Cal Dive International
The New Generation Energy Services Company

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 FOURTH QUARTER REPORT

February 18, 2003

To Our Shareholders:

During the fourth quarter Cal Dive fielded our entire complement of new Deepwater assets, concluding a $450 million expansion program begun three years ago. The nine dynamically positioned construction and well operations vessels we now operate, supported by Canyon robotics, represent the fourth largest fleet in the world. The scope and technology embodied in these Deepwater vessels is necessary so that our customers consider CDI on an equal footing with foreign competitors. The new equipment performed well during the quarter but at lower than expected rates due to difficult market conditions. The saving grace is the counter-cyclical balance that our oil and gas operations provide. In meetings with investors during the fourth quarter it was gratifying that the focus was squarely upon Cal Dive's unique mix of marine contracting and oil and gas production. 2003 will mark the completion of a $300 million investment in the production partnering side of our business: the *Gunnison* and *Marco Polo* Deepwater developments coming on the heels of the significant property acquisitions made late last year. Production from those mature property acquisitions gives us confidence that our earnings will increase substantially in 2003 even in the midst of depressed marine contracting markets – with *Gunnison* and *Marco Polo* expected to yield excellent returns when they come on stream in 2004.

Financial Highlights

Absent the reserves taken in conjunction with litigation and a contractual dispute, earnings were slightly below our Q4 guidance as there was little North Sea activity and Hurricane *Lili* restricted oil production.

	Fourth Quarter			Twelve Months		
	2002	2001	Increase (Decrease)	2002	2001	Increase (Decrease)
Revenues	$92,457,000	$68,303,000	35%	$302,705,000	$227,141,000	33%
Net Income (Loss)	(790,000)	5,368,000	NA	12,377,000	28,932,000	(57%)
Diluted Earning Per Share	(0.02)	0.16	NA	0.35	0.88	(60%)

* **Revenues:** $16.9 million of the $24.2 million increase in fourth quarter revenues is due to significantly higher oil and gas production and prices, with the balance due to the new Deepwater assets.

* **Gross Profit:** Margins of 15% were consistent with the previous quarter as contracting losses on the Trinidad project were mitigated by Shelf repair work following Hurricane *Lili*. Oil and gas margins of 37% were below the 43% averaged in 2002 due to platform repairs and the time necessary for pipelines to return to full production following the hurricane.

* **SG&A:** $13.9 million, which includes the provision for the litigation settlement and significantly higher insurance premiums, took overhead to 15% of Q4 revenues in contrast to 11% for the full year.

* **Debt:** $227.8 million at year-end is composed of: The *Q4000* MARAD facility: $142.1 million; revolving credit: $52.6 million; *Gunnison* spar construction facility: $29.3 million; and $3.8 million in robotic capital leases. $25 million in proceeds from the preferred stock issued on January 17, 2003, were used to pay down the revolving credit loan.

Operational Highlights

* **Deepwater Contracting:** Achieved solid utility of 81% as we were able to work five of the seven U.S.-based DP vessels in geographic regions outside of the U.S. Gulf. The ***Uncle John*** spent the entire quarter in Mexican waters working for Halliburton at solid rates, a project that will probably continue through the first half of 2003. After assisting with Hurricane *Lili* repairs in October, the ***Witch Queen*** also worked in Mexican waters for the last two months of the year at full utility. Similarly, the ***Mystic Viking*** completed a large construction project tying in the *Nakika* pipeline and then performed coring projects for Alliance Partner Fugro in both Mexican waters and in the U.S. Gulf. The ***Eclipse*** spent the entire quarter in Trinidad standing by or performing extra work for the *Bombax* job during October and November and then completed the hook-up and commissioning to finish this long project. The ***Q4000*** also assisted with portions of the Trinidad work while standing by during the first two months of the quarter before completing the heavy lift portion of the job. After returning to the U.S. on the 15th of December, the vessel spent the balance of the month at the dock as third party vendors fine tuned the thrusters in advance of the important *Troika* project in January. The only vessel with significant idle time was the ***Intrepid*** (utilization of 40%) although she performed flawlessly in December laying 24,000 feet of rigid 6 ¾ inch pipe (in two pieces) at *West Navajo* in 3,700 feet of water. The lack of ROV support activity in the North Sea and the virtual absence of burial work in the Asia-Pacific region resulted in another difficult quarter for our **Canyon Offshore** robotics operation.

