



Diamond Offshore Drilling Inc. Announces Third Quarter 2003 Results

October 16, 2003

HOUSTON--(BUSINESS WIRE)--Oct. 16, 2003--Diamond Offshore Drilling Inc. (NYSE:DO) today reported a net loss for the third quarter of 2003 of \$11.5 million, or \$0.09 per share on a diluted basis, compared with net income of \$21.7 million, or \$0.16 per share on a diluted basis in the same period a year earlier. Revenues for the third quarter of 2003 were \$183.9 million, compared with revenues of \$180.2 million for the third quarter of 2002.

For the first nine months of 2003, the Company reported a net loss of \$49.7 million, or \$0.38 per share on a diluted basis, compared with net income of \$56.2 million, or \$0.42 per share on a diluted basis for the same period in 2002. Revenues for the first nine months of 2003 were \$493.3 million, compared with revenues of \$569.5 million in the same period a year earlier.

Diamond Offshore President and Chief Operating Officer, Larry Dickerson, noted, "Results for the third quarter of 2003 were also impacted by non-operating factors. Lower interest rates yielded a decline in interest income in the quarter, while fixed income securities sales produced losses in the quarter versus gains in the third quarter of 2002.

"In addition, in order to help maintain the Company's strong liquidity position in light of recent earnings declines, the Board of Directors has decided to reduce the Company's quarterly cash dividend effective Dec. 1, 2003, for stockholders of record on Nov. 3, 2003. The new dividend rate will be \$0.0625 per common share, compared with \$0.125 per common share the previous quarter."

Mr. Dickerson also noted that, "Effective Sept. 30, 2003, the Company has retired two of its second generation semisubmersible drilling rigs, the Ocean Century and the Ocean Prospector. The rigs, which have been cold stacked in the Gulf of Mexico since July 1998 and October 1998, respectively, are being offered for sale and will not be returned to service as offshore drilling units. The Company has been successful over the past few years in modernizing its fleet, and we recognize that the Century and Prospector are not future upgrade candidates in any likely market scenario."

Diamond Offshore is a leader in deep water drilling. As a result of the retirement of the two drilling units, the Company has a fleet of 45 offshore drilling rigs consisting 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 2003 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. 16, 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 related to maintaining liquidity and regarding estimates of reductions in the carrying costs related to the Prospector and Century. 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 Sept. 30,		Nine Months Ended Sept. 30,	
	2003	2002	2003	2002
Revenues:				
Contract drilling	\$174,923	\$174,146	\$471,820	\$547,488
Revenues related to reimbursable expenses	8,984	6,037	21,436	22,032
Total revenues	183,907	180,183	493,256	569,520

Operating expenses:				
Contract drilling	126,934	112,963	365,210	354,163
Reimbursable expenses	8,208	5,457	19,471	20,012
Depreciation	43,256	45,187	132,086	132,469
General and administrative	7,181	7,026	22,595	21,114
(Gain) loss on sale and disposition of assets	1,509	23	1,451	(42)
Total operating expenses	187,088	170,656	540,813	527,716
Operating income (loss)	(3,181)	9,527	(47,557)	41,804
Other income (expense):				
Interest income	2,742	6,660	10,235	23,892
Interest expense	(6,432)	(5,998)	(17,385)	(17,758)
Gain (loss) on sale of marketable securities	(6,179)	21,858	(7,310)	34,021
Other, net	(140)	(534)	2,891	627
Income (loss) before income tax expense	(13,190)	31,513	(59,126)	82,586
Income tax benefit (expense)	1,727	(9,809)	9,410	(26,362)
Net income (loss)	\$(11,463)	\$21,704	\$(49,716)	\$56,224
Earnings (loss) per share:				
Basic	\$(0.09)	\$0.17	\$(0.38)	\$0.43
Diluted	\$(0.09)	\$0.16	\$(0.38)	\$0.42
Weighted average shares outstanding:				
Shares of common stock	130,366	131,450	130,336	131,595
Dilutive potential shares of common stock	-	9,383	-	9,425
Total weighted average shares outstanding	130,366	140,833	130,336	141,020

DIAMOND OFFSHORE DRILLING INC. AND SUBSIDIARIES
RESULTS OF OPERATIONS
(Unaudited)
(In thousands)

	Three Months Ended Sept. 30,	
	2003	2002
CONTRACT DRILLING REVENUE		
High Specification Floaters	\$79,688	\$72,376
Other Semisubmersibles	72,588	80,745
Jack-ups	23,006	18,703
Integrated Services	--	3,017
Other	(359)	--
Eliminations	--	(695)
Total Contract Drilling Revenue	\$174,923	\$174,146

Revenues Related to Reimbursable Expenses	\$8,984	\$6,037
CONTRACT DRILLING EXPENSE		
High Specification Floaters	\$39,974	\$38,301
Other Semisubmersibles	62,494	51,363
Jack-ups	23,677	20,714
Integrated Services	(6)	3,038
Other	795	242
Eliminations	--	(695)
Total Contract Drilling Expense	\$126,934	\$112,963
Reimbursable Expenses	\$8,208	\$5,457
OPERATING INCOME		
High Specification Floaters	\$39,714	\$34,075
Other Semisubmersibles	10,094	29,382
Jack-ups	(671)	(2,011)
Integrated Services	6	(21)
Other	(1,154)	(242)
Reimbursables, net	776	580
Depreciation Expense	(43,256)	(45,187)
General and Administrative Expense	(7,181)	(7,026)
Loss on Sale and Disposition of Assets	(1,509)	(23)
Total Operating Income (Loss)	\$(3,181)	\$9,527

DIAMOND OFFSHORE DRILLING INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	Sept. 30,	Dec. 31,
	2003	2002
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$175,674	\$184,910
Marketable securities	405,447	627,614
Accounts receivable	168,499	146,957
Rig inventory and supplies	48,295	45,405
Prepaid expenses and other	22,304	28,870
Total current assets	820,219	1,033,756
Drilling and other property and equipment, net of accumulated depreciation	2,270,377	2,164,627
Goodwill, net of accumulated amortization	14,503	24,714
Other assets	32,194	35,668
Total assets	\$3,137,293	\$3,258,765
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	\$103,138	\$118,402
Long-term debt	936,075	924,475
Deferred tax liability	351,501	375,309
Other liabilities	41,024	33,065
Stockholders' equity	1,705,555	1,807,514
Total liabilities and stockholders'		

\$3,137,293	\$3,258,765
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Third Quarter 2003	Second Quarter 2003	Third Quarter 2002
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(Dayrate in thousands)

SOURCE: Diamond Offshore Drilling