

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2002

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 No. 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

Securities registered pursuant to Section 12(b) of the Act:
NONE

Securities registered pursuant to Section 12(g) of the Act:
Voting Common Stock
Non-Voting Common Stock
(Title of Each Class)

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of June 28, 2002 was \$119,777,821 based upon the last sales price of the Common Stock on June 28, 2002, as reported on the Nasdaq SmallCap Market.

The number of shares outstanding of each of the registrant's classes of common stock, as of February 21, 2003 was:

Voting Common Stock.....2,851,866 shares.
Non-Voting Common Stock2,525,722 shares.

Documents Incorporated by Reference

Portions of the registrant's definitive Information Statement for the 2003 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

PETROLEUM HELICOPTERS, INC.

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PART I

Forward-Looking Statements

All statements other than statements of historical fact contained in this Form 10-K and other periodic reports filed by Petroleum Helicopters, Inc. (the “Company” or “PHI”) 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, the substantial capital expenditures and commitments required to acquire aircraft, environmental risks, weather conditions, 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. For a more detailed description of risks, see the “Risk Factors” section in Item 1 below. 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.

ITEM 1. BUSINESS

General

PHI, a Louisiana corporation, was incorporated in 1949. Since its inception, the Company's primary business has been and continues to be the safe and reliable transportation of personnel and, to a lesser extent, parts and equipment, to, from, and among offshore platforms for customers engaged in the oil and gas exploration, development, and production industry, principally in the Gulf of Mexico. The Company is a leading provider of helicopter transportation services in the Gulf of Mexico. PHI also provides helicopter services to the oil and gas industry internationally, and to non-oil and gas customers such as health care providers and US governmental agencies such as the National Science Foundation. The Company also provides helicopter maintenance and repair services to certain customers. At December 31, 2002, the Company owned or operated approximately 236 aircraft domestically and internationally.

On April 23, 2002, the Company issued \$200 million in 9 3/8% Senior Unsecured Notes (“Notes”) due May 1, 2009. The proceeds from the offering were used to retire \$62.3 million of existing bank debt (“Terminated Loan Agreement”) and Interest Rate Swaps (“Swaps”), which were contracts to fix the interest rate on the Company's bank debt, and to acquire 101 aircraft for \$118.1 million, that the Company previously leased. Although the Company expects that these actions will reduce earnings before income taxes by approximately \$4.8 million per year, management believes that the changes will improve overall liquidity over the next several years, which will allow the Company to pursue earnings growth opportunities, by increasing cash from operations by approximately \$5.9 million in 2002 and an expected increase of \$10.8 million in 2003, including incremental tax effects. In later years, this amount reduces due to the effects of lower tax depreciation. Additionally, until 2009 when the Notes become due, the Company will be able to retain cash that would have otherwise been needed for bank debt principal payments.

Description of Operations

PHI operates in four business segments: Domestic Oil and Gas, International, Aeromedical, and Technical Services. For financial information regarding the Company's operating segments and the geographic areas in which they operate, see Note 10 of the Notes to Consolidated Financial Statements included elsewhere in this Form 10-K.

Domestic Oil and Gas. PHI operates approximately 190 owned, leased, and customer-owned aircraft related to its Domestic Oil and Gas operations from several bases or heliports in the Gulf of Mexico region and one base in California. The operations in the Gulf of Mexico service customers located offshore Louisiana, Texas, Alabama, and Mississippi. Operating revenues from the Domestic Oil and Gas segment accounted for 67%, 68%, and 65% of consolidated operating revenues during the years ended December 31, 2002, December 31, 2001, and December 31, 2000, respectively.

PHI's oil and gas operations derive revenue primarily from the transport of its customers' workers and equipment to platforms and other offshore locations. Oil and gas exploration and production companies and other offshore oil service companies use PHI's services primarily for routine offshore transportation, to transport personnel during medical and safety emergencies, and to evacuate personnel during the threat of hurricanes and other adverse weather conditions. Most of PHI's customers have entered into contracts for transportation services for a term of one year or longer, although some do hire the Company on an "ad hoc" or "spot" basis.

Most of the Domestic Oil and Gas aircraft are available for hire by any customer, but some are dedicated to individual customers. The Company operates helicopters that have flying ranges of up to 450 miles with a 30-minute fuel reserve and thus are capable of servicing many of the deepwater oil and gas operations that are from 50 to 250 miles offshore. (See Item 2. -- Properties, for specific information by aircraft model.)

International. PHI provides helicopter services in Angola, Antarctica, and the Democratic Republic of Congo. The Company operates approximately 20 aircraft internationally. Each aircraft operating internationally is typically dedicated to one customer. The Company's international customers are mostly oil and gas customers, including national oil companies and US corporations operating internationally. Operating revenues from the Company's International segment accounted for 8% of consolidated operating revenues during the years ended December 31, 2002 and December 31, 2001, and 9% during the year ended December 31, 2000.

Aeromedical. The Company, both directly and through its subsidiary, Air Evac Services, Inc. ("Air Evac"), provides air medical transportation services for hospitals and medical programs in 9 states using approximately 26 aircraft. The aircraft dedicated to this segment are specially outfitted to accommodate emergency patients and emergency medical equipment. In Arizona, Air Evac operates 10 of the 26 dedicated aeromedical aircraft and offers its services to many hospitals and medical programs. Each of the other aircraft operated by the Aeromedical segment are typically dedicated to one hospital or medical program. The Aeromedical segment's operating revenues accounted for 17%, 17%, and 19% of consolidated operating revenues during the years ended December 31, 2002, December 31, 2001, and December 31, 2000, respectively.

Technical Services. PHI performs maintenance and repair services at its Lafayette facility pursuant to an FAA repair station license, primarily for its existing customers. The license includes authority to repair airframes, powerplants, accessories, radios, and instruments and to perform specialized services. Commencing in late 2001, the Company changed the strategic focus of Technical Services from providing maintenance and overhaul services to any third party customer, to only those customers that are currently serviced by the Company's helicopter operations. The Company implemented this change to allow the Technical Services segment to focus on the Company's aircraft and components. The Company will continue to fulfill its obligation to provide maintenance to certain military aircraft.

Operating revenues from the Technical Services segment accounted for 8% of consolidated operating revenues during each of the years ended December 31, 2002 and December 31, 2001, and 7% for the year ended December 31, 2000.

Seasonal Aspects

Three seasonal related occurrences affect the Company's operations, including poor weather conditions generally, tropical storm season in the Gulf of Mexico, and variation in the number of hours of daylight. For a more detailed discussion of these events, see the "Adverse Weather Conditions" paragraph in the "Risk Factors" section of this Item 1. The Company's operating results may, and usually do, vary from quarter to quarter, depending on factors outside of its control. As a result, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters.

Inventory

For aircraft maintenance and repair related to both PHI-owned helicopters and those repaired by the Technical Services segment, the Company carries an inventory of aircraft parts. Many of these inventory items are parts that have been removed from aircraft, refurbished according to manufacturers' and FAA specifications, and returned to inventory. The Company uses systematic procedures to estimate the valuation of these used parts, which includes consideration of their condition and continuing utility. As a result, the carrying values of inventory reported in the Company's financial statements are impacted by these estimates.

Customers

The Company's principal customers are major integrated energy companies and independent exploration and production companies. The Company also serves oil and gas service companies, hospitals and medical programs, government agencies, and other aircraft owners and operators. The Company's largest customer, Shell Oil Company and its affiliates, accounted for 17%, 14%, and 10% of operating revenues for the years ended December 31, 2002, December 31, 2001, and December 31, 2000, respectively. The Company has entered into contracts with most of its customers with terms of at least one year, although most include provisions allowing for earlier termination.

Government Regulation

PHI is regulated by a number of different federal and state agencies. All of PHI's flight operations are regulated by the FAA. Aircraft accidents are subject to the jurisdiction of the National Transportation Safety Board. Standards relating to the workplace health and safety of PHI's employees are created and monitored through the federal Occupational Safety and Health Act ("OSHA"). There are a number of statutes and regulations that govern offshore operations. Also, PHI is subject to various federal and state environmental statutes that are discussed separately in the "Environmental Matters" section below.

The FAA has authority to exercise jurisdiction over many aspects of the Company's business, including personnel, aircraft, and ground facilities. The Company requires an Air Taxi Certificate, granted by the FAA, to transport personnel and property in its helicopters. This certificate contains operating specifications that allow the Company to conduct its present operations, but this certificate is potentially subject to amendment, suspension, and revocation in accordance with procedures set forth in the Federal Aviation Act. The Company is not required to file tariffs showing rates, fares, and other charges with the FAA. The FAA is responsible for ensuring that PHI complies with all FAA regulations relating to the operation of its aviation business. It conducts regular inspections regarding the safety, training and general regulatory compliance of PHI's US aviation operations. Additionally, the FAA requires the Company to file reports confirming its continued compliance.

The FAA's regulations, as currently in effect, require that at least 75% of the Company's voting securities be owned or controlled by citizens of the United States or one of its possessions, and that the president and at least two-thirds of the directors of the Company be United States citizens. The Company's president and all of its directors are United States citizens, and its organizational documents provide for the automatic reduction in voting power of each share of voting common stock owned or controlled by a non-United States citizen if necessary to comply with these regulations.

The Company is subject to OSHA and similar state statutes. The Company has an extensive health, safety and environmental program. The primary functions of the safety staff are to develop and improve company policies that meet or exceed the safety standards set by OSHA, train company personnel, and make inspections of safety procedures to ensure their compliance with company policies on safety. Employees are required to attend safety-training meetings at which the importance of full compliance with safety procedures is emphasized. The Company believes that it meets or exceeds all OSHA requirements and that its operations do not expose its employees to unusual health hazards.

The Company is also subject to the Communications Act of 1934 because of its ownership and operation of a radio communications flight following network throughout the Gulf of Mexico and off the coast of California.

Numerous other federal statutes and rules regulate the offshore operations of the Company and the Company's customers, pursuant to which the federal government has the ability to suspend, curtail, or modify certain or all offshore operations. A suspension or substantial curtailment of offshore oil and gas operations for any prolonged period would have an immediate and materially adverse effect on the Company. A substantial modification of current offshore operations could adversely affect the economics of such operations and result in reduced demand for helicopter services.

Competition

The Company's business is highly competitive in each of its markets. Many of the Company's contracts are awarded after competitive bidding. The principal aspects of competition are safety, price, reliability, availability, and service.

The Company is a leading operator of helicopters in the Gulf of Mexico. There are two major and several small competitors operating in the Gulf of Mexico. Certain of the Company's customers and potential customers in the oil industry operate their own helicopter fleets; however, oil and gas companies traditionally contract for most specialty services associated with offshore operations, including helicopter services.

In the air medical market, the Company competes against local and national firms, and there is usually more than one competitor per local market. Most of the Company's customers are independent hospitals who serve only their region. Competition in the air medical market continues to increase.

The Technical Services segment competes regionally and nationally against various small and large repair centers in the United States and Canada. Competition has intensified with aggressive pricing and acquisitions by several service providers and original equipment manufacturers and their subsidiaries.

The International segment of PHI's business primarily serves customers in the oil and gas industry, although it does service some government contracts. Most of PHI's international contracts are subject to competitive bidding.

Employees

As of December 31, 2002, the Company employed a total of 1,632 full-time employees and 57 part-time employees, including approximately 500 pilots and 1,000 aircraft maintenance and support personnel. At December 31, 2001, the Company employed 1,718 full-time employees and 60 part-time employees.

On June 13, 2001, the Company's domestic pilots ratified a three-year collective bargaining agreement between the Company and the Office & Professional Employees International Union ("OPEIU"). The agreement was effective retroactively to June 1, 2001 and remains effective through May 31, 2004. The agreement provides for automatic base pay increases for pilots and strike protection for the Company. Union membership under the agreement, which falls under the Railway Labor Act, is voluntary.

Environmental Matters

The Company is subject to federal, state and local environmental laws and regulations that impose limitations on the discharge of pollutants into the environment and establish standards for the treatment, storage, recycling, and disposal of toxic and hazardous wastes. Operating and maintaining helicopters requires that the Company use, store, and dispose of materials that are subject to federal and state environmental regulation. The Company periodically conducts environmental site surveys at its facilities, and determines whether there is a need for environmental remediation based on these surveys.

Risk Factors

All phases of the Company's operations are subject to a number of uncertainties, risks, and other influences. Some important factors that could cause actual results to differ materially from anticipated results or other expectations include the following:

Dependence on the oil and gas industry. Approximately 74% of the Company's 2002 operating revenue is attributable to helicopter support for oil and gas companies. The Company's business is dependent primarily on the level of activity by the oil and gas companies, particularly in the Gulf of Mexico. This level of activity has traditionally been volatile as a result of fluctuations in oil and natural gas prices and the uncertainty of these prices in the future. Low oil prices adversely affect demand throughout the oil and natural gas industry, including the demand for PHI's products and services. As prices decline, PHI is affected in two significant ways. First, the funds available to customers for the purchase of goods and services decline. Second, exploration and drilling activity declines as companies delay or eliminate projects. Accordingly, when oil prices are relatively low, the Company's revenues and income are adversely affected. Additionally, as demonstrated in current markets, commodity prices are high and activity levels in the Gulf of Mexico are relatively low, attributable to concerns over economic and political uncertainties.

Adverse weather conditions/Seasonality. Three types of weather-related or seasonal occurrences impact the Company's business: poor weather conditions generally, tropical storm season in the Gulf of Mexico, and the number of hours of daylight.

Poor visibility, high winds, and heavy precipitation can affect the operation of helicopters and result in a reduced number of flight hours. A significant portion of the Company's operating revenues is dependent on actual flight hours and a substantial portion of the Company's direct costs is fixed. Thus, prolonged periods of adverse weather can materially and adversely affect the Company's operating revenues and net earnings.

In the Gulf of Mexico, the months of December through February have more days of adverse weather conditions than the other months of the year. Also in the Gulf of Mexico, June through November is tropical storm season. When a tropical storm is about to enter or begins developing in the Gulf of Mexico, flight activity may increase because of evacuations of offshore workers. However, during tropical storms, the Company is unable to operate in the area of the storm. In addition, as most of PHI's facilities are located along the Gulf of Mexico coast, tropical storms may cause substantial damage to its property, including helicopters. Additionally, the Company incurs costs in evacuating its aircraft and bases during tropical storms.

The fall and winter months have fewer hours of daylight. Consequently, flight hours are generally lower at these times, which typically results in a reduction in operating revenues during those months. The Company currently operates 44 helicopters in its oil and gas operations that are equipped to fly pursuant to instrument flight rules ("IFR"), which enables these aircraft, when manned by IFR rated pilots and co-pilots, to operate at times when poor visibility and darkness prevents flights by aircraft that can fly only by visual flight rules ("VFR").

International operations are subject to political, economic and regulatory uncertainty. PHI's International operations are subject to a number of risks inherent in any international operations including, but not limited to; (i) political, social, and economic instability; (ii) potential seizure or nationalization of assets; (iii) import-export quotas; (iv) currency fluctuations; and (v) other forms of governmental regulation.

The Company's results of operations could be susceptible to adverse events beyond its control that could occur in any particular country in which it is conducting operations. PHI's contracts to provide services internationally generally provide for payment in US dollars. To the extent PHI does make investments in foreign assets or receives revenues in currencies other than US dollars, the value of the Company's assets and income could be adversely affected by fluctuations in the value of local currencies.

