



## Diamond Offshore Drilling Inc. Announces Second Quarter 2004 Results

July 21, 2004

HOUSTON--(BUSINESS WIRE)--July 21, 2004--Diamond Offshore Drilling Inc. (NYSE:DO) today reported a net loss for the second quarter of 2004 of \$10.5 million, or \$0.08 per share on a diluted basis, compared with a net loss of \$16.7 million, or \$0.13 per share on a diluted basis in the same period a year earlier. Revenues for the second quarter of 2004 were \$184.9 million, compared with revenues of \$163.2 million for the second quarter of 2003.

For the six months ended June 30, 2004, the Company reported a net loss of \$21.5 million, or \$0.17 per share on a diluted basis compared with a net loss of \$38.3 or \$0.29 per share on a diluted basis for the same period in 2003. Revenue for the six months ended June 30, 2004 was \$369.1 million, compared with \$309.3 million for the first six months of 2003.

Results for the quarter were impacted by planned regulatory surveys as well as lower utilization of several of the Company's mid-water and deepwater units in the Gulf of Mexico. In particular, the semisubmersible rig Ocean Alliance experienced a series of sub-sea and electrical problems after returning to work following a scheduled regulatory survey and sub-sea equipment upgrade. As a result, gross revenue was negatively impacted by \$8.9 million and net income, including approximately \$1.5 million of repair costs on the Ocean Alliance, by \$7.8 million (\$0.06 per share on a diluted basis). The Alliance has continued to operate on term contract for Petrobras in Brazil since returning to work on July 2.

Regulatory surveys and related costs caused higher than normal contract drilling expense during the quarter. A survey for the Ocean Vanguard, which was scheduled for the second quarter of 2005, was accelerated in conjunction with that rig returning to work in the U.K. sector of the North Sea. In addition, planned regulatory surveys for the Ocean Yatzu and the Ocean Confidence were conducted during the period, and a survey for the Ocean Winner, which extended into the second quarter, was completed. Together, costs for the four surveys and related expenses totaled approximately \$6 million for the period.

Diamond Offshore President and Chief Operating Officer Larry Dickerson noted that, "The market for all classes of our jack-up rigs in the U.S. Gulf of Mexico experienced firming utilization and improving dayrates during the second quarter of 2004. As a result, utilization averaged 90% in the period compared with 85% in the first quarter of 2004, and dayrates increased an average of approximately \$1,000 per day across our jack-up fleet to average approximately \$37,000. The gains also factored into our decision in late June to reactivate the Ocean Champion from cold-stack status. The rig is currently in Lake Charles, La., being prepared for a return to work anticipated in mid-August 2004.

"Outside of the U.S. Gulf, markets for our rigs have seen generally increasing demand and improving dayrates. Both the North Sea and Australasia have shown recent strength, and additional rigs are also being drawn to the Mid-East," Mr. Dickerson said.

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 2004 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 21, 2004, 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 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, and 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		Six Months Ended	
June 30,		June 30,	
-----		-----	
2004	2003	2004	2003

	-----	-----	-----	-----
Revenues:				
Contract drilling	\$176,685	\$157,038	\$353,925	\$296,897
Revenues related to reimbursable expenses	8,261	6,162	15,219	12,452
	-----	-----	-----	-----
Total revenues	184,946	163,200	369,144	309,349
	-----	-----	-----	-----
Operating expenses:				
Contract drilling	133,483	124,606	268,161	238,276
Reimbursable expenses	7,519	5,525	13,753	11,263
Depreciation	44,554	41,553	89,074	88,830
General and administrative	8,760	8,214	17,549	15,414
Loss (gain) on sale of assets	130	(57)	(195)	(58)
	-----	-----	-----	-----
Total operating expenses	194,446	179,841	388,342	353,725
	-----	-----	-----	-----
Operating loss	(9,500)	(16,641)	(19,198)	(44,376)
Other income (expense):				
Interest income	3,114	3,337	4,682	7,493
Interest expense	(6,373)	(5,378)	(12,727)	(10,953)
Gain (loss) on sale of marketable securities	283	(1,071)	258	(1,132)
Other, net	(257)	1,290	(411)	3,032
	-----	-----	-----	-----
Loss before income tax benefit	(12,733)	(18,463)	(27,396)	(45,936)
Income tax benefit	2,238	1,776	5,929	7,683
	-----	-----	-----	-----
Net loss	\$(10,495)	\$(16,687)	\$(21,467)	\$(38,253)
	=====	=====	=====	=====
Loss per share:				
Basic	\$(0.08)	\$(0.13)	\$(0.17)	\$(0.29)
	=====	=====	=====	=====
Diluted	\$(0.08)	\$(0.13)	\$(0.17)	\$(0.29)
	=====	=====	=====	=====
Weighted average shares outstanding:				
Shares of common stock	129,322	130,366	129,322	130,336
Dilutive potential shares of common stock	-	-	-	-
	-----	-----	-----	-----
Total weighted average shares outstanding	129,322	130,366	129,322	130,336
	=====	=====	=====	=====

