NORDIC AMERICAN TANKER SHIPPING LTD
Form 424B2
March 09, 2006
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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-118128

Prospectus Supplement

(to Prospectus dated October 4, 2004)

3,750,000 Shares

Nordic American Tanker Shipping Limited

Common Shares

We are offering for sale 3,750,000 of our common shares.

Our common shares are listed on the New York Stock Exchange under the symbol NAT. On March 8, 2006, the closing price of our common shares on the New York Stock Exchange was $28.95 per share.

See Risk Factors beginning on page S-8 to read about the risks you should consider before purchasing our common shares.

	Per Share	Total
Public Offering Price	$28.5000	$ 106,875,000
Underwriting Discount	$ 1.5675	$ 5,878,125
Proceeds	$26.9325	$ 100,996,875

We have granted the underwriters a 30-day option to purchase up to 562,500 additional shares to cover any over-allotments.

Delivery of the shares will be made on or about March 14, 2006.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these common shares or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

Bear, Stearns & Co. Inc. **UBS Investment Bank**

DnB NOR Markets, Inc.

The date of this prospectus supplement is March 8, 2006

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Gulf Scandic

Nordic Voyager

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IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying base prospectus and the documents incorporated by reference into this prospectus supplement and the base prospectus. The second part, the base prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to this offering. Generally, when we refer only to the prospectus, we are referring to both parts combined, and when we refer to the accompanying prospectus, we are referring to the base prospectus.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, common shares only in jurisdictions where offers and sales are permitted. The information contained in or incorporated by reference in this document is accurate only as of the date such information was issued, regardless of the time of delivery of this prospectus supplement or any sale of our common shares.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Matters discussed in this prospectus and the documents incorporated by reference in this prospectus may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements, which include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are including this cautionary statement in connection with this safe harbor legislation. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements which reflect our current views with respect to future events and financial performance. The words believe, anticipate, intend, estimate, forecast, project, plan, potential, will, may, should, expect, pending and s forward-looking statements.

The forward-looking statements in this document are based upon various assumptions, including without limitation, management s examination of historical operating trends, data contained in our records and data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

In addition to the factors discussed under the caption Risk Factors and matters discussed elsewhere in this prospectus and in the documents incorporated by reference in this prospectus, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include:

general market conditions and the strength of world economy and currencies,

changes in demand and supply in the tanker market, including as a result of changes in OPEC s petroleum production levels and world wide oil consumption and storage patterns,

fluctuations in tanker charter rates and vessel values,

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- changes in our operating expenses, including bunker prices, drydocking and insurance costs,
- availability of financing and refinancing,
- changes in governmental rules and regulations or actions taken by regulatory authorities including those that may limit the commercial useful lives of oil tankers,
- potential liability from pending or future litigation,
- general domestic and international political conditions,
- potential disruption of shipping routes due to accidents, political events or terrorism,

and other important factors described from time to time in the reports we file with the United States Securities and Exchange Commission and the New York Stock Exchange.

Common shares may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003 of Bermuda which regulates the sale of securities in Bermuda. In addition, the Bermuda Monetary Authority, or the BMA, must approve all issues and transfers of shares of a Bermuda exempted company. We have applied for consent under the Exchange Control Act of 1972, and regulations thereunder, from the BMA for the sale and transfer of our common shares as described in this prospectus. We have received from the BMA their permission for the issue and free transferability of our common shares being offered pursuant to this prospectus, so long as such shares are listed on the New York Stock Exchange, to and among persons who are non-residents of Bermuda for exchange control purposes. In addition, we will deliver to and file a copy of this prospectus with the Registrar of Companies in Bermuda. The BMA and the Registrar of Companies of Bermuda do not accept any responsibility for the financial soundness of any proposal or for the correctness of any of the statements made or opinions expressed in this prospectus.

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PROSPECTUS SUPPLEMENT SUMMARY

This section summarizes some of the information that is contained or incorporated by reference in other parts of this prospectus. As an investor or prospective investor, you should review carefully the entire prospectus, including the section entitled Risk Factors and the more detailed information incorporated by reference in this prospectus.

In this prospectus supplement, we, us, our and the Company all refer to Nordic American Tanker Shipping Limited. Some of the shipping terms used in this prospectus are defined in Glossary of Shipping Terms on page S-46. Unless otherwise indicated, references to our vessels and our fleet include the eight vessels we currently own and the additional vessel that we expect to take delivery of in early April 2006. Terms used in this prospectus supplement will have the meanings described in the base prospectus, unless otherwise specified. Unless otherwise indicated, all information presented in this prospectus supplement assumes that the underwriters option to purchase up to 562,500 additional shares to cover over-allotments is not exercised.

Our Company

We are an international tanker company that owns eight modern double-hull Suezmax tankers averaging approximately 150,000 dwt each. We have agreed to acquire an additional modern double-hull Suezmax tanker from an unrelated third party, for approximately $69.0 million. In addition, we are pursuing the acquisition of a tenth modern double-hull Suezmax tanker.

We were formed in June 1995 for the purpose of acquiring and chartering three Suezmax tankers that were built in 1997. These three vessels were bareboat chartered to BP Shipping Ltd., or BP Shipping, for a period of seven years. We have continued our relationship with BP Shipping by time chartering to it two of our original vessels at spot market related rates for three-year terms. We have bareboat chartered the third of our original three vessels to Gulf Navigation Company LLC, or Gulf Navigation, of Dubai, U.A.E. through November 2009, at a fixed rate of charterhire, subject to two one-year extensions at Gulf Navigation s option. We acquired our fourth vessel in November 2004, our fifth and sixth vessels in March 2005, our seventh vessel in August 2005, and our eighth vessel in November 2005. We are currently operating seven of our vessels in the spot market or on spot market related time charters.

We expect to take delivery of our additional vessel in early April 2006. We plan to deploy this vessel in the spot market over the near term. We believe that the acquisition of this vessel, which increases our fleet to nine Suezmax tankers, together with the potential acquisition of a tenth vessel that we are pursuing, will enable us to pay a higher dividend per share than we otherwise would have been able to pay with an eight-vessel fleet.

We plan to operate the ninth vessel that we have agreed to acquire, and the possible tenth vessel that we are pursuing in the spot market or on spot market related time charters in the near term.

Our Business Strategy

Our business strategy is to manage and expand our fleet in order to enable us to continue to pay attractive dividends to our shareholders. Key elements of our business strategy include:

Continuing to grow our operations and expand our fleet in a manner that is accretive to earnings and dividends per share.

Maintaining a strong balance sheet with low leverage. We have a five-year $300 million revolving credit facility, or the Credit Facility, to provide flexibility to pursue our acquisition strategy. Including the borrowing to pay the deposit relating to the down payment for our ninth vessel, we have approximately

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$136.9 million outstanding under our Credit Facility in line with our policy of maintaining indebtedness in the region of $15 million per vessel which we consider an appropriate level of debt in current market conditions.

Minimizing our operating and maintenance costs by operating a modern and well-maintained fleet of double-hull tankers.

Taking advantage of potentially higher market rates through time charters with spot market related rates and voyage charters although, we may consider charters at fixed rates depending on market conditions.

Our Dividend Policy

Our policy is to declare quarterly dividends to shareholders, substantially equal to our net operating cash flow during the previous quarter after reserves as the Board of Directors may from time to time determine are required, taking into account contingent liabilities, the terms of our Credit Facility, our other cash needs and the requirements of Bermuda law. However, if we declare a dividend in respect of a quarter in which an equity issuance has taken place, we calculate the dividend per share as our net operating cash flow for the quarter (after taking into account the factors described above) divided by the weighted average number of shares over that quarter. Net operating cash flow represents net income plus depreciation and certain non-cash administrative charges. The dividend paid is the calculated dividend per share multiplied by the number of shares outstanding at the end of the quarter.

We paid to shareholders aggregate dividends of $3.57 per share in respect of the four quarters of 2003, aggregate dividends of $5.31 per share in respect of the four quarters of 2004, and aggregate dividends of $4.47 per share in respect of the four quarters of 2005, including a dividend of $1.88 declared in respect of the fourth quarter of 2005 which was paid on March 2, 2006, to shareholders of record as of February 16, 2006.

Since we became an operating company in October 2004, we have successfully grown our fleet from three vessels to eight vessels, and expect to take delivery of our ninth vessel in early April 2006. In our view, our growth strategy has enabled us to pay a higher dividend per share than we would have been able to pay had we continued to operate a three vessel fleet.

We believe that we have been able to pay a higher dividend per share for the fourth quarter of 2005 as compared to the fourth quarter of 2004, despite a decrease in spot market rates for the fourth quarter of 2005 as compared to the fourth quarter of 2004, because we have effectively managed our growth. We have declared a dividend of $1.88 per share in respect of the fourth quarter of 2005 when the average spot market rate, according to Imarex, was $64,002 per day. This compares to our dividend of $1.62 per share for the fourth quarter of 2004, when the Imarex average spot market was $96,364 per day.

Between the fourth quarter of 2004 and the fourth quarter of 2005, we grew from:

a fleet of three vessels (of which two were on spot market related charters),

no indebtedness, and

- 9,706,606 outstanding shares,

to:

- a fleet of eight vessels (of which seven were on spot market related charters),
- $130.0 million in indebtedness, and
- 16,644,496 outstanding shares.

We were able to increase our dividend by 16% even though the average spot rate dropped by 34%.

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We believe that this offering, the application of net proceeds from this offering to purchase the additional Suezmax tanker expected to be delivered in early April 2006, the tenth vessel that we are pursuing in connection with this equity offering, revenues from those vessels and a drawing under our Credit Facility in line with our policy of maintaining in the region of $15 million in debt per vessel in current market conditions, will enable us to pay a higher dividend per share than we would have been able to pay otherwise.

Our Credit Facility

In September 2005, we entered into a new $300 million revolving credit facility, which we refer to as the Credit Facility. The Credit Facility became effective as of October 2005 and replaced our previous credit facility from October 2004. The Credit Facility will mature in September 2010. The Credit Facility provides funding for future vessel acquisitions and general corporate purposes. The Credit Facility cannot be reduced by the lender and there is no repayment obligation during the five year term. Amounts borrowed under the Credit Facility bear interest at a rate equal to LIBOR plus a margin between 0.7% and 1.2% (depending on the loan to vessel value ratio). We must pay a commitment fee of 30% of the applicable margin on any undrawn amounts.

In October 2005, we refinanced the borrowings under our previous credit facility by drawing on our Credit Facility. Together with our borrowings to support vessel acquisitions, we have $136.9 million outstanding on our Credit Facility, including $6.9 million that we borrowed under the Credit Facility to fund the deposit related to our ninth vessel which we have agreed to acquire.

