
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended: March 31, 2003

OR

Transition Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number 0-9827

PETROLEUM HELICOPTERS, INC.

(Exact name of registrant as specified in its charter)

Louisiana
(State or other jurisdiction of incorporation or organization)

72-0395707
(I.R.S. Employer Identification No.)

2001 SE Evangeline Thruway
Lafayette, Louisiana
(Address of principal executive offices)

70508
(Zip Code)

Registrant's telephone number, including area code: (337) 235-2452

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 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at April 30, 2003</u>
Voting Common Stock	2,851,866 shares
Non-Voting Common Stock	2,525,722 shares

PETROLEUM HELICOPTERS, INC.

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

PETROLEUM HELICOPTERS, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

(Thousands of dollars, except share data)

(Unaudited)

	<u>March 31, 2003</u>	<u>December 31, 2002</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 22,240	\$ 17,674
Accounts receivable -- net of allowance:		
Trade	39,523	40,234
Other	441	579
Inventory	37,670	37,375
Refundable income taxes	2,236	2,236
Other current assets	10,324	5,753
Total current assets	<u>112,434</u>	<u>103,851</u>
Property and equipment, net	253,333	252,577
Other	9,908	10,279
Total Assets	<u>\$ 375,675</u>	<u>\$ 366,707</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 18,486	\$ 14,772
Accrued liabilities	13,719	11,893
Accrued vacation payable	6,499	3,931
Income taxes payable	399	504
Total current liabilities	<u>39,103</u>	<u>31,100</u>
Long-term debt	200,000	200,000
Deferred income taxes	24,467	24,249
Other long-term liabilities	6,527	6,504
Commitments and contingencies (Note 3)		
Shareholders' Equity:		
Voting common stock -- par value of \$0.10; authorized shares of 12,500,000	285	285
Non-voting common stock -- par value of \$0.10; authorized shares of 12,500,000	253	253
Additional paid-in capital	15,062	15,062
Retained earnings	89,978	89,254
Total shareholders' equity	<u>105,578</u>	<u>104,854</u>
Total Liabilities and Shareholders' Equity	<u>\$ 375,675</u>	<u>\$ 366,707</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

PETROLEUM HELICOPTERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Quarter Ended	
	March 31,	
	2003	2002
Operating revenues (Note 1)	\$ 64,607	\$ 68,179
Gain, net on disposition of property and equipment	918	563
Other	133	66
	65,658	68,808
Expenses:		
Direct expenses (Note 1)	54,575	59,414
Selling, general, and administrative expenses	4,902	4,713
Interest expense	4,963	1,308
	64,440	65,435
Earnings before income taxes	1,218	3,373
Income taxes	487	1,345
Net earnings	\$ 731	\$ 2,028
Weighted average shares outstanding:		
Basic	5,378	5,278
Diluted	5,468	5,387
Net earnings per share:		
Basic	\$ 0.14	\$ 0.38
Diluted	\$ 0.13	\$ 0.38

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

PETROLEUM HELICOPTERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands of dollars)
(Unaudited)

	Three Months Ended	
	March 31,	
	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Net earnings	\$ 731	\$ 2,028
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	5,869	3,853
Deferred income taxes	218	28
Gain, net on disposition of property & equipment	(918)	(563)
Other	313	157
Changes in operating assets and liabilities	4,037	(2,544)
Net cash provided by operating activities	<u>10,250</u>	<u>2,959</u>
Cash flows from investing activities:		
Proceeds from notes receivable	--	243
Purchase of property and equipment	(7,144)	(5,283)
Proceeds from asset dispositions	1,460	2,388
Net cash used in investing activities	<u>(5,684)</u>	<u>(2,652)</u>
Cash flows from financing activities:		
Payments on long-term debt	--	(2,766)
Proceeds from exercise of stock options	--	316
Net cash used in financing activities	<u>--</u>	<u>(2,450)</u>
Increase (decrease) in cash and cash equivalents	4,566	(2,143)
Cash and cash equivalents, beginning of period	17,674	5,435
Cash and cash equivalents, end of period	<u>\$ 22,240</u>	<u>\$ 3,292</u>
Supplemental Disclosures Cash Flow Information:		
Interest paid	<u>\$ 130</u>	<u>\$ 1,125</u>
Taxes paid, net	<u>\$ 105</u>	<u>\$ 3,124</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. General

The accompanying unaudited condensed consolidated financial statements include the accounts of Petroleum Helicopters, Inc. and subsidiaries ("PHI" or the "Company"). In the opinion of management, these financial statements reflect all adjustments, consisting of only normal, recurring adjustments, necessary to present fairly the financial results for the interim periods presented. These condensed consolidated financial statements should be read in conjunction with the financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and the accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company's financial results, particularly as they relate to the Company's domestic oil and gas operations, are influenced by seasonal fluctuations as discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. Therefore, the results of operations for interim periods are not necessarily indicative of the operating results that may be expected for a full fiscal year.

