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SEABULK INTERNATIONAL INC  
Form 10-Q  
August 13, 2001

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 June 30, 2001

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, and (2) has been subject to such filing requirements for the past ninety days. YES |X| NO

There were 10,212,914 shares of Common Stock, par value \$0.01 per share, outstanding at July 31, 2001.

SEABULK INTERNATIONAL, INC.

Index

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Part I. Financial Information

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

Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2001 and 2000.....

Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....

Condensed Consolidated Balance Sheets at June 30, 2001 and December 31, 2000.....

Notes to Condensed Consolidated Financial Statements.....

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

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

Part II. Other Information

Item 1. Legal Proceedings.....

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

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

Signature.....

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 Statements of Operations (Unaudited)  
 (in thousands, except per share data)

Three Months Ended June 30,	
----- 2001	2000 -----

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Revenue.....	\$	91,424	\$	80,21
Operating expenses:				
Crew payroll and benefits.....		24,683		22,50
Charter hire.....		1,429		3,19
Repairs and maintenance.....		5,833		5,77
Insurance.....		2,916		3,22
Fuel and consumables.....		8,608		11,01
Rent, utilities and other.....		5,096		6,52
		-----		-----
Total operating expenses.....		48,565		52,24
Overhead expenses:				
Salaries and benefits.....		5,607		5,11
Office.....		1,474		1,52
Professional fees.....		574		1,36
Other.....		1,480		1,83
		-----		-----
Total overhead expenses.....		9,135		9,83
Depreciation, amortization and drydocking.....		14,821		12,15
		-----		-----
Income from operations.....		18,903		5,97
Other income (expense):				
Interest expense.....		(14,080)		(16,43)
Interest income.....		20		18
Minority interest in (income) losses of subsidiaries.....		(27)		59
(Loss) gain on disposal of assets.....		(96)		64
Other.....		(186)		6,86
		-----		-----
Total other expense, net.....		(14,369)		(8,14)
		-----		-----
Income (loss) before provision for income taxes.....		4,534		(2,16)
Provision for income taxes.....		1,784		1,08
		-----		-----
Net income (loss).....	\$	2,750	\$	(3,25)
		=====		=====
Earnings (loss) per common share:				
Earnings (loss) per common share - basic.....	\$	0.27	\$	(0.3)
		=====		=====
Earnings (loss) per common share - diluted.....	\$	0.25	\$	(0.3)
		=====		=====
Weighted average common shares outstanding - basic.....		10,200		10,00
		=====		=====
Weighted average common shares outstanding - diluted.....		10,800		10,00
		=====		=====

See accompanying notes

Seabulk International, Inc. and Subsidiaries  
Condensed Consolidated Statements of Cash Flows (Unaudited)  
(in thousands)

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Operating activities:

Net loss.....	\$
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	
Depreciation and amortization of vessels and equipment.....	
Provision for bad debts.....	
Gain on disposal of assets.....	
Amortization of drydocking costs.....	
Amortization of discount on long-term debt and financing costs.....	
Minority interest in losses of subsidiaries.....	
Other non-cash items.....	
Changes in operating assets and liabilities:	
Accounts receivable.....	
Other current and long-term assets.....	
Payment of reorganization items.....	
Accounts payable and other liabilities.....	
Net cash provided by (used in) operating activities.....	

Investing activities:

Expenditures for drydocking.....	
Proceeds from disposals of assets.....	
Purchases of vessels and equipment.....	
Acquisition of minority interest.....	
Redemption of restricted investments.....	
Purchase of restricted investments.....	
Net cash (used in) provided by investing activities.....	

Financing activities:

Proceeds from revolving credit facility.....	
Payments of revolving credit facility.....	
Payments of long-term borrowings.....	
Payments of Title XI bonds.....	
Redemption of restricted cash.....	
Payments of financing costs.....	
Payments of obligations under capital leases.....	
Proceeds from exercise of warrants.....	
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:

Notes payable issued for the acquisition of minority interest.....	\$
Notes payable issued for payment of accrued interest and fees.....	\$

See accompanying notes

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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.....  
 Accounts receivable:  
     Trade, net of allowance for doubtful accounts of \$5,932 and \$6,398 in 2001 and 2000,  
         respectively.....  
     Insurance claims and other.....  
 Marine operating supplies.....  
 Prepaid expenses.....  
  
     Total current assets.....

Vessels and equipment, net.....  
 Deferred costs, net.....  
 Restricted investments.....  
 Other.....  
  
     Total assets..... \$  
 ==

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.....  
 Senior notes.....  
 Other liabilities.....  
  
     Total liabilities.....

Contingencies (Note 9)

Minority interest.....

Stockholders' equity:

Preferred stock, no par value--authorized 5,000; none issued and outstanding.....  
 Common stock--\$.01 par value, authorized 20,000 shares; 10,213 and 10,117 shares  
     issued and outstanding in 2001 and 2000, respectively.....  
 Additional paid-in capital.....  
 Accumulated other comprehensive loss.....  
 Accumulated deficit.....

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Total stockholders' equity.....  
Total liabilities and stockholders' equity.....

See accompanying notes.

Seabulk International, Inc. and Subsidiaries  
Notes to Condensed Consolidated Financial Statements  
June 30, 2001  
(Unaudited)

1. Organization and Basis of Presentation

On March 12, 2001, Hvide Marine Incorporated (the "Issuer") filed a "Certificate of Ownership and Merger" with the Secretary of State of the State of Delaware that merged the Issuer's newly organized, wholly-owned subsidiary Seabulk International, Inc. into the Issuer. This Certificate of Ownership and Merger provided that from and after the effective date of the merger, the name of the merged companies would be Seabulk International, Inc. The merger and name change became effective on March 19, 2001, and the Issuer's common stock began trading on the Nasdaq National Market under its new symbol "SBLK" on March 21, 2001. The Company's Class A Warrants began trading on the OTC Bulletin Board under their new symbol "SBLKW" on March 21, 2001.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted 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, 2000.

The accompanying condensed consolidated financial statements include the accounts of Seabulk International, Inc. and its majority-owned subsidiaries. All material intercompany transactions and balances have been eliminated in the condensed consolidated financial statements.

The Company has no material components of comprehensive income (loss) except net income (loss).

Certain financial statement reclassifications have been made to conform prior periods' data to the 2001 financial statement presentation.

