

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

SEABULK INTERNATIONAL INC
Form 10-Q
May 15, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2003

Commission File Number: 0-28732

SEABULK INTERNATIONAL, INC.

State of Incorporation: Delaware

I.R.S. Employer I.D.: 65-0966399

Address and Telephone Number:
2200 Eller Drive
P.O. Box 13038
Ft. Lauderdale, Florida 33316
(954) 523-2200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety days. YES NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES NO

THERE WERE 23,317,735 SHARES OF COMMON STOCK, PAR VALUE \$0.01 PER SHARE, OUTSTANDING AT MAY 1, 2003.

SEABULK INTERNATIONAL, INC.

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited).....

 Condensed Consolidated Balance Sheets at March 31, 2003 and December 31, 2002.....

 Condensed Consolidated Statements of Operations for the three months ended March 31, 2003 and 2002.....

 Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2003 and 2002.....

 Notes to Condensed Consolidated Financial Statements.....

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations...

Item 3. Quantitative and Qualitative Disclosures of Market Risk.....

Item 4. Controls and Procedures

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.....

Item 2. Changes in Securities

Item 3. Defaults Upon Senior Securities.....

Item 4. Submission of Matters to a Vote of Security Holders.....

Item 5. Other Information.....

Item 6. Exhibits and Reports on Form 8-K.....

Signature.....

Certifications.....

As used in this Report, the term "Parent" means Seabulk International, Inc., and the term "Company" means the Parent and/or one or more of its consolidated subsidiaries.

PART I. FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEABULK INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(IN THOUSANDS, EXCEPT PAR VALUE DATA)

ASSETS

Current assets:

Cash and cash equivalents	\$
Restricted cash	
Trade accounts receivable, net of allowance for doubtful accounts of \$4,924 and \$5,243 in 2003 and 2002, respectively	
Other receivables	
Marine operating supplies	
Prepaid expenses and other	

Total current assets

Vessels and equipment, net	
Deferred costs, net	
Other	

Total assets

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable
 Current maturities of long-term debt
 Current obligations under capital leases
 Accrued interest
 Accrued liabilities and other

Total current liabilities

Long-term debt
 Obligations under capital leases
 Other liabilities

Total liabilities

Commitments and contingencies

Minority interest

Stockholders' equity:

Preferred stock, no par value--authorized 5,000; none issued and outstanding
 Common stock--\$.01 par value, authorized 40,000 shares; 23,239 and
 23,124 shares issued and outstanding in 2003 and 2002, respectively
 Additional paid-in capital
 Unearned compensation
 Accumulated deficit

Total stockholders' equity

Total liabilities and stockholders' equity

See accompanying notes.

SEABULK INTERNATIONAL, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED MARCH 31,	
	2003	2002
	-----	-----
Revenue	\$ 77,229	\$ 80,000
Operating expenses:		
Crew payroll and benefits	21,380	21,380
Charter hire	1,726	1,726
Repairs and maintenance	5,733	5,733
Insurance	2,204	2,204
Fuel and consumables	6,139	6,139

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

Port charges and other	4,190	
	-----	---
Total operating expenses	41,372	4
Overhead expenses:		
Salaries and benefits	5,867	
Office	1,219	
Professional fees	910	
Other	1,334	
	-----	---
Total overhead expenses	9,330	
Depreciation, amortization and drydocking	16,494	1
	-----	---
Income from operations	10,033	1
Other (expense) income:		
Interest expense	(8,063)	(1)
Interest income	86	
Minority interest in (gains) losses of subsidiaries	(28)	
Gain (loss) on disposal of assets	797	
Other	23	
	-----	---
Total other expense, net	(7,185)	(1)
	-----	---
Income (loss) before provision for income taxes	2,848	
Provision for income taxes	1,262	
	-----	---
Net income (loss)	\$ 1,586	\$ (
	=====	=====
Net income (loss) per common share:		
Net income (loss) per common share - basic	\$ 0.07	\$
	=====	=====
Net income (loss) per common share - diluted	\$ 0.07	\$
	=====	=====
Weighted average common shares outstanding - basic	23,102	1
	=====	=====
Weighted average common shares outstanding - diluted ...	23,435	1
	=====	=====

See accompanying notes.

SEABULK INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(IN THOUSANDS)

OPERATING ACTIVITIES:		
Net income (loss)		\$
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization of vessels and equipment		

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

Amortization of drydocking costs	
(Recovery of) provision for bad debts	
(Gain) loss on disposal of assets	
Amortization of discount on long-term debt and financing costs	
Minority interest in gains (losses) of subsidiaries	
Senior and notes payable issued for payment of accrued interest and fees ...	
Other non-cash items	
Changes in operating assets and liabilities:	
Accounts and other receivables	
Other current and long-term assets	
Accounts payable and other liabilities	
Net cash provided by operating activities	
INVESTING ACTIVITIES:	
Expenditures for drydocking	
Proceeds from disposals of assets	
Purchases of vessels and equipment	
Net cash used in investing activities	
FINANCING ACTIVITIES:	
Net payments of revolving credit facility	
Payments of New Credit Facility	
Payments of long-term debt	
Payments of Title XI bonds	
Payments of deferred financing costs for New Credit Facility	
Payments of obligations under capital leases	
Net cash used in financing activities	
Change in cash and cash equivalents	
Cash and cash equivalents at beginning of period	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:	
Senior and notes payable issued for payment of accrued interest and fees	\$
Vessels exchanged for drydock expenditures	\$
Reactivation of two vessels that were classified as assets held for sale	\$

See accompanying notes.

SEABULK INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003
(UNAUDITED)

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

in the United States of America for interim financial information and with Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. All adjustments which, in the opinion of management, are considered necessary for a fair presentation of the results of operations for the periods shown are of a normal recurring nature and have been reflected in the unaudited condensed consolidated financial statements. The results of operations for the periods presented are not necessarily indicative of the results expected for the full fiscal year or for any future period. The information included in these unaudited condensed consolidated financial statements should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in this report and the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002. Except net income (loss), the Company has no material components of comprehensive income (loss).

