



## **Nordic American Offshore Ltd. (NYSE:NAO) 4Q2015 Dividend and Earnings Report**

Hamilton, Bermuda, February 4, 2016.

Nordic American Offshore Ltd. ("NAO" or "the Company") became stock 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 Vessels (PSVs) business dating back several decades. In a challenging freight market for PSVs, the operating cash flow<sup>1</sup> for NAO was marginally negative (-\$0.1m) for 4Q2015. The technical and operational quality of our ships is unsurpassed, as evidenced by their performance in the recent hurricane "Tor" in the North Sea. We have succeeded in expanding our customer base considerably. In this light, NAO should be differentiated from other PSV companies.

The main elements of the strategy of Nordic American Offshore Ltd. 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.

In the challenging market for PSVs, we see opportunities to grow the Company. NAO has ten high-quality PSVs built in Norway in the period 2012-2016. Eight of these are now in operation. Two more are under construction in Norway for delivery in April and June 2016. Our vessels have very low fuel consumption, resulting in low emissions and producing attractive transportation economics.

As announced on January 25, 2016, NAO has declared a dividend of \$0.12 per share for 4Q2015. The record date is February 5, 2016 and the payment of dividend is expected to take place about February 22, 2016. Since its original establishment in late 2013, NAO has paid dividends for 8 consecutive quarters, totalling \$2.41 per share, including the dividend to be paid about February 22, 2016. In June 2014, NAO relocated from the Oslo OTC (Over the Counter) exchange to the New York Stock Exchange (NYSE).

The Company's 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 been reduced, while demand from existing production facilities has not been affected as much.

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

- Operating cash flow per share has been: -\$0.00 for 4Q2015, \$0.04 for 3Q2015 and \$0.11 for 4Q2014.
- Earnings per share (EPS) has been: -\$0.19 for 4Q2015, -\$0.13 for 3Q2015 and -\$0.07 for 4Q2014. EPS does not take into account risk, and as such, it is a deceptive measure.
- NAO had at the end of 4Q2015 total net debt of \$41.9m for its eight trading ships, or about \$5.2m per ship. \$47m of its \$150m credit facility was drawn. Including the recently agreed credit facility of \$150m, NAO is fully financed up to early 2020.
- The USD cost price of our newbuildings was at the time of order equivalent to \$44m. The vessels were ordered in Norwegian Kroner (NOK). As a result of a stronger dollar the cost of the two vessels delivered in January 2015 was \$36m each. Assuming the current relationship between the USD and NOK is maintained, the average cost of the 2016 newbuildings will be about \$34m per vessel.

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

- In conjunction with the relocation from Oslo to NYSE, NAO completed an IPO on the NYSE on June 12, 2014 which strengthened NAO's equity by \$100m to finance a significant part of the vessels which were delivered in January 2015 and the newbuildings to be delivered in 2016.
- NAO maintains industry leading breakeven cash flow levels. All our PSVs are working with high utilization rates.

## **Financial Information**

On January 25, 2016, the Board declared a cash dividend of \$0.12 per share for 4Q2015 to shareholders of record as of February 5, 2016. The payment date is on or about February 22, 2016.

The Company's operating cash flow was -\$0.1m in 4Q2015. In 3Q2015 and 4Q2014 operating cash flow was \$1.0m and \$2.6m, respectively.

Net Income was -\$4.4m in 4Q2015. In 3Q2015 and 4Q2014 Net Income was -\$3.1m and -\$1.7m, respectively.

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

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. As of this report NAO has repurchased 1,094,136 shares at an aggregate cost of about \$6.7m at about \$6.09 per share. NAO currently has a total of 22,337,234 shares outstanding.

The figures show that the 4Q2015 results were somewhat weaker compared with the previous quarter. While activity in the North Sea has been impacted by the decrease in the oil price, the number of available vessels resulted in an unusually weak summer market.

As a matter of policy, the Company always focuses on maintaining a strong balance sheet with low net debt. At the end of 4Q2015, net debt per NAO vessel in operation was \$5.2m. NAO has in place until early 2020 a non-amortizing credit facility of \$150 million, of which \$47m has been drawn as of December 31, 2015. Several service companies in our sector are in a difficult financial position. Going forward, because of its strong financial position, NAO sees commercial opportunities in this environment.

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.

For further details on our financial position for 4Q2015, 3Q2015 and 4Q2014, please see later in this release.

## **The Fleet**

Our fleet is comprised of ten high-quality PSVs including two newbuildings. All our vessels operate in the UK and in the Norwegian sectors of the North Sea. The vessels may operate in either sector or elsewhere. The significant fuel efficiency and low emissions of our ships and other 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 Company's vessels are by and large the same.

## Strategy Going Forward

The main elements on which NAO's strategy is based, are the same fundamentals as those of Nordic American Tankers Limited, including quarterly dividends, low debt, low G&A costs, high liquidity in the stock and full transparency.

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

NAO is firmly committed to protecting its underlying earnings, dividend potential and strong balance sheet.

