CORPORATE PROFILE

Cal Dive International, Inc., (CDI) is a leading subsea contractor providing construction, well operations, maintenance and decommissioning services from the shallowest to the deepest waters of the Gulf of Mexico. Over three decades, Cal Dive has developed a reputation for innovation which has kept the company on the leading edge of underwater technological developments.

Cal Dive has positioned for the new Deepwater frontier by assembling a technically advanced fleet of dynamically positioned (DP) vessels and a highly experienced team of support professionals. The DP vessels serve as work platforms for the services deployed by CDI and its alliance partners, a group of internationally recognized contractors and manufacturers. The company is building the *Q4000*, a revolutionary multi-service, semi-submersible vessel specifically designed for well operations and construction tasks to 10,000 fsw. CDI is also converting the *Sea Sorceress* to full DP-2, which will make her one of the largest and most capable mono-hull construction vessels in the world.

The entrepreneurial drive of CDI employees has enabled the company to excel in the demanding spot market on the Gulf of Mexico Outer Continental Shelf, a basin which is unique among world offshore provinces. The scheduling flexibility afforded by the CDI fleet enables the company to offer turnkey pricing while assuring customers of on-time project performance. Since 1984, when the company custom designed the first Gulf dive support vessels (DSVs) with a moonpool deployed saturation diving system, CDI has been a major provider of saturation diving services to the "mid-water" Gulf (300 to 1,000 fsw).

Aquatica, Inc., a wholly-owned subsidiary, provides a customer-focused bundle of surface diving services in the shallow water market from the shore to 300 fsw.

Cal Dive has also established a leading position in the salvage market by offering customers a number of options to address decommissioning obligations in the most cost-efficient manner. An alliance with Horizon Offshore provides derrick barge and heavy lift capacity for the removal of larger structures. In addition, Energy Resource Technology, Inc. (ERT), a wholly-owned subsidiary, acquires mature offshore properties and assumes the obligation to decommission the acquired fields, relieving the customer of this obligation entirely.

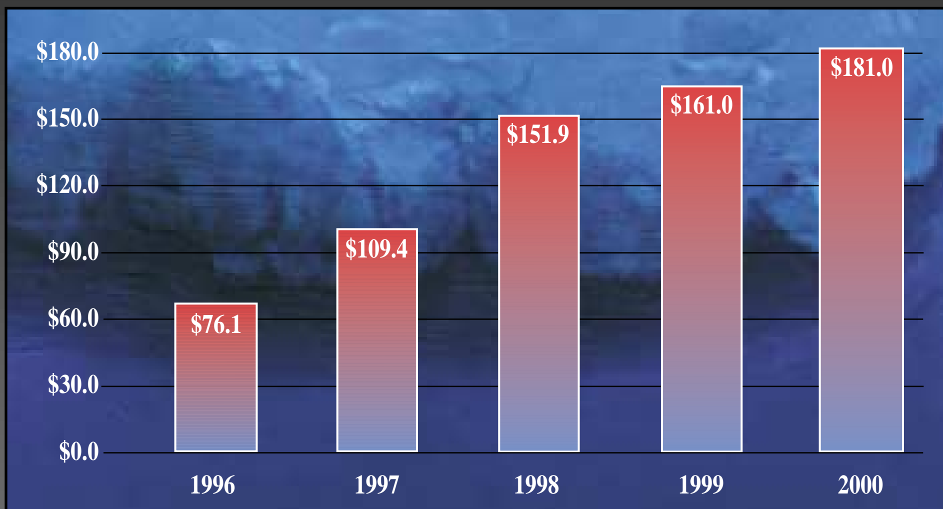
CDI recently expanded the scope of ERT and its production contracting operations by taking a working interest in *Gunnison*, a Deepwater prospect of Kerr-McGee Oil & Gas Corporation. This collaborative effort introduces a new industry model in which both the oil and service company work together to maximize financial returns. ERT reservoir engineering and geophysical disciplines provide a unique perspective in creating cost-effective construction and production development schemes for both OCS and Deepwater properties.

CDI has established a corporate culture in which environment, health and safety (EHS) at work are embraced as core business values. CDI seeks to provide for employee livelihood, customer needs and shareholder return through application of management systems that protect the environment, safeguard employee health and eliminate injuries.

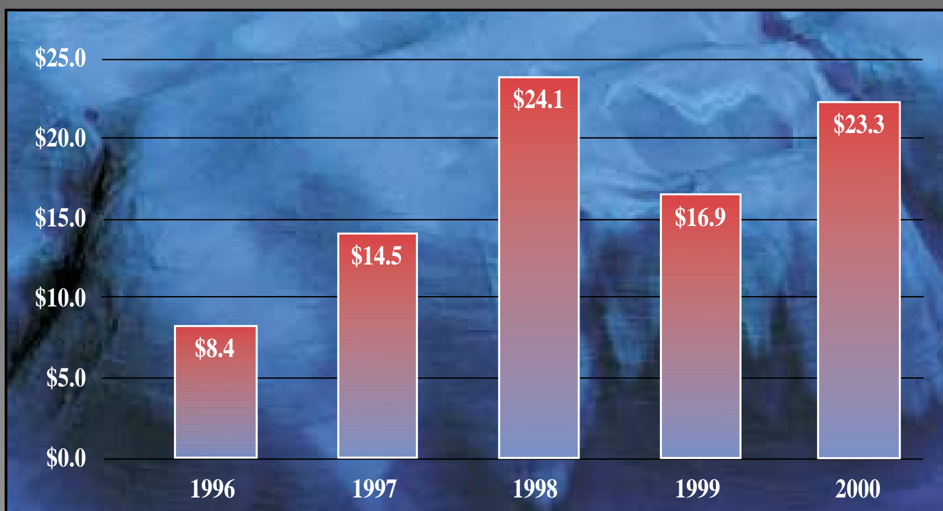
Headquartered in Houston, Texas, Cal Dive is publicly traded on Nasdaq under the symbol CDIS.

FINANCIAL HIGHLIGHTS

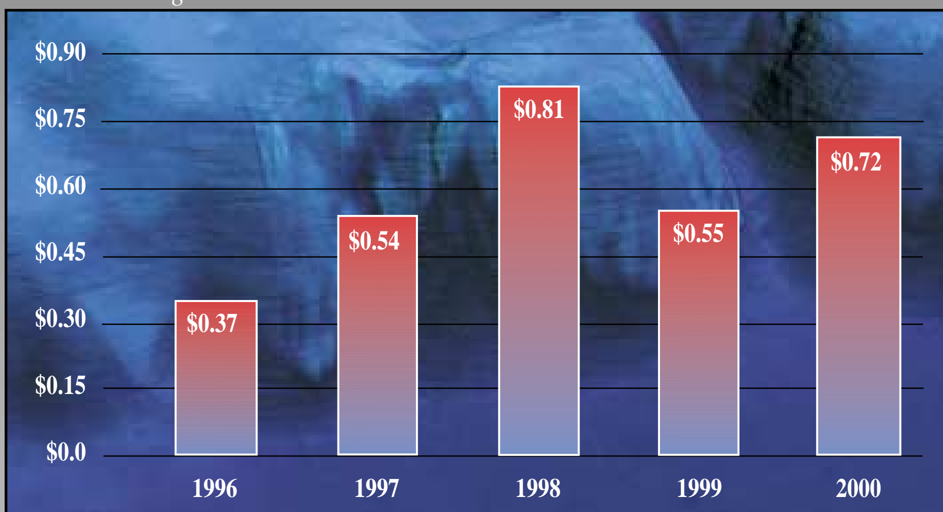
Revenue In Millions



Net Income In Millions



Diluted Earnings Per Share



GLOSSARY

Anchor Mooring: Anchors set over the construction work site enable DSVs to maintain station.

BCFE (BCF): Billions of cubic feet of natural gas equivalent.

Deepwater: Water depths beyond 1,000 feet.

Dive Support Vessel (DSV): Subsea services are performed with the use of specially constructed vessels which serve as an operational base for divers, ROVs and customized underwater construction equipment.

Dynamic Positioning (DP): Satellite based global positioning systems ensure the proper counteraction to wind, current and wave forces, thereby enabling the vessel to stay in position without the use of anchors.

DP-2: Redundancy allows the vessel to maintain position even with failure of one DP system. Required for vessels which support both manned diving and robotics, and for those working in close proximity to platforms.

EBITDA: Earnings before interest, taxes, depreciation and amortization is a supplemental financial measure of cash flow used in the evaluation of the marine construction industry.

EHS: Environment, Health and Safety programs that protect the environment, safeguard employee health and eliminate injuries.

E&P: Companies involved in oil and gas exploration and production activities.

FSW: Water depth in feet of salt water.

Gulf of Mexico: Referred to in this report as Gulf, Deepwater Gulf or GOM.

MCF: Thousands of cubic feet of natural gas.

Minerals Management Service (MMS): The government regulatory body having responsibility for United States waters in the Gulf of Mexico.

Outer Continental Shelf (OCS): Areas in the Gulf of Mexico from the shore to 1,000 feet of water.

Peer Group: Coflexip SA (CXIPY), Global Industries, Ltd. (GLBL), Horizon Offshore, Inc. (HOFF), McDermott International, Inc. (MDR), Oceaneering International, Inc. (OII) and Stolt Offshore SA (SOSA).

Remotely Operated Vehicle (ROV): Robotic vehicles used to complement, support and increase the efficiency of diving and subsea operations and for tasks beyond the capability of manned diving operations.

ROCE: "Return on Capital Employed" is the amount, expressed as a percentage, earned on a company's total capital (shareholders' equity plus long-term debt). It is calculated by dividing earnings before interest and dividends by total capital.

Saturation Diving (Sat): Sat diving, required for work in water depths greater than 300 feet, involves divers working from special chambers for extended periods at a pressure equivalent to the depth of the work site.

Ultra-Deepwater: Water depths beyond 4,000 fsw.

To Our Shareholders

By every measure, 2000 was an outstanding year for your company even though high commodity prices failed to produce the significant increase in offshore construction activity that was expected. Our people achieved most of the significant objectives set for them, as detailed in the accompanying "2000 Box Score."

Production Contracting, the one business segment that differentiates CDI from our marine contracting brethren, enabled your company to deliver near record financial results in a year of adversity. The advantages of our production business are fourfold. First, the financial smoothing of oil and gas revenues counteracts the lumpiness and the extreme volatility in the revenues and income which most offshore construction companies reported in the past two years. In periods of excess capacity such as 2000, we have the flexibility to stay out of the competitive bid market, focusing instead upon negotiated contracts. Third, our oil and gas operations generate significant cash flow that has funded construction of assets such as the *Q4000* and *Sea Sorceress* while enabling us to add technical talent to support our expansion into the new Deepwater frontier. And finally, the primary objective of each CDI investment in oil and gas properties is to secure the associated marine construction work.

