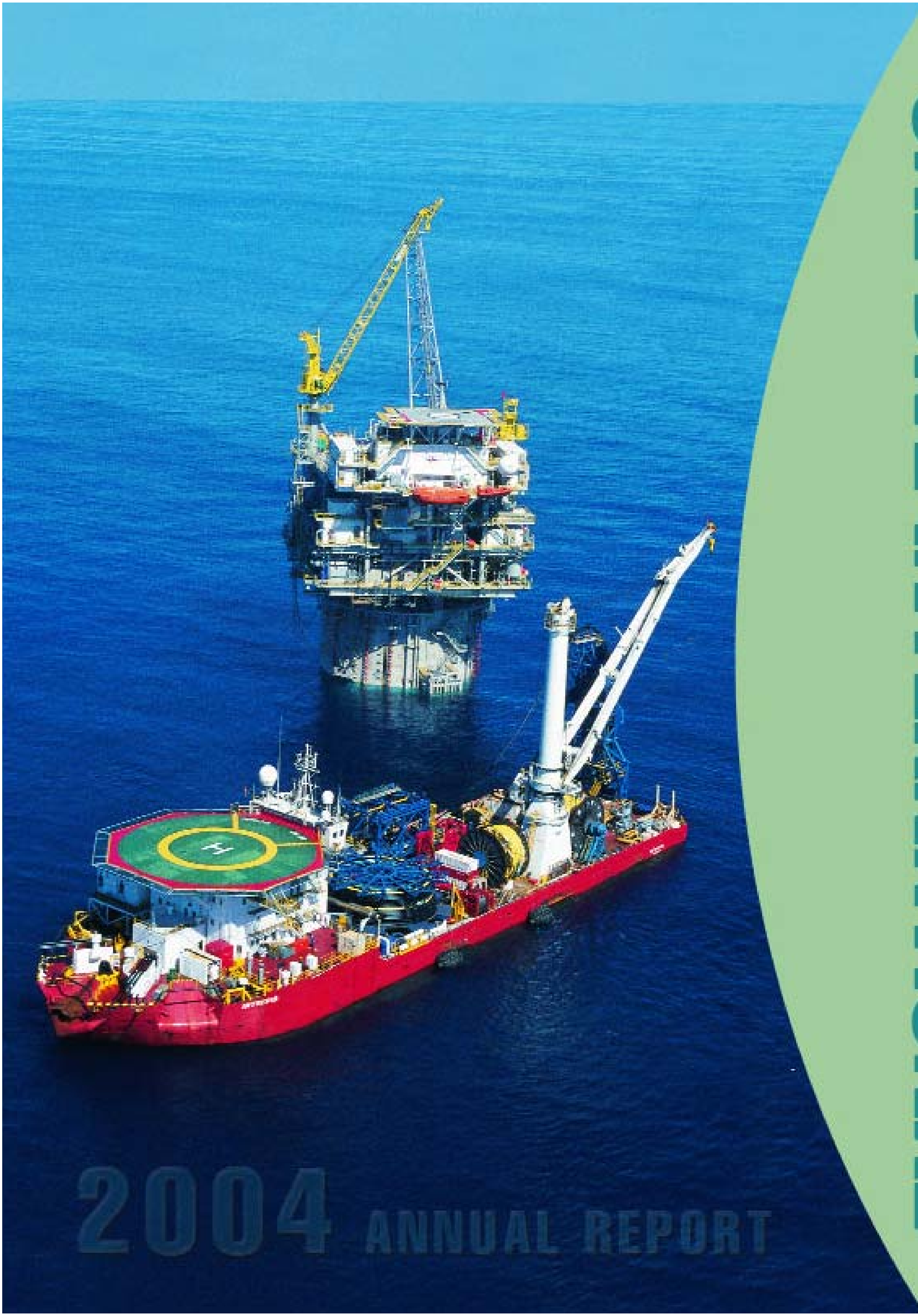
# CAL DIVE INTERNATIONAL



# 2004 ANNUAL REPORT

# CORPORATE PROFILE

Cal Dive International, Inc. (CDI) is a leading marine contractor and operator of offshore oil and gas properties and production facilities. The company seeks to align the interests of the producer and the contractor by investing in mature offshore oil and gas properties, hub production facilities and undeveloped reserve plays where CDI adds value by deploying vessels from its diverse contracting fleet. This unique integration of marine contracting and oil and gas operations is designed to add stability to revenues and earnings in an industry as cyclical as energy. CDI has established a corporate culture in which environment, health and safety (EHS) at work are embraced as core business values. Our operations goal is to deliver our services in a cost effective manner and with zero incidents.

