Cal Dive INTERNATIONAL
The New Generation Energy Services Company

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2001 SECOND QUARTER REPORT

August 2, 2001

To Our Shareholders:

Record second quarter earnings again highlight a countercyclical corporate strategy that is unique among our marine construction peers. The profit contribution of ERT gas and oil operations remained constant with the prior year quarter while our marine contracting business reaped the benefit of all-time-high levels of drilling activity in the Gulf of Mexico (GOM). However, record injections of natural gas into storage spooked an investor stampede to exit the energy sector, leaving our earnings results in the dust and taking the price of CDIS to a 52 week low. Energy industry capital spending now seems dictated in part by the emotions of "Wall Street Refiners" speculating on short-term fluctuations in commodity prices rather than industry fundamentals. We have three observations regarding this sudden shift in market perception: (1) the Deepwater GOM is an oil play development proceeding on course; (2) the decline in natural gas prices provides ERT an opportunity to "reload" with property acquisitions; and (3) the incremental $6.00-per-share value of *Gunnison* is not reflected in the current price of CDIS. In summary, your management believes that the present market conditions provide an opportunity to aggressively acquire assets and implement the final pieces of our long-term strategy.

Financial Highlights

Many sectors of the U.S economy are reporting second quarter losses, write-downs and layoffs. In this environment we are proud of a bottom line that represents 15% of revenue.

	Second Quarter			Six Months		
	2001	2000	Increase	2001	2000	Increase
Revenues	$48,786,000	$39,901,000	22%	$107,268,000	$80,010,000	34%
Net Income	7,546,000	3,660,000	106%	18,320,000	6,874,000	167%
Diluted Earnings Per Share	0.23	0.11	109%	0.55	0.21	162%

(**Revenues:** The $8.9 million improvement is related to an increase in DSV construction activity on the Outer Continental Shelf ($7.6 million) and our DP vessels working at near full utilization ($3.0 million). These increases easily offset a decline in revenue from salvage operations.

(**Margins:** 35% improved from 26% in the year ago quarter with all of that improvement coming in marine construction activities. Gas and oil margins remained constant at roughly 50%.

(**SG&A:** Tight cost control kept overhead below $5.0 million. Given the significant increase in revenues, that had the effect of adding two points to operating margins.

(**Liquidity:** EBITDA of $20.1 million (42% of Q2 revenues) brought the six month total to $47.0 million. That cash generation helped to fund first half capital expenditures of almost $75 million related to continuing construction of the *Q4000*, conversion of the *Sea Sorceress*, acquisition of the *Mystic Viking*, purchase of the assets of Professional Divers of New Orleans, and the rig recompletion activity of ERT. We closed June with $23.5 million of cash on hand.

Operational Highlights

(**DP Fleet:** Strong demand kept our dynamically positioned vessels essentially fully booked in contrast to utilization of only 41% in Q2 last year. The *Witch Queen* remained in Mexican waters the entire quarter; the *Merlin* provided ROV support to the Allseas *Lorelay* pipelay vessel on its summer campaign; and the *Mystic Viking* was deployed during the month of June on a cable lay project in the Atlantic Ocean. The *Uncle John* worked with alliance partner Fugro on a Deepwater coring and geotechnical sampling project. This pre-drilling activity was performed at four Deepwater fields: *Gunnison* (3,100 fsw), *Holstein* (4,400 fsw), *Crazy Horse* (6,300 fsw) and set a new world record at *Atlantis* (6,841 fsw). This highly successful activity emphasized the fact that in these water depths, drilling rigs are the only alternative as a coring work platform.

(**Mid-Water Gulf:** Our alliance with Horizon Offshore paid significant dividends in Q2 as the performance of our offshore crews was outstanding, particularly in the mid-water Gulf where our saturation vessels dominate and Horizon has fewer competitors. In addition, we took over all Horizon barge diving effective May 1, a low-margin activity we view as a contribution to the success of the alliance.

(**Aquatica:** Revenues in the shallow water market (beach to 300 fsw) continued to increase at a rapid pace. Part of the 75% improvement over Q2 last year reflects the timely acquisition of the Professional Divers of New Orleans assets – we now field ten DSVs versus five a year ago. Vessel utility was 85%, an unusually high level, especially considering the impact of Tropical Storm Allison. Better yet, the call-out nature of these projects enables us to adjust rates rapidly. Gross profit margins were 32% in the latest quarter, up from 28% in the same period last year.

(**Salvage Operations:** Revenues declined by $2.7 million as Q2 last year involved a major decommissioning project for Range Resources. After having the market for removal of smaller structures basically to ourselves for the last decade, we now have aggressive competition from Offshore Specialty Fabricators and Tetra Technologies. On the plus side, we expect the salvage market to increase significantly. Producers who held on to mature properties to reap the benefit of the higher commodity prices now face negative asset values because of the collapse of the natural gas markets.