Additionally, competitiveness in international market areas may be adversely affected by regulations, including, but not limited to, regulations requiring; (i) the awarding of contracts to local contractors, (ii) the employment of local citizens, and (iii) the establishment of foreign subsidiaries with significant ownership positions reserved by the foreign government for local citizens.

Concentration of customers in oil and gas industry may increase the Company's risk. The majority of PHI's customers are engaged in the oil and gas industry. This concentration of customers may impact the Company's overall exposure to credit risk, either positively or negatively, in that customers may be similarly affected by changes in economic and industry conditions. PHI does not generally require collateral in support of trade receivables, but does maintain reserves for potential credit losses, and, generally, actual losses have historically been within expectations.

Significant customers. The Company derives a significant amount of its revenue from a small number of major and independent oil and gas companies. The Company's loss of one of these significant customers, if not offset by sales to new or other existing customers, would have a material adverse effect on business and operations. For more information on customer concentration, see "Customers" above.

Safety and insurance. The operation of helicopters inherently involves a degree of risk. Hazards such as aircraft accidents, collisions, fire, and adverse weather are hazards, which must be managed by providers of helicopter services and may result in (i) loss of life, (ii) serious injury to employees and third parties, and (iii) losses of equipment and revenues. The Company's safety record is very favorable in comparison to the record for both United States and International operators. A favorable safety record is one of the primary factors a customer reviews in selecting an aviation provider. Significant emphasis is placed on safety in the Company and it is a very important factor affecting daily operations.

The Company maintains hull and liability insurance on its aircraft, which insures the Company against physical loss of, or damage to, its aircraft and against certain legal liabilities to others. In addition, the Company carries war risk, expropriation, confiscation, and nationalization insurance for its aircraft involved in international operations. In some instances, the Company is covered by indemnity agreements from its customers in lieu of, or in addition to its insurance. The Company's aircraft are not insured for loss of use. While the Company believes it is adequately covered by insurance and indemnification arrangements, the loss, expropriation or confiscation of, or severe damage to, a material number of its helicopters could adversely affect revenues and profits.

The principal stockholder has substantial control. Al A. Gonsoulin, Chairman of the Board, beneficially owns stock representing approximately 52% of the total voting power. As a result, he exercises control over the election of PHI's directors and the outcome of matters requiring a stockholder vote.

The Company does not pay dividends. The Company has not paid any dividends on its common stock since 1999 and does not anticipate that it will pay any dividends on its common stock in the foreseeable future.

Low trading volume. Both the Company's voting (PHEL) and nonvoting (PHELK) common stock are listed on the Nasdaq SmallCap Market ("Nasdaq"). However, neither class of shares has substantial trading volume, and on some days no shares are traded. Because of this limitation, among others, a shareholder may not be able to sell shares of the Company at the time, in the amounts, or at the price desired.

Availability of SEC filings and other information. The Company's internet address is www.phihelico.com. The Company's annual report on Form 10-K for the year ended December 31, 2002, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to any of these reports, are available free of charge through Petroleum Helicopters Inc.'s web site, as soon as reasonably practicable after filing with the SEC.

ITEM 2. PROPERTIES

Aircraft

Certain information regarding the Company's owned and leased fleet as of December 31, 2002 is set forth in the following table:

<u>Manufacturer</u>	<u>Type</u>	<u>Number in Fleet</u>	<u>Engine</u>	<u>Passengers</u>	<u>Cruise Speed (mph)</u>	<u>Appr. Range (miles)⁽²⁾</u>
Light Aircraft						
Bell	206 / 407	123	Turbine	4 – 6	103 – 144	300 – 420
Eurocopter	BK-117 / BO-105	24	Twin Turbine	4 – 6	135	255 – 270
Aerospatiale	AS350 B2 / B3	13	Turbine	5	140	337 – 385
MD Helicopter	MD530	1	Turbine	4	120	300
Medium Aircraft						
Bell	212 ⁽¹⁾ / 222 ⁽¹⁾ 230 ⁽¹⁾ / 412 ⁽¹⁾	33	Twin Turbine	8 – 13	115 – 160	300 – 370
Sikorsky	S-76 ⁽¹⁾ A, A++, C+	17	Twin Turbine	12	150	400
Transport Aircraft						
Bell	214ST ⁽¹⁾	4	Twin Turbine	18	155	450
Miscellaneous Aircraft						
Kaman	K-Max K-1200	1	Turbine	1	100	225
	Total Helicopters	216				
Fixed Wing						
Rockwell	Aero Commander	2	Turboprop	6	300 – 340	1,200-1,600
Beechcraft	King Air 200 ⁽¹⁾	1	Turboprop	3	300	1,200
Cessna	Conquest 441 ⁽¹⁾	4	Turboprop	3	330	1,200
	Total Fixed Wing	7				
	Total Aircraft	223				

⁽¹⁾ Equipped to fly under instrument flight rules ("IFR"). All other types listed can only fly under visual flight rules ("VFR"). See Item 1. "Business - Risk Factors, Adverse weather conditions/Seasonality."

⁽²⁾ Based on maintaining a 30-minute fuel reserve.

Of the 223 aircraft listed, the Company owns 219 and leases 4. Additionally, the Company operates 13 aircraft that are owned or leased by customers that are not reflected in the above table. In total the Company owns or operates 236 aircraft.

The Company sells aircraft whenever they (i) become obsolescent, (ii) do not fit into future fleet plans, or (iii) are surplus to the Company's needs.

Facilities

The Company's principal facility is located on property leased from The Lafayette Airport Commission at the Lafayette Regional Airport in Lafayette, Louisiana. The lease covers approximately 28 acres and two buildings, with an aggregate of approximately 256,000 square feet, housing the Company's main operational, executive, and administrative offices and the main repair and maintenance facility. The lease for this new facility expires in 2021 and contains three five-year renewal options following the expiration date.

The Company owns its Boothville, Louisiana operating facility. The property has a 23,000 square foot building, a 7,000 square foot hangar, and landing pads for 35 helicopters.

The Company also leases property for 12 additional bases to service the oil and gas industry throughout the Gulf of Mexico and one base in California. Those bases that represent a significant investment by the Company in leasehold improvements or which are particularly important to the Company's operations are:

Facility	Lease Expiration	Area	Facilities	Comments
Morgan City (Louisiana)	June 20, 2003	53 acres	Operational and maintenance facilities, landing pads for 46 helicopters	Options to extend to June 20, 2013
Intracoastal City (Louisiana)	December 31, 2006	18 acres	Operational and maintenance facilities, landing pads for 45 helicopters	Options to extend to December 31, 2010
Houma-Terrebonne Airport (Louisiana)	August 31, 2003	14 acres	Operational and maintenance facilities, landing pads for 30 helicopters	Seven renewal options to extend for one year each
Galveston (Texas)	May 31, 2021	4 acres	Operational and maintenance facilities, landing pads for 30 helicopters	Lease period to May 31, 2021 with certain cancellation provisions
Fourchon (Louisiana)	May 31, 2006	8 acres	Operational and maintenance facilities, landing pads for 10 helicopters	Facility under three separate leases, the earliest of which expires May 31, 2006

The Company's other operations-related facilities in the United States are located at New Orleans, Cameron, and Lake Charles, Louisiana; at Port O'Connor, Sabine Pass, and Rockport, Texas; and at Theodore, Alabama.

The Company also operates from offshore platforms that are provided without charge by the owners of the platforms, although in certain instances the Company is required to indemnify the owners against loss in connection with the Company's use thereof.

The Company also leases facilities for its Aeromedical operations in Phoenix, Arizona. Other bases for the Company's International and other Aeromedical operations are generally furnished by the customer.

ITEM 3. 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 4.A. EXECUTIVE OFFICERS OF THE REGISTRANT

Certain information about the executive officers of PHI is set forth in the following table and accompanying text:

Name	Age	Position
Al A. Gonsoulin	60	Chairman of the Board
Lance F. Bospflug	48	President and Chief Executive Officer
Robert P. Bouillion	37	Director of Health, Safety, and Environment
Glendon R. Cornett	59	Director of Maintenance and FAR 145 Maintenance
Carlin N. Craig	55	Director of Operations
Michael C. Hurst	55	Chief Pilot
Michael J. McCann	55	Chief Financial Officer, Secretary and Treasurer
Richard A. Rovinelli	54	Chief Administrative Officer and Director of Human Resources
William P. Sorenson	53	Director of Marketing and Planning

Mr. Gonsoulin was elected Chairman of the Board in September 2001. Mr. Gonsoulin had 35 years of oil and gas service industry experience as a manager, owner, and investor prior to becoming Chairman of PHI. He is a business graduate of the University of Louisiana at Lafayette. He founded Sea Mar, Inc. in 1977 and served as President and CEO of that company until December 2001. In 1998 he sold Sea Mar to Pool Energy Services, which was subsequently merged into Nabors Industries, Inc. in 1999.

Mr. Bospflug joined PHI in September 2000 as President. He previously was President and Chief Executive Officer of T. L. James and Company from 1999 to 2000. Prior to that, he was Executive Vice President and Chief Financial Officer. Mr. Bospflug holds a business degree from Jamestown College in Jamestown, North Dakota and a Masters of Business Administration from the University of South Dakota in Vermillion, South Dakota and is a Chartered Financial Analyst.

Mr. Bouillion became Director of Health, Safety, and Environment in January 2001. Previously, he was Director of Safety from 1999 to 2000, Assistant Director of Safety from 1998 to 1999, and Director of Industrial Safety from 1995 to 1998. Mr. Bouillion received the certification as a Certified Safety Professional in December 2001.

Mr. Cornett became Director of Maintenance and Federal Aviation Regulations (“FAR”) 145 Maintenance in January 2001. In this position, Mr. Cornett also directs the Technical Service segment. He has served PHI in various positions since 1964 and from 1991 to 2000 was Director of FAR 135 Maintenance.

Mr. Craig became Director of Operations in January 2001. In this position, Mr. Craig directs the Domestic Oil and Gas, International, and Aeromedical segments. He has been with PHI since 1977 and held the title of Regional Manager of the Eastern Gulf of Mexico from 1992 until his recent appointment. Mr. Craig was also a captain in the U.S. Army and served in the Republic of South Vietnam.

Mr. Hurst has served as Chief Pilot since 1994. Mr. Hurst was a Captain in the US Army and was awarded several flying and service awards and medals. Mr. Hurst is also an active member of the HSAV IFR sub-committee, representative of JAR-OPS Implementation committee. In 1996-97 he was acknowledged as Pilot Proficiency examiner, staff instructor for HAI (CFI Renewal Course in 1993 – 94, and FAA’s Louisiana Instructor of the Year in 1993).

Mr. McCann has served as Chief Financial Officer (“CFO”) and Treasurer since November 1998. From January 1998 to October 1998, he was the CFO for Global Industries Ltd. and Chief Administrative Officer (“CAO”) from July 1996. Prior to that, he was CFO for Sub Sea International, Inc. Mr. McCann is a Certified Public Accountant and holds a Masters of Business Administration from Loyola University.

Mr. Rovinelli joined the Company in February 1999 as Director of Human Resources and was also named Chief Administrative Officer in December 1999. From January 1996 to February 1999, he was self-employed. Prior to that, he was Manager, Human Resources for Arco Alaska, Inc., Headquarters Staff Manager, Human Resource Services, Arco Oil and Gas Company, as well as numerous other positions within Arco. Mr. Rovinelli holds a Bachelor of Science Degree in Industrial Psychology from the University of Houston.

Mr. Sorenson became Director of Marketing and Planning in February 2002. Previously, he was Director of International, Aeromedical, and Technical Services beginning in January 2001, after serving as Director of Corporate Marketing/New Business since 1999 and as General Manager of Aeromedical Services since November 1995. Mr. Sorenson holds a Bachelor of Science degree in Business from the University of Wisconsin.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Company's voting and non-voting common stock trades on The Nasdaq Stock Market, SmallCap Issuers under the symbols PHEL and PHELK, respectively. The following table sets forth the range of high and low sales prices per share, as reported by Nasdaq, for the Company's voting and non-voting common stock for the fiscal quarters indicated.

<u>Period</u>	<u>Voting</u>		<u>Non-Voting</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
January 1, 2002 to March 31, 2002	\$ 25.750	\$ 19.200	\$ 26.400	\$ 19.480
April 1, 2002 to June 30, 2002	33.500	24.300	30.750	23.890
July 1, 2002 to September 30, 2002	32.990	25.510	30.990	25.350
October 1, 2002 to December 31, 2002	31.100	25.750	30.300	25.250
January 1, 2001 to March 31, 2001	\$ 17.500	\$ 10.875	\$ 18.375	\$ 10.500
April 1, 2001 to June 30, 2001	24.120	15.000	23.000	15.125
July 1, 2001 to September 30, 2001	21.100	16.330	21.000	16.750
October 1, 2001 to December 31, 2001	20.000	18.250	19.950	17.750

The Company did not pay dividends during the last three fiscal years and does not expect to pay dividends in the foreseeable future. In addition, the Notes and a revolving credit facility with a commercial bank restrict the payment of dividends by the Company. See Item 8. "Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements, Note 4."

As of February 21, 2003, there were approximately 1,022 holders of record of the Company's voting common stock and 84 holders of record of the Company's non-voting common stock.

Information regarding the Company's stock based compensation plan is included in Item 8, Notes to Consolidated Financial Statements Note (6) EMPLOYEE BENEFIT PLANS – Stock Based Compensation.

On April 23, 2002, the Company issued \$200 million in aggregate principal amount of 9 3/8% Senior Unsecured Notes that mature on May 1, 2009 in an offering made pursuant to Rule 144A and Regulation S of the Securities Act of 1933. The net proceeds from the issuance of Senior Notes were approximately \$194.2 million (net of underwriting discounts and other issuance costs). The net proceeds were used to purchase leased aircraft and aircraft on capital lease (\$118.0 million), reduce outstanding borrowings under a working capital facility (\$44.5 million), and reduce outstanding borrowings under a term debt facility (\$16.3 million), settlement of interest rate Swap agreements (\$1.6 million), and the remainder for general corporate purposes. In May 2002, the Company filed a registration statement for an offer to exchange these Notes for debt securities with identical terms.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below for each of the past six fiscal periods should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes to Consolidated Financial Statements included elsewhere in this Annual Report. Effective December 31, 1999, the Company changed its fiscal accounting year-end to December 31 of each year. The table below also presents comparative information for the twelve months ended December 31, 1999 and the eight months ended December 31, 1998.

	Year Ended December 31,				Eight Months Ended December 31,		Year Ended April 30,	
	2002	2001	2000	1999 ⁽¹⁾	1999	1998 ⁽¹⁾	1999	1998 ⁽²⁾
	(Thousands of dollars, except per share data)							
Income Statement Data								
Operating revenues	\$283,751	\$282,437	\$236,843	\$227,058	\$149,077	\$173,185	\$251,165	\$240,135
Net earnings (loss) ⁽³⁾	9,231	11,020	(12,294)	(5,019)	(2,699)	5,194	2,988	7,417
Net earnings (loss) per share								
Basic	1.73	2.12	(2.38)	(0.97)	(0.52)	1.01	0.58	1.45
Diluted	1.70	2.08	(2.38)	(0.97)	(0.52)	0.99	0.57	1.43
Cash dividends declared per share	--	--	--	0.15	0.05	0.10	0.20	0.20
Balance Sheet Data⁽⁴⁾								
Total assets	\$366,707	\$225,645	\$222,755	\$223,056	\$223,056	\$238,011	\$231,575	\$227,021
Total debt	200,000	66,616	74,819	77,640	77,640	81,836	80,296	72,619
Working capital	72,751	46,987	41,547	54,699	54,699	52,486	51,030	47,971
Shareholders' equity	104,854	91,872	81,622	93,623	93,623	99,440	96,581	94,705

(1) Information for the year ended December 31, 1999 and the eight months ended December 31, 1998 is derived from unaudited financial information and presented for comparison purposes only.