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### 2. Issues Affecting Liquidity

The Company's current and future capital requirements as they relate primarily to debt service, vessel maintenance and fleet improvements total approximately \$109.8 million for fiscal 2001. The Company believes that operating cash flow, proceeds from sales of vessels and amounts available under its revolving credit facility will be sufficient to meet its debt service obligations and other capital requirements through 2001. As the Company's operating cash flow is dependent in part on factors beyond the Company's control, however, including general economic conditions and conditions in the markets the Company serves, there can be no assurance that actual operating cash flow will meet expectations.

### 3. Vessel Acquisition

On May 1, 2001, the Company took delivery of a 152' crewboat. The purchase price for the crewboat was \$2.5 million, of which \$50,000 was paid in cash and the remaining balance of \$2.45 million was paid through borrowings under the Company's revolving credit facility.

### 4. Acquisition of Minority Interest

On January 15, 2001, the Company acquired the remaining 24.25% interest in its five 46,000 dwt double-hull petroleum and chemical tankers. The purchase price was approximately \$11.0 million, of which \$523,544 was paid in cash and the remaining balance was paid by a promissory note in the principal amount of \$10.5 million. The note is guaranteed by certain securities of certain subsidiaries of the Company. The note accrues interest at 8.5% per annum and is paid quarterly. Principal is due in quarterly payments of \$525,000 through January 2006. This transaction resulted in the elimination of minority interest and an increase to vessels and equipment of \$3.1 million, representing the fair value of assets acquired over the carrying value of the minority interest. The increase in vessels and equipment is being depreciated over the remaining useful lives of the tankers.

### 5. Senior Notes

The Company's senior secured notes have not received the bond rating from the rating agencies required by the note indenture. As a result, the interest rate on the senior notes increased from 12.5% to 13.5%. The additional interest is payable quarterly in the form of additional senior notes, of which notes in the principal amount of \$239,982 and \$240,582 were issued for the three months ended March 31, 2001 and June 30, 2001, respectively. The Company is currently seeking the bond ratings necessary to return the interest rate to 12.5%.

### 6. Income Taxes

For the three and six months ended June 30, 2001 and 2000, a gross deferred tax benefit was computed using an estimated annual effective tax rate of 36%. Management has recorded a valuation allowance at June 30, 2001 and 2000 to reduce the net deferred tax assets to zero. The current provision for income taxes for the three and six month periods ended June 30, 2001 and 2000 represent taxes withheld on foreign source revenue.

### 7. Earnings (Loss) Per Share

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

	Three Months Ended June 30,	
	2001	2000
(in thousands, except for)		
Numerator:		
Numerator for basic and diluted earnings (loss) per share		
net income (loss) available to common shareholders.....	\$ 2,750	\$ (3,250)
	=====	=====
Denominator:		
Denominator for basic earnings per share-weighted average		
shares.....	10,200	10,002
Effects of dilutive securities:		
Stock options.....	62	--
Warrants.....	538	--
	-----	-----
Dilutive potential common shares.....	600	--
Denominator for diluted earnings per share-adjusted weighted		
average shares and assumed conversions.....	10,800	10,002
	=====	=====
Earnings (loss) per share - basic.....	\$ 0.27	\$ (0.33)
	=====	=====
Earnings (loss) per share - diluted.....	\$ 0.25	\$ (0.33)
	=====	=====

### 8. Segment Information

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 - 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 - Marine transportation services includes oceangoing and inland-waterway vessels used to transport crude oil, petroleum products and chemicals between ports and terminals within the U.S.

Towing - Harbor and offshore towing services are provided by tugs to vessels utilizing the seven ports in which the tugs operate, and to vessels at sea.

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



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	Three Months Ended June 30,		
	2001	2000	
Revenue			
Offshore energy support.....	\$ 50,544	\$ 37,510	\$
Marine transportation services.....	32,299	34,386	
Towing.....	8,581	8,315	
Total.....	\$ 91,424	\$ 80,211	\$
Operating expenses			
Offshore energy support.....	\$ 23,691	\$ 23,228	\$
Marine transportation services.....	19,941	24,133	
Towing.....	4,933	4,880	
Total.....	\$ 48,565	\$ 52,241	\$
Depreciation, amortization and drydocking			
Offshore energy support.....	\$ 9,311	\$ 7,711	\$
Marine transportation services.....	4,435	3,250	
Towing.....	691	767	
General corporate.....	384	429	
Total.....	\$ 14,821	\$ 12,157	\$
Income from operations			
Offshore energy support.....	\$ 13,687	\$ 2,814	\$
Marine transportation services.....	6,543	5,382	
Towing.....	1,831	1,310	
General corporate.....	(3,158)	(3,529)	
Total.....	\$ 18,903	\$ 5,977	\$
Total income for reportable segments.....	\$ 18,903	\$ 5,977	\$
Interest expense.....	(14,080)	(16,436)	
Other (expense) income.....	(289)	8,292	
Income (loss) before provision for income taxes.....	\$ 4,534	\$ (2,167)	\$

Three Months Ended  
June 30,

2001 2000

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Revenue				
Domestic.....	\$	64,680	\$	53,833
Foreign				
West Africa.....		17,074		11,082
Middle East.....		6,088		11,085
Southeast Asia.....		3,582		4,211
Consolidated revenue.....	\$	91,424	\$	80,211

9. Contingencies

From time to time, the Company is also party to litigation arising in the ordinary course of its business, most of which is covered by insurance, subject to certain deductibles. Management does not believe such litigation will have a material effect on the Company's financial position, results of operations or cash flows.

10. Supplemental Condensed Consolidated Financial Information (Unaudited)

The senior secured notes are fully and unconditionally guaranteed on a joint and several basis by certain of the Company's wholly-owned consolidated subsidiaries. A substantial portion of the Company's cash flows are generated by its subsidiaries. As a result, the funds necessary to meet the Company's obligations are provided in substantial part by distributions or advances from its subsidiaries. Under certain circumstances, contractual or legal restrictions, as well as the financial and operating requirements of the Company's subsidiaries, could limit the Company's ability to obtain cash from its subsidiaries for the purpose of meeting its obligations, including the payments of principal and interest on the senior notes.

The following is condensed consolidating financial information for the Company, segregating the parent, the domestic and foreign guarantor subsidiaries, the combined non-guarantor subsidiaries and eliminations.