Reclassifications

Certain reclassifications have been made in the prior period financial statements in order to conform to the classifications adopted for reporting in 2003. Such reclassifications include an adjustment to increase operating revenues and direct expenses by \$1.3 million for the three months ended March 31, 2002. This reclassification did not affect earnings before income taxes, net earnings or earnings per share.

2. Segment Information

The Company has identified four principal segments: Domestic Oil and Gas, International, Aeromedical, and Technical Services. The Domestic Oil and Gas segment primarily provides helicopter services to oil and gas customers operating in the Gulf of Mexico. The International segment, which primarily consists of operations off the West Coast of Africa, provides helicopter services in various foreign countries to oil and gas customers. The Aeromedical segment provides helicopter services to hospitals and medical programs in several U.S. states. The Company's Air Evac subsidiary is included in the Aeromedical segment. The Technical Services segment provides helicopter repair and overhaul services, primarily to certain military aircraft, flight operations customers, and original equipment manufacturers.

Effective July 1, 2002, the Company no longer allocates interest expense to its segments when evaluating operating performance. All results prior to July 1, 2002 have been restated to remove interest expense from the segment operating results.

Segment operating income is operating revenues less direct expenses and selling, general, and administrative costs allocated to the operating segment. Unallocated overhead consists primarily of corporate selling, general, and administrative costs that the Company does not allocate to the operating segments.

Summarized financial information concerning the Company's reportable operating segments for the quarters ended March 31, 2003 and 2002 is as follows (in thousands):

	Quarter Ended	
	March 31,	
	2003	2002
Segment operating revenues		
Domestic Oil and Gas	\$ 43,208	\$ 43,254
International	5,752	6,189
Aeromedical	10,806	11,706
Technical Services	4,841	7,030
Total operating revenues	<u>\$ 64,607</u>	<u>\$ 68,179</u>
Segment operating profit		
Domestic Oil and Gas	\$ 4,879	\$ 4,721
International	70	623
Aeromedical	2,598	1,599
Technical Services	1,299	850
Total segment operating profit	<u>8,846</u>	<u>7,793</u>
Other, net ⁽¹⁾	1,051	629
Interest Expense	(4,963)	(1,308)
Unallocated overhead	<u>(3,716)</u>	<u>(3,741)</u>
Earnings before income taxes	<u>\$ 1,218</u>	<u>\$ 3,373</u>

⁽¹⁾ Includes gains on disposition of property and equipment and other income.

3. Commitments and Contingencies

Environmental Matters - The Company has an aggregate estimated liability of \$1.5 million as of March 31, 2003 for environmental remediation costs that are probable and estimable. The Company has conducted environmental surveys of the Lafayette facility, which it vacated in 2001, and has determined that contamination exists at that facility. To date, borings have been installed to determine the type and extent of contamination. Preliminary results indicate limited soil and groundwater impacts. Once the extent and type of contamination are fully defined, a risk evaluation in accordance with the Louisiana Risk Evaluation/Corrective Action Plan ("RECAP") standard will be submitted and evaluated by Louisiana Department of Environmental Quality ("LDEQ"). At that point, LDEQ will establish what cleanup standards must be met at the site. When the process is complete, the Company will be in a position to develop the appropriate remediation plan and the resulting cost of remediation. However, the Company has not recorded any estimated liability for remediation of contamination and, based on preliminary surveys and ongoing monitoring, the Company believes the ultimate remediation costs for the Lafayette facility will not be material.

Legal Matters - The Company is named as a defendant in various legal actions that have arisen in the ordinary course of its business and have not been finally adjudicated. The amount, if any, of ultimate liability with respect to such matters cannot be determined. In the opinion of management, the amount of the ultimate liability with respect to these actions will not have a material adverse effect on the Company's consolidated financial statements.

Long-Term Debt - On April 23, 2002, the Company issued Notes of \$200 million that have an interest rate of 9 3/8% payable semi-annually on May 1 and November 1 of each year, beginning November 1, 2002, and mature in May 2009. The Notes contain certain covenants, including limitations on

indebtedness, liens, dividends, repurchases of capital stock and other payments affecting restricted subsidiaries, issuance and sales of restricted subsidiary stock, dispositions of proceeds of asset sales, and mergers and consolidations or sales of assets. As of March 31, 2003, the Company was in compliance with covenants.

Also on April 23, 2002, the Company entered into a new credit agreement with a commercial bank for a \$50 million revolving credit and letter of credit facility. The credit agreement permits both prime rate based borrowings and London Interbank offer rate ("LIBOR") rate borrowings plus a spread. The spread for LIBOR borrowings ranges from 2.0% to 3.0%. Any amounts outstanding under the revolving credit facility are due July 31, 2004. The Company may also obtain letters of credit issued under the credit facility up to \$5.0 million with a 0.125% fee payable on the amount of letters of credit issued. As of March 31, 2003 and December 31, 2002, the Company had no borrowings and a \$0.6 million letter of credit outstanding under the revolving credit facility.

