



Press Release

Northern Offshore Reports First Quarter 2010 Financial Results

HOUSTON, TEXAS -- May 26, 2010 -- Northern Offshore, Ltd. (Oslo Børs: NOF.OL) today reported net income for the three months ended March 31, 2010 of US\$23.2 million, or US\$0.15 per diluted share, on revenues of US\$68.1 million. This compares to net income of US\$3.6 million, or US\$0.02 per diluted share, for the first quarter of 2009, on revenues of US\$56.6 million. Net income for the prior year quarter included a US\$3.7 million charge to bad debt expense. Excluding that charge, first quarter 2009 net income would have been US\$7.3 million, or US\$0.05 per diluted share.

First Quarter Analysis

Revenues for the three months ended March 31, 2010 increased US\$11.5 million compared to the same period of 2009. This increase was primarily due to revenue from the drillship Energy Searcher, which had been idle in the first quarter of the previous year, earnings from the company's management contract in the Caspian region, and tariff revenue from the floating production facility Northern Producer, which had not yet commenced production operations in the first quarter of 2009. Partially offsetting this increase was lower utilization of the jackups Energy Exerter and Energy Enhancer, which were idle during the 2010 first quarter, and lower dayrates for the jackup Energy Endeavour.

Drilling and production expenses for the first quarter of 2010 were US\$6.3 million lower compared to the same period of 2009 due primarily to lower utilization of the jackup fleet in the 2010 quarter. This was partially offset by higher expenses associated with the utilization of the drillship Energy Searcher. Depreciation expense for the first quarter of 2010 was US\$1.7 million lower compared to the first quarter of 2009 primarily due to the extension of the useful life of the floating production facility Northern Producer in the second quarter of 2009 and a change in the accounting estimate of the fleet's salvage value. Amortization of drilling contract intangibles declined US\$2.0 million from the previous year quarter as the intangibles were fully amortized in 2009.

Energy Searcher Update

The repairs to the drillship Energy Searcher are currently underway and are on schedule. The company currently estimates repair costs to be approximately US\$4.0 million. Based on current work progress, the rig is expected to be back on location in Vietnam around July 1, 2010.

Conference Call Information

Northern Offshore, Ltd. will conduct a teleconference with security analysts at 9 a.m. CT, May 27, 2010 to discuss the company's quarterly results. Individuals wishing to participate in the teleconference should call 800-901-5218 (in the U.S.) or 617-786-4511 (outside the U.S.) about five to ten minutes prior to the scheduled start time and refer to participant password 71062504.

The conference call also will be accessible by logging on to the company's website at <http://www.northernoffshorelimited.com>. After logging on, go to "Investor Relations" and select the conference call webcast.

About the Company

Northern Offshore, Ltd. is a Bermuda holding company which operates offshore oil and gas production and drilling vessels deployed around the world. The company's fleet consists of one floating production facility and five drilling units (a drillship, a semisubmersible and three jackup drilling rigs). The Northern Offshore fleet operates in various markets including the North Sea, the Indian Ocean, offshore Russia, the Mediterranean Sea and Southeast Asia. The company also provides rig management services, and is currently operating in this capacity on two semisubmersibles in the Caspian Sea. More information on Northern Offshore, Ltd. may be found by visiting the company's website at <http://www.northernoffshorelimited.com>.

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NORTHERN OFFSHORE, LTD. and SUBSIDIARIES
Consolidated Statements of Income
(Unaudited)

	Three Months Ended March 31,		
<i>(Thousands of US Dollars, except per share amounts)</i>	Q4 2009	2010	2009
Revenue	69,178	68,090	56,553
Operating expenses:			
Drilling and production expenses	(29,177)	(22,709)	(28,993)
Depreciation	(15,520)	(14,068)	(15,773)
General & administrative expenses	(2,571)	(2,319)	(1,731)
Bad debt expense	-	-	(3,664)
Total operating expenses	(47,268)	(39,096)	(50,161)
Operating income	21,910	28,994	6,392
Interest income	60	37	90
Interest expense	(1,949)	(2,395)	(3,250)
Amortization of drilling contract intangibles	-	-	2,018
Amortization of deferred financing fees	(397)	(351)	(397)
Other financial items	(1,248)	(24)	(764)
Total other income/(expense), net	(3,534)	(2,733)	(2,303)
Income before taxes	18,376	26,261	4,089
Income taxes - (expense)/benefit	(973)	(3,081)	(469)
Net income	17,403	23,180	3,620
Earnings per share (US\$)			
Basic	0.11	0.15	0.02
Diluted	0.11	0.15	0.02
Weighted average common shares (000's)			
Basic	153,327	154,032	153,100
Diluted	154,845	156,116	153,100

NORTHERN OFFSHORE, LTD. and SUBSIDIARIES
Consolidated Balance Sheets
(Unaudited)

<i>(Thousands of US Dollars)</i>	March 31, 2010	December 31, 2009
<i>Current assets</i>		
Cash and cash equivalents	56,900	79,162
Restricted cash	8,232	9,371
Account receivables, net	46,865	35,423
Prepaid expenses	4,426	6,097
Deferred financing fees	495	561
Deferred mobilization costs	580	601
Total current assets	117,498	131,215
<i>Non-current assets</i>		
Property, plant & equipment, net	486,233	499,594
Restricted cash, net of current portion	6,438	6,438
Deferred mobilization cost, net of current portion	330	382
Deferred financing fees, net of current portion	192	-
Total non-current Assets	493,193	506,414
Total assets	610,691	637,629
<i>Current liabilities</i>		
Accounts payable	28,060	12,917
Accrued expenses	22,805	21,467
Income tax payable	4,314	3,762
Current portion of debt	130,000	197,500
Deferred revenue	6,713	2,076
Total current liabilities	191,892	237,722
<i>Non-current liabilities</i>		
Deferred revenue, net of current portion	2,232	2,396
Other long-term liabilities	1,320	6,022
Total non-current liabilities	3,552	8,418
Total liabilities	195,444	246,140
<i>Shareholders' equity</i>		
Share capital	39,405	38,829
Additional paid-in capital	165,752	165,750
Accumulated other comprehensive loss	(6,691)	(6,691)
Retained earnings	216,781	193,601
Total shareholders' equity	415,247	391,489
Total liabilities and shareholders' equity	610,691	637,629

