



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)

| <i>(Thousands of US Dollars, except per share amounts)</i> | Q4 2009 | Three Months Ended March 31, | |
|--|-----------------|---|-----------------|
| | | 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)

| <i>(Thousands of US Dollars)</i> | 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> | Q4 2009 | Three Months Ended March 31, | |
|----------------------------------|----------------|---|---------------|
| | | 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.