The Company is subject to certain financial covenants under the credit agreement. These covenants include maintaining certain levels of working capital and shareholders' equity and contain other provisions including a restriction on purchases of the Company's stock. The credit agreement also limits the creation, incurrence, or assumption of Funded Debt (as defined, which includes long-term debt) and the acquisition of investments in unconsolidated subsidiaries. As of March 31, 2003, the Company was in compliance with the covenants.

Operating Leases - The Company leases four aircraft and certain facilities and equipment used in its operations. The related lease agreements, which include both non-cancelable and month-to-month terms, generally provide for fixed monthly rentals and, for certain real estate leases, renewal options. At March 31, 2003, the Company had approximately \$21.0 million in aggregate lease commitments under operating leases of which approximately \$1.7 million is payable during the next twelve months.

Purchase Commitments - At March 31, 2003 and December 31, 2002, the Company had commitments of \$4.6 million and \$7.9 million, respectively, for the upgrade of certain aircraft and the purchase of other equipment. The upgrades are to be performed in 2003.

4. Accumulated Other Comprehensive Income

Following is a summary of the Company's comprehensive income (loss) for the quarters ended March 31, 2003 and 2002 (in thousands):

	Quarter Ended March 31,	
	2003	2002
Net earnings	\$ 731	\$ 2,028
Other comprehensive income:		
Unrecognized gain (loss) on interest rate swaps during the period	--	455
Comprehensive income	<u>\$ 731</u>	<u>\$ 2,483</u>

5. Valuation Accounts

The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, current market conditions, and other information. The allowance for doubtful accounts was \$0.2 million at March 31, 2003 and December 31, 2002.

The Company also establishes valuation reserves related to obsolescent and excess inventory. The inventory valuation reserves were \$5.2 million and \$4.8 million at March 31, 2003 and December 31, 2002, respectively.

6. Property and Equipment

Effective January 1, 2003, the Company changed the estimated residual value of certain aircraft (77 aircraft of the total fleet) from 30% to 40%. The Company believes the revised amounts reflect their historical experience and more appropriately matches costs over the estimated useful lives and salvage values of these assets. The effect of this change for the quarter ended March 31, 2003, was a reduction in depreciation expense of \$0.2 million (\$0.1 million after tax or \$0.02 per diluted share).

7. Employee Incentive Compensation

In 2002, the Company implemented an incentive compensation plan for non-executive and non-represented employees. Under the plan, the Company expects that it will pay incentive compensation of up to 7% of earnings before tax, net of the incentive compensation. The Company also established an incentive compensation plan for the executive employees which approximate 3% of earnings before tax net of the incentive compensation. The Company recorded \$0.85 million of incentive compensation expense for the quarter ended March 31, 2003, representing the expense for the employee and executive plans.

8. New Accounting Pronouncements

SFAS No. 143, Accounting for Asset Retirement Obligations, requires the recording of liabilities for all legal obligations associated with the retirement of long-lived assets that result from the normal operation of those assets. These liabilities are required to be recorded at their fair values (which are likely to be the present values of the estimated future cash flows) in the period in which they are incurred. SFAS No. 143 requires the associated asset retirement costs to be capitalized as part of the carrying amount of the long-lived asset. The asset retirement obligation will be accreted each year through a charge to expense. The amounts added to the carrying amounts of the assets will be depreciated over the useful lives of the assets. The Company implemented SFAS No. 143 on January 1, 2003, and determined that this statement did not have a material impact on its consolidated financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 eliminates SFAS No. 4 and as a result, gains and losses from extinguishments of debt should be classified as extraordinary items only if they meet the criteria in APB Opinion No. 30. SFAS No. 145 amends SFAS No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 also updates and amends existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The Company implemented SFAS No. 145 on January 1, 2003, and determined that this statement did not have a material impact on its consolidated financial statements.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which is effective for fiscal periods after December 31, 2002. SFAS No. 146 requires companies to recognize costs associated with restructurings, discontinued operations, plant closings, or other exit or disposal activities, when incurred rather than at the date a plan is committed to. The Company will implement the provisions of this statement on a prospective basis for exit or disposal activities that are initiated after December 31, 2002.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. As required, the Company adopted the disclosure requirements of FIN 45 as of December 31, 2002. The Company has adopted the initial recognition and measurement provisions for guarantees issued or modified after December 31, 2002. On January 1, 2003, the Company adopted the initial recognition and measurement provisions on a prospective basis for guarantees issued or modified after December 31, 2002 and it did not have a material impact on the Company's consolidated financial position or results of operations.