## MARINE CONTRACTING

Cal Dive provides marine construction, robotic services, manned diving, well intervention and decommissioning services worldwide, with an emphasis on the Gulf of Mexico and North Sea basins.

## OIL& GAS PRODUCTION

Energy Resource Technology (ERT) acquires and operates mature and non-core offshore oil and gas properties. The ERT model was extended into the deepwater arena with the company's purchase of a working interest in the *Gunnison* field. The company acquires or partners in oil and gas reservoirs when the investment provides associated utilization of Cal Dive assets.

## PRODUCTION FACILITIES

CDI seeks ownership of production facilities in hub locations where potential exists for significant subsea tieback activity.

*On the cover: Our 380-foot pipelay vessel, the Intrepid, conducting subsea construction activities along side the Gunnison spar.*

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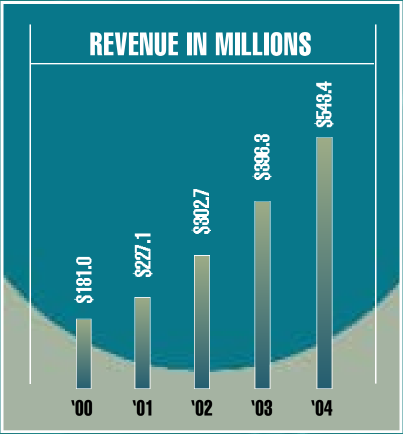
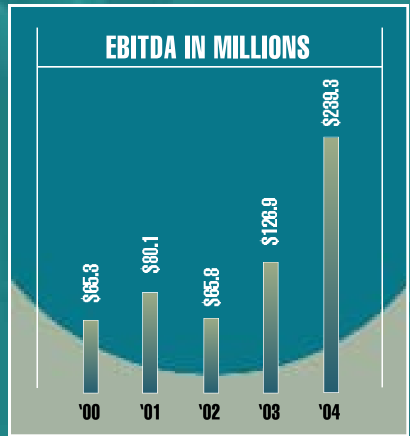
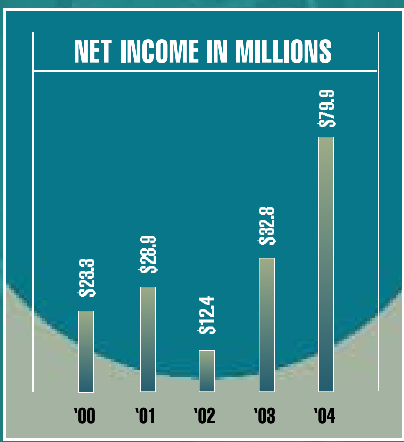
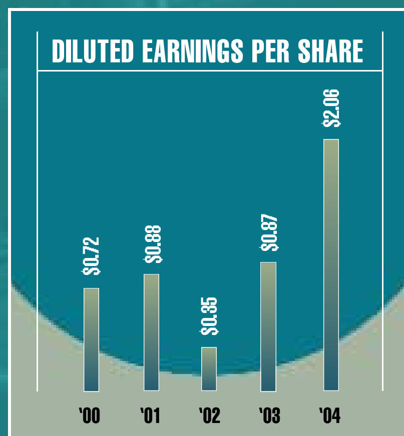
# FINANCIAL HIGHLIGHTS