Those of us in the late cycle marine contracting sector came into the year 2000 with visions of sugarplums dancing in our heads. However, when offshore construction activity did not develop as anticipated our competitors responded as they always have, slashing rates to secure a level of vessel utilization that covered cash costs. As a result, virtually all companies in our peer group reported losses on GOM operations. CDI was not immune to this market downdraft, as our contracting operations experienced the most difficult year since your management team bought the company in 1990. A conscious management decision contributed to this sub-par performance as we elected to add people in advance of the acceleration in Deepwater demand, a move that increased selling and administrative costs.

Still, CDI's unique business mix delivered financial results that stand apart from our peer group.

(In Thousands)	*1999*	*2000*	*Increase*
Revenues	$160,954	$181,014	12%
Gross Profit	37,251	55,369	49%
Selling & Administrative	13,227	20,800	57%
Net Income	16,899	23,326	38%
Cash Flow (EBITDA)	44,805	65,085	45%
Earnings Per Share	$0.55	$0.72	31%

Return on capital employed was 13% in contrast to the 3% average of the peer group in 2000; through the past five years CDI has averaged a ROCE of 18%, almost three times the 6.5% average of our peers. Our ability to deliver this type of performance resulted in Cal Dive shareholders realizing an increase in market valuation of 61% in 2000, a year which saw companies traded on Nasdaq lose 39% of their value while the Dow Jones Industrial Average dropped 7%.

A continuing corporate goal has been to increase the public float of CDIS. We seized the opportunity to improve the liquidity of our stock when Coflexip decided to monetize its Cal Dive investment. The Secondary Offering successfully completed in September was followed by a two-for-one stock split in November. As a result, the average daily trading volume has increased to 334,000 shares from the 122,000 share volume prior to the Secondary.

One of the most significant accomplishments in the 35-year history of your company is not reflected in the financial results enumerated above nor, from our perspective, in the present valuation of CDIS. Our involvement in the Deepwater *Gunnison* prospect provides unusual earnings and vessel utility visibility. This collaborative effort with Kerr-McGee represents a new industry model in which both the oil producer and service company work together to maximize reservoir returns. At the same time this opportunity shields CDI shareholders from exploratory risk as Cal Dive funding commences only upon announcement of a sanctioned commercial development. In addition, the *Gunnison* joint operating agreement provides that CDI will perform specified offshore construction tasks, work that is expected to commence next year. That development should assure utilization for both the *Q4000* and the *Sea Sorceress*.

The three major price contractions in the last two decades have decimated the United States energy industry. Those E&P companies that survived have done so by merging and then merging again, cutting costs and head count at each step. Poor financial returns have limited the construction of new assets. For example, our *Q4000* is one of only three new Ultra-Deepwater construction vessels built in the last decade. Environmental activists have successfully restricted areas of United States exploration, limited new electric generating capacity and are proud that there hasn't been a new refinery built in the United States in over 30 years. One immediate result is that today there are 300,000 people working in the domestic energy industry, fewer than half of the 700,000 employed in 1981, with 40% of the present work force scheduled to retire in the next five to seven years. All of this has converged in what some are referring to as the "Perfect Storm:" simultaneous shortages of oil, natural gas and electricity.

2000 BOX SCORE		
Goals	***Grade***	***Comments***
Shareholder Return: Deliver return on invested capital of 12%.	A	13% in 2000 brought the five-year average to 18% (through two tough years).
Mature Properties: Increase ERT oil and gas revenues by 50%.	A+	More than doubled oil and gas revenues for the second consecutive year.
Production Contracting: Redefine customer-contractor relationship.	A+	The success at *Gunnison* adds significant earnings visibility and shareholder value.
Well Operations: Add completion and well intervention capacity.	A	Assembled an industry recognized team of well operations professionals.
DP Vessels: Convert *Sea Sorceress* or acquire similar vessel.	D	Delays in conversion decision put us into higher shipyard pricing.
Continental Shelf: Increase market share via Aquatica operations and modular full field concept.	C+	Doubled Aquatica fleet and solidified position as the dominant player in the shallow water market. Completed only two full field jobs with poor financial returns.
Q4000: Complete MARAD funding while keeping construction on schedule and on budget.	A	MARAD commitment of $138 million completed. The vessel will be in the water in the third quarter of 2001 within the $150 million budget.

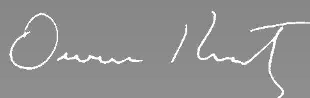
The Deepwater and Ultra-Deepwater Gulf are the two most logical sources to meet the increasing energy demands of our country. For example, reserves beyond 4,000 fsw are estimated at the same magnitude of all Alaska reserves discovered to date. Roughly 30% of the Deepwater reserves are natural gas which, when combined with production from the gas-prone OCS, could make the Gulf the most active U.S. exploration and development play in the next few years.

CDI has consistently targeted the end of 2001 as the time when the acceleration in Deepwater demand will begin to absorb excess industry capacity. We have challenged our personnel with the following goals for 2001:

- ***Financial:*** Deliver ROCE of 12% while achieving the "Wall Street" forecast of $0.98 earnings per share.
- ***Q4000:*** Secure utilization commitment for the *Q4000* and agreement to proceed with the *Q6000*.
- ***Mature Properties:*** Maintain oil & gas revenues by replacing ERT produced reserves.
- ***Safety:*** Launch an enhanced EHS management system.
- ***OCS:*** Expand capacity via acquisition of assets and extend the Horizon Alliance.
- ***Production Contracting:*** Secure *Gunnison*-type or Deepwater stranded field opportunity.

Your officers, directors and employees own 14% of Cal Dive. Our singular focus is to achieve a return on capital employed that remains well in excess of peer group and oilfield service industry benchmarks.

Respectfully submitted,



Owen E. Kratz
Chairman
Chief Executive Officer

Martin Ferron
President
Chief Operating Officer

S. James Nelson, Jr.
Vice Chairman

DEEPWATER TECHNOLOGIES

In June a fire broke out as the *Balmoral Sea* was being prepared to go into drydock, resulting in a total loss of the vessel (see bottom right photo). That experience pretty well captures the year as our DP vessels generated revenues of $51 million in contrast to the $90 million that our technically advanced fleet contributed in the strong construction market of 1998. As market demand evaporated in the second quarter, we elected to take the *Uncle John* out of service to install new engines and to accelerate regulatory inspections of that vessel and the *Witch Queen*. Those decisions, coupled with the loss of the *Balmoral Sea,* resulted in a 20% year-to-year decline in utilization of these three key assets.

The newly added *Cal Dive Aker Dove* (a vessel jointly owned with Aker Maritime) was able to achieve utilization of only 40% as the only anchor handler working the Gulf spot market. That low level of utilization coupled with the vessel's sale/leaseback financing structure resulted in a significant 2000 operating loss. Because the converted *Sea Sorceress* will offer similar moorings installation capability in addition to a full array of construction features at roughly the same price, we have elected to put our ownership position in the *Dove* back to Aker in conjunction with that company's acquisition by Coflexip.

Project highlights in 2000 included completion of the first ever Deepwater decommissioning project (*Cooper*), the installation of jumper spools and suction piles to commission the *Diana/Hoover* field, and the installation of a suction pile and setting the manifold at *Mica*. Before going into drydock for conversion, the *Sea Sorceress* demonstrated her stability by serving as the work platform when Enron recommissioned an abandoned pipeline.

We also opened a new geographic market by moving two assets (the *Uncle John* and *Witch Queen*) to Mexican waters in the fourth quarter of the year. The *Witch Queen* will remain and work several jobs there until May, and we are actively bidding other major projects in that region.

At this juncture we have fairly good visibility on the timing of the new Deepwater fields coming into the completion and construction phase. It is estimated that $15 to $18 billion will be spent from 2001 through 2004 as 32 Deepwater Gulf fields are brought into production. Our strategy is to participate in this market by offering technical subsea solutions made possible by our specialized assets and our Deepwater Alliance partners.

A specific niche targeted by the *Q4000* and the *Uncle John* is that of well intervention and completion, the 20-year life of field service now provided by drilling rigs. This concept is attracting strong interest from customers, in part because shortages of Deepwater drilling rigs are expected to become more severe. During 2000 we were able to attract industry-recognized specialists as we built a 15-person Well Operations Group from scratch to support the downhole operations of these two specialized vessels.

The newbuild *Q4000*, which we expect in the water during the third quarter of 2001, is a multi-service, semi-submersible vessel specifically designed for Ultra-Deepwater tasks to 10,000 fsw. Its new Huisman-Itrec multi-purpose tower has an open face which allows free access from three sides, a tremendous advantage for a construction and intervention vessel. Another important feature of the *Q4000* will be the new intervention riser system we are developing and jointly funding with FMC Corporation. This system will be the first in the industry rated for working pressures to 15,000 pounds per square inch in 10,000 fsw.

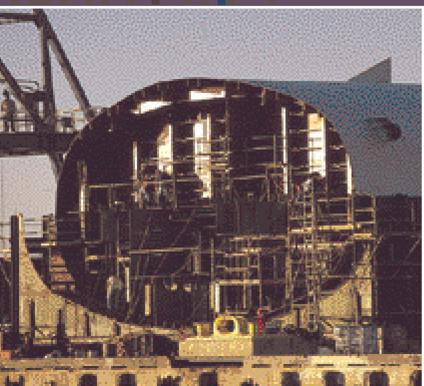
We have entered into a new Deepwater Joint Venture with Horizon Offshore to jointly fund construction of pipelay equipment which will be deployed from the *Sea Sorceress*. Together we will perform small diameter pipelay projects which combine Horizon's pipelay expertise with CDI operating the *Sea Sorceress* as the work platform.

Our dream is to have a fleet of *Q4000* style semi-submersible vessels deployed in the Deepwater basins of the Gulf of Mexico, West Africa and Brazil. A specific goal for 2001 is to secure a commitment to begin building the *Q6000*, a vessel with all of the features of the *Q4000* plus enhanced completion capability.

SUBSEA SERVICES

For more than 25 years Cal Dive has been providing marine construction and diving services on the OCS. During 2000 the DSVs that work this region generated revenues of $47 million, an increase of 30% over the prior year due principally to the consolidation of Aquatica. Margins suffered, as we had to increase wage scales to retain offshore people. In addition, and for the first time in many moons, our offshore performance was not able to overcome low bid margins dictated by the competitive market.

