400 N. Sam Houston Parkway E.
Suite 400
Houston, Texas 77060
(281) 618-0400
www.caldive.com

Corporate Fax: (281) 618-0500 Sales / Deepwater Fax: (281) 618-0501 Estimating Fax: (281) 618-0502

2002 THIRD QUARTER REPORT

October 31, 2002

To Our Shareholders:

Historically the third quarter marks the peak of offshore construction activity in the Gulf of Mexico. While we have managed through depressed marine construction markets such as those existing in Q3, we cannot recall this occurring during a period of such high commodity prices. Given the soft demand, we opted to bring four key deepwater vessels to the dock in early July to complete shipyard construction tasks and regulatory inspections. Our full team got back on the field just as the tropical storms and hurricanes moved through the Gulf of Mexico basin, resulting in unusually low levels of vessel utilization. On a brighter note, those same unsettled market conditions created an environment in which we were able to dramatically expand the scope of our oil and gas operations. During Q3 we added an estimated 70 BCFe in both mature property acquisitions and development, bringing ERT's proven developed reserves to almost 90 BCFe – before giving any consideration to *Gunnison* reserves. Production from this enhanced property base, combined with commodity price hedges in place, suggests that our oil and gas operations will earn more in 2003 than all of CDI this year. In this way, our business model creates an ERT "safety net" that will carry us through to 2004 when we expect a significantly improved deepwater contracting market and initial production at *Gunnison* and *Marco Polo*. This significant earnings visibility probably explains why CDIS has outperformed the S&P 500, NASDAQ and the Dow Jones Industrials over the last three months.

Financial Highlights

Net income that is 4% of revenues is a respectable performance in a quarter buffeted by the external forces of weather and depressed offshore construction markets.

	Third Quarter			Nine Months		
	2002	2001	Increase <Decrease>	2002	2001	Increase <Decrease>
Revenues	$84,155,000	$51,570,000	63%	$210,388,000	$158,838,000	32%
Net Income	2,952,000	5,244,000	(44%)	13,167,000	23,564,000	(44%)
Diluted Earnings Per Share	0.08	0.16	(50%)	0.37	0.71	(48%)

- **Revenues:** Subsea and Salvage revenues increased by $28.7 million or 73% over Q3 of 2001 as new deepwater assets added approximately $40 million of incremental contracting revenues, offsetting a 30% decline in those of our existing fleet. Higher levels of production and commodity prices provided a 32% increase in oil and gas revenues over the prior year quarter.

- **Margins:** 14% is just over half of what we generated in Q3 a year ago due principally to the significant decline in vessel utilization. Oil and gas margins improved to 43% from 32% in the year ago quarter due to higher commodity prices.

- **SG&A:** $6.5 million compares to $6.2 million in Q2 and to $5.0 million in the prior year quarter with the increase all associated with the acquisitions of Canyon Offshore and Well Ops (U.K.) Ltd. Overhead as a percent of revenues was 8% during the quarter, down from 10% a year ago.

- **Cash Flow:** Aggressive growth of our oil and gas operations, combined with higher levels of vessel depreciation resulted in EBITDA of $17.6 million, an increase of $1.2 million even though earnings are lower than those of the prior year quarter.

Operational Highlights

- **Deepwater Contracting:** A "perfect storm" combining tropical weather and hurricanes, vessels out of service and a soft market resulted in DP utilization of only 60%, down from 85% in Q2 and the year ago period. Our new pipelay vessel, the ***Intrepid***, performed extremely well on projects for Agip, Allseas (*Mardi Gras*) and tying in ERT first production at EC 374. Utilization, however, was only 54% as we completed installation of the rigid pipelay system during July. After being at the dock for the replacement of a main engine and installation of new thruster hubs, the ***Uncle John*** arrived onsite in Mexican waters for a five month project – only to have two of the thrusters fail. While the manufacturer warranted the thruster repairs, we had to absorb a $500,000 liquidated damages charge for late arrival of the vessel. Early in the quarter the ***Eclipse*** mobilized to Trinidad where she performed a low margin inspection project prior to kicking off the *Bombax* job (see appendix). The ***Witch Queen*** was busy most of the quarter serving as the work platform for coring operations of alliance partner Fugro in Mexico and then offshore Trinidad. The ***Mystic Viking*** was out of service for regulatory inspection and maintenance after spending 14 consecutive months in Mexican waters; she then worked the GOM spot market on projects which included the subsea tieback of the *Aspen* field to Shell's *Bullwinkle* platform. As a result of the deployment of new CDI deepwater vessels, all but two of **Canyon Offshore's** robotic vehicles in the Gulf now support CDI operations. While this highlights the strategic purpose of the acquisition, those revenues are eliminated in consolidation. In addition, Canyon's trenching and burial business in the Far East has all but dried up with the collapse of the telecom companies, further reducing our revenue base.