Condensed Consolidating Statement of Operations (unaudited)  
(in thousands)

	Three Months Ended June 30, 2012			
	Parent	Domestic Guarantor Subsidiaries	Foreign Guarantor Subsidiaries	Non- Guarantor Subsidiaries
Revenue.....	\$ 7,830	\$ 50,496	\$ 29,812	\$ 18,210
Operating expenses.....	6,141	30,263	13,509	9,847
Overhead expenses.....	3,019	3,186	2,137	866

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Depreciation, amortization and drydocking.....	1,720	4,728	5,570	2,803
(Loss) income from operations.....	(3,050)	12,319	8,596	4,694
Other income (expense), net.....	4,386	12,752	(6,745)	(4,628)
Income (loss) before income taxes....	1,336	25,071	1,851	66
(Benefit) provision for income taxes.	(1,414)	--	3,198	--
Net income (loss).....	\$ 2,750	\$ 25,071	\$ (1,347)	\$ 66

Condensed Consolidating Statement of Operations (unaudited)  
(in thousands)

	Three Months Ended June 30, 200			
	Parent	Domestic Guarantor Subsidiaries	Foreign Guarantor Subsidiaries	Non- Guarantor Subsidiaries
Revenue.....	\$ 8,091	\$ 38,775	\$ 25,072	\$ 16,674
Operating expenses.....	7,017	29,109	14,914	9,953
Overhead expenses.....	3,532	2,376	3,559	1,333
Depreciation, amortization and drydocking.....	676	4,066	4,830	2,585
(Loss) income from operations.....	(3,134)	3,224	1,769	2,803
Other income (expense), net.....	967	(25,643)	(5,370)	(6,304)
(Loss) income before income taxes...	(2,167)	(22,419)	(3,601)	(3,501)
Provision for income taxes.....	1,083	--	--	--
Net (loss) income.....	\$ (3,250)	\$ (22,419)	\$ (3,601)	\$ (3,501)

Condensed Consolidating Statement of Operations (unaudited)  
(in thousands)

	Six Months Ended June 30, 200			
	Parent	Domestic Guarantor Subsidiaries	Foreign Guarantor Subsidiaries	Non- Guarantor Subsidiaries

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Revenue.....	\$	16,106	\$	94,104	\$	53,031	\$	35,770
Operating expenses.....		12,472		59,809		27,438		20,051
Overhead expenses.....		6,717		6,302		4,653		1,828
Depreciation, amortization and drydocking.....		3,334		8,966		10,812		5,632
(Loss) income from operations.....		(6,417)		19,027		10,128		8,259
Other income (expense), net.....		1,934		13,055		(13,470)		(9,646)
(Loss) income before income taxes...		(4,483)		32,082		(3,342)		(1,387)
Provision for income taxes.....		--		--		3,198		--
Net (loss) income.....	\$	(4,483)	\$	32,082	\$	(6,540)	\$	(1,387)

Condensed Consolidating Statement of Cash Flows (unaudited)  
(in thousands)

	Six Months Ended June			
	Parent	Domestic Guarantor Subsidiaries	Foreign Guarantor Subsidiaries	Non Guarantor Subsidiaries
Net cash provided by (used in) operating activities.....	\$ 5,720	\$ 13,780	\$ 2,415	\$ (4,500)
Investing activities:				
Expenditures for drydocking.....	(656)	(5,493)	(5,801)	(11,950)
Proceeds from disposals of assets.....	--	820	3,880	4,700
Purchases of vessels and equipment.....	37	(3,533)	(1,133)	(4,629)
Acquisition of minority interest.....	8,347	--	--	8,347
Redemption of restricted investments.....	--	--	--	--
Purchases of restricted investments.....	--	--	--	--
Net cash provided by (used in) investing activities.....	7,728	(8,206)	(3,054)	(1,000)
Financing activities:				
Proceeds from revolving credit facility....	27,000	--	--	27,000
Payments of revolving credit facility.....	(30,250)	--	--	(30,250)
Payments of long-term borrowings.....	(9,091)	(665)	--	(9,756)
Payments of Title XI bonds.....	(2,409)	(322)	--	(2,731)
Redemption of restricted cash.....	331	--	--	331
Payments of obligations under capital leases.....	--	(2,115)	--	(2,115)
Proceeds from exercise of warrants.....	1	--	--	1
Net cash used in financing activities.....	(14,418)	(3,102)	--	(17,520)
Change in cash and cash equivalents.....	(970)	2,472	(639)	(700)
Cash and cash equivalents at beginning of period.....	1,402	(2,190)	6,380	8,600

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Cash and cash equivalents at end of period..	\$ 432	\$ 282	\$ 5,741	\$ 1,0
	=====	=====	=====	=====

Condensed Consolidating Statement of Operations (unaudited)  
(in thousands)

	Six Months Ended June 30, 2016			
	Parent	Domestic Guarantor Subsidiaries	Foreign Guarantor Subsidiaries	Non- Guarantor Subsidiaries
Revenue.....	\$ 19,544	\$ 79,303	\$ 49,481	\$ 33,211
Operating expenses.....	14,435	61,365	30,772	21,041
Overhead expenses.....	6,763	4,729	8,079	2,461
Depreciation, amortization and drydocking.....	1,464	8,608	9,638	4,731
(Loss) income from operations.....	(3,118)	4,601	992	4,971
Other (expense) income, net.....	(10,935)	(22,422)	(14,207)	(12,071)
(Loss) income before income taxes.....	(14,053)	(17,821)	(13,215)	(7,091)
Provision for income taxes.....	2,107	--	--	--
Net (loss) income.....	\$ (16,160)	\$ (17,821)	\$ (13,215)	\$ (7,091)

Condensed Consolidating Statement of Cash Flows (unaudited)  
(in thousands)

	Six Months Ended June 30, 2016			
	Parent	Domestic Guarantor Subsidiaries	Foreign Guarantor Subsidiaries	N Gua Subsi
Net cash (used in) provided by operating activities.....	\$ (18,331)	\$ 8,215	\$ 279	\$
Investing activities:				
Expenditures for drydocking.....	(162)	(1,428)	(1,102)	
Proceeds from disposal of assets.....	7,598	--	--	
Purchases of vessels and property.....	4,342	(8,276)	(176)	
Redemption of restricted investments.....	--	--	--	

