

# LETTER TO STOCKHOLDERS

April 3, 2008

Dear Fellow Stockholder,

I am pleased to report our 2007 results. For the year we achieved a 16 percent after-tax and 24 percent pre-tax return on beginning stockholders' equity.<sup>1</sup> Overall earnings hit a record and earnings per diluted share grew by 7 percent. Stockholders' equity per common share was at \$71.84, a 13 percent increase from the prior year. At year-end, SEACOR had \$1 billion in liquid assets.<sup>2</sup>

During the year we repurchased 2,366,880 shares. We spent \$537.6 million on equipment, most of which was new. We sold assets for \$449.7 million, some of which we leased back, and some in which we have a continuing financial interest via joint ventures. We also increased our seven-year line of credit to \$450 million.

Investors often ask how I judge the performance of our business. Return on stockholders' equity, relative to financial and business risk and long-term viability of our assets, is the most relevant parameter. Earnings growth counts but returns are paramount. We can increase cash generation and earnings by simply spending money, particularly when bank time deposits yield 2 percent and U.S. Treasury Bills yield about 1 percent. Stockholders have every right to expect more cash and earnings from asset purchases. The critical issue is whether we can acquire assets or businesses that will hold their value over time and can produce sustainable returns on equity when conservatively financed.

As noted above, we earned solid returns. We also improved the quality of our asset base without increasing financial leverage.

I also look at cash generated as a percent of equity, but this measure must also be considered in the context of asset quality and financial leverage. Operating income before subtracting depreciation and amortization ("OIBDA") was \$502.1 million, or 32 percent on beginning stockholders' equity, for 2007. This amount includes gains on the disposition of assets. Excluding gains from sales of equipment, we still earned a not-too-shabby 24 percent return on beginning stockholders' equity.<sup>3</sup> I personally believe that buying and selling equipment is as core to our activities as renting assets by the day, month or year. One might analogize to an investment portfolio where dollars earned from capital gains and dividends are equal.

While we believe OIBDA reconciles more easily to results computed under GAAP than the more commonly used "EBITDA" (earnings before interest, taxes, depreciation and amortization), it does not encompass many aspects of our activities, such as equity earnings, which in common financial parlance are considered "below the line" information. Earnings that hit "below the line" are real money. In 2007, these "below the line" items contributed earnings totaling \$28.5 million,<sup>4</sup> including \$22.1 million of equity earnings.<sup>5</sup> (Only "below the line" losses are an unfair below-the-belt punch.) It is important to note that equity earnings are recorded net of depreciation, amortization and taxation, and, therefore, do not exactly reflect our pro rata interest in joint venture OIBDA.

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<sup>1</sup>Pre-tax income is calculated as net income plus income tax expense, or \$372.1 million. We are using beginning year equity as our denominator for measuring results, which is how I would judge performance of an investment account. Were we to use an average of beginning and ending stockholders' equity, our returns would have been 15 percent after-tax and 23 percent pre-tax. In those circumstances when equity or capital is added or extracted during a reporting period, the average of beginning and ending equity might be the better measure.

<sup>2</sup>Liquid assets include \$537.3 million in cash and cash equivalents, \$30.6 million in restricted cash, \$28.8 million in available-for-sale securities and \$405 million in Title XI and construction reserve funds.

<sup>3</sup>OIBDA excluding gains from the sale of equipment is calculated as OIBDA less gains on asset dispositions and impairments, net of \$122.6 million, or \$379.5 million.

<sup>4</sup>"Below the line" items traditionally part of EBITDA would include our gains from derivatives of \$10.8 million, gains from foreign currency of \$0.2 million, losses from portfolio positions of \$3.4 million, other income of \$11,000, losses from minority interest of \$1.2 million and equity earnings of \$22.1 million.

<sup>5</sup>See Note 6 to our Consolidated Financial Statements in our Annual Report on Form 10-K on pages 101–104 for a description of our various joint ventures. These include our South American barge operations, our Seaspraie barge marketing pool in the United States, and our joint ownership interests in supply boats, lift boats, environmental response companies and helicopters. At the end of 2007, we had \$109.3 million invested in various joint ventures.

Our goal is to produce long-term results somewhere between two and three times the returns achievable on high-quality medium term (ten-year) tax exempt bonds while maintaining a conservative balance sheet.<sup>6</sup> In our businesses, producing sustainable returns at significantly greater multiples of prevailing interest rates is difficult without taking on significant and potentially risky financial leverage. We have in the past, and would consider in the future, taking on leverage (a.k.a. “margin”) under appropriate circumstances, but we reserve this for acquiring assets at very attractive prices. Our strategy should outperform in tough times and deliver competitive results “when the living is easy.”

We also believe that having a collection of businesses should provide options for investing capital that over time improve returns. With multiple business lines there is a chance, not a certainty, that one will offer an attractive opportunity for using capital. I realize that some investors may not like mixed drinks, but this philosophy of diversity is core to our business strategy.

