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2003 FOURTH QUARTER REPORT

February 24, 2004

To Our Shareholders:

Earnings set an all-time Cal Dive record for a fourth quarter as marine construction work at *Gunnison* combined with significant increases in our oil and gas business. Four CDI vessels and several Canyon robotic vehicles were deployed in commissioning the *Gunnison* field and the two well intervention vessels had excellent utility. As a result, our marine contracting business segment provided 37% of the quarter's profitability, significantly above the 30% level targeted in 2003. December's first production from *Gunnison* also represented a major milestone in the evolution and growth of our oil and gas business. That development will be followed this quarter by another CDI milestone as Deepwater Gateway establishes mechanical completion of the tension leg platform installed at the *Marco Polo* field. Returns from these significant deepwater investments should provide increasing levels of earnings and cash flow even in the midst of the current trough of the marine contracting cycle.

Financial Highlights

Earnings were fairly consistent with the prior two quarters and stronger than typical fourth quarters when the seasonal downturn associated with weather and completion of the offshore construction season limits activity in our two primary markets, the Gulf of Mexico and North Sea.

	<u>Fourth Quarter</u>			<u>Twelve Months</u>		
	<u>2003</u>	<u>2002</u>	<u>Increase</u>	<u>2003</u>	<u>2002</u>	<u>Increase</u>
Revenues	\$101,675,000	\$92,457,000	10%	\$396,269,000	\$302,705,000	31%
Net Income (Loss)	8,884,000	(790,000)	NA	32,771,000	12,377,000	165%
Diluted Earning Per Share	0.23	(0.02)	NA	0.87	0.35	149%

- * **Revenues:** All of the fourth quarter revenue growth was a function of a 45% increase in oil and gas sales. Contracting revenues declined slightly from the prior year quarter as our deepwater activity at *Gunnison* came close to offsetting a significant decline in Shelf construction activity.
- * **Gross Profit:** Margins of 24% were spot on the 2003 average and up nine points from the fourth quarter a year ago as our contracting businesses matched a high for the year (margins of 14%).
- * **SG&A:** \$9.7 million represented 10% of fourth quarter revenues, a level which was slightly above the 12-month average. Control of overhead costs added two points to 2003 operating margins.
- * **Debt:** Total debt of \$223 million at year-end was down slightly from \$228 million at December 31, 2002. Debt to total book capitalization was 35%, down from 40% a year ago.

Operational Highlights

- * **Deepwater Contracting:** Utilization of 72% was down slightly from the third quarter's 78% as we elected to stack the *Merlin* for the entire quarter and the *Witch Queen* during December. That said, this utilization is remarkable considering the overcapacity in our markets. We continued to find success working vessels outside of the Gulf of Mexico. The *Eclipse* continued on the charter in Middle East waters at solid rates and margins. The *Uncle John* finished a 14-month stay in Mexican waters, returning to the Gulf and going into drydock for a regulatory inspection during December. The *Mystic Viking* spent the entire quarter offshore Trinidad completing the BP *Kapok* umbilical installation, a platform riser installation and pipeline reroute for BP, as well as work for EOG. In the Gulf, the *Intrepid* had an outstanding quarter with 100% utilization. She worked at *Gunnison* installing flexible risers, pipe and jumpers, completed a pipeline and umbilical lay project at Garden Banks 179 and installed deepwater jumpers for Pioneer Natural Resources. We worked this vessel 278 days during 2003 (76% utilization), far better than a 2003 business plan which called for 228 days. **Canyon Offshore** elected to mobilize the *Northern Canyon* from the North Sea to the Gulf of Mexico as that vessel was more suited for robotic support at *Gunnison*. This also enabled deployment of the new trenching unit, the T 750, for an important Shell project in the Gulf early this year. Overall, Canyon delivered revenues of \$8 million with a slight loss at the gross profit line, results similar to the fourth quarter a year ago.
- * **Well Operations: Q4000 and Seawell** combined for 89% utilization for the quarter, a level which would have been even higher had the *Seawell* not been out of service for 14 days with unanticipated thruster repairs. Revenues of just under \$22 million were 64% higher than the year ago quarter and margins of 8%, while not great, were certainly better than the year ago losses. During the quarter the *Q4000* installed two steel catenary risers in 3,100 feet of water at Shell's *Princess*, a significant industry milestone. The multifaceted features of this newbuild vessel were evident in 297 days of 2003 utilization and breakeven results which were substantially better than plan. Similarly, the *Seawell* worked 270 days in a North Sea market characterized by significant excess capacity. We were particularly proud of her safety record as that vessel has not had a recordable incident since August, 2002.
- * **Shelf Contracting:** Fourth quarter weather typically limits utilization of our smaller construction and utility vessels to the 48% experienced during the quarter. This level of activity was down substantially from the fourth quarter a year ago when all of our vessels were employed in cleanup and repair activities following Hurricane *Lili*. The net result was \$15 million of revenues, 30% below the year ago quarter, with gross profit that was less than half of what we achieved in the fourth quarter of 2002.
- * **Oil & Gas:** Revenues of \$35.8 million increased \$11.1 million over the prior year quarter as first production from the three subsea *Gunnison* wells added \$1.8 million and successful well exploitation efforts enhanced production from properties on the Outer Continental Shelf. Production was 7.2 BCFe, an increase of 16% over the 6.2 BCFe in the comparable quarter with *Gunnison* adding 0.3 BCFe. For the year we produced just under 28 BCFe, a 68% increase over 2002 levels due principally to the full year impact of the significant property acquisitions a year ago. Current year production was also enhanced as we invested \$30 million in a 2003 well work program which was successful on 51 of 80 projects (a success rate of 64%). In other words we were working at a pace of 1.5 projects per week and achieved an indicated payback period of less than six months. That well work program and reserve revisions also enabled ERT to replace 91% of OCS production, a significant feat given the high decline curve of mature properties. Commodity prices, net of hedges in place, were 24% better than the fourth quarter a year ago with oil averaging \$27.88/bbl and natural gas \$4.77/mcf. With last year's acquisition of the large oilfield at South Marsh Island 130, oil represented 42% of 2003 production, up from 33% a year ago. 2003 gross profit margins of 48% exceeded the 43% of the prior year due principally to the higher commodity prices.