- **Well Operations:** Our newly acquired business, **Well Ops (U.K.) Ltd.**, had an excellent quarter as the ***Seawell*** operated at almost full utility. The *Seawell* performed well operations projects for Amerada Hess and Talisman and a diving job in Norwegian waters, generating revenues of $16 million and margins just shy of 30%. The proposed changes in UK tax law, however, resulted in a major customer deciding to sell a North Sea field and cancel a major project scheduled for Q4. The ***Q4000*** performed well on a P&A job for Petrobras and then returned to the dock for final commissioning of the Huisman derrick and an extensive vessel audit performed by a significant customer; she then mobilized to Trinidad for the *Bombax* project.

- **Shelf Contracting:** Our more weather-susceptible vessels had utilization of 55%, down from approximately 75% in the year ago quarter, resulting in a 26% decline in revenues. Our saturation vessels managed to stay relatively flat with the prior year due principally to solid offshore performance. The ***Cal Diver I*** assisted with the commissioning of first production from ERT's EC 374 field which was brought online six weeks early. ***Barge I*** spent virtually all of the quarter performing decommissioning projects for ERT. Since ERT is an internal customer, the revenues and margins associated with this work are not reflected in the Q3 income statement. The weak construction market and weather impact were particularly noticeable in the shallow water operations of **Aquatica** where margins declined seven points from the year ago period.

- **ERT:** The 70 BCFe added through acquisition and property development essentially matches the total of all proven developed reserves acquired in ERT's first nine years of operation. A highlight of the quarter was successful deployment of our PUD (proven undeveloped reserves) strategy at EC 374. Since the two significant acquisitions (Shell and Amerada Hess) were completed effective September 1, evacuation of offshore facilities during Hurricanes Isidore and Lily lowered the month's expected production by 20% to 25%. Production of 4.4 BCFe compares to 3.5 BCFe in the second quarter of this year and 3.3 BCFe in Q3 a year ago. Our average natural gas price realized was $3.22 per mcf, up from $2.82 in the year ago period; oil averaged $26.74/bbl in contrast to $25.60 a year ago.

- **Forecast:** The accompanying appendix projects fourth quarter diluted EPS in a range of 19 to 25 cents. This level of earnings is slightly below our most recent guidance due to lower than expected utilization of the *Seawell* and ERT production curtailment following Hurricane Lily.

Respectfully submitted,

Owen E. Kratz	Martin R. Ferron	S. James Nelson, Jr.
Chairman	President	Vice Chairman
Chief Executive Officer	Chief Operating Officer	

DISCLOSURE OF FOURTH QUARTER 2002 ESTIMATES

This narrative sets forth current estimates of operating and financial data for the quarter ending December 31, 2002. These estimates and all of the assumptions upon which these estimates are based constitute ***forward looking statements*** within the meaning of Section 27 A of the Securities Act of 1933, Section 21 E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Although we believe that these forward looking statements are based on reasonable assumptions, a number of factors could affect the future results of the Company or the offshore oilfield industry generally, and could cause actual results to differ materially from those estimated. Those factors are set forth in more detail in our Form 10-K Annual Report filed with the Securities and Exchange Commission, to which the reader is referred.

Fourth Quarter

- **Vessel Availability:** The *Seawell* will be out of service for two to three weeks for engine maintenance and change out. No other regulatory inspections or significant repairs are scheduled in the fourth quarter.

- **Hurricane Lily:** Our observations are consistent with those of the MMS; i.e. that infrastructure damage in the GOM was relatively limited. The hurricane did produce a significant amount of inspection work for Aquatica's shallow water vessels. Four ERT platforms suffered damage, mostly electrical in nature, with the most significant impact at a platform which produces relatively small volumes. Production was shut-in when the offshore platforms were evacuated during the hurricane and then limited as it took up to 10 days for the pipelines to come back to full capacity.

- **Weather Conditions:** Weather is always a wild card in the fourth quarter. An unusual number of severe winter fronts rolling through either the Gulf of Mexico or the North Sea could restrict anticipated vessel utilization and negatively impact contracting revenues.

- **Contracting Revenues:** Range from \$62 million to \$70 million, essentially flat with the third quarter, as the pickup in hurricane damage work is offset by the normal seasonal slowdown and lower utilization of the *Seawell* in the North Sea. The fairly wide range also reflects estimates regarding the resolution of issues associated with the large *Bombax* project in Trinidad. Specifically, third party engineered supports do not appear to have been properly designed, which resulted in the *Q4000* and *Eclipse* standing by for most of the month of October while new supports were manufactured.