Aquatica, Inc., the acquisition we completed in August 1999, delivers our services in the shallow water market (from the beach to 300 fsw). We doubled the number of Aquatica DSVs during 2000 by transferring the *Cal Diver III*; completing the *Cal Diver IV,* a newbuild, 120-foot utility vessel; and by purchasing and upgrading the 165-foot *Mr. Fred* to include a four-point mooring system. These additional vessels and an increase in dive team rates resulted in a 25% year-over-year improvement in Aquatica revenues. Aquatica is able to increase prices quickly in response to improving market conditions because it supports drill rig activity early in the business cycle and its projects are of short duration. This was particularly noticeable as shallow water rates improved in the fourth quarter.



For the second consecutive year the low level of marine construction activity resulted in very little work in the mid-water Gulf (300 to 1,000 fsw). This geographic region is particularly important to CDI as we are the largest provider of saturation diving services in the GOM. As a result, the *Cal Diver I* and *II* generated margins that were 15 to 20 points below the average for these dedicated saturation vessels during the 1990's.

Cal Dive performs numerous projects on the OCS in an alliance with Horizon Offshore that gives CDI the exclusive right to provide DSV services behind Horizon pipelay barges. In the late 1980's we demonstrated that pipelay operations would be much more effective if the expensive barge spreads simply laid the pipe, allowing our DSVs to follow along and perform the more time consuming task of commissioning the line. This Alliance results in Horizon being our largest OCS customer.

During the past decade Cal Dive has developed a dominant position in the decommissioning market, particularly in the removal of smaller structures. The 2000 salvage market was slower than anticipated as producers retained ownership to milk the last production out of mature fields and to take advantage of the high commodity prices. As a result, revenues from our barge operations (which include the subcontract of Horizon derrick and pipelay barges) were only $12.5 million during 2000 or two-thirds of the prior year. Margins also suffered as too many salvage contractors chased too little work.

More than 70 platforms that had been scheduled for removal last year have been deferred into 2001. This incremental decommissioning work will come on top of projects already in the queue for 2001 and at a time when OCS construction activity will also ramp up, causing us to anticipate an increase in 2001 salvage rates.

As work levels on the OCS increase, safety, our single most important objective, will be even more relevant because projects in these water depths are more personnel-intensive. Over 35 years Cal Dive has continuously upgraded and revitalized a safety program we believe is one of the best in the business. We recently formed a new Executive EHS Steering Committee, chaired by the President and Vice Presidents, which meets monthly to decide on strategy and action plans for further improvements. A behavioral safety process has been initiated that empowers all employees to take control of their own safety at work, using proven techniques of employees observing each other for correct and safe behavior.

Natural gas now supplies almost one-quarter of United States energy needs. Its clean-burning characteristics and efficiency in the new combined cycle electric power plants have resulted in a comparatively high growth rate of 3% in recent years. However, the 1998 collapse of commodity prices has caused the United States natural gas production to decline in each of the last three years. The result is significantly higher natural gas prices today and a flat-out effort to explore for and develop new natural gas reserves on the OCS, a basin that provides 30% of the natural gas consumed in this country. Our primary leading indicator, the number of offshore mobile rigs contracted, has been running at close to full capacity since the second quarter of 2000. CDI marine construction work typically follows this drilling activity by three to twelve months, portending a strong construction market on the OCS in 2001.

PRODUCTION CONTRACTING

The contra-cyclical strategy of our gas production business played out just as we envisioned it would when conceived in 1992. Production of natural gas and oil, particularly in the winter months, helps to offset the cyclical nature of construction operations and the volatility of energy markets.

Benefits of this strategy exceeded our expectations in 2000, as rising production and gas prices allowed Energy Resource Technology to increase revenue from $32.5 million in 1999 to nearly $71 million while achieving a 60% return on capital employed. That performance lifted ERT's eight-year average ROCE (i.e. since inception) to 29%, a level of profitability seldom seen in the energy business.

ERT's incredible year was made possible as we had aggressively acquired interests in 20 offshore blocks, doubling its property base, when the commodity price collapse of 1998 carried into early 1999. We also were able to close a large acquisition in February 2000 with the economics based upon a price deck of $2.50 per mcf. Those property acquisitions, coupled with success in our well exploitation efforts, produced the record ERT year.

Pursuit of exploitation opportunities on existing ERT properties continued with an aggressive evaluation program that resulted in 14 well work projects in 2000. Exposing a total of only $3 million, ERT realized impressive returns of 1,100 barrels of oil per day and 8.7 mmcf per day from this work. These projects were executed early in the year, allowing the company to take full advantage of the significant price increases in the second half of 2000.

We also sold a platform and interests in three fields, bringing the total to 10 property sales since inception. This flows from an ERT operating policy that we will sell assets (offshore leases, platforms, compressors, etc.) when we can accelerate the expected future revenue stream in a single transaction. ERT historically has had to sell or farm-out exploration projects given our corporate policy that Cal Dive shareholders will not be exposed to exploratory risks. Our now having access to outside funding for exploratory projects enabled ERT to drill a deep exploratory target at our Vermilion 201 field in the fourth quarter with the risk component taken by the industry and an affiliated partnership. While the primary deep target was dry, the drilling proved up ERT behind pipe oil reserves, which were brought online at the end of the year, while also adding roughly 2 BCFe from a new location.

ERT has been so successful because of its people and extensive due diligence procedures. A unique incentive compensation program (whereby key employees share in pre-tax profits) enables ERT to attract experienced and entrepreneurial oil and gas professionals. Assessing the value of remaining reserves in mature property acquisitions and effectively quantifying the associated decommissioning liabilities are the primary components in avoiding "bad deals." Here we rely upon the salvage expertise of Cal Dive and due diligence procedures that include deploying divers to visually assess the amount of debris on the ocean floor.

Another key to ERT success is taking over as field operator of acquired properties to both lower lease operating expenses and control the timing of decommissioning activity. We become our own best customer in years like 2000 with low levels of construction and salvage activity on the OCS. Significant utility of CDI vessels was provided by salvage operations at nine ERT fields during the year.

The reservoir engineering and geophysical disciplines of ERT enabled Cal Dive to take a working interest in the Deepwater *Gunnison* prospect, a collaborative effort with Kerr-McGee which has encountered significant potential reserves. ERT geologists are working alongside the partners in this field to evaluate drilling results to date. It is our expectation that *Gunnison* will be announced as a sanctioned commercial development in 2001, adding significant proved reserves.

The downside of the successful production year and property sales is that we closed 2000 with 28 BCFe of proven developed reserves, only a two year reservoir pseudo life. A primary goal for 2001 - 2002 is to add reserves via property acquisitions and/or exploitation in the period before *Gunnison* production comes on stream. While acquisitions tend to be difficult in a high commodity price environment, we still expect to be successful given our specific niche of properties having significant decommissioning liabilities.

Fleet Profile

GULF OF MEXICO	SUBSEA & SALVAGE SERVICES TO 1,000 FT.				DEEPWATER				
Vessels	Salvage	Resupply	Surface Diving	Saturation Diving	Reeled Products Lay	ROV Support, Light Construction	Coring	Subsea Well Service, P&A	Deep Heavy Construction, Templates, Moorings
Salvage Operations									
Barge-1/Well Service	Primary								
Atlantic Horizon*	Primary								
Pacific Horizon*	Primary								
Dive Support Vessels									
7 Utility DSVs	Secondary	Secondary	Primary						
4 Anchor Moored DSVs	Secondary	Limited	Primary						
Cal Diver I			Secondary	Primary					
Cal Diver II			Secondary	Primary					
Dynamically Positioned Vessels									
Merlin						Primary	Secondary		
Witch Queen				Primary	Primary	Secondary	Secondary	Limited	
Sea Sorceress				Limited	Primary	Primary	Secondary	Limited	Primary
Uncle John				Secondary	Secondary	Secondary	Primary	Primary	Limited
Q4000					Primary	Secondary	Secondary	Primary	Primary

Primary Function — *Secondary or Capable of Function* — *Limited Function or Modifications Needed* — **Alliance Vessels*

Financial Review

Net income of $23.3 million came within 3% of the all-time record set in 1998 when our marine construction vessels were running flat out. The accompanying graph demonstrates the financial smoothing impact of our production contracting business as total revenues during the past five years have grown at a compounded annual growth rate of 37% and net income at 54% through one of the most difficult troughs ever experienced in the oilfield service industry.

Revenues of $181 million increased $20 million over 1999 or 12% as a significant improvement in gas and oil revenues was sufficient to absorb shortfalls in our marine contracting vessels and barge operations. Natural gas prices averaged $4.03 per mcf, an increase of 71% over the $2.35 realized in 1999. While natural gas historically has represented the bulk of ERT production we acquired three oil properties in 1999 which had a material impact upon current year results. Oil prices averaged just over $29 per bbl and represented 27% of gas and oil revenues. Production of 15.5 BCFe increased 74% over the 8.9 BCFe of the prior year due to property acquisitions and success in the development of existing reserves.

Gross profit of $55.4 million increased $18.1 million as margins climbed back above 30%, a level CDI has achieved in four of the last five years. Fueled by higher commodity prices and property sales, gas and oil production margins increased from 37% in 1999 to 55% last year. While Aquatica margins remained at roughly the consolidated average of 30%, those of the larger vessels that work from 300 feet out into the Deepwater declined by seven percentage points from the prior year. The newly added *Cal Dive Aker Dove* represented more than half of the year-over-year decline in the gross profit generated by our DP fleet. The operating loss of this vessel is due to the low level of utilization in 2000 and to the sale/leaseback structure whereby financing cost is reported above the line as a charter cost.

The $7.6 million or 57% increase in selling, general and administrative expenses is not as scary as the numbers might indicate. Roughly half of the increase represents the ERT Incentive Program as key employees shared in the results of substantially improved gas and oil operations. Another $1.5 million is associated with the full year consolidation of Aquatica (which began in August, 1999), where year-over-year overhead actually decreased as many of the logistical functions were absorbed by the CDI Supply Chain Management system. The balance of the increase represents the previously referenced addition of personnel in the new Well Operations Group and similar high-priced talent to support our Deepwater strategy.

Net interest and other expenses had about the same bottom line effect between years principally due to adding back the after-tax impact of Aker Maritime's 47% ownership of the Dove. Interest income associated with cash investments exceeded the interest expense related to the MARAD financing of the *Q4000*; to date minimal interest has been capitalized to the construction of that newbuild vessel.

