



## **Nordic American Offshore Ltd. (NYSE:NAO) 2Q2015 Dividend and Earnings Report**

Hamilton, Bermuda, August 4, 2015.

NAO is a start-up company that became listed on the New York Stock Exchange (NYSE) on June 12, 2014. Our ship management partners, board and staff have a wealth of experience in the offshore and Platform Supply Vessel (PSV) business, with some involved as early as from the 1980s. NAO is well positioned to capitalize on the challenging market conditions in the offshore sector which may represent a commercial opportunity for NAO. The result for 2Q2015 is better than 1Q2015. Including the recently agreed credit facility of \$150m, NAO is fully financed up to early 2020.

The dividend policy of NAO is a fundamental element of our strategy.

As announced on July 21, 2015, NAO has declared a dividend of \$0.17 per share for 2Q2015. The record date is August 5, 2015 and the payment of dividend is expected to take place about August 19, 2015. Since its inception in late 2013, NAO has paid dividends for 6 consecutive quarters, totalling \$2.14 per share, including the dividend to be paid about August 19, 2015. In June 2014, NAO relocated from the Oslo OTC (Over the Counter) exchange to the New York Stock Exchange (NYSE).

The main elements of the strategy of Nordic American Offshore Ltd. ("NAO" or "the Company") are based on the same fundamentals as those of Nordic American Tankers Limited (NAT). Quarterly dividends, low debt and full transparency are among those fundamentals. NAO is a completely independent company.

On May 21, 2015, NAO announced a share repurchase program allowing NAO to buy back up to 2.5 million shares in the open market over a period of two years. As of this report NAO has repurchased 160,142 shares at an aggregate cost of about \$1.3m which amounts to about \$8.15 per share. NAO currently has a total of 23,271,228 shares outstanding.

The Company's Platform Supply Vessels (PSVs) are currently employed in the North Sea. The fall of oil prices since 3Q2014 is affecting service providers to the oil industry. In the case of PSVs, demand from new projects has lessened, but demand from existing production facilities has not been affected as much.

The Company has ten high-quality PSVs. Eight of these are now in operation, including two newbuildings which were delivered January 26, 2015. We have further delayed the delivery of the last two newbuildings which now is scheduled to be delivered in April and June 2016. Our ships are built in the period 2012-2016. Our vessels have very low fuel consumption on the propulsion machinery, also resulting in low emissions.

### **Key points to consider:**

- Operating cash flow<sup>1</sup> in 2Q2015 was \$3.4 million vs \$1.7 million in 1Q2015.
- Earnings per share in 2Q2015 were -\$0.02, compared with -\$0.12 in 1Q2015 and \$0.23 for 2Q2014. Net Income came to -\$0.4 million in 2Q2015, compared with -\$2.9 million in 1Q2015 and \$4.1 million in 2Q2014.
- The USD cost price of our newbuildings was at the time of order equivalent to \$44 million. The vessels were ordered in Norwegian Kroner (NOK). As a result of a stronger dollar the cost of the

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<sup>1</sup> Operating cash flow is a non-GAAP number. Please see later in this announcement for a reconciliation of operating cash flow to income from vessel operations.

two January 2015 vessels was \$36m each. Given the current relationship between USD and NOK is maintained, the cost of the 2016 newbuildings will be about \$35 million per vessel.

- NAO had at the end of 2Q2015 total net debt of \$28.8 million for its eight trading ships, or about \$3.6m per vessel. \$37 million of its \$150m credit facility was drawn.
- In conjunction with the relocation from Oslo OTC to NYSE, NAO completed an IPO on June 12, 2014 which strengthened its equity by \$100 million to finance a significant part of the vessels which were delivered in January 2015 and the newbuildings to be delivered in 2016.
- One of our vessels, previously on term contract, was redelivered to the Company in late June, 2015. The redelivery triggered an agreed one-time termination fee of GBP 2.5m (USD 3.9m) paid by the charterer on July 21, 2015, that will be deferred over the remaining charter period.

## **Financial Information**

On July 21, 2015 the Board declared a cash dividend of \$0.17 per share for 2Q2015 to shareholders of record as of August 5, 2015. The payment date is about August 19, 2015.

Net income for 2Q2015 was -\$0.4 million, compared with -\$2.9 million in 1Q2015 and \$4.1 million in 2Q2014, during which the Company was listed most of the time at the Oslo OTC.

For the two 2015 built vessels there is a realized currency gain of about \$8m for each ship because of the strong US dollar against NOK. Currency wise, we have covered one of the 2016 newbuildings at a total price of about \$35m.

The Company's operating cash flow was \$3.4 million in 2Q2015, compared with \$1.7 million for 1Q2015 and \$7.7 million in 2Q2014 on the Oslo OTC (see above).

NAO announced a share repurchase program in May 2015 authorizing a buyback of up to 2.5 million shares. Please see above for further details.