Certain financial statement reclassifications have been made to conform prior periods' data to the 2003 financial statement presentation.

2. VESSEL PURCHASES

In January 2003, the Company took delivery of the Seabulk Africa, a newbuild, state-of-the art, 236-foot, 5,500 horsepower UT-755L platform supply vessel. The vessel has joined the Company's West African fleet. The Seabulk Africa and related improvements were acquired for cash of approximately \$17.8 million and financed in April 2003 by means of a sale leaseback arrangement with TransAmerica Capital for a lease term of 10 years, after which the Company will have an option to acquire the vessel.

In February 2003, the Company finalized an agreement to purchase a Brazilian flag offshore line handling vessel built in 2002 for delivery by July 2003. The purchase price is \$2.6 million and, upon delivery, will enter the Brazilian offshore market.

In April 2003, the Company terminated a capital lease with TA Marine Inc. for the Seabulk Arizona and acquired the vessel for \$6.9 million. The Seabulk Arizona is a 1998 built, 186-foot, 4,200 horsepower supply vessel. Financing was in the form of a 5-year, \$6.5 million term loan provided by Orix Financial Services, Inc.

In April 2003, the Company finalized an agreement with a Brazilian shipyard to build a state-of-the-art, 236-foot, 5,460 horsepower UT-755L platform supply vessel for delivery in the Fall of 2004, with an option for a second sister ship. The vessel has a purchase price of \$16.7 million and, upon delivery, will enter the Brazilian offshore market.

3. JOINT VENTURE AGREEMENTS

In March 2003, the Company formed a joint venture company in Nigeria, named Modant Seabulk Nigeria Limited, with CTC International, Inc., a company owned by Nigerian interests. The Company has a 40% interest in Modant Seabulk Nigeria Limited. The Company also sold five of its crewboats operating in Nigeria to joint venture companies related to CTC International in April 2003. As a part of the proceeds of sale, the Company acquired a 20% interest in these joint venture companies. Modant Seabulk Nigeria Limited will operate crewboats in Nigeria. Seabulk Offshore will provide certain management services for the

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

joint venture.

4. INCOME TAXES

For the three months ended March 31, 2003 and 2002, a gross deferred tax benefit was computed using an estimated annual effective tax rate of 35%. Management has recorded a valuation allowance at March 31, 2003 and 2002 to reduce the net deferred tax assets to an amount that will more likely than not be realized. After application of the valuation allowance, the net deferred tax assets are zero. The current provision for income taxes for the three-month periods ended March 31, 2003 and 2002 represents taxes withheld on foreign source revenue.

5. NET INCOME (LOSS) PER COMMON SHARE

The following table sets forth the computation of basic and diluted net income (loss) per share for the periods indicated:

	THREE M ----- 2003 ----- (IN THOUSANDS,
<p>Numerator for basic and diluted net income (loss) per share:</p>	
Net income (loss) available to common shareholders	\$ 1,586 =====
<p>Denominator for basic net income per share-weighted average shares</p>	
	23,102
<p>Effects of dilutive securities:</p>	
Stock options	123
Warrants	210 -----
Dilutive potential common shares	333 -----
<p>Denominator for diluted net income per share-adjusted weighted average shares and assumed conversions</p>	
	23,435 =====
Net income (loss) per share - basic	\$ 0.07 =====
Net income (loss) per share - diluted	\$ 0.07 =====

The weighted average diluted common shares outstanding for the three months ended March 31, 2003 and 2002 excludes 746,000 and 818,000, respectively. Additionally, 250,000 and 572,000 warrants are excluded from the weighted average diluted common shares outstanding for the three months ended March 31, 2003 and 2002, respectively. These common stock equivalents are excluded because they are antidilutive.

6. SEGMENT INFORMATION

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

The Company organizes its business principally into three segments. The Company does not have significant intersegment transactions. These segments and their respective operations are as follows:

Offshore Energy Support (Seabulk Offshore) - Offshore energy support includes vessels operating in U.S. and foreign locations used primarily to transport materials, supplies, equipment and personnel to drilling rigs and to support the construction, positioning and ongoing operations of oil and gas production platforms.

Marine Transportation Services (Seabulk Tankers) - Marine transportation services includes oceangoing vessels used to transport chemicals, fuel and other petroleum products, primarily from chemical manufacturing plants, refineries and storage facilities along the U.S. Gulf of Mexico coast to industrial users and distribution facilities in and around the Gulf of Mexico, Atlantic and Pacific coast ports. Certain of the vessels also transport crude oil within Alaska and among Alaska, the Pacific coast and Hawaiian ports.

Towing (Seabulk Towing) - Harbor and offshore towing services are provided by tugs to vessels utilizing the ports in which the tugs operate, and to vessels at sea to the extent required by offshore commercial contract opportunities and by environmental regulations, casualty or other emergency.

The Company evaluates performance by operating segment. Also, within the offshore energy support segment, the Company performs additional performance evaluations of vessels marketed in U.S. and foreign locations. Resources are allocated based on segment profit or loss from operations, before interest and taxes.

Revenue by segment and geographic area consists only of services provided to external customers, as reported in the Statements of Operations. Income from operations by geographic area represents net revenue less applicable costs and expenses related to that revenue. Unallocated expenses are primarily comprised of general and administrative expenses of a corporate nature.

