



## Diamond Offshore Announces Q2 Earnings, Baroness Letter of Intent, Rover & Jack-up Upgrades

July 17, 2001

HOUSTON--(BUSINESS WIRE)--July 17, 2001--Diamond Offshore Drilling Inc. (NYSE:DO) today reported net income before extraordinary items for the second quarter of 2001 of \$51.5 million, or \$0.37 per share on a diluted basis, compared to net income for the prior year quarter of \$3.6 million, or \$0.03 per share on a diluted basis. Revenues for the second quarter of 2001 were \$227.3 million compared to revenues of \$143.3 million for the second quarter of 2000. Net income for the quarter ended June 30, 2001 was \$43.8 million after extraordinary items related to the early retirement of debt, or \$0.32 per share on a diluted basis.

For the six months ended June 30, 2001, the Company reported net income before extraordinary items of \$88.3 million, or \$0.64 per share on a diluted basis compared to net income of \$33.1 million, or \$0.24 per share on a diluted basis for the same period in 2000. Revenue for the six months ended June 30, 2001 were \$432.6 million compared to revenues of \$311.1 million for the first six months of 2000. Net income after extraordinary items related to the early retirement of debt was \$80.6 million, or \$0.59 per share on a diluted basis, for the six months ended June 30, 2001.

### Baroness Letter of Intent

Diamond Offshore has received a letter of intent from Murphy Sabah Oil Co., Ltd., a subsidiary of Murphy Oil Corporation, to contract the "Ocean Baroness" to drill two wells, with options for additional wells, in deep waters off Southeast Asia. The "Ocean Baroness" is currently undergoing a Victory-class upgrade -- which is already 70% complete -- to fifth-generation capability. The rig is scheduled for delivery at the end of the first quarter of 2002 at a cost expected to be less than the \$180 million originally projected. The contract with Murphy Sabah Oil is to commence upon the completion of the semisubmersible's upgrade.

### Rover Upgrade

As part of Diamond Offshore's ongoing efforts to build shareholder value, its board of directors has approved a commitment to upgrade the "Ocean Rover" to specifications similar to the enhanced "Ocean Baroness." It is estimated that this upgrade will cost about \$200 million and will take approximately 19 months to complete -- almost 18 months and \$150 million less than required to build a new rig of equivalent specification.

Larry Dickerson, Diamond Offshore Drilling Inc. president and chief operating officer, stated, "Based upon the interest received in the "Ocean Baroness," we have decided to deliver another Victory-class rig with fifth-generation capabilities by upgrading the "Ocean Rover." The last newbuild cycle in our industry produced a number of deepwater drillships that are ideal for exploratory drilling. We believe, however, that drilling rigs that are more ideally suited to develop recent deepwater discoveries are currently in deficient supply. We expect the "Ocean Baroness," and now the "Ocean Rover," to be the tools of choice in this next phase of deepwater drilling."

### Jack-up Upgrades

Diamond Offshore also announced that it plans to spend approximately \$100 million over the next 12-24 months to upgrade six of its jack-up rigs. The "Ocean Titan" and the "Ocean Tower," both 350' independent-leg slot rigs, will be converted to 350' independent-leg cantilever rigs. The "Ocean Spartan," the "Ocean Spur," the "Ocean Sovereign," and the "Ocean Heritage," all 250' independent-leg cantilever rigs, will be upgraded to 300' independent-leg cantilever rigs.

Dickerson remarked further, "We consider the "Ocean Rover" and the jack-up rig upgrades to be a continuation of our long-term strategy of delivering high capacity, cost effective and expeditious upgrades. This strategy began in 1995 with our 3 successful Victory-class upgrades, and was followed by deepwater rig upgrades for the "Ocean Clipper," "Ocean Confidence" and most recently, the "Ocean Baroness." The results of our deepwater upgrade program have given Diamond Offshore the world's second largest fleet of rigs capable of drilling in water depths greater than 5,000 feet. Diamond Offshore continually strives to expand its fleet capabilities in an effort to better serve the needs of our customers and to maximize dayrates and utilization to create value for our shareholders. Our substantial net cash position gives us the flexibility to undertake these projects. Future upgrades to the Diamond Offshore fleet are expected to include additional Victory-class upgrades, as well as other rig upgrades designed to enhance our fleet capabilities."

As of June 30, 2001, there were 133.4 million common shares outstanding. Depending on market conditions, the Company may, from time to time, purchase shares of its outstanding common stock in the open market or otherwise. During the second quarter of 2001, the Company repurchased 100 thousand shares of its common stock at an aggregate cost of \$3.3 million.

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 2001 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, 2001, 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 that contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those 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 filed

with the Securities and Exchange Commission. Given these concerns, investors and analysts should not place undue reliance on forward-looking statements.