(2) On December 31, 1997, PHI purchased the net assets of Samaritan AirEvac. The results of that acquisition are consolidated with the Company's results effective January 1, 1998.

(3) See Item 8. "Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements, Note 1 - Summary of Significant Accounting Policies (Fiscal Year Change)" and "Note 2 - Special Charges."

(4) As of the end of the period.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Company's Consolidated Financial Statements for the years ended December 31, 2002, December 31, 2001, and December 31, 2000 and the related Notes to Consolidated Financial Statements.

Overview

Operating revenues for 2002 were \$283.8 million compared to \$282.4 million for the prior year, an increase of \$1.4 million. The increase in operating revenue was due to an increase of \$1.8 million in Technical Services revenues due to completion of a project for the upgrade and refurbishment of a customer's aircraft in the first half of this year, and an increase of \$1.2 million in Aeromedical segment revenues. The strategic focus of the Technical Services segment is discussed below and will result in a reduction in that segment's revenues. Aeromedical segment revenues increased \$1.2 million due to an improvement in rates on retained aeromedical contracts, offset by a reduction in revenue due to the termination of certain other aeromedical contracts. Domestic Oil and Gas revenues decreased \$1.5 million due to a decrease in activity in the Gulf of Mexico, offset in part by an increase in rates implemented in 2001.

Flight hours were 170,462 for 2002 compared to 192,753 for 2001, a decrease of 22,291 flight hours (11.6% decrease). The Domestic Oil and Gas segment had a decrease of 12,326 flight hours due to decreased activity in the Gulf of Mexico, and the Aeromedical segment had a decrease of 6,225 flight hours due to the termination of certain Aeromedical contracts that were the result of increases in rates.

Direct operating expense was \$235.2 million for 2002 compared to \$243.5 million for 2001, a decrease of \$8.3 million. The decrease was due to a reduction in headcount resulting in decreased compensation costs, decreased helicopter rent due to the purchase of leased aircraft as a result of the Notes issuance described below, decreased insurance due in part to a decrease in the number of aircraft the Company operates, decreased fuel costs due to decreased activity, and decreased maintenance costs due to a decrease in parts usage. In addition, there was increased depreciation expense due to the purchase of leased aircraft, and an increase in Technical Services cost due to a project for the refurbishment and upgrade of a customer's aircraft completed in 2002.

Selling, general and administrative expense was \$18.2 million for 2002 compared to \$18.0 million for 2001, an increase of \$0.2 million. Selling, general and administrative expense for 2002 includes a severance charge (\$0.3 million), and a management bonus (\$0.8 million). There were no management bonuses recorded in 2001 and no significant severance charges in 2001. After deducting the management bonus and the severance charge, selling, general and administrative expense decreased due to a decrease in employee compensation costs as a result of a decrease in headcount, and also due to a decrease in legal costs.

Interest expense was \$17.3 million for 2002 compared to \$6.2 million for 2001. The increase was due to interest on the Notes issuance described below, and \$1.9 million of costs incurred in 2002 related to the retirement of the Company's bank debt and liquidation of the Company's interest rate Swap agreements, which were contracts to fix interest rates on the Company's bank debt.

On April 23, 2002, the Company issued \$200 million in 9 3/8% Notes due May 1, 2009. The proceeds from the offering were used to retire \$62.3 million of existing bank debt and the Swaps, and to acquire 101 aircraft for \$118.1 million, that the Company previously leased. Also on April 23, 2002, the Company entered into a new \$50 million revolving credit facility with a commercial bank to be available through July 2004. As of December 31, 2002, the Company had no borrowings and a \$0.6 million letter of credit outstanding under the revolving credit facility.

As a result of the Notes issuance and the purchases of the leased aircraft, the Company has incurred and will incur increased interest and depreciation expense, and decreased aircraft rent expense. Although the Company expects that these changes will reduce earnings before income taxes by approximately \$4.8 million per year, the transaction will improve overall liquidity over the next several years, which will allow the Company to pursue earnings growth opportunities. Increased cash from operations was approximately \$5.9 million in 2002, including incremental tax effects. The Company expects increased cash from operations of \$10.8 million in 2003, including incremental tax effects. In later years, this amount reduces due to the effects of lower tax depreciation. Additionally, until 2009 when the Notes become due, the Company will be able to retain cash that would have otherwise been needed for bank debt principal payments.

Results of Operations

The following table presents segment operating revenues and segment operating profit before tax, along with certain non-financial operational statistics, for the years ended December 31, 2002, 2001 and 2000:

	Year Ended December 31,		
	2002	2001	2000
	(Thousands of dollars)		
Segment operating revenues			
Domestic Oil and Gas	\$ 189,480	\$ 190,991	\$ 153,831
International	22,474	22,634	21,703
Aeromedical	48,664	47,493	44,282
Technical Services	23,133	21,319	17,027
Total	<u>\$ 283,751</u>	<u>\$ 282,437</u>	<u>\$ 236,843</u>
Segment operating profit ⁽¹⁾			
Domestic Oil and Gas	\$ 26,974	\$ 29,059	\$ 1,502
International	1,760	712	(111)
Aeromedical	12,463	1,503	(155)
Technical Services	4,297	3,490	(550)
Net segment operating profit (loss)	45,494	34,764	686
Other, net ⁽²⁾	2,261	2,812	3,247
Interest expense	(17,250)	(6,190)	(5,813)
Unallocated costs	(15,121)	(13,894)	(15,915)
Earnings (loss) before income taxes	<u>\$ 15,384</u>	<u>\$ 17,492</u>	<u>\$ (17,795)</u>
Flight hours			
Domestic Oil and Gas	136,237	148,563	158,094
International	18,292	21,235	22,338
Aeromedical	15,780	22,005	21,490
Other	153	950	545
Total	<u>170,462</u>	<u>192,753</u>	<u>202,467</u>
Aircraft operated at period end			
Domestic Oil and Gas	190	177	204
International	20	21	29
Aeromedical	26	41	46
Total ⁽³⁾	<u>236</u>	<u>239</u>	<u>279</u>

(1) Includes special charges. See Note 2 of the Consolidated Financial Statements.

(2) Including gains on disposition of property and equipment, equity in losses of unconsolidated subsidiaries, and other income.

(3) Includes 13, 19, and 18 aircraft as of December 31, 2002, 2001 and 2000, respectively that are customer owned or leased by customers.

Year Ended December 31, 2002 compared with Year Ended December 31, 2001

Combined Operations

Revenues - Operating revenues for 2002 were \$283.8 million compared to \$282.4 million for the prior year, an increase of \$1.4 million. The increase in operating revenue was due to an increase of \$1.8 million in Technical Services revenues due to completion of a project for the upgrade and refurbishment of a customer's aircraft during the year and also due to an increase of \$1.2 million in the Aeromedical segment. Although Technical Services revenues increased in 2002, the strategic focus of that segment is limited to maintenance services primarily for certain military aircraft, flight operations customers, and original equipment manufacturers. As a result, the Company anticipates that revenues in this segment will decline in future years. Aeromedical segment revenues increased due to an improvement in rates on retained aeromedical contracts, offset by a

reduction in revenue due to the termination of certain other aeromedical contracts. Domestic Oil and Gas revenues decreased \$1.5 million due to a decrease in activity in the Gulf of Mexico, offset in part by an increase in rates implemented in 2001.

Flight hours were 170,462 for 2002 compared to 192,753 for 2001, a decrease of 22,291 flight hours (11.6% decrease). The Domestic Oil and Gas segment had a decrease of 12,326 flight hours due to decreased activity in the Gulf of Mexico, and the Aeromedical segment had a decrease of 6,225 flight hours due to the termination of certain Aeromedical contracts that were the result of increases in rates to customers unwilling to absorb those increases.

Other Income and Losses - Gain (loss) on equipment dispositions was \$0.6 million for 2002 compared to \$1.4 million for 2001, a decrease of \$0.8 million. This decrease was due to a decrease in the sale of aircraft as compared to the prior year.

Other income was \$1.7 million for 2002 compared to \$1.5 million for 2001. The current year includes a gain related to the favorable settlement of a note receivable from a previous joint venture sold in the prior year in which the Company accepted a note receivable for the proceeds (\$0.7 million), and the balance of other income primarily being interest income (\$0.9 million). The prior year included a reimbursement received from the U.S. Department of Transportation under the Air Safety Stabilization Act (\$0.8 million), and interest income (\$0.7 million).

Direct Expenses - Direct operating expense was \$235.2 million for 2002 compared to \$243.5 million for 2001, a decrease of \$8.3 million. Employee compensation costs decreased (\$2.0 million) due to decreased headcount in 2002 compared to 2001. Additionally, included in employee compensation costs in direct expenses for 2002 are severance costs (\$1.4 million) and a management bonus (\$0.3 million). No significant severance costs or bonuses were recorded in 2001. Helicopter rent decreased (\$10.7 million) due to the purchase of leased aircraft as previously discussed. Aircraft fuel decreased as a result of decreased activity (\$1.8 million), insurance expense decreased due in part to a decrease in the number of aircraft the Company operates (\$1.4 million), and a decrease in maintenance costs (\$0.5 million). Depreciation expense increased (\$5.6 million) due to the purchase of leased aircraft. Technical Services costs increased (\$1.0 million) due to costs related to a project for the refurbishment and upgrade of a customer's aircraft completed in 2002, and there was an increase, net, of other items (\$1.5 million).

Selling, General, and Administrative Expenses - Selling, general and administrative expense was \$18.2 million for 2002 compared to \$18.0 for 2001. Selling, general and administrative expense for 2002 includes a severance charge (\$0.3 million), and a management bonus (\$0.8 million). After deducting the severance charges and management bonus, selling, general and administrative expense decreased due to employee compensation costs as a result of a decrease in headcount, and also due to a decrease in legal costs.

Interest Expense - Interest expense was \$17.3 million for 2002 compared to \$6.2 million for 2001. The increase was due to interest on the Notes issuance previously described, and \$1.9 million of costs incurred in the second quarter of 2002 related to the retirement of the Company's bank debt and liquidation of the Company's interest rate Swap agreements, which is a contract to fix interest rates on the Company's bank debt, which were charged to interest expense.

Income Taxes - Income tax expense for 2002 was \$6.2 million, compared to \$6.5 million for 2001. The effective tax-rate was 40% for 2002, and 37% for 2001. The increase in the effective tax rate is primarily due to increased state income taxes and permanent book and tax differences.

Earnings - The Company's net earnings for 2002 were \$9.2 million, compared to \$11.0 million for 2001. Earnings before tax for 2002 were \$15.4 million compared to \$17.5 million in 2001. Earnings per diluted share were \$1.70 as compared to \$2.08 per diluted share for 2001. Although there was a decline in flight hour activity, the principal reason for the earnings decline was the increase in interest expense, described above.

Segment Discussion

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.

Domestic Oil and Gas - Domestic Oil and Gas segment revenues were \$189.5 million for 2002, compared to \$191.0 million for 2001, a decrease of \$1.5 million. There was a decrease in flight activity due to reduced oil and gas activity in the Gulf of Mexico, as indicated by a decrease of 12,326 flight hours for the year. This was offset in part by an increase in rates

implemented in 2001. The number of aircraft in the segment was 190 at December 31, 2002 as compared to 177 at December 31, 2001. Certain aircraft were acquired during the year and certain other aircraft models that can be configured to meet customers' deepwater service requirements were also transferred from the Aeromedical segment upon termination of certain aeromedical contracts.

Direct expenses in the Domestic Oil and Gas segment increased \$0.6 million due to an increase in human resource cost due primarily to certain of the pilot and mechanic employees in the Aeromedical segment being reassigned to the Domestic Oil and Gas segment (\$2.3 million), increased depreciation expense (\$5.6 million) due to the purchase of leased aircraft, an increase in maintenance costs (\$0.5 million), and an increase in workers' compensation expense (\$0.3 million). These amounts were offset by a decrease in helicopter rent due to the purchase of the leased aircraft (\$7.3 million), a decrease in fuel cost due to decreased activity (\$1.1 million), and a decrease in insurance cost due in part to a decrease in the number of aircraft the Company operates in total that benefited the segment (\$0.7 million). The Company also reduced its environmental reserve (\$0.3 million), primarily due to costs at one site being less than anticipated. Additionally, there was an increase due to other items, net (\$1.3 million), which consists primarily of supplies and base operating costs and facility repairs.

The Domestic Oil and Gas segment operating income decreased (\$2.1 million) due in part to a decrease in activity and also due in part to the transfer of certain pilots and mechanics from the Aeromedical segment. Operating margin was 14.2% for the year compared to 15.2% in the prior year.

International - International segment revenues were \$22.5 million for 2002, compared to \$22.6 million for 2001. The number of aircraft in the segment was 20 at December 31, 2002 and 21 at December 31, 2001. Flight hours were 18,292 for 2002 as compared to 21,235 for 2001. The decrease in revenue due to a decrease in activity was offset by an improvement in rates.

Direct expenses in the International segment decreased for the year (\$1.2 million) due to a decrease in human resource cost (\$0.5 million), a decrease in insurance cost (\$0.3 million), and a decrease, net, of other items (\$0.4 million).

International segment operating income increased for 2002 (\$1.0 million). Operating margin of 7.8% for the year compares to 3.2% for the prior year. The improvement in operating income and operating margin was due to an increase in customer rates and a decrease in direct expenses.

In October 2002, the Company exited a contract in Taiwan that included one aircraft.

Aeromedical - Aeromedical segment revenues were \$48.7 million for 2002 compared to \$47.5 million for 2001. The increase in Aeromedical revenues is due to an increase in rates substantially offset by a decrease in flight hour activity of 6,225 flight hours due to the termination of certain aeromedical contracts as a result of increases in rates. The number of aircraft in the segment was 26 in 2002 compared to 41 for 2001.

Direct expenses in the Aeromedical segment for 2002 decreased (\$9.8 million) due to a decrease in headcount (\$4.1 million), a decrease in helicopter rent (\$3.4 million) due to a decrease in the number of aircraft in the segment and to the purchase of leased aircraft, a decrease in maintenance cost (\$1.0 million) and insurance cost (\$0.4 million), both due to fewer aircraft in the segment, a decrease in fuel costs (\$0.7 million), and other items, net, decreased (\$0.2 million), which is primarily base operating costs.

The Aeromedical segment operating income increased (\$11.0 million) for the year. Operating margin was 25.6% for 2002 and compares to 3.2% for 2001. The increase in operating income and operating margin is attributable to an increase in customer rates on retained Aeromedical contracts, and also due to a reduction in direct expense as a result of reduced aircraft, reduced personnel, and other related costs caused by the termination of certain Aeromedical contracts as mentioned above. Flight hours for the 2002 were 15,780 compared to 22,005 for 2001.