6

The following schedules present segment and geographic information about the Company's operations (in thousands):

	THREE MONTHS ENDED	
	MARCH 31,	
	----- 2003 -----	----- 2002 -----
REVENUE		
Offshore energy support	\$ 37,838	\$ 43,312
Marine transportation services	30,177	31,924
Towing	9,289	8,060
Eliminations (1)	(75)	(97)
	-----	-----
TOTAL	\$ 77,229	\$ 83,199

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

	=====	=====
OPERATING EXPENSES		
Offshore energy support	\$ 23,202	\$ 23,589
Marine transportation services	13,657	17,767
Towing	4,588	4,471
Corporate	--	11
Eliminations (1)	(75)	(97)
	-----	-----
TOTAL	\$ 41,372	\$ 45,741
	=====	=====
DEPRECIATION, AMORTIZATION AND DRYDOCKING		
Offshore energy support	\$ 10,689	\$ 10,503
Marine transportation services	4,554	4,548
Towing	826	760
General corporate	425	747
	-----	-----
TOTAL	\$ 16,494	\$ 16,558
	=====	=====
INCOME (LOSS) FROM OPERATIONS		
Offshore energy support	\$ (762)	\$ 5,111
Marine transportation services	11,083	8,157
Towing	2,653	1,686
General corporate	(2,941)	(2,986)
	-----	-----
TOTAL	\$ 10,033	\$ 11,968
	=====	=====
NET INCOME (LOSS)		
Offshore energy support	\$ (4,104)	\$ (2,471)
Marine transportation services	6,671	2,588
Towing	1,965	383
General Corporate	(2,946)	(2,786)
	-----	-----
TOTAL	\$ 1,586	\$ (2,286)
	=====	=====
GEOGRAPHIC REVENUE		
Domestic	\$ 48,227	\$ 53,571
Foreign		
West Africa	19,964	20,416
Middle East	5,477	6,058
Southeast Asia	3,561	3,154
	-----	-----
CONSOLIDATED GEOGRAPHIC REVENUE	\$ 77,229	\$ 83,199
	=====	=====

(1) Eliminations of intersegment towing revenue and intersegment marine transportation operating expense.

7. COMMITMENTS AND CONTINGENCIES

Under United States law, "United States persons" are prohibited from business activities and contracts in certain countries, including Sudan and

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

Iran. The Company has filed three reports with and submitted documents to the Office of Foreign Asset Control ("OFAC") of the U.S. Department of Treasury. One of the reports was also filed with the Bureau of Export Administration of the U.S. Department of Commerce. The reports and documents related to certain limited charters with third parties involving three of the Company's vessels which called in the Sudan for several months in 1999 and January 2000, and charters with third parties involving several of the Company's vessels which called in Iran in 1998. In March 2003, the Company received notification from OFAC that the case has been referred to its Civil Penalties Division. Should OFAC determine that these activities constituted violations of the laws or regulations, civil penalties, including fines, could be assessed against the Company and/or certain individuals who knowingly participated in such activities. The Company cannot predict the extent of such penalties; however, management does not believe the outcome of these matters will have a material impact on its financial position or results of operations.

The Company was sued by Maritime Transportation Development Corporation in January 2002 in Florida state court in Broward County alleging broker commissions due since 1998 from charters on two of its vessels, the Seabulk Magnachem and Seabulk Challenger, under an alleged broker commission agreement. The claim allegedly continues to accrue. The amount alleged to be due is over \$500,000, but is subject to offset claims and defenses by the Company. The Company is vigorously defending such charges and believes that it has good defenses, but the Company cannot predict the ultimate outcome.

Under the Company's mutual protection and indemnity marine insurance policy, the Company could be liable for additional premiums to cover investment losses and reserve shortfalls experienced by its marine insurance club (Steamship). The maximum potential amount of additional premiums that can be assessed by Steamship is substantial. However, additional premiums can only be assessed for open policy years. Steamship usually closes a policy year approximately three years after the policy year has ended. As of May 1, 2003, completed policy years 2000 - 2002 are still open, but there have been no additional premiums assessed for these policy years. The Company will record a liability for any such additional premiums in the period that they are assessed and the amount can be reasonably estimated.

From time to time, the Company is also party to personal injury and property damage claims litigation arising in the ordinary course of our business. The Company has significant deductibles and self-insured retentions which will cover Protection and Indemnity marine insurance claims. Claim costs in excess of these significant deductibles and self-insured retentions will be covered by Protection and Indemnity mutual insurance.

8. STOCK-BASED COMPENSATION

As permitted by SFAS No. 123, Accounting for Stock-Based Compensation ("SFAS 123"), the Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25") and related interpretations in accounting for its employee stock-based transactions and has complied with the disclosure requirements of SFAS 123. Under APB 25, compensation expense is calculated at the time of option grant based upon the difference between the exercise prices of the option and the fair market value of the Company's common stock at the date of grant recognized over the vesting period.

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

Stock-Based Compensation - Transition and Disclosure. SFAS No. 148 amends SFAS 123 to provide alternative methods of transition to the fair value method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure provisions of SFAS 123 to require expanded disclosure of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements.

The Company uses the Black-Scholes option valuation model to determine the fair value of options granted under the Company's stock option plans. Had compensation expense for the stock option grants been determined based on the fair value at the grant date for awards consistent with the methods of SFAS No. 123, the Company's net income (loss) would have changed the pro forma amounts presented below:

	T ----- 2003 -----
Net income (loss), as reported	\$ 1,5
Stock-based compensation expense determined under the fair value method ...	\$ (1
Pro forma net income (loss)	\$ 1,4 =====
Net income (loss) per common share:	
Basic-as reported	\$ 0. =====
Basic-pro forma	\$ 0. =====
Diluted-as reported	\$ 0. =====
Diluted-pro forma	\$ 0. =====

9. RECENT ACCOUNTING PRONOUNCEMENTS

In November 2002, the FASB issued Interpretation No. 45 ("FIN 45"), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 expands on the accounting guidance of Statements No. 5, 57, and 107 and incorporates without change the provisions of FASB Interpretation No. 34, which is being superseded. FIN 45 elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit. It also clarifies that at the time a company issues a guarantee, it must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The initial recognition and initial measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002, regardless of the guarantor's fiscal year-end. The disclosure requirements in the Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of FIN 45 is not expected to have a significant impact on the Company.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 14, and Technical Corrections, which eliminates the requirement that gains and losses from the

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

extinguishment of debt be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect, and eliminates an inconsistency between the accounting for sale-leaseback transactions and certain lease modifications that have economic effects that are similar to sale-leaseback transactions. Subsequent to the January 1, 2003 adoption date of the

9

standard, the Company will be required to reclassify to continuing operations amounts previously reported as extinguishments of debt.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities, which addresses the financial accounting and reporting for costs associated with exit or disposal activities. SFAS No. 146 is effective for fiscal years beginning after December 31, 2002. The adoption of the standard is not expected to have a significant impact on the Company.