(**ERT:** Production of 3.55 BCFe was below our forecast as a back-in interest at one of our major properties (South Timbalier 235) was triggered a month earlier than anticipated. In addition, we are restricting the volume of new production following rig recompletion work at Vermilion 22 until commodity prices improve. Although Q2 production was 15% below the 4.2 BCFe generated a year ago, that decrease was more than offset by an average realized natural gas price of $4.50 versus $3.40 in Q2 of 2000. Oil accounted for 29% of first half production, up from 22% a year ago due to the January 1 acquisition of Vermilion 201. Second quarter oil prices remained relatively constant at $26.20 per barrel versus $26.50 in the prior year period.

(**People:** Lou Tapscott, Senior Vice President – Special Projects, closed out a 45-year career that transcends the evolution of the entire offshore construction industry. Lou began diving for the original California Divers in the mid 1960's and then worked his way up through the ranks at Oceaneering over the next two decades to become a Director and Chief Operating Officer of that company. In the 1990's he was a senior officer of Sonsub International before coming "home" to Cal Dive in late 1996. Lou will continue as a consultant to CDI through his involvement with the *Q4000* and Deepstar (the consortium which conducts Deepwater GOM research).

(**Forecast:** The accompanying Appendix projects third quarter diluted earnings per share in a range of $0.15 to $0.19. This decline reflects the short-term impact of what appear to be six-month industry cycles driven by investor emotion. The key question is the extent to which our E&P customers divert capital to stock repurchase programs rather than new construction/production. The normal seasonal impact of weather on the fourth quarter and the decision to delay delivery of the *Q4000* suggests that diluted earnings per share for the full year will be in a range of $0.85 to $0.95, pretty much in line with our beginning of the year forecast. In any event, this still suggests that CDI will set an all-time earnings record in 2001.

Respectfully submitted,

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

APPENDIX

DISCLOSURE OF THIRD QUARTER 2001 ESTIMATES

This narrative sets forth current estimates of operating and financial data for the quarter ending September 30, 2001. All of the assumptions upon which these estimates are based constitute ***forward looking statements*** within the meaning of Section 27 A of the Securities Act of 1933, Section 21 E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Although we believe that these forward looking statements are based on reasonable assumptions, a number of factors could affect the future results of the Company or the offshore oilfield industry generally, and could cause actual results to differ materially from those estimated. Those factors are set forth in more detail in our Form 10-K Annual Report filed with the Securities and Exchange Commission, to which the reader is referred.

Third Quarter

- **Vessel Availability:** Could see DP vessels out of service for up to a total of ten weeks: *Uncle John* (completion of the re-engining upgrade), *Witch Queen* (thruster repairs), *Merlin* (thruster change out) and the *Mystic Viking* (transit from the Atlantic). The *Witch Queen* will remain in Mexican waters the entire quarter, commencing a project for EMC beginning around the first of August. The *Mystic Viking* will move to Mexican waters at that time to take over the long running Horizon project. The *Merlin* will finish the Allseas *Lorelay* charter and then we hope to see her move to offshore Trinidad.

- **Contracting Revenues:** Range from $32 to $37 million in contrast to $32 million in Q2 and $26 million in the same period of 2000. This forecast assumes that customers will proceed with projects bid and scheduled for Q3 and that September weather will not throw us a curve ball.

- **Commodity Prices:** Continued significant injections into storage make forecasting natural gas prices difficult: We assume an average realized natural gas price of $2.50/mcf to $3.00/mcf and that oil will not stray too far from $25/bbl.

- **Gas & Oil Production:** The reduction from second quarter levels to 2.8 to 3.2 BCFe reflects the back-in interest at South Timbalier 235, continuing to hold gas off the market at Vermilion 22 and the normal decline curve of our portfolio of mature properties.

- **Margins:** The decline in natural gas prices will drop consolidated margins to the 25% to 29% range.

- **SG&A:** The industry wide shortage of personnel resulted in efforts by competitors to recruit experienced CDI people. While most of these key employees have a significant “carrot” in the form of *Gunnison* participation, the lure of mega-dollars now makes for a difficult decision. Accordingly, we conducted a study of compensation levels and found it necessary to increase base salaries in a number of cases.

- **Tax Rate:** 35%, consistent with prior quarters, although we continue to expect that the tax treatment of the *Q4000* will result in our not paying any federal income taxes in the year 2001.

- **Shares Outstanding:** 33.2 million to 33.4 million fully diluted shares.

- **EPS:** Diluted earnings per share are projected in a range of 15 to 19 cents.

CAL DIVE INTERNATIONAL, INC.