- **Commodity Price Hedges:** We have hedged roughly half of Q4 oil production at prices ranging from \$26.50 to \$26.70 per barrel. We have also hedged approximately 50% of fourth quarter natural gas volumes at a weighted average price of \$3.70. Hedges currently in place for 2003 include 50% of oil production at \$26.50/bbl; 50% of Q1 natural gas at \$4.21/mcf; and 25% of natural gas production during the remaining nine months of 2003 at \$4.02/mcf.

- **Oil and Gas Production:** 6.5 to 7.0 BCFe, with oil production expected to approximate 45% of volumes, up from 35% in the third quarter.

- **Margins:** Consolidated margins are expected to vary from 15% to 20%, depending in part upon resolution of *Bombax* issues.

- **SG&A:** Should continue to run between \$6.5 and \$7.0 million.

- **Interest Expense:** Net interest expense is expected to range from \$1.1 million to \$1.3 million. The increase from Q3 reflects primarily the higher level of borrowings on our revolving line of credit.

- **Tax Rate:** 35%, consistent with prior quarters.

- **Shares Outstanding:** 37.5 to 38.0 million fully diluted shares.

- **EPS:** Diluted earnings per share are projected in a range of 19 to 25 cents.

CAL DIVE INTERNATIONAL, INC.

Comparative Consolidated Statements of Operations

(000's omitted, except per share data)	Three Months Ended Sept. 30, 2002	Three Months Ended Sept. 30, 2001	Nine Months Ended Sept. 30, 2002	Nine Months Ended Sept. 30, 2001
Net Revenues:				
Subsea and Salvage	$68,102	$39,356	$172,132	$103,215
Oil and Gas Production	16,053	12,214	38,256	55,623
Total Revenues	84,155	51,570	210,388	158,838
Cost of Sales:				
Subsea and Salvage	63,322	30,025	149,838	78,849
Oil and Gas Production	9,120	8,338	20,534	27,610
Gross Profit	11,713	13,207	40,016	52,379
Selling and Administrative	6,512	4,969	19,009	15,439
Interest Expense, net & Other	659	170	750	763
Income Before Income Taxes	4,542	8,068	20,257	36,177
Income Tax Provision	1,590	2,824	7,090	12,613
Net Income	$2,952	$5,244	$13,167	$23,564
Other Financial Data:				
Depreciation and Amortization:				
Subsea and Salvage	$8,151	$4,027	$19,137	$10,774
Oil and Gas Production	4,529	4,476	9,206	16,546
EBITDA (1)	17,646	16,401	49,824	63,426
Weighted Avg. Shares Outstanding:				
Basic	37,268	32,551	34,888	32,443
Diluted	37,432	33,006	35,231	33,083
Earnings Per Common Share:				
Basic	$0.08	$0.16	$0.38	$0.73
Diluted	$0.08	$0.16	$0.37	$0.71

(1) *The Company calculates EBITDA as earnings before net interest expense, taxes, depreciation and amortization. EBITDA is a supplemental financial measurement used by CDI and investors in the marine construction industry in the evaluation of its business.*

Comparative Consolidated Balance Sheets

ASSETS (000'S omitted)	Sept. 30, 2002	Dec. 31, 2001
Current Assets:		
Cash and cash equivalents	$2,287	$37,123
Accounts receivable	71,528	56,186
Other current assets	23,516	20,055
Total Current Assets	97,331	113,364
Net Property & Equipment:		
Subsea and salvage	406,423	302,964
Oil and gas properties	171,559	28,348
Goodwill	86,985	14,973
Other Assets	43,534	13,473
Total Assets	$805,832	$473,122

LIABILITIES & SHAREHOLDERS' EQUITY	Sept. 30, 2002	Dec. 31, 2001
Current Liabilities:		
Accounts payable	$59,644	$42,252
Accrued liabilities	21,880	21,011
Current maturities	4,044	1,500
Total Current Liabilities	85,568	64,763
Long-Term Debt	221,243	98,048
Deferred Income Taxes	63,719	54,631
Decommissioning Liabilities	93,387	29,331
Redeemable Stock	7,528	0
Shareholders' Equity	334,387	226,349
Total Liabilities & Equity	$805,832	$473,122

This report and press release include certain statements that may be deemed "forward looking statements" under applicable law. Forward looking statements are not statements of historical fact and such statements are not guarantees of future performance or events and involve risks and assumptions that could cause actual results to vary materially from those predicted, including among other things, unexpected delays and operational issues associated with turnkey projects, the price of crude oil and natural gas, weather conditions in offshore markets, change in site conditions, and capital expenditures by customers. The Company strongly encourages readers to note that some or all of the assumptions upon which such forward looking statements are based are beyond the Company's ability to control or estimate precisely and may in some cases be subject to rapid and material change.