Technical Services - Technical Services segment revenues for 2002 were \$23.1 million compared to \$21.3 million for 2001. The increase in Technical Services revenues was related to revenue from a contract for the refurbishment and upgrade of two aircraft completed in the first half of 2002. The strategic focus of the Technical Services segment is discussed below and will result in a reduction in that segment's revenues in future years.

There was an increase in direct expense (\$1.0 million) in the Technical Services segment due to the contract previously mentioned.

The Technical Services segment had operating income of \$4.3 million for 2002, compared to \$3.5 million for 2001. The operating margin was 18.6% for 2002, compared to 16.4% in the prior year. The improvement in operating income and operating margin was due to increases in rates on continuing activities.

Year Ended December 31, 2001 compared with Year Ended December 31, 2000

Combined Operations

For the year ended December 31, 2001, the Company recorded \$1.3 million for discretionary incentive compensation to be paid to its non-executive employees. Future incentive compensation expenses are dependant upon the Company achieving desired profit levels. The Company also reduced its environmental provision by \$1.2 million that primarily relates to one site. Remediation costs at that site are estimated to be less than originally anticipated.

Additionally, for the year 2001 there was a reimbursement of \$0.8 million received from the United States Department of Transportation under the Air Safety and System Stabilization Act, which was a result of the events of September 11, 2001.

For the year ended December 31, 2000, the Company recorded certain significant adjustments (\$4.3 million related to inventory) and special charges (\$3.6 million total) that resulted from a reduction in work force, asset write-downs, and decisions to exit certain operations.

Where appropriate, the above items are allocated to the Company's business segments and are included in the respective discussion of each segment.

Other Income and Losses - Gains on property and equipment dispositions were \$1.4 million in 2001 as compared to \$4.0 million in 2000. During 2001, the Company reduced its fleet by 40 owned and leased aircraft.

Equity in net losses from unconsolidated subsidiaries for 2000, excluding an impairment charge against the Company's investment in Clintondale, a joint venture operating primarily in Kazakhstan, that the Company recorded in special charges, was \$0.7 million. The Company recorded no equity income or losses in 2001. In 2000, the Company recognized an impairment of its remaining equity investment in the joint venture and, during 2001, sold its 50% interest in Clintondale. Also, in 2000, the Company closed operations of its Thailand unconsolidated subsidiary.

Other income for 2001 includes \$0.7 million of interest income and \$0.8 million for the reimbursement received from the US Department of Transportation under the Air Safety and Systems Stabilization Act. During 2001, the Company recorded interest income for amounts received for interest on prior years tax refunds, interest credited to the Company on rent prepaid on its new facility, and interest earned on overnight cash investments.

Direct Expenses - Direct expenses for 2001 increased \$13.2 million to \$243.5 million for 2001 compared to \$230.3 million for the prior year. The increase was due to increases in human resource costs, cost of sales related to the Technical Services segment, insurance costs, aircraft parts costs, helicopter rent, and an increase in depreciation expense. The most significant of these increases was the human resource costs. Numerous actions were taken during the year including closure of certain business operations and a reduction in the Company's work force, and other actions previously described. These actions reduced the effect of the cost increases as further described below.

Of the \$13.2 million increase in direct expenses, the increase in human resource costs accounted for 35% of the total increase. This resulted from wage and benefit increases for the Company's pilot and mechanic work force as well as certain employees (including a non-executive incentive compensation of \$1.3 million) and offset in part by a reduction in the Company's work force implemented in February 2001. These wage and benefit increases were implemented to achieve competitive wages in the Company's work force, consistent with the Company's compensation philosophy to maintain an industry-competitive compensation package for all of its employees. The Company's total labor work force at December 31, 2001 was 1,778 compared to 1,939 at December 31, 2000, or a decrease of 161 personnel.

Cost of sales in the Technical Services segment accounted for 17% of the total increase in costs. As previously described there was an increase in activity in the Technical Services segment due to a full year of activity on a certain contract to perform maintenance, repair and overhaul services for certain military aircraft and components.

The cost of aircraft parts accounts for 11% of the total increase in costs, due to price increases implemented by the manufacturers in 2001. The Company's insurance costs also increased in 2001 generally reflecting increases in the industry. Helicopter rent increased for the year related to the number of aircraft on operating leases, obtained during the latter part of 2000.

Depreciation expense included in direct expenses for 2001 was \$13.8 million compared to \$12.5 million in the prior year. Total depreciation expense, which includes expense charged to selling, general and administrative expense, was \$15.1 million and \$13.7 million for the same two periods, respectively.

Depreciation expense increased due to acceleration of depreciation of leasehold improvements on the Company's Lafayette facilities vacated at the time the Company moved to the new Lafayette facilities, and also due to the depreciation of aircraft refurbishments and upgrades accomplished during recent years.

Selling, General, and Administrative Expenses - Selling, general, and administrative expenses decreased to \$18.0 million for 2001 compared to \$18.2 million for the prior year. The decrease in selling, general, and administrative expense was due to lower compensation and bad debt expense. However, these decreases were offset by increases in consulting costs related to a review of the Company's inventory and accounting systems, and legal costs associated with the union contract negotiation.

Special Charges - In the fourth quarter of 2000, in connection with the plan to restore profitability, the Company recorded special charges of \$3.6 million that included severance costs of \$1.1 million, impairment of an investment in and receivables from Clintondale Aviation, Inc., a joint venture operating primarily in Kazakhstan, totaling \$1.7 million, and impairment of two helicopters of \$0.8 million due to pending sales. (See Notes to Financial Statements, Note 7 Other Assets.)

Interest Expense - Interest expense was \$6.2 million for the year ended December 31, 2001 and \$5.8 million for the year ended December 31, 2000. The increase in interest expense was due to an increase in the interest rate charged by the Company's lenders.

Income Taxes - Income tax expense for the year ended December 31, 2001 was \$6.5 million compared to an income tax benefit in the prior year of \$5.5 million. The effective tax rates were 37% and 30.9% for the years ended December 31, 2001 and 2000, respectively. The lower effective rate for the year ended December 31, 2000 is the result of permanent differences between book income and tax income and the effect of state income taxes.

Segment Discussion

Domestic Oil and Gas - Domestic Oil and Gas segment revenues increased 24.2% to \$191.0 million for 2001 compared to \$153.8 million for the prior year. The increase in revenue is due to customer rate increases implemented in 2001. Flight hours in the Domestic Oil and Gas segment decreased 6.0% to 148,563 as compared to 158,094 for 2000. The decrease in flight hour activity was due to decreased activity in the Oil and Gas segment and also due to the events of September 11, 2001.

The segment had a \$29.1 million operating profit in 2001 compared to a \$1.5 million operating loss for the prior year. Operating margin of 15.2% for 2001 compares to 1.0% for the same period last year. The improvement in earnings in 2001 is a result of customer rate increases implemented in 2001. Also, as described in Direct Expenses, there were cost reductions, sale or disposal of unprofitable business units and assets, and personnel reductions, but these were more than offset by other cost increases, primarily increases in compensation of pilots and mechanics, aircraft parts cost, and other costs. Additionally, the operating loss in 2000 included a \$2.4 million charge for the write-down of inventory and \$0.8 million for severance costs that were included in special charges.

International - International segment's revenues increased 4.3% to \$22.6 million for 2001 compared to \$21.7 million for the prior year. The increase was due to a full year of operations related to a contract in Taiwan and also due to rate increases on a contract in West Africa. Flight hours in the International segment decreased 4.9% to 21,235 as compared to 22,338 for 2000. The decrease in flight hours was due to decreased demand for flight services in West Africa, partially offset by the activities in Taiwan.

The International segment had a \$0.7 million operating profit for 2001 compared to a \$0.1 million operating loss for the prior year. Operating margin of 3.1% for 2001 compares to (1.0)% for the prior year. The improvement in earnings is related to customer rate increases and also due to a full year of operations related to a contract in Taiwan. Additionally, the operating loss

in 2000 included a \$0.3 million charge for the write-down of inventory and \$0.1 million for severance costs that were included in special charges.

Aeromedical - Aeromedical segment's revenue increased 7.3% to \$47.5 million for 2001 compared to \$44.3 million in the prior year. The increase in revenues is primarily attributable to a full year operation related to a contract in Grand Junction, Colorado, rate increases on certain other contracts, and a slight increase in flight hour activity. Flight hours in the Aeromedical segment increased 2.4% to 22,005 as compared to 21,490 for 2000.

At December 31, 2001 the Company terminated a contract with an aeromedical customer. Revenues in 2001 for that contract were \$4.1 million. The contract produced an unacceptable rate of return.

The Aeromedical segment had an operating profit of \$1.5 million for 2001 compared to an operating loss of \$0.2 million for the prior year. Operating margin was 3.2% for the year ended December 31, 2001 and compares to (0.3)% for the prior year. The improvement in earnings is the result of certain customer rate increases. The improvement in earnings was partially offset by cost increases described in Direct Expenses, including significant increases in compensation of pilots and mechanics, aircraft parts cost, and other costs. Additionally, the operating loss in 2000 included a \$0.7 million charge for the write-down of inventory.

Technical Services - Technical Services segment's revenue increased 25.2% to \$21.3 million for 2001 compared to \$17.0 million in the prior year. The increase in revenues is primarily attributable to an ongoing contract to provide maintenance to certain military aircraft and components.

During the year the Company changed the strategic focus of Technical Services from providing maintenance and overhaul services to all customers, to only those customers that are currently serviced by the Company's helicopter operations. The Company implemented this change to allow the Technical Services segment to focus on the Company's aircraft and components. The Company also plans to fulfill its obligation to provide maintenance to certain military aircraft.

Technical Services operating profit in 2001 was \$3.5 million compared to an operating loss of \$0.6 million for the prior year. The operating margin was 16.4% for the year ended December 31, 2001 and (3.2%) in the prior year. The increased operating profit was due to increased activity. The operating loss in 2000 included a \$0.9 million charge for the write-down of inventory and \$0.2 million for severance costs that were recorded in Special Charges.

Liquidity and Capital Resources

The Company's cash position at December 31, 2002 was \$17.7 million, compared to \$5.4 million at December 31, 2001. Working capital was \$72.8 million at December 31, 2002, as compared to \$47.0 million at December 31, 2001, an increase of \$25.8 million. An increase in cash of \$12.3 million, primarily the remaining proceeds of the Notes issuance, and a decrease in current maturities of long-term debt of \$7.9 million as bank debt was repaid with the proceeds of long-term notes accounts for the increase in working capital. Net cash provided by operating activities funded capital expenditure requirements of \$41.4 million in 2002. Notes issuance costs of \$5.8 million were funded with proceeds from the sale of the Notes.

On April 23, 2002, the Company issued Notes of \$200 million that carry an interest rate of 9 3/8% payable semi-annually on May 1 and November 1 of each year that commenced on November 1, 2002, and mature in May 2009. On November 1, 2002, the Company paid interest amounts due on the Notes of \$9.8 million. 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 December 31, 2002, the Company was in compliance with these covenants.

Proceeds from the Notes, net of \$5.8 million of fees and expenses, were used to retire the Company's \$16.3 million term credit facility and \$44.5 million revolving credit facility, and to terminate the related Swap agreements for \$1.6 million. The Company also purchased 101 aircraft, which were previously leased, for \$118.1 million.

Also, on April 23, 2002, the Company executed a new credit agreement with a commercial bank for a \$50 million revolving credit facility to be available through July 2004. As of December 31, 2002, the Company had no borrowings and a \$0.6 million letter of credit outstanding under the revolving credit facility. The credit agreement includes covenants related to working

PHI maintains inventory to service its own aircraft and the aircraft and components of customers. Portions of that inventory are used parts that are often exchanged with parts removed from aircraft or components and reworked to a useable condition. The Company uses systematic procedures to estimate the valuation of the used parts, which includes consideration of their condition and continuing utility. If the Company's valuation of these parts should be significantly different from amounts ultimately realizable or if it discontinues using or servicing certain aircraft models, then the Company may have to record a write-down of its inventory. The Company also records provisions against inventory for obsolescent and slow-moving parts, relying principally on specific identification of such inventory. If the Company fails to identify such parts, additional provisions may be necessary.

The Company's principal long-lived assets are aircraft. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company measures recoverability of assets to be held and used by comparing the carrying amount of an asset to future undiscounted net cash flows that it expects the asset to generate. When an asset is determined to be impaired, the Company recognizes the impairment amount, which is measured by the amount that the carrying value of the asset exceeds fair value. Similarly, the Company reports assets that it expects to sell at the lower of the carrying amount or fair value less costs to sell. Future adverse market conditions or poor operating results could result in the inability to recover the current carrying value of the long-lived asset, thereby possibly requiring an impairment charge in the future.

The Company must make estimates for certain of its liabilities and expenses, losses, and gains related to self-insured programs, insurance deductibles, and good-experience premium returns. The Company's group medical insurance program is largely self-insured, and the Company uses estimates to record its periodic expenses related to that program. The Company also carries deductibles on its workers' compensation program and aircraft hull and liability insurance and estimates periodic expenses related to the retained portion of those risks. Significant changes in estimates due to poor experience or higher accident rates could result in additional recorded losses.

New Accounting Pronouncements

For a discussion of new accounting pronouncements applicable to the Company, see Note 1 to the Financials Statements

Environmental Matters

The Company has an aggregate estimated liability of \$1.5 million as of December 31, 2002 for environmental remediation costs that are probable and estimable. In the fourth quarter of 2002, the Company reduced its recorded estimated liability by \$0.3 million as the result of a re-evaluation of environmental exposure at all of its operating sites and lowered remediation cost estimates primarily at its Morgan City, Louisiana facility. 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.

ITEM 7.A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risks associated with interest rates and prior to April 23, 2002, made limited use of derivative financial instruments to manage that risk. When used, all derivatives for risk management are closely monitored by the Company's senior management. The Company does not hold derivatives for trading purposes and it does not use derivatives with leveraged or complex features. Derivative instruments are transacted either with creditworthy major financial institutions or over national exchanges.

On April 23, 2002, the Company paid its Terminated Loan Agreement. The Terminated Loan Agreement had variable interest rates. In conjunction with the payment of the Terminated Loan Agreement, the Company settled its interest rate Swap agreements by paying \$1.6 million to the counterparties.

Also 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 December 31, 2002, the market value of the Notes was \$209.0 million. A hypothetical 100 basis-point increase to the Notes' imputed interest rate at December 31, 2002 would have resulted in a market value decline to approximately \$199.4 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Independent Auditors' Report

To the Board of Directors and Shareholders of
Petroleum Helicopters, Inc.

