



Diamond Offshore Announces Fourth Quarter 2013 Results

February 6, 2014

HOUSTON, Feb. 6, 2014 /PRNewswire/ -- Diamond Offshore Drilling, Inc. (NYSE: DO) today reported net income for the fourth quarter of 2013 of \$93 million, or \$0.67 per share. Results for the fourth quarter were negatively impacted by \$0.41 per share to reserve for an uncertain tax position related to Egyptian operations. Partially offsetting this reserve was revenue recognized in connection with a settlement agreement with a customer, resulting in a gain of \$0.12 per share, after tax.

In the fourth quarter of 2012, Diamond Offshore reported net income of \$156 million, or \$1.12 per share, which included an after-tax impairment charge of \$40.6 million, or \$0.29 per share, related to the reclassification of four cold-stacked rigs as held for sale. Revenues in the fourth quarter of 2013 were \$726 million, compared with revenues of \$751 million in the prior year quarter.

For the full year 2013, the Company reported net income of \$549 million, or \$3.95 per share, compared with net income of \$720 million, or \$5.18 per share, in 2012. Revenues for the full year 2013 were \$2.920 billion, compared with \$2.987 billion in 2012.

"We have taken delivery of the *Ocean BlackHawk*, the first of our four newbuild ultra-deepwater drillships," announced Larry Dickerson, President and Chief Executive Officer of Diamond Offshore. "The rig will soon be on its way to the U.S. Gulf of Mexico, where it will begin a five year contract with Anadarko. Additionally, our deepwater semi *Ocean Onyx* has been delivered by the shipyard and is currently on location in the U.S. Gulf working for Apache. These rig deliveries represent important milestones for Diamond's ongoing fleet renewal program."

"Additionally, our operating results for the quarter and the full year reflect our ongoing focus on managing costs and reducing downtime," said Dickerson.

Capital expenditures for newbuilds, upgrades and maintenance, but excluding capitalized interest, totaled \$1.0 billion in 2013, and are expected to total \$2.1 billion in 2014.

CONFERENCE CALL

A conference call to discuss Diamond Offshore's earnings results has been scheduled for 9:00 a.m. CST 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 31346715. 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 five rigs under construction. Diamond Offshore's fleet consists of 33 semisubmersibles, two of which are under construction, five dynamically positioned drillships, three of which are under construction, and seven jack-ups. Additional 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 revenues and backlog, future performance under contract awards and extensions, future operating costs and expenses, future operations and dayrates, future financial condition, market outlook and future market conditions, future rig construction and upgrades and expected expenditures therefor, and future contracting opportunities. 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.

(Logo: <http://photos.prnewswire.com/prnh/20130725/NY53104!OGO-b>)

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DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2013	2012	2013	2012
Revenues:				
Contract drilling	\$ 707,972	\$ 740,623	\$ 2,843,584	\$ 2,936,066
Revenues related to reimbursable expenses	18,525	9,914	76,837	50,442
Total revenues	<u>726,497</u>	<u>750,537</u>	<u>2,920,421</u>	<u>2,986,508</u>
Operating expenses:				
Contract drilling, excluding depreciation	408,907	377,589	1,572,525	1,537,224
Reimbursable expenses	17,969	9,427	74,967	48,778
Depreciation	96,985	92,844	388,092	392,913
General and administrative	16,298	14,837	64,788	64,640
Impairment of assets	--	62,437	--	62,437
Bad debt expense (recovery)	(50)	--	22,513	(1,018)
Gain on disposition of assets	<u>(1,281)</u>	<u>(1,559)</u>	<u>(4,070)</u>	<u>(80,844)</u>
Total operating expenses	<u>538,828</u>	<u>555,575</u>	<u>2,118,815</u>	<u>2,024,130</u>
Operating income	187,669	194,962	801,606	962,378
Other income (expense):				
Interest income	(323)	858	701	4,910
Interest expense	(7,130)	(9,436)	(24,843)	(46,216)
Foreign currency transaction loss	(966)	(1,118)	(4,915)	(1,999)
Other, net	<u>945</u>	<u>(225)</u>	<u>1,691</u>	<u>(992)</u>
Income before income tax expense	180,195	185,041	774,240	918,081
Income tax expense	<u>(87,580)</u>	<u>(29,380)</u>	<u>(225,554)</u>	<u>(197,604)</u>
Net Income	\$ <u>92,615</u>	\$ <u>155,661</u>	\$ <u>548,686</u>	\$ <u>720,477</u>
Income per share	\$ <u>0.67</u>	\$ <u>1.12</u>	\$ <u>3.95</u>	\$ <u>5.18</u>
Weighted average shares outstanding:				
Shares of common stock	139,035	139,031	139,035	139,029
Dilutive potential shares of common stock	12	31	29	19
Total weighted average shares outstanding	<u>139,047</u>	<u>139,062</u>	<u>139,064</u>	<u>139,048</u>

