AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 23, 1996

REGISTRATION NO. 333-2680

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

POST-EFFECTIVE

AMENDMENT NO. 1

TO
FORMS S-4/S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

DIAMOND OFFSHORE DRILLING, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	1381	76-0321760
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

DIAMOND OFFSHORE DRILLING, INC.
15415 KATY FREEWAY, SUITE 400
HOUSTON, TEXAS 77094
(713) 492-5300
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

RICHARD L. LIONBERGER, ESQ.
VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY
15415 KATY FREEWAY, SUITE 400
HOUSTON, TEXAS 77094
(713) 492-5300
(Name, Address, Including Zip Code and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

JAMES L. RICE III, ESQ.
WEIL, GOTSHAL & MANGES LLP
700 LOUISIANA, SUITE 1600
HOUSTON, TEXAS 77002
(713) 546-5000

MORRIS J. KRAMER, ESQ.
ROBERT M. CHILSTROM, ESQ.
SKADDEN, ARPS, SLATE, MEAGHER & FLOM
919 THIRD AVENUE
NEW YORK, NEW YORK 10022
(212) 735-3000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective and all other conditions to the amalgamation (the "Acquisition") of AO Acquisition Limited with Arethusa (Off-Shore) Limited pursuant to the Plan of Acquisition described in the enclosed Prospectus/Joint Proxy Statement have been satisfied or waived. If any of the securities being registered on these Forms are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. /X/

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

EXPLANATORY NOTE

This Post-Effective Amendment No. 1 to Registration Statement No. 333-2680 is being filed for the sole purpose of adding the following exhibits to the Registration Statement: Form of U.S. Purchase Agreement; Form of International Purchase Agreement; and List of Subsidiaries of Diamond Offshore.

FORM S-4 ITEM 21/FORM S-1 ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

EXHIBIT NO.	DESCRIPTION
1.1	Form of U.S. Purchase Agreement
1.2	Form of International Purchase Agreement
2.1	Plan of Acquisition*
2.2	Amendment No. 1 to Plan of Acquisition*
2.3	Amalgamation Agreement*
3.1	Restated Certificate of Incorporation of Diamond Offshore (incorporated by reference herein to Exhibit 3.1 of Diamond Offshore's Annual Report on Form 10-K for the fiscal year ended December 31, 1995)
3.2	Amended By-laws of Diamond Offshore*
3.2.1	Amendment of the Company's By-laws on November 8, 1995*
3.2.2	Amendment of the Company's By-laws on April 3, 1996*
5.1	Opinion of Weil, Gotshal & Manges LLP regarding validity of the securities being registered*
8.1	Opinion of Weil, Gotshal & Manges LLP regarding certain tax matters*
10.1	Fee Agreement*
10.2	Amendment No. 1 to Fee Agreement*
10.3	Loews Stockholder's Agreement*
10.4	Amendment No. 1 to Loews Stockholder's Agreement*
10.5	Shareholders Agreement*
10.6	Amendment No. 1 to Shareholders Agreement*
10.7	Termination and Settlement Agreement dated October 10, 1995 between Loews and Diamond Offshore (incorporated by reference herein to Exhibit 10.1 of Diamond Offshore's Annual Report on Form 10-K for the fiscal year ended December 31, 1995)
10.8	Registration Rights Agreement dated October 16, 1995 between Loews and Diamond Offshore (incorporated by reference herein to Exhibit 10.2 of Diamond Offshore's Annual Report on Form 10-K for the fiscal year ended December 31, 1995)
10.9	Services Agreement dated October 16, 1995 between Loews and Diamond Offshore (incorporated by reference herein to Exhibit 10.3 of Diamond Offshore's Annual Report on Form 10-K for the fiscal year ended December 31, 1995)
10.10	Agreement ("Rose Employment Agreement"), dated November 1, 1992, between Diamond Offshore and Robert E. Rose (incorporated by reference herein to Exhibit 10.7 of Diamond Offshore's Registration Statement No. 33-95484 on Form S-1)
10.11	Amendment, dated December 27, 1995, to the Rose Employment Agreement (incorporated by reference herein to Exhibit 10.5 of Diamond Offshore's Annual Report on Form 10-K for the fiscal year ended December 31, 1995)
10.12	Credit Agreement among Diamond Offshore, Diamond Offshore Limited, various lending institutions, Bankers Trust Company and Christiania Bank og Kreditkasse, New York Branch, as Co-Arrangers and Bankers Trust Company, as Administrative Agent dated as of February 8, 1996 and amended and restated as of March 27, 1996*

EXHIBIT NO.	DESCRIPTION
10.13	Diamond Offshore Management Bonus Program (incorporated by reference herein to Exhibit 10.9 of Diamond Offshore's Registration Statement No. 33-95484 on Form S-1)
10.14	Form of Diamond Offshore Executive Deferred Compensation Plan (incorporated by reference herein to Exhibit 10.10 of Diamond Offshore's Registration Statement No. 33-95484 on Form S-1)
10.15+	Term Drilling Contract dated March 29, 1996 between Diamond Offshore and Chevron U.S.A. Production Company with respect to the Ocean Quest
10.16	Letter of Intent entered into September 6, 1995 between Diamond Offshore and Texaco Exploration and Production Inc. with respect to the Ocean Star (formerly named Ocean Countess) (incorporated by reference herein to Exhibit 10.12 of Diamond Offshore's Registration Statement No. 33-95484 on Form S-1)
10.17	Diamond Offshore Drilling, Inc. Nonqualified Stock Option Plan for Certain Former Directors of Arethusa*
10.18	Diamond Offshore Drilling, Inc. Stock Option Plan for Certain Former Employees of Arethusa*
21.1	List of Subsidiaries of Diamond Offshore
23.1	Consent of Deloitte & Touche LLP*
23.2	Consent of Arthur Andersen & Co.*
23.3	Consent of Klynveld Peat Marwick Goerdeler*
23.4	Consent of Weil, Gotshal & Manges LLP. Reference is made to Exhibit 5.1
23.5	Consent of Weil, Gotshal & Manges LLP. Reference is made to Exhibit 8.1
23.6	Consent of CS First Boston Corporation*
23.7	Consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated*
24.1	Powers of Attorney*
99.1	Fairness Opinion of CS First Boston Corporation*
99.2	Fairness Opinion of Merrill Lynch, Pierce, Fenner & Smith Incorporated*
99.3	Excerpts from The Companies Act of 1981 of Bermuda, as amended*
99.4	Form of Diamond Offshore proxy card*
99.5	Form of Arethusa proxy card*

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* Previously filed.

\+ Previously filed confidentially.

(b) Financial Statement Schedules

Not applicable.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Post-Effective Amendment No. 1 to Registration Statement on Forms S-4/S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on May 23, 1996.

DIAMOND OFFSHORE DRILLING, INC.

By: /s/ RICHARD L. LIONBERGER

Name: Richard L. Lionberger
Title: Vice President, General Counsel and Secretary

Pursuant to the requirements of the Securities Act of 1933, as amended, this Post-Effective Amendment No. 1 to Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ ROBERT E. ROSE* Robert E. Rose	President, Chief Executive Officer and Director (principal executive officer)	May 23, 1996
/s/ LAWRENCE R. DICKERSON* Lawrence R. Dickerson	Senior Vice President and Chief Financial Officer (principal financial officer)	May 23, 1996
/s/ GARY T. KRENEK* Gary T. Krenek	Controller (principal accounting officer)	May 23, 1996
/s/ JAMES S. TISCH* James S. Tisch	Chairman of the Board	May 23, 1996
/s/ HERBERT C. HOFMANN* Herbert C. Hofmann	Director	May 23, 1996
*By: /s/ RICHARD L. LIONBERGER Richard L. Lionberger Attorney-in-Fact		

INDEX TO EXHIBITS

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* Previously filed.

\+ Previously filed confidentially.

EXHIBIT 1.1

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DIAMOND OFFSHORE DRILLING, INC.
(a Delaware corporation)

6,018,140 Shares of Common Stock

U.S. PURCHASE AGREEMENT

Dated: May __, 1996

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DIAMOND OFFSHORE DRILLING, INC.

(a Delaware corporation)

6,018,140 Shares of Common Stock

(Par Value $.01 Per Share)

U.S. PURCHASE AGREEMENT

May __, 1996

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
CS FIRST BOSTON CORPORATION
SALOMON BROTHERS INC
c/o Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
North Tower
World Financial Center
New York, New York 10281-1209

Ladies and Gentlemen:

Diamond Offshore Drilling, Inc., a Delaware corporation (the "Company"), Alphee S.A., a Luxembourg corporation ("Alphee"), and Forvaltnings AB Ratos, a Swedish corporation ("Ratos" and, together with Alphee, the "Selling Stockholders"), confirm their respective agreements with Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), CS First Boston Corporation and Salomon Brothers Inc. (collectively, the "U.S. Underwriters," which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), with respect to the sale by the Selling Stockholders and the purchase by the U.S. Underwriters, acting severally and not jointly, of the respective numbers of shares of Common Stock, par value $.01 per share, of the Company ("Common Stock") set forth in said Schedule A and Schedule B hereto, and with respect to the grant by the Selling Stockholders to the U.S. Underwriters, acting severally and not jointly, of the option described in

Section 2(b) hereof to purchase such number of shares of Common Stock set forth in Schedule B hereto to cover over-allotments, if any. The aforesaid 6,018,140 shares of Common Stock (the "Initial U.S. Securities") to be purchased by the U.S. Underwriters and all or any part of the shares of Common Stock subject to the option described in Section 2(b) hereof (the "U.S. Option Securities") are hereinafter called, collectively, the "U.S. Securities."

It is understood that the Company and the Selling Stockholders are concurrently entering into an agreement, dated the date hereof (the "International Purchase Agreement"), providing for the sale by the Selling Stockholders of an aggregate of 1,505,000 shares of Common Stock (the "Initial International Securities") through arrangements with certain underwriters outside the United States (the "International Managers" which, together with the U.S. Underwriters, shall be referred to as the "Underwriters"). The Selling Stockholders have also granted to the International Managers an option to purchase all or any part of 150,501 shares of Common Stock (the "International Option Securities" which, together with the Initial International Securities, shall be referred to as the "International Securities") to cover over-allotments, if any. The U.S. Securities and the International Securities are hereinafter collectively referred to as the "Offered Securities."

The Company and the Selling Stockholders understand that the U.S. Underwriters will simultaneously enter into an agreement with the International Managers dated the date hereof (the "Intersyndicate Agreement") providing for the coordination of certain transactions among the U.S. Underwriters and the International Managers, under the direction of Merrill Lynch.

The purchase price per share for the International Securities to be paid by the several International Managers shall be identical to the purchase price per share for the U.S. Securities to be paid by the several U.S. Underwriters hereunder.

The Company and the Selling Stockholders understand that the U.S. Underwriters propose to make a public offering of the U.S. Securities as soon as the U.S.

Underwriters deem advisable after this Agreement has been executed and delivered.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Forms S-4/S-1 (No. 333-2680) covering, among other things, the registration of the Offered Securities under the Securities Act of 1933, as amended (the "1933 Act"), including the related preliminary prospectus or prospectuses. Promptly after execution and delivery of this Agreement, the Company will either (i) prepare and file a prospectus in accordance with the provisions of Rule 430A ("Rule 430A") of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations") and paragraph (b) of Rule 424 ("Rule 424(b)") of the 1933 Act Regulations or (ii) if the Company has elected to rely upon Rule 434 ("Rule 434") of the 1933 Act Regulations, prepare and file a term sheet (a "Term Sheet") in accordance with the provisions of Rule 434 and Rule 424(b). Two forms of prospectus are to be used in connection with the offering and sale of the Offered Securities: one relating to the U.S. Securities (the "Form of U.S. Prospectus") and one relating to the International Securities (the "Form of International Prospectus"). Each of the Form of U.S. Prospectus and the Form of International Prospectus consists of (a) a "Basic Prospectus," which is the prospectus included in the above-described registration statement and (b) a "Prospectus Supplement," which specifically relates to the Offered Securities, in the form first filed with, or transmitted for filing to, the Commission pursuant to Rule 424. The Form of International Prospectus is identical to the Form of U.S. Prospectus, except for the front cover and back cover pages and the information under the caption "Underwriting." The term "Prospectus," as used herein, shall refer to the Basic Prospectus as so supplemented by the relevant Prospectus Supplement. The information included in such prospectuses or in such Term Sheet, as the case may be, that was omitted from such registration statement at the time it became effective but that is deemed to be part of such registration statement at the time it became effective (a) pursuant to paragraph (b) of Rule 430A is referred to as "Rule 430A Information" or (b) pursuant to paragraph (d) of Rule 434 is referred to as "Rule 434 Information." Each Form of U.S. Prospectus and Form of International Prospectus used before such registration statement became effective, and any prospectus that

omitted, as applicable, the Rule 430A Information or the Rule 434 Information, that was used after such effectiveness and prior to the execution and delivery of this Agreement, is herein called a "preliminary prospectus." Such registration statement, including the exhibits and any schedules, at the time it became effective and including the Rule 430A Information and the Rule 434 Information, as applicable, is herein called the "Registration Statement." Any registration statement filed pursuant to Rule 462(b) of the 1933 Act Regulations is herein referred to as the "Rule 462(b) Registration Statement," and after such filing the term "Registration Statement" shall include the Rule 462(b) Registration Statement. The final prospectuses in the forms first furnished to the U.S. Underwriters or the International Managers, as the case may be, for use in connection with the offering of the U.S. Securities or the International Securities, as the case may be, are herein called the "U.S. Prospectus and the International Prospectus." If Rule 434 is relied on, the terms "U.S. Prospectus" and "International Prospectus" shall refer to the preliminary U.S. Prospectus and the preliminary International Prospectus dated April 30, 1996 together with the Term Sheet and all references in this Agreement to the date of the U.S. Prospectus and the International Prospectus shall mean the date of the Term Sheet. For purposes of this Agreement, all references to the Registration Statement, any preliminary prospectus, the U.S. Prospectus, the International Prospectus or any Term Sheet or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system ("EDGAR"). The U.S. Prospectus and the International Prospectus are collectively referred to herein as the "Prospectuses."

SECTION 1. Representations and Warranties.

(a) Representations and Warranties by the Company. The Company represents and warrants to each U.S. Underwriter as of the date hereof, as of the Closing Time referred to in Section 2(c) hereof, and as of each Date of Delivery (if any) referred to in Section 2(b) hereof, and agrees with each U.S. Underwriter, as follows:

(i) Compliance with Registration Requirements. Each of the Registration Statement and any Rule 462(b) Registration Statement has become effective under the 1933 Act and no stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement has been issued under the 1933 Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

At the respective times the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendments thereto became effective and at the Closing Time (and, if any U.S. Option Securities are purchased, at the Date of Delivery), the Registration Statement, the Rule 462(b) Registration Statement and any amendments and supplements thereto complied and will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Neither of the Prospectuses nor any amendments or supplements thereto, at the time the Prospectuses or any such amendment or supplement was issued and at the Closing Time (and, if any U.S. Option Securities are purchased, at the Date of Delivery), included or will include an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If Rule 434 is used, the Company will comply with the requirements of Rule 434 and the Prospectuses shall not be "materially different," as such term is used in Rule 434, from the Prospectuses included in the Registration Statement at the time it became effective. The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or the Prospectuses made in reliance upon and in conformity with information furnished to the Company (x) prior to April 29, 1996 by or on behalf

of Arethusa (as defined herein) or (y) in writing by (a) any Underwriter through Merrill Lynch, or (b) any Selling Stockholder, expressly for use in the Registration Statement or either Prospectus.

Each preliminary prospectus and the prospectuses filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the 1933 Act, complied when so filed in all material respects with the 1933 Act Regulations and, if applicable, each preliminary prospectus and the Prospectuses delivered to the Underwriters for use in connection with this offering was identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(ii) Independent Accountants. The accountants who certified the financial statements and supporting schedules included in the Registration Statement are independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(iii) Financial Statements. The financial statements included in the Registration Statement and the Prospectuses, together with the related schedules and notes, present fairly the financial position of the Company and Arethusa (Off-Shore) Limited, a Bermuda corporation ("Arethusa"), and their respective consolidated subsidiaries at the dates indicated and the statement of operations, stockholders' equity and cash flows of the Company, Arethusa and their respective consolidated subsidiaries for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The supporting schedules, if any, included in the Registration Statement present fairly in accordance with GAAP the information required to be stated therein. The selected financial data and the summary financial information included in the Prospectuses present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in the Registration Statement. The pro forma

financial statements and the related notes thereto included in the Registration Statement and the Prospectuses present fairly the information shown therein, have been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial statements and have been properly compiled on the bases described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein.

(iv) No Material Adverse Change in Business. Since the respective dates as of which information is given in the Registration Statement and the Prospectuses, and except as otherwise stated therein, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its Subsidiaries (as defined herein) considered as one enterprise whether or not arising in the ordinary course of business (a "Material Adverse Effect"), (B) there have been no transactions entered into by the Company or any of its Subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its Subsidiaries considered as one enterprise and (C) except as described in the Prospectuses, there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock in fiscal 1994, 1995 or 1996.

(v) Good Standing of the Company. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the state of Delaware and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectuses and to enter into and perform its obligations under this Agreement and the International Purchase Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify

or to be in good standing would not result in a Material Adverse Effect.

(vi) Good Standing of Subsidiaries. Each subsidiary of the Company (each a "Subsidiary" and, collectively, the "Subsidiaries") has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectuses and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure with respect to any of the foregoing would not result in a Material Adverse Effect; except as otherwise disclosed in the Registration Statement, all of the issued and outstanding capital stock of each such Subsidiary has been duly authorized and validly issued and is fully paid and non-assessable, except where the failure of such capital stock to have been so authorized and issued would not have a Material Adverse Effect; such shares of capital stock are owned by the Company, directly or through subsidiaries, and except for liens and security interests securing the Diamond Offshore Bank Credit Facility (as defined in the Prospectuses) which are described in the Prospectuses, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity, except where the failure of the Company so to own such capital stock would not have a Material Adverse Effect; none of the outstanding shares of capital stock of any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary, except any such violations which would not, individually or in the aggregate, have a Material Adverse Effect. The only subsidiaries of the Company are (a) the Subsidiaries listed on Exhibit 21 to the Registration Statement, (b) former subsidiaries of Arethusa and (c) certain other Subsidiaries which, considered in the aggregate as a single Subsidiary, do not constitute a "significant subsidiary" as defined in Rule 1-02 of Regulation S-X.

(vii) Capitalization. The authorized, issued and outstanding capital stock of the Company is as set forth in the Prospectuses in the column entitled "Historical" under the caption "Capitalization" (except for subsequent issuances, if any, pursuant to reservations, agreements or employee benefit plans referred to in the Prospectuses or pursuant to the exercise of convertible securities or options referred to in the Prospectuses). The shares of issued and outstanding capital stock have been duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock of the Company was issued in violation of the preemptive or other similar rights of any securityholder of the Company arising by operation of law, under the Company's Restated Certificate of Incorporation or by-laws, under any agreement to which the Company or any of its Subsidiaries is a party or otherwise.

(viii) Authorization of Agreement. This Agreement and the International Purchase Agreement have been duly authorized, executed and delivered by the Company.

(ix) Description of Securities. The Common Stock conforms to all statements relating thereto contained in the Prospectuses and such description conforms to the rights set forth in the instruments defining the same; no holder of the Offered Securities will be subject to personal liability by reason of being such a holder; and the sale of the Offered Securities is not subject to preemptive or other similar rights of any securityholder of the Company.

(x) Absence of Defaults and Conflicts. Neither the Company nor any of its Subsidiaries is in violation of its charter or by-laws or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or Subsidiary is subject (collectively, "Agreements and Instruments") except

for such defaults that would not result in a Material Adverse Effect; and the execution, delivery and performance of this Agreement and the International Purchase Agreement and the consummation of the transactions contemplated herein, therein and in the Registration Statement and compliance by the Company with its obligations hereunder have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary pursuant to, the Agreements and Instruments (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not impair the Company's or any of the Subsidiaries' ability to perform the obligations hereunder or which would not result in a Material Adverse Effect), nor will such action result in any violation of the provisions of the Restated Certificate of Incorporation or by-laws of the Company or any Subsidiary or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any Subsidiary or any of their assets, properties or operations. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any Subsidiary.

(xi) Absence of Labor Dispute. No labor dispute with the employees of the Company or any Subsidiary exists or, to the knowledge of the Company, is imminent, which, in either case, may reasonably be expected to result in a Material Adverse Effect.

(xii) Absence of Proceedings. There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending, or, to

the knowledge of the Company, threatened, against or affecting the Company or any Subsidiary, which is required to be disclosed in the Registration Statement (other than as disclosed therein), or which individually or in the aggregate might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to materially and adversely affect the properties or assets thereof or the consummation of this Agreement, the International Purchase Agreement or the performance by the Company of its obligations hereunder or thereunder; the aggregate of all pending legal or governmental proceedings to which the Company or any Subsidiary is a party or of which any of their respective property or assets is the subject which are not described in the Registration Statement, including ordinary routine litigation incidental to the business, are not reasonably expected to result in a Material Adverse Effect.

(xiii) Accuracy of Exhibits. There are no contracts or documents which are required to be described in the Registration Statement or the Prospectuses or to be filed as exhibits thereto which have not been so described as required.

(xiv) Possession of Intellectual Property. The Company and its Subsidiaries own or possess, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "Intellectual Property") necessary to carry on the business now operated by them, and neither the Company nor any of its Subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its Subsidiaries therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity

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or inadequacy, singly or in the aggregate, would result in a Material Adverse Effect.

(xv) Absence of Further Requirements. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of the Company's obligations hereunder or under the International Purchase Agreement, in connection with the offering of the Offered Securities or the consummation of the transactions contemplated by this Agreement and the International Purchase Agreement, except such as have been already obtained or as may be required under the 1933 Act or the 1933 Act Regulations, the Delaware General Corporation Law or state securities laws.

(xvi) Maritime Laws. No consent or approval of any federal governmental agency with respect to any federal maritime law matter is required in connection with the performance by the Company of its obligations under this Agreement or the International Purchase Agreement or the issuance and sale of the Offered Securities; and neither the issue, offer, sale or delivery by the Company of the Offered Securities pursuant to this Agreement or the International Purchase Agreement or the execution, delivery, and performance by the Company and the consummation of the transactions contemplated thereby will violate any existing federal maritime laws, including, without limitation, the Shipping Act, 1916, as amended, and the rules and regulations of the Maritime Administration (MarAd) and the United States Coast Guard.

(xvii) Possession of Licenses and Permits. The Company and its Subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them in all material respects; the Company and its Subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, singly or in the

aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company nor any of its Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect.

(xviii) Title to Property. The Company and its Subsidiaries have good and marketable title to all real property owned by the Company and its Subsidiaries and good title to all other properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind except such as (a) are described in the Prospectuses, (b) do not, singly or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or any of its Subsidiaries or (c) are "Permitted Liens"; and all of the leases and subleases material to the business of the Company and its Subsidiaries, considered as one enterprise, and under which the Company or any of its Subsidiaries holds properties described in the Prospectus, are in full force and effect, and neither the Company nor any Subsidiary has any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Company or any Subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or such Subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease. "Permitted Liens" means (i) liens for taxes not yet due or liens that have not been filed for taxes that are being contested in good faith and by appropriate proceedings diligently prosecuted, (ii) carriers', warehousemen's, mechanics', materialmen's, repairmen's, maritime, statutory or other like liens arising in the ordinary course of business that are not overdue for more than 30 days or that are being

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contested in good faith and by appropriate proceedings diligently prosecuted, (iii) pledges or deposits in connection with workmen's compensation, unemployment insurance and other social security legislation, (iv) pledges and deposits to secure letters of credit, the performance of bids, contracts in the ordinary course of business (other than for borrowed money), leases, statutory obligations, surety and appeal bonds and performance bonds, and other obligations of a like nature that are incurred in the ordinary course of business, (v) mortgages, liens and security interests securing the Diamond Offshore Bank Credit Facility (as defined in the Prospectuses) and (vi) mortgages and liens securing former Arethusa credit facilities (the indebtedness under which has been paid in full) which remain unreleased of record.

(xix) Compliance with Cuba Act. The Company has complied with, and is and, prior to the completion of the distribution of the Offered Securities, will be in compliance with, the provisions of that certain Florida act relating to disclosure of doing business with Cuba, codified as Section 517.075 of the Florida statutes, and the rules and regulations thereunder (collectively, the "Cuba Act") or is exempt therefrom.

(xx) Investment Company Act and Public Utility Holding Company Act. The Company is not, and upon the sale of the Offered Securities as herein contemplated will not be, (A) an "investment company" or an entity "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended (the "1940 Act") or (B) a "holding company" or a "subsidiary company" or an "affiliate" of a holding company within the meaning of the Public Utility Holding Company Act of 1935, as amended, and the rules and regulations promulgated by the Commission thereunder (the "Holding Company Act").

