TIDEWATER INC
Form 10-Q
August 08, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2012

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to .

Commission file number: 1-6311

Tidewater Inc.

(Exact name of registrant as specified in its charter)

Delaware	**72-0487776**
(State of incorporation)	(I.R.S. Employer Identification No.)

601 Poydras St., Suite 1900

New Orleans, Louisiana 70130

(Address of principal executive offices) (zip code)

Registrant s telephone number, including area code: (504) 568-1010

Not Applicable

(Former name or former address, if changed since last report)

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 of 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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

49,826,156 shares of Tidewater Inc. common stock $.10 par value per share were outstanding on July 27, 2012. Registrant has no other class of common stock outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TIDEWATER INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share and par value data)

ASSETS		June 30, 2012	March 31, 2012
Current assets:			
Cash and cash equivalents	$	240,574	320,710
Trade and other receivables, net		322,978	309,468
Marine operating supplies		55,812	53,850
Other current assets		20,199	10,072
Total current assets		639,563	694,100
Investments in, at equity, and advances to unconsolidated companies		47,691	46,077
Properties and equipment:			
Vessels and related equipment		3,984,630	3,952,468
Other properties and equipment		93,612	93,107
		4,078,242	4,045,575
Less accumulated depreciation and amortization		1,139,506	1,139,810
Net properties and equipment		2,938,736	2,905,765
Goodwill		297,822	297,822
Other assets		118,452	117,854
Total assets	$	4,042,264	4,061,618
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current maturities on long-term debt		60,000	
Accounts payable		92,675	74,115
Accrued expenses		139,634	134,953
Accrued property and liability losses		3,526	3,636
Other current liabilities		25,321	26,225
Total current liabilities		321,156	238,929
Long-term debt		890,000	950,000
Deferred income taxes		214,586	214,627
Accrued property and liability losses		3,166	3,150
Other liabilities and deferred credits		127,279	128,555
Commitments and Contingencies (Note 7)			
Stockholders equity:			
Common stock of $0.10 par value, 125,000,000 shares authorized, issued 49,820,140 shares at June 30, 2012 and 51,250,995 shares at March 31, 2012		4,982	5,125
Additional paid-in capital		107,754	102,726
Retained earnings		2,393,179	2,437,836
Accumulated other comprehensive loss		(19,838)	(19,330)
Total stockholders equity		2,486,077	2,526,357
Total liabilities and stockholders' equity	$	4,042,264	4,061,618

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

TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(In thousands, except share and per share data)

	Three Months Ended June 30,	
	2012	2011
Revenues:		
Vessel revenues	$ 290,094	253,315
Other operating revenues	4,354	1,292
	294,448	254,607
Costs and expenses:		
Vessel operating costs	165,828	152,302
Costs of other operating revenues	3,523	1,231
Depreciation and amortization	35,784	33,749
General and administrative	40,664	37,581
Gain on asset dispositions, net	(838)	(1,717)
	244,961	223,146
Operating income	49,487	31,461
Other income (expenses):		
Foreign exchange (loss) gain	(1,751)	814
Equity in net earnings of unconsolidated companies	2,363	2,489
Interest income and other, net	719	1,190
Interest and other debt costs	(7,587)	(4,061)
	(6,256)	432
Earnings before income taxes	43,231	31,893
Income taxes	10,375	7,335
Net earnings	$ 32,856	24,558
Basic earnings per common share	$ 0.65	0.48
Diluted earnings per common share	$ 0.65	0.48
Weighted average common shares outstanding	50,193,065	51,278,261
Dilutive effect of stock options and restricted stock	174,686	315,527
Adjusted weighted average common shares	50,367,751	51,593,788
Cash dividends declared per common share	$ 0.25	0.25

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

TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

		Three Months Ended June 30,	
		2012	2011
Net earnings	$	32,856	24,558
Other comprehensive income/(loss):			
Unrealized gains/(losses) on available-for-sale securities		(624)	(21)
Amortization of loss on derivative contract		116	116
Total comprehensive income	$	32,348	24,653