DIAMOND OFFSHORE DRILLING INC. AND SUBSIDIARIES

RESULTS OF OPERATIONS  
(Unaudited)  
(In thousands)

Three Months Ended  
June 30,  
-----

	2004	2003
	-----	-----
CONTRACT DRILLING REVENUE		
High Specification Floaters	\$59,088	\$72,660
Other Semisubmersibles	75,128	61,265
Jack-ups	42,304	23,116
Other	165	(3)
Eliminations	--	--
	-----	-----
Total Contract Drilling Revenue	\$176,685	\$157,038
	=====	=====
Revenues Related to Reimbursable Expenses	\$8,261	\$6,162
	=====	=====
CONTRACT DRILLING EXPENSE		
High Specification Floaters	\$40,668	\$38,555
Other Semisubmersibles	67,960	57,810
Jack-ups	24,082	27,012
Integrated Services	--	841
Other	773	388
Eliminations	--	--
	-----	-----
Total Contract Drilling Expense	\$133,483	\$124,606
	=====	=====
Reimbursable Expenses	\$7,519	\$5,525
	=====	=====
OPERATING LOSS		
High Specification Floaters	\$18,420	\$34,105
Other Semisubmersibles	7,168	3,455
Jack-ups	18,222	(3,896)
Integrated Services	--	(841)
Other	(608)	(391)
Reimbursables, net	742	637
Depreciation Expense	(44,554)	(41,553)
General and Administrative Expense	(8,760)	(8,214)
(Loss) gain on Sale of Assets	(130)	57
	-----	-----
Total Operating Loss	\$(9,500)	\$(16,641)
	=====	=====

DIAMOND OFFSHORE DRILLING INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands)

	June 30,	December 31,
	-----	-----
	2004	2003
	-----	-----
(unaudited)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$129,327	\$106,345
Investments and marketable securities	35,755	503,995
Receivable from sale of marketable securities	448,992	--
Accounts receivable	147,047	154,124
Rig inventory and supplies	48,296	48,035
Prepaid expenses and other	32,531	22,764
	-----	-----
Total current assets	841,948	835,263

Drilling and other property and equipment, net of accumulated depreciation	2,220,509	2,257,876
Goodwill, net of accumulated amortization	4,291	11,099
Other assets	29,920	30,781
	-----	-----
Total assets	\$3,096,668	\$3,135,019
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities	99,372	100,000
Long-term debt	935,996	928,030
Deferred tax liability	377,312	384,505
Other liabilities	41,146	42,004
Stockholders' equity	1,642,842	1,680,480
	-----	-----
Total liabilities and stockholders' equity	\$3,096,668	\$3,135,019
	=====	=====

DIAMOND OFFSHORE DRILLING INC. AND SUBSIDIARIES

AVERAGE DAYRATES AND UTILIZATION

	Second Quarter 2004		First Quarter 2004		Second Quarter 2003	
	Dayrate	Utili- zation	Dayrate	Utili- zation	Dayrate	Utili- zation
	(Dayrate in thousands)					
High Specification						
Floaters	\$98	66%	\$93	77%	\$96	92%
Other Semi-submersibles	\$55	71%	\$57	66%	\$58	52%
Jack-ups	\$37	90%	\$36	85%	\$27	68%

CONTACT: Diamond Offshore Drilling Inc., Houston  
Les Van Dyke, 281-492-5370

SOURCE: Diamond Offshore Drilling Inc.