We expect to use a portion of the net proceeds of this offering and drawings under the Credit Facility to fund the remaining purchase price of our ninth vessel and the tenth vessel that we are pursuing in line with our policy of maintaining indebtedness in the region of $15 million per vessel which we consider our appropriate level of debt in current market conditions. We may also draw up to $50 million under the Credit Facility for working capital purposes.

Borrowings under the Credit Facility are secured by mortgages over our vessels and assignment of earnings and insurance. We will be able to pay dividends in accordance with our dividend policy as long as we are not in default under the Credit Facility. We refer to the discussion contained in the section entitled Our Business Our Credit Facility.

Recent Developments

Our net income was $25.1 million for the fourth quarter of 2005, as compared to net income of $4.3 million for the third quarter of 2005. Our earnings per share were $1.51 per share for the fourth quarter of 2005, as compared to earnings per share of $0.26 for the third quarter of 2005, in each case based on 16,644,496 shares outstanding. We declared a dividend of $1.88 per share in respect of the fourth quarter of 2005 as compared to a dividend of $0.60 per share in respect of the third quarter of 2005.

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The following are condensed unaudited financial information for the three months ended December 31, 2005, and the twelve months ended December 31, 2005.

	Three Months Ended Dec. 31, 2005 (unaudited)	Twelve Months Ended Dec. 31, 2005 (unaudited)
Selected Statement of Operations Data		
Net Voyage Revenue	$ 37,571,246	$ 86,129,263
Operating Expenses		
Vessel operating expenses	(3,510,205)	(11,220,771)
Depreciation	(5,796,374)	(17,529,000)
General and administrative costs	(1,617,290)	(8,492,164)*
	(10,923,869)	(37,241,935)
Income from vessel operation	26,647,377	48,887,328
Other Items		
Interest income	127,106	850,803
Interest expense	1,671,756	(3,420,389)
	1,544,650	(2,569,586)
Net Profit	$ 25,102,727	$ 46,317,742
Basic and diluted earnings per share	$ 1.51	$ 2.78
Weighted average shares outstanding basic and dilute	16,644,496	15,263,622
Common shares outstanding (at period end)	16,644,496	16,644,496
Other Financial Data		
Net Cash from Operating Activities	$ 15,658,115	$ 51,055,588
Selected Balance Sheet Data (at period end):		
Cash and cash deposits		$ 14,240,482
Total assets		505,844,453
Total debt		130,000,000
Shareholders equity		370,872,171

* Administrative expenses for the twelve months ended December 31, 2005 include non-cash charges of $3.6 million which are charges related to the issuance of restricted shares at par value in connection with the follow-on offering of March 2005.

None of the Company s vessels were in drydock during the fourth quarter of 2005 and there are no vessels scheduled for drydocking during the first quarter of 2006.

The table below shows the number of vessel revenue days over the last five quarters for all of the vessels, reflecting the growth of the Company.

Period	4q04	1q05	2q05	3q05	4q05
Revenue days	314	371	549	576	697

Because financial statements for fiscal year 2005 are not yet available, the information above summarizes certain preliminary statement of operations data. The financial data set forth above is preliminary and unaudited and subject to revision based upon the completion of our review of internal controls over financial reporting and the completion of the annual audit by our independent registered public accounting firm of our financial condition and results of operations for the fiscal year ended December 31, 2005.

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The average rates on a quarterly basis achieved by our vessels on spot market or spot market related charters in 2005 ranged from approximately $26,800 to $59,900 per day. Based upon our current chartering policies, our results of operations are largely dependent upon the level of spot market rates. Since most of our revenue is derived from spot charters or spot market related time charters, we believe that the index of average spot rates published by the International Maritime Exchange ASA, or Imarex, a freight derivatives market and a provider of shipping industry data, provides a reliable indicator of levels of spot market rates for Suezmax tankers generally and for our fleet. The Imarex rates below are based on a West Africa Philadelphia route for single and double- hull Suezmax tankers with a maximum age of 20 years. According to Imarex, the average spot rate for the fourth quarter of 2005 was $64,002 per day. According to Imarex, spot rates have fluctuated between approximately $31,152 and $69,998 per day since January 1, 2006. Spot market rates are volatile and could rise, fall or remain at present levels. In addition, the actual rates that we achieve are likely to differ from those published by Imarex. Investors should use the Imarex index solely as an indicator of spot rate levels.

On February 24, 2006, we entered into an agreement to acquire a ninth modern double-hull Suezmax tanker from an unrelated party for a purchase price of approximately $69.0 million. The down payment in the amount of $6.9 million will be funded from our Credit Facility. We expect to take delivery of the ninth vessel in early April 2006 and are actively pursuing the purchase of a tenth modern double-hull Suezmax tanker. We expect to fund the purchase of these vessels with a portion of the net proceeds of this offering and a borrowing under the Credit Facility in line with our policy of maintaining indebtedness in the region of $15 million per vessel.

In September 2005, we entered into an agreement to acquire our eighth double-hull Suezmax tanker from an unrelated third party for a purchase price of $70.0 million. That vessel was delivered in November 2005.

In October 2005, we implemented a Dividend Reinvestment and Direct Stock Purchase Plan under which up to 1,664,450 common shares may be purchased by existing shareholders or new investors. Pursuant to a management agreement, or the Management Agreement, with Scandic American Shipping Ltd., or our Manager, up to 33,968 common shares may be issued to the Manager in connection with our Dividend Reinvestment and Direct Stock Purchase Plan.

In March 2005, we issued an additional 3,500,000 common shares in a follow-on public offering at a price of $49.50 per share. A portion of the approximately $162.1 million in net proceeds from that offering, after deducting underwriting discounts and expenses, were used to finance the balance of the purchase price of our fifth and sixth vessels, which we acquired in March 2005, and to repay all amounts then outstanding under our previous credit facility. In connection with that offering and pursuant to the Management Agreement, we issued an additional 76,658 restricted common shares to the Manager at a purchase price equal to such shares par value of $0.01 per share. Following the closing of the follow-on offering, we had a total of 16,644,496 common shares issued and outstanding.

In November 2004, we issued 3,105,000 common shares in a follow-on public offering at a price of $38.75 per share. A portion of the approximately $112.1 million in net proceeds from that offering, after deducting underwriting discounts and expenses, were used to finance the balance of the purchase price of our fourth vessel, which we acquired in November 2004, and to repay all amounts outstanding under our previous credit facility. In connection with that offering and pursuant to the Management Agreement, we issued an additional 62,100 restricted common shares to the Manager at a purchase price equal to such shares par value of $0.01 per share. Following the closing of that follow-on offering, we had a total of 13,067,838 common shares issued and outstanding.

Our Corporate Structure

We are incorporated under the laws of the Islands of Bermuda. We maintain our registered offices at Reid House, 31 Church Street, Hamilton HM FX, Bermuda. Our telephone number is (441) 292-7202. Our website address is www.nat.bm. The information on our website is not a part of this prospectus.

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The Offering

Common shares offered by this prospectus supplement	3,750,000
Common shares to be outstanding immediately after this offering	20,471,027
Use of Proceeds	We estimate that the net proceeds from this offering, after deducting underwriting discounts and commissions and estimated expenses relating to this offering, will be approximately $100.2 million, or approximately $115.4 million if the underwriters exercise their option to purchase additional shares in full. We plan to use net proceeds from this offering to repay borrowings under our Credit Facility. We will then draw from the Credit Facility to pay the purchase price of the ninth vessel that we have agreed to acquire and the tenth vessel that we are actively pursuing. We may use any remaining balance of the net proceeds for general corporate purposes, including repaying future indebtedness and any future vessel acquisitions. We refer you to the section entitled Use of Proceeds.
Reservation of shares	At our request, the Manager will be offered, in the offering 100,000 common shares at the same price as is offered to other investors. The Manager has advised us that it intends to purchase 100,000 common shares at that price.
New York Stock Exchange Symbol	NAT

The number of shares to be outstanding after this offering is based on 16,644,496 shares issued and outstanding as of February 27, 2006 and includes an additional 76,531 restricted common shares to be issued under the Management Agreement to our Manager following the closing of this offering, but excludes:

- 400,000 common shares that are reserved for issuance upon exercise of options, as restricted share grants or otherwise, under our 2004 Stock Incentive Plan,

- 1,664,450 common shares that may be issued under our Dividend Reinvestment and Direct Stock Purchase Plan, and

- the underwriters option to cover over-allotments. See Underwriting.

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SUMMARY FINANCIAL INFORMATION

The table below sets forth summary financial information for the periods indicated. The information as of and for the three years ended December 31, 2004, 2003, and 2002 has been derived from our audited financial statements. Historical results are not necessarily indicative of results that may be expected for any future period. Information as of and for the nine months ended September 30, 2005 and 2004 has been derived from our unaudited interim financial statements. Interim results are not necessarily indicative of full year results. Our interim and full year condensed financial statements are prepared in accordance with accounting principles generally accepted in the United States, or GAAP.

You should read the information in this table together with our audited financial statements and related notes and the sections entitled Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 20-F for the year ended December 31, 2004, and in our Report as Form 6-K, filed on February 27, 2006, for the nine months ended September 30, 2005.

	Year ended December 31,			Nine months ended September 30,	
	2002	2003	2004	2004	2005
(All amounts reported in USD)					
Selected Statement of Operations Data:					
Voyage Revenue	$ 18,057,989	$ 37,370,756	$ 67,451,598	$ 39,963,680	$ 69,486,816
Voyage Expense	$ (184,781)	$ (184,781)	$ (4,925,353)	$ (148,422)	$ (20,928,798)
Vessel operating expenses			(1,976,766)	(110,500)	(7,710,565)
Administrative expenses (1)	(427,048)	(468,087)	(10,851,688)	(1,199,419)	(6,874,836)
Depreciation	(6,831,040)	(6,831,040)	(6,918,164)	(5,123,280)	(11,732,662)
Net operating income	**10,615,120**	**29,886,848**	**42,779,627**	**33,382,059**	**22,239,955**
Interest income	21,409	26,462	143,231	41,849	731,040
Interest expense	(1,764,424)	(1,797,981)	(1,971,304)	(1,320,020)	(1,753,611)
Other financial charges	(24,837)	(15,040)	(135,621)	(78,670)	(2,366)
Net financial items	**(1,767,852)**	**(1,786,559)**	**(1,963,694)**	**(1,356,841)**	**(1,024,937)**
Net profit	**8,847,268**	**28,100,289**	**40,815,932**	**32,025,218**	**21,215,018**
Basic and diluted earnings per share	$ 0.91	$ 2.89	$ 4.05	$ 3.30	$ 1.40
Cash dividends declared per share	1.62	3.57	5.31	3.69	2.59
Weighted average shares outstanding basic and diluted	9,706,606	9,706,606	10,078,391	9,706,606	15,198,001
Common shares outstanding (at period end)	9,706,606	9,706,606	13,067,838	9,706,606	16,644,496
Other Financial Data:					
Net cash from operating activities	$ 12,750,908	$ 29,893,551	$ 62,817,267	$ 36,207,539	$ 35,397,372
Dividends paid	13,103,993	29,605,410	47,195,842	36,205,927	54,292,690
Selected Balance Sheet Data (at period end):					
Cash and cash deposit	$ 277,783	$ 565,924	$ 30,732,516	$ 567,536	$ 9,917,565
Total assets	138,579,559	136,896,298	224,203,411	133,584,090	423,454,201
Total debt (2)	30,000,000	30,000,000		30,000,000	67,000,000
Shareholders equity	106,347,097	105,707,976	221,868,393	102,446,267	355,315,792

Fleet Operating Data					
Operating days of the fleet	1,095	1,095	1,133	819	1,495

(1) The administrative expenses for the nine months ended September 30, 2004, include expenses associated with our transition to an operating company of $821,388. The administrative expenses for the year ended December 31, 2004, include expenses associated with our transition to an operating company of $962,438 and non-cash expenses of $9,252,365 related to the share based compensation paid to the Manager. The administrative expenses for the nine months ended September 30, 2005, include non-cash expenses of $4,557,543 related to the share-based compensation to the Manager and the 2004 Stock Option Plan.