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 buying 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			Twelve Months Ended	
	Dec. 31, 2015 (unaudited)	Sep. 30, 2015 (unaudited)	Dec. 31, 2014 (unaudited)	Dec. 31, 2015 (unaudited)	Dec. 31, 2014 (unaudited) <sup>1</sup>
Amounts in USD '000					
<b>Net Charter Revenue</b>	<b>6 684</b>	<b>7 954</b>	<b>9 889</b>	<b>34 848</b>	<b>51 508</b>
Vessel Operating Costs	(5 713)	(6 049)	(6 053)	(24 580)	(23 038)
General and Administrative Costs	(1 064)	(912)	(1 251)	(4 261)	(5 815) *
Depreciation Cost	(3 749)	(3 358)	(3 269)	(14 379)	(11 393)
<b>Operating Costs</b>	<b>(10 526)</b>	<b>(10 317)</b>	<b>(10 573)</b>	<b>(43 220)</b>	<b>(40 246)</b>
<b>Net Operating Income (Loss)</b>	<b>(3 842)</b>	<b>(2 363)</b>	<b>(684)</b>	<b>(8 372)</b>	<b>11 262</b>
Interest Income	1	0	166	34	258
Interest Costs	(501)	(466)	(250)	(1 807)	(1 044)
Other Financial Income (Costs)	(94)	(271)	(954)	(699)	(2 333)
<b>Total Other Costs</b>	<b>(595)</b>	<b>(736)</b>	<b>(1 037)</b>	<b>(2 472)</b>	<b>(3 119)</b>
Income taxes	0	0	0	0	(1 212)
<b>Net Income (Loss)</b>	<b>(4 437)</b>	<b>(3 101)</b>	<b>(1 721)</b>	<b>(10 844)</b>	<b>6 931</b>
Basic Gain (Loss) per Shares	(0.19)	(0.13)	(0.07)	(0.47)	0.34
Basic Weighted Average Number of Common Shares Outstanding	22 779 687	23 172 624	23 431 370	23 201 160	20 314 530
Common Shares Outstanding	22 560 531	22 931 396	23 431 370	22 560 531	23 431 370

\*) The G&A for the twelve months ended December 31, 2014 includes \$1.5m paid as fees related to the NYSE stock listing which was a one time non-recurring item.

CONSOLIDATED CONDENSED BALANCE SHEETS	Dec. 31, 2015 (unaudited)	Dec. 31, 2014 (unaudited) <sup>1</sup>
	Amounts in USD '000	
Cash and Cash Equivalents	5 339	46 398
Accounts Receivable, net	3 975	3 103
Prepaid Expenses	489	350
Inventory	794	235
Other Current Assets	4 072	1 657
<b>Total current assets</b>	<b>14 670</b>	<b>51 744</b>
Vessels, Net	313 642	255 043
Deposit on Contracts for Vessels	7 993	15 176
Other Non-current Assets	1 166	459
<b>Total non-current assets</b>	<b>322 802</b>	<b>270 678</b>
<b>Total Assets</b>	<b>337 472</b>	<b>322 421</b>
Accounts Payable	795	882
Accounts Payable, related party	596	673
Other Current Liabilities	6 448	1 636
<b>Total Current liabilities</b>	<b>7 840</b>	<b>3 191</b>
Long-term Debt	47 000	0
Other Long-term Liabilities	1 775	0
<b>Total Non-current Liabilities</b>	<b>48 775</b>	<b>0</b>
Shareholders' Equity	280 857	319 230
<b>Total Liabilities and Shareholders' Equity</b>	<b>337 472</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

	Twelve Months Ended	
	Dec. 31, 2015 (unaudited)	Dec. 31, 2014 (unaudited) <sup>1</sup>
Amounts in USD '000		
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>5 987</b>	<b>17 183</b>
Investment in Vessels	(63 529)	(133 279)
Down payment on Contracts	(1 693)	(15 107)
Cash Deposit	0	0
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(65 222)</b>	<b>(148 386)</b>
Net Proceeds from Issuance of Common Stock	(17)	100 199
Proceeds from Use of Credit Facility	47 000	40 000
Repayments on Credit Facility	0	(40 000)
Credit Facility Costs	(1 217)	(765)
Repurchase of Treasury Stock	(5 590)	0
Cash Dividends Paid to Shareholders	(21 922)	(31 221)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>18 253</b>	<b>68 212</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(40 982)	(62 990)
Effect of exchange rate changes on Cash	(78)	(430)
Cash and Cash Equivalents at Beginning of Period	46 398	109 819
<b>Cash and Cash Equivalents at End of Period</b>	<b>5 339</b>	<b>46 398</b>

<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			Twelve Months Ended	
	Dec. 31, 2015 (unaudited)	Sep. 30 2015 (unaudited)	Dec. 31, 2014 (unaudited)	Dec. 31, 2015 (unaudited)	Dec. 31, 2014 (unaudited)
Amounts in USD '000					
Net Operating Income (Loss)	(3 842)	(2 364)	(684)	(8 372)	11 262
Depreciation Costs	3 749	3 358	3 269	14 379	11 393
<b>Operating Cash Flow<sup>(1)</sup></b>	<b>(93)</b>	<b>993</b>	<b>2 586</b>	<b>6 007</b>	<b>22 655</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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