



Press Release

Northern Offshore Reports Second Quarter and Six Month 2010 Financial Results

HOUSTON, TEXAS -- August 25, 2010 -- Northern Offshore, Ltd. (Oslo Børs: NOF.OL) reported a net loss for the three months ended June 30, 2010 of US\$0.5 million, or US\$0.0 per diluted share. This compares to net income of US\$22.8 million, or US\$0.15 per diluted share for the second quarter of 2009. Revenues for the second quarter of 2010 were US\$48.9 million compared to US\$73.4 million for the second quarter of 2009.

For the six months ended June 30, 2010, net income was US\$22.7 million or US\$0.15 per diluted share. For the same period in the prior year, net income was US\$26.4 million or US\$0.17 per diluted share. Net income for the first quarter of 2009 included a US\$3.7 charge to bad debt expense. Excluding that charge, the first six months of 2009 net income would have been US\$30.1 million, or US\$0.20 per diluted share. Revenues for the first six months of 2010 were US\$116.9 million compared to US\$129.9 million for the same period in 2009.

Northern Offshore President and CEO Gary Casswell commented "The loss of revenue, as well as the repair costs, attributable to the drillship Energy Searcher undergoing repairs during the second quarter was unfortunate. The financial results were noticeably affected by this event. We are obviously pleased to have the rig back on location and under normal operations."

Second Quarter Analysis

Revenues for the three months ended June 30, 2010 were lower by approximately US\$24.5 million as compared to the same period of 2009, primarily due to lower utilization for the jackup fleet. This decline was partially offset by higher production tariff from the Northern Producer floating production facility as well as income from the management services contract in Azerbaijan.

Drilling and production expenses for the second quarter of 2010 were at a level similar to the same period in 2009, as were General and Administrative expenses. Amortization of drilling contract intangibles declined by US\$2.0 million compared to the same period last year, as the intangibles were fully amortized in the third quarter of 2009. Depreciation expense declined by US\$1.5 million from the second quarter of 2009 due to the extension of the useful life of the floating production facility Northern Producer and a change of estimate of the fleet's salvage value.

Conference Call Information

Northern Offshore, Ltd will conduct a teleconference with security analysts at 9 a.m. CT, August 26, 2010 to discuss the company's quarterly financial results. Individuals wishing to participate in the teleconference should call (800) 706-7749 (in the U.S.) or (617) 614-3474 (outside the U.S.) about five to ten minutes prior to the scheduled start time and refer to participant password 96564668.

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		Six Months Ended	
		June 30,		June 30,	
<i>(Thousands of US Dollars, except per share amounts)</i>	Q1 2010	2010	2009	2010	2009
Revenue	68,090	48,855	73,352	116,945	129,905
Operating expenses:					
Drilling and production	(22,709)	(29,191)	(28,934)	(51,900)	(57,927)
Depreciation	(14,068)	(14,669)	(16,225)	(28,737)	(31,998)
General & administrative	(2,319)	(2,371)	(2,299)	(4,690)	(4,030)
Bad debt	-	-	(233)	-	(3,897)
Total operating expenses	(39,096)	(46,231)	(47,691)	(85,327)	(97,852)
Operating income	28,994	2,624	25,661	31,618	32,053
Interest income	37	28	112	65	202
Interest expense	(2,395)	(1,743)	(2,718)	(4,138)	(5,968)
Amortization of drilling contract	-	-	2,018	-	4,036
Amortization of deferred financing fees	(351)	(678)	(397)	(1,029)	(794)
Other financial items	(24)	(312)	409	(336)	(355)
Total other income/(expense), net	(2,733)	(2,705)	(576)	(5,438)	(2,879)
Income before taxes	26,261	(81)	25,085	26,180	29,174
Income taxes - (expense)/benefit	(3,081)	(444)	(2,293)	(3,525)	(2,762)
Net income/ (loss)	23,180	(525)	22,792	22,655	26,412
Earnings per share (US\$)					
Basic	0.15	(0.00)	0.15	0.15	0.17
Diluted	0.15	(0.00)	0.15	0.15	0.17
Weighted average common shares (000's)					
Basic	154,032	154,489	153,108	154,261	153,104
Diluted	156,116	154,489	153,265	156,126	153,183

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

	June 30, 2010	December 31, 2009
<i>(Thousands of US Dollars)</i>		
<i>Current assets</i>		
Cash and cash equivalents	32,270	79,162
Restricted cash	232	9,371
Account receivables, net	48,965	35,423
Prepaid expenses	7,663	6,097
Deferred financing fees	3,001	561
Deferred mobilization costs	566	601
Total current assets	92,697	131,215
<i>Non-current assets</i>		
Property, plant & equipment, net	480,669	499,594
Restricted cash, net of current portion	6,438	6,438
Deferred mobilization cost, net of current portion	-	382
Deferred financing fees, net of current portion	779	-
Other noncurrent assets	842	-
Total non-current Assets	488,728	506,414
Total assets	581,425	637,629
<i>Current liabilities</i>		
Accounts payable	34,507	12,917
Accrued expenses	26,285	21,467
Income tax payable	2,805	3,762
Current portion of debt	100,000	197,500
Deferred revenue	727	2,076
Total current liabilities	164,324	237,722
<i>Non-current liabilities</i>		
Deferred revenue, net of current portion	2,066	2,396
Other long-term liabilities	-	6,022
Total non-current liabilities	2,066	8,418
Total liabilities	166,390	246,140
<i>Shareholders' equity</i>		
Share capital	39,333	38,829
Additional paid-in capital	166,137	165,750
Accumulated other comprehensive loss	(6,691)	(6,691)
Retained earnings	216,256	193,601
Total shareholders' equity	415,035	391,489
Total liabilities and shareholders' equity	581,425	637,629

