



Diamond Offshore Announces Second Quarter 2013 Results

July 25, 2013

HOUSTON, July 25, 2013 /PRNewswire/ -- Diamond Offshore Drilling, Inc. (NYSE: DO) today reported net income for the second quarter of 2013 of \$185 million, or \$1.33 per share on a diluted basis, compared with net income of \$201 million, or \$1.45 per share on a diluted basis, in the same period a year earlier. Results for the prior-year second quarter included an after-tax gain of approximately \$50.5 million, or \$0.36 per share, related to the sale of five jack-up rigs.

Revenues in the second quarter of 2013 were \$758 million, compared with revenues of \$738 million in the prior-year quarter.

"Our solid operating results for the quarter reflect our ongoing focus on cost and downtime management," said Larry Dickerson, President and Chief Executive Officer of Diamond Offshore.

"During the quarter we announced an agreement to build a new harsh environment semisubmersible that will work offshore South Australia for BP beginning in 2016," said Dickerson. "This represents a unique opportunity to construct a rig whose initial contract should return a substantial portion of our investment. Additionally, our construction efforts include four ultra-deepwater drillships and two deepwater semis that should meaningfully contribute to earnings beginning next year based on the contracts covering the first three units."

CONFERENCE CALL

A conference call to discuss Diamond Offshore's second-quarter results has been scheduled for 9:00 a.m. CDT today. A live webcast of the call will be available online on the Company's website, www.diamondoffshore.com. Those interested in participating in the question and answer session should dial 800-247-9979 or 973-321-1100, for international callers. The conference ID number is 14337370. An online replay will also be available on www.diamondoffshore.com following the call.

ABOUT DIAMOND OFFSHORE

Diamond Offshore provides contract drilling services to the energy industry and is a leader in deepwater drilling. Diamond Offshore's fleet of offshore drilling rigs consists of 30 semisubmersibles, seven jack-ups and one drillship, in addition to four ultra-deepwater drillships and three deepwater semisubmersibles currently under construction. Information about the Company and access to the Company's SEC filings are available at www.diamondoffshore.com. Diamond Offshore is owned 50.4% by Loews Corporation (NYSE: L).

FORWARD-LOOKING STATEMENTS

Statements contained in this press release that are not historical facts are "forward-looking statements" within the meaning of the federal securities laws. Such statements include, but are not limited to, statements concerning future operating costs and expenses, future operations, future earnings and future return on investment. Forward-looking statements are inherently uncertain and subject to a variety of assumptions, risks and uncertainties that could cause actual results to differ materially from those anticipated or expected by management of the Company. A discussion of the important risk factors and other considerations that could materially impact these matters as well as the Company's overall business and financial performance can be found in the Company's reports filed with the Securities and Exchange Commission and readers of this press release are urged to review those reports carefully when considering these forward-looking statements. Copies of these reports are available through the Company's website at www.diamondoffshore.com. These factors include, among others, general economic and business conditions, contract cancellations, customer bankruptcy, operating risks, 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 risk factors, 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, | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | |
| Contract drilling | \$ 744,898 | \$ 726,261 | \$ 1,444,871 | \$ 1,481,416 |
| Revenues related to reimbursable expenses | 13,120 | 11,927 | 42,888 | 25,414 |
| Total revenues | <u>758,018</u> | <u>738,188</u> | <u>1,487,759</u> | <u>1,506,830</u> |
| Operating expenses: | | | | |
| Contract drilling, excluding depreciation | 369,036 | 405,252 | 744,130 | 802,354 |
| Reimbursable expenses | 12,805 | 11,637 | 42,094 | 24,788 |
| Depreciation | 97,143 | 99,469 | 193,964 | 200,862 |
| General and administrative | 16,435 | 18,741 | 33,250 | 36,327 |
| Bad debt recovery | -- | (400) | -- | (1,018) |
| Gain on disposition of assets | (260) | (53,695) | (2,264) | (79,077) |
| Total operating expenses | <u>495,159</u> | <u>481,004</u> | <u>1,011,174</u> | <u>984,236</u> |
| Operating income | 262,859 | 257,184 | 476,585 | 522,594 |
| Other income (expense): | | | | |
| Interest income | 271 | 1,496 | 888 | 3,279 |
| Interest expense | (7,951) | (12,731) | (16,020) | (28,060) |
| Foreign currency transaction gain | 448 | 1,083 | 607 | 979 |
| Other, net | 674 | (274) | 420 | (599) |
| Income before income tax expense | 256,301 | 246,758 | 462,480 | 498,193 |
| Income tax expense | <u>(70,967)</u> | <u>(45,297)</u> | <u>(101,157)</u> | <u>(111,563)</u> |
| Net Income | <u>\$ 185,334</u> | <u>\$ 201,461</u> | <u>\$ 361,323</u> | <u>\$ 386,630</u> |
| Income per share: | | | | |
| Basic | <u>\$ 1.33</u> | <u>\$ 1.45</u> | <u>\$ 2.60</u> | <u>\$ 2.78</u> |
| Diluted | <u>\$ 1.33</u> | <u>\$ 1.45</u> | <u>\$ 2.60</u> | <u>\$ 2.78</u> |
| Weighted average shares outstanding: | | | | |
| Shares of common stock | 139,035 | 139,029 | 139,034 | 139,028 |
| Dilutive potential shares of common stock | 37 | 11 | 43 | 11 |
| Total weighted average shares outstanding | <u>139,072</u> | <u>139,040</u> | <u>139,077</u> | <u>139,039</u> |