None of our businesses are particularly complicated. I consider them quite transparent (particularly compared with financial services businesses). I do recognize that our diversity requires more effort and some patience than a simple “story.” I also realize that our business strategies sometimes make it challenging to compare results from one year to the next and quarter to quarter, or to create “models.” Moving assets into joint ventures, for example, reduces operating income and adds to equity earnings. Selling and leasing back equipment impacts operating margins and OIBDA. Routine operations,

such as mobilizations and drydockings, which we choose to expense as incurred, can cause results to swing significantly between periods; particularly when out-of-service time is taken into account. A few premium jobs moving rigs in deep water or a call out for an emergency response also may cause swings in income. While I, personally, do not consider quarter-to-quarter variation in profits indicative of the value of our business, the nature of markets is short-term oriented.

Our style is to deliver our results unadorned and not try to project earnings. I would like to think that we highlight those variables that have impacted results and explain clearly what is happening in our businesses. It is hard to strike a balance between providing sufficient information to educate stockholders and staying silent about intentions that need to remain proprietary.

## OFFSHORE MARINE SERVICES

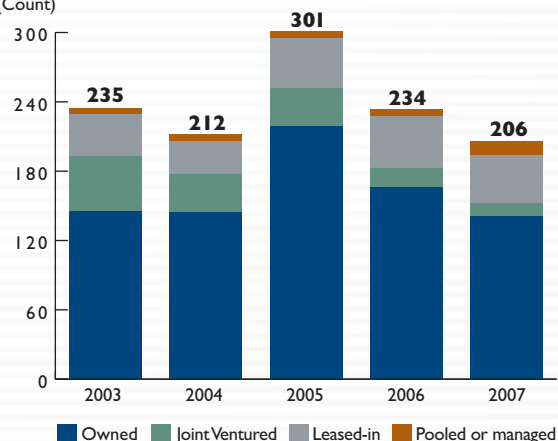
In 2007, our offshore group produced \$348.6 million of OIBDA. Average day rates in 2007 were \$11,519, an increase of 26 percent from prior year; this was offset by a 6 percent decrease in utilization from 2006. Total vessel days available for charter in 2007 were approximately 16 percent less than the prior year.

We took delivery of eight new vessels and sold 33 older vessels to third parties, excluding vessels leased back (see Chart I below for fleet details). The average age and median age of our fleet declined from 16.4 years and 14 years at December 31, 2006, to 15.5 years and 11 years at December 31, 2007, mostly due to shedding older assets from our international fleet (see Chart II on opposite page for age profile).<sup>7</sup>

<sup>6</sup>Although the definition of high quality may be opaque to some, to me it means municipal obligations rated Single A or better, based on underlying credit.

<sup>7</sup>The average and median age of our fleet excluding standby safety vessels declined from 14.3 years and 11 years at December 31, 2006, to 12.8 years and 10 years at December 31, 2007.

CHART I:  
OFFSHORE MARINE SERVICES VESSELS  
(Count)



Rates were particularly strong in international markets, reflecting demand to support rigs moving abroad as well as the weakness in the U.S. dollar. Shelf activity in the U.S. Gulf of Mexico slacked, but as I write this letter, some previously idle rigs are returning to work. The improved price for natural gas suggests that the second half of 2008 could be busier for smaller boats. Excluding spot charters, we moved eight vessels from the U.S. Gulf of Mexico to Brazil, Mexico, Trinidad and the Middle East in 2007. The preponderance of these vessels left for term contracts, mostly of two to three years duration.

Fleet highlights in the last twelve months included the delivery of the *SEACOR Cheetah* (featured on our cover), a new “CREWZER” class fast support vessel that can operate at speeds of 35 to 40 knots, carry up to 150 passengers and 150 long tons of deck cargo, and maintain position to tight tolerances due to a highly sophisticated dynamic positioning (“DP”) system. This system was built to the DP II standards of the American Bureau of Shipping, the highest level possible for this type of vessel. We also took delivery of the *John Coghill*, the first of our new DP II “FLEX” class of diesel electric “AHTS” (anchor handling towing supply) vessels. These vessels are particularly fuel efficient when operating in stationary mode, performing cargo services. This fuel economy has the added benefit of producing less hydrocarbon emissions than a boat with conventional propulsion configuration. These vessels are also very complicated. Building a modern offshore vessel, particularly one with multi-functional capability,

DP II, and diesel electric, is more an exercise in systems integration than hanging steel.

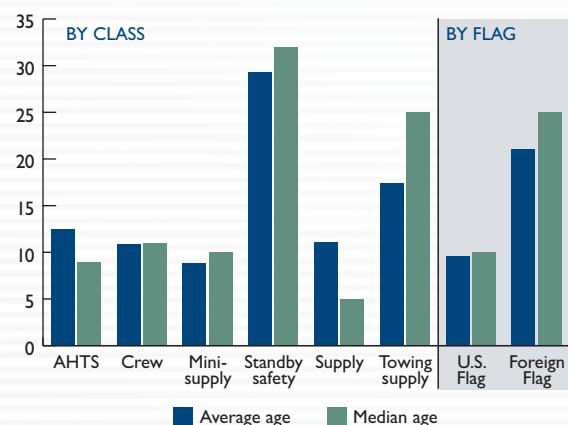
Our portfolio of offshore vessels has been assembled to optimize returns and minimize exposure to industry cycles. But, to paraphrase John Donne, “no boat is an island unto itself.” Once supply and demand for boats reach a balance for any one segment of the market, rates for all classes of equipment tend to start drifting. The different geographical markets are also linked. Should excess capacity develop in the North Sea, boats will eventually migrate to other markets, such as West Africa, Brazil or Mexico. Although boats can run from bad markets, they can’t hide from overcapacity forever.