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

<i>(Thousands of US Dollars)</i>	Six months ended June 30,	
	2010	2009
Cash flows from operating activities		
Net income	22,655	26,412
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Bad debt expense	-	3,897
Stock-based compensation	1,298	725
Depreciation	28,737	31,998
Amortization of drilling contract intangibles	-	(4,036)
Amortization of deferred financing fees	1,029	794
<i>Changes in operating assets and working capital</i>		
(Increase) decrease in accounts receivable	229	(34,105)
(Increase) decrease in prepaid expenses	(240)	2,570
Increase in accounts payable	7,819	1,264
Increase (decrease) in other accrued liabilities	(4,169)	2,620
Increase (decrease) in deferred revenue	(1,679)	2,902
Decrease in income tax payable	(957)	(1,154)
Other, net	(1,749)	(300)
Net cash provided by operating activities	52,973	33,587
Cash flows from investing activities		
Capital expenditures	(6,796)	(6,883)
Release of restricted cash	9,163	-
Proceeds from sale of equipment	-	188
Net cash provided by/ (used in) investing activities	2,367	(6,695)
Cash flows from financing activities		
Proceeds from drawdown of revolver	100,000	-
Payoff of bond loan	(100,000)	-
Principal payment of bank term loan	(97,500)	(45,000)
Deferred financing fees	(4,325)	-
Payment for taxes on vested shares	(407)	-
Net cash used in financing activities	(102,232)	(45,000)
Net decrease in cash and cash equivalents	(46,892)	(18,108)
Cash and cash equivalents at beginning of period	79,162	58,759
Cash and cash equivalents at end of period	32,270	40,651
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Income taxes	4,438	3,708
Interest	2,893	6,165

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 gain / (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	-	-	-	-	22,655	22,655
Issuance of restricted stock	2,016	504	(504)	-	-	-
Payments for taxes on vested shares	-	-	(407)	-	-	(407)
Stock-based compensation	-	-	1,298	-	-	1,298
Balance at June 30, 2010	157,336	39,333	166,137	(6,691)	216,256	415,035

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

<i>(Thousands of US Dollars)</i>	Q1 2010	Three Months Ended June 30,		Six Months Ended June 30,	
		2010	2009	2010	2009
Net Income (GAAP)	23,180	(525)	22,792	22,655	26,412
Add Back:					
Net interest expense	2,709	2,393	3,003	5,102	6,560
Income taxes	3,081	444	2,293	3,525	2,762
Depreciation	14,068	14,669	16,225	28,737	31,998
Amortization	-	-	(2,018)	-	(4,036)
EBITDA (Non-GAAP)	43,038	16,981	42,295	60,019	63,696

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

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

		Three Months Ended		Six Months Ended	
		June 30,		June 30,	
Q1 2010		2010	2009	2010	2009
Jackups (3)					
Average rig utilization	33%	11%	94%	22%	90%
Operating days	90	31	256	121	489
Average revenue per day	86,782	68,448	145,419	82,090	151,031
Drillship (1)					
Average rig utilization	100%	100%	48%	100%	24%
Operating days	90	91	43	181	43
Average revenue per day	334,596	125,246	261,331	229,343	261,331
Semisubmersible (1)					
Average rig utilization	100%	100%	100%	100%	100%
Operating days	90	91	91	181	181
Average revenue per day	233,937	213,796	229,426	223,811	220,000
Total Drilling Rigs (5)					
Average rig utilization	60%	47%	86%	53%	79%
Operating days	270	213	390	483	713
Average revenue per day	218,441	154,284	177,902	190,148	175,241
Floating Production Facility (1)					
Days in period	90	91	91	181	181
Production days from April 28, 2009	90	91	64	181	64
Average bpd (from April 28th)	11,224	25,167	8,999	18,234	8,999
Average tariff revenue per day	58,119	131,479	37,294	95,001	37,294
Average other revenue per day	8,867	8,802	17,374	8,834	14,099
Total average revenue per day	66,986	140,275	43,608	103,834	27,286

Note 1: Operating days represent actual days under contract.

Note 2: Northern Producer commenced 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 Q2'10 we earned an average dayrate of US\$34,229 per day for the three months ended June 30, 2010 and US\$34,239 per day for the six months ended June 30, 2010 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.