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES
RESULTS OF OPERATIONS

(Unaudited)
(In thousands)

Three Months Ended

| | Jun 30, | Mar 31, | Jun 30, |
|--|-------------------|-------------------|-------------------|
| | 2013 | 2013 | 2012 |
| REVENUES | | | |
| Floaters: | | | |
| Ultra-Deepwater | \$ 231,101 | \$ 191,357 | \$ 233,071 |
| Deepwater | 184,105 | 164,420 | 142,565 |
| Mid-water | 288,860 | 305,221 | 310,462 |
| Total Floaters | 704,066 | 660,998 | 686,098 |
| Jack-ups | 40,832 | 38,975 | 40,163 |
| Total Contract Drilling Revenue | \$ 744,898 | \$ 699,973 | \$ 726,261 |
| Revenues Related to Reimbursable Expenses | \$ 13,120 | \$ 29,768 | \$ 11,927 |

CONTRACT DRILLING EXPENSE

| | | | |
|--|-------------------|-------------------|-------------------|
| Floaters: | | | |
| Ultra-Deepwater | \$ 128,147 | \$ 135,776 | \$ 137,087 |
| Deepwater | 60,126 | 56,436 | 68,653 |
| Mid-water | 139,252 | 143,647 | 160,642 |
| Total Floaters | 327,525 | 335,859 | 366,382 |
| Jack-ups | 27,377 | 29,667 | 29,240 |
| Other | 14,134 | 9,568 | 9,630 |
| Total Contract Drilling Expense | \$ 369,036 | \$ 375,094 | \$ 405,252 |
| Reimbursable Expenses | \$ 12,805 | \$ 29,289 | \$ 11,637 |

OPERATING INCOME

| | | | |
|-----------------|------------|-----------|-----------|
| Floaters: | | | |
| Ultra-Deepwater | \$ 102,954 | \$ 55,581 | \$ 95,984 |
| Deepwater | 123,979 | 107,984 | 73,912 |
| Mid-water | 149,608 | 161,574 | 149,820 |
| Total Floaters | 376,541 | 325,139 | 319,716 |
| Jack-ups | 13,455 | 9,308 | 10,923 |
| Other | (14,134) | (9,568) | (9,630) |

| | | | |
|------------------------------------|------------|------------|------------|
| Reimbursable expenses, net | 315 | 479 | 290 |
| Depreciation | (97,143) | (96,821) | (99,469) |
| General and administrative expense | (16,435) | (16,815) | (18,741) |
| Bad debt recovery | -- | -- | 400 |
| Gain on disposition of assets | 260 | 2,004 | 53,695 |
| Total Operating Income | \$ 262,859 | \$ 213,726 | \$ 257,184 |

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

| | June 30, | December 31, |
|---|--------------|--------------|
| | 2013 | 2012 |
| | (unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 369,972 | \$ 335,432 |
| Marketable securities | 850,232 | 1,150,158 |
| Accounts receivable, net of allowance for bad debts | 485,878 | 499,660 |
| Prepaid expenses and other current assets | 145,111 | 136,099 |
| Assets held for sale | 11,594 | 11,594 |
| Total current assets | 1,862,787 | 2,132,943 |
| Drilling and other property and equipment, net of accumulated depreciation | 5,239,231 | 4,864,972 |
| Other assets | 210,484 | 237,371 |
| Total assets | \$ 7,312,502 | \$ 7,235,286 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---------------------|------------|------------|
| Current liabilities | \$ 432,584 | \$ 485,546 |
| Long-term debt | 1,496,192 | 1,496,066 |

| | | |
|--|--------------|--------------|
| Deferred tax liability | 511,492 | 490,946 |
| Other liabilities | 186,067 | 186,334 |
| Stockholders' equity | 4,686,167 | 4,576,394 |
| | <hr/> | <hr/> |
| Total liabilities and stockholders' equity | \$ 7,312,502 | \$ 7,235,286 |
| | <hr/> | <hr/> |

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES
AVERAGE DAYRATES AND UTILIZATION
(Dayrate in thousands)

| | Second Quarter | | First Quarter | | Second Quarter | |
|---------------------------------|----------------|-------------|---------------|-------------|----------------|-------------|
| | 2013 | | 2013 | | 2012 | |
| | Dayrate | Utilization | Dayrate | Utilization | Dayrate | Utilization |
| Ultra-Deepwater Floaters | \$342 | 92% | \$360 | 73% | \$354 | 89% |
| Deepwater Floaters | \$409 | 99% | \$389 | 94% | \$372 | 83% |
| Mid-Water Floaters | \$271 | 65% | \$262 | 64% | \$262 | 66% |
| Jack-Ups | \$88 | 74% | \$85 | 71% | \$94 | 49% |

Contact:
Darren Daugherty
Director, Investor Relations
(281) 492-5370

SOURCE Diamond Offshore Drilling, Inc.