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Capital contribution to affiliate.....	--	639	--	
Net cash provided by (used in) investing activities.....	11,778	(9,065)	(1,278)	
Financing activities:				
Proceeds of revolving credit facility.....	14,353	--	--	
Payments of revolving credit facility.....	(4,000)	--	--	
Payments of long-term borrowings.....	(10,546)	(513)	--	
Payments of Title XI bonds.....	(2,302)	(537)	--	
Redemption of restricted cash.....	6,243	190	--	
Payments of financing costs.....	(596)	--	--	
Payments of obligations under capital leases.....	(287)	(1,552)	--	
Net cash provided by (used in) financing activities.....	2,865	(2,412)	--	
Change in cash and cash equivalents.....	(3,688)	(3,262)	(999)	
Cash and cash equivalents at beginning of period.....	4,830	2,908	7,816	
Cash and cash equivalents at end of period...\$	1,142	\$ (354)	\$ 6,817	\$

Condensed Consolidating Balance Sheet  
(in thousands)

	As of June 30, 2001			
	Parent	Domestic Guarantor Subsidiaries	Foreign Guarantor Subsidiaries	Non-Guarantor Subsidiaries
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents..... \$	432	\$ 282	\$ 5,741	\$ 1,000
Accounts receivable:				
Trade, net.....	1,105	28,092	23,286	4,500
Insurance claims and other.....	1,223	2,808	6,462	
Marine operating supplies.....	450	2,058	3,286	3,400
Prepaid expenses.....	487	798	951	600
Total current assets.....	3,697	34,038	39,726	9,700
Vessels and equipment, net.....	46,960	180,506	115,066	272,700
Deferred costs, net.....	15,310	10,666	8,135	7,900
Restricted investments.....	--	--	--	800
Due from affiliates.....	(1,088)	--	110	(900)
Other.....	520,499	351,044	6,227	36,900
Total assets..... \$	585,378	\$ 576,254	\$ 169,264	\$ 329,100
<b>Liabilities and Stockholders' Equity</b>				
<b>Current liabilities:</b>				
Accounts payable..... \$	401	\$ 1,919	\$ 4,354	\$ 500
Current maturities of				

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long-term debt.....	32,294	1,930	--	4,2
Current obligations under capital leases.....	--	3,256	--	
Accrued interest.....	441	173	--	6
Accrued liabilities and other.....	7,603	6,198	20,439	4,4
<u>Total current liabilities.....</u>	<u>40,739</u>	<u>13,476</u>	<u>24,793</u>	<u>9,8</u>
Long-term debt.....	172,513	24,376	--	217,9
Obligations under capital leases.....	--	32,927	--	
Senior notes.....	80,338	--	--	
Other liabilities.....	159,723	(64,243)	(121,623)	27,3
<u>Total liabilities.....</u>	<u>453,313</u>	<u>6,536</u>	<u>(96,830)</u>	<u>255,1</u>
Contingencies (Note 9)				
Minority interest.....	--	--	--	
Total stockholders' equity (deficit)...	132,065	569,718	266,094	73,9
<u>Total liabilities and stockholders' equity.....</u>	<u>\$ 585,378</u>	<u>\$ 576,254</u>	<u>\$ 169,264</u>	<u>\$ 329,1</u>

Condensed Consolidating Balance Sheet  
(in thousands)

	As of December 31, 2000			
	Parent	Domestic Guarantor Subsidiaries	Foreign Guarantor Subsidiaries	Non-Guarantor Subsidiaries
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents.....	\$ 1,402	\$ (2,190)	\$ 6,380	\$ 8,64
Restricted cash.....	331	--	--	
Accounts receivable:				
Trade, net.....	1,607	24,011	24,298	4,31
Insurance claims and other.....	1,029	3,060	7,091	33
Marine operating supplies.....	393	2,466	3,503	3,27
Prepaid expenses.....	568	920	1,177	39
<u>Total current assets.....</u>	<u>5,330</u>	<u>28,267</u>	<u>42,449</u>	<u>16,95</u>
Vessels and equipment, net.....	47,349	186,174	129,344	277,02
Deferred costs, net.....	17,268	7,926	4,427	8,53
Restricted investments.....	--	--	--	86
Due from affiliates.....	(143,041)	63,892	117,788	(35,15)
Other.....	509,352	327,407	3,431	37,43
<u>Total assets.....</u>	<u>\$ 436,258</u>	<u>\$ 613,666</u>	<u>\$ 297,439</u>	<u>\$ 305,66</u>

Liabilities and Stockholders'

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Equity								
Current liabilities:								
Accounts payable.....	\$	976	\$	4,847	\$	6,300	\$	78
Current maturities of								
long-term debt.....		27,226		1,960		--		4,08
Current obligations under								
capital leases.....		--		3,580		--		--
Accrued interest.....		454		492		--		73
Accrued liabilities and other.....		7,552		4,676		17,719		4,59
		-----		-----		-----		-----
Total current liabilities.....		36,208		15,555		24,019		10,19
Long-term debt.....		181,451		25,333		--		220,06
Obligations under capital leases.....		--		34,718		--		--
Senior notes.....		79,108		--		--		--
Other liabilities.....		2,944		424		785		4
		-----		-----		-----		-----
Total liabilities.....		299,711		76,030		24,804		230,30
Contingencies (Note 9)								
Minority interest.....		--		--		--		--
Total stockholders' equity (deficit).		136,547		537,636		272,635		75,36
		-----		-----		-----		-----
Total liabilities and								
stockholders' equity.....	\$	436,258	\$	613,666	\$	297,439	\$	305,66
		=====		=====		=====		=====

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 2000 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 2000 Form 10-K.

Revenue Overview

The Company derives its revenue from three main lines of business -



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offshore energy support, marine transportation, and towing. Seabulk Offshore, the Company's domestic and international offshore energy support business, accounted for approximately 54% and 45% of Company revenue for the six months ended June 30, 2001 and 2000, respectively. Marine transportation, under the new name Seabulk Tankers, consists of (1) the Company's Jones Act tanker business, in which it operates ten petroleum product and chemical product carriers in the domestic coastwise trade, and (2) its inland tug and barge operation and shipyard, Sun State Marine Services. Together, they accounted for approximately 36% and 44% of Company revenue for the six months ended June 30, 2001 and 2000, respectively. Seabulk Towing, the Company's domestic harbor and offshore towing business, accounted for approximately 10% and 11% of Company revenue for the six months ended June 30, 2001 and 2000, respectively.