* **Well Operations*:*** The surprise implementation of a new tax on oil company profits has resulted in a standoff of sorts, with the oil companies canceling or deferring projects to put pressure on the British government to rescind this tax. One casualty was a 40-day well operations project scheduled for the ***Seawell*** in Q4. That cancellation, together with the onset of severe weather in the North Sea and scheduled downtime to overhaul engines, resulted in our vessel achieving only 40% utility. Revenues of $5.4 million were down from $16 million in Q3. While winter weather will curtail Q1 activity, the existing backlog and projects being bid suggest the potential for at least 275 days of utilization in 2003.

* **Shelf Contracting:** Fourth quarter weather typically limits utilization of our smaller construction vessels to 50%-60% even in good contracting markets. Unusually strong utilization of 75% this year produced Q4 revenues of $21.2 million, very close to those in the same period a year ago, as hurricane repair work assisted the returns of our shallow water company, **Aquatica**, and our two saturation vessels.

* **Oil & Gas:** The negative side of Hurricane *Lili* was damage at four ERT platforms and limited production as it took most of October for two pipelines to get back to full capacity. It also took us the better part of the quarter to complete the transition as operator of the large production facilities acquired from Shell and Hess. Production of 6.2 BCFe, while below the low-end guidance of 6.5 BCFe for the quarter, was up from only 2.8 BCFe in Q4 of 2001. Our average natural gas price realized was $3.97 per mcf and oil was $26.81 per barrel, compared to $2.37 and $19, respectively, in the year ago quarter. The oil price in 2002 is net of $1.60 per barrel of transportation costs for production from our large facility at South Marsh Island 130. Hedging activity had the effect of reducing fourth quarter sales by $1.3 million. For the year, production of 16.6 BCFe increased by almost 20% over year ago levels, with 37% of that production coming in the fourth quarter due to the significant Shell and Hess acquisitions completed in Q3.

* **Forecast:** The accompanying appendix provides our guidance for the first quarter and the year 2003. For the full year we estimate earnings in a range of $1.00 to $1.20 per fully diluted share.

Respectfully submitted,

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

DISCLOSURE OF FIRST QUARTER AND 2003 ESTIMATES

This narrative sets forth current estimates of operating and financial data for the first quarter and year ending December 31, 2003. 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.

First Quarter

- **Vessel Availability:** We typically complete required regulatory inspections during the first quarter each year given the difficult weather conditions. Three vessels, the ***Mystic Viking***, ***Merlin*** and ***Cal Diver V*** are scheduled to be out of service for such inspections for 10 to 12 weeks during the quarter.
- **Weather Conditions:** Winter weather in the Gulf of Mexico and North Sea typically restricts vessel utilization, particularly the 13 vessels that are dedicated to the Outer Continental Shelf of the Gulf of Mexico.
- **Contracting Revenues:** Expected in a range of $50 to $60 million compared to the $45 million in the first quarter a year ago.
- **Commodity Price Hedges:** We have hedged roughly half of our oil production at prices ranging from $26.50 to $26.82 per barrel and approximately 50% of first quarter natural gas volumes at $4.21 per mcf.
- **Oil and Gas Production:** 6.5 to 7.0 BCFe, a run rate comparable to production levels achieved in November and December.
- **SG&A:** Should run between $8.2 and $8.7 million.
- **Interest Expense:** Net interest and other is expected to range from $1.6 to $1.8 million.
- **Shares Outstanding:** 38.3 to 38.8 million fully diluted shares after giving recognition to the shares subject to conversion as a result of the new issue of convertible preferred stock.
- **EPS:** Diluted earnings per share are projected in a range of 7 to 11 cents, fairly consistent with the nine cents earned in the first quarter of 2002.