Federal income taxes were provided at 34% in 2000, slightly below the statutory rate of 35%. However, our deduction of *Q4000* construction costs as research and development expenditures for tax purposes resulted in CDI paying no federal income taxes in 2000. Since the deduction of *Q4000* construction costs affects financial and taxable income in different years, the entire 2000 provision for federal taxes was recorded as deferred income taxes. In addition, the balance sheet includes a $10.0 million income tax receivable which reflects our amending prior year tax returns to deduct such costs (these tax refunds were received in January, 2001).

Cash flow, as defined by EBITDA, was $65 million, an increase of $20 million over the prior year. This represented an all-time CDI record at 36% of revenues, up from the 28% average of the past three years. These improved cash flow margins reflect the strong cash generation of our production contracting business where higher commodity prices increased ERT EBITDA margins to 73% from 60% in 1999.

Net income for 2000 represented 13% of revenues, a level of profitability that stacks up well even with the early cycle oilfield service companies currently reporting strong profits. This bottom line margin compares to 10.5% in 1999 and our all time record of 15.9% set in 1998.

Weighted average common shares outstanding on a diluted basis were 32.3 million in contrast to the 15.3 million reported in the 1999 annual report. Most of the increase is a result of the two-for-one stock dividend, with the balance of the increase a function of the shares sold in conjunction with the Secondary Offering (Green Shoe) and exercise of employee stock options. Prior year share and per share data in this report have been restated to reflect the stock split.

Return on capital employed remained constant at 13% through two of the most difficult years ever experienced in offshore construction markets. As indicated in the accompanying graph, the average return of our peer group dropped to 3% in 2000 from 5% in the prior year.

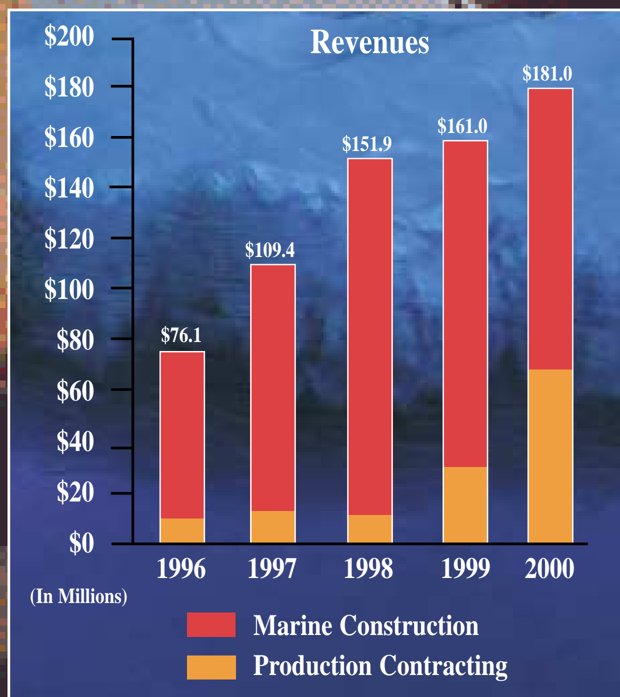
Our current ratio improved to 2:63 from 1:79 a year ago as we had $47.5 million of cash and equivalents on hand at year-end. The investment in property and equipment increased from $180.5 million to $266.1 million with most of that associated with the two major construction projects in progress; i.e. the newbuild *Q4000* and conversion of the *Sea Sorceress*. While we added two new DSVs to the Aquatica fleet (the upgraded *Mr. Fred* and newbuild *Cal Diver IV*), the decline in our vessel investment reflects the loss and retirement of the *Balmoral Sea*. The *Balmoral Sea* caught fire while dockside in New Orleans and was deemed a total loss by insurance underwriters. Her book value was fully insured as were all salvage and removal costs.

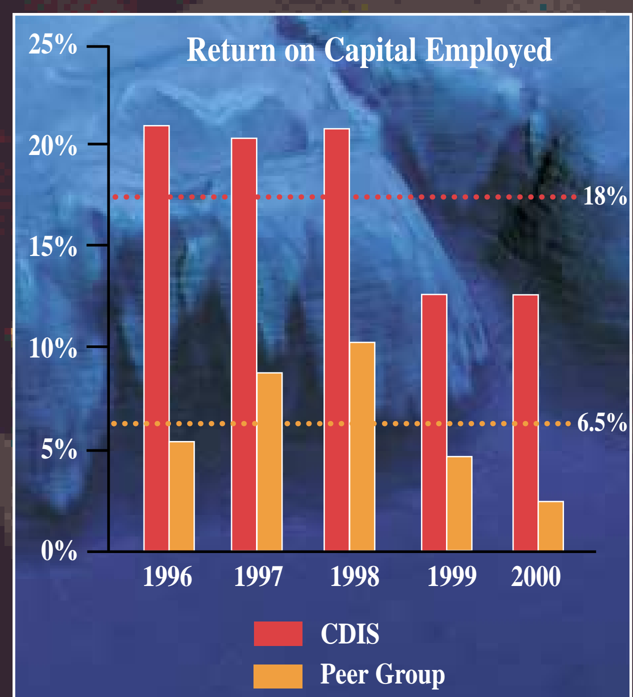
In August, 2000 we secured permanent financing for the construction of the *Q4000* pursuant to Title XI of the Merchant Marine Act of 1936 (MARAD debt). We are currently paying 6.67% on the initial $40.1 million draw upon this $138.5 million commitment. Half of the borrowing pursuant to this facility has recourse solely to the vessel. We also have a $40 million revolving line of credit available with a financial institution.

The combination of the 2000 provision for income taxes and the receivable related to the deduction of *Q4000* construction costs accounts for the $21.5 million increase in deferred income taxes to $38.3 million at year-end.

CDI records the salvage obligations assumed in connection with ERT property acquisitions on the face of the balance sheet and recovers the related investment through the amortization of oil and gas properties. Decommissioning liabilities of $27.5 million increased $600,000 over 1999 levels as we assumed $4.2 million of abandonment obligations as a result of 2000 property purchases. The sales of interests in offshore fields and platforms together with our 2000 decommissioning program retired $3.6 million of such obligations.

Our corporate strategy targeting the end of 2001 is especially apparent when viewed in relation to capital expenditures in the past three years and those anticipated in 2001. Such expenditures, which were only $14.9 million in 1998, increased to $77.4 million in 1999 and $95.1 million last year. The Board of Directors has approved a 2001 capital budget of up to $150 million, $60 million of which is associated with completion of the *Q4000* and conversion of the *Sea Sorceress*. Another $20 million is associated with the CDI portion of the capital required to support two new Deepwater joint ventures: i.e. the intervention riser with FMC and deepwater pipelay equipment with Horizon Offshore. We have also set aside up to $50 million for production contracting (ERT property acquisitions and initial *Gunnison* development costs) although timing of these events is difficult to predict. The planned $150 million of capital expenditures would require a further draw of only $40 million on the MARAD debt given the significant cash reserves available and the additional cash flow we expect to generate in 2001.





FINANCIAL STATEMENTS

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARIES
Consolidated Statements Of Operations For The Years Ended December 31, 2000, 1999 and 1998
(in thousands, except per share amounts)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
NET REVENUES			
Subsea and salvage	$ 110,217	$ 128,435	$ 139,310
Natural gas and oil production	70,797	32,519	12,577
	181,014	160,954	151,887
COST OF SALES			
Subsea and salvage	94,104	103,113	93,607
Natural gas and oil production	31,541	20,590	9,071
Gross profit	55,369	37,251	49,209
SELLING AND ADMINISTRATIVE EXPENSES	20,800	13,227	15,801
INCOME FROM OPERATIONS	34,569	24,024	33,408
Equity in earnings of Aquatica, Inc.	--	600	2,633
Net interest (income) expense and other	554	(849)	(1,103)
INCOME BEFORE INCOME TAXES	34,015	25,473	37,144
Provision for income taxes	11,555	8,465	13,019
Minority Interest	(866)	109	--
NET INCOME	$ 23,326	$ 16,899	$ 24,125
NET INCOME PER SHARE			
Basic	$ 0.74	$ 0.56	$ 0.83
Diluted	0.72	0.55	0.81
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
Basic	31,588	30,016	29,098
Diluted	32,341	30,654	29,928

The accompanying notes are an integral part of these consolidated financial statements.

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARIES
Consolidated Balance Sheets - December 31, 2000 and 1999
(in thousands)

	DECEMBER 31,	
	2000	1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 44,838	$ 11,310
Restricted cash	2,624	8,686
Accounts receivable --		
Trade, net of revenue allowance on gross amounts billed of $1,770 and $1,789	42,924	48,191
Unbilled revenue	1,902	3,430
Income tax receivable	10,014	--
Other current assets	20,975	16,327
Total current assets	123,277	87,944
PROPERTY AND EQUIPMENT	266,102	180,519
Less — Accumulated depreciation	(67,560)	(45,862)
Total property and equipment	198,542	134,657
OTHER ASSETS:		
Goodwill	12,878	13,792
Other assets, net	12,791	7,329
	$ 347,488	$ 243,722
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 25,461	$ 31,834
Accrued liabilities	21,435	17,223
Income taxes payable	--	--
Total current liabilities	46,896	49,057
LONG-TERM DEBT	40,054	---
DEFERRED INCOME TAXES	38,272	16,837
DECOMMISSIONING LIABILITIES	27,541	26,956
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, no par, 120,000 shares authorized, 45,885 and 44,790 shares issued	93,838	73,311
Retained earnings	104,638	81,312
Treasury stock, 13,640 shares, at cost	(3,751)	(3,751)
Total shareholders' equity	194,725	150,872
	$ 347,488	$ 243,722

The accompanying notes are an integral part of these consolidated financial statements.

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARIES

Consolidated Statements Of Shareholders' Equity For The Years Ended December 31, 2000, 1999 and 1998

(in thousands)

	COMMON STOCK		RETAINED	TREASURY STOCK		TOTAL SHAREHOLDERS'
	SHARES	AMOUNT	EARNINGS	SHARES	AMOUNT	EQUITY
BALANCE, DECEMBER 31, 1997	42,690	$ 52,832	$ 40,288	(13,640)	$ (3,751)	$ 89,369
NET INCOME	—	—	24,125	—	—	24,125
ACTIVITY IN COMPANY STOCK PLANS, NET	114	149	—	—	—	149
BALANCE, DECEMBER 31, 1998	42,804	52,981	64,413	(13,640)	(3,751)	113,643
NET INCOME	—	—	16,899	—	—	16,899
ACTIVITY IN COMPANY STOCK PLANS, NET	594	4,174	—			4,174
ACQUISITION OF AQUATICA, INC.	1,392	16,156	—	—	—	16,156
BALANCE, DECEMBER 31, 1999	44,790	73,311	81,312	(13,640)	(3,751)	150,872
NET INCOME	—	—	23,326	—	—	23,326
ACTIVITY IN COMPANY STOCK PLANS, NET	485	5,740	—	—	—	5,740
SALE OF COMMON STOCK, NET	610	14,787	—	—	—	14,787
BALANCE, DECEMBER 31, 2000	45,885	$ 93,838	$ 104,638	(13,640)	$ (3,751)	$ 194,725

The accompanying notes are an integral part of these consolidated financial statements.