(xxi) Environmental Laws. Except as described in the Registration Statement and except such violations as would not, singly or in the aggregate, result in a Material Adverse Effect, (A) neither the Company nor any of its Subsidiaries is in violation

of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Company and its Subsidiaries have all permits, authoriza- tions and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its Subsidiaries and (D) there are no events or circumstances that might reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its Subsidiaries relating to any Hazardous Materials or the violation of any Environmental Laws.

(xxii) The Acquisition. The Acquisition (as defined in the Prospectuses) has been consummated in the manner described in the Prospectuses.

(xxiii) Registration Rights. Except as described in the Registration Statement, there are no persons with registration or other similar rights to have any securities registered pursuant to the Registration Statement or otherwise registered by the Company under the 1933 Act.

(b) Representations and Warranties by the Selling Stockholders. Each Selling Stockholder severally represents and warrants to each U.S. Underwriter (and in the case of paragraph (v), to the Company) as of the date hereof, as of the Closing Time, and, if one or more Selling Stockholder is selling U.S. Option Securities on a Date of Delivery, as of each such Date of Delivery, and agrees with each U.S. Underwriter, as follows:

(i) Accurate Disclosure. Such Selling Stockholder has no reason to believe that the representations and warranties of the Company contained in Section 1(a) hereof are not true and correct in any material respect. Such Selling Stockholder has reviewed and is familiar with the Registration Statement and, (A) to the best knowledge of such Selling Stockholder, to the extent that any statements or omissions made in the Prospectuses or any amendment or supplement thereto are made in reliance upon and in conformity with written information with respect to such Selling Stockholder furnished to the Company by such Selling Stockholder expressly for use therein or (B) to such Stockholder's knowledge, without any independent investigation, to the extent that any statements or omissions made in the Prospectuses or any amendment or supplement thereto relate to any information with respect to Arethusa furnished to the Company prior to April 29, 1996 by or on behalf of Arethusa, the Registration Statement and the Prospectuses do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; such Selling Stockholder is not prompted to sell the U.S. Securities to be sold by such Selling Stockholder hereunder by any information concerning the Company or any Subsidiary of the Company which is not set forth in the Prospectuses.

(ii) Authorization of Agreements. Such Selling Stockholder has the full right, power and authority to enter into this Agreement, the International Purchase Agreement and with respect to Alphee, a power of attorney (the "Alphee Power of Attorney") appointing James F. Munsell and John Berton as Attorneys-in-Fact (the "Alphee Power of

Attorney"), and with respect to Ratos, a power of attorney (the "Ratos Power of Attorney"), appointing Gary Wolfe and Olle Isberg as Attorneys-in-Fact (such individuals, together with Messrs. Munsell and Berton, are each referred to herein as an "Attorney-in-Fact"; and each of the Alphee Power of Attorney and the Ratos Power of Attorney is referred to herein as a "Power of Attorney"), and to sell, transfer and deliver the U.S. Securities to be sold by such Selling Stockholder hereunder. The execution and delivery by each Selling Stockholder of this Agreement, the International Purchase Agreement and its respective Power of Attorney, and the sale and delivery of the Securities to be sold by such Selling Stockholder and the consummation of the transactions contemplated herein and compliance by such Selling Stockholder with its obligations hereunder have been duly authorized by such Selling Stockholder and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of or default under, or result in the creation or imposition of any tax, lien, charge or encumbrance upon the Offered Securities to be sold by such Selling Stockholder or any property or assets of such Selling Stockholder pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, license, lease or other agreement or instrument to which such Selling Stockholder is a party or by which such Selling Stockholder may be bound, or to which any of the property or assets of such Selling Stockholder is subject (including any contract or other instrument creating any right-of-first refusal or any similar right with respect to the Offered Securities), nor will such action result in any violation of the provisions of the charter or by-laws or other organizational instrument of such Selling Stockholder, or any applicable treaty, law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over such Selling Stockholder or any of its properties.

(iii) Good and Marketable Title. Such Selling Stockholder has and will have at the Closing Time and, if any U.S. Option Securities are purchased, on the Date of Delivery, good and marketable title to

the U.S. Securities to be sold by such Selling Stockholder hereunder, free and clear of any security interest, mortgage, pledge, lien, charge, claim, equity or encumbrance of any kind, other than pursuant to this Agreement; and upon delivery of such U.S. Securities and payment of the purchase price therefor as herein contemplated, assuming each U.S. Underwriter acquires its interest in such U.S. Securities in good faith and has no notice of any adverse claim, each of the U.S. Underwriters will receive good and marketable title to the U.S. Securities purchased by it from such Selling Stockholder, free and clear of any security interest, mortgage, pledge, lien, charge, claim, equity or encumbrance of any kind.

(iv) Due Execution of Agreements. Such Selling Stockholder has duly executed and delivered, in the form heretofore furnished to the U.S. Underwriters, with respect to Alphee, the Alphee Power of Attorney, and with respect to Ratos, the Ratos Power of Attorney; and each Attorney-in-Fact is authorized by its respective Selling Stockholder to execute and deliver this Agreement and the certificate referred to in Section 5(h) or that may be required pursuant to Sections 5(m) and 5(n) on behalf of such Selling Stockholder, to sell, assign and transfer to the U.S. Underwriters the U.S. Securities to be sold by such Selling Stockholder hereunder, to determine the purchase price to be paid by the U.S. Underwriters to such Selling Stockholder, as provided in Section 2(a) hereof, to authorize the delivery of the U.S. Securities to be sold by such Selling Stockholder hereunder, to accept payment therefor, and otherwise to act on behalf of such Selling Stockholder in connection with this Agreement.

(v) Absence of Manipulation. Such Selling Stockholder has not taken and will not take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(vi) Absence of Further Requirements. No filing with, or consent, approval, authorization, order, registration, qualification or decree of, any court or governmental authority or agency, domestic or foreign, is required for the performance by such Selling Stockholder of its obligations hereunder or in the Alphee Power of Attorney or the Ratos Power of Attorney (as the case may be), or in connection with the sale and delivery of the U.S. Securities hereunder or the consummation of the transactions contemplated by this Agreement, except such as may have previously been made or obtained or as may be required under the 1933 Act or the 1933 Act Regulations or state securities laws.

(vii) Restriction on Sale of Securities. During a period of 90 days from the date of the Prospectuses, such Selling Stockholder will not, without the prior written consent of Merrill Lynch, (i) sell, offer to sell, grant any option for sale of, contract or otherwise transfer, directly or indirectly, any share of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock. The foregoing sentence shall not apply to the Common Stock to be sold hereunder or under the International Purchase Agreement. In addition, during the 90 days after the date of this Agreement, such Selling Stockholders will not release the Company from the Company's obligation under the Shareholders Agreement (as defined in the Prospectuses) not to effect, and to cause Loews to agree not to effect, any public sale or distribution of any securities the same as or similar to the Common Stock, or any securities convertible into or exchangeable for securities the same as or similar to the Common Stock (except pursuant to registrations on Form S-4 or any successor form, or Form S-8 or any successor form relating solely to securities offered pursuant to any benefit plan).

(viii) Transfer of U.S. Securities. Certificates for all of the U.S. Securities to be sold by such Selling Stockholder pursuant to this Agreement, in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank with signatures guaranteed, will have been delivered prior to the Closing Date to the

Company's transfer agent, Chemical Mellon Shareholder Services, L.L.C. (or in the case of U.S. Securities that are not in certificated form, such other customary method of transfer from such Selling Stockholder to such transfer agent), with irrevocable conditional instructions to deliver such U.S. Securities to the U.S. Underwriters pursuant to this Agreement.

(ix) No Association with NASD. Neither such Selling Stockholder nor any of its affiliates directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, or has any other association with (within the meaning of Article I, Section 1(m) of the Bylaws of the National Association of Securities Dealers, Inc.), any member firm of the National Association of Securities Dealers, Inc.

(c) Officer's Certificates. Any certificate signed by any officer of the Company or any subsidiary delivered to the U.S. Underwriters or to counsel for the U.S. Underwriters shall be deemed a representation and warranty by the Company to each U.S. Underwriter as to the matters covered thereby; and any certificate signed by or on behalf of any Selling Stockholder as such and delivered to the U.S. Underwriters or to counsel for the U.S. Underwriters pursuant to the terms of this Agreement shall be deemed a representation and warranty by such Selling Stockholder to the U.S. Underwriters as to the matters covered thereby.

SECTION 2. Sale and Delivery to U.S. Underwriters; Closing.

(a) Initial Securities. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, each Selling Stockholder, severally and not jointly, agrees to sell to each U.S. Underwriter, severally and not jointly, and each U.S. Underwriter, severally and not jointly, agrees to purchase from each Selling Stockholder, at the price per share set forth in Schedule C, that proportion of the number of Initial U.S. Securities set forth in Schedule B opposite the name of such Selling Stockholder, which the number of Initial U.S. Securities set forth in Schedule A opposite the name of such U.S.

Underwriter, plus any additional number of Initial U.S. Securities which such U.S. Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof bears to the total number of Initial U.S. Securities, subject, in each case, to such adjustments among the U.S. Underwriters as the U.S. Underwriters in their sole discretion shall make to eliminate any sales or purchases of fractional securities.

(b) Option Securities. In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Selling Stockholders, acting severally and not jointly, hereby grant an option to the U.S. Underwriters, severally and not jointly, to purchase, at the price per share set forth in Schedule C, up to the additional number of shares of Common Stock set forth in Schedule B less an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial U.S. Securities but not payable on the U.S. Option Securities. The option hereby granted will expire 30 days after the date hereof and may be exercised in whole or in part from time to time only for the purpose of covering over-allotments which may be made in connection with the offering and distribution of the Initial U.S. Securities upon notice by the U.S. Underwriters to the Company and the Selling Stockholders setting forth the number of U.S. Option Securities as to which the several U.S. Underwriters are then exercising the option and the time and date of payment and delivery for such U.S. Option Securities. Any such time and date of delivery (a "Date of Delivery") shall be determined by the U.S. Underwriters, but shall not be later than seven full business days after the exercise of said option, nor in any event prior to the Closing Time, as hereinafter defined. If the option is exercised as to all or any portion of the U.S. Option Securities, each of the U.S. Underwriters, acting severally and not jointly, will purchase that proportion of the total number of U.S. Option Securities then being purchased which the number of Initial U.S. Securities set forth in Schedule A opposite the name of such U.S. Underwriter bears to the total number of Initial U.S. Securities, subject in each case to such adjustments as the U.S. Underwriters in their discretion shall make to eliminate any sales or purchases of fractional shares.

(c) Payment. Payment of the purchase price for, and delivery of certificates for, the Initial U.S. Securities shall be made at the office of Skadden, Arps, Slate, Meagher & Flom, 919 Third Avenue, New York, New York 10022, or at such other place as shall be agreed upon by the U.S. Underwriters, the Company and the Selling Stockholders, at 10:00 A.M. (Eastern Time) on the third (fourth, if the pricing occurs after 4:30 P.M. (Eastern Time) on any given day) business day after the date hereof (unless postponed in accordance with the provisions of Section 10), or such other time not later than ten business days after such date as shall be agreed upon by the U.S. Underwriters, the Company and the Selling Stockholders (such time and date of payment and delivery being herein called "Closing Time").

In addition, in the event that any or all of the U.S. Option Securities are purchased by the U.S. Underwriters, payment of the purchase price for, and delivery of certificates for, such U.S. Option Securities shall be made at the above-mentioned offices, or at such other place as shall be agreed upon by the U.S. Underwriters, the Company and the Selling Stockholders, on each Date of Delivery as specified in the notice from the U.S. Underwriters to the Company and the Selling Stockholders. Payment for the Initial U.S. Securities and the U.S. Option Securities shall be made to each Selling Stockholder by wire transfer of immediately available funds to one or more bank accounts designated by such Selling Stockholder, against delivery to the U.S. Underwriters for the respective accounts of the U.S. Underwriters of certificates for the U.S. Securities to be purchased by them. It is understood that each U.S. Underwriter has authorized the U.S. Underwriters, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Initial U.S. Securities and the U.S. Option Securities, if any, which it has agreed to purchase. Merrill Lynch, individually and not as representative of the U.S. Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Initial U.S. Securities or the U.S. Option Securities, if any, to be purchased by any U.S. Underwriter whose payment has not been received by the Closing Time or the relevant Date of Delivery, as the case may be, but such payment shall not relieve such U.S. Underwriter from its obligations hereunder.

(d) Denominations; Registration. Certificates for the Initial U.S. Securities and the U.S. Option Securities, if any, shall be in such denominations and registered in such names as the U.S. Underwriters may request in writing at least one full business day before the Closing Time or the relevant Date of Delivery, as the case may be. The certificates for the Initial U.S. Securities and the U.S. Option Securities, if any, will be made available for examination and packaging by the U.S. Underwriters in the City of New York not later than 10:00 A.M. (Eastern Time) on the business day prior to the Closing Time or the relevant Date of Delivery, as the case may be.

SECTION 3. Covenants of the Company. The Company covenants with each U.S. Underwriter as follows:

(a) Compliance with Securities Regulations and Commission Requests. The Company, subject to Section 3(b), will comply with the requirements of Rule 430A and will notify the U.S. Underwriters immediately, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective, or any supplement to the Prospectuses or any amended Prospectuses shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectuses or for additional information and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the Offered Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes. The Company will promptly effect the filings necessary pursuant to Rule 424(b) and will take such steps as it deems necessary to ascertain promptly whether the forms of prospectus transmitted for filing under Rule 424(b) were received for filing by the Commission and, in the event that they were not, it will promptly file such prospectuses. The Company will make every reasonable effort to prevent the issuance of any stop

order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) Filing of Amendments. The Company will give the U.S. Underwriters notice of its intention to file or prepare any amendment to the Registration Statement (including any filing under Rule 462(b)), any Term Sheet or any amendment, supplement or revision to either the prospectuses included in the Registration Statement at the time it became effective or to the Prospectuses and will furnish the U.S. Underwriters with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the U.S. Underwriters or counsel for the U.S. Underwriters reasonably shall object.

(c) Delivery of Registration Statements. The Company has furnished or will deliver to the U.S. Underwriters and counsel for the U.S. Underwriters, without charge, signed copies of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein and signed copies of all consents and certificates of experts, and will also deliver to the U.S. Underwriters, without charge, a conformed copy of the Registration Statement as originally filed and of each amendment thereto (without exhibits) for each of the U.S. Underwriters. If applicable, the copies of the Registration Statement and each amendment thereto furnished to the U.S. Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(d) Delivery of Prospectuses. The Company has delivered to each U.S. Underwriter, without charge, as many copies of each preliminary U.S. prospectus as such U.S. Underwriter reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act. The Company will furnish to each U.S. Underwriter, without charge, during the period when the U.S. Prospectus is required to be delivered under the 1933 Act or the Securities Exchange Act of 1934 (the "1934

Act"), such number of copies of the U.S. Prospectus (as amended or supplemented) as such U.S. Underwriter may reasonably request. If applicable, the U.S. Prospectus and any amendments or supplements thereto furnished to the U.S. Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) Continued Compliance with Securities Laws. The Company will comply with the 1933 Act and the 1933 Act Regulations so as to permit the completion of the distribution of the Offered Securities as contemplated in this Agreement, the International Purchase Agreement and in the Prospectuses. If at any time when a prospectus is required by the 1933 Act to be delivered in connection with sales of the Offered Securities, any event shall occur or condition shall exist as a result of which it is necessary to amend the Registration Statement or amend or supplement the Prospectuses in order that the Prospectuses will not include any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary at any such time to amend the Registration Statement or amend or supplement the Prospectuses in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly prepare and file with the Commission, subject to Section 3(b), such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the Prospectuses comply with such requirements, and the Company will furnish to the U.S. Underwriters such number of copies of such amendment or supplement as the U.S. Underwriters may reasonably request.

(f) Blue Sky Qualifications. The Company will use its best efforts, in cooperation with the U.S. Underwriters, to qualify the Offered Securities for offering and sale under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as the U.S. Underwriters may designate and to maintain such qualifications in effect

for a period of not less than one year from the later of the effective date of the Registration Statement and any Rule 462(b) Registration Statement; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject. In each jurisdiction in which the Offered Securities have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for a period of not less than one year from the effective date of the Registration Statement and any Rule 462(b) Registration Statement.

(g) Rule 158. The Company will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its security holders as soon as practicable an earnings statement for the purposes of, and to provide the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(h) Reporting Requirements. The Company, during the period in which the Prospectuses are required to be delivered under the 1933 Act or the 1934 Act, will file all documents required to be filed with the Commission pursuant to the 1934 Act within the time periods required by the 1934 Act and the rules and regulations of the Commission thereunder.

(i) Release of Certain Mortgages and Liens. The Company will use its best commercially reasonable efforts to obtain the release of record of the mortgages and liens referred to in clause (vi) of Section 1(a)(xviii) hereof within 60 days of the date hereof; upon obtaining such release or releases, the Company shall promptly furnish evidence of such release or releases to the U.S. Underwriters and their counsel.

SECTION 4. Payment of Expenses. (a) Expenses. Except as otherwise agreed to in writing by the U.S. Underwriters and the Selling Stockholders, the Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and of each amendment thereto, (ii) the preparation, photocopying and delivery to the Underwriters of this Agreement, any Agreement among U.S. Underwriters, the International Purchase Agreement, the Agreement among International Managers, the Intersyndicate Agreement between the U.S. Underwriters and the International Managers and such other documents as may be required in connection with the offering, purchase, sale and delivery of the Offered Securities, (iii) the preparation, issuance and delivery of the certificates for the Offered Securities to the Underwriters, including any stock or other transfer taxes or duties payable upon the sale of the Offered Securities to the Underwriters, (iv) the fees and disbursements of the Company's counsel, accountants and other advisors, (v) the qualification of the Offered Securities under securities laws in accordance with the provisions of Section 3(f) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the Blue Sky Survey and any supplement thereto, (vi) the printing and delivery to the Underwriters of copies of each preliminary prospectus, any Term Sheets and of the Prospectuses and any amendments or supplements thereto, (vii) the preparation, photocopying and delivery to the Underwriters of copies of the Blue Sky Survey and any supplement thereto, (viii) the fees and expenses of any transfer agent or registrar for the Offered Securities and (ix) the filing fees incident to, and the reasonable fees and disbursements of counsel to the Underwriters in connection with, the review by the National Association of Securities Dealers, Inc. (the "NASD") of the terms of the sale of the Offered Securities, if any.

(b) Expenses of the Selling Stockholders. Each Selling Stockholder will pay all of its expenses incident to the performance of its respective obligations under, and the consummation of the transactions contemplated by this Agreement, including: (i) any stamp duties, capital duties and stock transfer taxes, if any,

payable upon the sale of the U.S. Securities to the U.S. Underwriters by such Selling Stockholder, and their transfer between the Underwriters pursuant to an agreement between such Underwriters, (ii) the fees and disbursements of its respective counsel and accountants. and (iii) all expenses required to be paid by the Selling Stockholders (A) as between the Selling Stockholders and the Company, as set forth in the last sentence of Section 4(h) of the Shareholders Agreement, and (B) as between the Selling Stockholders and the Underwriters, as set forth in that certain Expense Agreement dated as of the date hereof among the Selling Stockholders and the Underwriters.

(c) Termination of Agreement. If this Agreement is terminated by the U.S. Underwriters in accordance with the provisions of Section 5 (other than Section 5(e), (h), (m)(ii) or (m)(vi)), Section 9(a)(i) or Section 11 hereof, the Company shall reimburse the U.S. Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the U.S. Underwriters. If this Agreement is terminated by the U.S. Underwriters in accordance with the provisions of Section 5(e), (h), (m)(ii) or (m)(vi) or Section 11, the Selling Stockholders shall reimburse the U.S. Underwriters and the Company for all of their reasonable respective out-of-pocket expenses, including the reasonable fees and disbursements of their respective counsel.

SECTION 5. Conditions of the U.S. Underwriters' Obligations. The obligations of the several U.S. Underwriters hereunder are subject to the accuracy of the representations and warranties of the Company and the Selling Stockholders contained in Section 1 hereof or in certificates of any officer of the Company, any Subsidiary or any of the Selling Stockholders delivered pursuant to the provisions hereof, to the performance by the Company and the Selling Stockholders of their respective covenants and other obligations hereunder, and to the following further conditions:

(a) Effectiveness of Registration Statement. The Registration Statement, including any Rule 462(b) Registration Statement, has become effective on the date hereof and at Closing Time no stop order suspending the effectiveness of the Registration

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Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of counsel to the Underwriters. Prospectuses containing the Rule 430A Information shall have been filed with the Commission in accordance with Rule 424(b) (or a post-effective amendment providing such information shall have been filed and declared effective in accordance with the requirements of Rule 430A) or, if the Company has elected to rely upon Rule 434, a Term Sheet shall have been filed with the Commission in accordance with Rule 424(b).

(b) Opinion of Counsel for the Company. At Closing Time, the U.S. Underwriters shall have received the favorable opinion, dated as of Closing Time, of Weil, Gotshal & Manges LLP, counsel for the Company, in form and substance reasonably satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters substantially to the effect set forth in Exhibit A hereto and to such further effect as counsel to the U.S. Underwriters may reasonably request.

(c) Opinion of General Counsel of the Company. At Closing Time, the U.S. Underwriters shall have received the favorable opinion, dated as of Closing Time, of Richard L. Lionberger, Vice President and General Counsel of the Company, in form and substance reasonably satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters substantially to the effect set forth in Exhibit B hereto and to such further effect as counsel to the U.S. Underwriters may reasonably request.

(d) Opinion of Maritime Counsel for the Company. At Closing Time, the U.S. Underwriters shall have received the favorable opinion, dated as of Closing Time, of Verner, Liipfert, Bernhard, McPherson and Hand, Chartered, special maritime counsel for the Company, in form and substance reasonably satisfactory to counsel for the U.S. Under-

writers, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters substantially to the effect set forth in Exhibit C hereto and to such further effect as counsel to the U.S. Underwriters may reasonably request.

(e) Opinions of Counsel for the Selling Stockholders. At Closing Time, the U.S. Underwriters shall have received the favorable opinion, dated as of Closing Time, of (i) Loesch & Wolter, Luxembourg counsel for Alphee, (ii) Mannheimer Swartling, Swedish counsel for Ratos, (iii) Cleary, Gottlieb, Steen & Hamilton, U.S. counsel for Alphee, and (iv) Seward & Kissel, U.S. counsel for Ratos, in form and substance reasonably satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters substantially to the effect set forth in Exhibits D-1, D-2, D-3 and D-4, respectively, hereto and to such further effect as counsel to the U.S. Underwriters may reasonably request.

(f) Opinion of Counsel for the U.S. Underwriters. At Closing Time the U.S. Underwriters shall have received the favorable opinion, dated as of Closing Time, of Skadden, Arps, Slate, Meagher & Flom, counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters, in form and substance reasonably satisfactory to the U.S. Underwriters.

(g) Officers' Certificate. At Closing Time there shall not have been, since the date hereof or since the respective dates as of which information is given in the Prospectuses, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its Subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, and the U.S. Underwriters shall have received a certificate of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company, dated as of Closing Time, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in

Section 1(a) hereof are true and correct with the same force and effect as though expressly made at and as of Closing Time, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied under this Agreement and under the International Purchase Agreement at or prior to Closing Time and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or are contemplated by the Commission.

(h) Certificate of the Selling Stockholders. At Closing Time, the U.S. Underwriters shall have received a certificate of each Selling Stockholder, or of an Attorney-in-Fact on behalf of such Selling Stockholder, dated as of Closing Time, to the effect that (i) the representations and warranties of each Selling Stockholder contained in Section l(b) hereof are true and correct in all respects with the same force and effect as though expressly made at and as of Closing Time and (ii) such Selling Stockholder has complied in all material respects with all agreements and satisfied all conditions on its part to be performed or satisfied under this Agreement at or prior to Closing Time.

(i) Accountants' Comfort Letter. At the time of the execution of this Agreement, the U.S. Underwriters shall have received from Deloitte & Touche LLP and Arthur Andersen & Co. letters dated such date, in form and substance satisfactory to the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectuses.

(j) Bring-down Comfort Letter. At Closing Time the U.S. Underwriters shall have received from each of the accountants identified in the preceding paragraph a letter, dated as of Closing Time, to the effect that they reaffirm the statements made in the letters furnished pursuant to the preceding para-

graph of this Section, except that the specified date referred to shall be a date not more than three business days prior to Closing Time.

(k) No Objection. The NASD shall not have raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements.

(l) Agreement with Loews. The Underwriters shall have entered into an agreement with Loews Corporation, a Delaware corporation ("Loews"), in the form previously submitted to the U.S. Underwriters, with such changes and revisions as shall be agreed to by the parties thereto, and the opinion provided for therein shall have been delivered to the Underwriters.