(2) Total debt outstanding at February 28, 2006 was $136.9 million.

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RISK FACTORS

Investing in our common shares involves risks. You should carefully consider the following risk factors relating to our common shares and our business in addition to the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus in deciding whether to invest in our common shares.

Industry Specific Risk Factors

The cyclical nature of the tanker industry may lead to volatile changes in charter rates and vessel values which may adversely affect our earnings.

If the tanker market, which has been cyclical, is depressed in the future, our earnings and available cash flow may decrease. Our ability to recharter our vessels or to sell them on the expiration or termination of their charters and the charter rates payable under our two spot market related time charters, the spot charters we expect to enter into, or any renewal or replacement charters, will depend upon, among other things, economic conditions in the tanker market. Fluctuations in charter rates and tanker values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for oil and oil products.

The factors affecting the supply and demand for tankers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

The factors that influence demand for tanker capacity include:

- demand for oil and oil products,
- supply of oil and oil products,
- regional availability of refining capacity,
- global and regional economic conditions,
- the distance oil and oil products are to be moved by sea, and
- changes in seaborne and other transportation patterns.

The factors that influence the supply of tanker capacity include:

- the number of newbuilding deliveries,
- the scrapping rate of older vessels,
- conversion of tankers to other uses,
- the number of vessels that are out of service, and
- environmental concerns and regulations.

Historically, the tanker markets have been volatile as a result of the many conditions and factors that can affect the price, supply and demand for tanker capacity. Changes in demand for transportation of oil over longer distances and supply of tankers to carry that oil may materially affect our revenues, profitability and cash flows. Seven of our eight vessels are currently operated in the spot market or on spot market related time charters. We plan to operate our additional vessel that we have agreed to acquire in the spot market. We cannot assure you that we will receive any minimum level of charterhire for the vessels operated in the spot market or on spot market related time charters.

We will be dependent on spot charters and any decrease in spot charter rates in the future may adversely affect our earnings and our ability to pay dividends.

We expect to have a fleet of nine vessels with the delivery of the additional vessel expected to take place in early April 2006. Of those nine vessels, one is on a long term fixed-rate charter, while the other eight are expected to be operated in the spot market or on time charters with spot market related rates. We are currently also pursuing the acquisition of a tenth vessel which we would also intend to spot charter in the near term. Therefore we are highly dependent on spot market charter rates.

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We may enter into spot charters for any additional vessels that we may acquire in the future. Although spot chartering is common in the tanker industry, the spot charter market may fluctuate significantly based upon tanker and oil supply and demand. The successful operation of our vessels in the spot charter market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to pick up cargo. The spot market is very volatile, and, in the past, there have been periods when spot rates have declined below the operating cost of vessels. We cannot assure you that future spot charters will be available at rates sufficient to enable our vessels trading in the spot market to operate profitably and to pay dividends.

Normally, tanker markets are stronger in the fall and winter months (the fourth and first quarters of the calendar year) in anticipation of increased oil consumption in the northern hemisphere during the winter months. Unpredictable weather patterns and variations in oil reserves disrupt tanker scheduling. Seasonal variations in tanker demand and, as a result, in charter rates will affect any spot market related rates that we may receive.

Compliance with safety, environmental and other governmental and other requirements may adversely affect our business.

The shipping industry is affected by numerous regulations in the form of international conventions, national, state and local laws and national and international regulations in force in the jurisdictions in which such tankers operate, as well as in the country or countries in which such tankers are registered. These regulations include the U.S. Oil Pollution Act of 1990, or OPA, the International Convention on Civil Liability for Oil Pollution Damage of 1969, the International Convention for the Prevention of Pollution from Ships, the IMO International Convention for the Safety of Life at Sea of 1974, or SOLAS, the International Convention on Load Lines of 1966 and the U.S. Marine Transportation Security Act of 2002, each of which imposes environmental, technical, safety, operational or financial requirements on us. In addition, vessel classification societies also impose significant safety and other requirements on our vessels. Regulation of vessels, particularly in the areas of safety and environmental impact may change in the future and may limit our ability to operate our business or require significant capital expenditures be incurred on our vessels to keep them in compliance.

The value of our vessels may fluctuate and could result in a lower price of our common shares.

Tanker values have generally experienced high volatility. You should expect the market value of our oil tankers to fluctuate, depending on general economic and market conditions affecting the tanker industry and competition from other shipping companies, types and sizes of vessels, and other modes of transportation. In addition, as vessels grow older, they generally decline in value. These factors will affect the value of our vessels. Declining tanker values could affect our ability to raise cash by limiting our ability to refinance our vessels, thereby adversely impacting our liquidity, or result in a breach of our loan covenants, which could result in defaults under the Credit Facility. If we determine at any time that a vessel s future limited useful life and earnings require us to impair its value on our financial statements, that could result in a charge against our earnings and the reduction of our shareholders equity. Due to the cyclical nature of the tanker market, if for any reason we sell vessels at a time when tanker prices have fallen, the sale may be at less than the vessel s carrying amount on our financial statements, with the result that we would also incur a loss and a reduction in earnings. Any such reduction could result in a lower share price.

Shipping is an inherently risky business involving global operations and our vessels are exposed to international risks which could reduce revenue or increase expenses.

Shipping companies conduct global operations. Our vessels are at risk of damage or loss because of events such as mechanical failure, collision, human error, war, terrorism, piracy, cargo loss and bad weather. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. These sorts of events could interfere with shipping lanes and result in market disruptions.

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Terrorist attacks, such as the attacks on the United States on September 11, 2001, and other acts of violence or war may affect the financial markets and our business, results of operations and financial condition.

Terrorist attacks such as the attacks on the United States on September 11, 2001 and the United States continuing response to these attacks, as well as the threat of future terrorist attacks, continues to cause uncertainty in the world financial markets, including the energy markets. The continuing conflict in Iraq may lead to additional acts of terrorism, armed conflict and civil disturbance around the world, which may contribute to further instability including in the oil markets. Terrorist attacks, such as the attack on the *M.T. Limburg* in Yemen in October 2002, may also negatively affect our trade patterns or other operations and directly impact our vessels or our customers. Future terrorist attacks could result in increased volatility of the financial markets in the United States and globally and could result in an economic recession in the United States or the world. Any of these occurrences could have a material adverse impact on our operating results, revenue and costs.

Arrests of our vessels by maritime claimants could cause a significant loss of earnings for the related off-hire period.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting or attaching a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could result in a significant loss of earnings for the related off-hire period. In addition, in jurisdictions where the sister ship theory of liability applies, a claimant may arrest the vessel which is subject to the claimant s maritime lien and any associated vessel, which is any vessel owned or controlled by the same owner. In countries with sister ship liability laws, claims might be asserted against us or any of our vessels for liabilities of other vessels that we own.

Governments could requisition our vessels during a period of war or emergency, resulting in a loss of earnings.

A government could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes its owner. Also, a government could requisition our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes its charterer at dictated charter rates. Although we, as owner, would be entitled to compensation in the event of a requisition, the amount and timing of payment would be uncertain.

Company Specific Risk Factors

We cannot guarantee that we will continue to make cash distributions.

We have made distributions quarterly since September 1997. It is possible that our revenues could be reduced as a result of decreases in charter rates or that we could incur other expenses or contingent liabilities that would reduce or eliminate the cash available for distribution as dividends. The Credit Facility prohibits the declaration and payment of dividends if we are in default under it. We refer you to the section entitled Our Business Our Credit Facility for more details. In addition, the declaration and payment of dividends is subject at all times to the discretion of our Board of Directors and compliance with Bermuda law, and may be dependent upon the adoption at the annual meeting of shareholders of a resolution effectuating a reduction in our share premium in an amount equal to the estimated amount of dividends to be paid in the next succeeding year. We refer you to the section entitled Our Dividend Policy for more details. We cannot assure you that we will pay dividends at rates previously paid or at all.

We may not be able to grow or to effectively manage our growth.

One of our principal strategies is to continue to grow by expanding our operations and adding to our fleet. Our future growth will depend upon a number of factors, some of which may not be within our control. These factors include our ability to:

identify suitable tankers and/or shipping companies for acquisitions,

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- identify businesses engaged in managing, operating or owning tankers for acquisitions or joint ventures,
- integrate any acquired tankers or businesses successfully with our existing operations,
- hire, train and retain qualified personnel and crew to manage and operate our growing business and fleet,
- identify additional new markets,
- improve our operating, financial and accounting systems and controls, and
- obtain required financing for our existing and new operations.

Our failure to effectively identify, purchase, develop and integrate any tankers or businesses could adversely affect our business, financial condition and results of operations. In addition, in November 2004, we transitioned from a bareboat charter company to an operating company. We may incur unanticipated expenses as an operating company. The number of employees of the Manager that perform services for us and our current operating and financial systems may not be adequate as we implement our plan to expand the size of our fleet, and we may not be able to require the Manager to hire more employees or adequately improve those systems. In addition, we have incurred and will continue to incur expenses associated with compliance with the Sarbanes-Oxley Act of 2002. Section 404 of that Act requires public companies include in annual reports a report containing management s assessment of the effectiveness of the Company s internal control over financial reporting and a related attestation of the Company s independent auditors. This requirement will first apply to us with respect to the fiscal year ending December 31, 2006. We have begun a comprehensive effort in preparation for compliance with Section 404 including the documentation, testing and review of our internal controls under the direction of our management. We cannot be certain at this time that all our controls will be considered effective. Therefore, we can give no assurances that our internal control over financial reporting will satisfy the new regulatory requirements when they become applicable to us. If our independent auditor is unable to provide us with an unqualified attestation report on a timely basis as required by Section 404, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common stock. Finally, acquisitions may require additional equity issuances or debt issuances (with amortization payments), both of which could lower dividends per share. If we are unable to execute the points noted above, our financial condition and dividend rates may be adversely affected.

