiscal years 2006, 2007 or 2008.

	Options Employees	Weighted-average grant-date fair value - Employees	Options Non-employees	Weighted-average grant-date fair value - Non-employees
Non-vested at January 1, 2006	185,000	\$18.38	67,500	\$21.75
Granted during the year	-	-	-	-
Vested during the year	(60,000)	\$17.84	(20,000)	\$22.93
Forfeited during the year	-	-	-	-
Estimated forfeitures unvested options	-	-	-	-
Non-vested at December 31, 2006	125,000	\$18.64	47,500	\$21.25

	Options – Employees	Weighted- average grant- date fair value - Employees	Options - Non- employees	Weighted-average grant-date fair value - Non-employees
Non-vested at January 1, 2007	125,000	\$ 18.64	47,500	\$ 21.25
Granted during the year	10,000	\$ 7.00	-	-
Vested during the year	(60,000)	\$ 17.84	(20,000)	\$ 22.93
Forfeited during the year	-	-	-	-
Estimated forfeitures unvested options	-	-	-	-
Non-vested at December 31, 2007	75,000	\$ 17.73	27,500	\$20.03

	Options - Employees	Weighted- average grant- date fair value - Employees	Options - Non- employees	Weighted-average grant-date fair value - Non-employees
Non-vested at January 1, 2008	75,000	\$ 17.73	27,500	\$20.03
Granted during the year	-	-	-	-
Vested during the year	(52,500)	\$ 16.84	(20,000)	\$ 22.93
Forfeited during the year	(10,000)	\$ 20.36	-	-
Estimated forfeitures unvested options	-	-	-	-
Non-vested at December 31, 2008	12,500	\$ 7.78	7,500	\$12.32

The total fair value of options vested during the years ended December 31, 2008, 2007 and 2006 approximates the amounts expensed in the periods. Unrecognized compensation cost related to the stock options is \$0.1 million, which will be recognized over a weighted average period of 1.44 years.

Specification of the aggregate compensation cost related to the 2004 Stock Incentive Plan recognized in the profit and loss account is disclosed in Note 5.

There is no material income tax benefit for stock-based compensation due to the Company's tax structure.

Restricted Shares to Employees and Non-Employees

Under the terms of the Company's 2004 Stock Incentive Plan 16,700 shares of restricted stock awards were granted to certain employees and non-employees during 2006. The restricted shares were granted on May 12, 2006 (the date the awards were approved by the Board) at a grant date fair value of \$31.99 per share.

The fair value of restricted shares is estimated based on the market price of the Company's shares. The fair value of restricted shares granted to employees is measured at grant date and the fair value of unvested restricted shares granted to non-employees is measured at fair value at each reporting date. See further comments above related to measurement of options and restricted shares issued to non-employees.

The shares are considered restricted as the shares vest equally in annual installments over a period of four years. The holders of the restricted shares are entitled to receive dividends paid in the period as well as voting rights.

The restricted shares vest in four equal amounts in May 2007, May 2008, May 2009 and May 2010. There were 9,700 restricted shares granted to employees and 7,000 restricted shares granted to non-employees in 2006. 2,425 (2007: 2,425) restricted shares to employees and 1,750 (2007: 1,750) restricted shares to non-employees vested in 2008.

The compensation cost for employees and non-employees is recognized on a straight-line basis over the vesting period. The total compensation cost in 2008 related to restricted shares was \$ 0.1 million (2007: \$0.1 million). The intrinsic value of outstanding and vested restricted shares at December 31, 2008 was \$0.6 million and \$0.3 million, respectively.

At December 31, 2008, there were 16,700 restricted shares outstanding at a weighted-average grant date fair value of \$31.99 for employees and \$31.99 for non-employees. As of December 31, 2008, unrecognized compensation cost related to unvested restricted stock aggregated \$0.2 million (\$0.3 million per December 31, 2007), which will be recognized over a weighted average period of 0.92 years.

Specification of the aggregate compensation cost related to the 2004 Stock Incentive Plan recognized in the profit and loss account is disclosed in Note 5.