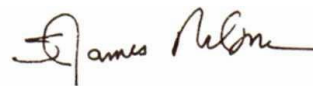
Respectfully submitted,



Owen E. Kratz
Chairman
Chief Executive Officer



Martin R. Ferron
President
Chief Operating Officer



S. James Nelson, Jr.
Vice Chairman



A. Wade Pursell
Chief Financial Officer

CAL DIVE INTERNATIONAL, INC.

Comparative Consolidated Statements of Operations

(000's omitted, except per share data)	Three Months Ended Dec. 31,		Twelve Months Ended Dec. 31,	
	2003	2002	2003	2002
Net Revenues:				
Marine Contracting	\$65,882	\$67,784	\$258,990	\$239,916
Oil and Gas Production	35,793	24,673	137,279	62,789
Total Revenues	101,675	92,457	396,269	302,705
Cost of Sales:				
Marine Contracting	56,687	63,030	233,005	212,868
Oil and Gas Production	20,303	15,511	71,181	36,045
Gross Profit	24,685	13,916	92,083	53,792
Selling and Administrative	9,721	13,914	35,922	32,783
Income from Operations	14,964	2	56,161	21,009
Interest Expense (Income), net & Other	457	1,218	3,490	1,968
Income (Loss) Before Income Taxes	14,507	(1,216)	52,671	19,041
Income Tax Provision (Benefit)	5,254	(426)	18,993	6,664
Income (Loss) Before Change in Accounting Principle	9,253	(790)	33,678	12,377
Cumulative Effect of Change in Accounting Principle, net	0	0	530	0
Net Income (Loss)	9,253	(790)	34,208	12,377
Preferred Stock Dividends and Accretion	369	0	1,437	0
Net Income (Loss) Applicable to Common Shareholders	\$8,884	(\$790)	\$32,771	\$12,377
Other Financial Data:				
Income from Operations	\$14,964	\$2	\$56,161	\$21,009
Depreciation and Amortization:				
Marine Contracting	8,531	8,083	32,902	27,220
Oil and Gas Production	12,441	8,329	37,891	17,535
EBITDA (1)	\$35,936	\$16,414	\$126,954	\$65,764
Weighted Avg. Shares Outstanding:				
Basic	37,836	37,347	37,740	35,504
Diluted	37,933	37,347	37,844	35,749
Net Income (Loss) per Common Share				
Basic:				
Net Income (Loss) Before Change in Accounting Principle	\$0.23	(\$0.02)	\$0.86	\$0.35
Cumulative Effect Of Change in Accounting Principle	\$0.00	\$0.00	\$0.01	\$0.00
Net Income (Loss) Applicable to Common Shareholders	\$0.23	(\$0.02)	\$0.87	\$0.35
Diluted:				
Net Income (Loss) Before Change in Accounting Principle	\$0.23	(\$0.02)	\$0.86	\$0.35
Cumulative Effect Of Change in Accounting Principle	\$0.00	\$0.00	\$0.01	\$0.00
Net Income (Loss) Applicable to Common Shareholders	\$0.23	(\$0.02)	\$0.87	\$0.35

(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 performance of operations.

Comparative Consolidated Balance Sheets

ASSETS (000'S omitted)	Dec. 31, 2003		Dec. 31, 2002	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Current Assets:		LIABILITIES & SHAREHOLDERS' EQUITY		
Cash and equivalents	\$8,811	\$2,506	Current Liabilities:	
Accounts receivable	96,607	75,418	Accounts payable	\$58,703
Other current assets	25,232	38,195	Accrued liabilities	25,899
Total Current Assets	130,650	116,119	Current mat of L-T debt	16,199
		Total Current Liabilities		101,789
Net Property & Equipment:		Long-term debt		206,632
Marine Contracting	420,834	418,056	Deferred income taxes	89,274
Oil and Gas	197,969	178,295	Decommissioning liabilities	78,414
Production Facilities - Deepwater Gateway	34,517	32,688	Other non-current liabilities	2,042
Goodwill	81,877	79,758	Convertible preferred stock	24,538
Other assets, net	16,995	15,094	Shareholders' equity	381,141
Total Assets	\$882,842	\$840,010	Total Liabilities & Equity	\$882,842
				\$840,010