In January 2003, FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46"). FIN 46 requires that companies that control another entity through interest other than voting interests should consolidate the controlled entity. FIN 46 applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest in after that date. The Company implemented FIN 46 and it did not have a material impact on its consolidated financial position or results of operations.

9. Condensed Consolidated Financial Information

On April 23, 2002, the Company issued Notes of \$200 million that are fully and unconditionally guaranteed on a senior basis, jointly and severally, by all of the Company's existing operating subsidiaries ("Guarantor Subsidiaries").

The following supplemental condensed financial information sets forth, on a consolidating basis, the balance sheet, statement of operations, and statement of cash flows information for Petroleum Helicopters, Inc. ("Parent Company Only") and the Guarantor Subsidiaries. The principal eliminating entries eliminate investments in subsidiaries, intercompany balances, and intercompany revenues and expenses.

PETROLEUM HELICOPTERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
(Thousands of dollars)

March 31, 2003

	Parent Company Only	Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 22,217	\$ 23	\$ --	\$ 22,240
Accounts receivable - net of allowance	35,144	4,820	--	39,964
Inventory	37,539	131	--	37,670
Refundable income taxes	2,236	--	--	2,236
Other current assets	9,862	462	--	10,324
Total current assets	<u>106,998</u>	<u>5,436</u>	<u>--</u>	<u>112,434</u>
Property and equipment, net	249,919	3,414	--	253,333
Investment in subsidiaries and other	17,882	15,587	(23,561)	9,908
Total Assets	<u>\$ 374,799</u>	<u>\$ 24,437</u>	<u>\$ (23,561)</u>	<u>\$ 375,675</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 36,338	\$ 2,726	\$ (6,859)	\$ 32,205
Accrued vacation payable	6,243	256	--	6,499
Income taxes payable	(71)	470	--	399
Total current liabilities	<u>42,510</u>	<u>3,452</u>	<u>(6,859)</u>	<u>39,103</u>
Long-term debt	200,000	--	--	200,000
Deferred income taxes and other long-term liabilities	26,711	3,995	288	30,994
Shareholders' Equity:				
Paid-in capital	15,600	4,403	(4,403)	15,600
Retained earnings	89,978	12,587	(12,587)	89,978
Total shareholders' equity	<u>105,578</u>	<u>16,990</u>	<u>(16,990)</u>	<u>105,578</u>
Total Liabilities and Shareholders' Equity	<u>\$ 374,799</u>	<u>\$ 24,437</u>	<u>\$ (23,561)</u>	<u>\$ 375,675</u>

PETROLEUM HELICOPTERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
(Thousands of dollars)

December 31, 2002

	Parent Company Only	Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 17,652	\$ 22	\$ --	\$ 17,674
Accounts receivable - net of allowance	36,488	4,325	--	40,813
Inventory	37,232	143	--	37,375
Other current assets	5,743	10	--	5,753
Refundable income taxes	2,236	--	--	2,236
Total current assets	<u>99,351</u>	<u>4,500</u>	<u>--</u>	<u>103,851</u>
Investment in subsidiaries and other	20,958	14,036	(24,715)	10,279
Property and equipment, net	248,982	3,595	--	252,577
Total Assets	<u>\$ 369,291</u>	<u>\$ 22,131</u>	<u>\$ (24,715)</u>	<u>\$ 366,707</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 33,114	\$ 3,314	\$ (9,763)	\$ 26,665
Accrued vacation payable	3,675	256	--	3,931
Income taxes payable	--	504	--	504
Total current liabilities	<u>36,789</u>	<u>4,074</u>	<u>(9,763)</u>	<u>31,100</u>
Long-term debt	200,000	--	--	200,000
Deferred income taxes and other long-term liabilities	27,648	2,817	288	30,753
Shareholders' Equity:				
Paid-in capital	15,600	4,402	(4,402)	15,600
Retained earnings	89,254	10,838	(10,838)	89,254
Total shareholders' equity	<u>104,854</u>	<u>15,240</u>	<u>(15,240)</u>	<u>104,854</u>
Total Liabilities and Shareholders' Equity	<u>\$ 369,291</u>	<u>\$ 22,131</u>	<u>\$ (24,715)</u>	<u>\$ 366,707</u>

PETROLEUM HELICOPTERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
(Thousands of dollars)