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 INCOME

(Unaudited)

(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Revenues	\$227,331	\$143,317	\$432,556	\$311,145
Operating expenses:				
Contract drilling	114,556	102,883	223,253	203,706
Depreciation and amortization	42,171	36,617	83,730	73,492
General and administrative	6,079	5,915	12,966	11,935
Total operating expenses	162,806	145,415	319,949	289,133
Operating income (loss)	64,525	(2,098)	112,607	22,012
Other income (expense):				
Gain on sale of assets	88	65	209	14,082
Interest income	11,593	9,912	23,280	18,534
Interest expense	(6,119)	(1,607)	(14,437)	(2,841)
Other, net	6,927	(597)	10,032	(686)
Income before income tax expense and extraordinary item	77,014	5,675	131,691	51,101
Income tax expense	(25,532)	(2,038)	(43,381)	(17,976)
Income before extraordinary item	51,482	3,637	88,310	33,125
Extraordinary item- loss on early debt extinguishment, less applicable income tax of \$4,158	(7,722)	--	(7,722)	--
Net income	\$43,760	\$3,637	\$80,588	\$33,125
Earnings per share:				
Basic				
Income before extraordinary item	\$0.39	\$0.03	\$0.66	\$0.24
Extraordinary item	(0.06)	--	(0.06)	--

Net	\$0.33	\$0.03	\$0.60	\$0.24
	=====	=====	=====	=====
Diluted				
Income before				
extraordinary				
item	\$0.37	\$0.03	\$0.64	\$0.24
Extraordinary item	(0.05)	--	(0.05)	--
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Net	\$0.32	\$0.03	\$0.59	\$0.24
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Weighted average				
shares outstanding				
Common shares	133,447	135,532	133,307	135,610
Dilutive potential				
common shares	15,825	--	9,372	10,828
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Total weighted				
average shares				
outstanding	149,272	135,532	142,679	146,438
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DIAMOND OFFSHORE DRILLING INC. AND SUBSIDIARIES

RESULTS OF OPERATIONS  
(Unaudited)  
(In thousands)

	Three Months Ended	
	June 30,	
	2001	2000
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REVENUES		
High Specification Floaters	\$82,552	\$48,004
Other Semisubmersibles	97,062	67,835
Jack-ups	47,490	27,033
Integrated Services	18	1,350
Other	209	(628)
Eliminations	--	(277)
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Total Revenues	\$227,331	\$143,317
	=====	=====
CONTRACT DRILLING EXPENSE		
High Specification Floaters	\$31,476	\$24,844
Other Semisubmersibles	56,027	51,594
Jack-ups	26,318	24,627
Integrated Services	(181)	881
Other	916	1,214
Eliminations	--	(277)
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Total Contract Drilling Expense	\$114,556	\$102,883
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OPERATING INCOME		
High Specification Floaters	\$51,076	\$23,160
Other Semisubmersibles	41,035	16,241
Jack-ups	21,172	2,406
Integrated Services	199	469
Other	(707)	(1,842)
Depreciation and Amortization Expense	(42,171)	(36,617)
General and Administrative Expense	(6,079)	(5,915)
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Total Operating Income (Loss)	\$64,525	\$(2,098)
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DIAMOND OFFSHORE DRILLING INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands)

	June 30, 2001	December 31, 2000
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	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$157,038	\$144,456
Marketable securities	788,690	717,678
Accounts receivable	211,544	153,452
Rig inventory and supplies	40,802	40,698
Prepaid expenses and other	56,410	44,673
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Total current assets	1,254,484	1,100,957
Drilling and other property and equipment, net of accumulated depreciation	1,915,896	1,902,415
Goodwill, net of accumulated amortization	46,654	55,205
Other assets	31,793	20,929
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Total assets	\$3,248,827	\$3,079,506
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	\$143,208	\$123,013
Long-term debt	923,757	856,559
Deferred tax liability	338,895	316,627
Other liabilities	14,844	15,454
Stockholders' equity	1,828,123	1,767,853
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Total liabilities and stockholders' equity	\$3,248,827	\$3,079,506
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DIAMOND OFFSHORE DRILLING INC. AND SUBSIDIARIES  
AVERAGE DAYRATES AND UTILIZATION

	Second Quarter 2001		First Quarter 2001		Second Quarter 2000	
	Dayrate	Utili- zation	Dayrate	Utili- zation	Dayrate	Utili- zation
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	(Dayrate in thousands)					
High Specification Floaters	\$118	96%	\$112	95%	\$102	74%
Other Semi-submersibles	\$65	75%	\$65	63%	\$61	53%
Jack-ups	\$44	85%	\$40	87%	\$23	93%

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