| Earnings Before Net Interest Expense, Taxes, Depreciation and Amortization | | | | | |
|---|---|---|---|---|---|
| *Reconciliation from Net Income to EBITDA (in thousands)* | 2000 | 2001 | 2002 | 2003 | 2004 |
| Net income applicable to common shareholders | $23,326 | $28,932 | $12,377 | $32,771 | $79,916 |
| Accretion and dividends on preferred stock | --- | --- | --- | 1,437 | 2,743 |
| Cumulative effect of accounting change | --- | --- | --- | (530) | --- |
| Minority interest | (866) | (140) | --- | --- | --- |
| Income tax provision | 11,555 | 15,504 | 6,664 | 18,993 | 43,034 |
| Net interest expense and other | 554 | 1,290 | 1,968 | 3,403 | 5,265 |
| Depreciation and amortization | 30,730 | 34,533 | 44,755 | 70,793 | 108,305 |
| *EBITDA* | $65,299 | $80,119 | $65,764 | $126,867 | $239,263 |

| Return on Capital Employed (Dollars In Thousands) | 2003 | 2004 |
|---|---|---|
| Income from Operations | $56,161 | $130,958 |
| Tax Affected Earnings | 35,909 | 86,118 |
| Total Capital (Average quarterly shareholders equity plus long term debt less *Gunnison Marco Polo* investments in 2003) | 486,184 | 642,855 |
| *ROCE* | 7.39% | 13.40% |

# TO OUR SHAREHOLDERS

**AS 2004 BEGAN, WE EXPECTED THAT CAL DIVE WOULD ENJOY ITS BEST FINANCIAL PERFORMANCE EVER, AND IT DID: REVENUE INCREASED 37% TO $543.4 MILLION FOR THE YEAR, GROSS PROFIT ROSE 87% TO $171.9 MILLION AND NET INCOME MORE THAN DOUBLED TO $79.9 MILLION.**

We are a leading marine contractorand operator of offshore oil and gas properties and production facilities. An emerging core service for CDI is to provide producers with alternatives to traditional industry approaches to development and production of economically challenged reservoirs.

CDI's strategy is to identify and exploit aspects of the full development and production cycle where strict control of costs and innovative application of proven technologies can significantly enhance reservoir economics. We will continue to add and refine service offerings in accordance with this vision.

CDI offers its development and operating services on a contract basis, on a partnering basis orwill acquire the reservoir. Our contracting is becoming more selective, focusing on those producers that recognize the value creation in our methodologies. In partnering, the CDI approach is to align the interests of producer and contractor, providing a more equitable allocation of risk and value creation compared to traditional contracting. We will acquire reservoirs where CDI services can unlock value, thus providing producers with a divestment alternative. The CDI model differs from others in two significant ways. First, the strategic goal for CDI is to provide integrated services that span a broad range of the development and operating cycle rather than capture a large market share within a narrow niche. This allows greater value creation capabilities on any given reservoir. Second, CDI provides solutions with its hard assets - including a specialized fleet and production facilities - not just its intellectual capital.

There have been hurdles to overcome with this model. A few small producers perceive CDI as a competitor rather than recognizing that we are more likely their best option as a partner. Larger producers may feel that we do not have sufficient assets to be considered as a global solution for their full contracting needs. As our track record continues to grow and producers come to realize where selective applications of CDI services add value, the trade off between these hurdles versus the return and sustainable growth of our model has become less of an issue. We are heartened to see more and more service providers adopting a variation of our model. Our goal is to continue to lead the way.

## A LOOK FORWARD

Long term shareholders may remember that following the IPO in 1997, CDI embarked on an aggressive capital spending growth phase putting the IPO funds and our cash flow to work. As a result, we now have a world class construction fleet including robotics, an industry leading position in rigless subsea well intervention, a highly effective reservoir management and operating team and a unique business providing floating production facilities. These have all been added to our original business of shelf construction support and abandonment.

Going forward, we plan to expand and refine these service offerings. Construction capability will focus on subsea tieback capabilities including small diameterpipelay (infield flow lines), robotic burial of pipe (for flow assurance), robotic tie in capability and installation of steel cantenary risers and umbilicals. Our goal is to provide the service offerings sufficient to control availability and cost without the loss of efficiency inherent in a large market share and the associated risks assumed to generate utilization.