	Parent Company Only	Guarantor Subsidiaries	Eliminations	Consolidated
For the quarter ended March 31, 2003				
Operating revenues	\$ 51,850	\$ 12,757	\$ --	\$ 64,607
Management fees	674	--	(674)	--
Gain on dispositions of property and equipment	918	--	--	918
Other	133	--	--	133
	<u>53,575</u>	<u>12,757</u>	<u>(674)</u>	<u>65,658</u>
Expenses:				
Direct expenses	46,186	8,389	--	54,575
Management fees	--	674	(674)	--
Selling, general, and administrative	4,122	780	--	4,902
Equity in net income of consolidated subsidiaries	(1,748)	--	1,748	--
Interest expense	4,963	--	--	4,963
	<u>53,523</u>	<u>9,843</u>	<u>1,074</u>	<u>64,440</u>
Earnings before income taxes	52	2,914	(1,748)	1,218
Income taxes	(679)	1,166	--	487
Net earnings	<u>\$ 731</u>	<u>\$ 1,748</u>	<u>\$ (1,748)</u>	<u>\$ 731</u>
For the quarter ended March 31, 2002				
Operating revenues	\$ 57,202	\$ 10,977	\$ --	\$ 68,179
Management fees	1,071	--	(1,071)	--
Gain on dispositions of property and equipment	563	--	--	563
Other	68	(2)	--	66
	<u>58,904</u>	<u>10,975</u>	<u>(1,071)</u>	<u>68,808</u>
Expenses:				
Direct expenses	50,997	8,417	--	59,414
Management fees	--	1,071	(1,071)	--
Selling, general, and administrative	4,269	444	--	4,713
Equity in net income of consolidated subsidiaries	(622)	--	622	--
Interest expense	1,300	8	--	1,308
	<u>55,944</u>	<u>9,940</u>	<u>(449)</u>	<u>65,435</u>
Earnings before income taxes	2,960	1,035	(622)	3,373
Income taxes	932	413	--	1,345
Net earnings	<u>\$ 2,028</u>	<u>\$ 622</u>	<u>\$ (622)</u>	<u>\$ 2,028</u>

PETROLEUM HELICOPTERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
(Thousands of dollars)

	<u>Parent Company Only</u>	<u>Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
For the three months ended March 31, 2003				
Net cash provided by operating activities	\$ 10,249	\$ 1	\$ --	\$ 10,250
Cash flows from investing activities:				
Purchase of property and equipment	(7,144)	--	--	(7,144)
Proceeds from asset dispositions	1,460	--	--	1,460
Net cash used in investing activities	<u>(5,684)</u>	<u>--</u>	<u>--</u>	<u>(5,684)</u>
Net increase in cash and cash equivalents	4,565	1	--	4,566
Cash and cash equivalents, beginning of period	17,652	22	--	17,674
Cash and cash equivalents, end of period	<u>\$ 22,217</u>	<u>\$ 23</u>	<u>\$ --</u>	<u>\$ 22,240</u>
For the three months ended March 31, 2002				
Net cash provided by operating activities	\$ 2,958	\$ 1	\$ --	\$ 2,959
Cash flows from investing activities:				
Proceeds from notes receivable	243	--	--	243
Purchase of property and equipment	(5,282)	(1)	--	(5,283)
Proceeds from asset dispositions	2,388	--	--	2,388
Net cash used in investing activities	<u>(2,651)</u>	<u>(1)</u>	<u>--</u>	<u>(2,652)</u>
Cash flows from financing activities:				
Payments on long-term debt	(2,766)	--	--	(2,766)
Proceeds from exercise of stock options	316	--	--	316
Net cash provided by financing activities	<u>(2,450)</u>	<u>--</u>	<u>--</u>	<u>(2,450)</u>
Net decrease in cash and cash equivalents	(2,143)	--	--	(2,143)
Cash and cash equivalents, beginning of period	5,422	13	--	5,435
Cash and cash equivalents, end of period	<u>\$ 3,279</u>	<u>\$ 13</u>	<u>\$ --</u>	<u>\$ 3,292</u>

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and the notes thereto as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and MD&A contained therein.

Forward-Looking Statements

All statements other than statements of historical fact contained in this Form 10-Q, other periodic reports filed by the Company under the Securities Exchange Act of 1934, and other written or oral statements made by it or on its behalf, are forward-looking statements. When used herein, the words "anticipates", "expects", "believes", "goals", "intends", "plans", or "projects" and similar expressions are intended to identify forward-looking statements. It is important to note that forward-looking statements are based on a number of assumptions about future events and are subject to various risks, uncertainties, and other factors that may cause the Company's actual results to differ materially from the views, beliefs, and estimates expressed or implied in such forward-looking statements. Although the Company believes that the assumptions reflected in forward-looking statements are reasonable, no assurance can be given that such assumptions will prove correct. Factors that could cause the Company's results to differ materially from the results discussed in such forward-looking statements include but are not limited to the following: flight variances from expectations, volatility of oil and gas prices, weather effects, the substantial capital expenditures and commitments required to acquire aircraft, environmental risks, competition, government regulation, unionization, operating hazards, risks related to international operations, the ability to obtain insurance, and the ability of the Company to implement its business strategy. All forward-looking statements in this document are expressly qualified in their entirety by the cautionary statements in this paragraph. PHI undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