In June 2001, the Accounting Executive Committee of the American Institute of Certified Public Accountants issued an exposure draft of a proposed Statement of Position ("SOP") entitled Accounting for Certain Costs and Activities Related to Property, Plant and Equipment. Under the proposed SOP, the Company would expense major maintenance costs as incurred and prohibit the use of the deferral of the entire cost of a planned major maintenance activity. Currently, the costs incurred to drydock the Company's vessels are deferred and amortized on a straight-line basis over the period to the next drydocking, generally 30 to 36 months. Management has determined that this SOP, if issued as proposed, would have a material effect on the consolidated financial statements. In the year of adoption, the Company would write-off the net book value of the deferred drydocking costs and record the write-off as a change in accounting principle (\$24.4 million as of March 31, 2003). Additionally, all drydock expenditures incurred after the adoption of the SOP would be expensed as incurred.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the condensed consolidated financial statements and the related notes thereto included elsewhere in this Report and the 2002 Form 10-K.

The MD&A contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact included in the MD&A are forward-looking statements. Although the Company believes that the expectations and beliefs reflected in such forward-looking statements are reasonable, it can give no assurance that they will prove correct. For information regarding the risks and uncertainties that could cause such forward-looking statements to prove incorrect, see "Projections and Other Forward-Looking Information" in Item 1 of the 2002 Form 10-K.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

For general information concerning critical accounting policies as well as estimates, see "Management's Discussion and Analysis of Financial Condition and Results of Operations, Critical Accounting Policies and Estimates" in the

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

2002 Form 10-K.

In June 2001, the Accounting Executive Committee of the American Institute of Certified Public Accountants issued an exposure draft of a proposed Statement of Position ("SOP") entitled Accounting for Certain Costs and Activities Related to Property, Plant and Equipment. Under the proposed SOP, the Company would expense major maintenance costs as incurred and prohibit the use of the deferral of the entire cost of a planned major maintenance activity. Currently, the costs incurred to drydock the vessels are deferred and amortized on a straight-line basis over the period to the next drydocking, generally 30 to 36 months. Management has determined that this SOP, if issued as proposed, would have a material effect on the consolidated financial statements. In the year of adoption, the Company would write off the net book value of the deferred drydocking costs and record the write-off as a change in accounting principle

10

(\$24.4 million as of March 31, 2003). Additionally, all drydock expenditures incurred after the adoption of the SOP would be expensed as incurred.

REVENUE OVERVIEW

The Company derives its revenue from three main lines of business - Seabulk Offshore, Seabulk Tankers, and Seabulk Towing. Seabulk Offshore, the Company's domestic and international offshore energy support business, accounted for approximately 49% and 52% of Company revenue for the three months ended March 31, 2003 and 2002, respectively. Marine transportation, under the name Seabulk Tankers, consists of the Company's Jones Act tanker business, in which it operates ten petroleum and chemical product carriers in the domestic coastwise trade, and accounted for approximately 39% and 38% of Company revenue for the three months ended March 31, 2003 and 2002, respectively. Seabulk Towing, the Company's domestic harbor and offshore towing business, accounted for approximately 12% and 10% of Company revenue for the three months ended March 31, 2003 and 2002, respectively.

SEABULK OFFSHORE

Revenue from the Company's offshore energy support operations is primarily a function of the size of the Company's fleet, vessel day rates or charter rates, and fleet utilization. Rates and utilization are primarily a function of offshore exploration, development, and production activities, which are in turn heavily dependent upon the price of crude oil and natural gas. Further, in certain areas where the Company conducts offshore energy support operations (particularly the U.S. Gulf of Mexico), contracts for the utilization of offshore energy support vessels commonly include termination provisions with three to five-day notice requirements and no termination penalty. As a result, companies engaged in offshore energy support operations (including the Company) are particularly sensitive to changes in market demand.

As the Company's offshore energy support fleet gets older, the Company's strategy is to look for opportunities to upgrade its offshore fleet to higher-value, newer vessels and to reduce the number of older and smaller crewboats in its fleet. The Company sold six offshore energy support vessels during the first quarter of 2003 for an aggregate total of \$2.0 million and a gain of approximately \$800,000. The Company sold 17 offshore energy support vessels during 2002 for an aggregate total of \$6.8 million and a gain of approximately \$55,000.

Periods for collection of receivables in certain foreign areas of

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

operation in the offshore business tend to be longer than is usual for the United States. The Company regularly monitors all such receivables accounts and believes that it has accrued adequate reserves where necessary.

11

The following tables set forth, by primary area of operation, average day rates achieved by the offshore energy fleet owned or operated by the Company and average utilization for the periods indicated. Average day rates are calculated by dividing total revenue by the number of days worked. Utilization percentages are based upon the number of working days over a 365/366-day year and the number of vessels in the fleet on the last day of the quarter.

	AHTS/ Supply -----	AHT/ Tugs -----	Q1 2003 Crew/ Utility -----	Oth ---
DOMESTIC(1)				
Vessels	21	--	25	
Laid-Up	--	--	--	
Effective Utilization	56%	--	61%	
Day Rate	\$5,192	--	\$2,330	
WEST AFRICA				
Vessels	32	4	6	
Laid-Up	--	--	--	
Effective Utilization	80%	72%	97%	
Day Rate	\$7,223	\$6,131	\$3,028	
MIDDLE EAST				
Vessels	6	6	7	
Laid-Up	--	--	--	
Effective Utilization	90%	56%	86%	
Day Rate	\$3,283	\$4,457	\$1,682	\$5,
SOUTHEAST ASIA				
Vessels	9	1	--	
Laid-Up	--	--	--	
Effective Utilization	59%	--	--	
Day Rate	\$5,936	--	--	

 (1) Domestic consists of vessels operating in the United States, the U.S. Gulf of Mexico and Mexico.