(m) Conditions to Purchase of the U.S. Option Securities. In the event that the U.S. Underwriters exercise their option provided in Section 2(b) hereof to purchase all or any portion of the U.S. Option Securities, the representations and warranties of the Company and the Selling Stockholders contained herein and the statements in any certificates furnished by the Company and the Selling Stockholders hereunder shall be true and correct as of each Date of Delivery and, at the relevant Date of Delivery, the U.S. Underwriters shall have received:

(i) Officers' Certificate. A certificate, dated such Date of Delivery, of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company confirming that the certificate delivered at the Closing Time pursuant to Section 5(g) hereof remains true and correct as of such Date of Delivery.

(ii) Selling Stockholders' Certificates. A certificate, dated such Date of Delivery, of each Selling Stockholder, or of an Attorney-in-Fact on behalf of such Selling Stockholder, confirming that the certificate delivered at Closing Time pursuant to Section 5(h) remains true and correct as of such Date of Delivery.

(iii) Opinion of Counsel for Company. The favorable opinion of Weil, Gotshal & Manges LLP, counsel for the Company, substantially in form and substance reasonably satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the U.S. Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(b) hereof.

(iv) Opinion of Counsel for Company. The favorable opinion of Richard L. Lionberger, Vice President and General Counsel of the Company, in form and substance reasonably satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the U.S. Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(c) hereof.

(v) Opinion of Maritime Counsel for the Company. The favorable opinion of Verner, Liipfert, Bernhard, McPherson and Hand, Chartered, special maritime counsel for the Company, in form and substance reasonably satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the U.S. Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(d) hereof.

(vi) Opinion of Counsels for Selling Stockholders. The favorable opinion of (A) Loesch & Wolter, Luxembourg counsel for Alphee, (B) Mannheimer Swartling, Swedish counsel for Ratos, and (C) Cleary, Gottlieb, Steen & Hamilton, U.S. counsel for Alphee, and Seward & Kissel, U.S. counsel for Ratos, in form and substance reasonably satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the U.S. Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinions required by Section 5(e).

(vii) Opinion of Counsel for the U.S. Underwriters. The favorable opinion of Skadden, Arps, Slate, Meagher & Flom, counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the U.S. Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(f) hereof.

(viii) Bring-down Comfort Letter. Letters from Deloitte & Touche LLP and Arthur Andersen & Co., in form and substance satisfactory to the U.S. Underwriters and dated such Date of Delivery, substantially in the same form and substance as the letter furnished to the U.S. Underwriters pursuant to Section 5(i) hereof, except that the "specified date" in the letter furnished pursuant to this paragraph shall be a date not more than five days prior to such Date of Delivery.

(n) Additional Documents. At Closing Time and at each Date of Delivery counsel for the U.S. Underwriters shall have been furnished with such certificates and such other customary closing documents as they may require for the purpose of enabling them to pass upon the sale of the U.S. Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company and the Selling Stockholders, in connection with the sale of the U.S. Securities as herein contemplated shall be satisfactory in form and substance to the U.S. Underwriters and counsel for the U.S. Underwriters.

(o) Termination of Agreement. If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement, or, in the case of any condition to the purchase of U.S. Option Securities, on a Date of Delivery which is after the Closing Time, the obligations of the several U.S. Underwriters to purchase the relevant U.S. Option Securities, may be terminated by the U.S. Underwriters by notice to the Company and the Selling Stockholders at any time at

or prior to Closing Time or such Date of Delivery, as the case may be, and such termination shall be without liability of any party to any other party except as provided in Section 4 and except that Sections 1, 6 and 7 shall survive any such termination and remain in full force and effect.

SECTION 6. Indemnification.

(a) Indemnification of U.S. Underwriters. The Company agrees to indemnify and hold harmless each U.S. Underwriter and each person, if any, who controls any U.S. Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus or any Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 6(c) below) any such settlement is effected with the written consent of the Company and the Selling Stockholders; and

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by Merrill Lynch), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under paragraphs (i) or (ii) of this Section 6(a)) above;

provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company (x) prior to April 29, 1996 by or on behalf of Arethusa or (y) in writing by (i) any U.S. Underwriter through Merrill Lynch, or (ii) any Selling Stockholder, expressly for use in the Registration Statement (or any amendment thereto), including the 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or the Prospectuses (or any amendment or supplement thereto) and provided further, that this indemnification agreement shall not apply to any loss, liability, claim, damage or expense if a copy of the U.S. Prospectus (as then amended or supplemented if the Company shall have prepared any amendments or supplements thereto) was not sent or given by or on behalf of any U.S. Underwriter to such person, if such is required by law, at or prior to the written confirmation of the sale of Offered Securities to such person and if the U.S. Prospectus, as so amended or supplemented, would have cured the defect giving rise to such loss, liability, claim, damage or expense.

(b) Indemnification of U.S. Underwriters, the Company, Directors and Officers by the Selling Stockholders. Each Selling Stockholder, severally and not jointly (in the proportion that the number of U.S. Securities being sold by such Selling Stockholder bears to the total number of U.S. Securities), with respect to (i) below, and jointly and severally, with respect to (ii) below, agrees to indemnify and hold harmless each U.S. Underwriter, the Company, the Company's directors, each of the Company's officers who signed the Registration Statement,

and each person, if any, who controls a U.S. Underwriter or the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section 6, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or any Prospectus (or any amendment or supplement thereto) (i) in reliance upon and in conformity with written information furnished to the Company by a Selling Stockholder with respect to such Selling Stockholder expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or any Prospectus (or any amendment or supplement thereto) or (ii) any information with respect to Arethusa furnished to the Company prior to April 29, 1996 by or on behalf of Arethusa.

(c) Indemnification of Company, Selling Stockholders, Directors and Officers by the U.S. Underwriters. Each U.S. Underwriter severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, and each Selling Stockholder against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section 6, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or any Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such U.S. Underwriter through Merrill Lynch expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or any Prospectus (or any amendment or supplement thereto).

(d) Actions against Parties; Notification. Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any

action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In case any such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section 6 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. An indemnified party may participate at its own expense in the defense of any such action. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 6 or Section 7 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(e) Settlement without Consent if Failure to Reimburse. If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

SECTION 7. Contribution. If the indemnification provided for in Section 6 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, the Selling Stockholders and the U.S. Underwriters from the offering of the U.S. Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, the Selling Stockholders and the U.S. Underwriters in connection with the statements or omissions, which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Selling Stockholders and the U.S. Underwriters in connection with the offering of the U.S. Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the U.S. Securities pursuant to this Agreement (before deducting expenses) received by the Selling Stockholders and the total underwriting discount received by the U.S. Underwriters, in each case as set forth on the cover of

the U.S. Prospectus, or, if Rule 434 is used, the corresponding location on the Term Sheet bear to the aggregate initial public offering price of the U.S. Securities as set forth on such cover.

The relative fault of the Company, the Selling Stockholders and the U.S. Underwriters shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, the Selling Stockholders or the U.S. Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Selling Stockholders and the U.S. Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the U.S. Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 7. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 7 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, no U.S. Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the U.S. Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such U.S. Underwriter has otherwise been required to pay by reason of any such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933

Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 7, (i) each person, if any, who controls a U.S. Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such U.S. Underwriter, (ii) each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company and (iii) each director of each Selling Stockholder and each person, if any, who controls such Selling Stockholder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such Selling Stockholder. The U.S. Underwriters' respective obligations to contribute pursuant to this Section 7 are several in proportion to the number of Initial U.S. Securities set forth opposite their respective names in Schedule A hereto and not joint.

SECTION 8. Representations, Warranties and Agreements to Survive Delivery. All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company or the Selling Stockholders submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any U.S. Underwriter or controlling person, or by or on behalf of the Company or the Selling Stockholders, and shall survive delivery of the U.S. Securities to the U.S. Underwriters.

SECTION 9. Termination of Agreement.

(a) Termination; General. The U.S. Underwriters may terminate this Agreement, by notice to the Company and the Selling Stockholders, at any time at or prior to Closing Time (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the Prospectuses, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its Subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, (ii) if there

has occurred any material adverse change in the financial markets in the United States for the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the U.S. Underwriters, impracticable to market the U.S. Securities or to enforce contracts for the sale of the U.S. Securities, (iii) if trading in any securities of the Company has been suspended or limited by the Commission or the New York Stock Exchange, or if trading generally on the American Stock Exchange or the New York Stock Exchange or in the Nasdaq National Market has been suspended or limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the National Association of Securities Dealers, Inc. or any other governmental authority or (iv) if a banking moratorium has been declared by either Federal or New York authorities.

(b) Liabilities. If this Agreement is terminated pursuant to this Section 9, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 6 and 7 shall survive such termination and remain in full force and effect.

SECTION 10. Default by One or More of the U.S. Underwriters. If one or more of the U.S. Underwriters shall fail at Closing Time or a Date of Delivery to purchase the U.S. Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the U.S. Underwriters shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting U.S. Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the U.S. Underwriters shall not have completed such arrangements within such 24-hour period, then:

(a) if the number of Defaulted Securities does not exceed 10% of the number of U.S. Securities to be purchased on such date, each of the non-default-

ing U.S. Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting U.S. Underwriters, or

(b) if the number of Defaulted Securities exceeds 10% of the number of U.S. Securities to be purchased on such date, this Agreement or, with respect to any Date of Delivery which occurs after the Closing Time, the obligation of the U.S. Underwriters to purchase and of the Selling Stockholders to sell the U.S. Option Securities to be purchased and sold on such Date of Delivery shall terminate without liability on the part of any non-defaulting U.S. Underwriter.

No action taken pursuant to this Section 10 shall relieve any defaulting U.S. Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement or, in the case of a Date of Delivery which is after the Closing Time, which does not result in a termination of the obligation of the U.S. Underwriters to purchase and the Selling Stockholders to sell the relevant U.S. Option Securities, as the case may be, either the U.S. Underwriters or the Selling Stockholders shall have the right to postpone Closing Time or the relevant Date of Delivery, as the case may be, for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectuses or in any other documents or arrangements. As used herein, the term "U.S. Underwriter" includes any person substituted for an U.S. Underwriter under this Section 10.

SECTION 11. Default by One or More of the Selling Stockholders. (a) If any Selling Stockholder shall fail at Closing Time to sell and deliver the number of U.S. Securities which such Selling Stockholder is obligated to sell hereunder, then the U.S. Underwriters may, at option of the U.S. Underwriters, by notice from the U.S. Underwriters to the Company and the nondefaulting Selling Stockholder, either (i) terminate this Agreement without any liability on the fault of any non-

defaulting party except that the provisions of Sections 1, 4, 6 and 7 shall remain in full force and effect or (ii) elect to purchase the U.S. Securities which the nondefaulting Selling Stockholder has agreed to sell hereunder. No action taken pursuant to this Section 11 shall relieve any Selling Stockholder so defaulting from liability, if any, in respect of such default.

In the event of a default by any Selling Stockholder as referred to in this Section 11, each of the U.S. Underwriters and the non-defaulting Selling Stockholder shall have the right to postpone Closing Time for a period not exceeding seven days in order to effect any required change in the Registration Statement or Prospectuses or in any other documents or arrangements.

SECTION 12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the U.S. Underwriters shall be directed to the U.S. Underwriters at North Tower, World Financial Center, New York, New York 10281-1201, attention of Vincent Maddi; notices to the Company shall be directed to it at 15415 Katy Freeway, Suite 400, Houston, Texas 77094, attention of Richard L. Lionberger, Vice President, General Counsel and Secretary; notices to Alphee shall be directed to it at 11, Avenue de la Gare, P.O. Box 2255, L-1022 Luxembourg, attention of Jean Paul Kill; notices to Ratos shall be directed to it at Drottninggatan 2, P.O. Box 1661, S-111 96, Stockholm, Sweden, attention of Olle Isberg.

SECTION 13. Parties. This Agreement shall inure to the benefit of and be binding upon the U.S. Underwriters, the Company, the Selling Stockholders and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the U.S. Underwriters, the Company, the Selling Stockholders and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and

exclusive benefit of the U.S. Underwriters, the Company, the Selling Stockholders and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of U.S. Securities from any U.S. Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 14. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 15. SUBMISSION TO JURISDICTION; APPOINTMENT OF AGENT. Each of the parties hereto irrevocably agrees that any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby shall be instituted in any United States Federal or state court in the City, County and State of New York, and irrevocably waives, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to the laying of venue of any such proceeding and irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court, as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. Alphee has appointed CT Corporation System, New York, New York, as its authorized agent, and Ratos has appointed Seward & Kissel, New York, New York, as its authorized agent (each, an "Authorized Agent"), upon whom process may be served in any such action arising out of or based on this Agreement or the transactions contemplated hereby which may be instituted in any New York court by any U.S. Underwriter or the Company or by any person who controls any U.S. Underwriter or the Company, which appointment shall be irrevocable so long as the Offered Securities remain outstanding or until the appointment, similarly irrevocable, of a successor authorized agent reasonably acceptable to the Underwriters and the Company and such successor's acceptance of such appointment. Each Selling Stockholder represents and warrants that its Authorized Agent has agreed to act as said agent for service of process, and each Selling Stockholders agree to take any and all action, including the filing of any and all documents and instruments, that may be necessary to continue its respective appointment in full force and

effect as aforesaid. Service of process upon an Authorized Agent and written notice of such service to the other parties hereto shall be deemed, in every respect, effective service of process upon its related Selling Stockholder.

SECTION 16. Shareholders Agreement. Except as set forth herein, the provisions of this Agreement shall not affect any rights or obligations of the Company or either of the Selling Stockholders under the Shareholders Agreement.

SECTION 17. Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to each of the Company and the Selling Stockholders a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the U.S. Underwriters, the Company and the Selling Stockholders in accordance with its terms.

DIAMOND OFFSHORE DRILLING, INC.

By

Name:
Title:

ALPHEE S.A.

By

Name:
Title:

By

Name:
Title:

FORVALTNINGS AB RATOS

By

Name:
Title:

By

Name:
Title:

CONFIRMED AND ACCEPTED,
as of the date first above written:

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
CS FIRST BOSTON CORPORATION
SALOMON BROTHERS INC

By: MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated

By

Name:
Title:

SCHEDULE A

Name of U.S. Underwriter	Number of Initial U.S. Securities
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
CS First Boston Corporation	
Salomon Brothers Inc	
Total	6,018,140

SCHEDULE B

Name of Selling Stockholder	Number of Initial U.S. Securities to Be Sold	Maximum Number of U.S. Option Securities to Be Sold
Alphee S.A.	3,387,607	338,760
Forvaltnings AB Ratos	2,630,533	263,054
Total	6,018,140	601,814

SCHEDULE C

DIAMOND OFFSHORE DRILLING, INC.
6,018,140 Shares of Common Stock
(Par Value $.01 Per Share)

1. The public offering price per share for the U.S. Securities, determined as provided in said Section 2, shall be $_____.

2. The purchase price per share for the U.S. Securities to be paid by the several U.S. Underwriters shall be $_____, being an amount equal to the public offering price set forth above less $____ per share; provided that the purchase price per share for any U.S. Option Securities purchased upon the exercise of the over-allotment option described in Section 2(b) shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial U.S. Securities but not payable on the U.S. Option Securities.

Exhibit A

FORM OF OPINION OF COMPANY'S COUNSEL
TO BE DELIVERED PURSUANT TO
SECTION 5(B)

[SUBJECT TO REVIEW BY OPINION COMMITTEE]

[LETTERHEAD OF WEIL, GOTSHAL & MANGES LLP]

May 24, 1996

Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
CS First Boston Corporation
Salomon Brothers Inc
c/o Merrill Lynch & Co.,
Merrill Lynch, Pierce, Fenner & Smith Incorporated
North Tower
World Financial Center
New York, N.Y. 10281-1209

Merrill Lynch International
CS First Boston Limited
Salomon Brothers International Limited
c/o Merrill Lynch International
Ropemaker Place
25 Ropemaker Street
London EC2Y 9LY
England

Gentlemen:

We have acted as counsel to Diamond Offshore Drilling, Inc., a Delaware corporation (the "Company"), in connection with the execution and delivery of, and the consummation of the transactions contemplated by, the U.S. Purchase Agreement (the "U.S. Purchase Agreement"), dated May 20, 1996, among Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, CS First Boston Corporation and Salomon Brothers Inc (the "U.S. Underwriters"), Alphee S.A., a Luxembourg corporation ("Alphee"), Forvaltnings AB Ratos, a Swedish corporation ("Ratos"; together with Alphee, the "Selling Stockholders") and the Company, and the International Purchase Agreement (the "International Purchase Agreement"), dated May 20, 1996, among Merrill Lynch International, CS First Boston Limited, Salomon Brothers International Limited (the "International Managers"), the Selling Stockholders and the Company with respect to the offering of 7,523,140 shares (the "Shares") of common stock, par value $.01 per share, of

the Company ("Diamond Offshore Common Stock") by the Selling Stockholders, and the related grant by the Selling Stockholders to (a) the U.S. Underwriters of an option to purchase up to 601,814 additional shares of Diamond Offshore Common Stock solely to cover over-allotments, if any, and (b) the International Managers of an option to purchase up to 150,501 additional shares of Diamond Offshore Common Stock solely to cover over-allotments, if any. This opinion is delivered to you pursuant to Section 5(b) of the U.S. Purchase Agreement and Section 5(b) of the International Purchase Agreement. Capitalized terms defined in the U.S. Purchase Agreement and used but not otherwise defined herein are used herein as so defined.

In so acting, we have examined originals or copies, certified or otherwise identified to our satisfaction, of (i) the U.S. Purchase Agreement, (ii) the International Purchase Agreement, (iii) the Registration Statement on Forms S-4/S-1 (Registration No. 333-2680) of the Company filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), on March 21, 1996, (iv) Amendment No. 1 to the Registration Statement filed with the Commission on April 5, 1996, (v) Amendment No. 2 to the Registration Statement filed with the Commission on April 12, 1996, (vi) Post-Effective Amendment No. 1 to the Registration Statement filed with the Commission on May [23], 1996 (the Registration Statement, as so amended, is hereinafter referred to as the "Registration Statement"), (vii) the prospectus of the Company dated April 12, 1996 (the "Base Prospectus"), (viii) the two preliminary prospectus supplements to the Base Prospectus dated April 30, 1996 in the respective forms filed with the Commission pursuant to Rule 424(b) under the Act, (ix) the two final prospectus supplements to the Base Prospectus dated May 20, 1996 in the respective forms filed with the Commission pursuant to Rule 424(b) under the Act (the Base Prospectus, as so supplemented by the relevant prospectus supplements, is hereinafter referred to as the "Prospectuses") and (x) such other corporate records, agreements, documents and other instruments, and such certificates or comparable documents of public officials and of officers and representatives of the Company, and we have made such inquiries of such officers and representatives, as we have deemed relevant and necessary as a basis for the opinions hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents. As to all questions of fact material to this opinion that have not been independently established, we have relied upon certificates or comparable documents of officers and representatives of the Company (copies of which have been furnished to you), and upon the representations and warranties of the Company contained in the U.S. Purchase Agreement and the International Purchase Agreement. As used herein, "to our knowledge" means the conscious awareness of facts or other information by any lawyer in our firm actively involved in negotiating the U.S. Purchase Agreement, the International Purchase Agreement and the transactions contemplated thereby.

Based on the foregoing, and subject to the qualifications stated herein, we are of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as described in the Prospectuses.

2. The authorized capital stock of the Company consists of 200,000,000 shares of common stock, par value $.01 per share, and 25,000,000 shares of preferred stock, par value $.01 per share. As of the open of business on May [24], 1996, there were _____ shares of common stock and no shares of preferred stock issued and outstanding. All of such outstanding shares of the Company's capital stock have been duly authorized and validly issued, are fully paid and nonassessable, have not been issued in violation of any preemptive rights and conform as to legal matters in all material respects to the description thereof contained in the Prospectuses. Under the Delaware General Corporation Law, no holder of the Company's common stock is or will be personally liable for the payment of the Company's debts except as they may be liable by reason of their own conduct or acts.

3. The Company has all requisite corporate power and authority to execute and deliver the U.S. Purchase Agreement and the International Purchase Agreement and to

perform its obligations thereunder. The execution, delivery and performance of the U.S. Purchase Agreement and the International Purchase Agreement by the Company have been duly authorized by all necessary corporate action on the part of the Company. The U.S. Purchase Agreement and the International Purchase Agreement have been duly executed and delivered by the Company.

4. The execution, delivery and performance by the Company of the U.S. Purchase Agreement and the International Purchase Agreement and the compliance by the Company with all the provisions of the U.S. Purchase Agreement and the International Purchase Agreement and the consummation by the Company of the transactions contemplated thereby will not, whether with or without the giving of notice or lapse of time or both, conflict with, constitute a default under or result in a breach or violation of, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company under (i) any of the terms, conditions or provisions of the restated certificate of incorporation or amended by-laws of the Company, (ii) any of the terms, conditions or provisions of any document, agreement or other instrument filed as an exhibit to the Registration Statement, (iii) any New York, Texas, Delaware corporate or federal law or regulation (other than federal and state securities or blue sky laws, as to which we express no opinion in this sentence, and the Shipping Act, 1916, as amended, as to which we express no opinion), or (iv) any final and non-appealable judgment, writ, injunction, decree, order or ruling of any federal or state court or governmental authority binding on the Company of which we are aware, except, in each case other than with respect to clause (i), any such conflict, default, breach or violation as would not impair the Company's ability to perform its obligations under the U.S. Purchase Agreement or the International Purchase Agreement or have any material adverse effect upon the consummation of the transactions contemplated by the U.S. Purchase Agreement or the International Purchase Agreement.

5. No consent, approval, waiver, license, order or authorization or other action by or filing with any New York, Texas, Delaware corporate or federal governmental agency, body or court is required in connection with the execution, delivery and performance by the Company of the U.S. Purchase Agreement or the International Purchase Agreement or the consummation by the Company of the transactions contemplated thereby (including the

Acquisition), except for filings and other actions required pursuant to federal and state securities or blue sky laws, as to which we express no opinion, or the Shipping Act, 1916, as amended, as to which we express no opinion, and those already obtained and made under the Delaware General Corporation Law and the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

6. Based solely upon telephonic confirmation from the Commission, the Registration Statement has become effective under the Act and, to our knowledge, no stop order suspending the effectiveness of the Registration Statement or suspending or preventing the use of the Prospectuses has been issued and no proceedings for that purpose have been instituted or are pending or threatened under the Act. Any required filing of the Prospectuses pursuant to Rule 424(b) under the Act has been made in the manner and within the time period required by such Rule 424(b).

7. The Company is not (A) an "investment company" or an entity "controlled" by an "investment company" under the Investment Company Act of 1940, as amended, and the rules and regulations promulgated by the Commission thereunder (the "Investment Company Act") or (B) a "holding company" or a "subsidiary company" or an "affiliate" of a holding company within the meaning of the Public Utility Holding Company Act of 1935, as amended, and the rules and regulations promulgated by the Commission thereunder (the "Holding Company Act"). In rendering the opinion in this paragraph 7, we have assumed that Loews Corporation, a Delaware corporation ("Loews"), (x) is not and is not controlled by an "investment company" under the Investment Company Act and (y) is not a "holding company" or a "subsidiary company" or an "affiliate" of a holding company under the Holding Company Act.

8. The statements in the Prospectuses under the caption "Management -- Employment Agreements and Severance and Change in Control Arrangements" and under the caption "Management -- Certain Relationships and Related Transactions -- Transactions Between Diamond Offshore and Loews", insofar as they constitute descriptions of the Employment Agreement, the Services Agreement, the Tax Sharing Agreement or the Registration Rights Agreement (each as defined in the Prospectuses), constitute fair summaries thereof in all material respects. The statements in the Prospectuses under the caption "Management -- Certain Relationships and Related Transactions -- Transactions

Between Diamond Offshore and the Selling Stockholders" and under the caption "Management -- Certain Relationships and Related Transactions -- Registration Rights of Selling Stockholders", insofar as they constitute descriptions of the Shareholders Agreement or the Plan of Acquisition (each as defined in the Prospectuses), constitute fair summaries thereof in all material respects. The statements in the Prospectuses under the caption "Dividend Policy" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity", insofar as they constitute descriptions of the Diamond Offshore Bank Credit Facility (as defined in the Prospectuses), constitute fair summaries thereof in all material respects. The statements in the Prospectuses under the caption "Business -- The Acquisition -- The Amalgamation", under the caption "Business -- The Acquisition -- Memorandum of Association; Bye-laws; Directors; Officers", under the caption "Business -- The Acquisition -- Continuing Arethusa Severance, Consulting and Salary Continuation Plans", under the caption "Business -- The Acquisition -- Arethusa Stock Option Plans" and under the caption "Business -- The Acquisition -- Indemnification", insofar as they constitute descriptions of the Plan of Acquisition and the Amalgamation Agreement (each as defined in the Prospectuses), constitute fair summaries thereof in all material respects. The statements in the Prospectuses under the caption "Management -- Stock Option Plans", insofar as they constitute descriptions of the Arethusa Stock Option Plans (as defined in the Prospectuses), as assumed by Diamond Offshore at the Effective Time pursuant to the Amalgamation Agreement, constitute fair summaries thereof in all material respects. The statements in the Prospectuses under the caption "Management -- Executive Compensation" and under the caption "Management -- Annual Cash Bonus Incentives", insofar as they constitute descriptions of the Retirement Plan (as defined in the Prospectuses) and of the Diamond Offshore Management Bonus Program and the proposed Executive Deferred Compensation Plan filed as exhibits to the Registration Statement, constitute fair summaries thereof in all material respects. The statements in the Prospectuses under the caption "Risk Factors -- Shares Available for Future Sale", insofar as they refer to statements of laws or legal conclusions under the Act or the rules and regulations thereunder, constitute fair summaries thereof in all material respects. The statements in the Prospectuses under the caption "Description of Capital Stock", insofar as they constitute descriptions of the capital stock of the Company, or refer to statements of laws or legal conclusions under

the Delaware General Corporation Law, constitute fair summaries thereof in all material respects. Insofar as certain provisions of the Delaware General Corporation Law have been described under Form S-4 Item 20/Form S-1 Item 14 of Part II of the Registration Statement, such descriptions constitute fair summaries thereof in all material respects. The statements in the Prospectuses under the caption "Management -- Certain Relationships and Related Transactions - -- Controlling Stockholder", insofar as they constitute descriptions of Rule 144 promulgated under the Act, constitute fair summaries thereof in all material respects. The statements in the Prospectuses under the caption "Business -- Governmental Regulation", insofar as they constitute descriptions of the CWA, CERCLA or RCRA (each as defined in the Prospectuses) or the Clean Air Act or amendments thereto or the rules and regulations thereunder, constitute fair summaries thereof in all material respects.