With apologies for giving you statistical indigestion, I will try to summarize some basic industry data, most of it coming from brokers.

In 2007, about 130 new AHTS vessels and “PSVs” (platform supply vessels) entered service.<sup>8</sup> This is less than half the number of vessels that should have been delivered based on the order book reported a year ago. Delay in delivering those vessels has probably been one important factor providing support to the market. Of course equipment that did not enter service in 2007 is in the pipeline and will likely populate the Class of ’08. Approximately 335 vessels are expected to join the fleet in 2008, followed by about 230 in 2009. The total order book is slightly in excess of 700 vessels.<sup>9</sup>

Is there sufficient demand to occupy the growing “work force”? About 55 of the approximately 160 rigs on order should enter service in 2008.<sup>10</sup> Of the

CHART II: OFFSHORE MARINE SERVICES AGE PROFILE—OWNED FLEET (Age in years)



<sup>8</sup>According to Fearnley Offshore Supply, of the approximately 130 vessels delivered, 28 percent were delivered from northern European yards and 55 percent were delivered from Asian yards.

<sup>9</sup>See Appendix I for offshore marine industry fleet details.

<sup>10</sup>In 2007, 14 new rigs entered service.

approximately 30 to 40 offshore “FPSOs” (floating, production, storage and offloading vessels) due to be commissioned in the next couple of years, about 20 should be in fields in 2008. (I am skeptical.)

Will there be a sufficient exodus from the active fleet to make room for new vessels? Close to 800 vessels were documented between 1978 and 1988, many of them having entered service in 1983.<sup>11</sup> I can only guess how many remain in active service. However, assuming the approximately 175 vessels delivered in 1983 are still in operation, most of them would need to undergo special surveys in 2008 in order to continue trading, based on a typical five-year cycle.<sup>12</sup> If a substantial number of these vessels are refurbished for further trading, they will, at a minimum, linger for another two-and-a-half to three years, until the next mandatory docking, and, most likely, will not retire before 2013. Although many of the older boats are not competitive for high-end jobs, the reality is that new equipment also does menial work. Hence, if older boats do not retire at some point, new equipment will be competing with them. We need to stay tuned.

So, we come back to the question: are there too many boats on order and, if so, will overcapacity smack the market in 2008? As my torts professor in law school used to say about ambiguous fact patterns: “some say, ‘yes,’ and some say, ‘no.’” In the overly simplistic jargon of Homeland Security, consider my discussion an “Orange Alert,” but not an invocation of the highest threat level. Rates, for

the moment, appear to be holding and contracts still seem to provide good returns.

Our strategy has been to focus on U.S.-flag equipment in the last two years. Our biggest investments are in U.S.-flag AHTS vessels. Our prospects are closely linked to the U.S. Gulf deepwater market. Were excess capacity to develop in the international markets, the Jones Act should afford some protection. Let’s hope it is more than a Maginot Line.

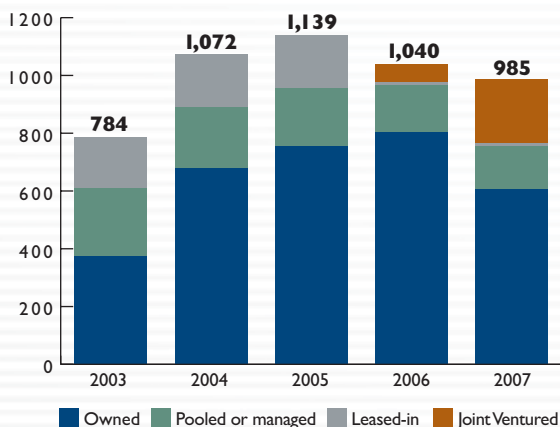
While many in our industry view \$100+ oil and \$10 per MCF natural gas, and the growing demand in China and India as guaranteeing continued drilling activity and growth, I consider the rapidly soaring price of these commodities reason for reflection. My head is shouting, “don’t worry.” My intuition is whispering, “watch out.” Few, if any, commentators seem to think America has the political will for bold action, mandating improved mileage for cars, and more rapid changeover to alternative fuels. While ethanol might not dent global oil consumption in the long run, what could it do to demand in the short run? Might we repeal tariffs on imported ethanol? Could it be that \$4 gas will do what politicians will not? Common wisdom suggests that energy use is price inelastic, but is that true for any price level?

Lest it seems that I only dwell on negatives, rest assured in my fantasies I see drilling for gas on the east coast of the United States, and also within 90 miles of Florida. If Cuba drills 90 miles off the

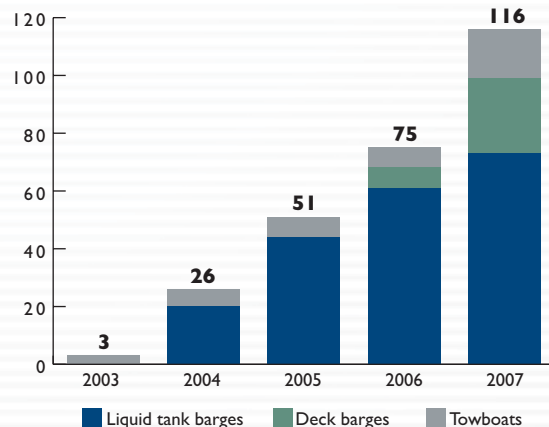
<sup>11</sup>See Note 9, supra.