### Offshore Energy Support

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.

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 their 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.

	Q1 2001				Q2 2001			
	AHTS/ Supply	AHT/ Tugs	Crew/ Utility	Other	AHTS/ Supply	AHT/ Tugs	Crew/ Utility	Other
Domestic(1)								
Vessels(2) (3)	26	-	31	1	26	-	33	1
Bareboat-out(4)	-	-	2	1	-	-	2	1
Laid-Up	1	-	-	1	1	-	-	1
Effective Utilization(5)	75%	-	87%	-	90%	-	87%	-
Day Rate	\$6,946	-	\$2,709	-	\$7,397	-	\$2,929	-
West Africa								
Vessels(2) (3) (6)	27	3	6	1	27	4	5	1
Laid-Up	-	-	-	-	-	-	-	-
Effective Utilization(5)	83%	46%	85%	-	86%	41%	77%	84%
Day Rate	\$6,325	\$4,491	\$2,754	-	\$6,988	\$5,528	\$2,774	-

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Middle East									
Vessels(2) (3) (7)	5	8	11	7	5	8	11	7	
Laid-Up	-	-	-	-	-	-	-	-	
Effective Utilization(5)	77%	24%	66%	56%	92%	50%	59%	69%	
Day Rate	\$3,003	\$4,129	\$1,421	\$5,197	\$2,855	\$3,889	\$1,434	\$5,393	
Southeast Asia									
Vessels(2) (6)	8	1	5	1	8	1	5	1	
Laid-Up	-	-	1	-	-	-	1	-	
Effective Utilization(5)	87%	37%	89%	33%	83%	46%	73%	71%	
Day Rate	\$5,347	-	\$1,429	-	\$4,277	-	\$1,443	-	

- (1) Domestic consists of vessels operating in the United States, the U.S. Gulf of Mexico, Mexico, the Caribbean and South America.
- (2) Held-for-sale vessels are excluded from the vessel count.
- (3) During Q1 2001, one AHTS, one supply boat, and one specialty vessel (Other), transferred from the Middle East to West Africa. During Q2 2001, the Company purchased a crewboat and changed the reporting area of one vessel in the Crew/Utility category from West Africa to Domestic.
- (4) Bareboat-out chartered vessels are not included in the day rate and utilization statistics.
- (5) Effective utilization excludes laid-up vessels.
- (6) One vessel in the AHT/Tugs category worked in West Africa and Southeast Asia during Q2 2001 and earned sufficient revenue to be included in the statistics for both regions.
- (7) The Middle East - Other category includes a vessel that is in a 50/50 joint venture and not included in the day rate and utilization statistics.

	Q1 2000				Q2 2000				Q3 2000		
	AHTS/ Supply	AHT/ Tugs	Crew/ Utility	Other	AHTS/ Supply	AHT/ Tugs	Crew/ Utility	Other	AHTS/ Supply	AHT/ Tugs	Crew/ Utilit
Domestic(1) Vessels(2) (3)	25	-	33	2	26	-	33	2	26	-	31
Bareboat-out (4)	-	-	6	1	-	-	2	1	-	-	2
Laid-Up	3	-	1	2	5	-	2	2	3	-	-

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Effective Utilization(5)	80%	-	79%	-	79%	-	81%	-	76%	-	86%
Day Rate	\$3,663	-	\$1,894	-	\$4,024	-	\$1,921	-	\$4,821	-	\$2,117
West Africa											
Vessels(3)	24	4	5	1	25	4	5	1	26	4	6
Laid-Up	2	1	1	1	2	1	1	1	1	2	1
Effective Utilization(5)	85%	57%	53%	-	83%	60%	59%	-	85%	81%	62%
Day Rate	\$5,304	\$4,289	\$2,450	-	\$5,618	\$5,200	\$2,460	-	\$5,887	\$5,122	\$2,809
Middle East											
Vessels(6)	24	21	29	8	21	21	29	8	18	21	24
Laid-Up	10	5	15	-	10	5	12	-	10	6	12
Effective Utilization(5)	62%	72%	69%	69%	83%	74%	61%	70%	83%	50%	61%
Day Rate	\$2,899	\$2,809	\$1,373	\$6,988	\$2,995	\$2,960	\$1,446	\$6,302	\$2,634	\$3,345	\$1,483
Southeast Asia											
Vessels	9	2	5	2	9	2	5	2	10	2	5
Laid-Up	3	-	-	1	2	1	-	-	2	1	-
Effective Utilization(4)	49%	7%	46%	33%	90%	96%	66%	85%	85%	60%	69%
Day Rate	\$4,031	\$8,516	\$1,540	\$8,086	\$4,358	\$4,569	\$1,549	\$5,268	\$3,765	\$7,364	\$1,330

- (1) Domestic consists of vessels operating in the United States, the U.S. Gulf of Mexico, Mexico, the Caribbean and South America.
- (2) One vessel was sold in Q4 2000 from the Crew/Utility category. Since the vessel earned substantial revenue during the quarter, it was included in the statistics.
- (3) One vessel in the Crew/Utility category changed reporting area from Domestic to West Africa after Q2 2000. The statistics reflected this move.
- (4) Bareboat-out chartered vessels are not included in the day rate and utilization statistics.
- (5) Effective utilization excludes laid-up vessels.
- (6) The Middle East-AHT/Tugs and Other categories include a vessel that is a 44-foot harbor tug and in a 50/50 joint venture, respectively, which are not included in the day rate and utilization statistics.

The increase in offshore revenue is primarily due to increased day rates in the Domestic and West Africa regions which are due to increased demand for our services as energy prices are higher in 2001 compared to 2000. As a result of the higher oil and natural gas prices, there has been increased deepwater oil and gas exploration. In order to meet the increasing demand, the

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Company took delivery of two 152' crewboats in December 2000 and May 2001. Additionally, the Company reactivated certain vessels and repositioned vessels from the Middle East and Southeast Asia regions to take advantage of the increased demand.