9. To our knowledge, there is no contract or other document that is required to be described in the Registration Statement or the Prospectuses or is required to be filed as an exhibit to the Registration Statement that is not described therein or filed as an exhibit thereto.

10. The Registration Statement, as of the effective date thereof, and the Prospectuses, as of the date thereof and as of the date hereof, complied and comply as to form in all material respects with the requirements of the Act and the rules and regulations thereunder (except for the financial statements and the notes thereto, the financial statement schedules and the other financial, statistical and accounting data included in or which should be included in the Registration Statement or the Prospectuses, as to which we express no opinion).

11. The form of certificate used to evidence the Diamond Offshore Common Stock complies in all material respects with all applicable requirements of the Delaware General Corporation Law, with any applicable requirements of the restated certificate of incorporation and amended by-laws of the Company and the requirements of the New York Stock Exchange, Inc.

We have participated in conferences with directors, officers and other representatives of the Company, various representatives of the Selling Stockholders, representatives of the independent public accountants for

the Company, representatives of the U.S. Underwriters and representatives of counsel for the U.S. Underwriters, at which conferences the contents of the Registration Statement and the Prospectuses and related matters were discussed, and, although we have not independently verified and are not passing upon and assume no responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement and Prospectuses (except to the extent specified in the foregoing opinion), no facts have come to our attention which lead us to believe that the Registration Statement, on the effective date thereof, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading or that the Prospectuses, on the date thereof or on the date hereof, contained or contain an untrue statement of a material fact or omitted or omit to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading (it being understood that we express no view with respect to the financial statements and related notes and the other financial [,statistical] and accounting data included in the Registration Statement or Prospectuses).

The opinions expressed herein are limited to the laws of the States of New York and Texas, the corporate laws of the State of Delaware and the federal laws of the United States, and we express no opinion as to the effect on the matters covered by this letter of the laws of any other jurisdiction.

The opinions expressed herein are rendered solely for your benefit in connection with the transactions described herein. Those opinions may not be used or relied upon by any other person, nor may this letter or any copies thereof be furnished to a third party, filed with a governmental agency, quoted, cited or otherwise referred to without our prior written consent.

Very truly yours,

Exhibit B

FORM OF OPINION OF COUNSEL OF RICHARD L. LIONBERGER,
VICE PRESIDENT AND GENERAL COUNSEL TO THE COMPANY,
TO BE DELIVERED PURSUANT TO SECTION 5(C)

[Subject to Review by Richard L. Lionberger]

[Richard L. Lionberger letterhead]

May 24, 1996

Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
CS First Boston Corporation
Salomon Brothers Inc
c/o Merrill Lynch & Co.,
Merrill Lynch, Pierce, Fenner & Smith Incorporated
North Tower
World Financial Center
New York, N.Y. 10281-1209

Merrill Lynch International
CS First Boston Limited
Salomon Brothers International Limited
c/o Merrill Lynch International
Ropemaker Place
25 Ropemaker Street
London EC2Y 9LY
England

Gentlemen:

I have acted as counsel to Diamond Offshore Drilling, Inc., a Delaware corporation (the "Company"), in connection with the execution and delivery of, and the consummation of the transactions contemplated by, the U.S. Purchase Agreement (the "U.S. Purchase Agreement"), dated May 20, 1996, among Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, CS First Boston Corporation and Salomon Brothers Inc (the "U.S. Underwriters"), Alphee S.A., a Luxembourg corporation ("Alphee"), Forvaltnings AB Ratos, a Swedish corporation ("Ratos"; together with Alphee, the "Selling Stockholders") and the Company, and the International Purchase Agreement (the "International Purchase Agreement"), dated May 20, 1996, among Merrill Lynch International, CS First Boston Limited, Salomon Brothers International Limited (the "International Managers"), the Selling Stockholders and the Company with respect to the offering of up to 7,523,140 shares (the "Shares") of common stock, par value $.01 per

share, of the Company ("Diamond Offshore Common Stock") by the Selling Stockholders, and the related grant by the Selling Stockholders to (a) the U.S. Underwriters of an option to purchase up to 601,814 additional shares of Diamond Offshore Common Stock solely to cover over-allotments, if any, and (b) the International Managers of an option to purchase up to 150,501 additional shares of Diamond Offshore Common Stock solely to cover over-allotments, if any. This opinion is delivered to you pursuant to Section 5(c) of the U.S. Purchase Agreement and Section 5(c) of the International Purchase Agreement. Capitalized terms defined in the U.S. Purchase Agreement and used but not otherwise defined herein are used herein as so defined.

In so acting, I have examined originals or copies, certified or otherwise identified to my satisfaction, of (i) the U.S. Purchase Agreement, (ii) the International Purchase Agreement, (iii) the Registration Statement on Forms S-4/S-1 (Registration No. 333-2680) of the Company filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), on March 21, 1996, (iv) Amendment No. 1 to the Registration Statement filed with the Commission on April 5, 1996, (v) Amendment No. 2 to the Registration Statement filed with the Commission on April 12, 1996, (vi) Post-Effective Amendment No. 1 to the Registration Statement filed with the Commission on May [23], 1996 (the Registration Statement, as so amended, is hereinafter referred to as the "Registration Statement"), (vii) the prospectus of the Company dated April 12, 1996 (the "Base Prospectus"), (viii) the two preliminary prospectus supplements to the Base Prospectus dated April 30, 1996 in the respective forms filed with the Commission pursuant to Rule 424(b) under the Act, (ix) the two final prospectus supplements to the Base Prospectus dated May 20, 1996 in the respective forms filed with the Commission pursuant to Rule 424(b) under the Act (the Base Prospectus, as so supplemented by the relevant prospectus supplements, is hereinafter referred to as the "Prospectuses") and (x) such other corporate records, agreements, documents and other instruments, and such certificates or comparable documents of public officials and of officers and representatives of the Company and I have made such inquiries of such officers and representatives, as I have deemed relevant and necessary as a basis for the opinions hereinafter set forth.

In such examination, I have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified or photostatic copies and the authenticity of the originals of such latter documents. As to all questions of fact material to this opinion that have not been independently established, I have relied upon certificates or comparable documents of officers and representatives of the Company and upon the representations and warranties of the Company contained in the U.S. Purchase Agreement and the International Purchase Agreement. As used herein, "to my knowledge" means the conscious awareness of facts or other information by me.

Based on the foregoing, and subject to the qualifications stated herein, I am of the opinion that:

1. The Company is duly qualified to transact business and is in good standing as a foreign corporation in each jurisdiction where the character of its activities requires such qualification, except where the failure of the Company to be so qualified would not have a material adverse effect on the business operations or financial condition of the Company and its subsidiaries considered as a whole.

2. All of the outstanding shares of capital stock of each subsidiary of the Company listed on Exhibit A attached hereto (each, a "Subsidiary" and collectively, the "Subsidiaries") have been duly authorized and validly issued, are fully paid and nonassessable, and are owned, directly or indirectly, of record and beneficially by the Company, free and clear, to my knowledge, except for liens and security interests securing the Diamond Offshore Bank Credit Facility (as such term is defined in the Prospectuses) which are described in the Prospectuses, of all liens, claims, limitations on voting rights, options, security interests and other encumbrances, except to the extent that any such liens, claims, limitations, options, security interests and other encumbrances, individually or in the aggregate, would not have a material adverse effect on the business operations or financial condition of the Company and its subsidiaries, taken as a whole. None of the outstanding shares of capital stock of any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary except any such violation(s) which would not, individually or in the aggregate, have a material adverse effect on the business

operations or financial condition of the Company and its subsidiaries, taken as a whole.

3. Each Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all requisite corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement. [Arethusa Off-Shore Company is validly existing and in good standing under the laws of the State of Delaware.] Each Subsidiary [and Arethusa Off-Shore Company] is duly qualified to transact business and is in good standing as a foreign corporation in each jurisdiction where the character of its activities requires such qualification, except where the failure of such Subsidiary [and/or Arethusa Off-Shore Company] to be so qualified would not have a material adverse effect on the business, operations or financial condition of the Company and its subsidiaries considered as a whole.

4. Except as described under the caption "Management -- Certain Relationships and Related Transactions -- Transactions Between Diamond Offshore and Loews" and under the caption "Management -- Certain Relationships and Related Transactions -- Registration Rights of Selling Stockholders" in the Prospectuses, there are no contracts, agreements or understandings known to me between the Company and any person granting such person the right to require the Company to file a registration statement under the Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to the Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Act.

5. The execution, delivery and performance by the Company of the U.S. Purchase Agreement and the International Purchase Agreement and the consummation of the transactions contemplated thereby will not, whether with or without the giving of notice or lapse of time, or both, conflict with, constitute a default under or violate or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of any of the Subsidiaries, under (i) any of the terms, conditions or provisions of the certificate of incorporation or by-laws of any of the Subsidiaries, (ii) any of the terms, conditions

or provisions of any document, agreement or other instrument to which any of the Subsidiaries is a party or by which any of the Subsidiaries is bound of which I am aware, (iii) any Texas, Delaware corporate or federal law or regulation (other than federal and state securities or blue sky laws, as to which I express no opinion in this sentence, and the Shipping Act, 1916, as amended, as to which I express no opinion) or (iv) any judgment, writ, injunction, decree, order or ruling of any court or governmental authority binding on any of the Subsidiaries of which I am aware, except any such default, breach or violation which would not, individually or in the aggregate, have a material adverse effect on the business operations or financial condition of the Company and its subsidiaries, taken as a whole.

6. Insofar as certain provisions of certain federal statutes have been described under the captions "Risk Factors -- Environmental Matters" and "Business -- Governmental Regulation" in the Prospectuses, such provisions conform in all material respects to the respective descriptions thereof set forth under such captions.

7. To my knowledge, there are no legal or governmental proceedings that are required to be described in the Registration Statement or the Prospectuses that are not described therein.

8. To my knowledge, there is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending or threatened, against or affecting the Company or any Subsidiary, which is required to be disclosed in the Registration Statement (other than as disclosed therein), or which individually or in the aggregate might reasonably be expected to result in a material adverse effect on the business, assets or financial condition of the Company and its subsidiaries, taken as a whole, or which might reasonably be expected to materially and adversely affect the properties or assets thereof or the consummation of the U.S. Purchase Agreement, the International Purchase Agreement or the performance by the Company of its obligations thereunder; the aggregate of all pending legal or governmental proceedings to which the Company or any Subsidiary is a party or of which any of their respective property or assets is the subject which are not described in the Registration Statement, including ordinary routine

litigation incidental to the business, are not reasonably expected to result in a material adverse effect.

9. The statements in the Prospectuses under the caption "Business -- Governmental Regulation", insofar as they constitute descriptions of the Outer Continental Shelf Lands Act, constitute fair summaries thereof in all material respects.

The opinions expressed herein are limited to the laws of the State of Texas, the corporate laws of the State of Delaware and the federal laws of the United States, and I express no opinion as to the effect on the matters covered by this letter of the laws of any other jurisdiction.

The opinions expressed herein are rendered solely for your benefit in connection with the transactions described herein. Those opinions may not be used or relied upon by any other person, nor may this letter or any copies thereof be furnished to a third party, filed with a governmental agency, quoted, cited or otherwise referred to without my prior written consent.

Very truly yours,

Exhibit C

FORM OF OPINION OF MARITIME COUNSEL FOR THE COMPANY
TO BE DELIVERED PURSUANT TO SECTION 5(D)

(i) No consent or approval of any federal governmental agency with respect to any federal maritime law matter is required in connection with the performance by the Company of its obligations under the U.S. Purchase Agreement and the International Purchase Agreement or the issuance and sale of the Offered Securities.

(ii) Neither the issue, offer, sale or delivery by the Company of the Offered Securities pursuant to the U.S. Purchase Agreement and the International Purchase Agreement or the execution, delivery and performance by the Company and the consummation of the transactions contemplated thereby will violate any existing federal maritime laws, including, without limitation, the Shipping Act and the rules and regulations of the Maritime Administration (MarAd) and the Coast Guard.

(iii) Insofar as certain provisions of the Shipping Act have been described under the caption "Business -- Limitation on Ownership by Non-U.S. Citizens" in the Prospectuses, such provisions conform in all material respects to the respective descriptions thereof set forth under such caption.

(iv) Insofar as certain provisions of OPA '90 (as defined in the Prospectuses) have been described under the caption "Business -- Governmental Regulation" in the Prospectuses, such provisions conform in all material respects to the respective descriptions thereof set forth under such caption.

FORM OF OPINION OF LUXEMBOURG COUNSEL FOR ALPHEE
TO BE DELIVERED PURSUANT TO SECTION 5(E)

(i) No filing with, or consent, approval, authorization, order, registration qualification or decree of, any Luxembourg court or governmental authority or agency is necessary or required to be obtained by Alphee for the performance by Alphee of its obligations under the U.S. Purchase Agreement, the International Purchase Agreement or the Power of Attorney and Custody Agreement, or in connection with the offer, sale or delivery of the Securities.

(ii) The Power of Attorney and Custody Agreement has been duly executed and delivered by Alphee and constitutes the valid and binding agreement of Alphee in accordance with its terms.

(iii) The U.S. Purchase Agreement and the International Purchase Agreements have been duly authorized, executed and delivered by or on behalf of Alphee.

(iv) The sale of the Offered Securities by Alphee is not subject to preemptive or similar rights of any securityholder of the Company.

(v) Each Attorney-in-Fact has been duly authorized by Alphee to deliver the Offered Securities on its behalf in accordance with the terms of the U.S. Purchase Agreement and the International Purchase Agreement.

(vi) The execution, delivery and performance of the U.S. Purchase Agreement, the International Purchase Agreement and the Power of Attorney and Custody Agreement and the sale and delivery of the Offered Securities and the consummation of the transactions contemplated in the U.S. Purchase Agreement, the International Purchase Agreement and the Registration Statement and the compliance by Alphee with its obligations under the U.S. Purchase Agreement and the International Purchase Agreements have been duly authorized by all necessary action on the part of Alphee and do not and will not, whether with or without the giving of notice or passage

of time or both, conflict with or constitute a breach of, or default (or Repayment Event) under or result in the creation or imposition of any tax, lien, charge or encumbrance upon the Offered Securities or any property or assets of Alphee pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, license, lease or other instrument or agreement to which Alphee is a party or by which it may be bound, or to which any of the properties or assets of Alphee may be subject, nor will such action result in any violation of the provisions of the [charter or by-laws] of Alphee or any law, administrative regulation, judgment or order of any Luxembourg government agency or body or any administrative or court decree having jurisdiction over Alphee or any of its properties.

(vii) Alphee has the full right, power and authority (A) to enter into the U.S. Purchase Agreement, the International Purchase Agreement and the Power of Attorney and Custody Agreement and (B) to sell, transfer and deliver the Offered Securities to be sold by such Selling Stockholder under the U.S. Purchase Agreement and the International Purchase Agreement.

(viii) As provided in the U.S. Purchase Agreement and the International Purchase Agreement, Alphee has duly and irrevocably appointed CT Corporation System as its agent to receive service of process in any action against it in any federal or state court sitting in the county of New York arising out of or in connection with the offering of the Offered Securities.

(ix) Under the laws of Luxembourg, the submission by Alphee to the jurisdiction of any federal or state court sitting in the county of New York and the designation of the law of the State of New York to apply to Alphee is binding upon Alphee and, if properly bought to the attention of the court or administrative body in accordance with the laws of Luxembourg, would be enforceable in any judicial or administrative proceeding in Luxembourg.

Exhibit D-2

FORM OF OPINION OF SWEDISH COUNSEL FOR RATOS
TO BE DELIVERED PURSUANT TO SECTION 5(E)

(i) No filing with, or consent, approval, authorization, order, registration qualification or decree of, any Swedish court or governmental authority or agency is necessary or required to be obtained by Ratos for the Performance by Ratos of its obligations under the U.S. Purchase Agreement, the International Purchase Agreement or the Power of Attorney and Custody Agreement, or in connection with the offer, sale or delivery of the Securities.

(ii) The Power of Attorney and Custody Agreement has been duly executed and delivered by Ratos and constitutes the valid and binding agreement of Ratos in accordance with its terms.

(iii) The U.S. Purchase Agreement and the International Purchase Agreements have been duly authorized, executed and delivered by or on behalf of Ratos.

(iv) The sale of the Offered Securities by Ratos is not subject to preemptive or similar rights of any securityholder of the Company.

(v) Each Attorney-in-Fact has been duly authorized by Ratos to deliver the Offered Securities on behalf of Ratos in accordance with the terms of the U.S. Purchase Agreement and the International Purchase Agreement.

(vi) The execution, delivery and performance of the U.S. Purchase Agreement, the International Purchase Agreement and the Power of Attorney and Custody Agreement and the sale and delivery of the Offered Securities and the consummation of the transactions contemplated in the U.S. Purchase Agreement, the International Purchase Agreement and the Registration Statement and the compliance by Ratos with its obligations under the U.S. Purchase Agreement and the International Purchase Agreements have been duly authorized by all necessary action on the part of Ratos and do not and will not, whether with or without the giving of notice or passage

of time or both, conflict with or constitute a breach of, or default (or Repayment Event) under or result in the creation or imposition of any tax, lien, charge or encumbrance upon the Offered Securities or any property or assets of Ratos pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, license, lease or other instrument or agreement to which Ratos is a party or by which it may be bound, or to which any of the properties or assets of Ratos may be subject, nor will such action result in any violation of the provisions of the charter or by-laws of Ratos, or any law, administrative regulation, judgment or order of any government agency or body or any Swedish administrative or court decree having jurisdiction over Ratos or any of its properties.

(vii) Ratos has the full right, power and authority (A) to enter into the U.S. Purchase Agreement, the International Purchase Agreement and the Power of Attorney and Custody Agreement and (B) to sell, transfer and deliver the Offered Securities to be sold by Ratos under the U.S. Purchase Agreement and the International Purchase Agreement.

(viii) As provided in the U.S. Purchase Agreement and the International Purchase Agreement, Ratos has duly and irrevocably appointed Seward & Kissel as its agent to receive service of process in any action against it in any federal or state court sitting in the county of New York arising out of or in connection with the offering of the Offered Securities.

(ix) Under the laws of Sweden, the submission by Ratos to the jurisdiction of any federal or state court sitting in the county of New York and the designation of the law of the State of New York to apply to the U.S. Purchase Agreement and the International Purchase Agreement is binding upon Ratos and, if properly brought to the attention of the court or administrative body in accordance with the laws of Sweden, would be enforceable in any judicial or administrative proceeding in Sweden.

FORM OF OPINION OF U.S. COUNSEL TO ALPHEE
TO BE DELIVERED PURSUANT TO SECTION 5(E)

(i) No filing with, or consent, approval, authorization, order, registration qualification or decree of, any federal or state court or governmental authority or agency (other than the issuance of the order of the Commission declaring the Registration Statement effective and such authorizations, approvals or consents as may be necessary under state securities laws, as to which we need express no opinion) is necessary or required to be obtained by Alphee for the Performance by Alphee of its obligations under the U.S. Purchase Agreement, the International Purchase Agreement or the Power of Attorney, or in connection with the offer, sale or delivery of the Securities.

(ii) The Alphee Power of Attorney has been duly executed and delivered by Alphee and constitutes the valid and binding agreement of each Selling Stockholder in accordance with its terms.

(iii) The U.S. Purchase Agreement and the International Purchase Agreements have been duly authorized, executed and delivered by or on behalf of Alphee.

(iv) The sale of the Offered Securities by Alphee is not subject to preemptive or similar rights of any securityholder of the Company.

(v) Each Attorney-in-Fact has been duly authorized by Alphee to deliver the Offered Securities on behalf of Alphee in accordance with the terms of the U.S. Purchase Agreement and the International Purchase Agreement.

(vi) The execution, delivery and performance of the U.S. Purchase Agreement, the International Purchase Agreement and the Power of Attorney and the sale and delivery of the Offered Securities and the consummation of the transactions contemplated in the U.S. Purchase Agreement, the International Purchase Agreement and the Registration Statement and the compliance by Alphee with its obligations under the U.S. Purchase

Agreement and the International Purchase Agreements will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default (or Repayment Event) under or result in the creation or imposition of any tax, lien, charge or encumbrance upon the Offered Securities or any property or assets of Alphee pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, license, lease or other instrument or agreement to which Alphee is a party or by which it may be bound, or to which any of the properties or assets of Alphee may be subject, or any law, administrative regulation, judgment or order of any federal or state government agency or body or any administrative or court decree having jurisdiction over Alphee or any of its properties.

(vii) Alphee is, and immediately prior to Closing Time will be the sole registered owner of the Offered Securities to be sold by Alphee; upon consummation of the sale of the Offered Securities pursuant to the U.S. Purchase Agreement and the International Purchase Agreement, each of the Underwriters will be the registered owner of the Offered Securities purchased by it from Alphee and, assuming the Underwriters purchased the Securities for value in good faith and without notice of any adverse claim, the Underwriters will have acquired all rights of Alphee in the Offered Securities free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity, and the owner of the Offered Securities, if other than Alphee, is precluded from asserting against the Underwriters the ineffectiveness of any unauthorized endorsement; and Alphee has the full right, power and authority (A) to enter into the U.S. Purchase Agreement, the International Purchase Agreement and the Power of Attorney and (B) to sell, transfer and deliver the Offered Securities to be sold by such Selling Stockholder under the U.S. Purchase Agreement and the International Purchase Agreement.

(viii) Under the laws of the State of New York relating to submission to jurisdiction, the Selling Stockholders have validly and irrevocably submitted to the jurisdiction of any state or federal court located in the Borough of Manhattan, The City of New York, New York (each a "New York court"), has validly and irrevo-

cably waived any objection to the venue of a proceeding in any such court, and has validly and irrevocably appointed CT Corporation System, as its authorized agent for the purpose described in Section 15 hereof; service of process effected in the manner set forth in Section 15 hereof will be effective to confer valid personal jurisdiction over Alphee, provided however, that such counsel need not express any opinion as to whether any United Stated Federal court will accept venue of an action which it may affirmatively determine not to accept as inconvenient or otherwise inappropriate.

FORM OF OPINION OF U.S. COUNSEL TO RATOS
TO BE DELIVERED PURSUANT TO SECTION 5(E)

(i) No filing with, or consent, approval, authorization, order, registration qualification or decree of, any federal or state court or governmental authority or agency (other than the issuance of the order of the Commission declaring the Registration Statement effective and such authorizations, approvals or consents as may be necessary under state securities laws, as to which we need express no opinion) is necessary or required to be obtained by Ratos for the Performance by Ratos of its obligations under the U.S. Purchase Agreement, the International Purchase Agreement or the Power of Attorney, or in connection with the offer, sale or delivery of the Securities.

(ii) The Ratos Power of Attorney has been duly executed and delivered by Ratos and constitutes the valid and binding agreement of each Selling Stockholder in accordance with its terms.

(iii) The U.S. Purchase Agreement and the International Purchase Agreements have been duly authorized, executed and delivered by or on behalf of Ratos.

(iv) The sale of the Offered Securities by Ratos is not subject to preemptive or similar rights of any securityholder of the Company.

(v) Each Attorney-in-Fact has been duly authorized by Ratos to deliver the Offered Securities on behalf of Ratos in accordance with the terms of the U.S. Purchase Agreement and the International Purchase Agreement.