Overview

Operating revenues decreased \$3.6 million for the quarter ended March 31, 2003 compared to the quarter ended March 31, 2002, primarily as a result of decreases in revenues from the Technical Services segment (\$2.2 million) due to completion of a project for the upgrade and refurbishment of a customer's aircraft completed in the second quarter of 2002, and also a net decrease in operating revenues in the Aeromedical (\$0.9 million) and International (\$0.4 million) segments due to a decrease in flight hour activity. The decrease in operating revenues in the Aeromedical segment was due to the termination of certain contracts substantially offset by rate increases on remaining Aeromedical contracts. Although flight hours decreased 13% in the Domestic Oil and Gas segment, this decrease in activity was offset by increases in rates. The decrease in flight activity in the Domestic Oil and Gas segment was primarily due to unfavorable weather conditions as compared to the prior year quarter.

Direct expenses decreased \$4.8 million due to a decrease in Technical Services costs (\$2.5 million) due to completion of a project for the upgrade and refurbishment of a customer's aircraft completed in the second quarter of 2002, a decrease in aircraft rent (\$3.7 million) due to the purchase of leased aircraft, a decrease in labor cost (\$1.6 million) due in part to severance charges recorded in the prior year, but also due to a decrease in headcount. These amounts were offset by an increase in depreciation expense (\$2.0 million) due to the purchase of leased aircraft in the second quarter of 2002, and an increase in maintenance costs (\$1.6 million) due primarily to parts usage and outside repairs of components. There was also a decrease in other items, net (\$0.6 million).

Selling, general and administrative expenses increased \$0.2 million due to severance and relocation costs incurred in the quarter.

Interest expense increased \$3.7 million for the quarter due to interest on the Notes issuance on April 23, 2002, as described in Note 3 of the Notes to Condensed Consolidated Financial Statements.

Operations Statistics

The following tables present certain non-financial operational statistics for the quarters ended March 31, 2003 and 2002:

	Quarter Ended March 31,	
	2003	2002
Flight hours:		
Domestic Oil and Gas	27,530	31,501
International	4,240	4,926
Aeromedical	2,360	4,724
Total	34,130	41,151
Aircraft operated at period end:		
Domestic Oil and Gas	188	175
International	18	21
Aeromedical	29	39
Total	235	235

Quarter Ended March 31, 2003 compared with Quarter Ended March 31, 2002

Combined Operations

Revenues -- Operating revenues were \$64.6 million for the quarter ended March 31, 2003, as compared to \$68.2 million for the quarter ended March 31, 2002, a decrease of \$3.6 million. The decrease was due to a decrease in Technical Services revenues (\$2.2 million), and also a net decrease in operating revenues in the Aeromedical (\$0.9 million) and International (\$0.4 million) segments due to a decrease in flight hour activity. The decrease in operating revenues in the Aeromedical segment was due to the termination of certain contracts substantially offset by rate increases on remaining Aeromedical contracts. Although flight hours decreased 13% in the Domestic Oil and Gas segment, this decrease in activity was offset by increases in rates. The decrease in flight activity in the Domestic Oil and Gas segment was primarily due to unfavorable weather conditions as compared to the prior year quarter.

Other Income and Losses -- Gain (loss) on equipment dispositions increased \$0.4 million for the quarter ended March 31, 2003 as compared to the quarter ended March 31, 2002. The increase was due to insurance proceeds on an aircraft.

Direct Expenses -- Direct expenses decreased \$4.8 million due to a decrease in Technical Services costs (\$2.5 million), a decrease in aircraft rent (\$3.7 million) due to the purchase of leased aircraft, and a decrease in labor cost (\$1.6 million). The decrease in labor cost is due in part to severance charges recorded in the prior period, as well as a decrease in headcount. These amounts were offset in part by an increase in depreciation expense (\$2.0 million) due to the purchase of leased aircraft in the second quarter of 2002 and an increase in spare parts used and outside repairs (\$1.6 million). There was also a decrease in other items, net (\$0.6 million).

Selling, General, and Administrative Expenses -- Selling, general, and administrative expenses for the quarter ended March 31, 2003, were \$4.9 million, as compared to \$4.7 million for the quarter ended March 31, 2002. The increase is due to relocation and severance costs incurred in the Aeromedical segment (\$0.2 million).

Interest Expense -- Interest expense for the quarter ended March 31, 2003 increased to \$5.0 million from \$1.3 million in the same period of 2002. The increase in interest expense is related to the Notes sold on April 23, 2002.

Income Taxes -- Income tax expense for the quarter ended March 31, 2003 was \$0.5 million, compared to \$1.3 million for the quarter ended March 31, 2002. The effective tax-rate was 40% for both periods.