Year 2003

- **Vessel Availability:** The only regulatory inspection other than those scheduled for the first quarter involves the *Cal Diver I* which is expected to be out of service during the month of December.
- **Backlog:** The spot market nature of the GOM is such that Cal Dive historically has not tracked backlog. However we expect at least $60 million of contracting revenue to come from two major projects associated with our ownership in the *Gunnison* and *Marco Polo* Deepwater developments plus scheduled and currently bid work (where there is a 70% chance or better of success).
- **Canyon Offshore:** Canyon has entered into a three-year Master Service Agreement (MSA) with Technip-Coflexip (TCP) whereby Coflexip has committed to a minimum hire of 900 ROV days over the three-year term of the agreement. To fulfill the requirements of this agreement Canyon will increase its fleet by three 2500 meter rated Triton XL work class ROV systems scheduled for delivery in the second quarter of 2003. It is expected that two of our DP vessels, the *Merlin* and either the *Mystic Viking* or *Witch Queen*, will be taken out of the construction market to assist with this contract. In addition, Canyon has also signed a three-year Frame Agreement with Coflexip to provide trenching services for TCP installation activities in Norway. To fulfill this aspect of the Frame Agreement we expect delivery of a new, state-of-the-art 750 horsepower trenching unit in Q2 which will be installed onboard the *Northern Canyon*, thereby significantly increasing the profitability of that chartered vessel.
- **Contracting Revenues:** $280 to $310 million, a fairly wide range given the uncertainty of the worldwide marine construction markets.
- **Commodity Price Hedges:** Hedged half of our expected oil production at $26.50 to $26.82 per barrel for the year and roughly half of our natural gas production for the year at prices from $4.02 to $4.97 per mcf. Our hedging strategy is designed to lock in a base level of oil and gas earnings in 2003.
- **Oil & Gas Production:** 25 BCFe to 30 BCFe as a significant amount of well work on newly acquired properties is expected to enhance production in the second half of the year.
- **SG&A:** Expected to run at 10% of revenues; i.e. roughly $8.5 million per quarter.
- **Interest Expense:** Expected to range from $6.5 to $7.0 million.
- **Tax Rate:** Projected at 35% although that rate could be lowered should the IRS concur with our position that costs associated with the *Q4000* qualify as research and development expenditures for tax reporting purposes.
- **Shares Outstanding:** 38.3 to 39.0 million fully diluted shares.
- **EPS:** Diluted earnings per share are projected in a range of $1.00 to $1.20.

CAL DIVE INTERNATIONAL, INC.

Comparative Consolidated Statements of Operations

(000's omitted, except per share data)	Three Months Ended Dec. 31, 2002	Three Months Ended Dec. 31, 2001	Twelve Months Ended Dec. 31, 2002	Twelve Months Ended Dec. 31, 2001
Net Revenues:				
Subsea and Salvage	$67,784	$60,525	$239,916	$163,740
Oil and Gas Production	24,673	7,778	62,789	63,401
Total Revenues	92,457	68,303	302,705	227,141
Cost of Sales:				
Subsea and Salvage	63,030	48,198	212,868	127,047
Oil and Gas Production	15,511	5,573	36,045	33,183
Gross Profit	13,916	14,532	53,792	66,911
Selling and Administrative	13,914	5,886	32,783	21,325
Interest Expense, net & Other	1,218	387	1,968	1,150
Income (Loss) Before Income Taxes	(1,216)	8,259	19,041	44,436
Income Tax Provision	(426)	2,891	6,664	15,504
Net Income (Loss)	($790)	$5,368	$12,377	$28,932
Other Financial Data:				
Depreciation and Amortization:				
Subsea and Salvage	$8,083	$3,812	$27,220	$14,586
Oil and Gas Production	8,329	3,401	17,535	19,947
EBITDA (1)	16,161	15,536	65,985	78,962
Weighted Avg. Shares Outstanding:				
Basic	37,347	32,467	35,504	32,449
Diluted	37,347	33,002	35,749	33,055
Earnings Per Common Share:				
Basic	($0.02)	$0.17	$0.35	$0.89
Diluted	($0.02)	$0.16	$0.35	$0.88

(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)	Dec. 31, 2002	Dec. 31, 2001	*LIABILITIES & SHAREHOLDERS' EQUITY*	Dec. 31, 2002	Dec. 31, 2001
Current Assets:			Current Liabilities:		
Cash and cash equivalents	$2,506	$37,123	Accounts payable	$67,756	$42,252
Accounts receivable	75,418	56,186	Accrued liabilities	29,832	21,011
Other current assets	28,266	20,055	Current maturities	4,201	1,500
Total Current Assets	106,190	113,364	Total Current Liabilities	101,789	64,763
Net Property & Equipment:			Long-Term Debt	223,576	98,048
Subsea and salvage	418,056	302,964	Deferred Income Taxes	65,929	54,631
Oil and gas	178,295	28,348	Decommissioning Liabilities	92,420	29,331
Goodwill	79,758	14,973	Redeemable Stock & Other	9,501	0
Other Assets	48,432	13,473	Shareholders' Equity	337,516	226,349
Total Assets	$830,731	$473,122	Total Liabilities & Equity	$830,731	$473,122