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARIES
Consolidated Statements Of Cash Flows For The Years Ended December 31, 2000, 1999 and 1998
(in thousands)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 23,326	$ 16,899	$ 24,125
Adjustments to reconcile net income to net cash provided by operating activities--			
Depreciation and amortization	30,730	20,615	9,563
Deferred income taxes	21,085	4,298	4,469
Equity in earnings of Aquatica, Inc.	—	(600)	(2,633)
Gain on sale of gas and oil properties	(3,292)	(8,454)	(585)
Changes in operating assets and liabilities:			
Accounts receivable, net	6,723	(16,918)	937
Other current assets	(4,298)	(6,468)	(3,919)
Accounts payable and accrued liabilities	(1,030)	21,217	5,536
Income taxes payable, net	(7,256)	(430)	599
Other noncurrent, net	(12,287)	(4,660)	(2,395)
Net cash provided by operating activities	53,701	25,499	35,697
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(95,124)	(77,447)	(14,886)
Restricted cash available for acquisitions	6,062	(8,222)	(463)
Investment in Aquatica, Inc.	—	442	(5,023)
Prepayment of decommissioning liabilities	—	7,750	—
Deposits restricted for salvage operations	826	(66)	3,262
Proceeds from sales of property	3,124	28,931	619
Insurance proceeds from loss of vessel	7,118	—	—
Net cash used in investing activities	(77,994)	(48,612)	(16,491)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Exercise of stock options, net	2,980	2,043	149
Sale of common stock, net of transaction costs	14,787	—	—
Borrowings under MARAD loan facility	40,054	—	—
Net cash provided by financing activities	57,821	2,043	149
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,528	(21,070)	19,355
CASH AND CASH EQUIVALENTS:			
Balance, beginning of year	11,310	32,380	13,025
Balance, end of year	$ 44,838	$ 11,310	$ 32,380

The accompanying notes are an integral part of these consolidated financial statements.

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION:

Cal Dive International, Inc. (Cal Dive, CDI or the Company), headquartered in Houston, Texas, owns, staffs and operates nineteen marine construction vessels and a derrick barge in the Gulf of Mexico. The Company provides a full range of services to offshore oil and gas exploration and production and pipeline companies, including underwater construction, well operations, maintenance and repair of pipelines and platforms, and salvage operations. Diving and vessel support services in the shallow water market are provided by Aquatica, Inc., a wholly-owned subsidiary based in Lafayette, Louisiana.

In September 1992, Cal Dive formed a wholly-owned subsidiary, Energy Resource Technology, Inc. (ERT), to purchase producing offshore oil and gas properties which are in the later stages of their economic lives. ERT is a fully bonded offshore operator and, in conjunction with the acquisition of properties, assumes the responsibility to decommission the property in full compliance with all governmental regulations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Goodwill

Goodwill is amortized on the straight-line method over its estimated useful life of 25 years. The Company continually evaluates whether subsequent events or circumstances have occurred which indicate that the remaining useful life of goodwill may warrant revision or that the remaining balance of goodwill may not be recoverable. Management believes that there have been no events or circumstances which warrant revision to the remaining useful life or which affect recoverability of goodwill.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided primarily on the straight-line method over the estimated useful lives of the assets.

All of the Company's interests in natural gas and oil properties are located offshore in United States waters. The Company follows the successful efforts method of accounting for its interests in natural gas and oil properties. Under the successful efforts method, only the costs of successful wells and leases containing productive reserves are capitalized.

ERT offshore property acquisitions are recorded at the value exchanged at closing together with an estimate of the company's proportionate share of the decommissioning liability assumed in the purchase based upon its working interest ownership percentage. In estimating the decommissioning liability assumed in offshore property acquisitions, the Company performs detailed estimating procedures, including engineering studies. All capitalized costs are amortized on a unit-of-production basis (UOP) based on the estimated remaining oil and gas reserves. Properties are periodically assessed for impairment in value, with any impairment charged to expense.

The following is a summary of the components of property and equipment (dollars in thousands)

	ESTIMATED USEFUL LIFE	2000	1999
Construction in progress	N/A	$ 111,250	$ 31,341
Vessels	15	78,776	85,397
Offshore leases and equipment	UOP	60,679	49,037
Machinery, equipment and leasehold improvements	5	15,397	14,744
Total property and equipment		$ 266,102	$ 180,519

In July 1999, the CDI Board of Directors approved the construction of the *Q4000*, a newbuild, ultra-deepwater multi-purpose vessel, for a total estimated cost of $150 million. Amounts incurred on this project through the end of 2000 are included in Construction in Progress along with amounts incurred with respect to the conversion of the *Sea Sorceress* to full dynamic positioning ($120,000 of which related to capitalized interest).

The cost of repairs and maintenance of vessels and equipment is charged to operations as incurred, while the cost of improvements is capitalized. Total repair and maintenance charges were $4,343,000, $6,031,000 and $8,264,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Earnings Per Share

The Company computes and presents earning per share in accordance with Statement of Financial Accounting Standard No. 128, "Earnings Per Share". SFAS 128 requires the presentation of "basic" EPS and "diluted" EPS on the face of the statement of operations. Basic EPS is computed by dividing the net income available to common shareholders by the weighted-average shares of outstanding common stock. The calculation of diluted EPS is similar to basic EPS except that the denominator includes dilutive common stock equivalents, which were stock options, less the number of treasury shares assumed to be purchased from the proceeds from the exercise of stock options.

Revenue Recognition
The Company earns the majority of its subsea service and salvage revenues during the summer and fall months. Revenues are derived from billings under contracts (which are typically of short duration) that provide for either lump-sum turnkey charges or specific time, material and equipment charges which are billed in accordance with the terms of such contracts. The Company recognizes revenue as it is earned at estimated collectible amounts. Revenue on significant turnkey contracts is recognized on the percentage-of-completion method based on the ratio of costs incurred to total estimated costs at completion. Contract price and cost estimates are reviewed periodically as work progresses and adjustments are reflected in the period in which such estimates are revised. Provisions for estimated losses on such contracts are made in the period such losses are determined. Unbilled revenue represents revenue attributable to work completed prior to year-end which has not yet been invoiced. All amounts included in unbilled revenue at December 31, 2000 are expected to be billed and collected within one year.

Revenue Allowance on Gross Amounts Billed
The Company bills for work performed in accordance with the terms of the applicable contract. The gross amount of revenue billed will include not only the billing for the original amount quoted for a project but also include billings for services provided which the Company believes are outside the scope of the original quote. The Company establishes a revenue allowance for these additional billings based on its collections history if conditions warrant such a reserve.

Major Customers and Concentration of Credit Risk
The market for the Company's products and services is the offshore oil and gas industry. Oil and gas companies make capital expenditures on exploration, drilling and production operations offshore, the level of which is generally dependent on the prevailing view of the future oil and gas prices, which have been characterized by significant volatility in recent years. The Company's customers consist primarily of major, well-established oil and pipeline companies and independent oil and gas producers. The Company performs ongoing credit evaluations of its customers and provides allowances for probable credit losses when necessary.

The percent of consolidated revenue of major customers exceeding ten percent was as follows: 2000 — Enron Corporation (13%); 1999 — EEX Corporation (13%) and 1998 — Chevron USA (11%).

Income Taxes
Deferred taxes are recognized for revenues and expenses reported in different years for financial statement purposes and income tax purposes in accordance with SFAS No. 109, "Accounting for Income Taxes." The statement requires, among other things, the use of the liability method of computing deferred income taxes. The liability method is based on the amount of current and future taxes payable using tax rates and laws in effect at the balance sheet date.

Deferred Drydock Charges
Effective January 1, 1998, the Company changed its method of accounting for regulatory (U.S. Coast Guard, American Bureau of Shipping and Det Norske Veritas) related drydock inspection and certification expenditures. This change was made due to the significant expansion in the composition of the Company's fleet to include more sophisticated dynamically positioned vessels that are capable of working in the Deepwater Gulf of Mexico, a key to Cal Dive's operating strategy. The Company previously expensed inspection and certification costs as incurred; however, effective January 1, 1998, such expenditures are being capitalized and amortized over the 30-month period between regulatory mandated drydock inspections and certification. This predominant industry practice provides better matching of expenses with the period benefitted (i.e., certification to operate the vessel for a 30-month period between required drydock inspections). This change had a $765,000 positive impact on net income, or $0.03 per share, in the Company's 1998 consolidated financial statements.

Statement of Cash Flow Information
The Company defines cash and cash equivalents as cash and all highly liquid financial instruments with original maturities of three months or less. During the years ended December 31, 2000, 1999 and 1998, the Company made no cash payments for interest expense, and made cash payments for federal income taxes of approximately $1,800,000, $4,075,000 and $7,650,000, respectively.

Reclassifications
Certain reclassifications were made to previously reported amounts in the consolidated financial statements and notes to make them consistent with the current presentation format.

3. OFFSHORE PROPERTY TRANSACTIONS:

During the first quarter of 2000, ERT acquired interests in six offshore blocks from EEX Corporation and agreed to operate the remaining EEX properties on the Outer Continental Shelf (OCS). The acquired offshore blocks include working interests from 40% to 75% in five platforms, one caisson and 13 wells. ERT agreed to a purchase price of $4.9 million and assumed EEX's prorated share of the abandonment obligation for the acquired interests, and entered into a two-year contract to manage the remaining EEX operated properties. During the first four months of 1999, in four separate transactions, ERT acquired interests in 20 blocks and interests in six blocks involving two separate fields during 1998 in exchange for cash as well as assumption of the pro rata share of the related decommissioning liabilities. In connection with 2000, 1999 and 1998 offshore property acquisitions, ERT assumed net abandonment liabilities estimated at approximately $4,200,000, $19,500,000 and $3,432,000, respectively.