The tables below summarize the Company's restricted stock awards as of December 31, 2008 and December 31, 2007:

	Restricted shares - Employees	Weighted-average grant-date fair value - Employees	Restricted shares - Non-employees	Weighted-average grant-date fair value - Non-employees
Non-vested at January 1, 2007	9,700	\$31.99	7,000	\$31.99
Granted during the year	-	-	-	-
Vested during the year	2,425	-	1,750	-
Forfeited during the year	-	-	-	-
Non-vested at December 31, 2007	7,275	\$31.99	5,250	\$31.99

	Restricted shares - Employees	Weighted-average grant-date fair value - Employees	Restricted shares - Non-employees	Weighted-average grant-date fair value - Non-employees
Non-vested at January 1, 2008	7,275	\$31.99	5,250	\$31.99
Granted during the year	-	-	-	-
Vested during the year	2,425	-	1,750	-
Forfeited during the year	-	-	-	-
Non-vested at December 31, 2008	4,850	\$31.99	3,500	\$31.99

10. LONG-TERM DEBT

In September 2005, the Company entered into a \$300 million revolving credit facility, which is referred to as the 2005 Credit Facility. The 2005 Credit Facility provides funding for future vessel acquisitions and general corporate purposes. The 2005 Credit Facility cannot be reduced by the lender and there is no repayment obligation of the principal during the term of the facility. Amounts borrowed under the 2005 Credit Facility bear interest at an annual rate equal to LIBOR plus a margin between 0.70% and 1.20% (depending on the loan to vessel value ratio). The Company pays a commitment fee of 30% of the applicable margin on any undrawn amounts. Total commitment fees paid for the year ended December 31, 2008 and December 31, 2007 were \$1.0 million and \$0.8 million, respectively.

In September 2006, the amount of the 2005 Credit Facility was increased to \$500 million. The other terms of the 2005 Credit Facility were not amended. In April 2008, the Company extended the original five year term of the 2005 Credit Facility to 2013. All other terms are unchanged. The undrawn amount of this facility as of December 31, 2008 and 2007 was \$485.0 million and \$ 394.5 million, respectively.

Borrowings under the 2005 Credit Facility are secured by first priority mortgages over the Company's vessels and assignment of earnings and insurance. Under the terms and conditions of the 2005 Credit Facility the Company is, among other things, required to maintain certain loan to vessel value ratios, and to maintain a book equity of no less than \$150.0 million, and to remain listed on a recognized stock exchange, and to obtain the consent of the lenders prior to creating liens on or disposing of the Company's vessels. The Company is permitted to pay dividends in accordance with its dividend policy as long as it is not in default under the 2005 Credit Facility.

At December 31, 2008, accrued interest and commitment fee was \$0.1 million which was paid during the first quarter of 2009.

The Company was in compliance with its loan covenants for the year ended December 31, 2008.

11. INTEREST EXPENSE

Interest expense consists of interest expense on the long-term debt, the commitment fee and amortization of the deferred financing costs related to the 2005 Credit Facility. The \$15 million drawn on the facility bears interest equal to LIBOR plus a margin between 0.7% and 1.2%. The deferred financing costs incurred in connection with the refinancing of the previous credit facility are deferred and amortized over the term of the 2005 Credit Facility on a straight-line basis. The amortization of deferred financing costs for the years ended December 2008, 2007 and 2006 was \$0.6 million, \$0.5 million and \$0.4 million, respectively. Total capitalized deferred financing costs were \$3.1 million and \$1.4 million at December 31, 2008 and 2007, respectively.

12. DEFERRED REVENUE

Deferred revenue at December 31, 2008 of \$0.4 million represents prepaid freight received from one of our customers prior to December 31, 2008 for services to be rendered during January 2009.

13. ACCRUED LIABILITIES

<i>All figures in USD '000</i>	2008	2007
Accrued Interest	85	572
Accrued Expenses - Technical and Commercial Managers	2,997	11,989
Accrued commission	462	190
Other Current Liabilities	273	3,780
Total as per December 31,	3,817	16,531

14. EARNING PER SHARE

Basic earnings per share ("EPS") is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income by the weighted average number of common shares and dilutive common stock equivalents (i.e. stock options, warrants) outstanding during the period.

<i>All figures in USD</i>	2008	2007	2006
<i>Numerator:</i>			
Net Income	118,844,410	44,205,635	67,393,423
<i>Denominator:</i>			
Basic - Weighted Average Common Shares Outstanding	32,739,057	28,252,472	21,476,196
Dilutive Effect of Stock Options *	93,797	42,525	-
Dilutive – Weighted Average Common Shares Outstanding	32,832,854	28,294,997	21,476,196
<i>Income per Common Share:</i>			
Basic	3.63	1.56	3.14
Diluted	3.62	1.56	3.14

* For 2006 the Company's average stock price was above the average exercise price of the options and a dilutive effect on EPS could potentially arise. However, the proceeds of an exercise of all outstanding options calculated as per the Treasury Stock Method would exceed the costs of acquiring the shares at the average stock price. The potential effect of the outstanding options is therefore anti-dilutive and is not included in the calculation of diluted earnings per share. The average number of potentially dilutive options was 320,000 for the year ended December 31, 2006.

