



Diamond Offshore Announces Third Quarter 2002 Earnings

October 17, 2002

HOUSTON, Oct 17, 2002 (BUSINESS WIRE) -- Diamond Offshore Drilling Inc. (NYSE:DO) today reported net income for the third quarter of 2002 of \$21.7 million, or \$0.16 per share on a diluted basis, compared to net income for the third quarter of the prior year of \$53.4 million, or \$0.38 per share on a diluted basis. Revenues for the third quarter of 2002 were \$174.1 million compared to revenues of \$230.6 million for the third quarter of 2001. Net income for the third quarter of 2002 includes investment gains of \$14.2 million, or \$0.10 per share on a diluted basis, compared to \$4.4 million, or \$0.03 per share on a diluted basis for the third quarter of the prior year.

For the nine months ended Sept. 30, 2002, the Company reported net income of \$56.2 million, or \$0.42 per share on a diluted basis, compared to net income of \$134.0 million, or \$0.97 per share on a diluted basis, for the same period in 2001. Revenues for the nine months ended Sept. 30, 2002 were \$547.5 million compared to revenues of \$663.2 million for the first nine months of 2001. Net income for the nine months ended Sept. 30, 2002 includes investment gains of \$22.1 million, or \$0.16 per share on a diluted basis, compared to \$12.8 million, or \$0.09 per share on a diluted basis, for the same period of 2001.

As of Sept. 30, 2002, there were 131.0 million common shares outstanding. During the third quarter of 2002, the Company repurchased 535,800 shares of its common stock at an aggregate cost of \$10.6 million. Subsequent to Sept. 30, 2002 to date, the Company has repurchased 680,900 shares of its common stock at an aggregate cost of \$12.9 million. Depending on market conditions, the Company may, from time to time, purchase shares of its outstanding common stock in the open market or otherwise.

Diamond Offshore is a leader in deep water drilling. The Company's fleet of 45 offshore drilling rigs consists of 30 semisubmersibles, 14 jack-ups and one drillship. The fleet operates in the waters of six of the world's seven continents.

As previously announced, Diamond Offshore will provide an online, real-time simulcast and rebroadcast of its 2002 third quarter earnings release conference call. The live broadcast of the Diamond Offshore Drilling Inc. quarterly conference call will be available online at www.diamondoffshore.com on Oct. 17, 2002, beginning at 9:00 a.m. Central time. The online replay will follow immediately and continue for 5 days after the original call. Please go to the Web site at least 15 minutes before the broadcast to register, download and install any necessary audio software.

Statements in this press release that contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. A discussion of the risk factors that could impact these areas and the Company's overall business and financial performance can be found in the Company's reports filed with the Securities and Exchange Commission. Given these concerns, investors and analysts should not place undue reliance on forward-looking statements.

The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based.

DIAMOND OFFSHORE DRILLING INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share data)

	Three Months		Nine Months	
	Ended		Ended	
	Sept. 30,		Sept. 30,	
	2002	2001	2002	2001
Revenues	\$174,146	\$230,636	\$547,488	\$663,192
Operating expenses:				
Contract drilling	112,491	115,726	352,407	338,979
Depreciation and amortization	45,187	43,143	132,469	126,873
General and administrative	7,026	6,054	21,114	19,020
Total operating expenses	164,704	164,923	505,990	484,872
Operating income	9,442	65,713	41,498	178,320
Other income (expense):				
Gain on sale of marketable securities	21,858	6,720	34,021	19,626

Interest income	6,660	13,156	23,892	36,436
Interest expense	(5,998)	(5,927)	(17,758)	(32,244)
Other, net	(449)	(232)	933	(2,897)

Income before income tax expense	31,513	79,430	82,586	199,241
Income tax expense	(9,809)	(26,003)	(26,362)	(65,226)

Net income	\$21,704	\$53,427	\$56,224	\$134,015
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Earnings per share:				
Basic	\$0.17	\$0.40	\$0.43	\$1.00
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Diluted	\$0.16	\$0.38	\$0.42	\$0.97
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Weighted average shares outstanding:				
Shares of common stock	131,450	132,889	131,595	133,166
Dilutive potential shares of common stock	9,383	16,528	9,425	16,362

Total weighted average shares outstanding	140,833	149,417	141,020	149,528
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DIAMOND OFFSHORE DRILLING INC. AND SUBSIDIARIES

RESULTS OF OPERATIONS

(Unaudited)

(In thousands)

	Three Months Ended	
	Sept 30,	
	2002	2001
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REVENUES		
High Specification Floaters	\$72,376	\$81,168
Other Semisubmersibles	80,745	101,206
Jack-ups	18,703	48,245
Integrated Services	3,017	16
Other	--	1
Eliminations	(695)	--

Total Revenues	\$174,146	\$230,636
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CONTRACT DRILLING EXPENSE		
High Specification Floaters	\$38,114	\$30,971
Other Semisubmersibles	51,064	56,024
Jack-ups	20,728	27,619
Integrated Services	3,038	196
Other	242	916
Eliminations	(695)	--

Total Contract Drilling Expense	\$112,491	\$115,726
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OPERATING INCOME		
High Specification Floaters	\$34,262	\$50,197
Other Semisubmersibles	29,681	45,182
Jack-ups	(2,025)	20,626
Integrated Services	(21)	(180)
Other	(242)	(915)
Depreciation and Amortization Expense	(45,187)	(43,143)
General and Administrative Expense	(7,026)	(6,054)

Total Operating Income	\$9,442	\$65,713
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DIAMOND OFFSHORE DRILLING INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	Sept. 30,	Dec. 31,
	2002	2001
	(unaudited)	
ASSETS		

Current assets:		
Cash and cash equivalents	\$268,949	\$398,990
Marketable securities	677,979	748,387
Accounts receivable	136,617	193,653
Rig inventory and supplies	41,228	40,814
Prepaid expenses and other	30,116	45,571
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Total current assets	1,154,889	1,427,415
Drilling and other property and equipment, net of accumulated depreciation	2,075,018	2,002,873
Goodwill, net of accumulated amortization	28,118	38,329
Other assets	32,481	33,900
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Total assets	\$3,290,506	\$3,502,517
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LIABILITIES AND STOCKHOLDERS' EQUITY		

Current liabilities:		
Securities sold under repurchase agreements \$	--	\$199,062
Other current liabilities	136,398	135,954
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Total current liabilities	136,398	335,016
Long-term debt	931,840	920,636
Deferred tax liability	381,627	376,095
Other liabilities	13,751	17,624
Stockholders' equity	1,826,890	1,853,146
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Total liabilities and stockholders' equity	\$3,290,506	\$3,502,517
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DIAMOND OFFSHORE DRILLING INC. AND SUBSIDIARIES

AVERAGE DAYRATES AND UTILIZATION

	Third Quarter 2002	Util- ization	Second Quarter 2002	Util- ization	Third Quarter 2001	Util- ization
	(Dayrate in thousands)					
High						
Specification						
Floaters	\$109	80%	\$115	80%	\$121	91%
Other						
Semisubmersibles	\$69	61%	\$72	54%	\$67	74%
Jack-ups	\$22	65%	\$29	74%	\$45	84%

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