We have audited the accompanying consolidated balance sheets of Petroleum Helicopters, Inc. and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity, comprehensive income (loss) and cash flows for each of the three years in the period ended December 31, 2002. Our audits also included the financial statement schedule for each of the three years in the period ended December 31, 2002, listed in the Index at Item 15. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Petroleum Helicopters, Inc. and subsidiaries as of December 31, 2002 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule for each of the three years in the period ended December 31, 2002, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, in 2001 the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivatives Instruments and Hedging Activities," as amended.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana
March 20, 2003

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

	December 31, 2002	December 31, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 17,674	\$ 5,435
Accounts receivable - net of allowance:		
Trade	40,234	45,361
Other	579	1,649
Inventory	37,375	34,382
Other current assets	5,753	5,799
Refundable income taxes	2,236	--
Total current assets	103,851	92,626
Other	10,279	10,851
Property and equipment, net	252,577	122,168
Total Assets	\$ 366,707	\$ 225,645
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 14,772	\$ 16,566
Accrued liabilities	11,893	11,681
Accrued vacation payable	3,931	7,020
Income taxes payable	504	2,428
Current maturities of long-term debt and capital lease obligations	--	7,944
Total current liabilities	31,100	45,639
Long-term debt and capital lease obligations, net of current maturities	200,000	58,672
Deferred income taxes	24,249	17,612
Other long-term liabilities	6,504	11,850
Commitments and contingencies (Note 9)		
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	241
Additional paid-in capital	15,062	13,327
Accumulated other comprehensive loss	--	(2,030)
Retained earnings	89,254	80,049
Total shareholders' equity	104,854	91,872
Total Liabilities and Shareholders' Equity	\$ 366,707	\$ 225,645

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

PETROLEUM HELICOPTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Thousands of dollars and shares, except per share data)

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
Operating revenues (Note 1)	\$ 283,751	\$ 282,437	\$ 236,843
Gain, net on disposition of property and equipment	586	1,351	3,963
Other	1,675	1,461	--
	<u>286,012</u>	<u>285,249</u>	<u>240,806</u>
Expenses:			
Direct expenses (Note 1)	235,189	243,538	230,336
Selling, general and administrative	18,189	18,029	18,165
Equity in net loss of unconsolidated subsidiaries	--	--	716
Special charges	--	--	3,571
Interest expense	17,250	6,190	5,813
	<u>270,628</u>	<u>267,757</u>	<u>258,601</u>
Earnings (loss) before income taxes	15,384	17,492	(17,795)
Income taxes	6,153	6,472	(5,501)
Net earnings (loss)	<u>\$ 9,231</u>	<u>\$ 11,020</u>	<u>\$ (12,294)</u>
Earnings (loss) per share:			
Basic	\$ 1.73	\$ 2.12	\$ (2.38)
Diluted	\$ 1.70	\$ 2.08	\$ (2.38)
Weighted average shares outstanding	5,334	5,199	5,164
Incremental shares	104	106	--
Weighted average shares and equivalents	<u>5,438</u>	<u>5,305</u>	<u>5,164</u>

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

PETROLEUM HELICOPTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Thousands of dollars and shares)

	Voting Common Stock		Non-Voting Common Stock		Additional Paid-in Capital	Accumulated Other Com- prehensive Income (Loss)	Retained Earnings
	Shares	Amount	Shares	Amount			
Balance at Dec. 31, 1999	2,793	\$ 279	2,367	\$ 237	\$ 11,729	\$ --	\$ 81,378
Stock Issued to Employees	--	--	5	--	--	--	--
Other	--	--	1	--	316	--	(23)
Net Loss	--	--	4	--	--	--	(12,294)
Balance at Dec. 31, 2000	2,793	279	2,373	237	12,045	--	69,061
Stock Options Exercised	59	6	1	--	820	--	--
Stock Issued to Employees	--	--	31	3	111	--	--
Other	--	--	8	1	351	--	(32)
Cumulative effect of adopting SFAS No. 133	--	--	--	--	--	38	--
Unrecognized loss on interest swaps	--	--	--	--	--	(2,068)	--
Net Earnings	--	--	--	--	--	--	11,020
Balance at Dec. 31, 2001	2,852	285	2,413	241	13,327	(2,030)	80,049
Stock Options Exercised	--	--	113	12	1,735	--	--
Other	--	--	--	--	--	--	(26)
Unrecognized gain on interest swaps	--	--	--	--	--	455	--
Reclassification adjustments for losses included in net earnings	--	--	--	--	--	1,575	--
Net Earnings	--	--	--	--	--	--	9,231
Balance at Dec. 31, 2002	2,852	\$ 285	2,526	\$ 253	\$ 15,062	\$ --	\$ 89,254

PETROLEUM HELICOPTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Thousands of dollars)

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
Net earnings (loss)	\$ 9,231	\$ 11,020	\$ (12,294)
Other comprehensive income (loss)			
Cumulative effect of adopting SFAS No. 133	--	38	--
Unrecognized gain (loss) on interest rate swaps	455	(2,068)	--
Add reclassification adjustments for losses included in net earnings	1,575	--	--
Comprehensive income (loss)	<u>\$ 11,261</u>	<u>\$ 8,990</u>	<u>\$ (12,294)</u>

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

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

	<u>Year Ended December 31, 2002</u>	<u>Year Ended December 31, 2001</u>	<u>Year Ended December 31, 2000</u>
Cash flows from operating activities:			
Net earnings (loss)	\$ 9,231	\$ 11,020	\$ (12,294)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation	21,048	15,082	13,713
Deferred income taxes	7,325	(385)	(3,858)
Gain on asset dispositions	(586)	(1,351)	(3,963)
Special charges	--	--	2,464
Equity in net losses of unconsolidated subsidiaries	--	--	716
Bad debt allowance related to notes receivable	(731)	575	--
Other	1,100	218	651
Changes in operating assets and liabilities:			
Accounts receivable	6,928	(4,121)	(2,414)
Inventory	(2,993)	793	2,102
Refundable income taxes	(2,236)	3,852	70
Other assets	3,228	(6,753)	1,602
Accounts payable, accrued liabilities and vacation payable	(4,671)	(1,333)	10,567
Income taxes payable	(1,924)	2,428	--
Other long-term liabilities	3,810	(1,345)	(5)
Net cash provided by operating activities	<u>39,529</u>	<u>18,680</u>	<u>9,351</u>
Cash flows from investing activities:			
Investments in and advances to subsidiaries	--	--	(1,266)
Proceeds from notes receivable	1,629	350	292
Purchase of property and equipment	(41,351)	(29,502)	(28,179)
Purchases of aircraft previously leased	(118,076)	--	--
Proceeds from asset dispositions	3,263	24,304	24,142
Net cash used in investing activities	<u>(154,535)</u>	<u>(4,848)</u>	<u>(5,011)</u>
Cash flows from financing activities:			
Proceeds from Notes and long-term debt	200,000	2,851	23,500
Less related fees & expenses	(5,835)	--	--
Payments on long-term debt and capital lease obligations	(5,845)	(12,850)	(28,640)
Payments on long-term debt from Notes proceeds	(60,771)	--	--
Payment of interest rate swap settlement	(1,575)	--	--
Proceeds from exercise of stock options and other	1,271	739	--
Net cash provided by (used in) financing activities	<u>127,245</u>	<u>(9,260)</u>	<u>(5,140)</u>
Increase (decrease) in cash and cash equivalents	12,239	4,572	(800)
Cash and cash equivalents, beginning of year	5,435	863	1,663
Cash and cash equivalents, end of year	<u>\$ 17,674</u>	<u>\$ 5,435</u>	<u>\$ 863</u>

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

PETROLEUM HELICOPTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations, Basis of Consolidation, and Other General Principles

Since its inception, Petroleum Helicopters, Inc.'s primary business has been to transport personnel and, to a lesser extent, parts and equipment, to, from and among offshore facilities for customers engaged in the oil and gas exploration, development, and production industry. The Company also provides aircraft maintenance services to third parties and air medical transportation services for hospitals and medical programs.

The consolidated financial statements include the accounts of Petroleum Helicopters, Inc. and its subsidiaries ("PHI" or the "Company") after the elimination of all significant intercompany accounts and transactions. For its investments of 20% to 50% in affiliates, which are primarily foreign affiliates, the Company uses the equity method of accounting.

Revenue Recognition

The Company recognizes revenue related to aviation transportation services after the services are performed or the contractual obligations are met. Aircraft maintenance service revenues are generally recognized at the time the repair or service work is completed. Revenues related to emergency flights generated by the Company's subsidiary, Air Evac Services, Inc. ("Air Evac") are recorded net of contractual allowances under agreements with third party payors when the services are provided.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Company considers cash equivalents to include demand deposits and investments with original maturity dates of three months or less.

Inventories

The Company's inventories are stated at the lower of average cost or market and consist primarily of spare parts. Portions of the Company's inventories are used parts that are often exchanged with parts removed from aircraft, reworked to a useable condition according to manufacturers' and FAA specifications, and returned to inventory. The Company uses systematic procedures to estimate the valuation of the used parts, which includes consideration of their condition and continuing utility. The Company also records an allowance for obsolescent and slow-moving parts, relying principally on specific identification of such inventory. Valuation reserves related to obsolescence and slow-moving inventory were \$4.8 million and \$4.3 million at December 31, 2002 and 2001, respectively.

Property and Equipment

The Company records its property and equipment at cost less accumulated depreciation. For financial reporting purposes, the Company uses the straight-line method to compute depreciation based upon estimated useful lives of five to fifteen years for flight equipment and three to ten years for other equipment. The Company uses a 30% residual value in the calculation of depreciation for its flight equipment. The Company uses accelerated depreciation methods for tax purposes. Upon selling or otherwise disposing of property and equipment, the Company removes the cost and accumulated depreciation from the accounts and reflects any resulting gain or loss in earnings at the time of sale or other disposition.

The Company defers any gains resulting from the sale and leaseback of assets and amortizes the gain over the lease term. For the years ended December 31, 2002 and 2001, there were no gains deferred on sale and leaseback transactions. For the year ended December 31, 2000, the gains deferred on sale and leaseback transactions were \$2.9 million.

The Company reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company measures recoverability of assets to be held and used by comparing the carrying amount of an asset to future undiscounted net cash flows that it expects the asset to generate. When an asset is determined to be impaired, the Company recognizes the impairment amount, which is measured by the amount that the carrying value of the asset exceeds its fair value. Similarly, the Company reports assets that it expects to sell at the lower of the carrying amount or fair value less costs to sell.

Self-Insurance

The Company maintains a self-insurance program for a portion of its health care costs. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and the estimated liability for claims incurred but not reported. As of December 31, 2002 and 2001, the Company had \$1.1 million and \$0.8 million, respectively, of accrued liabilities related to health care claims.

Concentration of Credit Risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. The Company places its short-term invested cash and cash equivalents on deposit with a major financial institution. Cash equivalents include Commercial paper of companies with high credit ratings and money market securities. The Company does not believe significant credit risk exists with respect to these securities at December 31, 2002.

PHI conducts a majority of its business with major and independent oil and gas exploration and production companies with operations in the Gulf of Mexico. The Company also provides services to the medical centers and US governmental agencies. The Company continually evaluates the financial strength of its customers but generally does not require collateral to support the customer receivables. 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 and \$0.4 million at December 31, 2002 and December 31, 2001, respectively. The Company's largest domestic oil and gas customer accounted for \$46.9 million, \$40.3 million, and \$27.2 million, of consolidated operating revenues for years ended December 31, 2002, 2001, and 2000, respectively. The Company also carried accounts receivable from this same customer totaling 22% and 19%, of net trade accounts receivable on December 31, 2002 and 2001, respectively.

Stock Compensation

The Company uses the intrinsic value method of accounting for employee stock-based compensation prescribed by Accounting Principles Board (APB) Opinion No. 25 and, accordingly, follows the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). SFAS No. 123 encourages the use of a fair value based method of accounting for compensation expense associated with stock option and similar plans. However, SFAS No. 123 permits the continued use of the intrinsic value based method prescribed by Opinion No. 25 but requires additional disclosures, including pro forma calculations of net earnings and earnings per share as if the fair value method of accounting prescribed by SFAS No. 123 had been applied.

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
	(Thousands of dollars and shares, except per share data)		
Net earnings (loss) - as reported	\$ 9,231	\$ 11,020	\$ (12,294)
Add stock-based employee compensation expense included in reported net income, net of related tax effects	178	202	42
Deduct total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects,	(161)	(568)	(72)
Net earnings (loss) - pro forma	<u>9,248</u>	<u>10,654</u>	<u>(12,324)</u>
Earnings per share			
Basic – as reported	1.73	2.12	(2.38)
Basic – pro forma	1.73	2.05	(2.39)
Diluted -- as reported	1.70	2.08	(2.38)
Diluted -- pro forma	1.70	2.00	(2.39)
Average fair value of grants during the year	N/A	6.18	5.13
Black-Sholes option pricing model assumptions:			
Risk-free interest rate	N/A	6.00%	6.50%
Expected life (years)	N/A	6.0	6.0
Volatility	N/A	50.64%	58.07%
Dividend yield	N/A	--	--

Income Taxes

The Company provides for income taxes using the asset and liability method under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The deferred tax assets and liabilities measurement uses enacted tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company recognizes the effect of any tax rate changes in income of the period that included the enactment date.

Earnings per Share

The Company computes basic earnings (loss) per share by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period. The diluted earnings (loss) per share computation uses the weighted average number of shares outstanding adjusted for incremental shares attributed to dilutive outstanding options to purchase common stock and non-vested restricted stock awards. The diluted share base for the year ended December 31, 2000 excludes incremental shares of 10,488 related to employee stock options and restricted stock awards that are antidilutive as a result of the Company's net loss for that period.

Derivative Financial Instruments

The Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," on January 1, 2001. The Company recorded a cumulative effect to Comprehensive Income (Loss) of \$38,000 in the first quarter of 2001 in connection with the initial adoption of SFAS No. 133.

The Company uses interest rate Swap agreements to manage its interest rate exposure. The Company specifically designated these agreements as hedges of debt instruments and recognized interest differentials as adjustments to interest expense in the period the differentials occur. Under the interest rate Swap agreements, the Company agreed with other parties to exchange, at specific intervals, the difference between fixed-rate and variable-rate interest amounts calculated by reference to an agreed-upon notional principal amount. At December 31, 2001, the Company estimated the fair value of the interest rate Swap agreements using quotes from counterparties. The fair value of the agreements represented the cash effect if the Company had settled the agreements on that date. On April 23, 2002, the Company settled its outstanding interest rate Swap agreement for \$1.6 million. See Note 4 and Note 8 of these consolidated financial statements.

New Accounting Pronouncements

On September 29, 2001, Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets” was approved by the Financial Accounting Standards Board (“FASB”). SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Amortization of goodwill, including goodwill recorded in past business combinations, ceased upon adoption of this statement. The Company implemented SFAS No. 142 on January 1, 2002. The implementation had no material impact on the Company’s consolidated financial position or results of operation.

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.

SFAS No. 144, Accounting for the Impairment or Disposal of Long-lived Assets, promulgates standards for measuring and recording impairments of long-lived assets. Additionally, this standard establishes requirements for classifying an asset as held for sale, and changes existing accounting and reporting standards for discontinued operations and exchanges for long-lived assets. The Company implemented SFAS No. 144 on January 1, 2002. The implementation of this standard did not have a material effect on the Company’s 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 December 2002, the FASB issued SFAS No. 148, “Accounting for Stock Based Compensation—Transition and Disclosure, an amendment of SFAS No. 123.” SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements to require prominent disclosures in both the annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the

method used on reported results. The Company has implemented the disclosure requirements of this statement as of December 31, 2002. See Note 1 to the Consolidated Financial Statements.

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. See Notes 4 and 9 to the consolidated financial statements. The Company will adopt the initial recognition and measurement provisions on a prospective basis for guarantees issued or modified after December 31, 2002. The Company has not determined the impact that the adoption of the recognition/measurement provisions will have on its 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 does not expect that the adoption of FIN 46 will have a material impact on its consolidated financial position or results of operations.