Earnings -- The Company's net earnings for the quarter were \$0.7 million, compared to \$2.0 million in the same period in the prior year. Earnings before tax for the quarter were \$1.2 million compared to \$3.4 million in the same period of the prior year. Earnings per diluted share for the quarter were \$0.13 as compared to \$0.38 per diluted share for the same quarter prior year.

Segment Discussion

Domestic Oil and Gas -- Domestic Oil & Gas segment revenues were \$43.2 million for the quarter ended March 31, 2003, compared to \$43.3 million for the quarter ended March 31, 2002. There was a decrease in flight activity substantially offset by an increase in rates to customers implemented in part in January 2003. Flight hours were 27,530 for the quarter compared to 31,501 for the prior year quarter, a decrease of 13%. The decrease in flight activity was primarily due to unfavorable weather conditions in the current year compared to the same period prior year.

Direct expenses decreased (\$0.2 million) for the quarter ended March 31, 2003 as compared to the same quarter prior year. There was a decrease in aircraft rent due to the purchase of the leased aircraft (\$3.2 million), and a decrease in human resource costs (\$0.1 million). These amounts were offset in part by an increase in depreciation expense due to the purchase of leased aircraft (\$2.0 million), and an increase in maintenance costs, which primarily relates to aircraft parts and components (\$1.0 million).

The Domestic Oil & Gas segment operating income increased \$0.2 million due to the decrease in direct expenses (\$0.2 million).

International -- International segment revenues were \$5.8 million for the quarter ended March 31, 2003, compared to \$6.2 million for the quarter ended March 31, 2002. The decrease was due to recognition in 2002 of amounts recovered for a receivable previously reserved as uncollectible (\$0.8 million). Although there was a decrease in flight hour activity, that decrease and the recovery of the receivable in the prior year quarter were offset in part by an increase in rates in the current period. The number of aircraft in the segment was 18 at March 31, 2003 and 21 at March 31, 2002. Flight hours were 4,240 for the quarter ended March 31, 2003 as compared to 4,926 for the quarter ended March 31, 2002.

Direct expenses increased (\$0.1 million) for the quarter ended March 31, 2003 as compared to the quarter ended March 31, 2002 due to an increase in outside repairs on certain components, offset in part by a decrease in human resource costs.

The International segment had operating income of \$0.1 million for the quarter, compared to operating income of \$0.6 million for the same quarter in the prior year. The recovery of a receivable mentioned above in the prior year, and the outside repair costs incurred in the current year account for the change in operating income.

Aeromedical -- Aeromedical segment revenues were \$10.8 million for the quarter ended March 31, 2003, compared to \$11.7 million for the quarter ended March 31, 2002, a decrease of \$0.9 million. The decrease was due to the termination of certain aeromedical contracts, offset to a significant extent by an increase in rates on retained aeromedical contracts. Flight hours for the quarter were 2,360 compared to 4,724 for the same period in the prior year on retained aeromedical contracts. Aircraft in the segment were 29 for March 31, 2003 compared to 39 at March 31, 2002.

Direct expenses decreased (\$1.9 million) in the Aeromedical segment for the quarter ended March 31, 2003 as compared to the same quarter prior year. There was a decrease in human resource cost due to a reduction in personnel (\$1.4 million) due to the termination of certain aeromedical contracts, and a decrease in aircraft rent due to the purchase of the leased aircraft (\$0.5 million).

The Aeromedical segment operating income was \$2.6 million for the quarter, compared to \$1.6 million for the same period in 2002. The increase in operating income is attributable to a reduction in direct expense caused by the termination of certain Aeromedical contracts as discussed above.

Technical Services -- Technical Services segment revenues for the quarter ended March 31, 2003 were \$4.8 million compared to \$7.0 million for the same period prior year, a decrease of \$2.2 million. The decrease in Technical Services revenues is due to completion of a project for the upgrade and refurbishment of a customer's aircraft completed in the second quarter of 2002.

There was a decrease in direct expense of \$2.6 million in the Technical Services segment due to completion of a project for the upgrade and refurbishment of a customer's aircraft completed in the second quarter of 2002.

The Technical Services segment had operating income of \$1.3 million for the quarter ended March 31, 2003, compared to \$0.9 million for the quarter ended March 31, 2002.

Liquidity and Capital Resources

The Company's cash position on March 31, 2003 was \$22.2 million compared to \$17.7 million at December 31, 2002. Working capital was \$73.3 million at March 31, 2003 compared to \$72.8 million at December 31, 2002. Net cash of \$10.3 million provided by operating activities during 2003 funded debt service requirements and capital expenditures.

On April 23, 2002, the Company issued \$200 million of senior unsecured notes ("Notes"). The Notes carry an interest rate of 9 3/8% payable semi-annually on May 1 and November 1 of each year, beginning November 1, 2002, and mature in May 2009. The Notes contain certain covenants, including limitations on indebtedness, liens, dividends, repurchases of capital stock and other payments affecting restricted subsidiaries, issuance and sales of restricted subsidiary stock, dispositions of proceeds of asset sales and mergers and consolidations or sales of assets.