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

TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

		Three Months Ended June 30,	
		2012	2011
Operating activities:			
Net earnings	$	32,856	24,558
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization		35,784	33,749
Provision (benefit) for deferred income taxes		(2,654)	(7,908)
Gain on asset dispositions, net		(838)	(1,717)
Equity in earnings of unconsolidated companies, less dividends		(1,614)	(1,739)
Compensation expense - stock-based		4,359	2,905
Excess tax benefit on stock options exercised		(49)	(17)
Changes in assets and liabilities, net:			
Trade and other receivables		(9,698)	(21,190)
Marine operating supplies		(1,962)	(4,433)
Other current assets		(10,127)	(8,120)
Accounts payable		18,267	2,708
Accrued expenses		2,636	(292)
Accrued property and liability losses		(110)	63
Other current liabilities		219	5,575
Other liabilities and deferred credits		1,165	1,620
Other, net		846	756
Net cash provided by operating activities		69,080	26,518
Cash flows from investing activities:			
Proceeds from sales of assets		5,856	6,328
Additions to properties and equipment		(77,432)	(69,652)
Other		(860)	349
Net cash used in investing activities		(72,436)	(62,975)
Cash flows from financing activities:			
Debt issuance costs		---	(6)
Proceeds from exercise of stock options		765	88
Cash dividends		(12,566)	(12,939)
Excess tax benefit on stock options exercised		49	17
Stock repurchases		(65,028)	---
Net cash used in financing activities		(76,780)	(12,840)
Net change in cash and cash equivalents		(80,136)	(49,297)
Cash and cash equivalents at beginning of period		320,710	245,720
Cash and cash equivalents at end of period	$	240,574	196,423
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	$	2,696	12,223
Income taxes	$	12,646	12,011
Supplemental disclosure of non-cash investing activities:			
Additions to properties and equipment	$	7,331	---

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

TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(In thousands)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance at March 31, 2012	$ 5,125	102,726	2,437,836	(19,330)	2,526,357
Total comprehensive income	---	---	32,856	(508)	32,348
Stock option activity	3	1,354	---	---	1,357
Cash dividends declared	---	---	(12,625)	---	(12,625)
Retirement of common stock	(140)	---	(64,888)	---	(65,028)
Amortization of restricted stock units	---	1,829	---	---	1,829
Amortization/cancellation of restricted stock	(6)	1,845	---	---	1,839
Balance at June 30, 2012	$ 4,982	107,754	2,393,179	(19,838)	2,486,077
Balance at March 31, 2011	$ 5,188	90,204	2,436,736	(18,184)	2,513,944
Total comprehensive income	---	---	24,558	95	24,653
Stock option activity	---	1,134	---	---	1,134
Cash dividends declared	---	---	(12,969)	---	(12,969)
Amortization/cancellation of restricted stock	---	1,381	---	---	1,381
Balance at June 30, 2011	$ 5,188	92,719	2,448,325	(18,089)	2,528,143

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

TIDEWATER INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) INTERIM FINANICAL STATEMENTS

The unaudited condensed consolidated financial statements for the interim periods presented herein have been prepared in conformity with United States generally accepted accounting principles and, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the unaudited condensed consolidated financial statements at the dates and for the periods indicated as required by Rule 10-01 of Regulation S-X of the Securities and Exchange Commission (SEC). Results of operations for interim periods are not necessarily indicative of results of operations for the respective full years. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the company s Annual Report on Form 10-K for the year ended March 31, 2012, filed with the SEC on May 21, 2012.

The unaudited condensed consolidated financial statements include the accounts of Tidewater Inc. and its subsidiaries. Intercompany balances and transactions are eliminated in consolidation. The company uses the equity method to account for equity investments over which the company exercises significant influence but does not exercise control and is not the primary beneficiary. All per share information included in this document is on a diluted earnings per share basis.

Recast Segment Information

In connection with a change in reportable segments, certain prior period amounts have been recast to conform to the June 30, 2012 presentation of our segments with no effect on net earnings or retained earnings. Please refer to Note (11) Segment and Geographical Distributions of Operations to these Unaudited Condensed Consolidated Financial Statements.

(2) STOCKHOLDERS EQUITY

Common Stock Repurchase Program

On May 17, 2012, the company s Board of Directors authorized the company to spend up to $200.0 million to repurchase shares of its common stock in open-market or privately-negotiated transactions. The effective period for this new authorization is July 1, 2012 through June 30, 2013. The company uses its available cash and, when considered advantageous, borrowings under its revolving credit facility, or other borrowings, to fund any share repurchases. The company will evaluate share repurchase opportunities relative to other investment opportunities and in the context of current conditions in the credit and capital markets. At June 30, 2012, the entire $200.0 million remains available to repurchase shares under the May 2012 share repurchase program.

In May 2011, the Board of Directors replaced its then existing July 2009 share repurchase program with a new $200.0 million repurchase program that was in effect through June 30, 2012. The company was authorized to repurchase shares of its common stock in open-market or privately-negotiated transactions. The authorization of the May 2011 repurchase program ended on June 30, 2012, and the company utilized $100.0 million of the $200.0 million authorization.