The increase in revenue is partially offset by decreases in revenue primarily from the Middle East operating region. The decrease in day rates in the Middle East region relates to lower boat demand due to production cutbacks by the Organization of Petroleum Exporting Countries (OPEC) and increased competition from local operators. Average day rates for the Company's anchor handling tug supply vessels and supply boats at July 31, 2001 for Domestic, West Africa, the Middle East and Southeast Asia were approximately \$7,600, \$7,000, \$2,800, and \$4,900, respectively.

Utilization increased in almost every region for the second quarter of 2001 due to increased drilling activity and greater demand for vessels. As a result, in the second quarter of 2001, the Company returned to service certain vessels drydocked in the first quarter of 2001. Additionally, there were no significant scheduled drydockings in the second quarter of 2001.

The Company had 24 and 16 vessels in "held-for-sale" status as of March 31, 2001 and June 30, 2001, respectively. The majority of these vessels was in the Middle East region and previously laid up. Subsequent to June 30, 2001, the Company has sold one tug and one utility boat and added one crewboat to "held-for-sale" in the Middle East region. An operating utility boat in the Domestic region was also sold during this period.

Management continuously evaluates the profitability of the fleet and may lay up or dispose of certain vessels if the cost to maintain and operate them is not economically justified. As of June 30, 2001, the Company had two vessels in lay-up which are scheduled for reactivation during 2001 at a cost of approximately \$0.8 million.

The Company expects continued growth in the offshore energy support market, particularly in the U.S. Gulf, West Africa and Southeast Asia. Despite the recent lull in drilling activity since the end of the second quarter in the U.S. Gulf, we anticipate renewed demand for drilling rigs and increased drilling activity as the winter heating season approaches and natural gas inventories are depleted. In West Africa, the demand for vessels, and hence day rates, remains strong as this is an oil-driven deepwater market with longer time horizons and increasing exploration and production budgets. Day rates in Southeast Asia are moving up in the face of a tightening supply and demand market for vessels.

### Marine Transportation

Revenue from the Company's marine transportation services is derived principally from the operations of 10 tankers carrying crude oil, petroleum products and chemical products in the U.S. Jones Act trade, and to a lesser extent from towboat and fuel barge operations in Green Cove Springs, Florida.

**Petroleum Tankers.** Demand for crude oil and petroleum product transportation services is dependent both on the level of production and refining and on consumer and commercial use of petroleum-based products. The Company operated seven petroleum tankers at June 30, 2001. Four of the Company's petroleum tankers are double-hull, state-of-the-art vessels delivered in late 1998 and the first half of 1999. A fifth double-hull tanker also has chemical-carrying capabilities. In December 2001, three affreightment contracts will expire, and the Company expects to enter into time charters under more favorable rates. Higher rates have been due to increased energy consumption and growth in transportation requirements coupled with a shrinking Jones Act fleet.

**Chemical Tankers.** Demand for industrial chemical transportation

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services coincides with overall economic activity. The Company operated two chemical tankers and one multipurpose vessel in the chemical trade as of June 30, 2001. The multi-purpose vessel is a double-hull, state-of-the-art vessel delivered in the first half of 1999. The two straight chemical tankers are double-bottom ships.

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

	Six Months Ended June 30,	
	2001	2000 (1) (2)
Number of vessels owned.....	10	11
Revenue (in thousands)..... \$	56,495	\$ 65,612

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- (1) During the third quarter of 2000, the Company scrapped one tanker that was at the end of its OPA 90-mandated useful life.
- (2) Includes revenue from chartered-in vessels of \$0.0 million and \$6.0 million for the six months ended June 30, 2001 and 2000, respectively.

Inland Tugs and Barges. Revenue from the Company's Sun State Marine Services subsidiary has been derived primarily from contracts of affreightment with Colonial Oil Industries (formerly known as Steuart Petroleum Co.) and Florida Power & Light (FPL) that require the Company to transport fuel as needed. On January 31, 2001, Sun State renewed the contract with Colonial for four years with an additional seven-year renewal option. The renewal option in 2005 is contingent on Colonial's ability to renew a related contract. The contract with FPL will not be renewed. Revenue is also derived from Sun State's ship maintenance, repair, drydocking and construction activities. The revenue from all of Sun State's operations totaled \$5.6 and \$4.4 million, respectively, for the six months ended June 30, 2001 and 2000.

### Towing

Revenue 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, and the volume of vessel traffic requiring docking and other ship-assist services. 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:

	Six Months Ended June 30,	
	2001	2000
Number of tugs at end of period.....	31	37
Revenue (in thousands)..... \$	17,038	\$ 17,046

Towing revenue remained consistent for the six months ended June 30, 2001 compared to the same period in the prior year. The Company sold a total of five vessels in 2000, one in the second quarter and four in the third quarter; and two vessels in the first quarter of 2001. The associated proceeds were used to pay down debt. In addition, the Company took delivery of its fourth SDM(TM) in the second quarter of 2000.

### Overview of Operating Expenses and Capital Expenditures

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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 2000 Form 10-K.

### Results of Operations

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

	Three Months ended June 30,				Six	
	2001		2000		2001	
	(in millions)					
Revenue.....	\$ 91.4	100%	\$ 80.2	100%	\$ 172.8	100%
Operating expenses.....	48.6	53	52.2	65	97.4	56
Overhead expenses.....	9.1	10	9.8	12	19.4	11
Depreciation, amortization and drydocking expense.....	14.8	16	12.2	15	28.7	16
Income from operations.....	\$ 18.9	21%	\$ 6.0	8%	\$ 27.3	16
Interest expense, net.....	\$ 14.1	15%	\$ 16.3	20%	\$ 28.6	16
Other income (expense).....	\$ (0.3)	0%	\$ 8.1	10%	\$ 0	0
Net income (loss).....	\$ 2.8	3%	\$ (3.3)	(4)%	\$ (4.5)	(3)

Three months ended June 30, 2001 compared with the three months ended June 30, 2000

Revenue. Revenue increased 14.0% to \$91.4 million for the three months ended June 30, 2001 from \$80.2 million for the three months ended June 30, 2000. This increase is primarily due to an increase in utilization and day rates in the Company's offshore energy support operations offset by a small decrease in revenue in the marine transportation segment.

Offshore energy support revenue increased 34.7% to \$50.5 million for the three months ended June 30, 2001 from \$37.5 million for the same period in 2000, primarily due to higher day rates and utilization resulting from the increase in offshore exploration and production activity.