We are dependent on the Manager and there may be conflicts of interest arising from the relationship between our Chairman and the Manager.

Our success depends to a significant extent upon the abilities and efforts of the Manager and our management team. Our success will depend upon our and the Manager s ability to hire and retain key members of our management team. The loss of any of these individuals could adversely affect our business prospects and financial condition. Difficulty in hiring and retaining personnel could adversely affect our results of operations. We do not maintain key man life insurance on any of our officers.

Herbjørn Hansson, our Chairman, President and Chief Executive Officer, is also an owner of the Manager. In addition, one of our directors is also an owner of the Manager. The Manager may engage in business activities other than with respect to the Company. The fiduciary duty of a director may compete with or be different from the interests of the Manager and may create conflicts of interest in relation to that director s duties to the Company.

An increase in operating costs could adversely affect our cash flow and financial condition.

Under the original bareboat charters to BP Shipping, BP Shipping was responsible for operating and voyage costs. Under the time and spot charters of seven of our eight vessels and the expected employment of our ninth vessel scheduled to be delivered in early April 2006, we are responsible for many of such costs. Our vessel operating expenses include the costs of crew, fuel (for spot chartered vessels), provisions, deck and engine stores, insurance and maintenance and repairs, which depend on a variety of factors, many of which are beyond our control. Some of these costs, primarily relating to insurance and enhanced security measures implemented after September 11, 2001 and fuel, have been increasing. The price of fuel is near historical high levels and may increase in the future. If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and can be substantial. Increases in any of these costs would decrease earnings and dividends per share.

Our vessels operate in the highly competitive international tanker market.

The operation of tanker vessels and transportation of crude and petroleum products and the other businesses in which we operate are extremely competitive. Competition arises primarily from other tanker owners, including major oil companies as well as independent tanker companies, some of whom have substantially greater resources. Competition for the transportation of oil and oil products can be intense and depends on price, location, size, age, condition and the acceptability of the tanker and its operators to the charterers. We will have to compete with other tanker owners, including major oil companies as well as independent tanker companies.

Our market share may decrease in the future. We may not be able to compete profitably as we expand our business into new geographic regions or provide new services. New markets may require different skills, knowledge or strategies than we use in our current markets, and the competitors in those new markets may have greater financial strength and capital resources than we do.

Purchasing and operating secondhand vessels may result in increased operating costs which could adversely affect our earnings and as our fleet ages, the risks associated with older vessels could adversely affect our operations.

Our current business strategy includes additional growth through the acquisition of new and secondhand vessels. The additional vessel that we expect to take delivery of in early April 2006 is secondhand. Further, we are pursuing the acquisition of a tenth secondhand modern double-hull Suezmax tanker. While we typically inspect secondhand vessels prior to purchase, this does not provide us with the same knowledge about their condition that we would have had if these vessels had been built for and operated exclusively by us. Generally, we do not receive the benefit of warranties from the builders for the secondhand vessels that we acquire.

In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. Older vessels are typically less fuel-efficient than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers.

Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which the vessels may engage. We cannot assure you that as our vessels age market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

Servicing debt which we may incur in the future would limit funds available for other purposes and if we cannot service our debt, we may lose our vessels.

Borrowing under the Credit Facility would require us to dedicate a part of our cash flow from operations to paying interest on our indebtedness. These payments would limit funds available for working capital, capital expenditures and other purposes, including making distributions to shareholders and further equity or debt financing in the future. Amounts borrowed under the Credit Facility bear interest at variable rates. Increases in prevailing rates could increase the amounts that we would have to pay to our lenders, even though the outstanding principal amount remains the same, and our net income and cash flows would decrease. We expect our earnings and cash flow to vary from year to year due to the cyclical nature of the tanker industry. In addition, our current policy is not to accumulate cash, but rather to distribute our available cash to shareholders. If we do not generate or reserve enough cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans, such as:

- seeking to raise additional capital,
- refinancing or restructuring our debt,

- selling tankers or other assets, or
- reducing or delaying capital investments.

However, these alternative financing plans, if necessary, may not be sufficient to allow us to meet our debt obligations. If we are unable to meet our debt obligations or if some other default occurs under the Credit Facility, the lenders could elect to declare that debt, together with accrued interest and fees, to be immediately due and payable and proceed against the collateral securing that debt, which constitutes our entire fleet and substantially all of our assets.

Our Credit Facility contains restrictive covenants which may limit our liquidity and corporate activities.

The Credit Facility imposes operating and financial restrictions on us. These restrictions may limit our ability to:

- pay dividends and make capital expenditures if we do not repay amounts drawn under the Credit Facility or if there is another default under the Credit Facility,
- incur additional indebtedness, including the issuance of guarantees,
- create liens on our assets,
- change the flag, class or management of our vessels or terminate or materially amend the management agreement relating to each vessel,
- sell our vessels,
- merge or consolidate with, or transfer all or substantially all our assets to, another person, and
- enter into a new line of business.

Therefore, we may need to seek permission from our lenders in order to engage in some corporate actions. Our lenders interests may be different from ours and we cannot guarantee that we will be able to obtain our lenders permission when needed. This may limit our ability to pay dividends to you, finance our future operations or capital requirements, make acquisitions or pursue business opportunities.

Shipping is an inherently risky business and our insurance may not be adequate to cover all our losses.

There are a number of risks associated with the operation of ocean-going vessels, including mechanical failure, collision, human error, war, terrorism, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. Any of these events may result in loss of revenues, increased costs and decreased cash flows. In addition, the operation of any vessel is subject to the inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. We cannot assure investors that our insurance will protect us against all risks. We may not be able to maintain adequate insurance coverage at reasonable rates for our fleet in the future and the insurers may not pay particular claims. For example, a catastrophic spill could exceed our insurance coverage and have a material adverse effect on our financial condition. In the past, new and stricter environmental regulations have led to higher costs for insurance covering environmental damage or pollution, and new regulations could lead to similar increases or even make this type of insurance unavailable. Furthermore, even if insurance coverage is adequate to cover our losses, we may not be able to timely obtain a replacement ship in the event of a loss. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of the protection and indemnity associations through which we receive indemnity insurance coverage for tort liability. Our payment of these calls could result in significant expenses to us which could reduce our cash flows and place strains on our liquidity and capital resources.

Because some of our expenses are incurred in foreign currencies, we are exposed to exchange rate risks.

The charterers of our vessels pay us in U.S. dollars. While we incur most of our expenses in U.S. dollars, we have in the past incurred expenses in other currencies, most notably the Norwegian Kroner. Declines in the value of the U.S. dollar relative to the Norwegian Kroner, or the other currencies in which we incur expenses, would increase the U.S. dollar cost of paying these expenses and thus would adversely affect our results of operations.

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We may have to pay tax on United States source income, which would reduce our earnings.

Under the United States Internal Revenue Code of 1986, or the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves, attributable to transportation that begins or ends, but that does not both begin and end, in the U.S. will be characterized as U.S. source shipping income and such income will be subject to a 4% United States federal income tax unless that corporation is entitled to a special tax exemption under the Code which applies to the international shipping income derived by certain non-United States corporations. We believe that we currently qualify for this statutory tax exemption and we will take this position for U.S. tax return reporting purposes. However, there are several risks that could cause us to become taxed on our U.S. source shipping income. Due to the factual nature of the issues involved, we can give no assurances on our tax-exempt status.

If we are not entitled to this statutory tax exemption for any taxable year, we would be subject for any such year to a 4% United States federal income tax on our U.S. source shipping income. The imposition of this tax could have a negative effect on our business and would result in decreased earnings available for distribution to our shareholders.

If U.S. tax authorities were to treat us as a passive foreign investment company, that could have adverse consequences on U.S. holders.

A foreign corporation will be treated as a passive foreign investment company for U.S. Federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of passive income, or (2) at least 50% of the average value of the corporation s assets produce, or are held for the production of, such types of passive income. For purposes of these tests, passive income includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of trade or business. For purposes of these tests, income derived from the performance of services does not constitute passive income. Those holders of stock in a passive foreign investment company who are citizens or residents of the United States or domestic entities would alternatively be subject to a special adverse U.S. Federal income tax regime with respect to the income derived by the passive foreign investment company, the distributions they receive from the passive foreign investment company and the gain, if any, they derive from the sale or other disposition of their shares in the passive foreign investment company. In particular, dividends paid by us would not be treated as qualified dividend income eligible for preferential tax rates in the hands of noncorporate U.S. shareholders.

Based on our current and expected future operations, we believe that we are no longer a passive foreign investment company with respect to the taxable year 2005 and thereafter. As a result, noncorporate U.S. shareholders should be eligible to treat dividends paid by us in 2006 and thereafter as qualified dividend income which is subject to preferential tax rates (through 2008). Since we expect to derive more than 25% of our income each year from our time chartering and voyage chartering activities, we believe that such income will be treated for relevant U.S. Federal income tax purposes as services income, rather than rental income. Correspondingly, such income should not constitute passive income, and the assets that we own and operate in connection with the production of that income (which should constitute more than 50% of our assets each year), in particular our vessels, should not constitute passive assets for purposes of determining whether we are a passive foreign investment company in any taxable year. However, no assurance can be given that the Internal Revenue Service will accept this position or that we would not constitute a passive foreign investment company for any future taxable year if there were to be changes in the nature and extent of our operations.

Risks Relating to Our Common Shares

Our common share price may be highly volatile and future sales of our common shares could cause the market price of our common shares to decline.

The market price of our common shares has historically fluctuated over a wide range and may continue to fluctuate significantly in response to many factors, such as actual or anticipated fluctuations in our operating

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results, changes in financial estimates by securities analysts, economic and regulatory trends, general market conditions, rumors and other factors, many of which are beyond our control. Investors in our common shares may not be able to resell their shares at or above their purchase price due to those factors, which include the risks and uncertainties set forth in this report.

Because we are a foreign corporation, you may not have the same rights that a shareholder in a U.S. corporation may have.