Reclassifications

Certain reclassifications have been made in the prior period financial statements in order to conform to the classifications adopted for reporting in 2002. Such reclassifications include an adjustment to increase operating revenues and direct expenses by \$5.4 million and \$4.8 million for the years ended December 31, 2001 and 2000, respectively. This reclassification did not affect income (loss) before taxes, net earnings (loss), or earnings (loss) per share for any periods.

(2) SPECIAL CHARGES

Special Charges recorded in the year ended December 31, 2000 consisted of the following:

<u>Description</u>	<u>Year Ended December 31, 2000</u> (Thousands of dollars)
Severance and related costs (Approximately 120 employees)	\$ 1,106
Impairment of property and equipment	782
Impairment of certain foreign based joint ventures	<u>1,683</u>
Total	<u>\$ 3,571</u>

During the year ended December 31, 2000, in connection with management’s decision to reduce costs, and to recognize the impairment of certain assets, the Company recorded Special Charges of \$3.6 million (\$2.5 million on an after tax basis or \$0.48 per diluted share). Additionally, the Company recorded a \$4.3 million charge for the write-down of inventory, included in direct expenses, as a result of an analysis of its overhaul and maintenance operations including requirements for its fleet. At December 31, 2002 and December 31, 2001, the Company carried a liability of \$0.3 million and \$0.3 million respectively, for the remainder of the severance. The Company expects to pay the remaining severance liability, covering two employees, over the next eight months.

(3) **PROPERTY AND EQUIPMENT**

The following table summarizes the Company's property and equipment at December 31, 2002 and December 31, 2001.

	<u>December 31,</u> <u>2002</u>	<u>December 31,</u> <u>2001</u>
	(Thousands of dollars)	
Flight equipment	\$ 324,476	\$ 190,425
Other	48,696	38,044
	<u>373,172</u>	<u>228,469</u>
Less accumulated depreciation	(120,595)	(106,301)
Property and equipment, net	<u><u>\$ 252,577</u></u>	<u><u>\$ 122,168</u></u>

Property and equipment at December 31, 2002 and 2001 included aircraft with a net book value of \$4.3 million and \$5.8 million, respectively that was held for sale.

During 2002, the Company used \$118.1 million of proceeds from the issuance of the Notes to acquire aircraft that it had previously leased.

(4) **LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS**

Long-term debt and capital lease obligations at December 31, 2002 and December 31, 2001 consisted of the following:

	<u>December 31,</u> <u>2002</u>	<u>December 31,</u> <u>2001</u>
	(Thousands of dollars)	
9 3/8% Senior Unsecured Notes	\$ 200,000	\$ --
Secured term loan notes with principal lending group	--	19,000
Secured notes under revolving credit facilities with principal lending group	--	44,500
Capitalized lease obligations	--	3,077
Other	--	39
Total debt	<u>200,000</u>	<u>66,616</u>
Less current maturities	--	(7,944)
Long-term debt	<u><u>\$ 200,000</u></u>	<u><u>\$ 58,672</u></u>

Maturities of long-term debt are as follows:

	(Thousands of dollars)
2003	\$ --
2004	--
2005	--
2006	--
2007	--
Thereafter	<u>200,000</u>
Total	<u><u>\$ 200,000</u></u>

On April 23, 2002, the Company issued Senior Unsecured Notes (the "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 December 31, 2002, the Company was in compliance with these covenants.

The proceeds of the Notes were used to retire existing bank debt, interest rate Swap agreements, and to purchase 101 aircraft previously under lease. As of December 31, 2002, the Company had used \$186.3 million of the proceeds as follows (in thousands):

Pay amounts outstanding under the Terminated Loan Agreement:	
Revolving credit facility	\$ 44,500
Term debt facility	16,271
Acquisition of 101 aircraft from leasing companies and financial institutions:	
Capital leases	2,679
Operating leases	115,397
Settlement of interest rate swap agreements	1,575
Fees and expenses related to the issue of the Notes	5,835
Total	<u>\$ 186,257</u>

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 "LIBOR" rate borrowings plus a spread. The spread for LIBOR borrowings is from 2.0% to 3.0%. Any amounts outstanding under the revolving credit facility are due July 31, 2004. The Company will pay an annual 0.375% commitment fee on the unused portion of the revolving credit facility. 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. At 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 and payment of dividends. 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 December 31, 2002, the Company was in compliance with these covenants.

The following table presents the non-cash investing and financing activities for the years ended December 31, 2002, 2001, 2000.

	<u>Year Ended December 31, 2002</u>	<u>Year Ended December 31, 2001</u>	<u>Year Ended December 31, 2000</u>
	(Thousands of dollars)		
Fair value of assets acquired under capital leases, net of cash received	\$ --	\$ 2,096	\$ 2,319
Cash paid for assets	--	--	--
Capital leases assumed	<u>\$ --</u>	<u>\$ 2,096</u>	<u>\$ 2,319</u>

As discussed in Note 1, the Company uses derivative instruments on a limited basis to manage risks related to interest rates. At December 31, 2001, the Company had interest rate Swap agreements, which were contracts to fix interest rates associated with the Company's bank debt, with notional amounts totaling \$40.0 million that served to convert an equal amount of variable rate long-term debt to fixed rates. The Swap agreements were scheduled to mature in 2003 and required the Company to pay a weighted-average interest rate of 5.78% over their composite lives and to receive a variable rate, which was 4.77% at December 31, 2001. Using the accrual/settlement method of accounting, the Company recorded the net amount to be received or paid under the Swap agreements as part of interest expense in the

Consolidated Statements of Operations. The interest rate Swap agreements had the effect of increasing interest expense by \$0.5 million, \$0.6 million, and \$0.3 million, for years ended December 31, 2002, 2001, and 2000, respectively. On April 23, 2002, the Company settled its outstanding interest rate Swap agreements for \$1.6 million.

Cash paid for interest, net of amounts paid or received in connection with the interest rate Swap agreements, was \$11.9 million, \$6.6 million, and \$5.8 million, for the years ended December 31, 2002, 2001, and 2000, respectively.

(5) **INCOME TAXES**

Income tax expense (benefit) is composed of the following:

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
	(Thousands of dollars)		
Current:			
Federal	\$ (2,009)	\$ 5,645	\$ (2,013)
State	(79)	308	(447)
Foreign	916	904	817
Deferred - principally Federal	7,325	(385)	(3,858)
Total	<u>\$ 6,153</u>	<u>\$ 6,472</u>	<u>\$ (5,501)</u>

Income tax expense (benefit) as a percentage of pre-tax earnings varies from the effective Federal statutory rate of 34% as a result of the following:

	Year Ended December 31, 2002		Year Ended December 31, 2001		Year ended December 31, 2000	
	(Thousands of dollars, except percentage amounts)					
	Amount	%	Amount	%	Amount	%
Income taxes at statutory rate	\$ 5,231	34	\$ 5,947	34	\$ (6,050)	(34)
Increase (decrease) in taxes resulting from:						
Effect of state income taxes	615	4	472	3	(356)	(2)
Other items – net	307	2	53	--	905	5
Total	<u>\$ 6,153</u>	<u>40</u>	<u>\$ 6,472</u>	<u>37</u>	<u>\$ (5,501)</u>	<u>(31)</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2002 and 2001 are presented below:

	December 31, 2002	December 31, 2001
	(Thousands of dollars)	
Deferred tax assets:		
Deferred compensation	\$ 1,125	\$ --
Tax credits	1,214	1,751
Vacation accrual	1,593	2,541
Inventory valuation	1,784	2,089
Workman's compensation reserve	130	100
Deferred gains	--	1,917
Allowance for uncollectible accounts	--	792
Other	1,881	2,084
Net operating loss	3,685	--
Total deferred tax assets	<u>11,412</u>	<u>11,274</u>
Deferred tax liabilities:		
Tax depreciation in excess of book depreciation	(31,683)	(23,764)
Other	(574)	(1,043)
Allowance for uncollectible accounts	(13)	--
Total deferred tax liabilities	<u>(32,270)</u>	<u>(24,807)</u>
Net deferred tax liabilities	<u>\$ (20,858)</u>	<u>\$ (13,533)</u>

No valuation allowance was recorded against the deferred tax assets because management believes that the deferred tax assets will more than likely be realized in full through future operating results and the reversal of taxable temporary differences. At December 31, 2002 and 2001, other current assets include \$3.4 million and \$4.1 million, respectively, of deferred tax assets.

For Federal income tax purposes, the Company has foreign tax credits of approximately \$1.2 million, which expire in 2005 through 2007. The Company also has net operating loss carryforwards ("NOLs"), of approximately \$9.8 million that, if not used will expire in 2022. Additionally, for state income tax purposes, the Company has NOLs of approximately \$13.6 million available to reduce future state income taxable income. These NOLs expire in varying amounts beginning in 2011 through 2022.

Income taxes paid were approximately \$4.6 million, \$0.6 million and \$4.9 million, for the years ended December 31, 2002, 2001 and 2000, respectively. The Company received net income tax refunds of approximately \$1.6 million, \$0.2 million and \$2.2 million during the years ended December 31, 2002, 2001 and 2000, respectively.

(6) **EMPLOYEE BENEFIT PLANS**

Savings and Retirement Plans

The Company maintains an Employee Savings Plan under Section 401(k) of the Internal Revenue Code. The Company matches 2% for every 1% of an employee's salary deferral contribution, not to exceed 3% of the employee's compensation. The Company's contributions were \$4.5 million for the years ended December 31, 2002 and December 31, 2001, and \$4.1 million for the year ended December 31, 2000.

The Company maintains a Supplemental Executive Retirement Plan ("SERP"). The nonqualified and unfunded plan provides certain senior management with supplemental retirement and death benefits at age 65. The SERP plan provides supplemental retirement benefits that are based each participant's salary at the time of entrance into the plan.

Occasionally, the Company's board of directors may increase certain individuals' benefits. The benefit is one-third of each participant's annual salary of \$200,000 or less, plus one-half of each participant's annual salary that is in excess of \$200,000, if applicable. The plan does not provide for automatic benefit increases. During 2000, the Company's board of directors amended the plan to provide for partial vesting. The Company recorded the following plan costs for the years ended December 31, 2002, 2001, and 2000.

	Years Ended December 31,		
	2002	2001	2000
		(Thousands of dollars)	
Service cost	\$ 268	\$ 356	\$ 320
Interest cost	110	122	116
Recognized actuarial gain	(42)	(42)	--
Net periodic plan cost	<u>336</u>	<u>\$ 436</u>	<u>\$ 436</u>

The benefit obligation, funded status, assumptions of the plan on December 31, 2002 and 2001 were as follows:

	December 31,	
	2002	2001
		(Thousands of dollars)
Change in benefit obligation:		
Benefit obligation at the beginning of the year	\$ 1,659	\$ 1,650
Service cost	268	356
Interest cost	110	122
Actuarial (gain) loss	155	(469)
Benefits paid	(112)	--
Benefit obligation at the end of the year	<u>2,080</u>	<u>1,659</u>
Reconciliation of funded status:		
Unfunded status	(2,080)	(1,659)
Unrecognized actuarial gain	(345)	(541)
Total liability included in other long-term liabilities on the consolidated balance sheets	<u>\$ (2,425)</u>	<u>\$ (2,200)</u>
Weighted average assumptions:		
Discount rate	5.15%	6.15%
Employee turnover/early retirement rate	--	--

The SERP plan is an unfunded arrangement. However, the Company has purchased life insurance contracts in anticipation of using the life insurance's cash values and death benefits to help fulfill the obligations of the plan. The Company may sell or redeem the contracts at any time without any obligation to the plan participants. During each of the years ended December 31, 2002, 2001, and 2000, the Company recorded expenses of less than \$0.1 million related to the life insurance contracts. Cash values of the life insurance contracts, recorded in other assets, are \$0.4 million at December 31, 2002 and 2001.

The Company maintains an Officer Deferred Compensation Plan that permits key officers to defer a portion of their compensation. The plan is nonqualified and unfunded. However, the Company has established a book reserve account for each participant, which is deemed to be invested and reinvested from time to time in investments that the participant selects from a list of eligible investment choices. Earnings and losses on the book reserve accounts accrue to the plan participants. The Company has deposited funds in a brokerage account equal to amounts deferred under the plan. The Company may sell or redeem the investments at any time without any obligation to the plan participants. Liabilities for the plan are included in other long-term liabilities, and the corresponding book reserve accounts are included in other assets. Aggregate amounts deferred under the plans at December 31, 2002 and 2001 are \$0.6 million and \$0.8 million, respectively.

In 2002, the Company terminated its Director Deferred Compensation Plan. The unfunded plan permitted all directors to defer a portion of their compensation. At December 31, 2001, other long-term liabilities included \$0.1 million for amounts payable under the plan, which the Company paid in 2002.

Stock Based Compensation

Under the PHI 1995 Incentive Plan (the "1995 Plan"), the Company is authorized to issue up to 175,000 shares of voting common stock and 575,000 shares of non-voting common stock. The Compensation Committee of the Board of Directors is authorized under the 1995 Plan to grant stock options, restricted stock, stock appreciation rights, performance shares, stock awards, and cash awards. The exercise prices of the stock option grants are equal to the fair market value of the underlying stock at the date of grant. The 1995 Plan also allows awards under the plan to fully vest upon a change in control of the Company. In September of 2001, the Company underwent a change of control as defined in the 1995 plan and as a result, all awards issued prior to the change of control became fully vested.

During the year ended December 31, 2001, the Company granted 20,000 non-voting restricted shares and 150,000 non-voting stock options under the 1995 Plan. The non-voting restricted shares had a fair value of \$11.06 on the date of issue and became unrestricted during 2001. The non-voting stock options are 100% vested and expire on September 1, 2010. During the years ended December 31, 2002 and December 31, 2000, the Company did not issue any shares, options or rights under the 1995 Plan.

At December 31, 2002, there were 116,520 voting shares and 190,876 non-voting shares available for issuance under the 1995 Plan. The Company recorded \$0.3 million of compensation expense related to the 1995 Plan in each of the years ended December 31, 2002 and 2001 and \$0.1 million of compensation expense related to the 1995 Plan in the year ended December 31, 2000. There was no unearned stock compensation expense at December 31, 2002.

During 2001, the Company's Board of Directors repealed the Directors Stock Compensation Plan (the "Director's Plan"). Previously, under the Directors Plan, each non-employee director ("Director") received his or her annual retainer in the form of PHI's non-voting common stock. Each Director could voluntarily defer all or a portion of the stock awards or fees otherwise payable. The Directors Plan also provided for the automatic annual grant of options to Directors to purchase 2,000 shares of non-voting common stock. During 2001, The Company issued no stock or deferred stock awards under the plan. The Company issued 547 shares and 2,388 deferred stock awards during the year ended December 31, 2000. The Company issued no stock options under the plan during 2001. During the year ended December 31, 2000, the Company issued 4,165 options to purchase non-voting common stock.

The following table summarizes employee and director stock option activities for the years ended December 31, 2002, 2001, and 2000. All of the options were issued with an exercise price equal to or greater than the market price of the stock at the time of issue.