12

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

	Q1 2002				Q2 2002		
	AHTS/ Supply	AHT/ Tugs	Crew/ Utility	Other	AHTS/ Supply	AHT/ Tugs	Cr Utili
	-----	-----	-----	-----	-----	-----	-----
DOMESTIC (1)							
Vessels (2)							
(3) (4) (8) (9)	24	--	30	2	21	--	
Bareboat-out (4)	--	--	--	--	--	--	
Laid-Up	--	--	--	1	--	--	
Effective Utilization (5)	59%	--	65%	--	63%	--	
Day Rate	\$6,687	--	\$2,666	--	\$6,005	--	\$2,
WEST AFRICA							
Vessels (2) (3) (6)							
(7) (8) (12)	29	5	7	1	30	5	
Laid-Up	--	1	--	--	--	1	
Effective Utilization (5)	84%	86%	89%	97%	85%	97%	
Day Rate	\$7,368	\$6,613	\$3,124	--	\$8,042	\$6,522	\$2,
MIDDLE EAST							
Vessels (2)	6	8	8	5	6	8	
Laid-Up	--	1	1	1	--	1	
Effective Utilization (5)	83%	75%	81%	77%	79%	62%	
Day Rate	\$3,265	\$4,571	\$1,649	\$4,502	\$3,250	\$5,048	\$1,
SOUTHEAST ASIA							
Vessels (2) (7) (10)	8	--	5	2	8	--	
Laid-Up	--	--	--	--	--	--	
Effective Utilization (5)	59%	--	53%	44%	68%	--	
Day Rate	\$5,510	--	\$1,472	--	\$6,320	--	
	Q3 2002				Q4 2002		
	AHTS/ Supply	AHT/ Tugs	Crew/ Utility	Other	AHTS/ Supply	AHT/ Tugs	Cre Utili
	-----	-----	-----	-----	-----	-----	-----
DOMESTIC (1) (13)							
Vessels (2) (8) (9)	21	--	31	2	21	--	
Bareboat-out	--	--	--	--	--	--	
Laid-Up	--	--	--	1	--	--	
Effective Utilization (5)	63%	--	62%	--	65%	--	
Day Rate	\$5,581	--	\$2,530	--	\$5,252	--	\$2,
WEST AFRICA							
Vessels (2) (12)	30	5	6	1	30	4	
Laid-Up	--	1	--	--	--	--	
Effective Utilization (5)	80%	87%	76%	--	79%	71%	
Day Rate	\$7,787	\$6,234	\$2,976	--	\$7,316	\$5,891	\$2,
MIDDLE EAST							

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

Vessels (2) (11)	6	8	8	5	6	7	
Laid-Up (11)	--	1	1	1	--	--	
Effective Utilization (5)	92%	49%	88%	65%	86%	71%	
Day Rate	\$3,496	\$4,556	\$1,646	\$4,181	\$3,684	\$3,991	\$1,
SOUTHEAST ASIA							
Vessels (2)	8	--	--	2	8	--	
Laid-Up	--	--	--	--	--	--	
Effective Utilization (5)	66%	--	--	--	61%	--	
Day Rate	\$5,584	--	--	--	\$6,484	--	

- (1) Domestic consists of vessels operating in the United States, the U.S. Gulf of Mexico and Mexico.
- (2) Held-for-sale and bareboat-out vessels are excluded from the vessel count.
- (3) During Q1 2002, two Anchor Handling Tug Supply Vessels were transferred from Domestic to West Africa.
- (4) During Q1 2002, a bareboat contract for one Geophysical Vessel in the Domestic operating region expired and the vessel was returned to the Company.
- (5) Effective utilization excludes laid-up vessels.
- (6) During Q1 2002, the Company reactivated one AHT from "held-for-sale" status. This vessel was placed into service in West Africa.
- (7) During Q1 2002, the Company reactivated one Anchor Handling Tug Supply Vessel from "held-for-sale" status and placed the vessel into service in Southeast Asia. Additionally during Q1 2002, the Company transferred one utility boat from Southeast Asia to West Africa.
- (8) During Q2 2002, two Anchor Handling Tug Supply Vessels were sold. Additionally during Q2 2002, the Company transferred one supply vessel to West Africa.
- (9) During Q2 2002, one Crewboat was returned to Domestic from Trinidad.
- (10) During Q2 2002, five Crewboats in Southeast Asia were sold.
- (11) During Q4 2002, two Anchor Handling Tugs and one Crewboat in the Middle East were sold.
- (12) During Q4 2002, one Anchor Handling Tug in West Africa was sold.
- (13) During Q4 2002, three Crewboats were moved to held-for-sale. They were subsequently sold in January 2003.

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

adversely affected by the continued slowdown in natural gas and crude oil drilling activity in the U.S. Gulf of Mexico. Despite relatively high natural gas prices and dwindling inventories, exploration and production companies in the U.S. Gulf of Mexico were unwilling to invest in new projects until there was clear evidence of the sustainability of commodity prices and an increase in energy demand. Although there is still uncertainty in the market, the rise in both crude oil and natural gas prices that began in the fourth quarter of 2002, driven by concern over a potential Middle East conflict, the temporary shutoff of Iraqi and Venezuelan imports, dwindling inventories of both crude oil and natural gas as the winter of 2002/2003 turned out to be much colder than expected, and other factors, should eventually aid a recovery in the Gulf of Mexico offshore vessel market. In the meantime, the Company is exploring charter opportunities in Mexico, which remains a healthy market. The recent increase in worldwide crude oil inventories and subsequent decline in crude oil prices following the conclusion of the war phase in Iraq complicates the outlook, however.

International offshore revenues for the first quarter of 2003 were slightly lower than the same period in the prior year. In West Africa, the demand for vessels, and hence utilization, remained strong as this is an oil-driven market with longer time horizons and increasing exploration and production budgets primarily from oil company majors. The Company redeployed one vessel and added one newbuild vessel to its West African operations during the first quarter of 2003. The recent unrest in Nigeria did not have a significant impact on the Company's operations.