(vi) The execution, delivery and performance of the U.S. Purchase Agreement, the International Purchase Agreement and the Power of Attorney and the sale and delivery of the Offered Securities and the consummation of the transactions contemplated in the U.S. Purchase Agreement, the International Purchase Agreement and the Registration Statement and the compliance by Ratos with its obligations under the U.S. Purchase

Agreement and the International Purchase Agreements will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default (or Repayment Event) under or result in the creation or imposition of any tax, lien, charge or encumbrance upon the Offered Securities or any property or assets of Ratos pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, license, lease or other instrument or agreement to which Ratos is a party or by which it may be bound, or to which any of the properties or assets of Ratos may be subject, or any law, administrative regulation, judgment or order of any federal or state government agency or body or any administrative or court decree having jurisdiction over Ratos or any of its properties.

(vii) Ratos is, and immediately prior to Closing Time will be the sole registered owner of the Offered Securities to be sold by Ratos; upon consummation of the sale of the Offered Securities pursuant to the U.S. Purchase Agreement and the International Purchase Agreement, each of the Underwriters will be the registered owner of the Offered Securities purchased by it from Ratos and, assuming the Underwriters purchased the Securities for value in good faith and without notice of any adverse claim, the Underwriters will have acquired all rights of Ratos in the Offered Securities free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity, and the owner of the Offered Securities, if other than Ratos, is precluded from asserting against the Underwriters the ineffectiveness of any unauthorized endorsement; and Ratos has the full right, power and authority (A) to enter into the U.S. Purchase Agreement, the International Purchase Agreement and the Power of Attorney and (B) to sell, transfer and deliver the Offered Securities to be sold by such Selling Stockholder under the U.S. Purchase Agreement and the International Purchase Agreement.

(viii) Under the laws of the State of New York relating to submission to jurisdiction, the Selling Stockholders have validly and irrevocably submitted to the jurisdiction of any state or federal court located in the Borough of Manhattan, The City of New York, New York (each a "New York court"), has validly and irrevo-

cably waived any objection to the venue of a proceeding in any such court, and has validly and irrevocably appointed Seward & Kissel, as its authorized agent for the purpose described in Section 15 hereof; service of process effected in the manner set forth in Section 15 hereof will be effective to confer valid personal jurisdiction over Ratos, provided however, that such counsel need not express any opinion as to whether any United Stated Federal court will accept venue of an action which it may affirmatively determine not to accept as inconvenient or otherwise inappropriate.

EXHIBIT 1.2

DIAMOND OFFSHORE DRILLING, INC.
(a Delaware corporation)

1,505,000 Shares of Common Stock

INTERNATIONAL PURCHASE AGREEMENT

Dated: May 20, 1996

DIAMOND OFFSHORE DRILLING, INC.

(a Delaware corporation)

1,505,000 Shares of Common Stock

(Par Value $.01 Per Share)

INTERNATIONAL PURCHASE AGREEMENT

May 20, 1996

MERRILL LYNCH INTERNATIONAL
CS FIRST BOSTON LIMITED
SALOMON BROTHERS INTERNATIONAL LIMITED
c/o Merrill Lynch International
Ropemaker Place
25 Ropemaker Street
London EC2Y 9LY
England

Ladies and Gentlemen:

Diamond Offshore Drilling, Inc., a Delaware corporation (the "Company"), Alphee S.A., a Luxembourg corporation ("Alphee"), and Forvaltnings AB Ratos, a Swedish corporation ("Ratos" and, together with Alphee, the "Selling Stockholders"), confirm their respective agreements with Merrill Lynch International ("Merrill Lynch"), CS First Boston Limited and Salomon Brothers International Limited (collectively, the "International Managers," which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), with respect to the sale by the Selling Stockholders and the purchase by the International Managers, acting severally and not jointly, of the respective numbers of shares of Common Stock, par value $.01 per share, of the Company ("Common Stock") set forth in said Schedule A and Schedule B hereto, and with respect to the grant by the Selling Stockholders to the International Managers, acting severally and not jointly, of the option described in Section 2(b) hereof to purchase such number of shares of Common Stock set forth in Schedule B hereto to cover

over-allotments, if any. The aforesaid 1,505,000 shares of Common Stock (the "Initial International Securities") to be purchased by the International Managers and all or any part of the shares of Common Stock subject to the option described in Section 2(b) hereof (the "International Option Securities") are hereinafter called, collectively, the "International Securities."

It is understood that the Company, Loews and the Selling Stockholders are concurrently entering into an agreement, dated the date hereof (the "International Purchase Agreement"), providing for the sale by the Selling Stockholders of an aggregate of 6,018,140 shares of Common Stock (the "Initial International Securities") through arrangements with certain underwriters outside the United States (the "U.S. Underwriters" which, together with the International Managers, shall be referred to as the "Underwriters"). The Selling Stockholders have also granted to the U.S. Underwriters an option to purchase all or any part of 601,814 shares of Common Stock (the "U.S. Option Securities" which, together with the Initial U.S. Securities, shall be referred to as the "U.S. Securities") to cover over-allotments, if any. The International Securities and the U.S. Securities are hereinafter collectively referred to as the "Offered Securities."

The Company and the Selling Stockholders understand that the International Managers will simultaneously enter into an agreement with the U.S. Underwriters dated the date hereof (the "Intersyndicate Agreement") providing for the coordination of certain transactions among the International Managers and the International Managers, under the direction of Merrill Lynch, Pierce, Fenner & Smith Incorporated.

The purchase price per share for the International Securities to be paid by the several International Managers shall be identical to the purchase price per share for the U.S. Securities to be paid by the several U.S. Underwriters hereunder.

The Company and the Selling Stockholders understand that the International Managers propose to make a public offering of the International Securities as soon as the International Managers deem advisable after this Agreement has been executed and delivered.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Forms S-4/S-1 (No. 333-2680) covering, among other things, the registration of the Offered Securities under the Securities Act of 1933, as amended (the "1933 Act"), including the related preliminary prospectus or prospectuses. Promptly after execution and delivery of this Agreement, the Company will either (i) prepare and file a prospectus in accordance with the provisions of Rule 430A ("Rule 430A") of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations") and paragraph (b) of Rule 424 ("Rule 424(b)") of the 1933 Act Regulations or (ii) if the Company has elected to rely upon Rule 434 ("Rule 434") of the 1933 Act Regulations, prepare and file a term sheet (a "Term Sheet") in accordance with the provisions of Rule 434 and Rule 424(b). Two forms of prospectus are to be used in connection with the offering and sale of the Offered Securities: one relating to the International Securities (the "Form of International Prospectus") and one relating to the U.S. Securities (the "Form of U.S. Prospectus"). Each of the Form of International Prospectus and the Form of U.S. Prospectus consists of (a) a "Basic Prospectus," which is the prospectus included in the above-described registration statement and (b) a "Prospectus Supplement," which specifically relates to the Offered Securities, in the form first filed with, or transmitted for filing to, the Commission pursuant to Rule 424. The Form of International Prospectus is identical to the Form of U.S. Prospectus, except for the front cover and back cover pages and the information under the caption "Underwriting." The term "Prospectus," as used herein, shall refer to the Basic Prospectus as so supplemented by the relevant Prospectus Supplement. The information included in such prospectuses or in such Term Sheet, as the case may be, that was omitted from such registration statement at the time it became effective but that is deemed to be part of such registration statement at the time it became effective (a) pursuant to paragraph (b) of Rule 430A is referred to as "Rule 430A Information" or (b) pursuant to paragraph (d) of Rule 434 is referred to as "Rule 434 Information." Each Form of International Prospectus and Form of U.S. Prospectus used before such registration statement became effective, and any prospectus that omitted, as applicable, the Rule 430A Information or the Rule 434 Information, that was used after such effectiveness and prior to the execution and delivery of this

Agreement, is herein called a "preliminary prospectus." Such registration statement, including the exhibits and any schedules, at the time it became effective and including the Rule 430A Information and the Rule 434 Information, as applicable, is herein called the "Registration Statement." Any registration statement filed pursuant to Rule 462(b) of the 1933 Act Regulations is herein referred to as the "Rule 462(b) Registration Statement," and after such filing the term "Registration Statement" shall include the Rule 462(b) Registration Statement. The final prospectuses in the forms first furnished to the International Managers or the U.S. Underwriters, as the case may be, for use in connection with the offering of the International Securities or the U.S. Securities, as the case may be, are herein called the "International Prospectus and the U.S. Prospectus." If Rule 434 is relied on, the terms "International Prospectus" and "U.S. Prospectus" shall refer to the preliminary International Prospectus and the preliminary U.S. Prospectus dated April 30, 1996 together with the Term Sheet and all references in this Agreement to the date of the International Prospectus and the U.S. Prospectus shall mean the date of the Term Sheet. For purposes of this Agreement, all references to the Registration Statement, any preliminary prospectus, the International Prospectus, the U.S. Prospectus or any Term Sheet or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system ("EDGAR"). The International Prospectus and the U.S. Prospectus are collectively referred to herein as the "Prospectuses."

SECTION 1. Representations and Warranties.

(a) Representations and Warranties by the Company. The Company represents and warrants to each International Manager as of the date hereof, as of the Closing Time referred to in Section 2(c) hereof, and as of each Date of Delivery (if any) referred to in Section 2(b) hereof, and agrees with each International Manager, as follows:

(i) Compliance with Registration Requirements. Each of the Registration Statement and any Rule 462(b) Registration Statement has become effective under the 1933 Act and no stop order suspending the

effectiveness of the Registration Statement or any Rule 462(b) Registration Statement has been issued under the 1933 Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

At the respective times the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendments thereto became effective and at the Closing Time (and, if any International Option Securities are purchased, at the Date of Delivery), the Registration Statement, the Rule 462(b) Registration Statement and any amendments and supplements thereto complied and will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Neither of the Prospectuses nor any amendments or supplements thereto, at the time the Prospectuses or any such amendment or supplement was issued and at the Closing Time (and, if any International Option Securities are purchased, at the Date of Delivery), included or will include an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If Rule 434 is used, the Company will comply with the requirements of Rule 434 and the Prospectuses shall not be "materially different," as such term is used in Rule 434, from the Prospectuses included in the Registration Statement at the time it became effective. The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or the Prospectuses made in reliance upon and in conformity with information furnished to the Company (x) prior to April 29, 1996 by or on behalf of Arethusa (as defined herein) or (y) in writing by (a) any Underwriter through Merrill Lynch, or (b) any Selling

Stockholder, expressly for use in the Registration Statement or either Prospectus.

Each preliminary prospectus and the prospectuses filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the 1933 Act, complied when so filed in all material respects with the 1933 Act Regulations and, if applicable, each preliminary prospectus and the Prospectuses delivered to the Underwriters for use in connection with this offering was identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(ii) Independent Accountants. The accountants who certified the financial statements and supporting schedules included in the Registration Statement are independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(iii) Financial Statements. The financial statements included in the Registration Statement and the Prospectuses, together with the related schedules and notes, present fairly the financial position of the Company and Arethusa (Off-Shore) Limited, a Bermuda corporation ("Arethusa"), and their respective consolidated subsidiaries at the dates indicated and the statement of operations, stockholders' equity and cash flows of the Company, Arethusa and their respective consolidated subsidiaries for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The supporting schedules, if any, included in the Registration Statement present fairly in accordance with GAAP the information required to be stated therein. The selected financial data and the summary financial information included in the Prospectuses present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in the Registration Statement. The pro forma financial statements and the related notes thereto included in the Registration Statement and the Pro-

spectuses present fairly the information shown therein, have been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial statements and have been properly compiled on the bases described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein.

(iv) No Material Adverse Change in Business. Since the respective dates as of which information is given in the Registration Statement and the Prospectuses, and except as otherwise stated therein, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its Subsidiaries (as defined herein) considered as one enterprise whether or not arising in the ordinary course of business (a "Material Adverse Effect"), (B) there have been no transactions entered into by the Company or any of its Subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its Subsidiaries considered as one enterprise and (C) except as described in the Prospectuses, there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock in fiscal 1994, 1995 or 1996.

(v) Good Standing of the Company. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the state of Delaware and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectuses and to enter into and perform its obligations under this Agreement and the U.S. Purchase Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

(vi) Good Standing of Subsidiaries. Each subsidiary of the Company (each a "Subsidiary" and, collectively, the "Subsidiaries") has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectuses and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure with respect to any of the foregoing would not result in a Material Adverse Effect; except as otherwise disclosed in the Registration Statement, all of the issued and outstanding capital stock of each such Subsidiary has been duly authorized and validly issued and is fully paid and non-assessable, except where the failure of such capital stock to have been so authorized and issued would not have a Material Adverse Effect; such shares of capital stock are owned by the Company, directly or through subsidiaries, and except for liens and security interests securing the Diamond Offshore Bank Credit Facility (as defined in the Prospectus) which are described in the Prospectuses, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity, except where the failure of the Company so to own such capital stock would not have a Material Adverse Effect; none of the outstanding shares of capital stock of any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary, except any such violations which would not, individually or in the aggregate, have a Material Adverse Effect. The only subsidiaries of the Company are (a) the Subsidiaries listed on Exhibit 21 to the Registration Statement, (b) former subsidiaries of Arethusa and (c) certain other Subsidiaries which, considered in the aggregate as a single Subsidiary, do not constitute a "significant subsidiary" as defined in Rule 1-02 of Regulation S-X.

(vii) Capitalization. The authorized, issued and outstanding capital stock of the Company is as set forth in the Prospectuses in the column entitled

"Historical" under the caption "Capitalization" (except for subsequent issuances, if any, pursuant to reservations, agreements or employee benefit plans referred to in the Prospectuses or pursuant to the exercise of convertible securities or options referred to in the Prospectuses). The shares of issued and outstanding capital stock have been duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock of the Company was issued in violation of the preemptive or other similar rights of any securityholder of the Company arising by operation of law, under the Company's Restated Certificate of Incorporation or by-laws, under any agreement to which the Company or any of its Subsidiaries is a party or otherwise.

(viii) Authorization of Agreement. This Agreement and the U.S. Purchase Agreement have been duly authorized, executed and delivered by the Company.

(ix) Description of Securities. The Common Stock conforms to all statements relating thereto contained in the Prospectuses and such description conforms to the rights set forth in the instruments defining the same; no holder of the Offered Securities will be subject to personal liability by reason of being such a holder; and the sale of the Offered Securities is not subject to preemptive or other similar rights of any securityholder of the Company.

(x) Absence of Defaults and Conflicts. Neither the Company nor any of its Subsidiaries is in violation of its charter or by-laws or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or Subsidiary is subject (collectively, "Agreements and Instruments") except for such defaults that would not result in a Material Adverse Effect; and the execution, delivery and performance of this Agreement and the U.S. Purchase

Agreement and the consummation of the transactions contemplated herein, therein and in the Registration Statement and compliance by the Company with its obligations hereunder have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary pursuant to, the Agreements and Instruments (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not impair the Company's or any of the Subsidiaries' ability to perform the obligations hereunder or which would not result in a Material Adverse Effect), nor will such action result in any violation of the provisions of the Restated Certificate of Incorporation or by-laws of the Company or any Subsidiary or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any Subsidiary or any of their assets, properties or operations. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any Subsidiary.

(xi) Absence of Labor Dispute. No labor dispute with the employees of the Company or any Subsidiary exists or, to the knowledge of the Company, is imminent, which, in either case, may reasonably be expected to result in a Material Adverse Effect.

(xii) Absence of Proceedings. There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company, threatened, against or affecting the Company or any Subsidiary, which is required to be disclosed in the Registration Statement (other than as disclosed therein), or which

individually or in the aggregate might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to materially and adversely affect the properties or assets thereof or the consummation of this Agreement, the U.S. Purchase Agreement or the performance by the Company of its obligations hereunder or thereunder; the aggregate of all pending legal or governmental proceedings to which the Company or any Subsidiary is a party or of which any of their respective property or assets is the subject which are not described in the Registration Statement, including ordinary routine litigation incidental to the business, are not reasonably be expected to result in a Material Adverse Effect.

(xiii) Accuracy of Exhibits. There are no contracts or documents which are required to be described in the Registration Statement or the Prospectuses or to be filed as exhibits thereto which have not been so described as required.

(xiv) Possession of Intellectual Property. The Company and its Subsidiaries own or possess, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "Intellectual Property") necessary to carry on the business now operated by them, and neither the Company nor any of its Subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its Subsidiaries therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would result in a Material Adverse Effect.

(xv) Absence of Further Requirements. No filing with, or authorization, approval, consent,

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license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of the Company's obligations hereunder or under the U.S. Purchase Agreement, in connection with the offering of the Offered Securities or the consummation of the transactions contemplated by this Agreement and the U.S. Purchase Agreement, except such as have been already obtained or as may be required under the 1933 Act or the 1933 Act Regulations, the Delaware General Corporation Law or state securities laws.

(xvi) Maritime Laws. No consent or approval of any federal governmental agency with respect to any federal maritime law matter is required in connection with the performance by the Company of its obligations under this Agreement or the U.S. Purchase Agreement or the issuance and sale of the Offered Securities; and neither the issue, offer, sale or delivery by the Company of the Offered Securities pursuant to this Agreement or the U.S. Purchase Agreement or the execution, delivery, and performance by the Company and the consummation of the transactions contemplated thereby will violate any existing federal maritime laws, including, without limitation, the Shipping Act, 1916, as amended, and the rules and regulations of the Maritime Administration (MarAd) and the United States Coast Guard.

(xvii) Possession of Licenses and Permits. The Company and its Subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them in all material respects; the Company and its Subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the

Company nor any of its Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect.

(xviii) Title to Property. The Company and its Subsidiaries have good and marketable title to all real property owned by the Company and its Subsidiaries and good title to all other properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind except such as (a) are described in the Prospectuses, (b) do not, singly or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or any of its Subsidiaries or (c) are "Permitted Liens"; and all of the leases and subleases material to the business of the Company and its Subsidiaries, considered as one enterprise, and under which the Company or any of its Subsidiaries holds properties described in the Prospectus, are in full force and effect, and neither the Company nor any Subsidiary has any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Company or any Subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or such Subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease. "Permitted Liens" means (i) liens for taxes not yet due or liens that have not been filed for taxes that are being contested in good faith and by appropriate proceedings diligently prosecuted, (ii) carriers', warehousemen's, mechanics', materialmen's, repairmen's, maritime, statutory or other like liens arising in the ordinary course of business that are not overdue for more than 30 days or that are being contested in good faith and by appropriate proceedings diligently prosecuted, (iii) pledges or deposits in connection with workmen's compensation, unemployment insurance and other social security legislation, (iv) pledges and deposits to secure letters of credit, the performance of bids, contracts in the

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ordinary course of business (other than for borrowed money), leases, statutory obligations, surety and appeal bonds and performance bonds, and other obligations of a like nature that are incurred in the ordinary course of business, (v) mortgages, liens and security interests securing the Diamond Offshore Bank Credit Facility (as defined in the Prospectuses) and (vi) mortgages and liens securing former Arethusa credit facilities (the indebtedness under which has been paid in full) which remain unreleased of record.

(xix) Compliance with Cuba Act. The Company has complied with, and is and, prior to the completion of the distribution of the Offered Securities, will be in compliance with, the provisions of that certain Florida act relating to disclosure of doing business with Cuba, codified as Section 517.075 of the Florida statutes, and the rules and regulations thereunder (collectively, the "Cuba Act") or is exempt therefrom.

(xx) Investment Company Act and Public Utility Holding Company Act. The Company is not, and upon the sale of the Offered Securities as herein contemplated will not be, (A) an "investment company" or an entity "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended (the "1940 Act") or (B) a "holding company" or a "subsidiary company" or an "affiliate" of a holding company within the meaning of the Public Utility Holding Company Act of 1935, as amended, and the rules and regulations promulgated by the Commission thereunder (the "Holding Company Act").

(xxi) Environmental Laws. Except as described in the Registration Statement and except such violations as would not, singly or in the aggregate, result in a Material Adverse Effect, (A) neither the Company nor any of its Subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health,

the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Company and its Subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its Subsidiaries and (D) there are no events or circumstances that might reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its Subsidiaries relating to any Hazardous Materials or the violation of any Environmental Laws.

(xxii) The Acquisition. The Acquisition (as defined in the Prospectuses) has been consummated in the manner described in the Prospectuses.

(xxiii) Registration Rights. Except as described in the Registration Statement, there are no persons with registration or other similar rights to have any securities registered pursuant to the Registration Statement or otherwise registered by the Company under the 1933 Act.

(b) Representations and Warranties by the Selling Stockholders. Each Selling Stockholder severally represents and warrants to each International Manager (and in the case of paragraph (v), to the Company) as of the date hereof, as of the Closing Time, and, if one or more Selling Stockholder is selling International Option Securities on a Date of Delivery, as of each such Date of

Delivery, and agrees with each International Manager, as follows:

(i) Accurate Disclosure. Such Selling Stockholder has no reason to believe that the representations and warranties of the Company contained in Section 1(a) hereof are not true and correct in any material respect. Such Selling Stockholder has reviewed and is familiar with the Registration Statement and (A) to the best knowledge of such Selling Stockholder, to the extent that any statements or omissions made in the Prospectuses or any amendment or supplement thereto are made in reliance upon and in conformity with written information with respect to such Selling Stockholder furnished to the Company by such Selling Stockholder expressly for use therein or (B) to such Selling Stockholder's knowledge, to the extent that any statements or omissions made in the Prospectuses or any amendment or supplement thereto relate to any information with respect to Arethusa furnished to the Company prior to April 29, 1996, by or on behalf of Arethusa, the Registration Statement and the Prospectuses do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; such Selling Stockholder is not prompted to sell the International Securities to be sold by such Selling Stockholder hereunder by any information concerning the Company or any Subsidiary of the Company which is not set forth in the Prospectuses.

(ii) Authorization of Agreements. Such Selling Stockholder has the full right, power and authority to enter into this Agreement, the U.S. Purchase Agreement and with respect to Alphee, a power of attorney appointing James F. Munsell and John Berton as Attorneys-in-Fact (the "Alphee Power of Attorney"), and with respect to Ratos, a power of attorney (the "Ratos Power of Attorney") appointing Gary Wolfe and Olle Isberg as Attorneys-in-Fact (such individuals, together with Messrs. Munsell and Berton, are each referred to herein as an "Attorney-in-Fact"; and each of the Alphee Power of Attorney and the Ratos Power of Attorney is referred to herein as a "Power of Attorney"), and to sell, transfer

and deliver the International Securities to be sold by such Selling Stockholder hereunder. The execution and delivery by each Selling Stockholder of this Agreement, the U.S. Purchase Agreement and its respective Power of Attorney, and the sale and delivery of the Securities to be sold by such Selling Stockholder and the consummation of the transactions contemplated herein and compliance by such Selling Stockholder with its obligations hereunder have been duly authorized by such Selling Stockholder and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of or default under, or result in the creation or imposition of any tax, lien, charge or encumbrance upon the Offered Securities to be sold by such Selling Stockholder or any property or assets of such Selling Stockholder pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, license, lease or other agreement or instrument to which such Selling Stockholder is a party or by which such Selling Stockholder may be bound, or to which any of the property or assets of such Selling Stockholder is subject (including any contract or other instrument creating any right-of-firdst revusal or any similar right with respect to the Offered Securities), nor will such action result in any violation of the provisions of the charter or by-laws or other organizational instrument of such Selling Stockholder, or any applicable treaty, law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over such Selling Stockholder or any of its properties.

(iii) Good and Marketable Title. Such Selling Stockholder has and will have at the Closing Time and, if any International Option Securities are purchased, on the Date of Delivery, have good and marketable title to the International Securities to be sold by such Selling Stockholder hereunder, free and clear of any security interest, mortgage, pledge, lien, charge, claim, equity or encumbrance of any kind, other than pursuant to this Agreement; and upon delivery of such International Securities and payment of the purchase price therefor as herein contemplated, assuming each International Manager

acquires its interest in such International Securities in good faith and has no notice of any adverse claim, each of the International Managers will receive good and marketable title to the International Securities purchased by it from such Selling Stockholder, free and clear of any security interest, mortgage, pledge, lien, charge, claim, equity or encumbrance of any kind.

(iv) Due Execution of Agreements. Such Selling Stockholder has duly executed and delivered, in the form heretofore furnished to the International Managers, with respect to Alphee, the Alphee Power of Attorney, and with respect to Ratos, the Ratos Power of Attorney; and each Attorney-in-Fact is authorized by its respective Selling Stockholder to execute and deliver this Agreement and the certificate referred to in Section 5(h) or that may be required pursuant to Sections 5(m) and 5(n) on behalf of such Selling Stockholder, to sell, assign and transfer to the International Managers the International Securities to be sold by such Selling Stockholder hereunder, to determine the purchase price to be paid by the International Managers to such Selling Stockholder, as provided in Section 2(a) hereof, to authorize the delivery of the International Securities to be sold by such Selling Stockholder hereunder, to accept payment therefor, and otherwise to act on behalf of such Selling Stockholder in connection with this Agreement.