	Director	1995 Plan Options		Total	Weighted Average Exercise Price
	Plan - Non-Voting	Voting	Non- Voting		
Balance outstanding at					
December 31, 1999	16,000	58,480	217,717	292,197	11.95
Options granted	4,165	--	--	4,165	8.38
Options lapsed/canceled	--	--	(2,000)	(2,000)	12.75
Balance outstanding at					
December 31, 2000	20,165	58,480	215,717	294,362	11.89
Options granted or reinstated	--	--	154,853	154,853	10.98
Options lapsed/canceled	--	--	(9,250)	(9,250)	12.75
Options exercised	--	(58,480)	(1,250)	(59,730)	12.35
Balance outstanding at					
December 31, 2001	20,165	--	360,070	380,235	11.43
Options settled for cash	--	--	(17,730)	(17,730)	11.44
Options lapsed/canceled	--	--	(4,853)	(4,853)	8.50
Options exercised	(20,165)	--	(92,864)	(113,029)	11.22
Balance outstanding at					
December 31, 2002	--	--	244,623	244,623	11.58
Shares exercisable at					
December 31, 2002	--	--	244,623	244,623	11.58
December 31, 2001	20,165	--	360,070	380,235	11.43
December 31, 2000	6,000	35,980	101,717	143,697	11.02

The following table summarizes information about stock options outstanding as of December 31, 2002. All of the outstanding stock options are exercisable.

Options Outstanding and Exercisable		
Number Outstanding	Remaining Contractual Life (Years)	Exercise Price
20,123	2.4	\$ 8.50
150,000	7.7	11.06
59,500	6.5	12.75
15,000	5.8	16.25
<u>244,623</u>	6.8 ⁽¹⁾	11.58 ⁽¹⁾

(1) Weighted Average

Incentive Compensation

During 2002, the Company implemented an incentive plan for non-executive and non-represented employees. The plan allows the Company to pay up to 7% of earnings before tax, net of incentive compensation. Pursuant to the incentive plan for non-executives, the Company recorded \$0.9 million of compensation expense in 2002 and a related liability in accrued liabilities at December 31, 2002.

During 2002, the Company recorded \$1.1 million of compensation expense for a discretionary incentive bonus paid to certain executive employees.

For the year ended December 31, 2001, the Company recorded \$1.3 million of compensation expense for a discretionary incentive bonus it paid in 2002 to non-represented employees.

(7) OTHER ASSETS

The following table summarizes the Company's other assets at December 31, 2002 and 2001.

	December 31, 2002	December 31, 2001
	(Thousands of dollars)	
Receivable from Clintondale, net	\$ --	\$ 899
Security deposits on aircraft leases	--	3,543
Prepaid rent	3,683	3,996
Deferred financing cost	5,404	443
Other	1,192	1,970
Total	\$ 10,279	\$ 10,851

In December 2000, the Company initiated discussions to exit its 50% ownership interest in Clintondale Aviation, Inc. (“Clintondale”), a New York corporation that operated helicopters and fixed-wing aircraft primarily in Kazakhstan. PHI also leased four aircraft to Clintondale. In conjunction with the plan, the Company recorded an impairment charge of \$1.7 million to its investment in and advances to Clintondale.

In June 2001, the Company continued its exit plan and executed an agreement for the sale of its 50% equity interest and related assets. The Company received a promissory note for \$3.1 million from Clintondale in exchange for the previously leased four aircraft, certain amounts receivable from Clintondale, and the Company’s 50% equity interest. The promissory note was secured by a lien on the four aircraft and was recorded at its estimated net realizable value of \$1.8 million based on the fair value of the collateral aircraft. No gain or loss was recognized during 2001 related to this exchange as the impairment charge recorded during December 2000 was based on the estimated fair value of the collateral aircraft.

As a result of the tragic events that occurred on September 11, 2001, the Company reassessed Clintondale’s financial ability to repay the note receivable based on their reduced operations in Kazakhstan and therefore recorded an additional provision of \$0.6 million in the third quarter of 2001 against the note receivable.

During 2002, the Company entered into a final agreement and received \$1.2 million from Clintondale, resulting in a settlement that was \$0.7 million better than previously estimated, which is included in the results of operations (in “Other”) during 2002.

The Company maintained security deposits with lessors for aircraft it previously leased. The security deposits were refunded to the Company with the purchase of those aircraft in 2002.

During 2001, the Company funded \$4.0 million of the construction cost of a new principal operating facility leased by the Company. The lease provides that the amounts funded by PHI will reduce PHI’s monthly lease payments ratably for the first 10 years of the lease. The unamortized balance is presented in the table above as prepaid rent and will amortize ratably through 2011.

(8) FINANCIAL INSTRUMENTS

Fair Value - The following table presents the carrying amounts and estimated fair values of financial instruments held by the Company at December 31, 2002 and December 2001. The table excludes cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities, all of which had fair values approximating carrying amounts.

	December 31, 2002		December 31, 2001	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
		(Thousands of dollars)		
Long-term debt and capital lease obligations	\$ 200,000	\$ 209,000	\$ 66,616	\$ 66,616
Interest rate swaps asset (liability)	--	--	(2,030)	(2,030)

At December 31, 2002, the fair value of long-term debt is based on quoted market indications. At December 2001, the fair value of long-term debt and capital lease obligations approximates its carrying amount. The fair value of the interest rate Swap agreements is an estimate based on quotes from counterparties and approximates the amount that the Company would pay to cancel the contracts on the reporting date. Effective January 1, 2001, the Company began accounting for its interest rate Swap agreements in accordance with SFAS No. 133, as amended, and recorded the fair market value of the Swap agreements in other long-term liabilities on the balance sheet at December 31, 2001. See Note 4.

(9) COMMITMENTS AND CONTINGENCIES

Operating Leases - The Company leases certain aircraft, 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. The Company generally pays all insurance, taxes, and maintenance expenses associated with these aircraft and some of these leases contain renewal and purchase options. Rental expense incurred under these leases consisted of the following:

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
			(Thousands of dollars)
Aircraft	\$ 5,604	\$ 16,994	\$ 15,773
Other	2,909	2,977	2,548
Total	<u>\$ 8,513</u>	<u>\$ 19,971</u>	<u>\$ 18,321</u>

During 2002, the Company acquired 99 aircraft that it had previously leased under operating leases. See Notes 3 and 4. The Company began leasing a new principal operating facility for twenty years, effective September 2001. Under the terms of the new facility lease, PHI funded \$4.0 million of construction costs, which reduces PHI's monthly lease payments and expense ratably through 2011. The unamortized balance at December 31, 2002 is \$3.7 million. The lease expires in 2021 and has three five-year renewal options.

The following table presents the remaining aggregate lease commitments under operating leases having initial non-cancelable terms in excess of one year. The table includes renewal periods on the principal operation facility lease.

	Aircraft	Other
	(Thousands of dollars)	
2003	\$ 1,136	\$ 1,182
2004	884	1,058
2005	884	959
2006	884	722
2007	884	447
Thereafter	2,438	10,132
	<u>\$ 7,110</u>	<u>\$ 14,500</u>

Environmental Matters - The Company has an aggregate estimated liability of \$1.5 million as of December 31, 2002 for environmental remediation costs that are probable and estimable. In the fourth quarter of 2002, the Company reduced its recorded estimated liability by \$0.3 million as the result of a re-evaluation of environmental exposure at all of its operating sites and lowered remediation cost estimates primarily at its Morgan City, Louisiana facility. 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.

Purchase Commitments - At December 31, 2002, the Company had commitments of \$7.9 million for the upgrade of certain aircraft, building construction, and purchase of other equipment. The Company expects to complete the purchase commitments during 2003.

(10) BUSINESS SEGMENTS AND GEOGRAPHIC AREAS

PHI is primarily a provider of helicopter services, including helicopter maintenance and repair services. The Company has used a combination of factors to identify its reportable segments as required by Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). The overriding determination of the Company's segments is based on how the chief operating decision-maker of the Company evaluates the Company's results of operations. The underlying factors include customer bases, types of service, operational management, physical locations, and underlying economic characteristics of the types of work the Company performs. The Company identifies four segments that meet the requirements of SFAS 131 for disclosure. The reportable segments are Domestic Oil and Gas, International, Aeromedical, and Technical Services.

The Domestic Oil and Gas segment provides helicopter services to oil and gas customers operating in the Gulf of Mexico. Prior to 2001, the Domestic Oil and Gas segment also provided helicopter services to certain domestic governmental agencies involved with forest-fire fighting activities. The International segment provides helicopters in various foreign countries to oil and gas customers, and certain US governmental agencies. 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 for existing flight operations customers and for an existing long-term contract with one customer.

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.

The following table shows information about the profit or loss and assets of each of the Company's reportable segments for the years ended December 31, 2002, 2001, and 2000. The information contains certain allocations, including allocations of depreciation, rents, insurance, and overhead expenses that the Company deems reasonable and appropriate for the evaluation of results of operations. The Company does not allocate gains on dispositions of property and equipment, equity in losses of unconsolidated subsidiaries, other income, interest expense, and corporate selling, general, and administrative costs to the segments. Where applicable, the tables present the unallocated amounts to reconcile the totals to the Company's consolidated financial statements. Segment assets are determined by where they are situated at period-end. Corporate assets are principally cash and cash equivalents, short-term investments, other current assets, and certain property, plant, and equipment.

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
	(Thousands of dollars)		
Operating revenues:			
Domestic Oil and Gas	\$ 189,480	\$ 190,991	\$ 153,831
International	22,474	22,634	21,703
Aeromedical	48,664	47,493	44,282
Technical Services	23,133	21,319	17,027
Total	<u>\$ 283,751</u>	<u>\$ 282,437</u>	<u>\$ 236,843</u>
Operating profit ⁽¹⁾:			
Domestic Oil and Gas	\$ 26,974	\$ 29,059	\$ 1,502
International	1,760	712	(111)
Aeromedical	12,463	1,503	(155)
Technical Services	4,297	3,490	(550)
Net Segment operating profit (loss)	45,494	34,764	686
Other, net ⁽²⁾	2,261	2,812	3,247
Interest expense	(17,250)	(6,190)	(5,813)
Unallocated costs	(15,121)	(13,894)	(15,915)
Earnings (loss) before taxes	<u>\$ 15,384</u>	<u>\$ 17,492</u>	<u>\$ (17,795)</u>
Expenditures for long-lived Assets ⁽³⁾			
Domestic Oil and Gas	\$ 144,973	\$ 24,201	\$ 21,879
International	1,996	2,067	5,291
Aeromedical	10,072	2,373	621
Technical Services	16	462	190
Corporate	2,370	399	198
Total	<u>\$ 159,427</u>	<u>\$ 29,502</u>	<u>\$ 28,179</u>

	<u>Year Ended December 31, 2002</u>	<u>Year Ended December 31, 2001</u>	<u>Year Ended December 31, 2000</u>
	(Thousands of dollars)		
Depreciation and Amortization			
Domestic Oil and Gas	\$ 15,676	\$ 9,825	\$ 8,537
International	1,638	1,250	1,262
Aeromedical	2,347	2,487	2,483
Technical Services	102	331	246
Corporate	1,285	1,189	1,185
Total	<u>\$ 21,048</u>	<u>\$ 15,082</u>	<u>\$ 13,713</u>
Assets			
Domestic Oil and Gas	\$ 250,215	\$ 148,616	\$ 151,820
International	14,994	19,912	27,281
Aeromedical	30,796	23,328	24,274
Technical Services	23,076	13,704	12,443
Corporate	47,626	20,085	6,937
Total	<u>\$ 366,707</u>	<u>\$ 225,645</u>	<u>\$ 222,755</u>

- (1) Includes special charges as discussed in Note 2 - Special Charges of the Consolidated Financial Statements.
(2) Includes gains on disposition of property and equipment, equity in losses of unconsolidated subsidiaries, and other income.
(3) Includes the acquisition of aircraft from leasing companies and financial institutions as discussed in Note 4.

The following table presents the Company's revenues from external customers attributed to operations in the United States and foreign areas and long-lived assets in the United States and foreign areas.

	<u>Year Ended December 31, 2002</u>	<u>Year Ended December 31, 2001</u>	<u>Year Ended December 31, 2000</u>
	(Thousands of dollars)		
Operating revenues:			
United States	\$ 261,277	\$ 259,803	\$ 215,140
International	22,474	22,634	21,703
Total	<u>\$ 283,751</u>	<u>\$ 282,437</u>	<u>\$ 236,843</u>
Long-Lived Assets:			
United States	\$ 242,883	\$ 105,703	\$ 110,615
International	9,694	16,465	21,241
Total	<u>\$ 252,577</u>	<u>\$ 122,168</u>	<u>\$ 131,856</u>

(11) RELATED PARTY TRANSACTIONS

In 2002, the Company leased a fixed wing aircraft from Al A. Gonsoulin, Chairman of the Board, for total lease payments of \$386,000. In the latter part of 2002, the Company purchased the aircraft from Mr. Gonsoulin for \$695,000. The purchase of the aircraft was reviewed and approved by the Audit Committee.

(12) **QUARTERLY FINANCIAL DATA (UNAUDITED)**

The summarized quarterly results of operations for the years ended December 31, 2002 and December 31, 2001 (in thousands of dollars, except per share data) are as follows:

	Quarter Ended			
	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002
	(Thousands of dollars, except per share data)			
Operating revenues	\$ 68,179	\$ 71,136	\$ 69,664	\$ 74,772
Gross profit	8,765	12,629	14,419	12,749
Net earnings	2,028	1,580	3,310	2,313
Net earnings per share				
Basic	0.38	0.30	0.62	0.43
Diluted	0.38	0.29	0.61	0.42

	Quarter Ended			
	March 31, 2001	June 30, 2001	September 30, 2001	December 31, 2001
	(Thousands of dollars, except per share data)			
Operating revenues	\$ 64,434	\$ 69,720	\$ 75,123	\$ 73,160
Gross profit	4,443	9,744	13,128	11,584
Net earnings	46	2,760	4,758	3,456 ⁽¹⁾
Net earnings per share				
Basic	0.01	0.53	0.92	0.66 ⁽¹⁾
Diluted	0.01	0.52	0.90	0.65 ⁽¹⁾

(1) Includes the effect of (a) \$1.3 million (\$0.8 million after tax or \$0.15 per diluted share) of compensation expense recorded for a discretionary bonus accrued for certain non-executive employees; (b) \$0.8 million (\$0.5 million after tax or \$0.09 per diluted share) of other income, recorded for the reimbursement received from the United States Department of Transportation under the Air Safety and System Stabilization Act; and (c) \$1.2 million (\$0.7 million after tax or \$0.14 per diluted share) expense reduction for lowered estimated environmental remediation costs.