The figures show that the 2<sup>nd</sup> quarter 2015 results were somewhat stronger compared with the previous quarter. While activity in the North Sea has been impacted by the decrease in the oil price, it is also normal for spot rates to be weak at this time of year, due to less work in the North Sea winter market. As we approached the summer months we saw a modest improvement in the spot market.

As a matter of policy, the Company will always focus on maintaining a strong balance sheet with low net debt. At the end of 2Q2015, net debt per NAO vessel in operation was \$3.6m. NAO has in place up to early 2020 a non-amortizing credit facility of \$150 million, of which \$37 million has been drawn as of June 30, 2015.

We concentrate on keeping our vessel operating costs low, while always maintaining our strong commitment to safe operations. As we expand our fleet, we do not anticipate that our administrative costs will rise correspondingly.

## **The Fleet**

Our fleet is comprised of ten high-quality PSVs including two newbuildings. All our vessels are operating in the UK and in the Norwegian Sector. The vessels may operate in either sector or elsewhere. The significant fuel efficiency and low emissions of our ships and other technical features are attractive for our customers.

The Company's objective is to ensure spot or term employment for the fleet, including for the newbuildings. The specifications of the vessels are by and large the same.

## **The PSV Market**

The Company believes the market for our PSVs has been impacted by the decline in the oil price. During the winter months there is also a seasonal weakness in this market.

PSVs are critical to operating offshore and represent a small part of total oil production costs. The recent reduction in the oil price may affect future offshore exploration activities. It should be noted that PSVs are part of the entire life-cycle of an offshore oilfield.

Several of our vessels are suitable for operations in the Arctic. In January 2015 the Norwegian government announced about 60 new blocks available for drilling operations in the Barents Sea which is considered an Arctic region. This announcement was well received by the oil companies.

The geopolitical tensions between Russia and the West as well as the low oil price are impacting offshore drilling activities in Northern/Arctic waters.

## **Strategy Going Forward**

The main elements of the strategy of NAO are based on the same fundamentals as those of Nordic American Tankers Limited, including dividend policy, low debt, low G&A costs and full transparency.

After an acquisition of vessels or other forms of expansion, the Company should be able to pay a higher dividend per share and produce higher earnings per share than had such an acquisition not taken place.

Our dividend policy will continue to enable us to achieve a competitively priced risk adjusted cash yield and total return<sup>2</sup> over time compared with that of other companies.

NAO is firmly committed to protecting its underlying earnings and dividend potential.

Our Company is well positioned for the future. We shall endeavor to safeguard and further strengthen the position for our shareholders in a deliberate, predictable and transparent way.

We encourage prospective investors interested in the Offshore Supply Vessel sector to consider shares in NAO.

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<sup>2</sup> Total Return is defined as stock price plus dividends, assuming dividends are reinvested in the stock

## NORDIC AMERICAN OFFSHORE LTD.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATION	Three Months Ended			Six Months Ended	
	Jun. 30, 2015	Mar. 31, 2015	Jun. 30, 2014	Jun. 30, 2015	Jun. 30, 2014
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Amounts in USD '000					
<b>Net Charter Revenue</b>	<b>11 276</b>	<b>8 934</b>	<b>14 605</b>	<b>20 210</b>	<b>27 310</b>
Vessel Operating Costs	(6 859)	(5 959)	(5 677)	(12 818)	(11 112)
General and Administrative Costs	(1 046)	(1 239)	(1 269)	(2 285)	(2 062)
Depreciation Cost	(3 621)	(3 651)	(2 709)	(7 273)	(5 416)
<b>Operating Costs</b>	<b>(11 525)</b>	<b>(10 850)</b>	<b>(9 655)</b>	<b>(22 376)</b>	<b>(18 590)</b>
<b>Net Operating Income (Loss)</b>	<b>(249)</b>	<b>(1 916)</b>	<b>4 950</b>	<b>(2 165)</b>	<b>8 720</b>
Interest Income	1	32	1	33	47
Interest Costs	(556)	(284)	(333)	(840)	(660)
Other Financial Income (Costs)	388	(722)	(493)	(334)	(1 068)
<b>Total Other Costs</b>	<b>(167)</b>	<b>(974)</b>	<b>(826)</b>	<b>(1 141)</b>	<b>(1 681)</b>
Income taxes	0	0	0	0	(1 212)
<b>Net Income (Loss)</b>	<b>(416)</b>	<b>(2 890)</b>	<b>4 124</b>	<b>(3 306)</b>	<b>5 827</b>
Basic Gain (Loss) per Shares	(0.02)	(0.12)	0.23	(0.14)	0.34
Basic Weighted Average Number of Common Shares Outstanding	23 428 435	23 431 370	17 620 124	23 429 894	17 146 029
Common Shares Outstanding	23 334 427	23 431 370	23 431 370	23 334 427	24 431 370