(v) Absence of Manipulation. Such Selling Stockholder has not taken and will not take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(vi) Absence of Further Requirements. No filing with, or consent, approval, authorization, order, registration, qualification or decree of, any court or governmental authority or agency, domestic or foreign, is required for the performance by such Selling Stockholder of its obligations hereunder or in the Alphee Power of Attorney or the Ratos Power

of Attorney (as the case may be), or in connection with the sale and delivery of the International Securities hereunder or the consummation of the transactions contemplated by this Agreement, except such as may have previously been made or obtained or as may be required under the 1933 Act or the 1933 Act Regulations or state securities laws.

(vii) Restriction on Sale of Securities. During a period of 90 days from the date of the Prospectuses, such Selling Stockholder will not, without the prior written consent of Merrill Lynch, (i) to sell, offer to sell, grant any option for sale of, contract or otherwise transfer, directly or indirectly, any share of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock. The foregoing sentence shall not apply to the Common Stock to be sold hereunder or under the U.S. Purchase Agreement. In addition, during the 90 days after the date of this Agreement, such Selling Stockholders will not release the Company from the Company's obligation under the Shareholders Agreement (as defined in the Prospectuses) not to effect, and to cause Loews to agree not to effect, any public sale or distribution of any securities the same as or similar to the Common Stock, or any securities convertible into or exchangeable for securities the same as or similar to the Common Stock (except pursuant to registrations on Form S-4 or any successor form, or Form S-8 or any successor form relating solely to securities offered pursuant to any benefit plan).

(viii) Transfer of International Securities. Certificates for all of the International Securities to be sold by such Selling Stockholder pursuant to this Agreement, in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank with signatures guaranteed, will have been delivered prior to the Closing Date to the Company's transfer agent, Chemical Mellon Shareholder Services, L.L.C. (or in the case of International Securities that are not in certificated form, such other customary method of transfer from such Selling Stockholder to such transfer agent), with irrevocable conditional instructions to deliver such International Securities

to the International Managers pursuant to this Agreement.

(ix) No Association with NASD. Neither such Selling Stockholder nor any of its affiliates directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, or has any other association with (within the meaning of Article I, Section 1(m) of the Bylaws of the National Association of Securities Dealers, Inc.), any member firm of the National Association of Securities Dealers, Inc.

(c) Officer's Certificates. Any certificate signed by any officer of the Company or any subsidiary delivered to the International Managers or to counsel for the International Managers shall be deemed a representation and warranty by the Company to each International Manager as to the matters covered thereby; any certificate signed by or on behalf of any Selling Stockholder as such and delivered to the International Managers or to counsel for the International Managers pursuant to the terms of this Agreement shall be deemed a representation and warranty by such Selling Stockholder to the International Managers as to the matters covered thereby.

SECTION 2. Sale and Delivery to International Managers; Closing.

(a) Initial Securities. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, each Selling Stockholder, severally and not jointly, agrees to sell to each International Manager, severally and not jointly, and each International Manager, severally and not jointly, agrees to purchase from each Selling Stockholder, at the price per share set forth in Schedule C, that proportion of the number of Initial International Securities set forth in Schedule B opposite the name of such Selling Stockholder, which the number of Initial International Securities set forth in Schedule A opposite the name of such International Manager, plus any additional number of Initial International Securities which such International Manager may become obligated to purchase pursuant to the provisions of Section 10 hereof bears to the total number of Initial International Securities, subject, in each case, to such adjustments among

the International Managers as the International Managers in their sole discretion shall make to eliminate any sales or purchases of fractional securities.

(b) Option Securities. In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Selling Stockholders, acting severally and not jointly, hereby grant an option to the International Managers, severally and not jointly, to purchase, at the price per share set forth in Schedule C, up to the additional number of shares of Common Stock as is set forth in Schedule B less an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial International Securities but not payable on the International Option Securities. The option hereby granted will expire 30 days after the date hereof and may be exercised in whole or in part from time to time only for the purpose of covering over-allot-ments which may be made in connection with the offering and distribution of the Initial International Securities upon notice by the International Managers to the Company and the Selling Stockholders setting forth the number of International Option Securities as to which the several International Managers are then exercising the option and the time and date of payment and delivery for such International Option Securities. Any such time and date of delivery (a "Date of Delivery") shall be determined by the International Managers , but shall not be later than seven full business days after the exercise of said option, nor in any event prior to the Closing Time, as hereinafter defined. If the option is exercised as to all or any portion of the International Option Securities, each of the International Managers, acting severally and not jointly, will purchase that proportion of the total number of International Option Securities then being purchased which the number of Initial International Securities set forth in Schedule A opposite the name of such International Manager bears to the total number of Initial International Securities, subject in each case to such adjustments as the International Managers in their discretion shall make to eliminate any sales or purchases of fractional shares.

(c) Payment. Payment of the purchase price for, and delivery of certificates for, the Initial International Securities shall be made at the office of

Skadden, Arps, Slate, Meagher & Flom, 919 Third Avenue, New York, New York 10022, or at such other place as shall be agreed upon by the International Managers, the Company and the Selling Stockholders, at 10:00 A.M. (Eastern Time) on the third (fourth, if the pricing occurs after 4:30 P.M. (Eastern Time) on any given day) business day after the date hereof (unless postponed in accordance with the provisions of Section 10), or such other time not later than ten business days after such date as shall be agreed upon by the International Managers, the Company and the Selling Stockholders (such time and date of payment and delivery being herein called "Closing Time").

In addition, in the event that any or all of the International Option Securities are purchased by the International Managers, payment of the purchase price for, and delivery of certificates for, such International Option Securities shall be made at the above-mentioned offices, or at such other place as shall be agreed upon by the International Managers, the Company and the Selling Stockholders, on each Date of Delivery as specified in the notice from the International Managers to the Company and the Selling Stockholders. Payment for the Initial International Securities and the International Option Securities shall be made to each Selling Stockholder by wire transfer of immediately available funds to one or more bank accounts designated by such Selling Stockholder, against delivery to the International Managers for the respective accounts of the International Managers of certificates for the International Securities to be purchased by them. It is understood that each International Manager has authorized the International Managers, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Initial International Securities and the International Option Securities, if any, which it has agreed to purchase. Merrill Lynch, Pierce, Fenner & Smith Incorporated, individually and not as representative of the International Managers, may (but shall not be obligated to) make payment of the purchase price for the Initial International Securities or the International Option Securities, if any, to be purchased by any International Manager whose payment has not been received by the Closing Time or the relevant Date of Delivery, as the case may be, but such payment shall not relieve such International Manager from its obligations hereunder.

(d) Denominations; Registration. Certificates for the Initial International Securities and the International Option Securities, if any, shall be in such denominations and registered in such names as the International Managers may request in writing at least one full business day before the Closing Time or the relevant Date of Delivery, as the case may be. The certificates for the Initial International Securities and the International Option Securities, if any, will be made available for examination and packaging by the International Managers in the City of New York not later than 10:00 A.M. (Eastern Time) on the business day prior to the Closing Time or the relevant Date of Delivery, as the case may be.

SECTION 3. Covenants of the Company. The Company covenants with each International Manager as follows:

(a) Compliance with Securities Regulations and Commission Requests. The Company, subject to Section 3(b), will comply with the requirements of Rule 430A and will notify the International Managers immediately, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective, or any supplement to the Prospectuses or any amended Prospectuses shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectuses or for additional information and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the Offered Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes. The Company will promptly effect the filings necessary pursuant to Rule 424(b) and will take such steps as it deems necessary to ascertain promptly whether the forms of prospectus transmitted for filing under Rule 424(b) were received for filing by the Commission and, in the event that they were not, it will promptly file such prospectuses. The Company will make every

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reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) Filing of Amendments. The Company will give the International Managers notice of its intention to file or prepare any amendment to the Registration Statement (including any filing under Rule 462(b)), any Term Sheet or any amendment, supplement or revision to either the prospectuses included in the Registration Statement at the time it became effective or to the Prospectuses and will furnish the International Managers with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the International Managers or counsel for the International Managers reasonably shall object.

(c) Delivery of Registration Statements. The Company has furnished or will deliver to the International Managers and counsel for the International Managers, without charge, signed copies of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein and signed copies of all consents and certificates of experts, and will also deliver to the International Managers, without charge, a conformed copy of the Registration Statement as originally filed and of each amendment thereto (without exhibits) for each of the International Managers. If applicable, the copies of the Registration Statement and each amendment thereto furnished to the International Managers will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S- T.

(d) Delivery of Prospectuses. The Company has delivered to each International Manager, without charge, as many copies of each preliminary International prospectus as such International Manager reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act. The Company will furnish to each International Manager, without charge, during

the period when the International Prospectus is required to be delivered under the 1933 Act or the Securities Exchange Act of 1934 (the "1934 Act"), such number of copies of the International Prospectus (as amended or supplemented) as such International Manager may reasonably request. If applicable, the International Prospectus and any amendments or supplements thereto furnished to the International Managers will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) Continued Compliance with Securities Laws. The Company will comply with the 1933 Act and the 1933 Act Regulations so as to permit the completion of the distribution of the Offered Securities as contemplated in this Agreement, the U.S. Purchase Agreement and in the Prospectuses. If at any time when a prospectus is required by the 1933 Act to be delivered in connection with sales of the Offered Securities, any event shall occur or condition shall exist as a result of which it is necessary to amend the Registration Statement or amend or supplement the Prospectuses in order that the Prospectuses will not include any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary at any such time to amend the Registration Statement or amend or supplement the Prospectuses in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly prepare and file with the Commission, subject to Section 3(b), such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the Prospectuses comply with such requirements, and the Company will furnish to the International Managers such number of copies of such amendment or supplement as the International Managers may reasonably request.

(f) Blue Sky Qualifications. The Company will use its best efforts, in cooperation with the International Managers, to qualify the Offered Securities

for offering and sale under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as the International Managers may designate and to maintain such qualifications in effect for a period of not less than one year from the later of the effective date of the Registration Statement and any Rule 462(b) Registration Statement; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject. In each jurisdiction in which the Offered Securities have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for a period of not less than one year from the effective date of the Registration Statement and any Rule 462(b) Registration Statement.

(g) Rule 158. The Company will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its security holders as soon as practicable an earnings statement for the purposes of, and to provide the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(h) Reporting Requirements. The Company, during the period in which the Prospectuses are required to be delivered under the 1933 Act or the 1934 Act, will file all documents required to be filed with the Commission pursuant to the 1934 Act within the time periods required by the 1934 Act and the rules and regulations of the Commission thereunder.

(i) Release of Certain Mortgages and Liens. The Company will use its best commercially reasonable efforts to obtain the release of record of the mortgages and liens referred to in clause (vi) of Section 1(a)(xviii) hereof within 60 days of the date hereof; upon obtaining such release or releases, the Company shall promptly furnish evidence of

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such release or releases to the International Managers and their counsel.

SECTION 4. Payment of Expenses. (a) Expenses. Except as otherwise agreed to in writing by the International Managers and the Selling Stockholders, the Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and of each amendment thereto, (ii) the preparation, photocopying and delivery to the Underwriters of this Agreement, any Agreement among International Managers, the U.S. Purchase Agreement, the Agreement among U.S Underwriters, the Intersyndicate Agreement between the Interna-tional Managers and the U.S. Underwriters and such other documents as may be required in connection with the offering, purchase, sale and delivery of the Offered Securities, (iii) the preparation, issuance and delivery of the certificates for the Offered Securities to the Underwriters, including any stock or other transfer taxes or duties payable upon the sale of the Offered Securities to the Underwriters, (iv) the fees and disbursements of the Company's counsel, accountants and other advisors, (v) the qualification of the Offered Securities under securities laws in accordance with the provisions of Section 3(f) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the Blue Sky Survey and any supplement thereto, (vi) the printing and delivery to the Underwriters of copies of each preliminary prospectus, any Term Sheets and of the Prospectuses and any amendments or supplements thereto, (vii) the preparation, photocopying and delivery to the Underwriters of copies of the Blue Sky Survey and any supplement thereto, (viii) the fees and expenses of any transfer agent or registrar for the Offered Securities and (ix) the filing fees incident to, and the reasonable fees and disbursements of counsel to the Underwriters in connection with, the review by the National Association of Securities Dealers, Inc. (the "NASD") of the terms of the sale of the Offered Securities, if any.

(b) Expenses of the Selling Stockholders. Each Selling Stockholder will pay all of its expenses incident to the performance of its respective obligations

under, and the consummation of the transactions contemplated by this Agreement, including: (i) any stamp duties, capital duties and stock transfer taxes, if any, payable upon the sale of the International Securities to the International Managers by such Selling Stockholder, and their transfer between the Underwriters pursuant to an agreement between such Underwriters, (ii) the fees and disbursements of its respective counsel and accountants and (iii) all expenses required to be paid by the Selling Stockholders (A) as between the Selling Stockholders and the Company, as set forth in the last sentence of Section 4(h) of the Shareholders Agreement, and (B) as between the Selling Stockholders and the Underwriters, as set forth in that certain Expense Agreement dated as of the date hereof among the Selling Stockholders and the Underwriters.

(c) Termination of Agreement. If this Agreement is terminated by the International Managers in accordance with the provisions of Section 5 (other than Section 5(e), (h), (m)(ii) or (m)(vi)), Section 9(a)(i) or Section 11 hereof, the Company shall reimburse the International Managers for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the International Managers. If this Agreement is terminated by the International Managers in accordance with the provisions of Section 5(e), (h), (m)(ii) or (m)(vi) or Section 11, the Selling Stockholders shall reimburse the International Managers and the Company for all of their reasonable respective out-of-pocket expenses, including the reasonable fees and disbursements of their respective counsel.

SECTION 5. Conditions of the International Managers' Obligations. The obligations of the several International Managers hereunder are subject to the accuracy of the representations and warranties of the Company and the Selling Stockholders contained in Section 1 hereof or in certificates of any officer of the Company, any Subsidiary or any of the Selling Stockholders delivered pursuant to the provisions hereof, to the performance by the Company and the Selling Stockholders of their respective covenants and other obligations hereunder, and to the following further conditions:

(a) Effectiveness of Registration Statement. The Registration Statement, including any Rule

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462(b) Registration Statement, has become effective on the date hereof and at Closing Time no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of counsel to the Underwriters. Prospectuses containing the Rule 430A Information shall have been filed with the Commission in accordance with Rule 424(b) (or a post-effective amendment providing such information shall have been filed and declared effective in accordance with the requirements of Rule 430A) or, if the Company has elected to rely upon Rule 434, a Term Sheet shall have been filed with the Commission in accordance with Rule 424(b).

(b) Opinion of Counsel for the Company. At Closing Time, the International Managers shall have received the favorable opinion, dated as of Closing Time, of Weil, Gotshal & Manges LLP, counsel for the Company, in form and substance reasonably satisfactory to counsel for the International Managers, together with signed or reproduced copies of such letter for each of the other International Managers substantially to the effect set forth in Exhibit A hereto and to such further effect as counsel to the International Managers may reasonably request.

(c) Opinion of General Counsel of the Company. At Closing Time, the International Managers shall have received the favorable opinion, dated as of Closing Time, of Richard L. Lionberger, Vice President and General Counsel of the Company, in form and substance reasonably satisfactory to counsel for the International Managers together with signed or reproduced copies of such letter for each of the International Managers to the effect set forth in Exhibit B hereto and to such further effect as counsel to the International Managers may reasonably request.

(d) Opinion of Maritime Counsel for the Company. At Closing Time, the International Managers shall have received the favorable opinion, dated as of Closing Time, of Verner, Liipfert, Bernhard,

McPherson and Hand, Chartered, special maritime counsel for the Company, in form and substance reasonably satisfactory to counsel for the International Managers, together with signed or reproduced copies of such letter for each of the other International Managers substantially to the effect set forth in Exhibit C hereto and to such further effect as counsel to the International Managers may reasonably request.

(e) Opinions of Counsel for the Selling Stockholders. At Closing Time, the International Managers shall have received the favorable opinion, dated as of Closing Time, of (i) Loesch & Wolter, Luxembourg counsel for Alphee, (ii) Mannheimer Swartling, Swedish counsel for Ratos, (iii) Cleary, Gottlieb, Steen & Hamilton, U.S. counsel for Alphee, and (iv) Seward & Kissel, U.S. counsel for Ratos, in form and substance reasonably satisfactory to counsel for the International Managers, together with signed or reproduced copies of such letter for each of the other International Managers substantially to the effect set forth in Exhibits D-1, D-2, D-3 and D-4, respectively, hereto and to such further effect as counsel to the International Managers may reasonably request.

(f) Opinion of Counsel for the International Managers. At Closing Time the International Managers shall have received the favorable opinion, dated as of Closing Time, of Skadden, Arps, Slate, Meagher & Flom, counsel for the International Managers, together with signed or reproduced copies of such letter for each of the other International Managers, in form and substance reasonably satisfactory to the International Managers.

(g) Officers' Certificate. At Closing Time there shall not have been, since the date hereof or since the respective dates as of which information is given in the Prospectuses, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its Subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, and the International Managers shall have received a certificate of the

President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company, dated as of Closing Time, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1(a) hereof are true and correct with the same force and effect as though expressly made at and as of Closing Time, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied under this Agreement and under the U.S. Purchase Agreement at or prior to Closing Time and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or are contemplated by the Commission.

(h) Certificate of the Selling Stockholders. At Closing Time, the International Managers shall have received a certificate of each Selling Stockholder, or of an Attorney-in-Fact on behalf of such Selling Stockholder, dated as of Closing Time, to the effect that (i) the representations and warranties of each Selling Stockholder contained in Section l(b) hereof are true and correct in all respects with the same force and effect as though expressly made at and as of Closing Time and (ii) such Selling Stockholder has complied in all material respects with all agreements and satisfied all conditions on its part to be performed or satisfied under this Agreement at or prior to Closing Time.

(i) Accountants' Comfort Letter. At the time of the execution of this Agreement, the International Managers shall have received from Deloitte & Touche LLP and Arthur Andersen & Co. letters dated such date, in form and substance satisfactory to the International Managers, together with signed or reproduced copies of such letter for each of the other International Managers containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectuses.

(j) Bring-down Comfort Letter. At Closing Time the International Managers shall have received from each of the accountants identified in the preceding paragraph a letter, dated as of Closing Time, to the effect that they reaffirm the statements made in the letters furnished pursuant to the preceding paragraph of this Section, except that the specified date referred to shall be a date not more than three business days prior to Closing Time.

(k) No Objection. The NASD shall not have raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements.

(l) Agreement with Loews. The Underwriters shall have entered into an agreement with Loews Corporation, a Delaware corporation ("Loews"), in the form previously submitted to the U.S. Underwriters, with such changes and revisions as shall be agreed to by the parties thereto, and the opinion provided for therein shall have been delivered to the Underwriters.

(m) Conditions to Purchase of the International Option Securities. In the event that the International Managers exercise their option provided in Section 2(b) hereof to purchase all or any portion of the International Option Securities, the representations and warranties of the Company and the Selling Stockholders contained herein and the statements in any certificates furnished by the Company and the Selling Stockholders hereunder shall be true and correct as of each Date of Delivery and, at the relevant Date of Delivery, the International Managers shall have received:

(i) Officers' Certificate. A certificate, dated such Date of Delivery, of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company confirming that the certificate delivered at the Closing Time pursuant to Section 5(g) hereof remains true and correct as of such Date of Delivery.

(ii) Selling Stockholders Certificates. A certificate, dated such Date of Delivery, of each Selling Stockholder, or of an Attorney-in-Fact on behalf of such Selling Stockholder, confirming that the certificate delivered at Closing Time pursuant to Section 5(h) remains true and correct as of such Date of Delivery.

(iii) Opinion of Counsel for Company. The favorable opinion of Weil, Gotshal & Manges LLP, counsel for the Company, substantially in form and substance reasonably satisfactory to counsel for the International Managers, dated such Date of Delivery, relating to the International Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(b) hereof.

(iv) Opinion of Counsel for Company. The favorable opinion of Richard L. Lionberger, Vice President and General Counsel of the Company, in form and substance reasonably satisfactory to counsel for the International Managers, dated such Date of Delivery, relating to the International Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(c) hereof.

(v) Opinion of Maritime Counsel for the Company. The favorable opinion of Verner, Liipfert, Bernhard, McPherson and Hand, Chartered, special maritime counsel for the Company, in form and substance reasonably satisfactory to counsel for the International Managers, dated such Date of Delivery, relating to the International Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(d) hereof.

(vi) Opinion of Counsel for Selling Stockholders. The favorable opinion of (A) Loesch & Wolter, Luxembourg counsel for Alphee, (B) Mannheimer Swartling, Swedish counsel for Ratos, and (C) Cleary, Gottlieb, Steen & Hamil-

ton, U.S. counsel for Alphee, and Seward & Kissel, U.S. counsel for Ratos, in form and substance reasonably satisfactory to counsel for the International Managers, dated such Date of Delivery, relating to the International Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinions required by Section 5(e).

(vii) Opinion of Counsel for the International Managers. The favorable opinion of Skadden, Arps, Slate, Meagher & Flom, counsel for the International Managers, dated such Date of Delivery, relating to the International Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(f) hereof.

(viii) Bring-down Comfort Letter. Letters from Deloitte & Touche LLP and Arthur Andersen & Co., in form and substance satisfactory to the International Managers and dated such Date of Delivery, substantially in the same form and substance as the letter furnished to the International Managers pursuant to Section 5(i) hereof, except that the "specified date" in the letter furnished pursuant to this paragraph shall be a date not more than five days prior to such Date of Delivery.

(n) Additional Documents. At Closing Time and at each Date of Delivery counsel for the International Managers shall have been furnished with such certificates and such other customary closing documents as they may require for the purpose of enabling them to pass upon the sale of the International Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company and the Selling Stockholders, in connection with the sale of the International Securities as herein contemplated shall be satisfactory in form and substance to the International Managers and counsel for the International Managers.

(o) Termination of Agreement. If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement, or, in the case of any condition to the purchase of International Option Securities, on a Date of Delivery which is after the Closing Time, the obligations of the several International Managers to purchase the relevant International Option Securities, may be terminated by the International Managers by notice to the Company and the Selling Stockholders at any time at or prior to Closing Time or such Date of Delivery, as the case may be, and such termination shall be without liability of any party to any other party except as provided in Section 4 and except that Sections 1, 6 and 7 shall survive any such termination and remain in full force and effect.

SECTION 6. Indemnification.

(a) Indemnification of International Managers. The Company agrees to indemnify and hold harmless each International Manager and each person, if any, who controls any International Manager within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus or any Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 6(c) below) any such settlement is effected with the written consent of the Company and the Selling Stockholders; and

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by Merrill Lynch), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under paragraphs (i) or (ii) of this Section 6(a) above;

provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company (x) prior to April 29, 1996 by or on behalf of Arethusa or (y) in writing by (i) any International Manager through Merrill Lynch, or (ii) any Selling Stockholder, expressly for use in the Registration Statement (or any amendment thereto), including the 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or the Prospectuses (or any amendment or supplement thereto) and provided further, that this indemnification agreement shall not apply to any loss, liability, claim, damage or expense if a copy of the International Prospectus (as then amended or supplemented if the Company shall have prepared any amendments or supplements thereto) was not sent or given by or on behalf of any International Manager to such person, if such is required by law, at or prior to the written confirmation of the sale of Offered Securities to such person and if the International Prospectus, as so amended or supplemented, would have cured the defect

giving rise to such loss, liability, claim, damage or expense.

(b) Indemnification of International Managers, the Company, Directors and Officers by the Selling Stockholders. Each Selling Stockholder, severally and not jointly (in the proportion that the number of International Securities being sold by such Selling Stockholder bears to the total number of International Securities), with respect to (i) below, and jointly and severally, with respect to (ii) below, agrees to indemnify and hold harmless each International Manager, the Company, the Company's directors, each of the Company's officers who signed the Registration Statement, and each person, if any, who controls a International Manager or the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section 6, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or any Prospectus (or any amendment or supplement thereto) (i) in reliance upon and in conformity with written information furnished to the Company by a Selling Stockholder with respect to such Selling Stockholder expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or any Prospectus (or any amendment or supplement thereto) or (ii) any information with respect to Arethusa furnished to the Company prior to April 29, 1996 by or on behalf of Arethusa.

(c) Indemnification of Company, Selling Stockholders, Directors and Officers by the International Managers. Each International Manager severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, and each Selling Stockholder against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section 6, as incurred, but only with respect to untrue statements or omissions, or alleged

untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or any Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such International Manager through Merrill Lynch expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or any Prospectus (or any amendment or supplement thereto).