We are a Bermuda exempted company. Our memorandum of association and by-laws and The Companies Act, 1981 of Bermuda (the Companies Act) govern our affairs. The Companies Act does not as clearly establish your rights and the fiduciary responsibilities of our directors as do statutes and judicial precedent in some U.S. jurisdictions. Therefore, you may have more difficulty in protecting your interests as a shareholder in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction. There is a statutory remedy under Section 111 of The Companies Act which provides that a shareholder may seek redress in the courts as long as such shareholder can establish that our affairs are being conducted, or have been conducted, in a manner oppressive or prejudicial to the interests of some part of the shareholders, including such shareholder. However, the principles governing Section 111 have not been well developed.

It may not be possible for our investors to enforce U.S. judgments against us.

We are incorporated in the Islands of Bermuda. Substantially all of our assets and those of our subsidiaries are located outside the United States. As a result, it may be difficult or impossible for U.S. investors to serve process within the United States upon us or to enforce judgment upon us for civil liabilities in U.S. courts. In addition, you should not assume that courts in the countries in which we are incorporated or where our assets are located (1) would enforce judgments of U.S. courts obtained in actions against based upon the civil liability provisions of applicable U.S. federal and state securities laws or (2) would enforce, in original actions, liabilities against us based upon these laws.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting underwriting discounts and commissions and estimated expenses relating to this offering, will be approximately $100.2 million, or approximately $115.4 million if the underwriters exercise their option to purchase additional shares in full. We have entered into a purchase agreement with an unrelated third party for an additional double-hull Suezmax tanker, which is expected to be delivered in early April 2006, for a purchase price of approximately $69.0 million, including a deposit in the amount of $6.9 million, which was funded by a drawing under the Credit Facility. We plan to use net proceeds from this offering to repay a portion of the $136.9 million of borrowings outstanding under our Credit Facility. We will then draw from the Credit Facility to pay the purchase price of the ninth vessel that we have agreed to acquire and the tenth vessel that we are actively pursuing in line with our policy of maintaining indebtedness in the region of $15 million per vessel which we consider our appropriate level of debt in current market conditions. We may use any remaining balance of the net proceeds for general corporate purposes, including repaying future indebtedness and any future vessel acquisitions. Amounts borrowed under the Credit Facility bear interest at a rate equal to LIBOR plus a margin between 0.7% and 1.2% and mature in September 2010.

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OUR DIVIDEND POLICY

Our policy is to declare quarterly dividends to shareholders, substantially equal to our net operating cash flow during the previous quarter after reserves as the Board of Directors may from time to time determine are required, taking into account contingent liabilities, the terms of our Credit Facility, our other cash needs and the requirements of Bermuda law. However, if we declare a dividend in respect of a quarter in which an equity issuance has taken place, we calculate the dividend per share as our net operating cash flow for the quarter (after taking into account the factors described above) divided by the weighted average number of shares over that quarter. Net operating cash flow represents net income plus depreciation and certain non-cash administrative charges. The dividend paid is the calculated dividend per share multiplied by the number of shares outstanding at the end of the quarter.

We believe that this offering, the application of net proceeds from this offering to purchase the additional Suezmax tanker expected to be delivered in early April 2006, the tenth vessel that we are pursuing in connection with this equity offering, revenues from those vessels and a drawing under our Credit Facility in line with our policy of maintaining in the region of $15 million in debt per vessel in current market conditions, will enable us to pay a higher dividend per share than we would have been able to pay otherwise.

We paid to shareholders aggregate dividends of $3.57 per share in respect of the four quarters of 2003, aggregate dividends of $5.31 per share in respect of the four quarters of 2004 and aggregate dividends of $4.47 per share in respect of the four quarters of 2005, including the dividend of $1.88 declared in respect of the fourth quarter of 2005, to be paid on or about March 2, 2006 to shareholders of record as of February 16, 2006.

The tanker charter market is highly volatile, and we cannot accurately predict the amount of cash distributions that we may make in any period. Factors beyond our control may affect the charter market for our vessels, our charterers ability to satisfy their contractual obligations to us and our voyage and operating expenses, and we cannot assure you that the estimated dividends described above will actually be declared. In particular, the estimated dividends are based on past charter rates that are not necessarily representative of future rates, and which are subject to volatile changes due to the cyclical nature of the tanker market. See the section of this prospectus entitled Risk Factors for a discussion of the risks associated with our ability to pay dividends.

Under Bermuda law, a company may not declare or pay dividends if there are reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due or that the realizable value of its assets would thereby be less than the sum of its liabilities and its issued share capital and share premium accounts. As a result, in future years, if the realizable value of our assets decreases, or our liabilities increase, our ability to pay dividends may require our shareholders to approve resolutions reducing our share premium account by transferring an amount to our contributed surplus account.

There can be no assurance that we will not have liabilities, including extraordinary expenses, which could include costs of claims and related litigation expenses or that we will not have contingent liabilities for which reserves are required. In addition, for a description of the restrictions on the payment of dividends contained in the Credit Facility, we refer you to Our Business Our Credit Facility.

Our transfer agent, Mellon Investor Services LLC, is responsible for processing dividend payments.

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PRICE RANGE OF COMMON SHARES

Since November 16, 2004, the primary trading market for our common shares has been the New York Stock Exchange, or the NYSE, on which our shares are listed under the symbol NAT. The primary trading market for our common shares was the American Stock Exchange, or the AMEX, until November 15, 2004, at which time trading of our common shares on the AMEX ceased. The secondary trading market for our common shares was the Oslo Stock Exchange, or the OSE, until January 14, 2005, at which time trading of our common share on the OSE ceased.

The following table sets forth the high and low prices for our common shares for each year indicated below, as reported by the AMEX, NYSE and the OSE:

For the year:	NYSE HIGH	NYSE LOW	AMEX HIGH	AMEX LOW	OSE HIGH	OSE LOW
2001	N/A	N/A	$ 22.89	$ 13.00	NOK 215.00	NOK 125.00
2002	N/A	N/A	$ 16.55	$ 9.86	NOK 145.00	NOK 90.00
2003	N/A	N/A	$ 16.90	$ 11.25	NOK 125.00	NOK 90.00
2004	$ 41.30	$ 35.26	$ 41.59	$ 15.00	NOK 300.00	NOK 115.00
2005 (1)	$ 56.68	$ 28.60	N/A	N/A	NOK 225.00	NOK 205.00

The high and low market prices for our common shares by quarter in 2004 and in 2005 were as follows:

For the quarter ended:	AMEX HIGH	AMEX LOW	NYSE HIGH	NYSE LOW	OSE HIGH	OSE LOW
March 31, 2004	$ 27.10	$ 15.00	N/A	N/A	NOK 179.00	NOK 115.00
June 30, 2004	$ 34.59	$ 21.25	N/A	N/A	NOK 225.00	NOK 160.00
September 30, 2004	$ 37.75	$ 25.00	N/A	N/A	NOK 249.00	NOK 210.00
December 31, 2004 (1)	$ 41.59	$ 31.15	$ 41.30	$ 35.26	NOK 300.00	NOK 214.00
March 31, 2005 (1)	N/A	N/A	$ 56.68	$ 35.95	NOK 225.00	NOK 205.00
June 30, 2005	N/A	N/A	$ 49.79	$ 37.48	N/A	N/A
September 30, 2005	N/A	N/A	$ 46.48	$ 37.30	N/A	N/A
December 31, 2005	N/A	N/A	$ 37.90	$ 28.60	N/A	N/A

(1) The AMEX figures are based on trading from the beginning of the quarter through November 15, 2004 and the NYSE figures are based on trading from November 16, 2004 through the end of the quarter. The OSE numbers for 2005 are based on trading through January 14, 2005.

The high and low market prices for our common shares by month since July 2005 were as follows:

For the month:	NYSE HIGH	NYSE LOW

August 2005	$ 46.48	$ 37.90
September 2005	$ 42.00	$ 37.30
October 2005	$ 37.90	$ 30.84
November 2005	$ 34.63	$ 30.75
December 2005	$ 33.70	$ 28.60
January 2006	$ 32.50	$ 29.00
February 2006	$ 36.92	$ 28.83
March 2006 (2)	$ 31.11	$ 28.83

(2) Based on trading through March 8, 2006.

On March 8, 2006, the closing price of our common shares on the NYSE was $28.95 per share.

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DILUTION

At September 30, 2005, we had net tangible book value of $405.4 million, or $24.36 per share. The following table illustrates the pro forma per share dilution and appreciation at September 30, 2005 (1):

Public offering price per share	$ 28.50
Net tangible book value per share as of September 30, 2005	$ 24.36
Increase in net tangible book value attributable to new investors in this offering	$ 0.54
Pro forma tangible book value per share after giving effect to this offering	$ 24.90
Dilution per share to new investors	$ 3.60

(1) This table does not reflect the issuance of 76,531 additional common shares to the Manager at par value of $0.01 per share following the closing of this offering.

Net tangible book value per share of common shares is determined by dividing our tangible net worth, which consists of tangible assets less liabilities, by the number of our common shares outstanding. Dilution is determined by subtracting the net tangible book value per share after this offering from the public offering price per share. Dilution per share to new investors would be $3.54 if the underwriters exercise in full their over-allotment option.

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CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2005 on a historical basis and on an as adjusted basis to give effect to:

- the acquisition of our eighth vessel in November 2005 for a purchase price of $70.0 million and related incurrence of $70.0 in indebtedness;
- the incurrence of indebtedness to fund a down payment in the amount of $6.9 million on account of our ninth vessel that we have agreed to acquire;
- the payment of a dividend in the aggregate amount of $9,986,797 on November 17, 2005, and the payment of a dividend in the aggregate amount of $31,291,652 on March 2, 2006.

and on an as further adjusted basis to give effect to:

- this offering;
- the application of net proceeds of this offering, as described under Use of Proceeds;
- the issuance of an additional 76,531 restricted common shares to the Manager under the Management Agreement following the closing of this offering.

You should read the adjusted capitalization table information below in connection with Use of Proceeds, Prospectus Supplement Summary Summary Financial Information and our financial statements and related notes appearing elsewhere or incorporated by reference in this prospectus.

	September 30, 2005				
	Actual	As Adjusted (1)	Research and development	48	75
General and administrative	315	108			
Total stock-based compensation expense	363	183			

NOTE 9 - SUBSEQUENT EVENTS

On July 3, 2018, the Israel Innovation Authority ("IIA") payed the Company the final installment of approximately $800 under the 2017 IIA grant.

Total cash on hand, Cash equivalents, Short Term Deposits and cash commitment to be received from the IIA as of June 30, 2018 totaled approximately $18,200.