(13) **SUPPLEMENTAL 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)

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 net of current maturities	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 BALANCE SHEETS
(Thousands of dollars)

	December 31, 2001			
	Parent Company Only	Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 5,422	\$ 13	\$ --	\$ 5,435
Accounts receivable - net of allowance	42,844	4,166	--	47,010
Inventory	34,382	--	--	34,382
Other current assets	5,764	35	--	5,799
Total current assets	88,412	4,214	--	92,626
Investment in subsidiaries and other	16,138	4,635	(9,922)	10,851
Property and equipment, net	118,401	3,767	--	122,168
Total Assets	\$ 222,951	\$ 12,616	\$ (9,922)	\$ 225,645
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 25,986	\$ 4,193	\$ (1,932)	\$ 28,247
Accrued vacation payable	6,777	243	--	7,020
Income taxes payable	2,428	--	--	2,428
Current maturities of long-term debt and capital lease obligations	7,944	--	--	7,944
Total current liabilities	43,135	4,436	(1,932)	45,639
Long-term debt and capital lease obligations, net of current maturities	58,672	--	--	58,672
Deferred income taxes and other long-term liabilities	29,272	--	190	29,462
Shareholders' Equity:				
Paid-in capital	13,853	4,403	(4,403)	13,853
Accumulated other comprehensive income (loss)	(2,030)	--	--	(2,030)
Retained earnings	80,049	3,777	(3,777)	80,049
Total shareholders' equity	91,872	8,180	(8,180)	91,872
Total Liabilities and Shareholders' Equity	\$ 222,951	\$ 12,616	\$ (9,922)	\$ 225,645

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

	Parent Company Only	Guarantor Subsidiaries	Eliminations	Consolidated
For the year ended December 31, 2002				
Operating revenues	\$ 230,031	\$ 53,720	\$ --	\$ 283,751
Management fees	5,447	--	(5,447)	--
Gain on dispositions of property and equipment	586	--	--	586
Other	1,335	340	--	1,675
	<u>237,399</u>	<u>54,060</u>	<u>(5,447)</u>	<u>286,012</u>
Expenses:				
Direct expenses	200,085	35,104	--	235,189
Management fees	--	5,447	(5,447)	--
Selling, general, and administrative	16,358	1,831	--	18,189
Equity in net income of consolidated subsidiaries	(7,061)	--	7,061	--
Interest expense	17,192	58	--	17,250
	<u>226,574</u>	<u>42,440</u>	<u>1,614</u>	<u>270,628</u>
Earnings before income taxes	10,825	11,620	(7,061)	15,384
Income taxes	1,594	4,559	--	6,153
Net earnings	<u>\$ 9,231</u>	<u>\$ 7,061</u>	<u>\$ (7,061)</u>	<u>\$ 9,231</u>
For the year ended December 31, 2001				
Operating revenues	\$ 231,934	\$ 50,503	\$ --	\$ 282,437
Management fees	5,195	--	(5,195)	--
Gain on dispositions of property and equipment	1,351	--	--	1,351
Other	1,417	44	--	1,461
	<u>239,897</u>	<u>50,547</u>	<u>(5,195)</u>	<u>285,249</u>
Expenses:				
Direct expenses	202,143	41,395	--	243,538
Management fees	--	5,195	(5,195)	--
Selling, general, and administrative	16,434	1,595	--	18,029
Equity in net income of consolidated subsidiaries	(1,354)	--	1,354	--
Interest expense	5,951	239	--	6,190
	<u>223,174</u>	<u>48,424</u>	<u>(3,841)</u>	<u>267,757</u>
Earnings before income taxes	16,723	2,123	(1,354)	17,492
Income taxes	5,703	769	--	6,472
Net earnings	<u>\$ 11,020</u>	<u>\$ 1,354</u>	<u>\$ (1,354)</u>	<u>\$ 11,020</u>

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

	Parent Company Only	Guarantor Subsidiaries	Eliminations	Consolidated
For the year ended December 31, 2000				
Operating revenues	\$ 193,931	\$ 42,912	\$ --	\$ 236,843
Management fees	4,424	--	(4,424)	--
Gain on dispositions of property and equipment	2,825	1,138	--	3,963
	<u>201,180</u>	<u>44,050</u>	<u>(4,424)</u>	<u>240,806</u>
Expenses:				
Direct expenses	195,382	34,954	--	230,336
Management fees	--	4,424	(4,424)	--
Selling, general, and administrative	16,627	1,538	--	18,165
Equity in net loss of unconsolidated subsidiaries	716	--	--	716
Equity in net income of consolidated subsidiaries	(1,850)	--	1,850	--
Special charges	3,571	--	--	3,571
Interest expense	5,226	587	--	5,813
	<u>219,672</u>	<u>41,503</u>	<u>(2,574)</u>	<u>258,601</u>
Earnings (loss) before income taxes	(18,492)	2,547	(1,850)	(17,795)
Income taxes	(6,198)	697	--	(5,501)
Net earnings (loss)	<u>\$ (12,294)</u>	<u>\$ 1,850</u>	<u>\$ (1,850)</u>	<u>\$ (12,294)</u>

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

	Parent Company Only	Guarantor Subsidiaries	Eliminations	Consolidated
For the year ended December 31, 2002				
Net cash provided by operating activities	\$ 39,417	\$ 112	\$ --	\$ 39,529
Cash flows from investing activities:				
Proceeds from notes receivable	1,629	--	--	1,629
Purchase of property and equipment	(41,247)	(104)	--	(41,351)
Purchase of aircraft previously leased	(118,076)	--	--	(118,076)
Proceeds from asset dispositions	3,263	--	--	3,263
Net cash used in investing activities	<u>(154,431)</u>	<u>(104)</u>	<u>--</u>	<u>(154,535)</u>
Cash flows from financing activities:				
Proceeds from long-term debt, net	194,165	--	--	194,165
Payments on long-term debt	(5,845)	--	--	(5,845)
Payment of long-term debt with bond proceeds	(60,771)	--	--	(60,771)
Payment of interest rate swap settlement	(1,575)	--	--	(1,575)
Proceeds from exercise of stock options	1,271	--	--	1,271
Net cash provided by financing activities	<u>127,245</u>	<u>--</u>	<u>--</u>	<u>127,245</u>
Increase in cash and cash equivalents	12,231	8	--	12,239
Cash and cash equivalents, beginning of year	5,422	13	--	5,435
Cash and cash equivalents, end of year	<u>\$ 17,653</u>	<u>\$ 21</u>	<u>\$ --</u>	<u>\$ 17,674</u>
For the year ended December 31, 2001				
Net cash provided by operating activities	\$ 18,178	\$ 502	\$ --	\$ 18,680
Cash flows from investing activities:				
Purchase of property and equipment	(29,494)	(8)	--	(29,502)
Proceeds from asset dispositions	24,304	--	--	24,304
Other	350	--	--	350
Net cash used in investing activities	<u>(4,840)</u>	<u>(8)</u>	<u>--</u>	<u>(4,848)</u>
Cash flows from financing activities:				
Proceeds from long-term debt	2,851	--	--	2,851
Payments on long-term debt	(12,350)	(500)	--	(12,850)
Other	739	--	--	739
Net cash used in financing activities	<u>(8,760)</u>	<u>(500)</u>	<u>--</u>	<u>(9,260)</u>
Increase (decrease) in cash and cash equivalents	4,578	(6)	--	4,572
Cash and cash equivalents, beginning of year	844	19	--	863
Cash and cash equivalents, end of year	<u>\$ 5,422</u>	<u>\$ 13</u>	<u>\$ --</u>	<u>\$ 5,435</u>

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

	Parent Company Only	Guarantor Subsidiaries	Eliminations	Consolidated
For the year ended December 31, 2000				
Net cash provided by operating activities	\$ 8,853	\$ 498	\$ --	\$ 9,351
Cash flows from investing activities:				
Purchase of property and equipment	(27,903)	(276)	--	(28,179)
Proceeds from asset dispositions	19,394	4,748	--	24,142
Other	(974)	--	--	(974)
Net cash used in investing activities	<u>(9,483)</u>	<u>4,472</u>	<u>--</u>	<u>(5,011)</u>
Cash flows from financing activities:				
Proceeds from long-term debt	23,500	--	--	23,500
Payments on long-term debt	<u>(23,676)</u>	<u>(4,964)</u>	<u>--</u>	<u>(28,640)</u>
Net cash used in financing activities	<u>(176)</u>	<u>(4,964)</u>	<u>--</u>	<u>(5,140)</u>
Increase (decrease) in cash and cash equivalents	(806)	6	--	(800)
Cash and cash equivalents, beginning of year	<u>1,650</u>	<u>13</u>	<u>--</u>	<u>1,663</u>
Cash and cash equivalents, end of year	<u>\$ 844</u>	<u>\$ 19</u>	<u>\$ --</u>	<u>\$ 863</u>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning Directors required by this item will be included in the Company's definitive information statement in connection with its 2003 Annual Meeting of Shareholders and is incorporated herein by reference. Information concerning Executive Officers is included as Item 4. (a) "Executive officers of the registrant."

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item will be included in the Company's definitive information statement in connection with its 2003 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by this item will be included in the Company's definitive information statement in connection with its 2003 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by this item will be included in the Company's definitive information statement in connection with its 2003 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 14. 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 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 IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial Statements

Included in Part II of this report:

Independent Auditors' Reports.

Consolidated Balance Sheets – December 31, 2002 and December 31, 2001.

Consolidated Statements of Operations for the years ended December 31, 2002, December 31, 2001, and December 31, 2000.

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2002, December 31, 2001, and December 31, 2000.

Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2002, December 31, 2001, and December 31, 2000.

Consolidated Statements of Cash Flows for the years ended December 31, 2002, December 31, 2001, and December 31, 2000.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedules
 - Schedule II - Valuation and Qualifying accounts for the years ended December 31, 2002, December 31, 2001, and December 31, 2000.
3. Exhibits
 - 3 Articles of Incorporation and By-laws
 - 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).
 - 4 Instruments defining the rights of security holders, including indentures
 - 4.1 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).
 - 4.2 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).
 - 4.3 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).
 - 10 Material Contracts
 - 10.2 The Petroleum Helicopters, Inc. 401(k) Retirement Plan effective July 1, 1989 (incorporated by reference to Exhibit No. 10.4 to PHI's Report on Form 10-K dated April 30, 1990).
 - 10.3 Amended and Restated Petroleum Helicopters, Inc. 1995 Incentive Compensation Plan adopted by PHI's Board effective July 11, 1995 and approved by the shareholders of PHI on September 22, 1995 (incorporated by reference to Exhibit No 10.12 to PHI's Report on Form 10-K dated April 30, 1996).
 - 10.4 Form of Non-Qualified Stock Option Agreement under the Petroleum Helicopters, Inc. 1995 Incentive Compensation Plan between PHI and certain of its key employees (incorporated by reference to Exhibit No. 10.13 to PHI's Report on Form 10-K dated April 30, 1996).
 - 10.5 Supplemental Executive Retirement Plan adopted by PHI's Board effective September 14, 2000 (incorporated by reference to Exhibit 10.23 to PHI's Report on Form 10-Q dated September 30, 2000).
 - 10.6 Amendment to the Supplemental Executive Retirement Plan dated May 24, 2001 (incorporated by reference to Exhibit 10.25 to PHI's Report on Form 10-Q dated June 30, 2001).
 - 10.7 Officer Deferred Compensation Plan adopted by PHI's Board effective January 1, 2001 (incorporated by reference to Exhibit 10.21 to PHI's Report on Form 10-K dated December 31, 2001).
 - 10.8 Articles of Agreement Between Petroleum Helicopters, Inc. & Office & Professional Employees International Union and its Local 108 dated June 13, 2001 (incorporated by reference to Exhibit 10.24 to PHI's Report on Form 10-Q dated June 30, 2001).
 - 10.9 Employment letter agreement between PHI and Lance F. Bospflug dated August 24, 2000 (incorporated by reference to Exhibit 10.22 to PHI's Report on Form 10-KA dated December 31, 2001).
 - 21 Subsidiaries of the Registrant
 - 23.1 Consent of Deloitte & Touche LLP
 - 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

None.

PETROLEUM HELICOPTERS, INC. AND SUBSIDIARIES
Schedule II -- Valuation and Qualifying Accounts
(Thousands of dollars)

Description	Balance at Beginning of Year	<u> Additions </u> Charged to Costs and Expenses	Deductions	Balance at End of Year
Year ended December 31, 2002:				
Allowance for doubtful accounts	\$ 444	\$ 249	\$ 535	\$ 158
Allowance for obsolescent inventory	4,340	994	512	4,822
Year ended December 31, 2001:				
Allowance for doubtful accounts	\$ 2,156	\$ 107	\$ 1,819	\$ 444
Allowance for obsolescent inventory	3,721	978	359	4,340
Year ended December 31, 2000:				
Allowance for doubtful accounts	\$ 794	\$ 1,681	\$ 319	\$ 2,156
Allowance for obsolescent inventory	2,208	3,005	1,492	3,721

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PETROLEUM HELICOPTERS, INC.

By: /s/ Michael J. McCann
Michael J. McCann
Chief Financial Officer
(Principal Financial and
Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Al A. Gonsoulin</u> Al A. Gonsoulin	Chairman of the Board and Director	March 31, 2003
<u>/s/ Lance F. Bospflug</u> Lance F. Bospflug	President, Chief Executive Officer and Director, (Principal Executive Officer)	March 31, 2003
<u>/s/ Arthur J. Breault, Jr.</u> Arthur J. Breault, Jr.	Director	March 31, 2003
<u>/s/ Thomas H. Murphy</u> Thomas H. Murphy	Director	March 31, 2003
<u>/s/ Richard H. Matzke</u> Richard H. Matzke	Director	March 31, 2003
<u>/s/ C. Russell Luigs</u> C. Russell Luigs	Director	March 31, 2003
<u>/s/ Michael J. McCann</u> Michael J. McCann	Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2003

CERTIFICATIONS

I, Lance F. Bospflug, certify that:

1. I have reviewed this annual report on Form 10-K of Petroleum Helicopters, Inc.
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 annual 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 annual report (the "Evaluation Date"); and
 - c) presented in this annual 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 annual 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: March 31, 2003

By: /s/ Lance F. Bospflug

Lance F. Bospflug
President & Chief Executive Officer

I, Michael J. McCann, certify that:

1. I have reviewed this annual report on Form 10-K of Petroleum Helicopters, Inc.
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 annual 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 annual report (the "Evaluation Date"); and
 - c) presented in this annual 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 annual 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: March 31, 2003

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

Petroleum Helicopters Inc.
 Subsidiaries of the Registrant at December 31, 2002

<u>COMPANY</u>	<u>PLACE OF INCORPORATION</u>	<u>% OF VOTING STOCK OWNED</u>
International Helicopter Transport, Inc	Louisiana	100%
Evangeline Airmotive, Inc.	Louisiana	100%
Acadian Composites, LLC	Louisiana	100%
Air Evac Services, Inc.	Louisiana	100%
PHI Aeromedical Services, Inc.	Louisiana	100%
Petroleum Helicopters International, Inc.	Louisiana	100%
Helicopter Management, LLC	Louisiana	100%
Helicopter Leasing, LLC	Louisiana	100%
HELEX, LLC	Florida	100%

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-02025 of Petroleum Helicopters, Inc. on Form S-8 of our report dated March 20, 2003 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the adoption of Statement of Financial Accounting Standards No. 133, as amended, described in Note 1), appearing in this Annual Report on Form 10-K of Petroleum Helicopters, Inc. for the year ended December 31, 2002.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana
March 27, 2003

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Petroleum Helicopters, Inc. (the "Company") on Form 10-K for the period ending December 31, 2002 (the "Report"), I, Lance F. Bospflug, Chief Executive Officer of the Company, certify that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Petroleum Helicopters, Inc.

By: /s/ Lance F. Bospflug
Lance F. Bospflug
President & Chief Executive Officer
March 31, 2003

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Petroleum Helicopters, Inc. (the "Company") on Form 10-K for the period ending December 31, 2002 (the "Report"), I, Michael J. McCann, Chief Financial Officer of the Company, certify that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Petroleum Helicopters, Inc.

By: /s/ Michael J. McCann
Michael J. McCann
Chief Financial Officer
March 31, 2003