International vessel demand is primarily driven by crude oil production. During the first quarter of 2003, crude oil prices and demand remained firm. The Company expects international exploration and production spending to continue to increase in West Africa, which should strengthen vessel demand in that area. Revenue decreased from the prior year for the Company's Middle East operations as both vessel count and utilization decreased. In Southeast Asia, revenue increased over the year-earlier period as day rates were higher and two new vessels were added to the fleet.

Average day rates and utilization for the Company's anchor handling tug supply vessels and supply boats at May 1, 2003 for Domestic, West Africa, the Middle East and Southeast Asia were approximately \$5,200/57%, \$6,600/91%, \$5,600/75% and \$3,300/83%, respectively. The Company had two offshore vessels in "held-for-sale" status as of March 31, 2003.

SEABULK TANKERS

Revenue from the Company's marine transportation services is derived from the operations of ten tankers carrying crude oil, petroleum products and chemical products in the U.S. Jones Act trade.

The Company's tanker fleet operates on either long-term time charters, bareboat charters, or pursuant to contracts of affreightment. The Company currently has six tankers operating under long-term time charters, three on contracts of affreightment and one under a bareboat charter.

The following table sets forth the number of vessels and revenue for the Company's petroleum and chemical product carriers:

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

	THREE MONTHS ENDED MARCH 31,	
	2003	2002
	-----	-----
Number of vessels owned at end of period ...	10	10
Revenue (in thousands)	\$30,177	\$28,688

Tanker revenue increased by 5.2% in the first quarter of 2003 as a result of improved rates and higher utilization.

Petroleum Tankers. Demand for crude oil and petroleum product transportation services is dependent both on production and refining levels as well as on consumer and commercial consumption of petroleum products and chemicals. The Company owned eight petroleum product tankers at March 31, 2003. Five of these are double-hull, state-of-the-art vessels, of which two have chemical-carrying capability. Since January 2002, a major oil company charterer has exclusive possession and control of one of the petroleum product tankers and is responsible for all operating and drydocking expenses of the vessel. In the third quarter of 2002, a vessel previously trading under a voyage charter entered into a three-year time charter with a major oil company, and two of our existing time charters were extended through July 10, 2010. Under a time charter, fuel and port charges are borne by the charterer customer and are therefore not reflected in the charter rates. Consequently, both the revenue and cost side of time charter vessels are reduced by the amount of the fuel and port charges. Our Jones Act fleet is benefiting from a tightening domestic tanker market, which should see a further strengthening as OPA 90 forces out older, single-hull vessels. None of our single-hull vessels is scheduled for retirement under OPA 90 before 2007.

Chemical Tankers. Demand for industrial chemical transportation services generally coincides with overall economic activity. The Company operated two chemical tankers and one of the five double-hull vessels in the chemical trade as of March 31, 2003. The two chemical tankers are double-bottom ships. The higher day rate environment for petroleum tankers is carrying over into the chemical tanker market as charterers look for quality tonnage to replace older single-hull vessels.

SEABULK TOWING

Revenue derived from the Company's tug operations is primarily a function of the number of tugs available to provide services, the rates charged for their services, the volume of vessel traffic requiring docking and other ship-assist services and competition. Vessel traffic, in turn, is largely a function of the general trade activity in the region served by the port.

The following table summarizes certain operating information for the Company's tugs:

	THREE MONTHS ENDED MARCH 31,	
	2003	2002
	-----	-----
Number of tugs at end of period ...	30	31
Revenue (in thousands)	\$9,289	\$8,060

Towing revenue increased 15.2% due to increased vessel traffic in

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

certain of the Company's ports, and other factors.

15

The Company has been the sole provider of docking services in Port Canaveral, the smallest of its harbor towing markets. As a result of a recent proceeding before the Federal Maritime Commission, the Company is expected to have a competitor in Port Canaveral. Port Canaveral Towing intends to continue its operations at Port Canaveral.

OVERVIEW OF OPERATING EXPENSES AND CAPITAL EXPENDITURES

The Company's operating expenses are primarily a function of fleet size and utilization. The most significant expense categories are crew payroll and benefits, maintenance and repairs, fuel, insurance and charter hire. For general information concerning these categories of operating expenses as well as capital expenditures, see "Management's Discussion and Analysis of Financial Condition and Results of Operations, Overview of Operating Expenses and Capital Expenditures" in the 2002 Form 10-K.

16

RESULTS OF OPERATIONS

The following table sets forth certain selected financial data and percentages of revenue for the periods indicated:

	THREE MONTHS ENDED MARCH 31, 2003		
	2003		(in millions)
Revenue	\$77.2	100%	\$83.2
Operating expenses	41.4	54	45.7
Overhead expenses	9.3	12	8.9
Depreciation, amortization and drydocking ...	16.5	21	16.6
	-----	---	-----
Income from operations	\$10.0	13%	\$12.0
	=====	===	=====
Interest expense, net	\$ 8.0	10%	\$12.7
	=====	===	=====
Other income, net	\$ 0.8	0.1%	\$ 0.1
	=====	===	=====
Net income (loss)	\$ 1.6	2%	\$(2.3)
	=====	===	=====

THREE MONTHS ENDED MARCH 31, 2003 COMPARED WITH THE THREE MONTHS ENDED MARCH 31, 2002

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

Revenue. Revenue decreased 7.2% to \$77.2 million for the three months ended March 31, 2003 from \$83.2 million for the three months ended March 31, 2002.

Offshore energy support revenue decreased 12.6% to \$37.8 million for the three months ended March 31, 2003 from \$43.3 million for the same period in 2002, primarily due to reduced revenue from the U.S. Gulf of Mexico. The decrease in the U.S. Gulf of Mexico was primarily due to reduced exploration and production activity in response to uncertain economic conditions and reduced demand for energy.

Marine transportation revenue decreased 5.5% to \$30.2 million for the three months ended March 31, 2003 from \$31.9 million for the three months ended March 31, 2002. This decrease is primarily due to the decrease in revenue for the Company's Sun State Marine Services subsidiary as a result of discontinuing operations in March 2002. This was partially offset by an increase in tanker revenue due to an increase in rates and higher utilization.