In accordance with ASC 855 "Subsequent Events" the Company evaluated subsequent events through the date the condensed consolidated financial statements were issued. The Company concluded that no other subsequent events have occurred that would require recognition or disclosure in the condensed consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains numerous statements, descriptions, forecasts and projections, regarding Brainstorm Cell Therapeutics Inc. (together with its consolidated subsidiaries, the "Company," "Brainstorm," "we," "us" or "our") and potential future business operations and performance, including financial results for the most recent fiscal quarter, statements regarding the market potential for treatment of neurodegenerative disorders such as ALS, the sufficiency of our existing capital resources for continuing operations in 2018 and beyond, the safety and clinical effectiveness of our NurOwn® technology, our clinical trials of NurOwn® and its related clinical development, and our ability to develop collaborations and partnerships to support our business plan. In some cases you can identify such "forward-looking statements" by the use of words like "may," "will," "should," "could," "expects," "hopes," "anticipates," "intends," "plans," "projects," "targets," "goals," "estimates," "predicts," "likely," "potential," or "continue" or the nega terms or similar words. These statements, descriptions, forecasts and projections constitute "forward-looking statements," and as such involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance and achievements to be materially different from any results, levels of activity, performance and achievements expressed or implied by any such "forward-looking statements." These risks and uncertainties include, but are not limited to our need to raise additional capital, our ability to continue as a going concern, regulatory approval of our NurOwn® treatment candidate, the success of our product development programs and research, regulatory and personnel issues, development of a global market for our services, the ability to secure and maintain research institutions to conduct our clinical trials, the ability to generate significant revenue, the ability of our NurOwn® treatment candidate to achieve broad acceptance as a treatment option for ALS or other neurodegenerative diseases, our ability to manufacture and commercialize our NurOwn® treatment candidate, obtaining patents that provide meaningful protection, competition and market developments, our ability to protect our intellectual property from infringement by third parties, heath reform legislation, demand for our services, currency exchange rates and product liability claims and litigation, and other factors described under "Risk Factors" in this report and in our annual report on Form 10-K for the fiscal year ended December 31, 2017. These "forward-looking statements" are based on certain assumptions that we have made as of the date hereof. To the extent these assumptions are not valid, the associated "forward-looking statements" and projections will not be correct. Although we believe that the expectations reflected in these "forward-looking statements" are reasonable, we cannot guarantee any future results, levels of activity, performance or achievements. It is routine for our internal projections and expectations to change as the year or each quarter in the year progresses, and therefore it should be clearly understood that the internal projections and beliefs upon which we base our expectations may change prior to the end of each quarter or the year. Although these expectations may change, we may not inform you if they do and we undertake no obligation to do so, except as required by applicable securities laws and regulations. We caution investors that our business and financial performance are subject to substantial risks and uncertainties. In evaluating our business, prospective investors should carefully consider the information set forth under the caption "Risk Factors" in this report and in our annual report on Form 10-K for the fiscal year ended December 31, 2017, in addition to the other information set forth herein and elsewhere in our other public filings with the Securities and Exchange Commission ("SEC").

Company Overview

Brainstorm Cell Therapeutics Inc. is a biotechnology company committed to bring innovative central nervous system ("CNS") adult stem cell therapies to the market to improve the lives of patients with debilitating neurodegenerative diseases. As a leader in CNS regenerative cellular medicines, Brainstorm is leveraging NurOwn®, its proprietary autologous mesenchymal stem cell platform technology, a strong and expanded intellectual property portfolio, as well as manufacturing and commercialization capabilities, to address growing unmet medical needs across a broad range of neurodegenerative disorders, such as Amyotrophic Lateral Sclerosis ("ALS", also known as Lou Gehrig's disease), Multiple Sclerosis ("MS"), Parkinson's disease ("PD") and Autism Spectrum Disorders ("ASD").

Our wholly-owned Israeli subsidiary, Brainstorm Cell Therapeutics Ltd. ("Israeli Subsidiary"), holds rights to commercialize NurOwn® technology through a licensing agreement with Ramot ("Ramot"), the technology transfer company of Tel Aviv University, Israel. We currently employ 26 employees in Israel and 3 in the United States.

In the last 12 months, the Company was awarded a $16 million non-dilutive grant from the California Institute for Regenerative Medicine (CIRM) to conduct a U.S. Phase 3 ALS study, launched a 200 participant NurOwn® ALS Phase 3 study that is actively enrolling in 6 leading U.S. centers, and received GMP approval for NurOwn® manufacturing in Israel.

On June 6, 2018, the Company entered into a Warrant Exercise Agreement with certain holders of warrants issued in the January 8, 2015 private placement (the “2015 Warrants”). These holders have exercised warrants (for a total of 2,458,201 shares of common stock to be issued) at an amended exercise price of $5.00 per share, which generated gross cash proceeds of $12,291,005. For each warrant exercised, BrainStorm has agreed to issue one new warrant to the holders to purchase unregistered shares of common stock at an exercise price of $9.00 and an expiration date of December 31, 2020. (the “New Warrants”). Certain holders of New Warrants also entered into a share cap agreement with the Company, whereby the holders agreed to a 6-month delay (from the date of issuance) in exercisability of any shares at or in excess of the 20% limitation on the size of the entire transaction contained in Nasdaq Listing Rule 5635(d).The Company has expanded and strengthened its executive management team and attracted key biotechnology industry leaders to the Company’s Board of Directors. The Company has also formed a Scientific Advisory Board (SAB) with world leading neuroscientists and experts in the fields of ALS, MS and other neurodegenerative diseases who will advise the management team on scientific matters such as research, clinical trials and drug development. The SAB is being chaired by Jerold Chun, M.D., Ph.D., who is an acclaimed neuroscientist and professor at Sanford Burnham Prebys Medical Discovery Institute and has decades of expertise in degenerative disease research and neuroscience drug development.

The Company has also entered into employment agreements with Susan Ward Ph.D. and Joseph Petroziello, to serve as Head of Clinical Operations and Vice President of Scientific and Corporate Communications, respectively. Dr. Ward, who served as Director, Early Clinical Development at Pfizer, has more than 20 years of operational leadership experience in clinical trials, IND-enabling studies, protocol development and management of cross-functional teams. Joe Petroziello previously worked at Juno Therapeutics (a Celgene company), where he served as Senior Director/Head of Scientific Communications & Publications. Both Dr. Ward and Mr. Petroziello will be based in the U.S., in line with the Company’s strategy to build U.S. infrastructure, in anticipation for a potential launch of NurOwn® in the future.

The Connell and O’Reilly Cell Manipulation Core Facility at the Dana Farber Cancer Institute in Boston has been recently contracted to manufacture NurOwn® and placebo to accelerate the Phase 3 clinical study enrollment and to support manufacturing capacity for additional clinical indications. Dana Farber has decades of cell therapy manufacturing experience and a proven track record in the manufacture of NurOwn® in the Company’s Phase 2 U.S. trial.

Our Proprietary Technology

NurOwn® technology is based on an innovative manufacturing protocol, which induces the differentiation of purified and expanded bone marrow-derived mesenchymal stem cells (“MSC”) into cells capable of releasing high levels of multiple neurotrophic factors (“MSC-NTF” cells) for neuroprotection while maintaining the intrinsic immunomodulatory effects of MSC. These factors are known to be critical for the growth, survival and differentiation of neurons, they include: glial-derived neurotrophic factor (“GDNF”); brain-derived neurotrophic factor (“BDNF”); vascular endothelial growth factor (“VEGF”); and hepatocyte growth factor (“HGF”), among others. GDNF is one of the most potent survival factors known for peripheral neurons. VEGF and HGF have been demonstrated to have important neuro-protective effects in ALS and in other neurodegenerative diseases.

Our approach to the treatment of neurodegenerative diseases with autologous adult stem cells involves a multi-step process that includes: harvesting of undifferentiated stem cells from the patient's own bone marrow; processing of cells at the manufacturing site; cryopreservation to enable multiple treatments from a single bone marrow sample; and intrathecal ("IT") injection of MSC-NTF cells into the same patient by standard lumbar puncture. This administration procedure does not require hospitalization and has been shown to be safe and well tolerated in multiple CNS clinical trials to date. The ongoing U.S. Phase 3 ALS study is evaluating the therapeutic potential of repeated dosing (every 2 months).

The proprietary technology and manufacturing processing of NurOwn® (MSC-NTF cells) for clinical use is conducted in full compliance with current Good Manufacturing Practice ("cGMP"). The NurOwn® proprietary technology is fully licensed to and developed by Brainstorm Cell Therapeutics Ltd., our wholly-owned subsidiary (the "Israeli Subsidiary").

The NurOwn® Transplantation Process

- Bone marrow aspiration from the patient;
- MSC Isolation and propagation;
- MSC Cryopreservation;
- MSC thawing and differentiation into neurotrophic-factor secreting (MSC-NTF; NurOwn®) cells; and
- Autologous transplantation into the patient's cerebrospinal fluid by IT injection (standard lumbar puncture).

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Differentiation before Transplantation

The ability to induce differentiation of autologous adult mesenchymal stem cells into MSC-NTF cells *before* transplantation is unique to NurOwn®, making it the first-of-its-kind for the treatment of neurodegenerative diseases.

The specialized MSC-NTF cells secrete multiple neurotrophic factors that may lead to:

- Protection of existing motor neurons;
- Promotion of motor neuron repair; and
- Re-establishment of functional nerve-muscle interactions.

Autologous (Self-transplantation)

The NurOwn® approach is autologous, using the patient's own bone-marrow derived stem cells for "self-transplantation." In autologous transplantation, there is no risk of rejection or introduction of donor antigens and no need for treatment with immunosuppressive agents, which can cause severe and/or long-term side effects. In addition, the use of adult stem cells is free of ethical controversies associated with the use of embryonic-derived stem cells in some countries.

The ALS Program

NurOwn® is currently in a Phase 3 late stage clinical development program for the treatment of ALS. It has been granted Fast Track designation by the U.S. Food and Drug Administration ("FDA") for this indication, and has been granted Orphan Status, which provides the potential for an extended period of exclusivity, in both the U.S. and in Europe. We have completed two early stage Phase 1/2 and Phase 2 open label clinical trials of NurOwn® in patients with ALS at the Hadassah Medical Center ("Hadassah") in Jerusalem as well as a Phase 2 double-blind, placebo-controlled, clinical study at three prestigious U.S. Medical centers, all highly experienced in the management and investigation of ALS.

Phase 1/2 Open Label Trials

The first two open-label studies were approved by the Israeli Ministry of Health (“MoH”) and the U.S. study was conducted under an FDA Investigational New Drug (“IND”) application. The first-in-human study, a Phase 1/2 safety and efficacy study of NurOwn® administered either intramuscularly or intrathecally in 12 ALS patients, was initiated in June 2011. In the Phase 2 dose-escalating study, 14 ALS patients were administered NurOwn® by a combined route of intramuscular and intrathecal administration. These studies demonstrated the safety of NurOwn® by both routes of administration and showed signs of efficacy.

