

LETTER TO STOCKHOLDERS

April 3, 2003

Dear Fellow Stockholder:

Last year SEACOR earned \$46.6 million or \$2.28 per diluted share. This was a 6.0% return on equity (ROE), less than is acceptable.

The highlight of 2002 was the merger of Chiles Offshore with ENSCO International, which created liquidity for our investment.

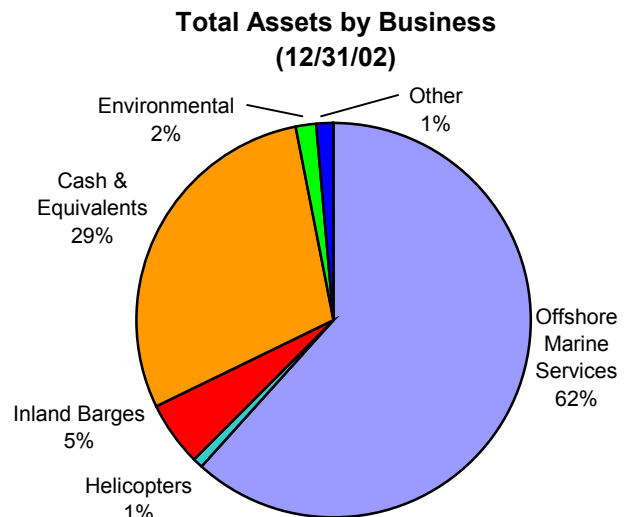
Asset Allocation

SEACOR has four basic product lines. Our largest business unit is our marine group that supports offshore oil and gas activity. Since last year we have acquired a company that owns helicopters and services the offshore markets as well. Our environmental companies provide clean up and advisory services to the maritime and oil and gas industries. We also own and operate dry cargo hopper barges that transport goods through the inland waterways of the United States.

At the core of our largest businesses is an asset base. The discussion and tables that follow report the highlights. The pie chart on this page provides an overview of our assets.

During the year our marine group disposed of 31 boats and acquired 12 new ones. Vessel sales produced \$128.7 million in cash. We spent \$93.7 million on new vessels. Of the 31 vessels sold, 13 vessels were leased back to the Company for periods ranging from two to seven years.¹

Tables 1 and 2 on the next page depict the distribution of the fleet by location and vessel type at the end of the year. These tables also supplement the year-end data found in our 10-K (page 4) to provide a "real time" snapshot. Since December 31, 2001, we have increased our exposure to the Gulf of Mexico and reduced it in the North Sea. As the tables reflect only assets we own, they somewhat understate our operating presence in the US markets. We have 41 vessels that we lease or charter, of which 36 are working in the Gulf and 5 are working outside the country. A significant percentage of our investments in US based assets are primarily designed to service deep water drilling operations. We have also included a table at the end of this letter which summarizes the age of our fleet. Assets and asset quality are fundamental to all of our businesses. (Those who wish to understand how we view differences between classes of vessels and follow the evolution of equipment design can access our website at <http://www.seacorsmit.com/investor/index.html>.)



At the commencement of 2002 SEACOR controlled 338 barges, of which approximately one-third were owned by the Company. During 2002 we purchased for our own account 184 barges at a cost of almost \$44 million. At the end of the year we controlled 535 dry cargo barges.

¹Aggregate future lease payment obligations for the 13 vessels sold and leased-back in 2002 is \$50.6 million. Of the 31 vessels sold, one was sold to one of our joint ventures.

The Market and Outlook

The offshore marine business in 2002 can be charitably characterized as having been “mediocre.” The unadorned reality is that it was “lousy.” (The choice of adjective depends on the tint of your glasses.)

Last year at this time I expected activity to improve in the Gulf of Mexico by late summer. When that did not occur, I adjusted my sights for the fall, assuming the reality of declining natural gas

TABLE 1: Offshore Marine Fleet Net Book Value by Region of Operation (%)

	GOM	North Sea	Asia	West Africa	Mexico / Trinidad
Net Book Value (12/31/01)	41%	25%	11%	16%	6%
Net Book Value (12/31/02)	38%	31%	6%	13%	11%
Current Net Book Value (adj.)⁽¹⁾	49%	21%	7%	12%	11%

(1) Includes newbuildings on order to be delivered in 2003 as well as additions and deletions for the period 1/1-3/31/03

production and improving cash flow in the hands of producers would be the impetus to invest. I was mistaken. Even though the spot price of natural gas crossed the \$5.00 per MCF threshold in December, producers barely responded. By January activity in the Gulf of Mexico had actually declined from the feeble levels of late 2002!