Our well operations business has evolved beyond the startup phase. CDI is now the clear industry leader in rigless subsea well intervention. This will be a vital service in capturing value from subsea reservoirs. Controlling the service mitigates much of the risk faced by producers when opting for this cost effective development approach. Over time, look for CDI to add assets and broaden their application to include more upstream elements of the appraisal phase, as well as the exploration phase, of the development process. Examples include drilling disposable wells for data acquisition, top-hole drilling and setting casing. CDI is evaluating the merits of using the *Q4000* as a rigless alternative for such tasks.

The provision of floating production facilities has undergone continual refinement from *Gunnison* through *Marco Polo* and now the *Independence Hub.* CDI has innovative ideas for this business going forward that will see it contributing greatly to growth in its own right as well as starting to play a key role in enhancing the economics on challenged reservoirs.

The type of reservoirs in which CDI participates has also evolved. As service lines have been added that allow us to enhance value in the reservoir at the upstream phases of development, CDI has been exposed to the opportunity to partnerat these stages. What began in 1992 with end-of-life properties evolved to include mature producing properties and eventually proved undeveloped properties. As we refine our services to provide risk mitigation and cost efficiency in the non-upstream stages, the incentives will increase for CDI to partner in select reservoirs. However, we will maintain our differentiating focus and participate only in reservoirs where ourservices provide a step change in economics or risk mitigation.

Shelf contracting may no longerfulfill a key strategic role in our array of services that create value in economically challenged reservoirs, however, the business generates strong, consistent cash and has the potential to grow through consolidation after years of sub-par performance by the competition.

### CORPORATE GOALS FOR 2005

**MARINE CONTRACTING**

Revenues: $300 - 330 Million
Margins: 13% - 15%

**OIL AND GAS**

40 - 45 BCFe of Production
PUD Acquisition
Mature Property Acquisition

**PRODUCTION FACILITIES**

Equity Earnings: $22 - 27 Million
Start-up of Production from K2/K2N
Identity and Progress Next Opportunity

**FINANCIAL**

Earnings in Range of $2.00 - $2.70 Per Share
No Equity Dilution

**SAFETY**

TRIR Below 1.8

## A LOOK BACK

Following the tough year of 2002, CDI worked hard in 2003 to restrict, review, and reestablish efficient processes, including a new chart of accounts and project accounting functions. This was a timely move considering the Sarbanes-Oxley requirements established in 2004. Going into 2004 we were modestly optimistic as to what financial results CDI would achieve, providing initial earnings guidance of $1.30 to $1.70 pershare. The results of the effort put in by the CDI family of employees exceeded our expectations. Significant direct operating costs were trimmed, we had no significant contractual disputes, we had few performance issues and HSE trends moved in a very positive direction.

On top of these achievements the markets showed more strength than anticipated. Average net realized commodity prices of $35.34 per Bbl of oil and $6.13 per Mcf of natural gas exceeded our budget prices of $27 and $5 respectively. The contracting market began showing signs of early improvement, on top of which Hurricane Ivan added work in the fourth quarter. We believe the strengthening of the contracting market is still in the early stages and the impact in leverage CDI has in its assets has not yet been fully realized.

A quick review of the report card which includes the goals we set at the beginning of the year best captures the result.

## REPORT CARD

For Marine Contracting, cost control and reduction was the theme. We successfully improved margins betterthan the 2% goal established and we were able to reduce direct costs by more than $10 million.

On the production side, we achieved our projected production of 40 BCFe. An aggressive well work program enhanced production from mature properties and overcame a shortfall from *Gunnison*.

CDI achieved another goal by consummating one PUD acquisition in the Gulf and completing another on an existing property. Our ERT team developed this prospect along with 10 exploration plays during the year. We farmed out the exploration prospects, achieving commercial production on 8 of the 10. We also acquired a 50% interest in Amerada Hess's Tulane prospect, which is scheduled to be drilled in 2005 and begin production in 2006.