In January 2016, the results of the two completed Phase 1/2 study and Phase 2 open label studies were published in JAMA Neurology. The publication presented the data showing indications of clinically meaningful benefit as reflected by a slower rate of disease progression in the period post treatment on both the ALS Functional Rating Score (“ALSFRS-R”), the industry gold standard and a well-established measure, for evaluating the functional status of patients with ALS, and Forced Vital Capacity (“FVC”), a measure of pulmonary function, as well as a positive trend on the rate of decline of muscle volume and on the compound motor axon potential (“CMAPs”). These were the first published clinical data using autologous mesenchymal stem cells, induced under culture conditions, to produce NTFs, with the potential to achieve a neuroprotective effect in ALS and modify the course of this disease.

Phase 2 Randomized Trial

The FDA-approved, randomized, double-blind, placebo controlled multi-center U.S. Phase 2 clinical trial evaluating NurOwn® in ALS patients was conducted at three clinical sites: (i) the Massachusetts General Hospital (MGH) in Boston, (ii) Massachusetts Memorial Hospital in Worcester, Massachusetts, and (iii) Mayo Clinic in Rochester, Minnesota. For this study, NurOwn® was manufactured at the Connell and O’Reilly Cell Manipulation Core Facility at the Dana Farber Cancer Institute in Boston and at the Human Cellular Therapy Lab at the Mayo Clinic. In this study 48 patients were randomized 3:1 to receive NurOwn® or placebo.

Topline data from this Phase 2 Study were announced by the Company in July 2016. Further details were presented by investigators Dr. Robert Brown and Dr. James Berry, at the 15th Annual Meeting of the Northeast ALS Consortium (NEALS) in October 2016 and by Dr. Berry at the 27th International Symposium on ALS/MND, in Dublin, Ireland, in December 2016. Key findings from the trial were as follows:

- The study achieved its primary objective, demonstrating that NurOwn® transplantation was safe and well tolerated. There were no discontinuations from the trial due to AEs and there were no deaths in the study. The most common adverse events (of mild or moderate severity), were transient procedure-related AEs such as headache, back pain, pyrexia arthralgia and injection-site discomfort, which were more commonly seen in the NurOwn-treated participants compared to placebo.

- NurOwn® also achieved multiple secondary efficacy endpoints, showing evidence of a clinically meaningful benefit. Notably, response rates in the ALS functional rating scale-revised (48-point ALSFRS-R outcome measure) were higher in NurOwn®-treated subjects, compared to placebo, at all time points in the study out to 24 weeks.

- A pre-specified responder analysis examined percentage improvements in the post treatment ALSFRS-R slope (change/month) compared to pre-treatment slope and showed that a higher proportion of NurOwn® treated participants achieved a 100% improvement in the post-treatment vs. pre-treatment slope, compared with the placebo group. This analysis also showed that a higher proportion of the NurOwn® treated participants achieved a 1.5 point per month or greater improvement in the post-treatment vs. pre-treatment ALSFRS-R slope, compared with the placebo group.

- The beneficial treatment effects were greater in the rapid progressor subgroup (pretreatment ALSFRS-R declined by 2 or more points in the three months pre-treatment).

- As an important confirmation of the biological action of NurOwn®, levels of neurotrophic factors and inflammatory markers were measured in the cerebral-spinal fluid ("CSF") samples collected from patients pre- and two weeks post treatment. In the samples of those patients treated with NurOwn®, statistically significant increases in levels of neurotrophic factors VEGF, HGF and LIF and a statistically significant reduction in inflammatory markers MCP-1, SDF-1 and CHIT-1 was observed post-transplantation. Furthermore, the observed reduction in inflammatory markers correlated with clinical outcomes. These results were not seen in placebo treated patients, consistent with the proposed biological mechanism of action of NurOwn® in ALS.

- In summary, a higher proportion of NurOwn® treated study participants, particularly those with more rapid disease progression, experienced a halt in disease progression or improvement in function, as measured by the post-treatment vs. pre-treatment ALSFRS-R slope change. ***These are new and meaningful ALS clinical observations that are being evaluated in the ongoing Phase 3 study using repeat dosing in ALS rapid progressors.***

Phase 3 Trial

The Company completed a successful End-of-Phase 2 Meeting with the U.S. FDA and reached a general agreement to proceed to a Phase 3 trial. Importantly, the FDA accepted the key elements of the Phase 3 program (a multi-dose double-blind, placebo-controlled, multicenter trial protocol) that has been designed to support a Biologic License Application ("BLA") for NurOwn® in ALS. The clinical trial is actively enrolling an enriched patient population based on superior outcomes observed in the Phase-2 pre-specified sub-group of rapid progressors. The primary clinical efficacy outcome measure is the ALSFRS-R score responder analysis, an outcome that evaluates the proportion of treated participants who achieve a prespecified level of improvement in the ALSFRS-R post-treatment slope. The Phase 3 trial expands biomarker evaluations to further understand their potential to predict ALS disease progression, treatment response and confirm the biology of NurOwn® in a larger study population. The study is being conducted at 6 leading U.S. medical centers, 3 of which participated in the prior Phase 2 study. Patient enrollment commenced in October 2017, at Massachusetts General Hospital followed by the other 5 study sites, including University of

California Irvine Medical Center, University of Massachusetts Medical Center, Mayo Clinic in Rochester, Minnesota, the California Pacific Medical Center in San Francisco, and Cedar Sinai Medical Center in Los Angeles. All 6 sites are actively enrolling study participants. Interim safety data are expected in August 2018 and top-line efficacy data in late 2019 or early 2020. The study is registered at www.clinicaltrials.gov (Identifier NCT03280056).

The Company has developed a validated cryopreservation process for the long-term storage of MSC, that allows multiple doses of autologous NurOwn® to be created from a single bone marrow harvest procedure in the multi-dose clinical trial and avoid the need for patients to undergo repeated bone marrow aspiration. A validation study was conducted in 2017 comparing NurOwn® derived from fresh MSC to those derived from cryopreserved MSC. Company scientists were successful in showing that the MSC can be stored in the vapor phase of liquid nitrogen for prolonged periods of time, while maintaining their characteristics. Cryopreserved MSC are capable of differentiating into NurOwn®, similar to the NurOwn® derived from fresh MSC from the same patient/donor, prior to cryopreservation and maintain their key functional properties including immunomodulation and neurotrophic factor secretion.

The Company has contracted with City of Hope's Center for Biomedicine and Genetics to produce clinical supplies of NurOwn® adult stem cells for the ongoing Phase 3 clinical study. City of Hope is currently supporting the production of NurOwn® and placebo for the participants treated in the Phase 3 trial. The Connell and O’Reilly Cell Manipulation Core Facility at the Dana Farber Cancer Institute in Boston has been also recently contracted to manufacture NurOwn® and placebo for the Phase 3 clinical study participants.

Patient Access Programs

The Company collaborated with the Tel Aviv Sourasky Medical Center (Ichilov Hospital), and jointly applied by the Israel Hospital Exemption regulatory pathway, which was adopted by the Ministry of Health (MoH) from the European Union regulation, for NurOwn® treatment of ALS. This pathway will enable the Company to make NurOwn® potentially accessible for ALS patients in Israel, for a fee. These treatments will be administered by Advanced Cell Therapies Ltd, a newly formed Israeli company and a wholly owned subsidiary of the Company’s Israeli Subsidiary.

In January 2018, the Company announced the receipt of Good Manufacturing Practice (GMP) approval from the Israel MoH for its Israeli contract manufacturing facility. The GMP certificate confirms the Company's manufacturing site compliance with Israeli GMPs which are recognized as equivalent with EU standards. This approval advances the Company’s application to the Israel MoH for the treatment of ALS patients under the Hospital Exemption regulation. The GMP certificate was granted after an inspection of the Company’s contract manufacturing facilities.

Non-Dilutive Funding

In July 2017, the Company was awarded a grant in the amount of $15,912,000 from CIRM to aid in funding the Company’s pivotal Phase 3 study of NurOwn®, for the treatment of ALS. To date, the Company has received $9,050,000 of the CIRM grant: $7,050,000 was received in 2017 and an additional $2 million was received on April 30, 2018. The grant does not bear a royalty payment commitment nor is the grant otherwise refundable.

In 2017 and 2018, the Company was awarded aggregate grants of approximately $3.2 million from the Israel Innovation Authority (“IIA”). Year to date the Company has received approximately $1.7 million from IIA, made under the 2018 as well as under previous IIA grants.

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Intellectual Property

A key element of the Company’s overall strategy is to establish a broad portfolio of patents and other methods described below to protect its proprietary technologies and products. Brainstorm is the sole licensee or assignee of 7 granted patents and 21 patent applications in the United States, Europe, and Israel, as well as in additional countries worldwide, including countries in the Far East and South America (in calculating the number of granted patents, each European patent validated in multiple jurisdictions was counted as a single patent).

In January, 2018 the European Patent Office ("EPO") issued a Notice of Intention to Grant a European-wide patent for Patent Application No. 09754337.5 which claims priority from WO 2009/144718. The allowed claims cover methods of treating ALS using mesenchymal stem cells that secrete neurotrophic factors, including brain derived neurotrophic factor (BDNF).

On January 30, 2018, the U.S. Patent and Trademark Office (“USPTO”) granted U.S. patent, No. 9,879,225 which claims priority from this same PCT application. This patent relates to methods of treating ALS and Parkinson's disease using mesenchymal stem cells that secrete neurotrophic factors, specifically glial derived neurotrophic factor (GDNF).

On June 19, 2018, the Japanese Patent Office ("JPO") issued a decision to Grant notice to a Japanese patent entitled: 'Methods of Generating Mesenchymal Stem Cells which Secrete Neurotrophic Factors” (Japanese Patent Application number 2015-526006). The Decision to Grant notice is the final approval stage and precedes actual granting which is expected shortly. When granted, this patent is expected to provide protection for MSC-NTF cells (NurOwn®) in Japan until 2033. The allowed claims cover a method of generating cells which secrete brain derived neurotrophic factor (BDNF), glial derived neurotrophic factor (GDNF), hepatocyte growth factor (HGF) and vascular endothelial growth factor (VEGF).

Research and Development

In addition to its active clinical program in ALS, the Company is focusing on further in-depth molecular and functional characterization of NurOwn®. A study profiling NurOwn®'s unique miRNA signature was published in 2017 in *Stem Cell Research & Therapy*. The publication, entitled "miRNA profiling of NurOwn®: mesenchymal stem cells secreting neurotrophic factors" shows that NurOwn® MSC-NTF cells induced to secrete neurotrophic factors have both an enhanced secretion of NTFs as well as a distinct miRNA expression profile that distinguishes them from their MSC of origin. miRNAs have been shown to play critical roles in neuronal and glial cell biological processes. These findings may form the basis for the development of sensitive identity release assays for clinical trials, in vivo cell identification assays, and to elucidate MSC-NTF cells' mechanism of action in ALS and other neurodegenerative diseases.

