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2003 SECOND QUARTER REPORT

July 31, 2003

To Our Shareholders:

Stronger than anticipated marine contracting operations enabled solid second quarter earnings even though much of our oil production was shut in during the last 10 days of June. Our offshore construction businesses contributed 39% of the quarter's profitability, significantly better than the 30% targeted for 2003. We kept the CDI deepwater fleet working throughout the quarter, more than offsetting the weather that curtailed operations of the CDI vessels deployed on the Outer Continental Shelf. Cal Dive is an energy service company seeking to achieve a long-term average return on capital invested of 10% to 15%. Our strategic integration of subsea contracting and oil and gas operations is a fluid model particularly adaptable to an ever changing energy industry. It has enabled CDI to build shareholder value even through the current cyclical downturn in offshore construction.

Financial Highlights

Net income of \$8.9 million increased by 24% as operating margins identical to the year-ago period allowed a portion of the revenue increase to flow through to the bottom line.

	Second Quarter			Six Months		
	2003	2002	Increase	2003	2002	Increase
Revenues	\$101,839,000	\$72,305,000	41%	\$190,739,000	\$126,233,000	51%
Net Income	8,912,000	7,214,000	24%	14,950,000	10,215,000	46%
Diluted Earnings Per Share	0.24	0.21	14%	0.39	0.30	30%

- ❖ **Revenues:** A 16% improvement in marine contracting revenue reflects the acquisition of the MSV *Seawell* and related Well Ops UK business unit last July. Significantly higher oil and gas production and prices resulted in oil and gas revenues \$20.2 million above the year-ago quarter.
- ❖ **Gross Profit:** 24% margins are identical to the second quarter of 2002 and are up 2% from the first quarter of this year. All of the sequential improvement came in our contracting businesses which delivered margins of 14% in contrast to breakeven in Q1.
- ❖ **SG&A:** \$8.6 million continued at first quarter levels with the increase over the prior year quarter due to the business units acquired and higher insurance premiums. Overhead at 8.5% of revenues also held steady from a year ago.
- ❖ **Liquidity & Debt:** EBITDA of \$31.7 million during Q2 took the first half total to \$58 million, an 85% improvement over 2002 levels. EBITDA margins of 31% were consistent with Q1. Cash provided by operating activities together with proceeds from the sale of Convertible Preferred Stock in Q1 essentially funded first half capital expenditures. As a result, total debt was \$223 million at the end of the second quarter, down slightly from \$228 million at the beginning of the year. We were in compliance with all debt covenants at June 30, 2003.

Operational Highlights

- ❖ **Deepwater Contracting:** Given the excess capacity overhanging the deepwater market, we were pleased with utility of 81% for the six dynamically positioned vessels operating in the Gulf of Mexico basin. A significant contribution to the high utilization was our success in keeping only two of our DP construction vessels exposed to the GOM spot market at any given point in time. The **Uncle John** remained deployed in Mexican waters at full utility and solid rates as it has been since August last year. In May, the **Witch Queen** finished a six month project in Mexican waters and returned to U.S. where she spent time at the dock for repairs and upgrades (making her 64% utility the lowest of the group). Just as the **Witch Queen** returned from Mexico, the **Eclipse** mobilized to the Middle East for a series of contracts. The **Mystic Viking** spent the first half of the quarter offshore Trinidad and then returned to U.S. waters to provide robotic support to **Canyon Offshore** as did the **Merlin** for the entire quarter. While we had planned to stack the **Intrepid** in Q2, our people did a good job securing utilization of 69 days. Equally important, the vessel continued to perform exceptionally well while being exposed to several important deepwater clients. Our **Canyon** robotics subsidiary appears to have finally started to turn the corner as June represented the best month since we bought the company in January, 2002. **Canyon** second quarter revenues of \$11.3 million were up almost 30% over the prior year quarter as new ROV systems deployed in the oil and gas markets helped to offset the loss of telecom burial work. During Q2 Canyon robotics and the two DP vessels (**Mystic Viking** and **Merlin**) supported Global Industries laying the **Gunnison** trunkline as well as the inspection of the Canyon Express pipeline. In June, Canyon took delivery of the state-of-the-art T750 Super Trencher unit which was installed on the **Northern Canyon**. This spread commenced trenching operations in the Norwegian sector of the North Sea in early Q3.
- ❖ **Well Operations:** The **Q4000** and **Seawell**, operating in the Gulf of Mexico and North Sea, respectively, achieved combined utility of 90% and revenues of \$23.7 million during the second quarter. The **Q4000** took on virtually any project that would keep her away from the dock, producing 75 days of utility and a small amount of gross profit. The **Seawell** performed well operations projects for Shell and Amerada Hess in addition to a number of diving jobs. In 2003 CDI began deploying our own diving crews and related equipment from the vessel. While diving margins are lower than those of well operations work, this has helped to secure utilization in a 2003 market in which both rig rates and DSV rates are under pressure due to lack of available work and an oversupplied North Sea market.
- ❖ **Shelf Contracting:** We experienced 30 weather days in April and May before Tropical Storm **Bill** came rolling through in June. The shallow water operations of **Aquatica** were especially impacted by the rough weather. As a result, utilization for the 11 vessels dedicated to the OCS was 55%, down from 66% in the year ago quarter. The lower utilization combined with a more competitive market resulted in a 21% decline in revenues contributed by these vessels versus Q2 last year. We kept one of our four-point vessels, the **Mr. Sonny**, stacked throughout the quarter.
- ❖ **Oil and Gas:** Revenues increased by 160% over Q2 a year ago due to a 93% improvement in production and net prices which were 34% higher. Our average price realizations, net of hedges in place, were \$5.02 per mcf of natural gas and \$26.64 per barrel of oil versus \$3.34/mcf and \$25.11/bbl in the year ago quarter. Production of 6.7 BCFe was achieved even though the operator of a major trunkline curtailed most of our oil production for the last 10 days of June. In the year-ago period production was 3.5 BCFe. The effect of the shut in production combined with a high level of expensed well work took margins to 45%, down from 55% in Q1. Through the end of June we have spent or committed approximately \$28.5 million of the \$44 million approved for the 2003 well exploitation program.