The only failure on ourreport card came in not closing an acquisition on a mature producing property. We were, however, flattered to find other service companies now competing with us forthese properties thus corroborating the value of our model. High commodity prices and the appetites of our competitors for available properties made it impossible to find an acquisition that met our return criteria. We exercised the patience that has proved valuable in previous, similar situations, maintaining our capital spending discipline and waiting for the cyclical return of a more favorable buying cycle.

### 2004 REPORT CARD

**MARINE CONTRACTING**

2% Margin Improvement
Reduce Direct Cost $10 Million

**OIL AND GAS**

40 BCFe of Production
PUD Acquisition in GOM
Mature Property Acquisition

**PRODUCTION FACILITIES**

One New Gateway Deal

**FINANCIAL**

Flexible Credit Structure
No Equity Dilution
Earnings > $1.30 Per Share

**SAFETY**

TRIR Below 2:00

This was also true with regard to our initial efforts in the North Sea. We believe there will be a significant opportunity for our model there. While high commodity prices and otherfactors mean the mature property market is yet to come, the high commodity pricing also created a window of opportunity to put previously economically challenged reservoirs into development. CDI has secured the opportunity to perform two such developments on a production sharing basis. The first is likely to occur in 2005.

The acquisition of a 20% interest in the *Independence Hub* not only met a CDI goal for 2004, but also demonstrated the repeatability of our model for production facilities. The hub will be the largest involving CDI to date, able to process 850 MMcfd of gas when it comes online as a deepwater Gulf production hub in 2007. As with *Gunnison* and *Marco Polo*, CDI will participate in field development and marine contracting work.

To achieve the additions to our services as well as acquire and fund our portfolio of developments will require capital. To that end, our goals for 2004 included restructuring our financial facilities. We successfully shifted away from an asset based credit facility with a new $150 million facility which can be expanded further.

Last, but certainly not least was our goal of "our people going home safely". We reduced our total recordable incident rate to 1.58. This is far from our ultimate goal. One of the greatest challenges in this area is to make safety more highly valued than performance even though the two can be viewed as conflicting. To that end, we initiated a unique program in 2004 that placed "management of change" drills on par with random drug and alcohol testing. The goal is to achieve 100% safety and health compliance when employees halt work to confront any change from planned events. This is beginning to have profound impact on culture, severity and frequency of incidents.

As a result of these events of 2004, our EPS for the year was $2.06 versus the guidance of $1.30 to $1.70. Return on Capital Employed once again rose into double digits at 13%. Cash generation increased 88% to $239 million EBITDA. We are encouraged by the visibility we see going forward at this level or higher. Debt, net of unrestricted cash, decreased to approximately $57 million as of December 31, 2004. Our model is evolving and maturing. Integration of new growth is well under control. Our financial strength positions us well for realization of our future goals and long term sustainable growth.

Respectfully submitted,

Owen E. Kratz
*Chairman - Chief Executive Officer*

Martin Ferron
*President - Chief Operating Officer*

A. Wade Pursell
*Chief Financial Officer*

# CORPORATE DIRECTORY

## BOARD OF DIRECTORS

Gordon F. Ahalt, 77 - *Independent Consultant*

Bernard J. Duroc-Danner, 51
*Chairman & Chief Executive Officer*
*Weatherford International, Inc.*

Martin R. Ferron, 48
*President & Chief Operating Officer*
*Cal Dive International, Inc.*

Owen E. Kratz, 50
*Chairman & Chief Executive Officer*
*Cal Dive International, Inc.*

John Lovoi, 44
*Principal - JVL Partners*

T. William Porter III, 63
*Chairman - Porter & Hedges, LLP*

William L. Transier, 50
*Co-Chief Executive Officer*
*Endeavour International Corporation*

Anthony Tripodo, 52
*Managing Director*
*Arch Creek Advisors, LLC*

## EXECUTIVE OFFICERS

Owen E. Kratz, 50
*Chairman & Chief Executive Officer*

Martin R. Ferron, 48
*President & Chief Operating Officer*

A. Wade Pursell, 40
*Senior Vice President &*
*Chief Financial Officer*

James Lewis Connor III, 47
*Senior Vice President & General*
*Counsel*

Lloyd A. Hajdik, 39
*Vice President - Corporate Controller*
*& Chief Accounting Officer*