In April, 2000, ERT acquired a 20% working interest in *Gunnison*, a Deepwater Gulf of Mexico prospect of Kerr-McGee Oil & Gas Corporation. Kerr-McGee, the operator, has drilled an initial well and sidetrack in 3,200 feet of water at Garden Banks 668, one of three lease blocks that comprise the *Gunnison* prospect and encountered significant potential reserves. Consistent with CDI's philosophy of avoiding exploratory risk, financing for up to $15 million of the exploratory costs is being provided by an investment partnership, the investors of which are CDI senior management in exchange for a 25% override of CDI's 20% working interest. Once the decision has been made to begin development CDI has the right to participate in field development planning and funding and will collaborate with the working interest owners in the execution of subsea construction work. During the fourth quarter another investment partnership composed of CDI Senior management and industry sources funded the drilling of an exploratory well at ERT's Vermilion 201 field. Effective January 1, 2001, ERT acquired approximately 55% of this investment partnership's interest in the reserves discovered for $2.5 million.

ERT production activities are regulated by the federal government and require significant third-party involvement, such as refinery processing and pipeline transportation. The Company records revenue from its offshore properties net of royalties paid to the Minerals Management Service ("MMS"). Royalty fees paid totaled approximately $11.7 million, $4 million and $2 million for the years ended 2000, 1999 and 1998, respectively. In accordance with federal regulations that require operators in the Gulf of Mexico to post an areawide bond of $3 million, the MMS has allowed the Company to fulfill such bonding requirements through an insurance policy.

During 2000, ERT sold a platform and interests in three fields. An ERT operating policy provides for the sale of assets (offshore leases, platforms, compressors, etc.) when the expected future revenue stream can be accelerated in a single transaction. The net result of these sales was to add approximately four cents to diluted earnings per share. In 1999 property sales in the third quarter added seven cents to earnings. We also sold interests in two fields in 1998 resulting in minimal earnings impact. These sales were structured as Section 1031 "Like Kind" exchanges for tax purposes. Accordingly, the cash received was restricted to use for subsequent acquisitions of additional natural gas and oil properties.

4. ACQUISITION OF AQUATICA, INC.:

In February, 1998, CDI purchased a significant minority equity interest in Aquatica, Inc., a shallow water diving company. CDI accounted for this investment on the equity basis of accounting for financial reporting purposes. The related Shareholder Agreement provided that the remaining shares of Aquatica, Inc. could be converted into Cal Dive shares based on a formula which, among other things, valued their shares of Aquatica, Inc. Effective August 1, 1999, 1.4 million shares of common stock of Cal Dive were issued for all of the remaining common stock of Aquatica, Inc. pursuant to these terms. This acquisition was accounted for as a purchase with the acquisition price of $16.2 million being allocated to the assets acquired and liabilities assumed based upon their estimated fair values. The fair value of tangible assets acquired and liabilities assumed was $6.4 million and $2.2 million, respectively. The balance of the purchase price ($12 million) was recorded as excess of cost over net assets acquired (goodwill). Accumulated amortization as of December 31, 2000 and 1999 was $1.2 million and $300,000, respectively. Results of operations for Aquatica, Inc. are consolidated with those of Cal Dive for periods subsequent to August 1, 1999.

5. ACCRUED LIABILITIES:

Accrued liabilities consisted of the following (in thousands):

	2000	1999
Accrued payroll and related benefits	$ 5,520	$ 6,606
Workers' compensation claims	559	497
Workers' compensation claims to be reimbursed	6,133	6,241
Royalties payable	4,743	1,649
Other	4,480	2,230
Total accrued liabilities	$ 21,435	$ 17,223

6. LONG-TERM DEBT:

In August, 2000, the Company closed a long-term financing for construction of the *Q4000*. This $138.5 million U.S. Government guaranteed financing is pursuant to Title XI of the Merchant Marine Act of 1936 which is administered by the Maritime Administration ("MARAD Debt"). At the time the financing closed, the Company made an initial draw of $40.1 million toward construction costs with additional draws expected in 2001 upon delivery of the vessel.

The MARAD Debt will be payable in equal semi-annual installments beginning six months after delivery of the newbuild *Q4000* and maturing 25 years from such date. It is collateralized by the *Q4000* and bears an interest rate which currently floats at a rate approximating AAA Commercial Paper yields plus 20 basis points (6.67% as of December 31, 2000). For a period up to three years from delivery of the vessel CDI has options to lock-in a fixed rate. In accordance with the MARAD Debt agreements, CDI is required to comply with certain covenants, including the maintenance of minimum net worth and debt-to-equity requirements. The Company is currently in compliance with these covenants.

Since April 1997, the Company has had a revolving credit facility of $40 million available. The Company drew upon this facility only 134 days during the past three years with maximum borrowing of $11.9 million. Interest rates vary from .5% above prime and 2% above the Eurodollar base rate to prime and 1.25% to 2.50% above Eurodollar based on specific provisions set forth in the loan agreement. Covenant restrictions include only a fixed charge ratio. The Company was in compliance with these debt covenants at December 31, 2000.

7. FEDERAL INCOME TAXES:

Federal income taxes have been provided based on the statutory rate of 35 percent adjusted for items which are allowed as deductions for federal income tax reporting purposes, but not for book purposes. The primary differences between the statutory rate and the Company's effective rate are as follows:

	2000	1999	1998
Statutory rate	35%	35%	35%
Research and development tax credits	(2)	(3)	(1)
Other	1	1	1
Effective rate	34%	33%	35%

Components of the provision for income taxes reflected in the statements of operations consist of the following (in thousands):

	2000	1999	1998
Current	$ --	$ 4,167	$ 8,550
Deferred	11,555	4,298	4,469
	$ 11,555	$ 8,465	$ 13,019

Deferred income taxes result from those transactions which affect financial and taxable income in different years. The nature of these transactions and the income tax effect of each as of December 31, 2000 and 1999, is as follows (in thousands):

	2000	1999
Deferred tax liabilities --		
Depreciation	$ 38,272	$ 16,837
Deferred tax assets --		
Reserves, accrued liabilities and other	(1,739)	(532)
Net deferred tax liability	$ 36,533	$ 16,305

CDI effectively paid no federal taxes in 2000 due to its ability to deduct *Q4000* construction costs as research and development expenditures for federal tax purposes. We paid $1.8 million during the year, but the amount was refunded in January 2001 upon completing our research and development analysis and filing for the refund. In addition, we filed amended tax returns for 1998 and 1999, deducting such costs, resulting in refunds of $8.2 million which were collected in January, 2001. These amounts are reflected as Income Tax Receivable in the accompanying consolidated balance sheets.

8. COMMITMENTS AND CONTINGENCIES:

Lease Commitments

During 1999, CDI acquired Hvide Marine's interest in Cal Dive Aker CAHT I, LLC (CAHT I), the company which owned the *Cal Dive Aker Dove* (a newbuild DP anchor handling and subsea construction vessel which commenced operations in September 1999) for a total of $18.9 million. CDI effectively owns 56% of CAHT I and, accordingly, results of operations of this company are consolidated in the accompanying financial statements with Aker's share being reflected as minority interest.

In December, 1999, CAHT I entered into a sale-leaseback of the *Cal Dive Aker Dove*. Cal Dive's portion of the proceeds received totaled $20 million. The lease, which is accounted for as an operating lease, requires CAHT I to make quarterly payments of $988,000 and contains a renewal option and options to purchase the vessel for amounts approximating fair market value after 8-1/2 years of the lease term and at the end of the lease term.

The Company occupies several facilities under noncancelable operating leases, with the more significant leases expiring in the years 2004 and 2007. Future minimum rentals under these leases are $2,899,000 at December 31, 2000 with $679,000 due in 2001, $622,000 in 2002, $676,000 in 2003, $516,000 in 2004, $135,000 in 2005 and $270,000 thereafter. Total rental expense under these operating leases was $721,000, $673,000 and $601,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

Insurance

The Company carries hull protection on vessels, indemnity insurance and a general umbrella policy. All onshore employees are covered by workers' compensation, and all offshore employees, including divers and tenders, are covered by Jones Act employee coverage, the maritime equivalent of workers' compensation. The Company is exposed to deductible limits on its insurance policies, which vary from $5,000 to a maximum of $100,000 per accident occurrence. Effective August 1, 1992, the Company adopted a self-insured (within specified limits) medical and health benefits program for its employees whereby the Company is exposed to a maximum of $15,000 per claim.

In June, 2000 the DP DSV *Balmoral Sea* caught fire while dockside in New Orleans, LA, as the vessel was being prepared to enter drydock for an extended period. The vessel crew was evacuated and no injuries were reported. The vessel has been deemed a total loss by insurance underwriters. Her book value (approximately $7 million) was fully insured as were all salvage and removal costs. Payments from the insurance companies were received during the fourth quarter.

The Company incurs workers' compensation claims in the normal course of business, which management believes are covered by insurance. The Company, its insurers and legal counsel analyze each claim for potential exposure and estimate the ultimate liability of each claim. Amounts accrued and receivable from insurance companies, above the applicable deductible limits, are reflected in other current assets in the consolidated balance sheet. Such amounts were $6,133,000 and $6,241,000 as of December 31, 2000 and 1999, respectively. See related accrued liabilities at Note 5. The Company has not incurred any significant losses as a result of claims denied by its insurance carriers.

Litigation
In 1998, the Company entered into a subcontract with Seacore Marine Contractors Limited to provide the *Sea Sorceress* for subsea excavation at the *Terra Nova* field offshore Canada. Seacore was in turn contracted by Coflexip Stena Offshore Newfoundland Limited, a subsidiary of Coflexip (CSO Nfl), as a representative of the consortium of companies contracted to perform services on the project. Due to difficulties with respect to the sea states and soil conditions the contract was terminated. Cal Dive provided Seacore a performance bond of $5 million with respect to the subcontract. No call has been made on this bond. Although CSO Nfl has alleged that the *Sea Sorceress* was unable to adequately perform the excavation work required under the subcontract, Seacore and the Company believe the contract was wrongfully terminated and are vigorously defending this claim and seeking damages in arbitration.

In another commercial dispute, EEX Corporation sued Cal Dive and others alleging breach of fiduciary duty by a former EEX employee and damages resulting from certain construction agreements. Cal Dive has responded alleging EEX Corporation breached various provisions of the same contracts and is seeking a declaratory judgment that the defendants are not liable. The Company believes that the outcome of all such proceedings is not likely to have a material adverse effect on its business or financial condition.

In addition, the Company from time to time incurs other claims, such as contract disputes, in the normal course of business. In the opinion of management, the ultimate liability to the Company, if any, which may result from the claims discussed above will not materially affect the Company's consolidated financial position, results of operations or net cash flows.