The value of common stock repurchased, along with number of shares repurchased, and average price paid per share, for the quarters ended June 30 is as follows:

	Quarter Ended June 30,	
(In thousands, except share and per share data)	2012	2011
Value of common stock repurchased	$ 65,028	---
Shares of common stock repurchased	1,400,500	---
Average price paid per common share	$ 46.43	---

TIDEWATER INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Dividend Program

The declaration of dividends is at the discretion of the company s Board of Directors. The Board of Directors declared the following dividends for the quarters ended June 30:

		Quarter Ended June 30,	
(In thousands, except dividend per share)		2012	2011
Dividends declared	$	12,625	12,969
Dividend per share		0.25	0.25

(3) INCOME TAXES

Income tax expense for interim periods is based on estimates of the effective tax rate for the entire fiscal year. The effective tax rate applicable to pre-tax earnings, for the quarters ended June 30 is as follows:

		Quarter Ended June 30,	
		2012	2011
Effective tax rate applicable to pre-tax earnings	$	24.0%	23.0%

The effective tax rate was higher during the quarter ended June 30, 2012, as compared to the quarter ended June 30, 2011, primarily because of the current expected mix of pre-tax earnings between the company s United States (U.S.) and international businesses and an expectation for lower estimated operating margin in certain jurisdictions that tax on the basis of deemed profits. In addition, the 24% effective tax rate for the quarter ended June 30, 2012 is lower than the U.S. statutory income tax rate of 35% primarily because the company has not recognized a U.S. deferred tax liability associated with temporary differences related to investments in foreign subsidiaries that are essentially permanent in duration.

The company s balance sheet at June 30, 2012 reflects the following in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes:*

(In thousands)		June 30, 2012
Tax liabilities for uncertain tax positions	$	15,031
Income tax payable		21,899

The tax liabilities for uncertain tax positions are attributable to a permanent establishment issue related to a foreign joint venture. Penalties and interest related to income tax liabilities are included in income tax expense. Income tax payable is included in other current liabilities.

Unrecognized tax benefits, which would lower the effective tax rate if realized at June 30 are as follows:

(In thousands)

		June 30, 2012
Unrecognized tax benefit related to state tax issues	$	8,759
Interest receivable on unrecognized tax benefit related to state tax issues		57

With limited exceptions, the company is no longer subject to tax audits by U.S. federal, state, local or foreign taxing authorities for years prior to 2005. The company has ongoing examinations by various U.S. federal, state and foreign tax authorities and does not believe that the results of these examinations will have a material adverse effect on the company s financial position or results of operations.

(4) EMPLOYEE BENEFIT PLANS

U.S. Defined Benefit Pension Plan

The company has a defined benefit pension plan (pension plan) that covers certain U.S. citizen employees and employees who are permanent residents of the United States. Benefits are based on years of service and employee compensation. In December 2009, the Board of Directors amended the pension plan to

TIDEWATER INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

discontinue the accrual of benefits once the plan was frozen on December 31, 2010. On that date, previously accrued pension benefits under the pension plan were frozen for the approximately 60 active employees who participated in the plan. This change did not affect benefits earned by participants prior to January 1, 2011.

The active employees who participated in the pension plan have become participants in the company s defined contribution retirement plan effective January 1, 2011. These changes have provided the company with more predictable retirement plan costs and cash flows. By changing to a defined contribution plan and freezing the benefits accrued under the predecessor defined benefit plan, the company s future benefit obligations and requirements for cash contributions for the frozen pension plan are reduced. Losses associated with the curtailment of the pension plan were immaterial. The company did not contribute to the defined benefit pension plan during the quarters ended June 30, 2012 and 2011, and does not expect to contribute to the plan during the remaining quarters of fiscal 2013.

Supplemental Executive Retirement Plan

The company also offers a non-contributory, defined benefit supplemental retirement plan (supplemental plan) that provides pension benefits to certain employees in excess of those allowed under the company s tax-qualified pension plan. A Rabbi Trust has been established for the benefit of participants in the supplemental plan. The Rabbi Trust assets, which are invested in a variety of marketable securities (none of which is Tidewater stock), are recorded at fair value with unrealized gains or losses included in other comprehensive income. Effective March 4, 2010, the supplemental plan was closed to new participation. The supplemental plan is a non-qualified plan and, as such, the company is not required to make contributions to the supplemental plan. The company did not contribute to the supplemental plan during the quarters ended June 30, 2012 and 2011, and does not expect to contribute to the plan during the remaining quarters of fiscal 2013.

As a result of the May 31, 2012 retirement of Dean E. Taylor, former President and Chief Executive Officer of Tidewater Inc., Mr. Taylor is expected to receive in December 2012 a $12.6 million lump sum distribution in full settlement and discharge of his supplemental executive retirement plan entitlement. A settlement loss, which is currently estimated to be $4.4 million, will be recorded at the time of distribution.