<sup>12</sup>See Note 9, supra.

**CHART III:  
INLAND RIVER SERVICES DRY CARGO BARGES  
(Count)**



**CHART IV:  
INLAND RIVER SERVICES OTHER EQUIPMENT  
(Count)**



coast of Florida, will the U.S. Eastern Gulf still be forbidden territory?

## INLAND RIVER SERVICES

Our barge group produced \$87.5 million of OIBDA. During the year, we sold 67 barges and four towboats to our joint venture in South America and 126 barges to third parties. We also contributed 64 barges into our Seaspraie joint venture. We acquired Waxler Transportation Company, Inc., as noted in last year's letter, and also took delivery of 52 dry cargo barges, four tank barges and 19 deck barges (see Chart III on opposite page for dry cargo barge fleet details and Chart IV on opposite page for other equipment details).

Movement of industrial commodities, particularly imports, dropped off from prior years, a reflection in part of the weak dollar as well as the declining economy. To paraphrase an election year slogan, this year "it was all about grain, stupid." Grain export volume via the Mississippi River supported barge rates, even though high ocean freight rates continued to divert large volumes of cargo by rail to the Pacific Northwest. This past year over half the tonnage we moved was grain. This is in contrast with the three prior years when the preponderance of cargo carried was industrial commodities moving northbound. A negative impact of the weak dollar on U.S. imports may be offset by potential coal exports. If this trade materializes, it will help to offset the loss of northbound cargo.

Informa Economics, Inc., which tracks the domestic inland river industry, reports 931 new barges joined the inland fleet in 2007; this is offset by 762 barges either retired or relocated to areas outside of the Mississippi River System and its connecting waterways.<sup>13</sup> Quite a few barges (and boats) from the United States moved to South America. Our barge group alone dispatched 67 barges and four towboats to carry iron ore from interior mines in Brazil to load ports in Argentina to feed steel mills in China. Approximately 1,200 new dry cargo and tank barges should be added in 2008, but I expect older barges to drop out of the fleet.

We believe our inland river division is well positioned; the average age of its dry cargo barges is four years and eleven years for its tank barge fleet. (The median age for both dry cargo and tank barges is four years). All our deck barges were delivered in the last two years. We are capable of offering customers new, reliable equipment and not having to invest capital for many years, unless we feel the timing is advantageous.

## AVIATION SERVICES

Our helicopter group produced \$47 million of OIBDA. We continue to modernize our asset base (see Chart V below for fleet details and Chart VI below for age profile). We added 21 new machines and sold seven machines. At December 31, 2007, we had 20 machines working outside the United States including four in a joint venture. We also acquired an air medical business in the beginning of 2007.

<sup>13</sup>See Appendix II for domestic inland river industry fleet details.

CHART V:  
AVIATION SERVICES HELICOPTERS  
(Count)

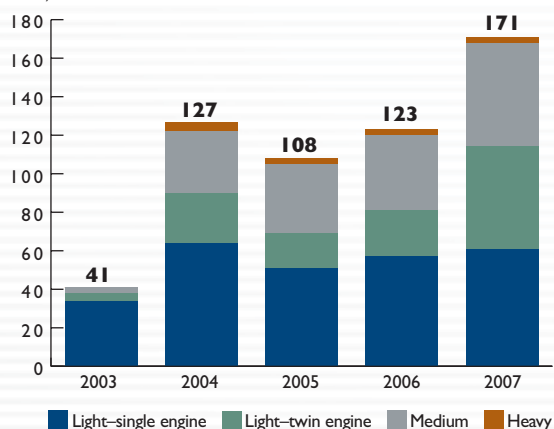
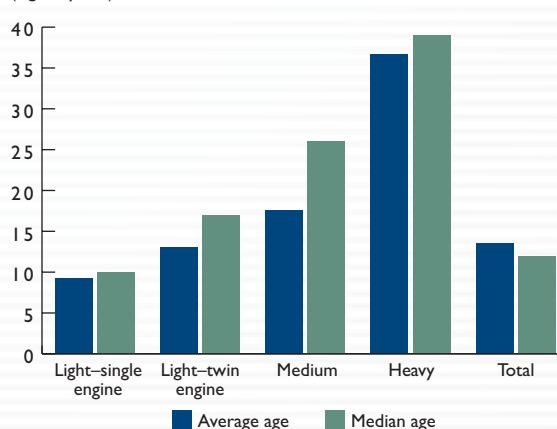


CHART VI: AVIATION SERVICES  
AGE PROFILE—OWNED FLEET  
(Age in years)



We have 37 machines in this service.

Although the global order book for new helicopters has grown considerably in the past few years, the demand also appears to be expanding. Many of these machines are destined for service not related to the oil patch or medical support. Some are for law enforcement; others are for firefighting and air rescue. “Corporate” buyers in new markets, such as Brazil, China and India, account for many of the new deliveries.

## ENVIRONMENTAL SERVICES

Environmental Services produced \$22.4 million of OIBDA. Our goal continues to be to diversify our revenue sources. In the second half of 2007, we completed several acquisitions of small companies, including one that provides assistance to state and local governments seeking compensation under federal relief programs, and also oversees post-disaster debris removal. I am happy to report that our non-event response business showed continued growth over the year before and accounted for a larger share of revenue.