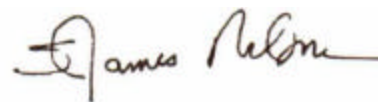
Respectfully submitted,



Owen E. Kratz
Chairman
Chief Executive Officer



Martin R. Ferron
President
Chief Operating Officer



S. James Nelson, Jr.
Vice Chairman

CAL DIVE INTERNATIONAL, INC.

Comparative Consolidated Statements of Operations

(000's omitted, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net Revenues:				
Marine Contracting	\$68,982	\$59,660	\$123,210	\$104,030
Oil and Gas Production	32,857	12,645	67,529	22,203
Total Revenues	101,839	72,305	190,739	126,233
Cost of Sales:				
Marine Contracting	59,545	48,826	113,788	86,516
Oil and Gas Production	18,097	6,294	33,558	11,414
Gross Profit	24,197	17,185	43,393	28,303
Selling and Administrative	8,628	6,191	17,581	12,497
Income from Operations	15,569	10,994	25,812	15,806
Interest Expense (Income), net & Other	1,077	(105)	2,178	91
Income Before Income Taxes	14,492	11,099	23,634	15,715
Income Tax Provision	5,217	3,885	8,508	5,500
Income Before Change in Accounting Principle	9,275	7,214	15,126	10,215
Cumulative Effect of Change in Accounting Principle, net	0	0	530	0
Net Income	9,275	7,214	15,656	10,215
Preferred Stock Dividends and Accretion	363	0	706	0
Net Income Applicable to Common Shareholders	\$8,912	\$7,214	\$14,950	\$10,215
Other Financial Data:				
Income from Operations	\$15,569	\$10,994	\$25,812	\$15,806
Depreciation and Amortization:				
Marine Contracting	8,103	6,678	15,927	10,986
Oil and Gas Production (including accretion)	8,015	2,672	16,218	4,677
EBITDA (1)	\$31,687	\$20,344	\$57,957	\$31,469
Weighted Avg. Shares Outstanding:				
Basic	37,634	34,692	37,593	33,676
Diluted	37,732	35,003	37,699	33,976
Net Income per Common Share				
Basic:				
Net Income Before Change in Accounting Principle	\$0.24	\$0.21	\$0.38	\$0.30
Cumulative Effect Of Change in Accounting Principle	\$0.00	\$0.00	\$0.01	\$0.00
Net Income Applicable to Common Shareholders	\$0.24	\$0.21	\$0.39	\$0.30
Diluted:				
Net Income Before Change in Accounting Principle	\$0.24	\$0.21	\$0.38	\$0.30
Cumulative Effect Of Change in Accounting Principle	\$0.00	\$0.00	\$0.01	\$0.00
Net Income Applicable to Common Shareholders	\$0.24	\$0.21	\$0.39	\$0.30

(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 due to the measurement being similar to operating cash flow.

Comparative Consolidated Balance Sheets

ASSETS (000'S omitted)	June 30, 2003		Dec. 31, 2002		LIABILITIES & SHAREHOLDERS' EQUITY	June 30, 2003		Dec. 31, 2002	
Current Assets:					Current Liabilities:				
Restricted cash	\$2,818	\$2,506			Accounts payable	\$46,963	\$62,798		
Accounts receivable	86,813	75,418			Accrued liabilities	41,819	34,790		
Other current assets	33,066	38,195			Current mat of L-T debt	7,782	4,201		
Total Current Assets	122,697	116,119			Total Current Liabilities	96,564	101,789		
Net Property & Equipment:					Long-term debt				
Marine Contracting	435,400	418,056			Deferred income taxes	82,613	71,208		
Oil and Gas	157,500	178,295			Decommissioning liabilities	67,680	92,420		
Goodwill	80,425	79,758			Redeemable stock & other	6,859	9,500		
Investment in Deepwater Gateway, LLC	34,126	32,688			Convertible preferred stock	24,325	0		
Other assets, net	18,467	11,094			Shareholders' equity	355,104	337,517		
Total Assets	\$848,615	\$836,010			Total Liabilities & Equity	\$848,615	\$836,010		