



## Diamond Offshore Drilling Inc. Announces Second Quarter 2003 Results

July 17, 2003

HOUSTON--(BUSINESS WIRE)--July 17, 2003--Diamond Offshore Drilling Inc. (NYSE:DO) today reported a net loss for the second quarter of 2003 of \$16.7 million, or \$0.13 per share on a diluted basis, compared with net income of \$12.0 million, or \$0.09 per share on a diluted basis in the same period a year earlier. Revenues for the second quarter of 2003 were \$163.2 million, compared with revenues of \$187.8 million for the second quarter of 2002.

The second quarter results reflect an increase in the estimated asset lives and salvage values of the Company's drilling rigs to better reflect their remaining economic lives. The effect of these changes in accounting estimates was an increase in pre-tax income for the quarter of approximately \$6.9 million, or \$0.04 per diluted share. The change is expected to increase pre-tax income for the year 2003 by approximately \$21.7 million, or \$0.14 per share. The Company made this determination by comparing its asset life and salvage value assumptions with its own and industry operating experience and making appropriate adjustments. Diamond Offshore last revised the asset life and salvage value assumptions of its fleet in 1995.

Diamond Offshore is a leader in deep water drilling. The Company's fleet of 47 offshore drilling rigs consists of 32 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 2003 second 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](http://www.diamondoffshore.com) on July 17, 2003, beginning at 9:00 a.m. Central Daylight 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 may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements include, but are not limited to, statements concerning the effects of the change in accounting estimates. Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those anticipated or 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 and other filings with the Securities and Exchange Commission. These factors include, among others, general economic and business conditions, casualty losses, industry fleet capacity, changes in foreign and domestic oil and gas exploration and production activity, competition, changes in foreign, political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, customer preferences and various other matters, many of which are beyond the Company's control. Given these concerns, investors and analysts should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of this press release. 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 OPERATIONS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Revenues:				
Contract drilling	\$157,038	\$179,674	\$296,897	\$373,342
Revenues related to reimbursable expenses	6,162	8,113	12,452	15,995
Total revenues	163,200	187,787	309,349	389,337
Operating expenses:				
Contract drilling	124,606	120,254	238,276	241,200
Reimbursable expenses	5,525	7,343	11,263	14,555
Depreciation(1)	41,553	44,585	88,830	87,282
General and administrative	8,214	7,440	15,414	14,088
Gain on sale of assets	(57)	(33)	(58)	(65)

Total operating expenses	179,841	179,589	353,725	357,060
Operating income (loss)	(16,641)	8,198	(44,376)	32,277
Other income (expense):				
Interest income	3,337	7,651	7,493	17,232
Interest expense	(5,378)	(6,290)	(10,953)	(11,760)
Gain (loss) on sale of marketable securities	(1,071)	8,671	(1,132)	12,163
Other, net	1,290	341	3,032	1,161
Income (loss) before income tax expense	(18,463)	18,571	(45,936)	51,073
Income tax benefit (expense)	1,776	(6,609)	7,683	(16,553)
Net income (loss)	\$(16,687)	\$11,962	\$(38,253)	\$34,520
Earnings (loss) per share:				
Basic	\$(0.13)	\$0.09	\$(0.29)	\$0.26
Diluted	\$(0.13)	\$0.09	\$(0.29)	\$0.26
Weighted average shares outstanding:				
Shares of common stock	130,366	131,553	130,336	131,669
Dilutive potential shares of common stock	-	8	-	9,426
Total weighted average shares outstanding	130,366	131,561	130,336	141,095

(1) Depreciation for the three and six months ended June 30, 2003, includes a \$6.9 million reduction due to a change in accounting estimates that increased the estimated asset lives and salvage values of the Company's drilling rigs.

# DIAMOND OFFSHORE DRILLING INC. AND SUBSIDIARIES

## RESULTS OF OPERATIONS (Unaudited) (In thousands)

	Three Months Ended June 30,	
	2003	2002
CONTRACT DRILLING REVENUE		
High Specification Floaters	\$72,660	\$75,748
Other Semisubmersibles	61,265	73,977
Jack-ups	23,116	26,839
Integrated Services	--	4,406
Other	(3)	(436)
Eliminations	--	(860)

Total Contract Drilling Revenue	\$157,038	\$179,674
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Revenues Related to Reimbursable Expenses	\$6,162	\$8,113
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CONTRACT DRILLING EXPENSE		
High Specification Floaters	\$38,555	\$39,545
Other Semisubmersibles	57,810	53,445
Jack-ups	27,012	22,735
Integrated Services	841	4,689
Other	388	700
Eliminations	--	(860)
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Total Contract Drilling Expense	\$124,606	\$120,254
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Reimbursable Expenses	\$5,525	\$7,343
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OPERATING INCOME		
High Specification Floaters	\$34,105	\$36,203
Other Semisubmersibles	3,455	20,532
Jack-ups	(3,896)	4,104
Integrated Services	(841)	(283)
Other	(391)	(1,136)
Reimbursables, net	637	770
Depreciation Expense	(41,553)	(44,585)
General and Administrative Expense	(8,214)	(7,440)
Gain on Sale of Assets	57	33
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Total Operating Income (Loss)	\$(16,641)	\$8,198
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DIAMOND OFFSHORE DRILLING INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands)

	June 30,	December 31,
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	2003	2002
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	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$221,761	\$184,910
Marketable securities	393,124	627,614
Accounts receivable	151,015	146,957
Rig inventory and supplies	46,581	45,405
Prepaid expenses and other	25,727	28,870
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Total current assets	838,208	1,033,756
Drilling and other property and equipment, net of accumulated depreciation	2,273,081	2,164,627
Goodwill, net of accumulated amortization	17,908	24,714
Other assets	32,130	35,668
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Total assets	\$3,161,327	\$3,258,765
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities	\$104,916	\$118,402
Long-term debt	932,170	924,475
Deferred tax liability	356,482	375,309
Other liabilities	35,454	33,065
Stockholders' equity	1,732,305	1,807,514
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Total liabilities and stockholders' equity	\$3,161,327	\$3,258,765
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DIAMOND OFFSHORE DRILLING INC. AND SUBSIDIARIES  
AVERAGE DAYRATES AND UTILIZATION

	Second Quarter 2003		First Quarter 2003		Second Quarter 2002	
	Dayrate	Utili- zation	Dayrate	Utili- zation	Dayrate	Utili- zation
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	(Dayrate in thousands)					
High Specification						
Floaters	\$96	92%	\$94	83%	\$115	80%
Other Semisubmersibles	\$58	52%	\$62	43%	\$72	54%
Jack-ups	\$27	68%	\$28	68%	\$29	74%

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SOURCE: Diamond Offshore Drilling Inc.