North America has finally experienced a cold winter. This has occurred at a time when production of natural gas has been declining for over a year. For the moment the price of the 12-month natural gas strip² seems to have settled in at around \$5.00 per MCF and the 24-month strip is \$4.80 per MCF.

TABLE 2: Offshore Marine Fleet Net Book Value by Vessel Class (%)

	AHTS	Supply	Towing Supply	Crew Boats	Mini-Supply	Utility	Standby Safety
Net Book Value (12/31/01)	31%	27%	13%	14%	10%	2%	3%
Net Book Value (12/31/02)	36%	20%	7%	16%	14%	1%	5%
Current Net Book Value (adj.)⁽¹⁾	26%	28%	7%	20%	13%	1%	4%

(1) Includes newbuildings on order to be delivered in 2003 as well as additions and deletions for the period 1/1-3/31/03

Many believe that a \$5.00+/- per MCF price for natural gas will “ration” consumption. That may be true, but unlike several years ago when a balance was struck by fuel switching and shutdown of industrial capacity, this time rationing may mean placing energy beyond the affordable reach of consumers who have to be budget conscious. Adjusting thermostats will not be popular or win a lot of votes. A hot summer and potentially below normal availability of hydroelectric power could create a summer energy squall. Another cold winter could produce “the perfect storm.”

There is no shortage of theories to explain why activity has not tracked commodity prices. Some commentators point out that producers have not reaped as much benefit from the run up in price as might be expected because of having hedged production at prices lower than those of today. The fear of drilling, only to bring gas to market as prices are falling, is another widely circulated explanation.³ “ENRONITIS,” the liquidity disease being experienced by natural gas pipeline companies and electric utilities that in the past have been a source of funds for drilling in the Gulf of Mexico, is another negative factor.

Of greatest concern to me is the view held by some that the shallow shelf in the Gulf of Mexico has been squeezed dry. If true, it would not be a passing phenomenon. I have read at least a few reports indicating that a typical shelf “find” today will yield 2 billion cubic feet of gas, which is far less than the yields realized some years ago. Optimists are now focusing on the potential of the deeper formations below 15,000 feet. Just last week the Minerals Management Service proposed a rule that would expand its royalty relief program to encourage drilling for “deep” gas.

Activity in the North Sea has also been slow. Conventional wisdom is that the reservoirs there yet to be developed, as is the case in the Gulf of Mexico, are too small to be of interest to the larger oil companies. Matters were not helped by changes in the UK tax laws which made drilling less interesting.

² The “12-month natural gas strip” price is the average settlement price on any given day of the NYMEX natural gas futures contracts for the next 12 months.

³ While I would have thought that selling forward in the futures market could lock in prices, several customers have mentioned that it requires capital to obtain the credit and not all have access. It is hard to determine if this has had a major impact on drilling plans.

Unfortunately, geology was not part of the 1960's "core curriculum" for my B.A. degree. However, I did take economics. Even a parched North Sea and a withered shelf in the Gulf are not commercial "absolutes." A forward strip of \$10.00 per MCF for natural gas and \$30.00 per barrel of oil for 24 months would probably encourage producers to engage in exploration based on today's cost structure. (As the joke goes, we know where we stand; we are only discussing the price!) It may be that the potential reserves in a typical "find" in the North Sea and US Gulf are not sufficient to encourage the behemoths of our industry to pursue drilling; but hopefully smaller independent producers can make a meal from "leftovers."

Most who follow our industry believe it has hit bottom. Given my forecasting record for the last 12 months, I am a little shy about sticking my neck out, but I share that consensus view. Drilling on land seems to have picked up a month or so ago. There have been some signs in the last few weeks that activity is trending up in the Gulf of Mexico. The most recent lease sale offering acreage in the Gulf is encouraging and suggests independents are becoming more active and showing interest in the shallow shelf.



SEACOR Marine Asia staff at the launch of the SEACOR Achiever

While we wait for the upturn we are focusing on reducing costs in our marine operations. This is no easy task. Insurance costs are rising. SEACOR, which is not alone in its predicament, is going to pay much more in premium expense this year than last, despite retaining more risk via higher deductibles. After wages for marine personnel and maintenance and repair costs, insurance and claims are the largest component of daily running costs.