## MARINE TRANSPORTATION SERVICES

Our shipping group eked out \$20 million of OIBDA, a less-than-satisfactory performance. The explanation for this year’s dismal results is simple: two ships were out of service for 412 days undergoing retrofit to double-hull vessels,<sup>14</sup> and two other ships were withdrawn from service and prepared for their final voyages to the scrap yard. We also spent, and expensed, \$21.6 million in 2007

for regulatory drydockings.<sup>15</sup> Finally, and of most concern, because it could be a telltale sign of future weakness, the spot market for U.S. coastwise cargo movements was weak in 2007. Sadly, it is still weak.

The ordering spree by participants in the Jones Act tanker market would have been an excellent exhibit of micro-economic behavior for my freshman “Economics 1” introductory course textbook (1961). We are the only major operator of coastal U.S.-flag tank vessels that has elected not to place orders for new vessels, but fortunately we have five modern, double-hull ships (see Chart VII below for our fleet details). An estimated 26 Jones Act tankers and “ATB” (articulated tug barge) units between 30,000 and 60,000 deadweight tons are on order, excluding options (see Chart VIII on opposite page for domestic marine transportation order book details).<sup>16</sup>

I would characterize today’s market as having three tiers. First are the modern double-hull ships, the vessels of choice. The second in the pecking order are retrofitted double-hull ships, such as the *Seabulk Challenge* and *Seabulk Trader*. These vessels meet all regulations, but some oil companies will not take ships built over 25 years ago into their terminals, except as a measure of last resort. The third, and last, choice is single-hull ships, including those that are double-bottom. Looking out several years, single-hull vessels could face obsolescence even before OPA-90 forces their retirement. International convention might preclude these ships from transiting the Panama Canal after 2010. That certainly would reduce the utility and may even shorten the useful life of the *Seabulk America*,

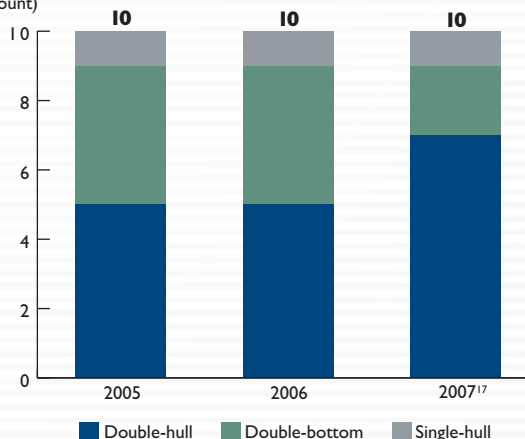
<sup>14</sup>The cost for these improvements was \$21 million and was capitalized and will be depreciated through 2016.

<sup>15</sup>While there are some owners who elect to capitalize dockings and major overhauls of equipment, we believe the more conservative approach—expensing the outlay when incurred—is a better option. The impact is not so great when looking at our aggregate results, but it can make a significant impact on an individual reporting segment.

<sup>16</sup>According to Mallory, Jones, Lynch, Flynn & Associates, Inc., there are options for seven additional tankers for delivery starting in 2010.

<sup>17</sup>The single-hull tanker and one double-bottom tanker were scrapped during the first quarter of 2008.

CHART VII:  
MARINE TRANSPORTATION SERVICES TANKERS  
(Count)



which has a double-bottom, but does not have a double-hull.

Our strategy has been to keep our two retrofitted double-hull ships and one of our modern tankers working in the short-term market. Four out of five of our modern double-hull ships are chartered for an average of about ten years, so we think that our risks are balanced.

## MACRO FACTORS

Last year's letter referenced escalating steel costs and a weak U.S. dollar. As this letter is composed, the dollar continues to be under unprecedented pressure. Last year the exchange rate was hovering around \$1.30 Euros to the dollar; today it nests just over \$1.50.

Escalating steel prices (primarily due to a weaker U.S. dollar and the consolidation of steel producers) and a faltering dollar are stoking inflation and strike almost every aspect of our business, operations and capital replacement. The price of a new barge has risen dramatically. The cost of a new helicopter has climbed as well. Personnel costs are increasing. Drydocking in Asia and Africa is more expensive. Even the cost of building a vessel in the United States is impacted by a weak dollar; engines, thrusters, winches and labor required for technical support to install and fine tune the complicated systems are typically sourced out of Europe.

I may be fighting the battle of my early business career, but my memory causes me to be sensitive to the havoc inflation can inflict on decisions and

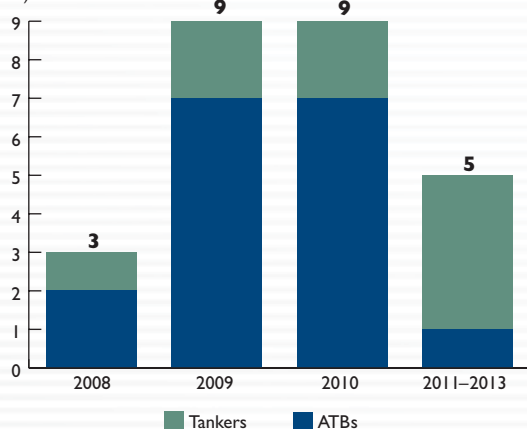
strategies that would be prudent in stable times. During the 1970s, many ship owners entered into what they thought would be profitable multi-year agreements with fixed annual escalation, only to be blind-sided by inflation outrunning the 3 to 4 percent negotiated fixed increases in their contracts. We have generally elected to accept multi-year operating contracts only if they include an adjustment for higher wages and fuel. For "bareboats" of vessels or "dry leases" of helicopters our protection is to match cost of funds to contract duration.