The Company is also reviewing the potential clinical development of NurOwn® in other neurodegenerative disorders, such as progressive multiple sclerosis, Parkinson's disease, Huntington's disease and Rett syndrome. Research is currently ongoing to develop additional cell products which might be suitable for multiple neurodegenerative diseases.

For the Phase 3 study in ALS, the Company has improved the efficiency of NurOwn® production and improved its stability, allowing manufacturing to take place at centralized clean room facilities from which it is distributed to the clinical trial sites, where the cells are then administered to patients. The Company is also engaged in several research initiatives to further improve and scale-up manufacturing capacity and extend the shelf life of NurOwn®.

Corporate Information

We are incorporated under the laws of the State of Delaware. Our principal executive offices are located at 1325 Avenue of Americas, 28th Floor, New York, NY 10019, and our telephone number is (201) 488-0460. We maintain an Internet website at *http://www.brainstorm-cell.com*. The information on our website is not incorporated into this Quarterly Report on Form 10-Q.

Results of Operations

For the period from inception (September 22, 2000) through June 30, 2018, the Company has not earned any revenue from operations. The Company does not expect to earn revenue from operations until the second half of 2018, if ever. The Company has incurred operating costs and other expenses of approximately $3,087,000 during the three months ended June 30, 2018 compared to $1,075,000 during the three months through June 30, 2017.

Research and Development Expenses:

Research and development expenses, net for the three months ended June 30, 2018 and 2017 were $1,481,000 and $435,000, respectively, representing an increase of $1,046,000. This increase is due to (i) an increase of $2,139,000 in connection with the U.S. Clinical Trial;(ii) an increase of $159,000 for patents, travel, rent and other activities and (iii) an increase of $66,000 for costs related to payroll and stock-based compensation expenses. This increase was partially offset by an increase of $1,318,000 in funds received from the Israel Innovation Authority ("IIA") and CIRM in 2018, under various awarded grants.

Excluding funds received from IIA and CIRM under the grants, research and development expenses increased by $2,364,000 from $944,000 in the second quarter of 2017 to $3,308,000 in the second quarter of 2018.

General and Administrative Expenses:

General and administrative expenses for the three months ended June 30, 2018 and 2017 were $1,606,000 and $640,000, respectively. The increase in general and administrative expenses of $966,000 is primarily due to (i) an increase of $745,000 in payroll costs and stock-based compensation expenses; (ii) an increase of $91,000 in PR and stock management cost and (iii) an increase of $130,000 in consultants, rent and other costs.

Other Income and Expenses:

Financial expense for the three months ended June 30, 2018 was $4,000 as compared to financial income of $35,000 for the three months ended June 30, 2017.

Net Loss:

Net loss for the three months ended on June 30, 2018 was $3,091,000, as compared to a net loss of $1,040,000 for the three months ended June 30, 2017. Net loss per share for the three months ended June 30, 2018 and 2017 was $0.16 and $0.06, respectively.

The weighted average number of shares of Common Stock used in computing basic and diluted net loss per share for the three months ended June 30, 2018 was 19,505,157, compared to 18,738,496 for the three months ended June 30, 2017.

Liquidity and Capital Resources

The Company has financed its operations since inception primarily through public and private sales of its Common Stock and warrants and the issuance of convertible promissory notes. At June 30, 2018, the Company had net working capital of $11,416,000 including cash, cash equivalents and short-term bank deposits amounting to $17,439,000.

Cash, Cash equivalents (including short-term bank deposits) and cash commitments (including the final installment under the 2017 IIA grant at amount of approximately $800,000) amounted to approximately $18,200,000.

Net cash provided by operating activities was $55,000 for the three months ended June 30, 2018. Cash derived from operating activities was primarily attributed to increase in deferred grant income, decrease in accounts receivables and pre-paid expenses as well as increase in trade payables. Net cash used in investing activities was $13,033,000 for the three months ended June 30, 2018, representing net increase in short term interest bearing bank deposits. Net cash provided by financing activities was $11,994,000 for the three months ended June 30, 2018 and is attributable to the exercise and reissuance of warrants on June 6th, 2018.

Our material cash needs for the next 24 months, assuming we do not expand our clinical trials beyond the current Phase 3 trial in the United States, will include (i) costs of the clinical trial in the U.S., (ii) employee salaries, (iii) payments to Hadassah for rent and operation of the GMP facilities, and (iv) fees to our consultants and legal advisors, patents, and fees for facilities to be used in our research and development.

Over the longer term if we are not able to raise additional capital, we may not be able to continue to function as a going concern and may have to cease operations or the Company will reduce its costs, including curtailing its current plan to move new indications into clinical testing. We will be required to raise a substantial amount of capital in the future in order to reach profitability and to complete the commercialization of our products. Our ability to fund these future capital requirements will depend on many factors, including the following:

- our ability to obtain funding from third parties, including any future collaborative partners;

- the scope, rate of progress and cost of our clinical trials and other research and development programs;

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- the time and costs required to obtain regulatory approvals;
- the terms and timing of any collaborative, licensing and other arrangements that we may establish;
- the costs of filing, prosecuting, defending and enforcing patents, patent applications, patent claims, trademarks and other intellectual property rights;
- the effect of competition and market developments; and
- future pre-clinical and clinical trial results.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported revenue and expenses during the reporting periods. We continually evaluate our judgments, estimates and assumptions. We base our estimates on the terms of underlying agreements, our expected course of development, historical experience and other factors we believe are reasonable based on the circumstances, the results of which form our management's basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There were no significant changes to our critical accounting policies during the quarter ended June 30, 2018. For information about critical accounting policies, see the discussion of critical accounting policies in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Off Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

This information has been omitted as the Company qualifies as a smaller reporting company.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, as of the end of the period covered by this report, to ensure that information required to be disclosed by us in the reports we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in such reports is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal controls over financial reporting that occurred during the quarter ended June 30, 2018 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in litigation relating to claims arising out of operations in the normal course of business, which we consider routine and incidental to our business. We currently are not a party to any material legal proceedings, the adverse outcome of which, in management's opinion, would have a material adverse effect on our business, results of operation or financial condition.

Item 1A. Risk Factors.

There have not been any material changes from the risk factors previously disclosed in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On June 6, 2018, the Company entered into a Warrant Exercise Agreement (the "Warrant Exercise Agreement") with certain holders (the "Holders") of warrants (the "2015 Warrants") to purchase Company Common Stock, which 2015 Warrants were originally issued in the Company's January 8, 2015 private placement. Pursuant to the Warrant Exercise Agreement, the Holders exercised their 2015 Warrants for a total of 2,458,201 shares of Common Stock (the "Exercised Shares") at an amended exercise price of $5.00 per share. The warrant exercises generated gross cash proceeds to the Company of $12,291,005.00. For each 2015 Warrant exercised, the Company issued 1 new warrant to the Holders to purchase an equal number of unregistered shares of Common Stock, at an exercise price of $9.00, with an expiration date of December 31, 2020 (the "New Warrants"). Certain Holders of New Warrants also entered into a Share Cap Agreement with the Company, whereby the Holders agreed to a 6-month delay (from the date of issuance) in exercisability of any shares at or in excess of the 20% limitation on the size of the entire transaction contained in Nasdaq Listing Rules.

The Warrant Exercise Agreement also requires that to the extent that a Holder's exercise of 2015 Warrants would result in such Holder exceeding the Beneficial Ownership Limitation (as defined in the 2015 Warrants), such excess warrant shares shall be held for the benefit of such Warrant Holder until such time as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation. As of June 30, 2018, 899,999 shares were held in abeyance.

The Holders agreed that, subject to limited exceptions, for the 90 days following the date of the Warrant Exercise Agreement (the "Restricted Period"), neither the Company nor any Subsidiary will issue, enter into any agreement to issue or announce the issuance or proposed issuance of any shares of Common Stock, without the prior written consent of all of the Holders of the warrant shares. The Company also agreed that during the time the New Warrants are unexercised, the Company will not enter into any agreements with any holder of 2015 Warrants with more favorable terms, without the consent of the Holders of a majority of the warrant shares then exercisable under all outstanding Warrant Exercise Agreements.

The Company also agreed to file a registration statement covering the resale of the additional shares of Common Stock underlying the New Warrants. If the Company does not comply with the registration rights provisions in the Warrant Exercise Agreement, the Holders will have the option of cashless exercise of the New Warrants as their sole remedy.

The New Warrants have not been registered under the Securities Act of 1933, as amended (the Securities Act), or state securities laws. The Exercised Shares have been registered for resale on the Company's registration statement on Form S-3 (File No. 333-201704). The issuance of the Exercised Shares and New Warrants was exempt from the registration requirements of the Securities Act pursuant to the exemption for transactions by an issuer not involving any public offering under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act.

The Company and the Holders also entered into Leak-Out Agreements (the "Leak-Out Agreement") pursuant to which neither Holders nor certain of their affiliates would collectively sell, dispose of or otherwise transfer, directly or indirectly, on any day on which the Nasdaq Capital Market is open for trading during the Restricted Period (any such date, a "Date of Determination"), shares of the Company's Common Stock in an amount more than an aggregate 30% of the trading volume of Common Stock as reported by Bloomberg, LP for the applicable Date of Determination.

Item 5. Other Information.

During the quarter ended June 30, 2018, we made no material changes to the procedures by which stockholders may recommend nominees to our Board of Directors, as described in our most recent proxy statement.

On July 17, 2018, the Governance, Nominating and Compensation Committee of the Board of Directors of the Company approved a $500,000 discretionary cash bonus payment to Chaim Lebovits, the Company's President and Chief Executive Officer, in recognition of his recent contributions to the Company.

Item 6. Exhibits.

The Exhibits listed in the Exhibit Index immediately preceding such Exhibits are filed with or incorporated by reference in this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	BRAINSTORM CELL THERAPEUTICS INC.
Date: July 23, 2018	*By:/s/ Eyal Rubin* *Name: Eyal Rubin* *Title: EVP, Chief Financial Officer* *(Principal Financial Officer)*

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EXHIBIT INDEX

Exhibit No.	**Description**
10.1	Form of Warrant, incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 7, 2018 (File No. 001-36641).
10.2	Warrant Exercise Agreement, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 7, 2018 (File No. 001-36641).
10.3	Leak-Out Agreement, incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 7, 2018 (File No. 001-36641).
10.4*	Share Cap Agreement.
31.1*	Certification by the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification by the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1‡	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2‡	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* *Filed herewith*

‡ *Furnished herewith*

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