Towing revenue increased by 15.2% for the three months ended March 31, 2003 compared to the same period in the prior year. The increase in revenue is due to increased vessel traffic in certain of the Company's ports, and other factors.

Operating Expenses. Operating expenses decreased 9.6% to \$41.4 million for the three months ended March 31, 2003 from \$45.7 million for the same period in 2002, primarily due to the decrease in operating expenses for the Company's Sun State Marine Services subsidiary as a result of discontinuing operations in March 2002 and, to a lesser extent, from the reduction in crewing payroll in the struggling U.S. Gulf of Mexico market. Additionally, repairs and maintenance expenses decreased in the tanker segment as major repairs were done in the first quarter of 2002. As a percentage of revenue, operating expenses decreased to 54% for the three months ended March 31, 2003 from 55% for the 2002 period.

17

Overhead Expenses. Overhead expenses increased 4.4% to \$9.3 million for the three months ended March 31, 2003 from \$8.9 million for the same period in 2002, primarily due to an increase in accounting and legal fees. As a percentage of revenue, overhead expenses increased to 12% for the three months ended March 31, 2003 compared to 11% for the same period in 2002.

Depreciation, Amortization and Drydocking. Depreciation, amortization and drydocking remained substantially the same at \$16.5 million versus \$16.6 million for the same period in the prior year.

Net Interest Expense. Net interest expense decreased 36.9% to \$8.0 million or 10% of revenue for the three months ended March 31, 2003 from \$12.7 million or 15% of revenue for the same period in 2002. The decrease is primarily due to a lower debt balance and lower interest rates as a result of the recapitalization in September 2002.

Other Income, Net. Other income, net increased to \$0.8 million for the three months ended March 31, 2003 from \$0.1 million for the same period in 2002, primarily due to a gain on asset sales in 2003 compared to a loss on asset sales in the 2002 period.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows. Net cash provided by operating activities totaled \$27.7

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

million for the three months ended March 31, 2003 compared to \$29.8 million for the same period in 2002. The decrease in cash provided by operating activities is primarily a result of a reduction in the insurance reimbursements from our insurance club for settlement of outstanding insurance claims in the first quarter of 2003 versus the same period in the prior year. This was partially offset by an increase in net income before non-cash charges.

Net cash used in investing activities was \$18.5 million for the three months ended March 31, 2003 compared to \$1.8 million for the same period in 2002. The increase in cash used in investing activities is due to the cash purchase of the Seabulk Africa in January 2003 (See Note 2).

Net cash used in financing activities for the three months ended March 31, 2003 was \$7.1 million compared to \$15.5 million for the same period in 2002. The decrease in cash used in financing activities is attributable to larger payments on our previous term loans and revolving credit facility in the first quarter of 2002.

Recent Expenditures and Future Cash Requirements. During the first three months of 2003, the Company incurred \$20.8 million in capital expenditures for fleet improvements and drydocking costs. For the remainder of 2003, these capital expenditures are expected to aggregate approximately \$25 million. The Company received net proceeds of approximately \$13.3 million from the sale-leaseback of the Seabulk Africa in the second quarter of 2003. Total 2003 expenditures of approximately \$46 million will substantially cover all of the Company's drydocking requirements for 64 vessels during 2003.

18

Long-term debt consisted of the following at March 31, 2003:

FACILITY -----	2003 PAYMENTS -----	OUTSTANDING BALANCE AS OF MARCH 31, 2003 -----	MATURITY -----
Fortis Tranche A revolver	\$5.0 million	\$93.7 million	2007
Fortis Tranche B term loan	\$0.0 million	\$80.0 million	2007
Title XI Financing Bonds	\$0.5 million	\$234.0 million	2005 to 2024
Other notes payable	\$0.9 million	\$21.2 million	2003 to 2011

In addition to the revolver balance of \$93.7 million, there are \$1.3 million in outstanding letters of credit as of March 31, 2003. The Company is required to make semi-annual principal repayments of the revolver commencing six months after September 2002 with the final payment due in September 2007. The Company is also required to make semi-annual principal repayments on the term loan commencing 36 months after September 2002 with the final payment due 54 months after September 2002.

The Company's capital requirements arise primarily from its need to service debt, fund working capital and maintain and improve its vessels. The Company's expected 2003 capital requirements for debt service, vessel maintenance and fleet improvements total approximately \$98 million. The Company expects that cash flow from operations will continue to be a significant source of funds for our working capital and capital requirements.

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

Management continues implementation of certain initiatives in an effort to improve profitability and liquidity. These initiatives include (1) selective acquisitions and charters of additional vessels, (2) repositioning certain vessels to take advantage of higher day rates, (3) selling unprofitable vessels, and (4) eliminating non-essential operating and overhead expenses.

Management recognizes that unforeseen events or business conditions, including deterioration in its markets, could prevent the Company from meeting targeted operating results.

If unforeseen events or business conditions prevent the Company from meeting targeted operating results, the Company has alternative means including additional asset sales, additional reductions in operating expenses and deferral of capital expenditures, which should enable it to satisfy essential capital requirements. While the Company believes it could successfully complete alternative plans if necessary, there can be no assurance that such alternatives would be available or that the Company would be successful in their implementation.

EFFECTS OF INFLATION

The rate of inflation has not had a material impact on our operations. Moreover, if inflation remains at its recent levels, it is not expected to have a material impact on our operations for the foreseeable future.

19

RECENT ACCOUNTING PRONOUNCEMENTS

In November 2002, the FASB issued Interpretation No. 45 ("FIN 45"), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 expands on the accounting guidance of Statements No. 5, 57, and 107 and incorporates without change the provisions of FASB Interpretation No. 34, which is being superseded. FIN 45 elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit. It also clarifies that at the time a company issues a guarantee, it must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The initial recognition and initial measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002, regardless of the guarantor's fiscal year-end. The disclosure requirements in the Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of FIN 45 is not expected to have a significant impact on the Company.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 14, and Technical Corrections, which eliminates the requirement that gains and losses from the extinguishment of debt be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect, and eliminates an inconsistency between the accounting for sale-leaseback transactions and certain lease modifications that have economic effects that are similar to sale-leaseback transactions. Subsequent to the January 1, 2003 adoption date of the standard, the Company will be required to reclassify to continuing operations amounts previously reported as extinguishments of debt.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities, which addresses the financial

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

accounting and reporting for costs associated with exit or disposal activities. SFAS No. 146 is effective for fiscal years beginning after December 31, 2002. The adoption of the standard is not expected to have a significant impact on the Company.