Marine transportation revenue decreased 6.1% to \$32.3 million for the three months ended June 30, 2001 from \$34.4 million for the three months ended June 30, 2000. This decrease is primarily due to the mandated retirement of one

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of the Company's Jones Act tankers in the third quarter of 2000, and the redeployment of three tankers from spot trading to time charters. Under a time charter, the cost of fuel and port charges are borne by the charterer; however, rates under time charters tend to be lower than spot trading.

Towing revenue increased 3.2% to \$8.6 million for the three months ended June 30, 2001 from \$8.3 million for the three months ended June 30, 2000 due to increased demand for services.

Operating Expenses. Operating expenses decreased 7.0% to \$48.6 million for the three months ended June 30, 2001 from \$52.2 million for the same period in 2000, primarily due to reduced charter hire payments, fuel, and port charges. The reduction in charter hire payments is due to the termination of a chartered-in contract for one tanker in October 2000. The reduction in fuel and port charges is primarily due to the change of three tankers from spot trading to time charters. As a percentage of revenue, operating expenses decreased to 53.1% for the three months ended June 30, 2001 from 65.1% for the 2000 period.

Overhead Expenses. Overhead expenses decreased 7.1% to \$9.1 million for the three months ended June 30, 2001 from \$9.8 million for the same period in 2000, primarily due to decreased professional fees and other overhead expense offset in part by increases in salaries and benefits. The increased headcount and related salary expense for corporate activity resulted in savings on third-party consulting fees and services. The decrease in other overhead expenses is primarily due to reduced expenses for travel, entertainment, employee moving and new business promotion as a result of our elimination of non-essential services and the consolidation of administrative functions. As a percentage of revenue, overhead expenses decreased to 10.0% for the three months ended June 30, 2001 compared to 12.2% for the same period in 2000.

Depreciation, Amortization and Drydocking Expense. Depreciation, amortization and drydocking expense increased 21.9% to \$14.8 million for the three months ended June 30, 2001 from \$12.2 million for the three months ended June 30, 2000, primarily due to increased planned drydocking expenditures.

Income from Operations. Income from operations totaled \$18.9 million or 20.7% of revenue for the three months ended June 30, 2001 compared to \$6.0 million or 7.5% of revenue for the three months ended June 30, 2000.

Net Interest Expense. Net interest expense decreased 13.5% to \$14.1 million or 15.4% of revenue for the three months ended June 30, 2001 from \$16.3 million or 20.3% of revenue for the same period in 2000. The decrease is primarily due to the combination of lower interest rates and lower outstanding debt balances under our term loans and revolving credit facility. This decrease is offset by interest expense on additional borrowings in 2001 for the remaining 24.25% interest in the five double-hull tankers and the purchase of two crewboats.

Other (Expense) Income, Net. Other (expense) income, net decreased 104.0% to net other expense of \$0.3 million for the three months ended June 30, 2001 from net income of \$8.1 million for the same period in 2000, primarily due to a net loss of \$0.1 million on the disposal of assets held for sale compared to a \$7.0 million gain on the settlement of a disputed liability and a net gain on asset sales of \$0.6 million in 2000.

Net Income (Loss). The Company had net income of \$2.8 million for the three months ended June 30, 2001 compared to a net loss of \$3.3 million for the three months ended June 30, 2000.

Six months ended June 30, 2001 compared with the six months ended June 30, 2000

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Revenue. Revenue increased 8.8% to \$172.8 million for the six months ended June 30, 2001 from \$158.8 million for the six months ended June 30, 2000. This increase is primarily due to an increase in utilization and day rates in the Company's offshore energy support operations offset by a small decrease in revenue from marine transportation.

Offshore energy support revenue increased 30.6% to \$93.7 million for the six months ended June 30, 2001 from \$71.7 million for the same period in 2000, primarily due to higher day rates and utilization resulting from the increase in offshore exploration and production activity.

Marine transportation revenue decreased 11.3% to \$62.1 million for the six months ended June 30, 2001 from \$70.0 million for the six months ended June 30, 2000. This decrease is primarily due to the mandated retirement of one of the Company's Jones Act tankers in the third quarter of 2000, the Company's chartering in of one tanker in the first quarter of 2000 through October 2000, and the redeployment of three tankers from spot trading to time charters.

Towing revenue of \$17.0 million is unchanged for the six months ended June 30, 2001 compared to the six months ended June 30, 2000.

Operating Expenses. Operating expenses decreased 8.7% to \$97.4 million for the six months ended June 30, 2001 from \$106.8 million for the same period in 2000, due mainly to lower charter hire payments, fuel, and port charges. The reduction in charter hire payments is due to the termination of a chartered-in contract for one tanker in October 2000. The reduction in fuel and port charges is primarily due to the change of three tankers from spot trading to time charters. As a percentage of revenue, operating expenses decreased to 56.4% for the six months ended June 30, 2001 from 67.2% for the same period in 2000.

Overhead Expenses. Overhead expenses decreased 1.5% to \$19.4 million for the six months ended June 30, 2001 from \$19.6 million for the same period in 2000, primarily due to decreased professional fees and other overhead expenses offset by increases in salaries and benefits. As a percentage of revenue, overhead expenses decreased to 11.2% for the six months ended June 30, 2001 from 12.4% for the same period in 2000.

Depreciation, Amortization and Drydocking Expense. Depreciation, amortization and drydocking expense increased 17.6% to \$28.7 million for the six months ended June 30, 2001 from \$24.4 million for the six months ended June 30, 2000, primarily due to higher drydocking expenditures.

Income from Operations. Income from operations totaled \$27.3 million or 15.8% of revenue for the six months ended June 30, 2001 compared to \$8.0 million or 5.0% of revenue for the six months ended June 30, 2000.

Net Interest Expense. Net interest expense decreased 6.0% to \$28.6 million or 16.6% of revenue for the six months ended June 30, 2001 from \$30.4 million or 19.2% of revenue for the same period in 2000. The decrease is primarily due to the combination of lower interest rates and lower outstanding debt balances under our term loans and revolving credit facility. This decrease is offset by interest expense on additional borrowings in 2001 for the remaining 24.25% interest in the five double-hull tankers and the purchase of two crewboats.