We are working hard to eliminate incidents. One gratifying achievement in 2002 was a reduction in personal injuries in our offshore marine group, achieved by intense focus on safe operations. Our marine professionals perform work that is inherently dangerous, but it can be executed safely if all hands pitch in to watch out for one another and if thought is given to planning each task. Continued progress should go a long way to reducing costs. In addition we are working with others, passengers and outside contractors who board or work from our vessels, whose safety is also of concern to us.

Disclosure and Reporting

In previous letters I have tried to make clear how we think about our business. We focus on assets (which we "mark to market" every day), returns on equity, liquidity, and building shareholder value while maintaining a conservative approach to leverage.

I am sensitive, however, that others tend to be preoccupied – unduly so in my view – with variations in our results quarter to quarter. We are committed to doing our best to give you updated charts to navigate these shoals.

Differences between quarters and changes year to year are the consequence of many factors. My goal here is to focus your attention on some of the issues but I urge you to look at the "Management's Discussion and Analysis" section of our 10-K. Of course variations in business conditions, usually represented by vessel day rates and utilization, are one key factor; fleet size and composition are, however, as crucial to tracking revenues as day rates. (When we sell equipment and accumulate cash we reduce revenues and may be penalizing operating income until we redeploy our capital.) Changes in day rates and utilization can be tracked on page 16 of the 10-K and on page viii at the end of this letter.

The reduction in day rates and utilization for our offshore fleet accounts for the "lion's share" of the decline in operating revenue in 2002 from that achieved in 2001, and also has, more importantly, slashed operating income in the boat division.

Operating costs can also cause bulges in quarterly expenses. Even a fleet as large as SEACOR's is not always going to "wash" out aberrations so that accounting periods reflect "average" costs. Our practice in reporting has been to draw attention to dry-dock expenses as these tend to be substantial and fluctuate considerably. A new complexity arises because of changes in the fleet mix in the last several years. Overhauling all the engines in big, fast crew boats can almost equal in cost the expense associated with docking a middle age supply boat for a "survey."

We also shift vessels around between geographic regions more frequently these days than was the case several years ago. Relocating a vessel from the Gulf of Mexico to Asia can cost over \$250,000 and also take a boat that might otherwise be earning revenue out of circulation for 60 days.



Newly delivered SCF Marine covered hopper barge

Unfortunately for those who wish to "scrub" results and compare performance and margins between accounting periods, SEACOR has a lot of "moving parts." We take investment positions; Chiles Offshore and Globe Wireless are examples. The operating results of such investments often get incorporated into our profit and loss statement in proportion to our ownership participation because we consider it beneficial to hold our interest using limited liability companies that allow us to deduct losses for tax purposes. We own an environmental business.⁴ We operate barges and have a small interest in dry bulk ocean transport. We recently acquired a helicopter business, Tex-Air Helicopters, Inc.

We also manage our business somewhat differently than companies whose "mission statement" is to own and operate equipment. We do own and operate equipment but we also consider selling and buying vessels an equally routine activity. We frequently charter ("lease") equipment, sometimes for short periods, and sometimes for extended terms. Charters arise when we sell equipment and lease it back, and they also involve vessels owned by third parties. We find derivatives useful for implementing certain decisions.⁵

Our range of activities, a highly diverse fleet of offshore marine equipment and our active management style make SEACOR somewhat more difficult to understand than companies that have only 3-4 categories of equipment and derive most of their income from renting it by the day.

The impact of selling equipment and leasing it back can be particularly confusing and hard to follow. There are many reasons for engaging in such transactions. "Dressing up" our accounts (moving activity off the balance sheet), camouflaging liabilities, and boosting current earnings are definitely not our objectives. Our operating lease responsibilities and charter obligations are documented in detail in Note 12 to our financial statements.⁶ On those occasions when we sell a vessel and lease it back, any capital gains serve only to reduce the charter rate in future years.⁷

Lease transactions and charters do affect certain margins and parameters such as "EBITDA" (earnings before interest, taxes, depreciation and amortization) which some use to benchmark operating performance. Lease and charter payments, which are recorded as "operating expenses," incorporate economic costs that would have been reflected as depreciation if we owned the same boat. These payments also include an "interest rate" component. That attributed interest cost is usually greater, at least for a while, than our earnings on the cash received. Thus, a

⁴ That activity tends to have more overhead relative to sales than the boat or barge businesses. It also can be impacted by spill revenue which is unpredictable, but often causes swings in revenue between periods.

