



Press Release

August 13, 2014

## Northern Offshore Reports Second Quarter and Six Month 2014 Financial Results

### Highlights

(All \$ in USD)

- Northern Offshore, Ltd. (Oslo Børs: NOF.OL) today reported net income for the three months ended June 30, 2014, of \$9.3 million, or \$0.06 per diluted share, on revenues of \$55.5 million.
- The company generated \$20.1 million of second quarter adjusted EBITDA.
- Energy Searcher commenced contract in Nigeria
- 2 ½ year contract with Rosneft Oil Company announced for the Energy Endeavour
- Rate increase for the Energy Enhancer
- The company's directors have declared a dividend of \$0.05 per share, or approximately \$8.2 million.

### Management Comment

Gary W. Casswell, Northern Offshore's president and CEO, commented, "Second quarter earnings were consistent with the first quarter, as expected. With the Energy Searcher commencing its contract in Nigeria during the quarter, we now have all rigs under contract, and with increased day rates for the Energy Enhancer, we expect to see improved results in the second half of the year. Additionally, we are excited about our recently announced contract with Rosneft, and look forward to commencement of this contract in direct continuation upon the conclusion of the program with our current client."

Mr. Casswell went on to say, "During the second quarter there have been announcements regarding further development and additional production wells in the fields that tie into the Northern Producer, which could have a significant positive implication for the company. As a result of this information, the company will further review the various divestment alternatives available to unlock value for our shareholders from the Northern Producer, including a sale or the potential spin-off which was previously announced."

### Second Quarter Analysis

Net income for the three months ended June 30, 2014, was \$9.3 million, or \$0.06 per diluted share. This compares to net income of \$1.7 million, or \$0.01 per diluted share for the second quarter of 2013. Revenues for the second quarter of 2014 were \$55.5 million, compared to \$44.1 million for the second quarter of 2013.

For the six months ended June 30, 2014, net income was \$19.3 million, or \$0.12 per diluted share. For the same period in the prior year, net income was \$2.7 million, or \$0.02 per diluted share. Revenues for the first six months of 2014 were \$105.0 million, compared to \$85.5 million for the same period in 2013.

Revenues for the three months ended June 30, 2014, were higher as compared to the same period of 2013, primarily because of increases in dayrate revenues from the drillship Energy Searcher, which commenced its contract with CAMAC during the quarter, and the jackups Energy Enhancer and Energy Endeavour, which had increases in their daily operating rates.

The tariff revenues from the Northern Producer averaged approximately \$96,000 per day in the second quarter of 2014. The company expects pricing levels to remain stable and production to decrease in line with forecast decline rates.

Drilling and production expenses for the second quarter of 2014 were \$4.2 million higher when compared with the same period in 2013, primarily due to inspection costs for the Northern Producer and higher labor, repair and maintenance costs for the jackup fleet.

Second quarter 2014 depreciation, general and administrative expenses, interest expense, amortization of deferred financing fees and other financial items were comparable to those of the same period in 2013.

As of August 8, 2014, the company had an outstanding credit facility balance of \$37.0 million and a cash balance of \$42.0 million.

The company's directors have declared a dividend of \$0.05 per share, or approximately \$8.2 million. Shareholders of record with the VPS on August 29, 2014 will be entitled to receive the dividend, which will be paid on or around September 15, 2014. The shares of the company will be trading ex-dividend from August 27, 2014.

### **Conference Call Information**

Northern Offshore, Ltd. will conduct a teleconference with security analysts at 9 a.m. CT, August 14, 2014, to discuss the company's quarterly results. Individuals wishing to participate in the teleconference should call (866) 318-8614 (in the U.S.) or (617) 399-5133 (outside the U.S.) about five to ten minutes prior to the scheduled start time and refer to participant password 11492557.

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 drilling units and one production vessel in various markets around the world, including the North Sea, the Indian Ocean, Southeast Asia and West Africa. The company's fleet consists of four drilling units (a drillship, a semisubmersible and two jackup drilling rigs) and one floating production facility. Additionally, the company has under construction two 350' high specification jackup drilling rigs, with delivery expected in the first and third quarters of 2016. More information on Northern Offshore, Ltd. may be found by visiting the company's website at <http://www.northernoffshorelimited.com>.

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This announcement contains statements that reflect the company's expectations or predictions of the future. These statements are forward-looking statements. These forward-looking statements may include statements regarding earnings guidance, capital allocation strategy, the impact of activity levels, business performance, and other market and industry conditions. The company's actual results could differ materially from those reflected in such forward-looking statements. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained from time to time in the company's regulatory filings. The company disclaims any intention or obligation to revise any forward-looking statements, including financial estimates, whether as a result of new information, future events or otherwise.