## CORPORATE OFFICERS

Michael V. Ambrose, 58
*Senior Vice President - International*

G. Kregg Lunsford, 35
*Vice President - Finance & Audit*

A. Mark McWatters, 45
*Vice President - Project Support Services*

Scott T. Naughton, 50
*Vice President - Shelf Contracting*

Daniel Young Schultz, 40
*Vice President - Environment, Health & Safety*

John Sokol, 54
*Vice President - Deepwater Contracting*

## SUBSIDIARY MANAGEMENT

Johnny E. Edwards, 51
*President - Energy Resource Technology, Inc.*

Martin O'Carroll, 46
*President - Canyon Offshore, Inc.*

Ian A. Collie, 54
*General Manager - Well Ops, Inc.*

William E. Morrice, 40
*General Manager - Well Ops, (UK) Limited*

Steve Brazda, 54
*General Manager - CDI / Aquatica*

## CORPORATE LOCATIONS

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

*Operations Base*
Morgan City
1550 Youngs Road • Morgan City, LA 70380
Office: 504-330-0300 • Fax: 504-330-0394

*CDI/Aquatica*
Lafayette
3209 Moss Street • Lafayette, LA 70509
Office: 337-232-8714 • Fax: 337-234-9831

*Canyon Offshore, Inc.*
Houston
5212 Brittmoore Road • Houston, TX 77041
Office: 713-856-6010 • Fax: 713-856-6020

*Well Ops (UK) Ltd.*
Kirkton Drive
Pitmedden Industrial Estate
Dyce
Aberdeen AB21 0BG
United Kingdom
Office: 01224-351800
Fax: 01224-351801

# 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 10, 2005 at 1:00 p.m. Central Daylight Time at the Hotel Sofitel, 425 North Sam Houston Parkway East, 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 InvestorRelations at the Corporate Headquarters or call 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/shareownerservices
Communications concerning the transfer of shares, lost certificates, duplicate mailings or change of address should be directed to the stock transfer agent.

## INDEPENDENT PUBLIC ACCOUNTANTS
Ernst & Young LLP
Houston, TX

## WEBSITE
www.caldive.com
Our website includes a profile of your company, the services we offer and a review of each of ourbusiness units. The Investor 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."

## CORPORATE COUNSEL
Fulbright & Jaworski L.L.P.
Houston, TX

## INVESTOR RELATIONS
Shareholders, securities analysts or portfolio managers seeking information about Cal Dive are welcome to contact Investor Relations, at 281-618-0400.

QUARTERLY STOCK PRICES

| 2004 | | | 2003 | | |
|---|---|---|---|---|---|
| Quarter | High | Low | Quarter | High | Low |
| 1st | $ 28.00 | $ 22.74 | 1st | $ 24.46 | $ 16.99 |
| 2nd | 31.24 | 25.01 | 2nd | 23.19 | 15.95 |
| 3rd | 36.27 | 27.91 | 3rd | 22.74 | 19.31 |
| 4th | 43.71 | 33.89 | 4th | 25.24 | 19.88 |

*This Summary Annual Report contains forward-looking statements that involve risks, uncertainties and assumptions that could cause our results to differ materially from those expressed or implied by such forward-looking statements. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including, without limitation, any projections of revenue, gross margin, expenses, earnings or losses from operations, or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statement concerning developments, performance or industry rankings relating to services; any statements regarding future economic conditions or performance; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. The risks, uncertainties and assumptions referred to above include the performance of contracts by suppliers, customers and partners; employee management issues; as described from time to time in our reports filed with the Securities and Exchange Commission, including the company's Annual Report on Form 10-K for the year ending December 31, 2004. We assume no obligation and do not intend to update these forward-looking statements.*

WWW.CALDIVE.COM

CDI

Cal Dive Inc.

INTERNATIONAL