Also, on April 23, 2002, the Company executed a new credit agreement with a commercial bank for a \$50 million revolving credit facility. At March 31, 2003, the Company had no borrowings and a \$0.6 million letter of credit outstanding under the revolving credit facility.

Capital expenditures in the first quarter of 2003 totaled \$7.1 million which primarily represents the upgrade of certain aircraft and the capitalized refurbishment of other aircraft.

On May 1, 2003, the Company paid interest amounts due on the Notes of \$9.4 million.

The Company believes that cash flow from operations will be sufficient to fund required interest payments on the Notes and capital expenditures for the next twelve months.

Environmental Matters

The Company has an aggregate estimated liability of \$1.5 million as of March 31, 2003, for environmental remediation costs that are probable and estimable. The Company has conducted environmental surveys of its Lafayette facility, which it vacated in 2001, and has determined that contamination exists at that facility. To date, borings have been installed to determine the type and extent of contamination. Preliminary results indicate limited soil and groundwater impacts. Once the extent and type of contamination are fully defined, a risk evaluation in accordance with regulatory standards will be submitted and evaluated by the appropriate agency. At that point, the regulatory agency will establish what cleanup standards must be met at the site. When the process is complete, the Company will be in a position to develop the appropriate remediation plan and the resulting cost of remediation. The Company has not recorded any estimated liability for remediation at the site, but based on preliminary surveys and ongoing monitoring, the Company believes the ultimate remediation costs for the Lafayette facility will not be material.

New Accounting Pronouncements

For a discussion of new accounting pronouncements applicable to the Company, see Note 8 to the Financial Statements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

On April 23, 2002, the Company issued Notes of \$200 million that have an interest rate of 9 3/8% payable semi-annually on May 1 and November 1 of each year, beginning November 1, 2002, and mature in May 2009. The market value of the Notes will vary as changes occur to general market interest rates, the remaining maturity of the Notes, and the Company's credit worthiness. At March 31, 2003, the market value of the Notes was \$215.0 million.

Item 4. CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of a date within 90 days before the filing date of this quarterly report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic filings under the Exchange Act.

Since the Evaluation Date, there have not been any significant changes in the Company's internal controls or in other factors that could significantly affect such controls.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is named as a defendant in various legal actions that have arisen in the ordinary course of its business and have not been finally adjudicated. The amount, if any, of ultimate liability with respect to such matters cannot be determined. In the opinion of management, the amount of the ultimate liability with respect to these actions will not have a material adverse effect on the Company's consolidated financial statements.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 3.1 (i) Articles of Incorporation of the Company (incorporated by reference to Exhibit No. 3.1 (i) to PHI's Report on Form 10-Q for the quarterly period ended October 31, 1994).
- (ii) By-laws of the Company as amended (incorporated by reference to Exhibit No. 3.1 (ii) to PHI's Report on Form 10-Q for the quarterly period ended March 31, 2002).

10.1 Indenture dated April 23, 2002 among Petroleum Helicopters, Inc., the Subsidiary Guarantors named therein and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.1 to PHI's Registration Statement on Form S-4, filed on April 30, 2002, File Nos. 333-87288 through 333-87288-08).

10.2 Form of 9 3/8% Senior Note (incorporated by reference to Exhibit 4.1 to PHI's Registration Statement on Form S-4, filed on April 30, 2002, File Nos. 333-87288 through 333-87288-08).

10.3 Loan Agreement dated as of April 23, 2002 by and among Petroleum Helicopters, Inc., Air Evac Services, Inc., Evangeline Airmotive, Inc., and International Helicopter Transport, Inc. and Whitney National Bank (incorporated by reference to Exhibit 10.3 to PHI's Report on Form 10-Q for the quarterly period ended June 30, 2002).

99.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Lance F. Bospflug, Chief Executive Officer.

99.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Michael J. McCann, Chief Financial Officer.

(b) Reports on Form 8-K

Press release dated March 31, 2003 announcing earnings for 2002.

SIGNATURES

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.

Petroleum Helicopters, Inc.

May 13, 2003

By: /s/ Lance F. Bospflug
Lance F. Bospflug
President and Chief Executive Officer

May 13, 2003

By: /s/ Michael J. McCann
Michael J. McCann
Chief Financial Officer and Treasurer

CERTIFICATIONS

I, Lance F. Bospflug, certify that:

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

Date: May 13, 2003

By: /s/ Lance F. Bospflug
Lance F. Bospflug
President and Chief Executive Officer

I, Michael J. McCann, certify that:

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

Date: May 13, 2003

By: /s/ Michael J. McCann
Michael J. McCann
Chief Financial Officer and Treasurer