Comparative Consolidated Statements of Operations

(000's omitted, except per share data)	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Net Revenues:				
Subsea and Salvage	$32,577	$23,970	$63,859	$54,308
Natural Gas and Oil Production	16,209	15,931	43,409	25,702
Total Revenues	48,786	39,901	107,268	80,010
Cost of Sales	31,872	29,483	68,096	61,195
Gross Profit	16,914	10,418	39,172	18,815
Selling and Administrative	4,863	4,953	10,470	9,249
Interest (Income), net & Other	442	27	733	(173)
Income Before Income Taxes	11,609	5,438	27,969	9,739
Income Tax Provision	4,063	1,904	9,789	3,409
Minority Interest	0	(126)	(140)	(544)
Net Income	$7,546	$3,660	$18,320	$6,874
Other Financial Data:				
Depreciation and Amortization:				
Subsea and Salvage	$3,541	$3,010	$6,747	$5,794
Natural Gas and Oil Production	4,881	4,751	12,070	7,437
EBITDA (1)	20,135	13,222	47,025	23,067
Weighted Avg. Shares Outstanding:				
Basic	32,470	31,422	33,130	31,320
Diluted	33,212	32,310	33,388	32,208
Earnings Per Common Share:				
Basic	$0.23	$0.12	$0.55	$0.22
Diluted	$0.23	$0.11	$0.55	$0.21

(1) The Company calculates EBITDA as earnings before net interest expense, taxes, depreciation and amortization. EBITDA is a supplemental financial measurement used by CDI and investors in the marine construction industry in the evaluation of its business.

Comparative Consolidated Balance Sheets

ASSETS (000'S omitted)	June 30, 2001	Dec. 31, 2000	*LIABILITIES & SHAREHOLDERS' EQUITY*	June 30, 2001	Dec. 31, 2000
Current Assets:			Current Liabilities:		
Cash and cash equivalents	$23,472	$47,462	Accounts payable	$21,640	$25,461
Accounts receivable	44,494	44,826	Accrued liabilities	19,514	21,435
Income tax receivable	0	10,014	Income tax payable	0	0
Other current assets	18,184	20,975			
Total Current Assets	86,150	123,277	Total Current Liabilities	41,154	46,896
			Long-Term Debt	40,054	40,054
Net Property & Equipment	256,870	198,542	Deferred Income Taxes	45,461	38,272
Goodwill	15,340	12,878	Decommissioning Liabilities	27,389	27,541
Other Assets	13,554	12,791	Shareholders' Equity	217,856	194,725
Total Assets	$371,914	$347,488	Total Liabilities & Equity	$371,914	$347,488

This report and press release include 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.

The New Generation Energy Services Company

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For Immediate Release **01-013**

Contact: Jim Nelson

Date: August 2, 2001 **Title: Vice Chairman**

Cal Dive Earnings Double in Second Quarter

HOUSTON, TX – Cal Dive International, Inc. (Nasdaq: CDIS) announced second quarter net income of $7.5 million, an increase of 106% over the $3.7 million earned in the comparable period of 2000. Diluted earnings per share increased 109% to 23 cents versus 11 cents a year ago. Revenues of nearly $49 million increased $8.9 million due to higher vessel utilization and better rates realized in marine construction activities.

Owen Kratz, Chairman and Chief Executive Officer, stated "Cal Dive's dominant position in niche markets enabled second quarter earnings to double even though revenues increased only 22%. By adding assets and people to Aquatica we achieved 85% vessel utility in a shallow water market that supports higher margin drill rig activity. Our alliance with Horizon Offshore was particularly effective in the mid-water Gulf, which we dominate with our saturation vessels. In the Deepwater, the world class capability of our DP fleet was demonstrated by full utilization, with two vessels working outside the U.S. Gulf and only one, the *Uncle John*, active in the spot market.

"We believe that the uncertainty caused by negative investor sentiment toward the energy sector has created an opportunity to aggressively build our asset base for future growth. Our strategy will focus upon four markets: traditional Cal Dive subsea construction work on the OCS, deploying high technology solutions in the installation of Deepwater facilities, supporting life-of-field operations and partnering with customers in production contracting endeavors."

First half earnings of $18.3 million improved by 167% over the $6.9 million of 2000 and, in just six months, exceeded Cal Dive earnings for all of 1999. Diluted earnings per share of 55 cents compare to 21 cents for the first six months of 2000. First half revenues of $107 million increased by $27 million or 34%.

Cal Dive International, Inc. headquartered in Houston, TX, is an energy service company specializing in well operations and subsea construction. CDI operates a fleet of technically advanced marine construction vessels and conducts salvage operations in the Gulf of Mexico. Energy Resource Technology, Inc., a wholly owned subsidiary, acquires and operates mature and non-core offshore oil and gas properties.