⁵ We entered into swaps to lock in interest rates in connection with an offering of senior debt and we took steps to protect our profit that resulted from Chiles merging with ENSCO. This transaction is discussed more fully in Note 2 to our financial statements. (I, like others, wonder about the implications for our system of these derivatives but do not consider them inappropriate tools if carefully used.)

⁶ As of December 31, 2002, SEACOR had a total of \$117.1 million in future operating lease commitments mostly covering vessels and helicopters. Were we to add the total future payments for operating leases to our outstanding debt, we would still have more in cash and securities than debt and these commitments.

⁷ Gain is recognized only when the sale price exceeds the present value of the future lease obligations.

lease effectively increases our net interest cost. EBITDA and income also often show up as less than would have been recorded were we not to sell vessels and lease them back, or acquire vessels via charter arrangements. The Management's Discussion and Analysis section of our 10-K filing provides further information on this subject.

The extended discussion of accounting in this letter is intended to assist shareholders in judging the quality of our reported earnings and return on equity, and the integrity of our balance sheet. Our practice, as we note every year, is to present our results and accounts as objectively as possible. We do so in conformity with Generally Acceptable Accounting Principles ("GAAP"), even though on occasion I question the rationale of certain GAAP rules, particularly when applied to our line of business. GAAP rules are like many rules; they require interpretation and their application to specific facts and circumstances often involves judgment.



NRC oil spill response team in action

We expense all dockings and engine overhauls, whether imposed by regulation or undertaken as part of routine maintenance and repairs. We expense mobilizations (the cost of moving vessels between regions) even if we have a specific job for the boat. During mobilizations we do not toll depreciation. We depreciate supply boats, anchor handling vessels, and towing supply vessels over 25 years from date of original construction, and, beginning this year, now use a 5% residual value based on the acquisition cost in the case of new construction. We depreciate aluminum boats and barges over 20 years, using 10% of original cost as the residual value. We do not toll depreciation when our equipment is out of service, either due to lack of work, extended repairs or while undergoing modifications.

Each year seems to present a new rendition of GAAP; 2002 introduced a change in accounting treatment for goodwill. This change is bothersome to me, although it is of trivial significance in SEACOR's balance sheet. As a percent of total assets, goodwill is a minor factor in SEACOR's book value "1.9%" (although this certainly is more than a rounding error.) Were we to have continued amortizing this goodwill in 2002, in keeping with practices that were previously mandated by GAAP, we would have earned \$1.7 million less for the year. That would have translated to \$0.08 less per diluted share.⁸

Another concern that sometimes troubles investors is potential liabilities for retirement and pension obligations. SEACOR has a matching 401(k), but does not at this time have a defined benefit plan or a Supplemental Employee Retirement Plan ("SERP") that obligates us to pay a fixed sum to individuals at some future point in time.

Despite strong views held by some investors, SEACOR has chosen not to expense options. Those who argue for such treatment have a point. However, valuation of employee options is difficult and somewhat subjective. Had options to employees been charged as an expense, our income for 2002 would have been reduced by about \$2 million. This would have produced \$0.09 less per diluted share.

On September 27, 2002, SEACOR issued \$200 million of 10-year notes. These notes carry a coupon of 5-7/8%. Since issuing these notes we have retired \$36.3 million of our convertible notes, pre-paid \$23.2 million of senior

⁸ Until last year GAAP required amortization of goodwill. The current rule now requires that an independent review be undertaken to determine when "goodwill" is "impaired." When that is the case it is to be "written down" to the extent impaired. I confess that I find this rule hard to comprehend. Its application is even more elastic and subjective in my view than many accounting rules. SEACOR recorded goodwill in acquiring certain assets for which our purchase price exceeded fair market value because we did not obtain full tax basis at the time. The goodwill reflected on our books and attributable to marine operations has been evaluated and deemed by an independent party not to be impaired in the context of our larger activities. My personal belief is the better rule for GAAP – at least applied to a business such as the boat business – would be to continue amortizing goodwill on a regular basis, or better still over the life ascribed to the assets when goodwill relates to their acquisition. We also have \$14.2 million of goodwill associated with our environmental group. Note 1 to our financial statements discusses the subject of goodwill. Were we to write off the goodwill over the life of the marine assets whose acquisition gave rise to booking it, it would be charged at \$0.08 per diluted share.