15. SHAREHOLDERS' EQUITY

Authorized, and issued and outstanding common shares roll-forward is as follows:

<i>All figures in USD '000, except number of shares</i>	Authorized Shares	Issued and Outstanding Shares	Common Stock
Balance at January 1, 2006	51,200,000	16,644,496	166
Issuance of Common Shares in Follow-on Offering		4,297,500	43
Share-based Compensation		87,704	1
Issuance of Common Shares in Follow-on Offering		5,750,000	58
Share-based Compensation		117,347	1
Restricted Shares		16,700	
Share-based Compensation		341	
Balance at December 31, 2006	51,200,000	26,914,088	269
Issuance of Common Shares in Follow-on Offering		3,000,000	30
Share-based Compensation		61,224	1
Balance at December 31, 2007	51,200,000	29,975,312	300
Issuance of Common Shares in Follow-on Offering		4,310,000	43
Share-based Compensation		87,959	1
Balance at December 31, 2008	51,200,000	34,373,271	344

In May 2008, the Company completed an underwritten public offering of 4,310,000 common shares. The net proceeds from the offering were \$158.9 million which were used to prepare the Company for further expansions and repay borrowings under the 2005 Credit Facility.

The total issued and outstanding shares as of December 31, 2008 were 34,373,271 shares of which 354,575 shares were restricted shares issued to the Manager and 8,350 shares were restricted shares issued to employees and non-employees as described in Note 9. The total issued and outstanding shares as of December 31, 2007 were 29,975,312 shares of which 343,274 shares were restricted.

Additional Paid in Capital

Included in Additional Paid in Capital is the Company's Share Premium Fund as defined by Bermuda Law. The Share Premium Fund cannot be distributed without complying with certain legal procedures designed to protect the creditors of the Company. The Share Premium Fund was \$0.0 million and \$851.5 million as of December 31, 2008 and 2007 respectively.

On June 23, 2008, at the Company's Annual General Assembly Meeting, shareholders voted to reduce the Share Premium Fund by the amount of \$1,010.3 million. The legal procedures related to this reduction were finalized on August 29, 2008, upon which the amount became eligible for distribution.

16. COMMITMENTS AND CONTINGENCIES

The Company may be a party to various legal proceedings generally incidental to its business and is subject to a variety of environmental and pollution control laws and regulations. As is the case with other companies in similar industries, the Company faces exposure from actual or potential claims and legal proceedings. Although the ultimate disposition of legal proceedings cannot be predicted with certainty, it is the opinion of the Company's management that the outcome of any claim which might be pending or threatened, either individually or on a combined basis, will not have a materially adverse effect on the financial position of the Company, but could materially affect the Company's results of operations in a given year.

No claims have been filed against the Company for the fiscal year 2008 or 2007. The Company is not a party to any legal proceedings for the year ended December 31, 2008 and December 31, 2007, respectively.

At December 31, 2008, the Company had payment obligations totalling \$211.3 million in connection with the agreement to acquire two newbuildings entered into in November 2007 and the double-hull Suezmax tanker Nordic Sprite agreed to acquire in December 2008. The payments due in 2009 and 2010 are \$148.8 million and \$62.6 million, respectively. Please see Note 8 for further information related to the newbuildings.

17. SUBSEQUENT EVENTS

In January 2009, the Company completed an underwritten public offering of 3,450,000 common shares which strengthened its equity by \$107.5 million in order to enhance the capacity of the Company to make further accretive acquisitions.

In February 2009, the double-hull Suezmax tanker Nordic Sprite was delivered to the Company.

In February 2009, the Company declared a dividend of \$0.87 per share in respect of the fourth quarter of 2008 which was paid to shareholders in March 2009.

In May 2009, the Company declared a dividend of \$0.88 per share in respect of the first quarter of 2009 which is expected to be paid to shareholders in June 2009.

In May 2009, the Company announced the acquisition of our sixteenth suezmax vessel, a 150,000 dwt double-hull tanker for a purchase price of \$57.0 million. The vessel is expected to be delivered from the seller no later than July 15, 2009. The new vessel will be operated in the spot market or on spot market-related charters.

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