We are also holding a diverse basket of foreign currencies. Some of these currency purchases are "hedges," specifically related to purchases of equipment priced in Eurodollars, and some are simply intended to offset increases in docking costs, technical services, wages to foreign seamen, future purchases of replacement parts and overhead. In 2007, we reduced our capital commitments by \$18.4 million as a result of gains on foreign currency forward contracts designated as "hedges" and booked, "below the line," \$8.1 million of derivative income relating to forward exchange option and future contracts.

## NEW OPPORTUNITIES AND STRATEGIC DIRECTION

The common themes in our businesses are to operate, invest in, and finance assets and business activities that relate to energy and agriculture, focusing primarily on transportation, logistics and infrastructure (facilities). We do, however, believe that offshoots of these activities can also provide

CHART VIII:  
JONES ACT TANKERS AND ATBs ON ORDER  
(Count)



Source: Mallory, Jones, Lynch, Flynn & Associates, Inc.

good investments. This thinking led us into the environmental response business many years ago.

Later this month we expect a “ribbon cutting” for our oil and ethanol terminal and storage facilities in Sauget, Illinois (across from St. Louis). Sauget has both river and rail access. Our renewable fuels merchandising business is now up and running. During 2007, an estimated 7 billion gallons of ethanol were produced in the United States; that fixture is expected to climb to 12 billion gallons in 2008.<sup>18</sup> Earlier in 2008 we also set up a subsidiary to broker and trade rice.

All of SEACOR’s executives are acutely conscious that the Company has an extremely valuable asset in its liquidity and a strong balance sheet (although, to date, not strong enough for rating agencies to give us the investment grade rating I think we have earned). We have a lot of cash and capacity to invest. It is obvious that our future returns (and success) depend on using this liquidity wisely. We constantly review all options.

A few words are in order on the events unfolding in the world. When our barge line, SCF, was organized in 1981, times were also turbulent. Inflation was not just creeping, it was soaring. Then, however, unlike today, interest rates were moving up rapidly and the Federal Reserve was trying to reign in the spiraling cost of living. One of the founding shareholders of SCF—also the oldest—suggested to his younger partners that despite our original plan to purchase barges, the Company might be better off buying IBM, even though buying stocks was not in the SCF “mission statement.” He was right; at the time IBM would have been a much better investment than barges. Its price had declined precipitously and the price of barges had levitated. Rest assured we will put money into barges, boats, helicopters, or ships only

if we believe, over the long run, we can earn returns that are competitive with those available from other investments, taking into account comparative risk. (It is hard not to notice quality tax exempt bonds yielding 20 to 30 percent more than taxable government securities.) I can also assure you we will not buy equipment simply for tax benefits.<sup>19</sup>

I would like to thank all of SEACOR’s employees. Without people, offshore vessels don’t work, ships and tugs don’t sail, barges don’t move or get the best cargoes, helicopters don’t fly, oil spills are not cleaned up and accounts don’t get posted. Thousands of individuals toil for us and spend many nights away from their homes and families to insure our assets perform and to respond to emergencies. All stockholders owe them a “thank you.” We are developing a young group of senior managers who not only understand operations, but also think strategically.

I would also like to thank Tim McKeand, who is retiring, for 19 years of loyal support and wise counsel. Tim was part of the original management group that ran NICOR Marine, Inc., when a group of us acquired it in December 1989.

Finally, I would like to thank stockholders who have shown confidence by being investors.