debt, and repurchased \$13.0 million of our 7.20% senior notes due 2009. We have also, as of the date of this letter, repurchased 721,200 shares of SEACOR for \$27.3 million since issuance of these notes.⁹

SEACOR has a \$200 million line of credit with a little less than a 4-year duration. Thus, our rationale for raising 10-year capital was simple: we expected interest rates to climb and we wanted to have capital available for future opportunities. In September we thought it would be difficult to replicate then prevailing rates in the future. If rates were to remain at current levels, or decline, we would have made a mistake. Thus far our decision does not seem inspired, but it is a little early to judge whether or not our thinking was correct.

We recognize that having cash and access to credit is a responsibility. Investing requires patience and discipline. (Luck also helps.) Whether rates decline, climb, or stay at current levels, we will not let money burn a hole in our pocket. Of course we will seek out prudent investments where we can squeeze a few basis points, but we are resigned for the time being to a negative spread on our cash until we find opportunity. That could take a while. In the fourth quarter we estimate that having access to this cash added \$2.3 million in “net” interest burden and penalized earnings by \$0.07 per diluted share.

Other Business Activities

In looking at other business units the comments from last year pretty much cover the present situation. The environmental business is difficult and competition is keen, but our group eked out a small profit and added cash to our treasury. Globe Wireless continues to add vessels. Its cash flow improved despite a difficult competitive environment. Our share of Globe’s losses was \$1.9 million or \$0.09 per diluted share. INMARSAT, Globe’s primary competitor, and its marketing affiliates (land earth stations) have been aggressively cutting prices. Globe also faces competition from Iridium and Globalstar, two satellite communications networks that have filed for bankruptcy. Our investment in dry cargo shipping produced satisfactory results during the year.

Our inland business improved in the second half of 2002 and, although the high cost of fuel is a burden, it appears as if activity during the first quarter of 2003 is at least as good, if not somewhat better, than last year at this time.

Last December SEACOR acquired Tex-Air, a company that operates 36 helicopters in the Gulf of Mexico. Most of these units were leased prior to SEACOR linking up with the company. We believe that there will be opportunities over time for Tex-Air to grow.



A Tex-Air EC-120 operating in the Gulf of Mexico

Looking Ahead

Many (count me in that group) are transfixed by “24/7” news reporting on events in the Middle East. In our universe the “Iraq factor” casts a shadow. As usual there are diverging opinions as to how the outcome will impact our industry. The outcome may determine where it will be most attractive to commit future investment dollars particularly for large oil companies. If more dollars flow into development of oil beneath the Arabian desert, that does little for our business. Many also expect oil prices to fall dramatically. Lower commodity prices could make the economics of drilling less appealing. (High prices have not proved thus far to be compelling reasons for producers to commit capital, so perhaps the impact of lower prices on decision-making would not be significant.) My personal belief is that the most optimistic – hopefully realistic – scenario (a relatively brief conflict, with few

⁹ During 2002 we purchased a total of 459,700 shares for \$18.5 million at an average price of \$40.26 and also redeemed \$11 million of our convertible debt and \$13 million of our 7.2% senior notes. Some of the repurchased shares and some of the convertibles were acquired or redeemed prior to the placement of the 5-7/8% notes. These activities are reflected in Notes 8 and 9 to our financial statements and are discussed in the “Management’s Discussion and Analysis” section, page 30, of the 10-K.

casualties and no serious damage to oil installations) will not dramatically alter what would have been the course of events for our business, particularly in the next year or so. America still needs gas, and oil companies will continue to develop reserves outside the Middle East. Hopefully these realities will provide more activity during the next three quarters of 2003.

Although we do not forecast earnings or “provide guidance”, I do have an opinion about our business prospects. In this regard I speak for myself, not necessarily the Board or our entire management group. Logic and history suggest that drilling activity will increase in the Gulf of Mexico and probably in the North Sea. SEACOR has positioned its boat assets to increase exposure to the Gulf of Mexico. With 47 vessels idle in the Gulf of Mexico and 10 additional supply boats and crew boats due to deliver in 2003, SEACOR is in an excellent position to benefit from an upturn, if it does come.

Sincerely,

Charles Fabrikant
Chairman of the Board