CONSOLIDATED CONDENSED BALANCE SHEETS	Jun. 30, 2015	Jun. 30, 2014	Dec. 31, 2014
	(unaudited)	(unaudited)	(unaudited) <sup>1</sup>
Amounts in USD '000			
Cash and Cash Equivalents	5 001	16 391	46 398
Cash Deposit	0	45 000	0
Accounts Receivable, net	5 209	9 095	3 103
Prepaid Expenses	340	211	350
Inventory	845	343	235
Other Current Assets	1 417	821	1 657
<b>Total current assets</b>	<b>12 811</b>	<b>71 861</b>	<b>51 744</b>
Vessels, Net	320 077	260 313	255 043
Deposit on Contracts for Vessels	7 962	10 966	15 176
Other Non-current Assets	1 303	536	459
<b>Total non-current assets</b>	<b>329 342</b>	<b>271 814</b>	<b>270 678</b>
<b>Total Assets</b>	<b>342 153</b>	<b>343 675</b>	<b>322 421</b>
Accounts Payable	1 670	1 647	882
Accounts Payable, related party	559	626	673
Other Current Liabilities	2 346	735	1 636
<b>Total Current liabilities</b>	<b>4 576</b>	<b>3 008</b>	<b>3 191</b>
Other Long-term	37 000	0	0
Other Long-term Liabilities	0	1 212	0
<b>Total Non-current Liabilities</b>	<b>37 000</b>	<b>1 212</b>	<b>0</b>
Shareholders' Equity	300 577	339 455	319 230
<b>Total Liabilities and Shareholders' Equity</b>	<b>342 153</b>	<b>343 675</b>	<b>322 421</b>

<sup>1</sup> Annual 2014 financial information derived from audited financial statements

## NORDIC AMERICAN OFFSHORE LTD.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW	Six Months Ended		Twelve Months ended
	Jun. 30, 2015 (unaudited)	Jun. 30, 2014 (unaudited)	Dec. 31, 2014 (unaudited) <sup>1</sup>
Amounts in USD '000			
<b>Net Cash Provided by (Used in) Operating Activities</b>	3 273	5 996	17 183
Investment in Vessels	(63 431)	(132 963)	(133 279)
Down payment on Contracts	(1 661)	(10 966)	(15 107)
Cash Deposit	0	(45 000)	0
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(65 093)</b>	<b>(188 929)</b>	<b>(148 386)</b>
Net Proceeds from Issuance of Common Stock	0	100 402	100 199
Proceeds from Use of Credit Facility	37 000	40 000	40 000
Repayments on Credit Facility	0	(40 000)	(40 000)
Credit Facility Costs	(1 164)	(765)	(765)
Repurchase of Treasury Stock	(802)	0	0
Cash Dividends Paid to Shareholders	(14 527)	(10 132)	(31 221)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>20 507</b>	<b>89 505</b>	<b>68 212</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(41 313)	(93 428)	(62 990)
Effect of exchange rate changes on Cash	(85)	(1)	(430)
Cash and Cash Equivalents at Beginning of Period	46 398	109 819	109 819
<b>Cash and Cash Equivalents at End of Period</b>	<b>5 001</b>	<b>16 391</b> *	<b>46 398</b>

\* Total cash was \$61.4 million including the term deposit of \$45 million

<sup>1</sup> Annual 2014 financial information derived from audited financial statements

## NORDIC AMERICAN OFFSHORE LTD.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES	Three Months Ended			Six Months Ended	
	Jun. 30 2015 (unaudited)	Mar. 31, 2015 (unaudited)	Jun. 30, 2014 (unaudited)	Jun. 30 2015 (unaudited)	Jun. 30, 2014 (unaudited)
Amounts in USD '000					
Net Operating Income (Loss)	(249)	(1 916)	4 950	(2 165)	8 720
Depreciation Costs	3 621	3 651	2 709	7 273	5 416
<b>Operating Cash Flow</b> <sup>(1)</sup>	<b>3 372</b>	<b>1 735</b>	<b>7 659</b>	<b>5 107</b>	<b>14 136</b>

(1) Operating cash flow represents income from vessel operations before depreciation and non-cash administrative charges. Operating cash flow is included because certain investors use this data to measure a shipping company's financial performance. Operating cash flow is not required by accounting principles generally accepted in the United States and should not be considered as an alternative to net income or any other indicator of the Company's performance required by accounting principles generally accepted in the United States.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Matters discussed in this press release may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements 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.

The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. The words "believe," "anticipate," "intend," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect," "pending" and similar expressions identify forward-looking statements.

The forward-looking statements in this press release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, our management's examination of historical operating trends, data contained in our records and other 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 statement, whether as a result of new information, future events or otherwise.

Important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including fluctuations in charter rates and vessel values, changes in demand in the PSV market, as a result of changes in the general market conditions of the oil and natural gas industry which influence charter hire rates and vessel values, demand in platform supply vessels, our operating expenses, including bunker prices, dry docking and insurance costs, governmental rules and regulations or actions taken by regulatory authorities as well as potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, the availability of financing and refinancing, vessel breakdowns and instances of off-hire and other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission.

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