Sincerely,



Charles Fabrikant  
*Chairman of the Board*

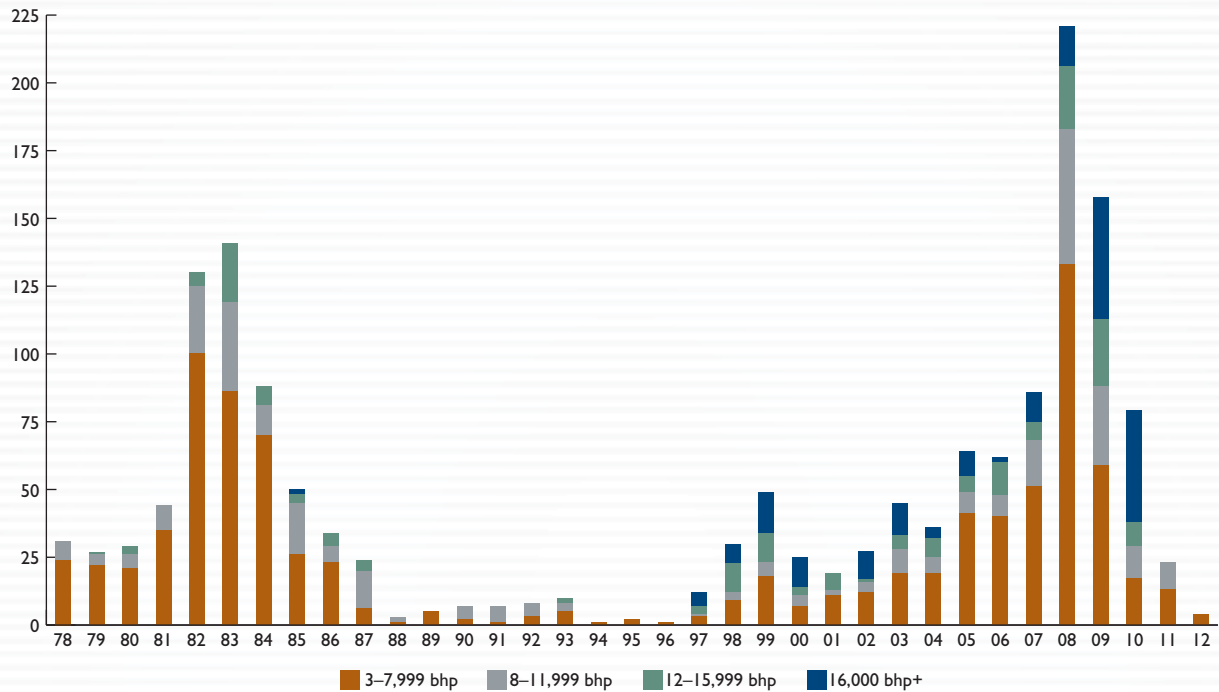
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<sup>18</sup>Source: American Coalition for Ethanol.

<sup>19</sup>I also want to note that we do not own or hold (nor have we ever owned or held) collateralized mortgage bonds, collateralized debt obligations or auction rate securities. If prices become attractive in the future we would consider looking at these instruments.

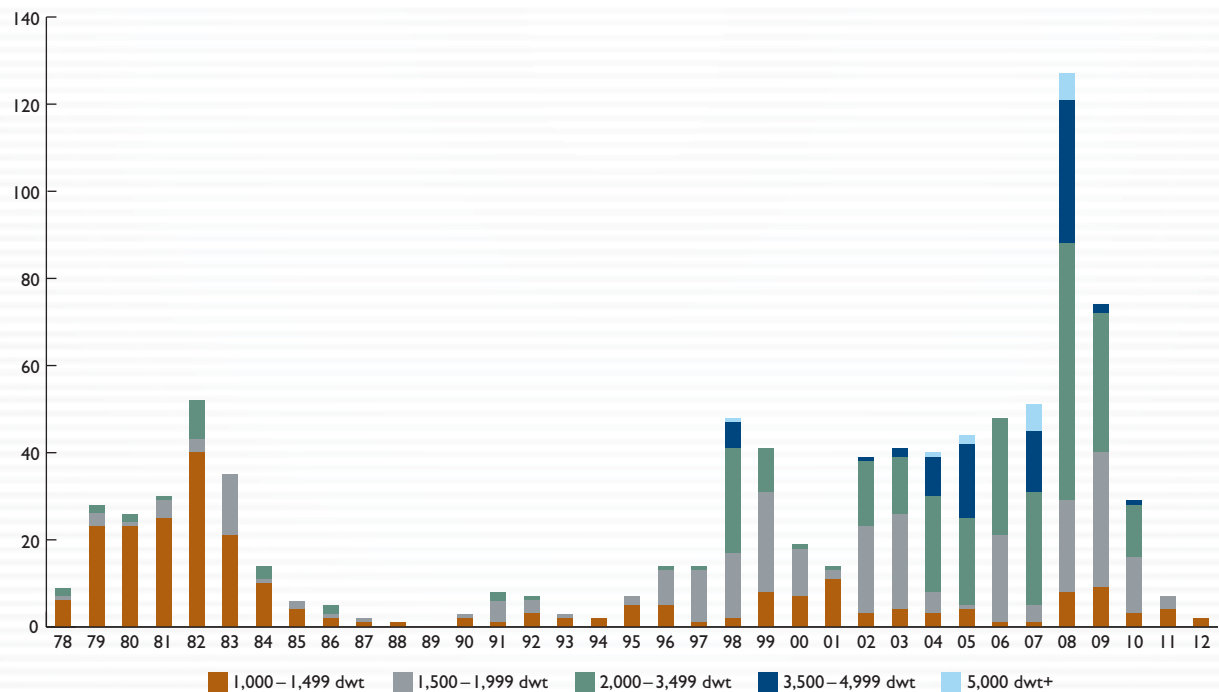
# APPENDIX I: OFFSHORE MARINE INDUSTRY FLEET PROFILE

AHTS NEWBUILDING DELIVERIES  
1978–2012  
(Count)



PSV NEWBUILDING DELIVERIES  
1978–2012  
(Count)