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES
RESULTS OF OPERATIONS

(Unaudited)

(In thousands)

	Three Months Ended		
	Dec 31, 2013	Sep 30, 2013	Dec 31, 2012
REVENUES			
Floater:			
Ultra-Deepwater	\$ 236,842	\$ 195,215	\$ 229,560
Deepwater	121,222	147,333	145,310
Mid-water	<u>306,485</u>	<u>297,368</u>	<u>326,520</u>
Total Floaters	664,549	639,916	701,390
Jack-ups	<u>43,423</u>	<u>50,825</u>	<u>39,233</u>
Total Contract Drilling Revenue	\$ <u>707,972</u>	\$ <u>690,741</u>	\$ <u>740,623</u>

Revenues Related to Reimbursable Expenses	\$	<u>18,525</u>	\$	<u>15,424</u>	\$	<u>9,914</u>
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CONTRACT DRILLING EXPENSE

Floaters:						
Ultra-Deepwater	\$	135,153	\$	139,689	\$	135,837
Deepwater		76,649		74,609		67,772
Mid-water		<u>156,075</u>		<u>165,518</u>		<u>143,124</u>
Total Floaters		367,877		379,816		346,733
Jack-ups		29,349		28,685		21,582
Other		<u>11,681</u>		<u>10,987</u>		<u>9,274</u>
Total Contract Drilling Expense	\$	<u>408,907</u>	\$	<u>419,488</u>	\$	<u>377,589</u>

Reimbursable Expenses	\$	<u>17,969</u>	\$	<u>14,904</u>	\$	<u>9,427</u>
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OPERATING INCOME

Floaters:						
Ultra-Deepwater	\$	101,689	\$	55,526	\$	93,723
Deepwater		44,573		72,724		77,538
Mid-water		<u>150,410</u>		<u>131,850</u>		<u>183,396</u>
Total Floaters		296,672		260,100		354,657
Jack-ups		14,074		22,140		17,651
Other		(11,681)		(10,987)		(9,274)
Reimbursable expenses, net		556		520		487
Depreciation		(96,985)		(97,143)		(92,844)
General and administrative expense		(16,298)		(15,240)		(14,837)
Impairment of assets		--		--		(62,437)
Bad debt recovery (expense)		50		(22,563)		--
Gain on disposition of assets		<u>1,281</u>		<u>525</u>		<u>1,559</u>
Total Operating Income	\$	<u>187,669</u>	\$	<u>137,352</u>	\$	<u>194,962</u>

**DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)
(In thousands)

	<u>December 31,</u>	<u>December 31,</u>
	<u>2013</u>	<u>2012</u>

ASSETS

Current assets:				
Cash and cash equivalents	\$	347,011	\$	335,432
Marketable securities		1,750,053		1,150,158
Accounts receivable, net of allowance for bad debts		469,355		499,660
Prepaid expenses and other current assets		143,997		136,099
Assets held for sale		<u>7,694</u>		<u>11,594</u>
Total current assets		2,718,110		2,132,943
Drilling and other property and equipment, net of accumulated depreciation		5,467,227		4,864,972
Other assets		<u>206,097</u>		<u>237,371</u>
Total assets	\$	<u>8,391,434</u>	\$	<u>7,235,286</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current portion of long-term debt	\$	249,954	\$	--
Other current liabilities		495,628		485,546
Long-term debt		2,244,189		1,496,066
Deferred tax liability		525,541		490,946
Other liabilities		238,864		186,334
Stockholders' equity		4,637,258		4,576,394
Total liabilities and stockholders' equity	\$	<u>8,391,434</u>	\$	<u>7,235,286</u>

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES
AVERAGE DAYRATES AND UTILIZATION

(Dayrate in thousands)

	Fourth Quarter (a)		Third Quarter (a)		Fourth Quarter	
	2013		2013		2012	
	Dayrate	Utilization	Dayrate	Utilization	Dayrate	Utilization
Ultra-Deepwater Floaters	\$350	91%	\$284	93%	\$348	89%
Deepwater Floaters	\$402	65%	\$380	84%	\$372	85%
Mid-Water Floaters	\$277	66%	\$258	68%	\$268	70%
Jack-Ups	\$87	76%	\$93	84%	\$85	71%

(a) Dayrate and utilization calculations include revenue earning days for which revenue was not recognized pursuant to GAAP. These days by rig category are ultra-deepwater floaters: Q4-82 days, Q3-88 days; deepwater floaters: Q3-31 days; and mid-water floaters: Q4-42 days, Q3-94 days.

SOURCE Diamond Offshore Drilling, Inc.