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

<i>(Thousands of US Dollars, except per share amounts)</i>	Q1 2014	Three Months Ended		Six Months Ended	
		June 30,		June 30,	
	2014	2013	2014	2013	2013
<b>Revenues</b>	<b>49,432</b>	<b>55,531</b>	<b>44,116</b>	<b>104,963</b>	<b>85,530</b>
<b>Operating expenses:</b>					
Drilling and production	(26,949)	(33,526)	(29,370)	(60,477)	(59,449)
Depreciation	(8,297)	(8,296)	(7,828)	(16,592)	(15,765)
General & administrative	(2,142)	(1,910)	(2,032)	(4,052)	(4,043)
<b>Total operating expenses</b>	<b>(37,388)</b>	<b>(43,732)</b>	<b>(39,230)</b>	<b>(81,121)</b>	<b>(79,257)</b>
<b>Operating income</b>	<b>12,044</b>	<b>11,799</b>	<b>4,886</b>	<b>23,842</b>	<b>6,273</b>
Interest expense	(426)	(543)	(384)	(969)	(780)
Amortization of deferred financing fees	(121)	(40)	(122)	(161)	(243)
Other financial items	(45)	(467)	(1,054)	(512)	(585)
<b>Total other expense</b>	<b>(592)</b>	<b>(1,050)</b>	<b>(1,560)</b>	<b>(1,642)</b>	<b>(1,608)</b>
<b>Income before taxes</b>	<b>11,452</b>	<b>10,749</b>	<b>3,326</b>	<b>22,200</b>	<b>4,665</b>
Income taxes expense	(1,449)	(1,467)	(1,668)	(2,916)	(1,943)
<b>Net income</b>	<b>10,003</b>	<b>9,282</b>	<b>1,658</b>	<b>19,284</b>	<b>2,722</b>
<b>Earnings per share (US\$)</b>					
Basic	<b>0.06</b>	<b>0.06</b>	<b>0.01</b>	<b>0.12</b>	<b>0.02</b>
Diluted	<b>0.06</b>	<b>0.06</b>	<b>0.01</b>	<b>0.12</b>	<b>0.02</b>
<b>Weighted average common shares (000's)</b>					
Basic	<b>159,091</b>	<b>159,270</b>	<b>157,267</b>	<b>159,181</b>	<b>157,163</b>
Diluted	<b>159,093</b>	<b>159,361</b>	<b>157,281</b>	<b>159,227</b>	<b>157,249</b>

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

<i>(Thousands of US Dollars)</i>	June 30, 2014	December 31, 2013
<b><i>Current assets</i></b>		
Cash and cash equivalents	25,939	19,537
Restricted cash	1,000	1,000
Accounts receivable, net	39,398	24,158
Prepaid expenses	3,078	3,508
Deferred mobilization costs	21,823	2,202
Deferred insurance premium	4,216	1,627
Other current assets	977	1,382
<b>Total current assets</b>	<b>96,431</b>	<b>53,414</b>
<b><i>Noncurrent assets</i></b>		
Property, plant & equipment, net	205,022	198,158
Restricted cash, net of current portion	5,436	5,436
Noncurrent deposit/escrow account	11,044	9,222
Deferred mobilization costs, net of current portion	-	368
Drydock costs, net of current portion	1,742	2,859
Other noncurrent assets	1,482	1,665
<b>Total noncurrent assets</b>	<b>224,726</b>	<b>217,708</b>
<b>Total assets</b>	<b>321,157</b>	<b>271,122</b>
<b><i>Current liabilities</i></b>		
Accounts payable	16,673	9,275
Accrued expenses	19,228	20,196
Income taxes payable	2,550	1,282
Affiliated debt	47,000	22,000
Deferred revenue	12,941	-
<b>Total current liabilities</b>	<b>98,392</b>	<b>52,753</b>
<b><i>Shareholders' equity</i></b>		
Share capital	41,219	40,933
Additional paid-in capital	176,676	175,462
Accumulated other comprehensive loss	(6,691)	(6,691)
Retained earnings	11,561	8,665
<b>Total shareholders' equity</b>	<b>222,765</b>	<b>218,369</b>
<b>Total liabilities and shareholders' equity</b>	<b>321,157</b>	<b>271,122</b>