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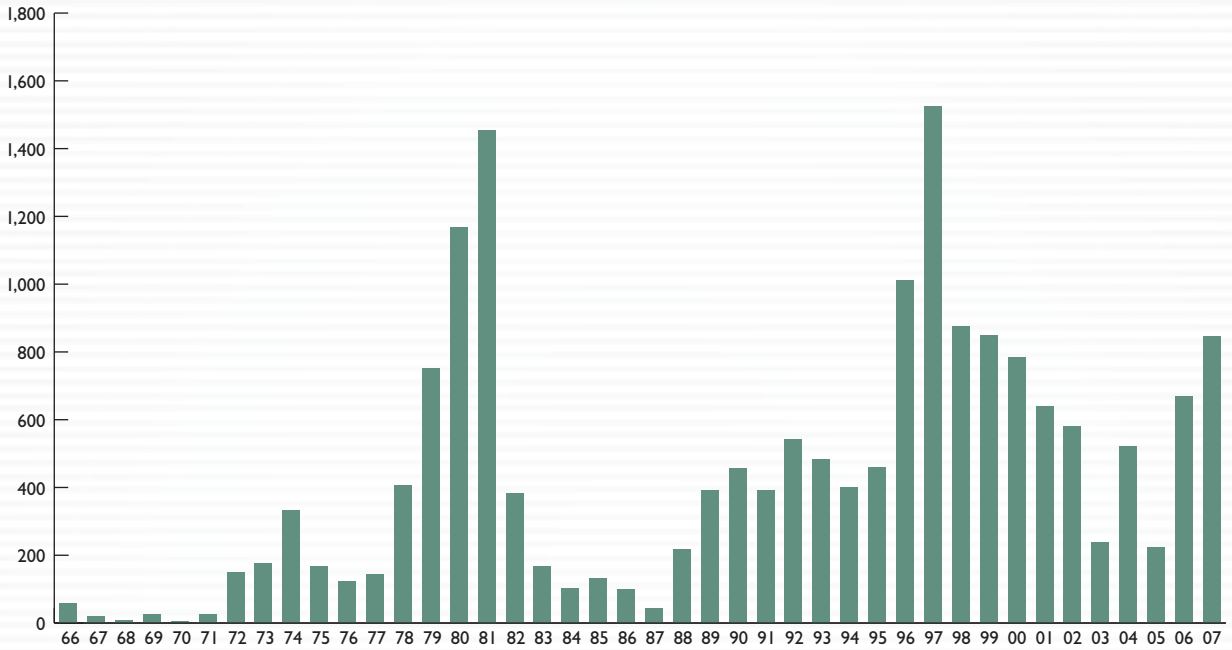
bhp=brake horsepower  
dwt=deadweight tons

## APPENDIX II: DOMESTIC INLAND RIVER INDUSTRY FLEET PROFILE

### DRY BARGES IN OPERATION BY YEAR OF CONSTRUCTION

1966–2007

(Count)

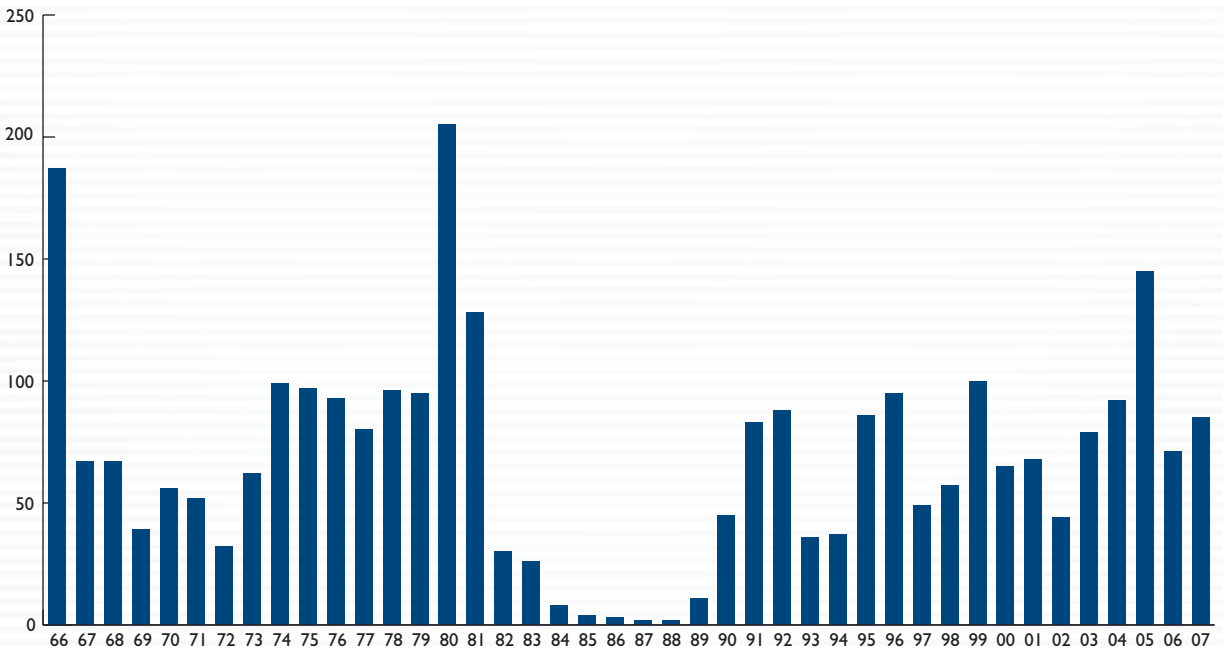


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### SINGLE AND DOUBLE SKIN TANK BARGES IN OPERATION BY YEAR OF CONSTRUCTION

1966–2007

(Count)



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