NORTHERN OFFSHORE, LTD. and SUBSIDIARIES
Consolidated Statement of Cash Flows - (Unaudited)

(Thousands of US Dollars)	Three months ended March 31,	
	2010	2009
Cash flows from operating activities		
Net income	23,180	3,620
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Bad debt expense	-	4,703
Stock-based compensation	775	372
Depreciation	14,068	15,773
Amortization of drilling contract intangibles	-	(2,018)
Amortization of deferred financing fees	351	397
Realized gain on foreign currency	161	-
<i>Changes in operating assets and working capital</i>		
Increase in accounts receivable	(11,597)	(17,013)
Decrease in prepaid expenses and other current assets	1,931	4,940
Increase (decrease) in accounts payable	15,166	(4,054)
Increase in other accrued liabilities	1,409	14,665
Increase in deferred revenue	4,473	1,571
Decrease in other long term liabilities	(4,701)	(9,390)
Increase (decrease) in income taxes payable	523	(2,417)
Other, net	(180)	12
Net cash provided by operating activities	45,559	11,161
Cash flows from investing activities		
Capital expenditures	(707)	(3,388)
Release of restricted cash	1,151	-
Net cash provided by/ (used in) investing activities	444	(3,388)
Cash flows from financing activities		
Payment for taxes on vested shares	(197)	-
Debt issuance costs	(576)	-
Principal payment of bank term loan	(67,500)	(22,500)
Net cash used in financing activities	(68,273)	(22,500)
Net decrease in cash and cash equivalents	(22,270)	(14,727)
Cash and cash equivalents at beginning of period	79,162	58,759
Effects of exchange rate changes on cash and cash equivalents	8	26
Cash and cash equivalents at end of period	56,900	44,058
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Income taxes	2,514	2,808
Interest	1,690	2,722

NORTHERN OFFSHORE, LTD. and SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
(Unaudited)

<i>(Thousands of US Dollars)</i>	Common shares ('000)	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total
Balance at January 1, 2009	153,124	38,281	164,860	(6,691)	118,542	314,992
Net income	-	-	-	-	75,059	75,059
Issuance of restricted stock	2,196	548	(548)	-	-	-
Stock-based compensation	-	-	1,438	-	-	1,438
Balance at December 31, 2009	155,320	38,829	165,750	(6,691)	193,601	391,489
Net income	-	-	-	-	23,180	23,180
Issuance of restricted stock	2,302	576	(576)	-	-	-
Stock-based compensation	-	-	578	-	-	578
Balance at March 31, 2010	157,622	39,405	165,752	(6,691)	216,781	415,247

NORTHERN OFFSHORE, LTD. and SUBSIDIARIES
Reconciliation of GAAP to Non-GAAP Financial Results
(Unaudited)

<i>(Thousands of US Dollars)</i>	Three Months Ended March 31,		
	Q4 2009	2010	2009
Net Income (GAAP)	31,245	23,180	3,620
Add Back:			
Net interest expense	2,629	2,709	3,557
Income taxes	2,124	3,081	469
Depreciation	14,515	14,068	15,773
Amortization	(1,850)	-	(2,018)
EBITDA (Non-GAAP)	48,663	43,038	21,401

EBITDA is defined as Net Income before Interest, Taxes, Depreciation and Amortization.

NORTHERN OFFSHORE, LTD. and SUBSIDIARIES
Operating Statistics
(Unaudited)

	Three Months Ended March 31,		
	Q4 2009	2010	2009
Jackups (3)			
Average rig utilization	33%	33%	86%
Operating days	92	90	233
Average revenue per day	93,979	86,782	157,184
Drillship (1)			
Average rig utilization	100%	100%	-
Operating days	92	90	-
Average revenue per day	327,038	334,596	-
Semisubmersible (1)			
Average rig utilization	100%	100%	100%
Operating days	92	90	90
Average revenue per day	227,922	233,937	210,276
Total Drilling Rigs			
Average rig utilization	60%	60%	72%
Operating days	276	270	323
Average revenue per day	216,313	218,441	171,972
Floating Production Facility (1)			
Operating days	92	90	90
Days available for tariff	92	90	-
Average bpd	12,389	11,224	-
Average tariff revenue per day	61,111	58,119	-
Average other revenue per day	8,775	8,867	10,783
Total average revenue per day	69,886	66,986	10,783

Note 1: Operating days represent actual days under contract.

Note 2: Northern Producer contract commenced March 1, 2008 with first oil on April 28, 2009.

Average tariff per day is calculated based on number days in the period from commencement of first oil. From April 1 to April 27 the company received contractual dayrate of US\$30,000 per day.

Note 3: In Q1'10 we earned an average dayrate of US\$34,249 per day for provision of rig management services for two semisubmersibles in the Caspian Sea which commenced October 1, 2009.

Note 4: Costs which are reimbursed by the client are included in the average revenue per day calculation.