9. EMPLOYEE BENEFIT PLANS:

Defined Contribution Plan
The Company sponsors a defined contribution 401(k) retirement plan covering substantially all of its employees. The Company's contributions and cost are determined annually as 50 percent of each employee's contribution up to 5 percent of the employee's salary. The Company's costs related to this plan totaled $423,000, $375,000 and $431,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

Stock-Based Compensation Plans
During 1995, the Board of Directors and shareholders approved the 1995 Long-Term Incentive Plan (the Incentive Plan). Under the Incentive Plan, a maximum of 10% of the total shares of Common Stock issued and outstanding may be granted to key executives and selected employees who are likely to make a significant positive impact on the reported net income of the Company. The Incentive Plan is administered by a committee which determines, subject to approval of the Compensation Committee of the Board of Directors, the type of award to be made to each participant and sets forth in the related award agreement the terms, conditions and limitations applicable to each award. The committee may grant stock options, stock appreciation rights, or stock and cash awards. Options granted to employees under the Incentive Plan vest 20% per year for a five year period or 33% per year for a three year period, have a maximum exercise life of three, five or ten years and, subject to certain exceptions, are not transferable.

During 2000, the Board of Directors approved a "Stock Option in Lieu of Salary Program" for the Company's Chief Executive Officer. Under the terms of the program, the participant may annually elect to receive non-qualified stock options (with an exercise price equal to the closing stock price on the date of grant) in lieu of cash compensation with respect to his base salary and any bonus earned under the annual incentive compensation program. The number of shares granted is determined utilizing the Black-Scholes valuation model as of the date of grant with a risk premium included. The participant made such election for 2000 and 2001 resulting in a total of 115,000 shares being granted during 2000 (55,000 of which relate to a bonus earned under the annual incentive compensation program).

Effective May 12, 1998, the Company adopted a qualified, non-compensatory Employee Stock Purchase Plan ("ESPP"), which allows employees to acquire shares of common stock through payroll deductions over a six month period. The purchase price is equal to 85 percent of the fair market value of the common stock on either the first or last day of the subscription period, whichever is lower. Purchases under the plan are limited to 10 percent of an employee's base salary. Under this plan 25,391 and 22,476 shares of common stock were purchased in the open market at a weighted average share price of $21.55 and $12.19 during 2000 and 1999, respectively.

The Incentive Plan and ESPP are accounted for using APB Opinion No. 25, and therefore no compensation expense is recorded. If SFAS Statement No. 123 had been used for the accounting of these plans, the Company's pro forma net income for 2000, 1999 and 1998 would have been $21,665,000, $16,218,000 and $23,735,000 respectively, and the Company's pro forma diluted earnings per share would have been $0.67, $0.53 and $0.80 respectively. These pro forma results exclude consideration of options granted prior to January 1, 1995, and therefore may not be representative of results to be expected in future years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used: expected dividend yields of 0 percent; expected lives of five years, risk-free interest rate assumed to be 5.0 percent in 1998, 5.5 percent in 1999 and 5.0 percent in 2000, and expected volatility to be 59 percent in 1998 and 1999 and 62 percent in 2000. The fair value of shares issued under the ESPP was based on the 15% discount received by the employees.

All of the options outstanding at December 31, 2000, have exercise prices as follows: 126,388 shares at $3.95, 684,000 at $4.75, 110,000 shares at $6.50, 145,196 shares at $10.28, 421,420 shares at $18.00, 100,000 shares at $19.50, 150,000 shares at $20.75 and 545,596 shares ranging from $2.25 to $23.72 and a weighted average remaining contractual life of 2.96 years.

Options outstanding are as follows:

	2000		1999		1998	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Options outstanding, beginning of year	1,957,208	$ 5.59	2,089,200	$ 4.70	1,989,000	$ 4.33
Granted	810,420	19.26	477,938	6.04	651,700	11.78
Exercised	(484,344)	4.24	(585,930)	3.42	(113,500)	2.52
Terminated	(44,684)	4.10	(24,000)	2.25	(438,000)	14.12
Options outstanding, December 31	2,238,600	$ 11.34	1,957,208	$ 5.59	2,089,200	$` 4.70
Options exercisable, December 31	518,308	$ 7.10	495,488	$ 4.30	445,900	$ 3.25

Options granted in 1999 include 287,278 shares issued in connection with the August 1, 1999 acquisition of Aquatica, Inc., which provided for conversion of Aquatica employee stock options into Cal Dive stock options at the same ratio which Aquatica common shares were converted into Cal Dive common shares. Options granted and options terminated under the Incentive Plan include options which were repriced on November 6, 1998. The options which were repriced were originally granted between August 25, 1997 and May 11, 1998, with original exercise prices between $14.19 and $18.63. Options for 330,000 shares were cancelled on November 6, 1998, and a proportionately reduced number of shares (201,700) were reissued at an exercise price of $10.28 per share with a new five year vesting period.

10. COMMON STOCK:

The Company's amended and restated Articles of Incorporation provide for authorized Common Stock of 120,000,000 shares with no par value per share.

In October 2000, the Company's Board of Directors declared a two-for-one split of CDI's common stock in the form of a 100% stock distribution on November 13, 2000 to all holders of record at the close of business on October 30, 2000. All share and per share data in these financial statements have been restated to reflect the stock split.

On April 11, 1997, Coflexip purchased approximately 7.4 million shares of the Company's stock, consisting of approximately 4.2 million shares sold by management of the Company at a price of $4.73 per share. Coflexip agreed to accept approximately 1 million shares of the Company's Common Stock as payment for two ROVs at published retail prices as part of this transaction. In September 2000, CDI completed a Secondary Stock Offering with Coflexip selling its 7.4 million shares of common stock at $26.31 per share. The over-allotment option was exercised resulting in the Company issuing 609,936 shares of common stock and receiving net proceeds of $14.8 million, and the Chief Executive Officer, selling 500,000 shares.

The Company completed an Initial Public Offering of common stock on July 7, 1997, with the sale of 5.8 million shares at $7.50 per share. Net proceeds to the Company of approximately $39.4 million were used to retire all of its then outstanding long-term indebtedness of $20 million.

In May 1998, the Company completed a Secondary Offering of 5.7 million shares of common stock at $16.75 per share on behalf of certain selling shareholders. The Company received no proceeds from the offering.

11. BUSINESS SEGMENT INFORMATION: *(in thousands)*

The following summarizes certain financial data by business segment:

	YEAR ENDED DECEMBER 31, 2000	1999	1998
Revenues —			
Subsea and salvage	$ 110,217	$ 128,435	$ 139,310
Natural gas and oil production	70,797	32,519	12,577
Total	$ 181,014	$ 160,954	$ 151,887
Income from operations —			
Subsea and salvage	$ 2,368	$ 15,817	$ 31,440
Natural gas and oil production	32,201	8,207	1,968
Total	$ 34,569	$ 24,024	$ 33,408
Net interest (income) expense and other –			
Subsea and salvage	$ (63)	$ (264)	$ (705)
Natural gas and oil production	617	(585)	(398)
Total	$ 554	$ (849)	$ (1,103)
Provision for income taxes –			
Subsea and salvage	$ 436	$ 5,431	$ 12,195
Natural gas and oil production	11,119	3,034	824
Total	$ 11,555	$ 8,465	$ 13,019
Identifiable assets —			
Subsea and salvage	$ 301,416	$ 197,570	$ 142,629
Natural gas and oil production	46,072	46,152	21,606
Total	$ 347,488	$ 243,722	$ 164,235
Capital expenditures —			
Subsea and salvage	$ 82,697	$ 60,662	$ 10,923
Natural gas and oil production	12,427	16,785	3,963
Total	$ 95,124	$ 77,447	$ 14,886
Depreciation and amortization —			
Subsea and salvage	$ 11,621	$ 9,459	$ 6,966
Natural gas and oil production	19,109	11,156	2,597
Total	$ 30,730	$ 20,615	$ 9,563

12. SUPPLEMENTAL OIL AND GAS DISCLOSURES (UNAUDITED):

The following information regarding the Company's oil and gas producing activities is presented pursuant to SFAS No. 69, "Disclosures About Oil and Gas Producing Activities" (in thousands).

Capitalized Costs
Aggregate amounts of capitalized costs relating to the Company's oil and gas producing activities and the aggregate amount of related accumulated depletion, depreciation and amortization as of the dates indicated are presented below. The Company has no capitalized costs related to unproved properties.

	AS OF DECEMBER 31, 2000	1999
Proved properties being amortized	$ 60,679	$ 49,037
Less -- Accumulated depletion, depreciation and amortization	(35,835)	(19,530)
Net capitalized costs	$ 24,844	$ 29,507

Included in capitalized costs is the Company's estimate of its proportionate share of decommissioning liabilities assumed relating to these properties. As of December 31, 2000 and 1999, such liabilities totaled $27.5 million and $27.0 million, respectively, and are also reflected as decommissioning liabilities in the accompanying consolidated balance sheets.

Costs Incurred in Oil and Gas Producing Activities
The following table reflects the costs incurred in oil and gas property acquisition and development activities during the dates indicated:

	YEAR ENDED DECEMBER 31, 2000	1999	1998
Proved property acquisition costs	$ 7,635	$ 22,610	$ 5,416
Development costs	8,160	5,002	2,281
Total costs incurred	$ 15,795	$ 27,612	$ 7,697

Results of Operations for Oil and Gas Producing Activities

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Revenues	$ 70,797	$ 32,519	$ 12,577
Production (lifting) costs	12,432	9,433	6,820
Depreciation, depletion and amortization	19,109	11,156	2,597
Pretax income from producing activities	39,256	11,930	3,160
Income tax expenses	11,119	3,034	1,106
Results of oil and gas producing activities	$ 28,137	$ 8,896	$ 2,054

Estimated Quantities of Proved Oil and Gas Reserves

Proved oil and gas reserve quantities are based on estimates prepared by Company engineers in accordance with guidelines established by the Securities and Exchange Commission. The Company's estimates of reserves at December 31, 2000, have been reviewed by Miller and Lents, Ltd., independent petroleum engineers. All of the Company's reserves are located in the United States. Proved reserves cannot be measured exactly because the estimation of reserves involves numerous judgmental determinations. Accordingly, reserve estimates must be continually revised as a result of new information obtained from drilling and production history, new geological and geophysical data and changes in economic conditions.

As of December 31, 1998, 400 Bbls. of oil and 1,153,300 Mcf. of gas of the Company's proved reserves were undeveloped. As of December 31, 1999, 337,500 Bbls. of oil and 284,800 Mcf. of gas were undeveloped. As of December 31, 2000, -0- Bbls. of oil and -0- Mcf. of gas were undeveloped.