Other (Expense) Income, Net. Other (expense) income, net decreased 100.0% to \$0.0 million for the three months ended June 30, 2001 from \$8.4 million for the same period in 2000, primarily due to a net loss of \$0.2 million on the disposal of assets held for sale compared to a \$7.0 million gain on the settlement of a disputed liability and a net gain on asset sales of \$0.6 million in 2000.



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Net Loss. The Company had a net loss of \$4.5 million for the six months ended June 30, 2001 compared to a net loss of \$16.2 million for the six months ended June 30, 2000.

### Liquidity and Capital Resources

Cash Flows. Net cash provided by operating activities totaled \$25.3 million for the six months ended June 30, 2001 compared to net cash (used in) operating activities of \$(6.4) million for the same period in 2000. The significant increase in cash provided by operating activities is primarily a result of (1) the lower net loss to date in 2001 compared to 2000, and (2) no reorganization costs in 2001 as all reorganization expenses were paid in fiscal 2000.

Net cash (used in) investing activities was \$(12.5) million for the six months ended June 30, 2001 compared to net cash provided by investing activities of \$0.8 million for the same period in 2000. The use of cash for investing activities is due primarily to increased drydocking expenditures. Other uses of cash for investing activities result from smaller proceeds from disposals of assets held for sale and the reduction of restricted investments related to double-hull tanker escrow funds.

Net cash used in financing activities for the six months ended June 30, 2001 was \$19.5 million compared to \$1.4 for the same period in 2000. The increase in cash used in financing activities is attributable to increased payments on our term debt due to proceeds from the sales of vessels, larger payments on the outstanding balance of the revolving credit facility and smaller redemption of restricted cash.

Recent Expenditures and Future Cash Requirements. With the market upswing during the second half of 2000, the Company elected to purchase two modern 152' crewboats for a total price of \$5.0 million. Deposits totaling \$175,000 were made during October 2000. In December 2000, the first crewboat was delivered and the remaining balance of \$2.38 million was paid out of funds available under the revolver. The second crewboat was delivered on May 1, 2001, and the Company made a cash payment of \$2.45 million out of funds available under the revolver.

In December 2000, the Company signed an agreement to purchase the remaining 24.25% equity interest in its five 46,000 dwt double-hull petroleum and chemical tankers. The purchase was completed in January 2001 and was funded by \$0.5 million in cash and a promissory note in the principal amount of \$10.5 million at an interest rate of 8.5%. The aggregate cost of the five carriers was approximately \$280.0 million, a substantial portion of which was financed with the proceeds of U.S. government-guaranteed Title XI ship financing bonds. The Company now has 100% equity ownership of all five double-hull tankers.

The Company's current and future capital needs relate primarily to debt service, vessel maintenance and fleet improvement costs. Principal obligations for the first six months of 2001 were \$16.6 million. Cash interest obligations were \$25.4 million of \$28.7 million in total interest expense, which includes amortization of bank fees and discounts on notes. The Company's principal payments for the remainder of 2001 are estimated at \$11.6 million. Estimated cash interest obligations for the remainder of 2001 total \$23.2 million.

During the first six months of 2001, the Company incurred \$14.2 million in capital expenditures for fleet improvements and drydocking costs for 33 vessels. For the remainder of 2001, these expenditures are expected to aggregate \$18.8 million for 50 vessels.

The Company believes that operating cash flow, proceeds from sales of

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vessels and amounts available under its revolving credit facility will be sufficient to meet its debt service obligations and other capital requirements through 2001. As the Company's operating cash flow is dependent on factors largely beyond the Company's control, including general economic conditions and conditions in the markets the Company serves, there can be no assurance that actual operating cash flow will meet expectations. However, the Company expects to generate excess cash flow in the future from operations, which we expect to use primarily to reduce existing debt. The Company continues to evaluate financing alternatives to support future growth and enhance shareholder value.

The terms of the term loans and revolving credit facility are contained in a credit agreement between the Company and the financial institutions. For general information concerning the term loans and revolving credit facility, see "Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources" in the 2000 Form 10-K. The credit agreement provides for the following facilities:

Facility -----	Year-to-Date Payments -----	Outstanding Balance as of June 30, 2001 -----	Maturi -----
Tranche A term loan	\$4.7 million	\$56.3 million	2004
Tranche B term loan	\$0.8 million	\$25.1 million	2005
Tranche C term loan	\$2.4 million	\$79.6 million	2006
Revolving credit facility	\$3.3 million(1)	\$11.0 million	2004

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(1) Represents net payments

At July 31, 2001, \$4.5 million was outstanding under the revolving credit facility. We have \$13.0 million of remaining credit on the revolver at July 31, 2001. In addition to the revolver balance, there are \$1.8 million in outstanding letters of credit as of July 31, 2001.

The senior secured notes did not receive by April 15, 2000 the minimum credit rating from the rating agencies required under the note indenture. As a result, the interest rate on the notes increased from 12.5% to 13.5% effective December 15, 1999. The indenture requires that such additional interest be paid in the form of additional notes, which notes in the aggregate principal amount of \$1.5 million have been paid in quarterly amounts between June 30, 2000 and June 30, 2001. The Company is currently seeking the required ratings that would return the interest rate to 12.5%.

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

Information about the Company's exposure to market risk was disclosed in its 2000 Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 30, 2001. There have been no material quantitative or qualitative changes in market risk exposures since the date of that filing.

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### Item 1. Legal Proceedings

For information concerning certain legal proceedings see Note 9 of the financial statements.

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

The Company held its annual meeting of shareholders on May 17, 2001. At the meeting, the shareholders elected the following individuals to three-year terms as Class II members of the Board of Directors: John F. McGovern and Thomas P. Moore, Jr.

The results of voting on the election of directors and the appointment of Ernst & Young LLP as independent certified public accountants for the year 2001 are as follows:

#### Election of Directors:

Nominee	Votes For	Authority Withheld
John F. McGovern	8,946,402	18,684
Thomas P. Moore, Jr.	8,946,502	18,584

To ratify the appointment of Ernst & Young LLP as the Company's independent certified public accountants for the year ending December 31, 2001:

Votes For	Votes Against	Votes Abstaining
8,946,158	18,528	400

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

None.

#### 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/ J. STEPHEN NOUSS

J. Stephen Nouss  
Senior Vice President and Chief Financial Officer  
Date: August 13, 2001