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

<i>(Thousands of US Dollars)</i>	Six months ended June 30,	
	2014	2013
<b>Cash flows from operating activities</b>		
Net income	19,284	2,722
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Stock-based compensation	2,425	2,865
Depreciation	16,592	15,765
Amortization of deferred financing fees	161	243
Gain on disposal of assets	(244)	(26)
<i>Changes in operating assets and working capital</i>		
Accounts receivable	(14,996)	(2,498)
Prepaid expenses	430	716
Deferred mobilization costs	(19,253)	1,596
Other current and noncurrent assets	1,265	1,791
Accounts payable	4,317	(7,496)
Other accrued liabilities	(783)	1,503
Deferred revenue	12,941	(2,062)
Income taxes payable	1,268	593
<b>Net cash provided by operating activities</b>	<b>23,407</b>	<b>15,712</b>
<b>Cash flows from investing activities</b>		
Capital expenditures - existing fleet	(4,309)	(3,275)
Capital expenditures - newbuild jackups	(18,393)	-
Changes in noncurrent deposit/escrow account	(1,822)	(2,383)
<b>Net cash used in investing activities</b>	<b>(24,524)</b>	<b>(5,658)</b>
<b>Cash flows from financing activities</b>		
Proceeds from drawdown of revolver facility	25,000	-
Payment for taxes on vested shares	(925)	(335)
Dividends paid	(16,556)	(15,924)
<b>Net cash provided by/(used in) financing activities</b>	<b>7,519</b>	<b>(16,259)</b>
<b>Net changes in cash and cash equivalents</b>	<b>6,402</b>	<b>(6,205)</b>
Cash and cash equivalents at beginning of period	19,537	26,504
<b>Cash and cash equivalents at end of period</b>	<b>25,939</b>	<b>20,299</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the period for:		
Income taxes	488	253
Interest	362	450
Significant non-cash transactions during the period for:		
Accrued capital expenditures	771	2,634
Accrued dividends	(168)	396

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

<i>(Thousands of US Dollars)</i>	Common shares ( <i>'000</i> )	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total
<b>Balance at December 31, 2012</b>	<b>160,488</b>	<b>40,122</b>	<b>170,985</b>	<b>(6,691)</b>	<b>30,007</b>	<b>234,423</b>
Net income	-	-	-	-	2,722	2,722
Issuance of restricted stock	3,584	896	(896)	-	-	-
Payments for taxes on vested shares	-	-	(335)	-	-	(335)
Stock-based compensation	-	-	2,865	-	-	2,865
Common shares dividends	-	-	-	-	(16,320)	(16,320)
<b>Balance at June 30, 2013</b>	<b>164,072</b>	<b>41,018</b>	<b>172,619</b>	<b>(6,691)</b>	<b>16,409</b>	<b>223,355</b>
<b>Balance at December 31, 2013</b>	<b>163,732</b>	<b>40,933</b>	<b>175,462</b>	<b>(6,691)</b>	<b>8,665</b>	<b>218,369</b>
Net income	-	-	-	-	19,284	19,284
Issuance of restricted stock	1,145	286	(286)	-	-	-
Payments for taxes on vested shares	-	-	(925)	-	-	(925)
Stock-based compensation	-	-	2,425	-	-	2,425
Common shares dividends	-	-	-	-	(16,388)	(16,388)
<b>Balance at June 30, 2014</b>	<b>164,877</b>	<b>41,219</b>	<b>176,676</b>	<b>(6,691)</b>	<b>11,561</b>	<b>222,765</b>

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

<i>(Thousands of US Dollars)</i>	<b>Q1 2014</b>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
		<b>June 30,</b>		<b>June 30,</b>	
		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Net income (GAAP)</b>	<b>10,003</b>	<b>9,282</b>	<b>1,658</b>	<b>19,284</b>	<b>2,722</b>
Add Back:					
Net interest expense	547	583	506	1,130	1,023
Income taxes	1,449	1,467	1,668	2,916	1,943
Depreciation	8,297	8,296	7,828	16,592	15,765
Other financial items	45	467	1,054	512	585
<b>Adjusted EBITDA (Non-GAAP)</b>	<b>20,341</b>	<b>20,095</b>	<b>12,714</b>	<b>40,434</b>	<b>22,038</b>

Adjusted EBITDA is defined as Net Income before Interest, Taxes, Depreciation and Other Financial Items



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

	Q1 2014	Three Months Ended		Six Months Ended	
		June 30,		June 30,	
		2014	2013	2014	2013
<b>Jackups (2)</b>					
Average rig utilization	100%	100%	92%	100%	96%
Operating days	180	182	167	362	347
Average revenue per day	139,435	137,202	115,839	138,312	110,499
<b>Drillship (1)</b>					
Average rig utilization	0%	23%	0%	12%	0%
Operating days	0	21	0	21	0
Average revenue per day	0	285,034	0	285,034	0
<b>Semisubmersible (1)</b>					
Average rig utilization	100%	100%	100%	100%	100%
Operating days	90	91	91	181	181
Average revenue per day	172,416	172,958	156,168	172,689	147,141
<b>Total Drilling Rigs (4)</b>					
Average rig utilization	75%	81%	71%	78%	73%
Operating days	270	294	258	564	528
Average revenue per day	150,536	158,730	130,064	154,807	123,060
<b>Floating Production Facility (1)</b>					
Days in period	90	91	91	181	181
Production days	90	91	91	181	181
Average bpd	16,009	15,973	19,109	15,991	18,693
Average tariff revenue per day	96,057	95,836	114,654	95,946	112,159
Average other revenue per day	1,579	1,580	1,390	1,579	1,398
Total average revenue per day	97,636	97,416	116,044	97,525	113,557

Note 1: Operating days represent actual days under contract.

Note 2: Costs which are reimbursed by the client are included in the average revenue per day calculation.