RESERVE QUANTITY INFORMATION	OIL (BBLS.)	GAS (MMCF.)
Total proved reserves at December 31, 1997	200	22,245
Revisions of previous estimates	(123)	(1,706)
Production	(67)	(4,535)
Purchases of reserves in place	60	6,631
Sales of reserves in place	--	(201)
Total proved reserves at December 31, 1998	70	22,434
Revisions of previous estimates	1,091	(2,392)
Production	(339)	(6,819)
Purchases of reserves in place	888	17,218
Sales of reserves in place	(8)	(5,060)
Total proved reserves at December 31, 1999	1,702	25,381
Revisions of previous estimates	24	3,024
Production	(739)	(14,959)
Purchases of reserves in place	99	9,416
Sales of reserves in place	(5)	(1,151)
Total proved reserves at December 31, 2000	1,081	21,711

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

The following table reflects the standardized measure of discounted future net cash flows relating to the Company's interest in proved oil and gas reserves as of December 31:

	2000	1999	1998
Future cash inflows	$ 219,620	$ 101,686	$ 47,691
Future costs --			
Production	(42,608)	(30,550)	(17,412)
Development and abandonment	(27,690)	(30,303)	(11,232)
Future net cash flows before income taxes	149,322	40,833	19,047
Future income taxes	(57,018)	(16,191)	(6,477)
Future net cash flows	92,304	24,642	12,570
Discount at 10% annual rate	(14,591)	(1,799)	(2,414)
Standardized measure of discounted future net cash flows	$ 77,713	$ 22,843	$ 10,156

Changes in Standardized Measure of Discounted Future Net Cash Flows

Principal changes in the standardized measure of discounted future net cash flows attributable to the Company's proved oil and gas reserves are as follows:

	2000	1999	1998
Standardized measure, beginning of year	$ 22,843	$ 10,156	$ 19,760
Sales, net of production costs	(57,720)	(23,086)	(5,757)
Net change in prices, net of production costs	87,427	15,968	(4,573)
Changes in future development costs	(3,695)	(1,227)	(1,736)
Development costs incurred	8,160	5,002	2,281
Accretion of discount	3,785	1,537	2,711
Net change in income taxes	(32,996)	(9,776)	2,120
Purchases of reserves in place	48,229	31,309	4,403
Sales of reserves in place	2,021	(14,456)	(57)
Net change due to revision in quantity estimates	20,084	(7,591)	(3,192)
Changes in production rates (timing) and other	(20,425)	(175)	(5,804)
Standardized measure, end of year	$ 77,713	$ 22,843	$ 10,156

13. REVENUE ALLOWANCE ON GROSS AMOUNTS BILLED:

The following table sets forth the activity in the Company's Revenue Allowance on Gross Amounts Billed for each of the three years in the period ended December 31, 2000 (in thousands):

	2000	1999	1998
Beginning balance	$ 1,789	$ 1,335	$ 1,822
Additions	4,535	1,923	2,998
Deductions	(4,554)	(1,469)	(3,485)
Ending balance	$ 1,770	$ 1,789	$ 1,335

See Note 2 for a detailed discussion regarding the Company's accounting policy on the Revenue Allowance on Gross Amounts Billed.

14. QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

The offshore marine construction industry in the Gulf of Mexico is highly seasonal as a result of weather conditions and the timing of capital expenditures by the oil and gas companies. Historically, a substantial portion of the Company's services has been performed during the summer and fall months. As a result, historically a disproportionate portion of the Company's revenues and net income is earned during such periods. The following is a summary of consolidated quarterly financial information for 2000 and 1999.

	QUARTER ENDED			
	March 31	June 30	September 30	December 31
	(in thousands, except per share amounts)			
Fiscal 2000				
Revenues	$ 40,109	$ 39,901	$ 49,707	$ 51,297
Gross profit	8,397	10,418	17,186	19,368
Net income	3,214	3,660	7,686	8,766
Net income per share:				
Basic	.10	.12	.24	.27
Diluted	.10	.11	.24	.27
Fiscal 1999				
Revenues	$ 26,006	$ 34,104	$ 58,470	$ 42,374
Gross profit	5,257	5,724	17,955	8,315
Net income	2,087	2,641	9,017	3,154
Net income per share:				
Basic	.07	.09	.30	.10
Diluted	.07	.09	.29	.10

15. SUBSEQUENT EVENTS (UNAUDITED)

Horizon Offshore
In February, 2001, CDI formed a joint venture with Horizon Offshore, Inc. to conduct small diameter reeled pipelay projects in deepwater areas of the U.S. Gulf of Mexico. The two companies will fund the estimated $15 million cost of pipelay equipment to be deployed from CDI's *Sea Sorceress*. In addition, Horizon will construct a pipe spooling facility at its Port Arthur, Texas shore base.

In March, 2001, the two companies announced that the Alliance Agreement covering operation on the Outer Continental Shelf was extended for the three-year period. Principal features of the Alliance are that CDI provides Dive Support Vessel services behind Horizon pipelay barges while Horizon supplies pipelay, derrick barge and heavy lift capacity to Cal Dive. The Alliance was also expanded to include CDI providing the diving personnel working from Horizon barges, a service Horizon handled internally last year.

Professional Divers Acquisition
In March 2001, CDI acquired substantially all of the assets of Professional Divers of New Orleans, Inc. (PDNO) in exchange for $11.5 million. The assets purchased included the *Sea Level 21* (a 165-foot four-point moored DSV), three utility vessels and associated diving equipment including two saturation diving systems. PDNO offshore personnel, comprising 20 diver/tender teams and marine crews that operate the four DSVs, have been offered employment positions with CDI's wholly-owned subsidiary, Aquatica, Inc.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Cal Dive International, Inc.:

We have audited the accompanying consolidated balance sheets of Cal Dive International, Inc. (a Minnesota corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity and cash flows for the three years in the period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cal Dive International, Inc., and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Houston, Texas
February 15, 2001

CORPORATE DIRECTORY

BOARD OF DIRECTORS

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Independent Consultant
Retired Senior Vice President of
Ashland Oil Co.

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Chairman & Chief Executive Officer
Weatherford International, Inc.

Martin R. Ferron, 44
President & Chief Operating Officer
Cal Dive International, Inc.

Owen E. Kratz, 46
Chairman & Chief Executive Officer
Cal Dive International, Inc.

S. James Nelson, Jr., 58
Vice Chairman
Cal Dive International, Inc.

William L. Transier, 46
Executive Vice President &
Chief Financial Officer
Ocean Energy, Inc.

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Chairman & Chief Executive Officer

Martin R. Ferron, 44
President & Chief Operating Officer

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Vice Chairman

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Senior Vice President &
General Counsel

Kenneth E. Duell, 50
Senior Vice President
Business Development

Louis L. Tapscott, 63
Senior Vice President
Special Projects

A. Wade Pursell, 36
Senior Vice President &
Chief Financial Officer

Johnny E. Edwards, 47
President
Energy Resource Technology, Inc.

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Vice President - Major Projects

Wayne J. Bywater, 46
Vice President - Business Development

A. Mark McWatters, 41
Vice President - Project Support Services

Scott T. Naughton, 46
Vice President - Core Services

R. A. (Andy) Scott, 50
Vice President - Well Operations

J. Wayne Seelbach, 49
Vice President - Environment,
Health & Safety

Stephanie L. Vrshek, 27
Corporate Controller

Steve Brazda, 50
President
Aquatica, Inc.

CORPORATE LOCATIONS

CORPORATE HEADQUARTERS

Houston
400 N. Sam Houston Parkway E.
Suite 400 • Houston, TX 77060
Office: 281-618-0400
Fax: 281-618-0500

OPERATIONS BASE

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Fax: 504-330-0394

AQUATICA, INC.

Lafayette
3209 Moss Street
Lafayette, LA 70509
Office: 337-232-8714
Fax: 337-234-9831

SALES OFFICE

New Orleans
2620 Eighth Street
Harvey, LA 70058
Office: 504-366-5997
Fax: 504-366-5999

SHAREHOLDER INFORMATION

COMMON STOCK LISTING
Nasdaq National Market
Symbol: CDIS

ANNUAL MEETING
Stockholders are invited to attend CDI's Annual Shareholder Meeting on Tuesday, May 8 at 11:00 a.m. Central Daylight Time at the Hotel Sofitel, 425 N. Sam Houston Pkwy. E., Houston, Texas.

STOCK HELD IN "STREET NAME"
The company maintains a direct mailing list to ensure that shareholders with stock held in brokerage accounts receive information on a timely basis. We also maintain a list of those investors who wish to receive CDI Press Releases on a "real time" basis. Shareholders wanting to be added to these lists should direct their requests to Investor Relations at the Corporate Headquarters or call 281-618-0400.

INVESTOR RELATIONS
Shareholders, securities analysts or portfolio managers seeking information about Cal Dive are welcome to contact Jim Nelson, Vice Chairman, at 281-618-0400.

STOCK TRANSFER AGENT
Wells Fargo Shareowner Services
161 North Concord Exchange
P. O. Box 64854
St. Paul, MN 55164-0854
800-468-9716
www.wellsfargo.com/com/shareowner_services.jhtml
Communications concerning the transfer of shares, lost certificates, duplicate mailing or change of address should be directed to the stock transfer agent.

INDEPENDENT PUBLIC ACCOUNTANTS
Arthur Andersen LLP
Houston, TX

CORPORATE COUNSEL
Fulbright & Jaworski LLP
Houston, TX

WEBSITE
http://www.caldive.com

Our website includes a profile of your company, the services we offer and a complete and exciting review of each of our vessels, including an animation of the unique features of the *Q4000*. The Investors Relations section enables you to access the most recent quarterly and annual reports as soon as they are issued. All shareholders are invited to participate in the quarterly conference calls with analysts. Simply click on "Live Webcast" in the Investor Relations module to listen; replays of the conference calls are also available by clicking on Audio Archives.

FORM 10-K
The information, including financial statements and footnotes thereto, included in this Annual Report to Shareholders should be read in conjunction with the company's annual report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference. This Annual Report and related Form 10-K are both provided to Shareholders in connection with the company's Annual Meeting. Shareholders interested in obtaining, without cost a printed copy of the Form 10-K filed with the Securities and Exchange Commission may do so by writing to Andrew C. Becher, General Counsel at the corporate headquarters in Houston. The Form 10-K can also be accessed and downloaded from our website.

This Annual Report includes 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.

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