In June 2001, the Accounting Executive Committee of the American Institute of Certified Public Accountants issued an exposure draft of a proposed Statement of Position ("SOP") entitled Accounting for Certain Costs and Activities Related to Property, Plant and Equipment. Under the proposed SOP, the Company would expense major maintenance costs as incurred and prohibit the use of the deferral of the entire cost of a planned major maintenance activity. Currently, the costs incurred to drydock the Company's vessels are deferred and amortized on a straight-line basis over the period to the next drydocking, generally 30 to 36 months. Management has determined that this SOP, if issued as proposed, would have a material effect on the consolidated financial statements. In the year of adoption, the Company would write-off the net book value of the deferred drydocking costs and record the write off as a change in accounting principle (\$24.4 million as of March 31, 2003). Additionally, all drydock expenditures incurred after the adoption of the SOP would be expensed as incurred.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES OF MARKET RISK

The Company is exposed to market risk from changes in interest rates, which may adversely affect its results of operations and financial condition. The Company's policy is not to use financial instruments for trading or other speculative purposes, and the Company is not a party to any leveraged financial instruments. The Company manages market risk by restricting the use of derivative financial instruments to infrequent purchases of forward contracts for the purchase of fuel oil for its carrier fleet. These contracts have been terminated as of December 31, 2001.

20

The Jones Act restricts the U.S. coastwise trade to vessels owned, operated and crewed substantially by U.S. citizens. The Jones Act continues to be in effect and supported by Congress and the Administration. However, it is possible that the Company's advantage as a U.S. citizen operator of Jones Act vessels could be somewhat eroded over time as there continue to be periodic efforts and attempts by foreign interests to circumvent certain aspects of the Jones Act.

Exposure To Short-Term Interest Rates. Short-term variable rate debt, primarily borrowings under the New Credit Facility, comprised approximately \$173.7 million of the Company's total debt at March 31, 2003. The Company's variable rate debt had an average interest rate of 5.5% at March 31, 2003. A hypothetical 2.0% increase in interest rates on \$173.7 million of debt would cause the Company's interest expense to increase on average approximately \$2.5 million per year over the term of the loans, with a corresponding decrease in income before taxes.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES.

The Company maintains systems of disclosure controls and procedures designed to provide reasonable assurance that the Company is able to record, process, summarize and report the information required in the Company's annual and quarterly reports under the Securities Exchange Act of 1934. Management of

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

the Company has evaluated the effectiveness of these disclosure controls and procedures within 90 days prior to the filing date of this report. Based upon that evaluation, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective to accomplish their purpose. No significant changes were made to these internal controls or other factors that could significantly affect these controls subsequent to the date of their evaluation, nor were any corrective actions with respect to significant deficiencies and material weaknesses necessary subsequent to that date.

Appearing immediately following the signatures section of this quarterly report are certifications by our Chief Executive Officer and Chief Financial Officer, which are required by Section 302 of the Sarbanes-Oxley Act of 2002. The information set forth in this Item 4 should be read in conjunction with these Section 302 certifications.

21

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information concerning certain legal proceedings see Note 7 of the financial statements.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

Accompanying the filing of this Form 10-Q for the quarterly period ended March 31, 2003, we have provided to the Securities and Exchange Commission the Certifications of the Chief Executive Officer and the Chief Financial Officer required pursuant to 18 U.S.C. Section 1359, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- | | |
|-------|---|
| 10.18 | Severance Agreement and Release between the Company and Andrew W. Brauninger. |
| 10.19 | Seabulk International, Inc. Executive Deferred Compensation Plan |
| 10.20 | Summary Provisions of the Seabulk International, Inc. Management Annual Incentive Compensation Plan |

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

99.1 Certification of Principal Executive Officer

99.2 Certification of Principal Financial Officer

(b) Reports on Form 8-K

The following reports on Form 8-K were filed during the quarter ended March 31, 2003:

1. The Company filed a Current Report on Form 8-K dated February 25, 2003. Item 5 was reported and no financial statements were filed.
2. The Company filed a Current Report on Form 8-K dated March 10, 2003. Item 5 was reported and no financial statements were filed.
3. The Company filed a Current Report on Form 8-K dated March 31, 2003. Item 5 was reported and no financial statements were filed.

22

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEABULK INTERNATIONAL, INC.

/s/ MICHAEL J. PELLICCI

Michael J. Pellicci
VP - Finance and Corporate Controller
(Principal Accounting Officer)
Date: May 14, 2003

23

CERTIFICATION OF
GERHARD E. KURZ, PRINCIPAL EXECUTIVE OFFICER
OF SEABULK INTERNATIONAL, INC.
PURSUANT TO 18 U.S.C. SS.. 1350

1. I, Gerhard E. Kurz, certify that I have reviewed this quarterly report on Form 10-Q of Seabulk International, Inc.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

24

/s/ Gerhard E. Kurz

Name: Gerhard E. Kurz
Title: Chairman, President and

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

Chief Executive Officer

25

CERTIFICATION OF
VINCENT J. DESOSTOA, PRINCIPAL FINANCIAL OFFICER
OF SEABULK INTERNATIONAL, INC.
PURSUANT TO 18 U.S.C. SS.. 1350

1. I, Vincent J. deSostoa, certify that I have reviewed this quarterly report on Form 10-Q of Seabulk International, Inc.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

Edgar Filing: SEABULK INTERNATIONAL INC - Form 10-Q

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

26

/s/ Vincent J. deSostoa

Name: Vincent J. deSostoa
Title: Senior Vice President and
Chief Financial Officer

27