(d) Actions against Parties; Notification. Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In case any such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section 6 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. An indemnified party may participate at its own expense in the defense of any such action. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or

compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 6 or Section 7 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(e) Settlement without Consent if Failure to Reimburse. If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

SECTION 7. Contribution. If the indemnification provided for in Section 6 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, the Selling Stockholders and the International Managers from the offering of the International Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the

relative fault of the Company, the Selling Stockholders and the International Managers, in connection with the statements or omissions, which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Selling Stockholders and the International Managers in connection with the offering of the International Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the International Securities pursuant to this Agreement (before deducting expenses) received by the Selling Stockholders and the total underwriting discount received by the International Managers, in each case as set forth on the cover of the International Prospectus, or, if Rule 434 is used, the corresponding location on the Term Sheet bear to the aggregate initial public offering price of the International Securities as set forth on such cover.

The relative fault of the Company, the Selling Stockholders and the International Managers shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, the Selling Stockholders or by the International Managers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Selling Stockholders and the International Managers agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the International Managers were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 7. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 7 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced

or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, no International Manager shall be required to contribute any amount in excess of the amount by which the total price at which the International Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such International Manager has otherwise been required to pay by reason of any such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 7, (i) each person, if any, who controls a International Manager within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such International Manager, (ii) each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company and (iii) each director of each Selling Stockholder and each person, if any, who controls such Selling Stockholder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such Selling Stockholder. The International Managers' respective obligations to contribute pursuant to this Section 7 are several in proportion to the number of Initial International Securities set forth opposite their respective names in Schedule A hereto and not joint.

SECTION 8. Representations, Warranties and Agreements to Survive Delivery. All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company or the Selling Stockholders submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any International Manager or controlling person, or by or on behalf of the

Company or the Selling Stockholders, and shall survive delivery of the International Securities to the International Managers.

SECTION 9. Termination of Agreement.

(a) Termination; General. The International Managers may terminate this Agreement, by notice to the Company and the Selling Stockholders, at any time at or prior to Closing Time (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the Prospectuses, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its Subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, (ii) if there has occurred any material adverse change in the financial markets in the United States for the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the International Managers, impracticable to market the International Securities or to enforce contracts for the sale of the International Securities, (iii) if trading in any securities of the Company has been suspended or limited by the Commission or the New York Stock Exchange, or if trading generally on the American Stock Exchange or the New York Stock Exchange or in the Nasdaq National Market has been suspended or limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the National Associa-tion of Securities Dealers, Inc. or any other governmental authority or (iv) if a banking moratorium has been declared by either Federal or New York authorities.

(b) Liabilities. If this Agreement is terminated pursuant to this Section 9, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 6 and 7 shall survive such termination and remain in full force and effect.

SECTION 10. Default by One or More of the International Managers. If one or more of the International Managers shall fail at Closing Time or a Date of Delivery to purchase the International Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the International Managers shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting International Managers, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the International Managers shall not have completed such arrangements within such 24-hour period, then:

(a) if the number of Defaulted Securities does not exceed 10% of the number of International Securities to be purchased on such date, each of the non-defaulting International Managers shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting International Managers, or

(b) if the number of Defaulted Securities exceeds 10% of the number of International Securities to be purchased on such date, this Agreement or, with respect to any Date of Delivery which occurs after the Closing Time, the obligation of the International Managers to purchase and of the Selling Stockholders to sell the International Option Securities to be purchased and sold on such Date of Delivery shall terminate without liability on the part of any non-defaulting International Manager.

No action taken pursuant to this Section 10 shall relieve any defaulting International Manager from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement or, in the case of a Date of Delivery which is after the Closing Time, which does not result in a termination of the obligation of the International Managers to purchase and the Selling Stockholders to sell the relevant International Option Securities, as the case may be, either the International

Managers or the Selling Stockholders shall have the right to postpone Closing Time or the relevant Date of Delivery, as the case may be, for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectuses or in any other documents or arrangements. As used herein, the term "International Manager" includes any person substituted for an International Manager under this Section 10.

SECTION 11. Default by One or More of the Selling Stockholders. (a) If any Selling Stockholder shall fail at Closing Time to sell and deliver the number of International Securities which such Selling Stockholder is obligated to sell hereunder, then the International Managers may, at option of the International Managers, by notice from the International Managers to the Company and the nondefaulting Selling Stockholder, either (i) terminate this Agreement without any liability on the fault of any non-defaulting party except that the provisions of Sections 1, 4, 6 and 7 shall remain in full force and effect or (ii) elect to purchase the International Securities which the nondefaulting Selling Stockholder has agreed to sell hereunder. No action taken pursuant to this Section 11 shall relieve any Selling Stockholder so defaulting from liability, if any, in respect of such default.

In the event of a default by any Selling Stockholder as referred to in this Section 11, each of the International Managers and the non-defaulting Selling Stockholder shall have the right to postpone Closing Time for a period not exceeding seven days in order to effect any required change in the Registration Statement or Prospectuses or in any other documents or arrangements.

SECTION 12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the International Managers shall be directed to the International Managers at Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY, England, attention of Vincent Maddi; notices to the Company shall be directed to it at 15415 Katy Freeway, Suite 400, Houston, Texas 77094, attention of Richard L. Lionberger, Vice President, General Counsel and Secretary; notices to Alphee shall be directed to it at 11, Avenue de la Gare, P.O. Box 2255,

L-1022 Luxembourg, attention of Jean Paul Kill; notices to Ratos shall be directed to it at Drottninggatan 2, P.O. Box 1661, S-111 96, Stockholm, Sweden, attention of Olle Isberg.

SECTION 13. Parties. This Agreement shall each inure to the benefit of and be binding upon the International Managers, the Company, Loews,the Selling Stockholders and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the International Managers, the Company, the Selling Stockholders and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the International Managers, the Company, the Selling Stockholders and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of International Securities from any International Manager shall be deemed to be a successor by reason merely of such purchase.

SECTION 14. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 15. SUBMISSION TO JURISDICTION; APPOINTMENT OF AGENT. Each of the parties hereto irrevocably agrees that any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby shall be instituted in any United States Federal or state court in the City, County and State of New York, and irrevocably waives, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to the laying of venue of any such proceeding and irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court, as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. Alphee has appointed CT Corporation System, New York, New

York, as its authorized agent, and Ratos has appointed Seward & Kissel, New York, New York, as its authorized agent (each, an "Authorized Agent"), upon whom process may be served in any such action arising out of or based on this Agreement or the transactions contemplated hereby which may be instituted in any New York court by any International Manager or the Company or by any person who controls any International Manager or the Company, which appointment shall be irrevocable so long as the Offered Securities remain outstanding or until the appointment, similarly irrevocable, of a successor authorized agent reasonably acceptable to the Underwriters and the Company and such successor's acceptance of such appointment. Each Selling Stockholder represents and warrants that its Authorized Agent has agreed to act as said agent for service of process, and each of the Selling Stockholders agree to take any and all action, including the filing of any and all documents and instruments, that may be necessary to continue its respective appointment in full force and effect as aforesaid. Service of process upon an Authorized Agent and written notice of such service to the other parties hereto shall be deemed, in every respect, effective service of process upon its related Selling Stockholder.

SECTION 16. Shareholders Agreement. Except as set forth herein, the provisions of this Agreement shall not affect any rights or obligations of the Company or either of the Selling Stockholders under the Shareholders Agreement.

SECTION 17. Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to each of the Company and the Selling Stockholders a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the International Managers, the Company and the Selling Stockholders in accordance with its terms.

DIAMOND OFFSHORE DRILLING, INC.

By

Name:
Title:

ALPHEE S.A.

By

Name:
Title:

By

Name:
Title:

FORVALTNINGS AB RATOS

By

Name:
Title:

By

Name:
Title:

CONFIRMED AND ACCEPTED,
as of the date first above written:

MERRILL LYNCH INTERNATIONAL
CS FIRST BOSTON LIMITED
SALOMON BROTHERS INTERNATIONAL LIMITED

By: MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated, as Attorney-in-Fact

By

Name:
Title:

SCHEDULE A

Name of International Manager	Number of Initial International Securities
Merrill Lynch International	505,000
CS First Boston Limited	500,000
Salomon Brothers International Limited	500,000
Total	1,505,000

SCHEDULE B

Name of Selling Stockholder	Number of Initial International Securities to Be Sold	Maximum Number of International Option Securities to Be Sold
Alphee S.A.	847,164	84,717
Forvaltnings AB Ratos	657,836	65,784
Total	1,505,000	150,501

SCHEDULE C

DIAMOND OFFSHORE DRILLING, INC.
1,505,000 Shares of Common Stock
(Par Value $.01 Per Share)

1. The initial public offering price per share for the International Securities, determined as provided in said Section 2, shall be $49.25.

2. The purchase price per share for the International Securities to be paid by the several International Manager shall be $47.77, being an amount equal to the initial public offering price set forth above less $1.48 per share; provided that the purchase price per share for any International Option Securities purchased upon the exercise of the over-allotment option described in Section 2(b) shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial International Securities but not payable on the International Option Securities.

Exhibit A

FORM OF OPINION OF COMPANY'S COUNSEL
TO BE DELIVERED PURSUANT TO
SECTION 5(B)

[SUBJECT TO REVIEW BY OPINION COMMITTEE]

[LETTERHEAD OF WEIL, GOTSHAL & MANGES LLP]

May 24, 1996

Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
CS First Boston Corporation
Salomon Brothers Inc
c/o Merrill Lynch & Co.,
Merrill Lynch, Pierce, Fenner & Smith Incorporated
North Tower
World Financial Center
New York, N.Y. 10281-1209

Merrill Lynch International
CS First Boston Limited
Salomon Brothers International Limited
c/o Merrill Lynch International
Ropemaker Place
25 Ropemaker Street
London EC2Y 9LY
England

Gentlemen:

We have acted as counsel to Diamond Offshore Drilling, Inc., a Delaware corporation (the "Company"), in connection with the execution and delivery of, and the consummation of the transactions contemplated by, the U.S. Purchase Agreement (the "U.S. Purchase Agreement"), dated May 20, 1996, among Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, CS First Boston Corporation and Salomon Brothers Inc (the "U.S. Underwriters"), Alphee S.A., a Luxembourg corporation ("Alphee"), Forvaltnings AB Ratos, a Swedish corporation ("Ratos"; together with Alphee, the "Selling Stockholders") and the Company, and the International Purchase Agreement (the "International Purchase Agreement"), dated May 20, 1996, among Merrill Lynch International, CS First Boston Limited, Salomon Brothers International Limited (the "International Managers"), the Selling Stockholders and the Company with respect to the offering of 7,523,140 shares (the "Shares") of common stock, par value $.01 per share, of

the Company ("Diamond Offshore Common Stock") by the Selling Stockholders, and the related grant by the Selling Stockholders to (a) the U.S. Underwriters of an option to purchase up to 601,814 additional shares of Diamond Offshore Common Stock solely to cover over-allotments, if any, and (b) the International Managers of an option to purchase up to 150,501 additional shares of Diamond Offshore Common Stock solely to cover over-allotments, if any. This opinion is delivered to you pursuant to Section 5(b) of the U.S. Purchase Agreement and Section 5(b) of the International Purchase Agreement. Capitalized terms defined in the U.S. Purchase Agreement and used but not otherwise defined herein are used herein as so defined.

In so acting, we have examined originals or copies, certified or otherwise identified to our satisfaction, of (i) the U.S. Purchase Agreement, (ii) the International Purchase Agreement, (iii) the Registration Statement on Forms S-4/S-1 (Registration No. 333-2680) of the Company filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), on March 21, 1996, (iv) Amendment No. 1 to the Registration Statement filed with the Commission on April 5, 1996, (v) Amendment No. 2 to the Registration Statement filed with the Commission on April 12, 1996, (vi) Post-Effective Amendment No. 1 to the Registration Statement filed with the Commission on May [23], 1996 (the Registration Statement, as so amended, is hereinafter referred to as the "Registration Statement"), (vii) the prospectus of the Company dated April 12, 1996 (the "Base Prospectus"), (viii) the two preliminary prospectus supplements to the Base Prospectus dated April 30, 1996 in the respective forms filed with the Commission pursuant to Rule 424(b) under the Act, (ix) the two final prospectus supplements to the Base Prospectus dated May 20, 1996 in the respective forms filed with the Commission pursuant to Rule 424(b) under the Act (the Base Prospectus, as so supplemented by the relevant prospectus supplements, is hereinafter referred to as the "Prospectuses") and (x) such other corporate records, agreements, documents and other instruments, and such certificates or comparable documents of public officials and of officers and representatives of the Company, and we have made such inquiries of such officers and representatives, as we have deemed relevant and necessary as a basis for the opinions hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents. As to all questions of fact material to this opinion that have not been independently established, we have relied upon certificates or comparable documents of officers and representatives of the Company (copies of which have been furnished to you), and upon the representations and warranties of the Company contained in the U.S. Purchase Agreement and the International Purchase Agreement. As used herein, "to our knowledge" means the conscious awareness of facts or other information by any lawyer in our firm actively involved in negotiating the U.S. Purchase Agreement, the International Purchase Agreement and the transactions contemplated thereby.

Based on the foregoing, and subject to the qualifications stated herein, we are of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as described in the Prospectuses.

2. The authorized capital stock of the Company consists of 200,000,000 shares of common stock, par value $.01 per share, and 25,000,000 shares of preferred stock, par value $.01 per share. As of the open of business on May [24], 1996, there were _____ shares of common stock and no shares of preferred stock issued and outstanding. All of such outstanding shares of the Company's capital stock have been duly authorized and validly issued, are fully paid and nonassessable, have not been issued in violation of any preemptive rights and conform as to legal matters in all material respects to the description thereof contained in the Prospectuses. Under the Delaware General Corporation Law, no holder of the Company's common stock is or will be personally liable for the payment of the Company's debts except as they may be liable by reason of their own conduct or acts.

3. The Company has all requisite corporate power and authority to execute and deliver the U.S. Purchase Agreement and the International Purchase Agreement and to

perform its obligations thereunder. The execution, delivery and performance of the U.S. Purchase Agreement and the International Purchase Agreement by the Company have been duly authorized by all necessary corporate action on the part of the Company. The U.S. Purchase Agreement and the International Purchase Agreement have been duly executed and delivered by the Company.

4. The execution, delivery and performance by the Company of the U.S. Purchase Agreement and the International Purchase Agreement and the compliance by the Company with all the provisions of the U.S. Purchase Agreement and the International Purchase Agreement and the consummation by the Company of the transactions contemplated thereby will not, whether with or without the giving of notice or lapse of time or both, conflict with, constitute a default under or result in a breach or violation of, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company under (i) any of the terms, conditions or provisions of the restated certificate of incorporation or amended by-laws of the Company, (ii) any of the terms, conditions or provisions of any document, agreement or other instrument filed as an exhibit to the Registration Statement, (iii) any New York, Texas, Delaware corporate or federal law or regulation (other than federal and state securities or blue sky laws, as to which we express no opinion in this sentence, and the Shipping Act, 1916, as amended, as to which we express no opinion), or (iv) any final and non-appealable judgment, writ, injunction, decree, order or ruling of any federal or state court or governmental authority binding on the Company of which we are aware, except, in each case other than with respect to clause (i), any such conflict, default, breach or violation as would not impair the Company's ability to perform its obligations under the U.S. Purchase Agreement or the International Purchase Agreement or have any material adverse effect upon the consummation of the transactions contemplated by the U.S. Purchase Agreement or the International Purchase Agreement.

5. No consent, approval, waiver, license, order or authorization or other action by or filing with any New York, Texas, Delaware corporate or federal governmental agency, body or court is required in connection with the execution, delivery and performance by the Company of the U.S. Purchase Agreement or the International Purchase Agreement or the consummation by the Company of the transactions contemplated thereby (including the

Acquisition), except for filings and other actions required pursuant to federal and state securities or blue sky laws, as to which we express no opinion, or the Shipping Act, 1916, as amended, as to which we express no opinion, and those already obtained and made under the Delaware General Corporation Law and the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

6. Based solely upon telephonic confirmation from the Commission, the Registration Statement has become effective under the Act and, to our knowledge, no stop order suspending the effectiveness of the Registration Statement or suspending or preventing the use of the Prospectuses has been issued and no proceedings for that purpose have been instituted or are pending or threatened under the Act. Any required filing of the Prospectuses pursuant to Rule 424(b) under the Act has been made in the manner and within the time period required by such Rule 424(b).

7. The Company is not (A) an "investment company" or an entity "controlled" by an "investment company" under the Investment Company Act of 1940, as amended, and the rules and regulations promulgated by the Commission thereunder (the "Investment Company Act") or (B) a "holding company" or a "subsidiary company" or an "affiliate" of a holding company within the meaning of the Public Utility Holding Company Act of 1935, as amended, and the rules and regulations promulgated by the Commission thereunder (the "Holding Company Act"). In rendering the opinion in this paragraph 7, we have assumed that Loews Corporation, a Delaware corporation ("Loews"), (x) is not and is not controlled by an "investment company" under the Investment Company Act and (y) is not a "holding company" or a "subsidiary company" or an "affiliate" of a holding company under the Holding Company Act.

8. The statements in the Prospectuses under the caption "Management -- Employment Agreements and Severance and Change in Control Arrangements" and under the caption "Management -- Certain Relationships and Related Transactions -- Transactions Between Diamond Offshore and Loews", insofar as they constitute descriptions of the Employment Agreement, the Services Agreement, the Tax Sharing Agreement or the Registration Rights Agreement (each as defined in the Prospectuses), constitute fair summaries thereof in all material respects. The statements in the Prospectuses under the caption "Management -- Certain Relationships and Related Transactions -- Transactions

Between Diamond Offshore and the Selling Stockholders" and under the caption "Management -- Certain Relationships and Related Transactions -- Registration Rights of Selling Stockholders", insofar as they constitute descriptions of the Shareholders Agreement or the Plan of Acquisition (each as defined in the Prospectuses), constitute fair summaries thereof in all material respects. The statements in the Prospectuses under the caption "Dividend Policy" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity", insofar as they constitute descriptions of the Diamond Offshore Bank Credit Facility (as defined in the Prospectuses), constitute fair summaries thereof in all material respects. The statements in the Prospectuses under the caption "Business -- The Acquisition -- The Amalgamation", under the caption "Business -- The Acquisition -- Memorandum of Association; Bye-laws; Directors; Officers", under the caption "Business -- The Acquisition -- Continuing Arethusa Severance, Consulting and Salary Continuation Plans", under the caption "Business -- The Acquisition -- Arethusa Stock Option Plans" and under the caption "Business -- The Acquisition -- Indemnification", insofar as they constitute descriptions of the Plan of Acquisition and the Amalgamation Agreement (each as defined in the Prospectuses), constitute fair summaries thereof in all material respects. The statements in the Prospectuses under the caption "Management -- Stock Option Plans", insofar as they constitute descriptions of the Arethusa Stock Option Plans (as defined in the Prospectuses), as assumed by Diamond Offshore at the Effective Time pursuant to the Amalgamation Agreement, constitute fair summaries thereof in all material respects. The statements in the Prospectuses under the caption "Management -- Executive Compensation" and under the caption "Management -- Annual Cash Bonus Incentives", insofar as they constitute descriptions of the Retirement Plan (as defined in the Prospectuses) and of the Diamond Offshore Management Bonus Program and the proposed Executive Deferred Compensation Plan filed as exhibits to the Registration Statement, constitute fair summaries thereof in all material respects. The statements in the Prospectuses under the caption "Risk Factors -- Shares Available for Future Sale", insofar as they refer to statements of laws or legal conclusions under the Act or the rules and regulations thereunder, constitute fair summaries thereof in all material respects. The statements in the Prospectuses under the caption "Description of Capital Stock", insofar as they constitute descriptions of the capital stock of the Company, or refer to statements of laws or legal conclusions under

the Delaware General Corporation Law, constitute fair summaries thereof in all material respects. Insofar as certain provisions of the Delaware General Corporation Law have been described under Form S-4 Item 20/Form S-1 Item 14 of Part II of the Registration Statement, such descriptions constitute fair summaries thereof in all material respects. The statements in the Prospectuses under the caption "Management -- Certain Relationships and Related Transactions - -- Controlling Stockholder", insofar as they constitute descriptions of Rule 144 promulgated under the Act, constitute fair summaries thereof in all material respects. The statements in the Prospectuses under the caption "Business -- Governmental Regulation", insofar as they constitute descriptions of the CWA, CERCLA or RCRA (each as defined in the Prospectuses) or the Clean Air Act or amendments thereto or the rules and regulations thereunder, constitute fair summaries thereof in all material respects.

9. To our knowledge, there is no contract or other document that is required to be described in the Registration Statement or the Prospectuses or is required to be filed as an exhibit to the Registration Statement that is not described therein or filed as an exhibit thereto.

10. The Registration Statement, as of the effective date thereof, and the Prospectuses, as of the date thereof and as of the date hereof, complied and comply as to form in all material respects with the requirements of the Act and the rules and regulations thereunder (except for the financial statements and the notes thereto, the financial statement schedules and the other financial, statistical and accounting data included in or which should be included in the Registration Statement or the Prospectuses, as to which we express no opinion).

11. The form of certificate used to evidence the Diamond Offshore Common Stock complies in all material respects with all applicable requirements of the Delaware General Corporation Law, with any applicable requirements of the restated certificate of incorporation and amended by-laws of the Company and the requirements of the New York Stock Exchange, Inc.

We have participated in conferences with directors, officers and other representatives of the Company, various representatives of the Selling Stockholders, representatives of the independent public accountants for

the Company, representatives of the U.S. Underwriters and representatives of counsel for the U.S. Underwriters, at which conferences the contents of the Registration Statement and the Prospectuses and related matters were discussed, and, although we have not independently verified and are not passing upon and assume no responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement and Prospectuses (except to the extent specified in the foregoing opinion), no facts have come to our attention which lead us to believe that the Registration Statement, on the effective date thereof, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading or that the Prospectuses, on the date thereof or on the date hereof, contained or contain an untrue statement of a material fact or omitted or omit to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading (it being understood that we express no view with respect to the financial statements and related notes and the other financial [,statistical] and accounting data included in the Registration Statement or Prospectuses).

The opinions expressed herein are limited to the laws of the States of New York and Texas, the corporate laws of the State of Delaware and the federal laws of the United States, and we express no opinion as to the effect on the matters covered by this letter of the laws of any other jurisdiction.

The opinions expressed herein are rendered solely for your benefit in connection with the transactions described herein. Those opinions may not be used or relied upon by any other person, nor may this letter or any copies thereof be furnished to a third party, filed with a governmental agency, quoted, cited or otherwise referred to without our prior written consent.

Very truly yours,

Exhibit B

FORM OF OPINION OF COUNSEL OF RICHARD L. LIONBERGER,
VICE PRESIDENT AND GENERAL COUNSEL TO THE COMPANY,
TO BE DELIVERED PURSUANT TO SECTION 5(C)

[Subject to Review by Richard L. Lionberger]

[Richard L. Lionberger letterhead]

May 24, 1996

Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
CS First Boston Corporation
Salomon Brothers Inc
c/o Merrill Lynch & Co.,
Merrill Lynch, Pierce, Fenner & Smith Incorporated
North Tower
World Financial Center
New York, N.Y. 10281-1209

Merrill Lynch International
CS First Boston Limited
Salomon Brothers International Limited
c/o Merrill Lynch International
Ropemaker Place
25 Ropemaker Street
London EC2Y 9LY
England

Gentlemen:

I have acted as counsel to Diamond Offshore Drilling, Inc., a Delaware corporation (the "Company"), in connection with the execution and delivery of, and the consummation of the transactions contemplated by, the U.S. Purchase Agreement (the "U.S. Purchase Agreement"), dated May 20, 1996, among Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, CS First Boston Corporation and Salomon Brothers Inc (the "U.S. Underwriters"), Alphee S.A., a Luxembourg corporation ("Alphee"), Forvaltnings AB Ratos, a Swedish corporation ("Ratos"; together with Alphee, the "Selling Stockholders") and the Company, and the International Purchase Agreement (the "International Purchase Agreement"), dated May 20, 1996, among Merrill Lynch International, CS First Boston Limited, Salomon Brothers International Limited (the "International Managers"), the Selling Stockholders and the Company with respect to the offering of up to 7,523,140 shares (the "Shares") of common stock, par value $.01 per

share, of the Company ("Diamond Offshore Common Stock") by the Selling Stockholders, and the related grant by the Selling Stockholders to (a) the U.S. Underwriters of an option to purchase up to 601,814 additional shares of Diamond Offshore Common Stock solely to cover over-allotments, if any, and (b) the International Managers of an option to purchase up to 150,501 additional shares of Diamond Offshore Common Stock solely to cover over-allotments, if any. This opinion is delivered to you pursuant to Section 5(c) of the U.S. Purchase Agreement and Section 5(c) of the International Purchase Agreement. Capitalized terms defined in the U.S. Purchase Agreement and used but not otherwise defined herein are used herein as so defined.

