



Diamond Offshore Announces Third Quarter 2013 Results

October 24, 2013

HOUSTON, Oct. 24, 2013 /PRNewswire/ -- Diamond Offshore Drilling, Inc. (NYSE: DO) today reported net income of \$95 million for the third quarter of 2013, or \$0.68 per share on a diluted basis, compared with net income of \$178 million, or \$1.28 per share on a diluted basis, in the same period a year earlier. Revenues in the third quarter of 2013 totaled \$691 million, compared with revenues of \$714 million in the prior-year quarter.

Results for the quarter included the unfavorable pretax impact of \$93 million, or an after tax impact of \$0.54 per diluted share, related to customer non-payments, as follows:

- Unrecognized revenue of \$70 million, pretax, and
- Bad debt expense of \$23 million, pretax.

"Although our results were adversely affected this quarter by customers with cash flow issues, which is highly unusual, we are working hard to reposition these rigs," said Larry Dickerson, President and Chief Executive Officer. "The overall market remains stable, supported by Brent oil prices above \$100 per barrel and ongoing rig demand."

The Company has received the following letters of intent (LOI):

- The *Ocean Scepter* received an LOI for a 1,136-day contract extension at a new rate of \$158,000 per day; and
- The *Ocean Apex* received an LOI to begin work for an international oil company in Southeast Asia during Q4 2014 at a dayrate comparable to that of our other new deepwater semisubmersible, the *Ocean Onyx*.

CONFERENCE CALL

A conference call to discuss Diamond Offshore's earnings 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 75559431. An online replay will also be available on www.diamondoffshore.com following the call.

ABOUT DIAMOND OFFSHORE

Diamond Offshore is a leader in offshore drilling, providing contract drilling services to the energy industry around the globe with a total fleet of 45 offshore drilling rigs, including seven rigs under construction. Diamond Offshore's fleet consists of 33 semisubmersibles, three of which are under construction, five dynamically positioned drillships, four of which are under construction, and seven jack-ups. Additional information about the Company and access to the Company's SEC filings is available on the Internet 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 customer non-payments, future opportunities for and repositioning of our drilling rigs, future work and dayrate for the *Ocean Scepter* as contemplated by its letter of intent, which is subject to customary conditions including execution of a definitive agreement, future work and dayrate for the *Ocean Apex* as contemplated by its letter of intent, which is subject to customary conditions including execution of a definitive agreement, and future operations. 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, the risk that a letter of intent may not result in a binding contract, 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.

(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues:				
Contract drilling	\$ 690,741	\$ 714,027	\$ 2,135,612	\$ 2,195,443
Revenues related to reimbursable expenses	15,424	15,114	58,312	40,528
Total revenues	<u>706,165</u>	<u>729,141</u>	<u>2,193,924</u>	<u>2,235,971</u>
Operating expenses:				
Contract drilling, excluding depreciation	419,488	357,281	1,163,618	1,159,635
Reimbursable expenses	14,904	14,563	56,998	39,351
Depreciation	97,143	99,207	291,107	300,069
General and administrative	15,240	13,476	48,490	49,803
Bad debt expense (recovery)	22,563	--	22,563	(1,018)
Gain on disposition of assets	(525)	(208)	(2,789)	(79,285)
Total operating expenses	<u>568,813</u>	<u>484,319</u>	<u>1,579,987</u>	<u>1,468,555</u>
Operating income	137,352	244,822	613,937	767,416
Other income (expense):				
Interest income	136	773	1,024	4,052
Interest expense	(1,693)	(8,720)	(17,713)	(36,780)
Foreign currency transaction loss	(4,556)	(1,860)	(3,949)	(881)
Other, net	326	(168)	746	(767)
Income before income tax expense	131,565	234,847	594,045	733,040
Income tax expense	<u>(36,817)</u>	<u>(56,661)</u>	<u>(137,974)</u>	<u>(168,224)</u>
Net Income	\$ <u>94,748</u>	\$ <u>178,186</u>	\$ <u>456,071</u>	\$ <u>564,816</u>
Income per share:				
Basic	\$ <u>0.68</u>	\$ <u>1.28</u>	\$ <u>3.28</u>	\$ <u>4.06</u>
Diluted	\$ <u>0.68</u>	\$ <u>1.28</u>	\$ <u>3.28</u>	\$ <u>4.06</u>
Weighted average shares outstanding:				
Shares of common stock	139,035	139,030	139,034	139,029
Dilutive potential shares of common stock	30	23	38	17
Total weighted average shares outstanding	<u>139,065</u>	<u>139,053</u>	<u>139,072</u>	<u>139,046</u>

**DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES
RESULTS OF OPERATIONS**

(Unaudited)
(In thousands)

	Three Months Ended		
	Sep 30, 2013	Jun 30, 2013	Sep 30, 2012
REVENUES			
Floaters:			
Ultra-Deepwater	\$ 195,215	\$ 231,101	\$ 195,574
Deepwater	147,333	184,105	163,816
Mid-water	297,368	288,860	319,491
Total Floaters	<u>639,916</u>	<u>704,066</u>	<u>678,881</u>
Jack-ups	50,825	40,832	35,146
Total Contract Drilling Revenue	\$ <u>690,741</u>	\$ <u>744,898</u>	\$ <u>714,027</u>
Revenues Related to Reimbursable Expenses	\$ <u>15,424</u>	\$ <u>13,120</u>	\$ <u>15,114</u>

Floaters:			
Ultra-Deepwater	\$ 139,689	\$ 128,147	\$ 132,705
Deepwater	74,609	60,126	58,029
Mid-water	165,518	139,252	135,935
Total Floaters	379,816	327,525	326,669
Jack-ups	28,685	27,377	24,245
Other	10,987	14,134	6,367
Total Contract Drilling Expense	\$ 419,488	\$ 369,036	\$ 357,281

Reimbursable Expenses	\$ 14,904	\$ 12,805	\$ 14,563
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OPERATING INCOME

Floaters:			
Ultra-Deepwater	\$ 55,526	\$ 102,954	\$ 62,869
Deepwater	72,724	123,979	105,787
Mid-water	131,850	149,608	183,556
Total Floaters	260,100	376,541	352,212
Jack-ups	22,140	13,455	10,901
Other	(10,987)	(14,134)	(6,367)
Reimbursable expenses, net	520	315	551
Depreciation	(97,143)	(97,143)	(99,207)
General and administrative expense	(15,240)	(16,435)	(13,476)
Bad debt expense	(22,563)	--	--
Gain on disposition of assets	525	260	208
Total Operating Income	\$ 137,352	\$ 262,859	\$ 244,822

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

	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 438,794	\$ 335,432
Marketable securities	800,204	1,150,158
Accounts receivable, net of allowance for bad debts	424,808	499,660
Prepaid expenses and other current assets	142,152	136,099
Assets held for sale	11,594	11,594
Total current assets	<u>1,817,552</u>	<u>2,132,943</u>
Drilling and other property and equipment, net of accumulated depreciation	5,331,470	4,864,972
Other assets	193,586	237,371
Total assets	<u>\$ 7,342,608</u>	<u>\$ 7,235,286</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current portion of long-term debt	\$ 249,935	\$ --
Other current liabilities	466,940	485,546
Long-term debt	1,246,321	1,496,066
Deferred tax liability	532,729	490,946

Other liabilities	182,347	186,334
Stockholders' equity	4,664,336	4,576,394
Total liabilities and stockholders' equity	\$ <u>7,342,608</u>	\$ <u>7,235,286</u>

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

	Third Quarter (a) 2013		Second Quarter 2013		Third Quarter 2012	
	Dayrate	Utilization	Dayrate	Utilization	Dayrate	Utilization
Ultra-Deepwater Floaters	\$284	93%	\$342	92%	\$354	75%
Deepwater Floaters	\$380	84%	\$409	99%	\$373	95%
Mid-Water Floaters	\$258	68%	\$271	65%	\$258	71%
Jack-Ups	\$93	84%	\$88	74%	\$98	56%

(a) Dayrate and utilization calculations include revenue earning days for which revenue was not recognized pursuant to GAAP. For the rig categories Ultra-Deepwater, Deepwater, and Mid-water Floaters, these include 88, 31 and 94 days, respectively.

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(Logo: <http://photos.prnewswire.com/prnh/20130725/NY53104LOGO-b>)

SOURCE Diamond Offshore Drilling, Inc.