In so acting, I have examined originals or copies, certified or otherwise identified to my satisfaction, of (i) the U.S. Purchase Agreement, (ii) the International Purchase Agreement, (iii) the Registration Statement on Forms S-4/S-1 (Registration No. 333-2680) of the Company filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), on March 21, 1996, (iv) Amendment No. 1 to the Registration Statement filed with the Commission on April 5, 1996, (v) Amendment No. 2 to the Registration Statement filed with the Commission on April 12, 1996, (vi) Post-Effective Amendment No. 1 to the Registration Statement filed with the Commission on May [23], 1996 (the Registration Statement, as so amended, is hereinafter referred to as the "Registration Statement"), (vii) the prospectus of the Company dated April 12, 1996 (the "Base Prospectus"), (viii) the two preliminary prospectus supplements to the Base Prospectus dated April 30, 1996 in the respective forms filed with the Commission pursuant to Rule 424(b) under the Act, (ix) the two final prospectus supplements to the Base Prospectus dated May 20, 1996 in the respective forms filed with the Commission pursuant to Rule 424(b) under the Act (the Base Prospectus, as so supplemented by the relevant prospectus supplements, is hereinafter referred to as the "Prospectuses") and (x) such other corporate records, agreements, documents and other instruments, and such certificates or comparable documents of public officials and of officers and representatives of the Company and I have made such inquiries of such officers and representatives, as I have deemed relevant and necessary as a basis for the opinions hereinafter set forth.

In such examination, I have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified or photostatic copies and the authenticity of the originals of such latter documents. As to all questions of fact material to this opinion that have not been independently established, I have relied upon certificates or comparable documents of officers and representatives of the Company and upon the representations and warranties of the Company contained in the U.S. Purchase Agreement and the International Purchase Agreement. As used herein, "to my knowledge" means the conscious awareness of facts or other information by me.

Based on the foregoing, and subject to the qualifications stated herein, I am of the opinion that:

1. The Company is duly qualified to transact business and is in good standing as a foreign corporation in each jurisdiction where the character of its activities requires such qualification, except where the failure of the Company to be so qualified would not have a material adverse effect on the business operations or financial condition of the Company and its subsidiaries considered as a whole.

2. All of the outstanding shares of capital stock of each subsidiary of the Company listed on Exhibit A attached hereto (each, a "Subsidiary" and collectively, the "Subsidiaries") have been duly authorized and validly issued, are fully paid and nonassessable, and are owned, directly or indirectly, of record and beneficially by the Company, free and clear, to my knowledge, except for liens and security interests securing the Diamond Offshore Bank Credit Facility (as such term is defined in the Prospectuses) which are described in the Prospectuses, of all liens, claims, limitations on voting rights, options, security interests and other encumbrances, except to the extent that any such liens, claims, limitations, options, security interests and other encumbrances, individually or in the aggregate, would not have a material adverse effect on the business operations or financial condition of the Company and its subsidiaries, taken as a whole. None of the outstanding shares of capital stock of any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary except any such violation(s) which would not, individually or in the aggregate, have a material adverse effect on the business

operations or financial condition of the Company and its subsidiaries, taken as a whole.

3. Each Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all requisite corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement. [Arethusa Off-Shore Company is validly existing and in good standing under the laws of the State of Delaware.] Each Subsidiary [and Arethusa Off-Shore Company] is duly qualified to transact business and is in good standing as a foreign corporation in each jurisdiction where the character of its activities requires such qualification, except where the failure of such Subsidiary [and/or Arethusa Off-Shore Company] to be so qualified would not have a material adverse effect on the business, operations or financial condition of the Company and its subsidiaries considered as a whole.

4. Except as described under the caption "Management -- Certain Relationships and Related Transactions -- Transactions Between Diamond Offshore and Loews" and under the caption "Management -- Certain Relationships and Related Transactions -- Registration Rights of Selling Stockholders" in the Prospectuses, there are no contracts, agreements or understandings known to me between the Company and any person granting such person the right to require the Company to file a registration statement under the Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to the Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Act.

5. The execution, delivery and performance by the Company of the U.S. Purchase Agreement and the International Purchase Agreement and the consummation of the transactions contemplated thereby will not, whether with or without the giving of notice or lapse of time, or both, conflict with, constitute a default under or violate or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of any of the Subsidiaries, under (i) any of the terms, conditions or provisions of the certificate of incorporation or by-laws of any of the Subsidiaries, (ii) any of the terms, conditions

or provisions of any document, agreement or other instrument to which any of the Subsidiaries is a party or by which any of the Subsidiaries is bound of which I am aware, (iii) any Texas, Delaware corporate or federal law or regulation (other than federal and state securities or blue sky laws, as to which I express no opinion in this sentence, and the Shipping Act, 1916, as amended, as to which I express no opinion) or (iv) any judgment, writ, injunction, decree, order or ruling of any court or governmental authority binding on any of the Subsidiaries of which I am aware, except any such default, breach or violation which would not, individually or in the aggregate, have a material adverse effect on the business operations or financial condition of the Company and its subsidiaries, taken as a whole.

6. Insofar as certain provisions of certain federal statutes have been described under the captions "Risk Factors -- Environmental Matters" and "Business -- Governmental Regulation" in the Prospectuses, such provisions conform in all material respects to the respective descriptions thereof set forth under such captions.

7. To my knowledge, there are no legal or governmental proceedings that are required to be described in the Registration Statement or the Prospectuses that are not described therein.

8. To my knowledge, there is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending or threatened, against or affecting the Company or any Subsidiary, which is required to be disclosed in the Registration Statement (other than as disclosed therein), or which individually or in the aggregate might reasonably be expected to result in a material adverse effect on the business, assets or financial condition of the Company and its subsidiaries, taken as a whole, or which might reasonably be expected to materially and adversely affect the properties or assets thereof or the consummation of the U.S. Purchase Agreement, the International Purchase Agreement or the performance by the Company of its obligations thereunder; the aggregate of all pending legal or governmental proceedings to which the Company or any Subsidiary is a party or of which any of their respective property or assets is the subject which are not described in the Registration Statement, including ordinary routine

litigation incidental to the business, are not reasonably expected to result in a material adverse effect.

9. The statements in the Prospectuses under the caption "Business -- Governmental Regulation", insofar as they constitute descriptions of the Outer Continental Shelf Lands Act, constitute fair summaries thereof in all material respects.

The opinions expressed herein are limited to the laws of the State of Texas, the corporate laws of the State of Delaware and the federal laws of the United States, and I express no opinion as to the effect on the matters covered by this letter of the laws of any other jurisdiction.

The opinions expressed herein are rendered solely for your benefit in connection with the transactions described herein. Those opinions may not be used or relied upon by any other person, nor may this letter or any copies thereof be furnished to a third party, filed with a governmental agency, quoted, cited or otherwise referred to without my prior written consent.

Very truly yours,

Exhibit C

FORM OF OPINION OF MARITIME COUNSEL FOR THE COMPANY
TO BE DELIVERED PURSUANT TO SECTION 5(D)

(i) No consent or approval of any federal governmental agency with respect to any federal maritime law matter is required in connection with the performance by the Company of its obligations under the U.S. Purchase Agreement and the International Purchase Agreement or the issuance and sale of the Offered Securities.

(ii) Neither the issue, offer, sale or delivery by the Company of the Offered Securities pursuant to the U.S. Purchase Agreement and the International Purchase Agreement or the execution, delivery and performance by the Company and the consummation of the transactions contemplated thereby will violate any existing federal maritime laws, including, without limitation, the Shipping Act and the rules and regulations of the Maritime Administration (MarAd) and the Coast Guard.

(iii) Insofar as certain provisions of the Shipping Act have been described under the caption "Business -- Limitation on Ownership by Non-U.S. Citizens" in the Prospectuses, such provisions conform in all material respects to the respective descriptions thereof set forth under such caption.

(iv) Insofar as certain provisions of OPA '90 (as defined in the Prospectuses) have been described under the caption "Business -- Governmental Regulation" in the Prospectuses, such provisions conform in all material respects to the respective descriptions thereof set forth under such caption.

FORM OF OPINION OF LUXEMBOURG COUNSEL FOR ALPHEE
TO BE DELIVERED PURSUANT TO SECTION 5(E)

(i) No filing with, or consent, approval, authorization, order, registration qualification or decree of, any Luxembourg court or governmental authority or agency is necessary or required to be obtained by Alphee for the performance by Alphee of its obligations under the U.S. Purchase Agreement, the International Purchase Agreement or the Power of Attorney and Custody Agreement, or in connection with the offer, sale or delivery of the Securities.

(ii) The Power of Attorney and Custody Agreement has been duly executed and delivered by Alphee and constitutes the valid and binding agreement of Alphee in accordance with its terms.

(iii) The U.S. Purchase Agreement and the International Purchase Agreements have been duly authorized, executed and delivered by or on behalf of Alphee.

(iv) The sale of the Offered Securities by Alphee is not subject to preemptive or similar rights of any securityholder of the Company.

(v) Each Attorney-in-Fact has been duly authorized by Alphee to deliver the Offered Securities on its behalf in accordance with the terms of the U.S. Purchase Agreement and the International Purchase Agreement.

(vi) The execution, delivery and performance of the U.S. Purchase Agreement, the International Purchase Agreement and the Power of Attorney and Custody Agreement and the sale and delivery of the Offered Securities and the consummation of the transactions contemplated in the U.S. Purchase Agreement, the International Purchase Agreement and the Registration Statement and the compliance by Alphee with its obligations under the U.S. Purchase Agreement and the International Purchase Agreements have been duly authorized by all necessary action on the part of Alphee and do not and will not, whether with or without the giving of notice or passage

of time or both, conflict with or constitute a breach of, or default (or Repayment Event) under or result in the creation or imposition of any tax, lien, charge or encumbrance upon the Offered Securities or any property or assets of Alphee pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, license, lease or other instrument or agreement to which Alphee is a party or by which it may be bound, or to which any of the properties or assets of Alphee may be subject, nor will such action result in any violation of the provisions of the [charter or by-laws] of Alphee or any law, administrative regulation, judgment or order of any Luxembourg government agency or body or any administrative or court decree having jurisdiction over Alphee or any of its properties.

(vii) Alphee has the full right, power and authority (A) to enter into the U.S. Purchase Agreement, the International Purchase Agreement and the Power of Attorney and Custody Agreement and (B) to sell, transfer and deliver the Offered Securities to be sold by such Selling Stockholder under the U.S. Purchase Agreement and the International Purchase Agreement.

(viii) As provided in the U.S. Purchase Agreement and the International Purchase Agreement, Alphee has duly and irrevocably appointed CT Corporation System as its agent to receive service of process in any action against it in any federal or state court sitting in the county of New York arising out of or in connection with the offering of the Offered Securities.

(ix) Under the laws of Luxembourg, the submission by Alphee to the jurisdiction of any federal or state court sitting in the county of New York and the designation of the law of the State of New York to apply to Alphee is binding upon Alphee and, if properly bought to the attention of the court or administrative body in accordance with the laws of Luxembourg, would be enforceable in any judicial or administrative proceeding in Luxembourg.

Exhibit D-2

FORM OF OPINION OF SWEDISH COUNSEL FOR RATOS
TO BE DELIVERED PURSUANT TO SECTION 5(E)

(i) No filing with, or consent, approval, authorization, order, registration qualification or decree of, any Swedish court or governmental authority or agency is necessary or required to be obtained by Ratos for the Performance by Ratos of its obligations under the U.S. Purchase Agreement, the International Purchase Agreement or the Power of Attorney and Custody Agreement, or in connection with the offer, sale or delivery of the Securities.

(ii) The Power of Attorney and Custody Agreement has been duly executed and delivered by Ratos and constitutes the valid and binding agreement of Ratos in accordance with its terms.

(iii) The U.S. Purchase Agreement and the International Purchase Agreements have been duly authorized, executed and delivered by or on behalf of Ratos.

(iv) The sale of the Offered Securities by Ratos is not subject to preemptive or similar rights of any securityholder of the Company.

(v) Each Attorney-in-Fact has been duly authorized by Ratos to deliver the Offered Securities on behalf of Ratos in accordance with the terms of the U.S. Purchase Agreement and the International Purchase Agreement.

(vi) The execution, delivery and performance of the U.S. Purchase Agreement, the International Purchase Agreement and the Power of Attorney and Custody Agreement and the sale and delivery of the Offered Securities and the consummation of the transactions contemplated in the U.S. Purchase Agreement, the International Purchase Agreement and the Registration Statement and the compliance by Ratos with its obligations under the U.S. Purchase Agreement and the International Purchase Agreements have been duly authorized by all necessary action on the part of Ratos and do not and will not, whether with or without the giving of notice or passage

of time or both, conflict with or constitute a breach of, or default (or Repayment Event) under or result in the creation or imposition of any tax, lien, charge or encumbrance upon the Offered Securities or any property or assets of Ratos pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, license, lease or other instrument or agreement to which Ratos is a party or by which it may be bound, or to which any of the properties or assets of Ratos may be subject, nor will such action result in any violation of the provisions of the charter or by-laws of Ratos, or any law, administrative regulation, judgment or order of any government agency or body or any Swedish administrative or court decree having jurisdiction over Ratos or any of its properties.

(vii) Ratos has the full right, power and authority (A) to enter into the U.S. Purchase Agreement, the International Purchase Agreement and the Power of Attorney and Custody Agreement and (B) to sell, transfer and deliver the Offered Securities to be sold by Ratos under the U.S. Purchase Agreement and the International Purchase Agreement.

(viii) As provided in the U.S. Purchase Agreement and the International Purchase Agreement, Ratos has duly and irrevocably appointed Seward & Kissel as its agent to receive service of process in any action against it in any federal or state court sitting in the county of New York arising out of or in connection with the offering of the Offered Securities.

(ix) Under the laws of Sweden, the submission by Ratos to the jurisdiction of any federal or state court sitting in the county of New York and the designation of the law of the State of New York to apply to the U.S. Purchase Agreement and the International Purchase Agreement is binding upon Ratos and, if properly brought to the attention of the court or administrative body in accordance with the laws of Sweden, would be enforceable in any judicial or administrative proceeding in Sweden.

FORM OF OPINION OF U.S. COUNSEL TO ALPHEE
TO BE DELIVERED PURSUANT TO SECTION 5(E)

(i) No filing with, or consent, approval, authorization, order, registration qualification or decree of, any federal or state court or governmental authority or agency (other than the issuance of the order of the Commission declaring the Registration Statement effective and such authorizations, approvals or consents as may be necessary under state securities laws, as to which we need express no opinion) is necessary or required to be obtained by Alphee for the Performance by Alphee of its obligations under the U.S. Purchase Agreement, the International Purchase Agreement or the Power of Attorney, or in connection with the offer, sale or delivery of the Securities.

(ii) The Alphee Power of Attorney has been duly executed and delivered by Alphee and constitutes the valid and binding agreement of each Selling Stockholder in accordance with its terms.

(iii) The U.S. Purchase Agreement and the International Purchase Agreements have been duly authorized, executed and delivered by or on behalf of Alphee.

(iv) The sale of the Offered Securities by Alphee is not subject to preemptive or similar rights of any securityholder of the Company.

(v) Each Attorney-in-Fact has been duly authorized by Alphee to deliver the Offered Securities on behalf of Alphee in accordance with the terms of the U.S. Purchase Agreement and the International Purchase Agreement.

(vi) The execution, delivery and performance of the U.S. Purchase Agreement, the International Purchase Agreement and the Power of Attorney and the sale and delivery of the Offered Securities and the consummation of the transactions contemplated in the U.S. Purchase Agreement, the International Purchase Agreement and the Registration Statement and the compliance by Alphee with its obligations under the U.S. Purchase

Agreement and the International Purchase Agreements will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default (or Repayment Event) under or result in the creation or imposition of any tax, lien, charge or encumbrance upon the Offered Securities or any property or assets of Alphee pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, license, lease or other instrument or agreement to which Alphee is a party or by which it may be bound, or to which any of the properties or assets of Alphee may be subject, or any law, administrative regulation, judgment or order of any federal or state government agency or body or any administrative or court decree having jurisdiction over Alphee or any of its properties.

(vii) Alphee is, and immediately prior to Closing Time will be the sole registered owner of the Offered Securities to be sold by Alphee; upon consummation of the sale of the Offered Securities pursuant to the U.S. Purchase Agreement and the International Purchase Agreement, each of the Underwriters will be the registered owner of the Offered Securities purchased by it from Alphee and, assuming the Underwriters purchased the Securities for value in good faith and without notice of any adverse claim, the Underwriters will have acquired all rights of Alphee in the Offered Securities free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity, and the owner of the Offered Securities, if other than Alphee, is precluded from asserting against the Underwriters the ineffectiveness of any unauthorized endorsement; and Alphee has the full right, power and authority (A) to enter into the U.S. Purchase Agreement, the International Purchase Agreement and the Power of Attorney and (B) to sell, transfer and deliver the Offered Securities to be sold by such Selling Stockholder under the U.S. Purchase Agreement and the International Purchase Agreement.

(viii) Under the laws of the State of New York relating to submission to jurisdiction, the Selling Stockholders have validly and irrevocably submitted to the jurisdiction of any state or federal court located in the Borough of Manhattan, The City of New York, New York (each a "New York court"), has validly and irrevo-

cably waived any objection to the venue of a proceeding in any such court, and has validly and irrevocably appointed CT Corporation System, as its authorized agent for the purpose described in Section 15 hereof; service of process effected in the manner set forth in Section 15 hereof will be effective to confer valid personal jurisdiction over Alphee, provided however, that such counsel need not express any opinion as to whether any United Stated Federal court will accept venue of an action which it may affirmatively determine not to accept as inconvenient or otherwise inappropriate.

FORM OF OPINION OF U.S. COUNSEL TO RATOS
TO BE DELIVERED PURSUANT TO SECTION 5(E)

(i) No filing with, or consent, approval, authorization, order, registration qualification or decree of, any federal or state court or governmental authority or agency (other than the issuance of the order of the Commission declaring the Registration Statement effective and such authorizations, approvals or consents as may be necessary under state securities laws, as to which we need express no opinion) is necessary or required to be obtained by Ratos for the Performance by Ratos of its obligations under the U.S. Purchase Agreement, the International Purchase Agreement or the Power of Attorney, or in connection with the offer, sale or delivery of the Securities.

(ii) The Ratos Power of Attorney has been duly executed and delivered by Ratos and constitutes the valid and binding agreement of each Selling Stockholder in accordance with its terms.

(iii) The U.S. Purchase Agreement and the International Purchase Agreements have been duly authorized, executed and delivered by or on behalf of Ratos.

(iv) The sale of the Offered Securities by Ratos is not subject to preemptive or similar rights of any securityholder of the Company.

(v) Each Attorney-in-Fact has been duly authorized by Ratos to deliver the Offered Securities on behalf of Ratos in accordance with the terms of the U.S. Purchase Agreement and the International Purchase Agreement.

(vi) The execution, delivery and performance of the U.S. Purchase Agreement, the International Purchase Agreement and the Power of Attorney and the sale and delivery of the Offered Securities and the consummation of the transactions contemplated in the U.S. Purchase Agreement, the International Purchase Agreement and the Registration Statement and the compliance by Ratos with its obligations under the U.S. Purchase

Agreement and the International Purchase Agreements will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default (or Repayment Event) under or result in the creation or imposition of any tax, lien, charge or encumbrance upon the Offered Securities or any property or assets of Ratos pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, license, lease or other instrument or agreement to which Ratos is a party or by which it may be bound, or to which any of the properties or assets of Ratos may be subject, or any law, administrative regulation, judgment or order of any federal or state government agency or body or any administrative or court decree having jurisdiction over Ratos or any of its properties.

(vii) Ratos is, and immediately prior to Closing Time will be the sole registered owner of the Offered Securities to be sold by Ratos; upon consummation of the sale of the Offered Securities pursuant to the U.S. Purchase Agreement and the International Purchase Agreement, each of the Underwriters will be the registered owner of the Offered Securities purchased by it from Ratos and, assuming the Underwriters purchased the Securities for value in good faith and without notice of any adverse claim, the Underwriters will have acquired all rights of Ratos in the Offered Securities free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity, and the owner of the Offered Securities, if other than Ratos, is precluded from asserting against the Underwriters the ineffectiveness of any unauthorized endorsement; and Ratos has the full right, power and authority (A) to enter into the U.S. Purchase Agreement, the International Purchase Agreement and the Power of Attorney and (B) to sell, transfer and deliver the Offered Securities to be sold by such Selling Stockholder under the U.S. Purchase Agreement and the International Purchase Agreement.

(viii) Under the laws of the State of New York relating to submission to jurisdiction, the Selling Stockholders have validly and irrevocably submitted to the jurisdiction of any state or federal court located in the Borough of Manhattan, The City of New York, New York (each a "New York court"), has validly and irrevo-

cably waived any objection to the venue of a proceeding in any such court, and has validly and irrevocably appointed Seward & Kissel, as its authorized agent for the purpose described in Section 15 hereof; service of process effected in the manner set forth in Section 15 hereof will be effective to confer valid personal jurisdiction over Ratos, provided however, that such counsel need not express any opinion as to whether any United Stated Federal court will accept venue of an action which it may affirmatively determine not to accept as inconvenient or otherwise inappropriate.

Exhibit 21.1

SUBSIDIARIES OF DIAMOND OFFSHORE DRILLING, INC.

Diamond Offshore Company	Delaware
Diamond Offshore Perforadora, Inc.	Delaware
St Vincent Drilling Limited	Scotland
Diamond Offshore Turnkey Services, Inc.	Delaware
Diamond Offshore General Company	Delaware
Diamond M Onshore, Inc.	Delaware
Diamond Offshore Guardian Company	Delaware
Diamond Offshore Southern Company	Delaware
Anape Ltda.	Chile
Diamond Offshore (Indonesia) Inc.	Delaware
Diamond Offshore Finance Company	Delaware
Diamond Offshore Drilling Sdn. Bhd.	Malaysia
Diamond Offshore Drilling (Nigeria) Limited	Nigeria
Diamond Offshore Management Company	Delaware
Diamond M Corporation	Texas
Diamond Offshore Development Company	Delaware
Diamond Offshore (USA) Inc.	Delaware
Dearborn Marine of Panama, S.A.	Panama
Dearborn-Storm Drilling, S.A.	Panama
Storm Nigeria Limited	Nigeria
Brasdril-Sociedade de Perfuracoes Ltda.	Brazil
Diamond Offshore Contract Services, S.A.	Panama
Diamond Offshore Alaska, Inc.	Delaware
Diamond Offshore Atlantic, Inc.	Delaware
Diamond Offshore (Mexico) Company	Delaware
Diamond Offshore Drilling (Overseas) Inc.	Delaware
Odeco Drilling of Canada, Limited	Canada
Diamond Offshore Drilling Services, Inc.	Delaware
Diamond Offshore International Corporation	Delaware
Ensenada Internacional, S.A.	Panama
Diamond Offshore Enterprises, Inc.	Delaware
Cumberland Maritime Corporation	Delaware
Odeco Mediterranean Services, S.A.	Spain
Diamond Offshore Netherlands B.V.	Netherlands Antilles
Diamond Offshore (South East Asia) Pte. Ltd.	Singapore
Odeco (U.K.) Inc.	Delaware
Storm Drilling, Inc.	District of Columbia

Storm Drilling, S.A.	Panama
Diamond Offshore Drilling Company N.V.	Netherlands
M-S Drilling, S.A.	Panama
Diamond Offshore (Bermuda) Limited	Bermuda
Diamond Offshore Limited	England
Lancer Services Inc.	Delaware
Diamond Offshore Drilling (UK) Limited	England
Diamond Offshore Drilling (Bermuda) Limited	Bermuda
Diamond M Servicios, S.A.	Venezuela
Diamond Offshore Exploration (Bermuda) Limited	Bermuda
Arethusa Off-Shore Company	Delaware
Concord Drilling Limited	Bermuda
Lexington Drilling Limited	Bermuda
Saratoga Drilling Limited	Bermuda
Yorktown Drilling Limited	Bermuda
Scotian Drilling Limited	Bermuda
Heritage Drilling Limited	Bermuda
Sovereign Drilling Limited	Bermuda
Arctic Drilling Limited	Bermuda
Miss Kitty Drilling Limited	Bermuda
Bonito Drilling Limited	Bermuda
Neptune Drilling Limited	Bermuda
Whittington Drilling Limited	Bermuda
Yatzy Drilling Limited	Bermuda
Topham Limited	Bermuda
Mosel Limited	Bermuda
Winner Drilling Limited	Bermuda
Arethusa Services Limited	Bermuda
Treetop Inc.	Delaware
Scotian Chartering Ltd.	Delaware
Arethusa Finance (USA) Inc.	Delaware
Arethusa Guaranty Corporation	Delaware
Arethusa/Zapata Off-Shore Brazil Ltda.	Brazil
Z North Sea, Limited	Bermuda
Arethusa Onshore Services BV	Holland
AFCONS Zapata Off-Shore Services	India
PT AQZA DHARMA	Indonesia
Arethusa Singapore Pte. Limited	Singapore