Investments held in a Rabbi Trust for the benefit of participants in the supplemental plan are included in other assets. The following table summarizes the carrying value of the trust assets, including unrealized gains or losses at June 30, 2012 and March 31, 2012:

(In thousands)		June 30, 2012	March 31, 2012
Investments held in Rabbi Trust	$	16,432	17,366
Unrealized (losses) gains in carrying value of trust assets		(373)	251
Unrealized (losses) gains in carrying value of trust assets are net of income tax expense of		(201)	135
Obligations under the supplemental plan		31,348	30,633

The unrealized gains or losses in the carrying value of the trust assets, net of income tax expense, are included in accumulated other comprehensive income (other stockholders' equity). To the extent that trust assets are liquidated to fund benefit payments, gains or losses, if any, will be recognized at that time. The company s obligations under the supplemental plan are included in accrued expenses and other liabilities and deferred credits on the consolidated balance sheet.

Postretirement Benefit Plan

Qualified retired employees currently are covered by a program which provides limited health care and life insurance benefits. Costs of the program are based on actuarially determined amounts and are accrued over the period from the date of hire to the full eligibility date of employees who are expected to qualify for these benefits. This plan is funded through payments as benefits are required.

TIDEWATER INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Net Periodic Benefit Costs

The net periodic benefit cost for the company s U.S. defined benefit pension plan and the supplemental plan (referred to collectively as Pension Benefits) and the postretirement health care and life insurance plan (referred to collectively as Other Benefits) is comprised of the following components:

(In thousands)		Quarter Ended June 30, 2012	2011
Pension Benefits:			
Service cost	$	273	219
Interest cost		1,072	1,103
Expected return on plan assets		(687)	(644)
Amortization of prior service cost		12	12
Recognized actuarial loss		448	440
Net periodic benefit cost	$	1,118	1,130
Other Benefits:			
Service cost	$	119	139
Interest cost		309	345
Amortization of prior service cost		(508)	(508)
Recognized actuarial loss		0	(1)
Net periodic benefit cost	$	(80)	(25)

(5) INDEBTEDNESS
Revolving Credit and Term Loan Agreement

Borrowings under the company s $575 million amended and restated revolving credit facility (credit facility), which includes a $125 million term loan (term loan) and a $450 million revolving line of credit (revolver) bear interest at the company s option at the greater of (i) prime or the federal funds rate plus 0.50 to 1.25%, or (ii) Eurodollar rates plus margins ranging from 1.50 to 2.25%, based on the company s consolidated funded debt to total capitalization ratio. Commitment fees on the unused portion of the facilities range from 0.15 to 0.35% based on the company s funded debt to total capitalization ratio. The facilities provide for a maximum ratio of consolidated debt to consolidated total capitalization of 55% and a minimum consolidated interest coverage ratio (essentially consolidated earnings before interest, taxes, depreciation and amortization, or EBITDA, for the four prior fiscal quarters to consolidated interest charges for such period) of 3.0. All other terms, including the financial and negative covenants, are customary for facilities of its type and consistent with the prior agreement in all material respects. The company s credit facility matures in January 2016.

In July 2011, the credit facility was amended to allow 365 days (originally 180 days) from the closing date (delayed draw period) to make multiple draws under the term loan. In January 2012, the company elected to borrow the entire $125 million available under the term loan facility and used the proceeds to fund working capital and for general corporate purposes. Principal repayments on the term loan borrowings are payable in quarterly installments beginning in the quarter ending September 30, 2013 in amounts equal to 1.25% of the total outstanding borrowings as of July 26, 2013.

The company has $125 million in term loan borrowings outstanding at June 30, 2012 (whose fair value approximates the carrying value because the borrowing bear interest at variable Eurodollar rates plus a margin on leaverage), and the entire $450 million of the revolver was available for future financing needs, with no outstanding borrowings at June 30, 2012. There were no outstanding borrowings at June 30, 2011 under any of the credit facilities.

Senior Debt Notes

The determination of fair value includes an estimated credit spread between our long term debt and treasuries with similar matching expirations. The credit spread is determined based on comparable publicly traded companies in the oilfield service segment with similar credit ratings (Level 2 inputs as defined in the accounting guidance).

TIDEWATER INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

August 2011 Senior Notes

On August 15, 2011, the company issued $165 million of senior unsecured notes to a group of institutional investors. A summary of these notes outstanding at June 30, 2012 and March 31, 2012, is as follows:

(In thousands, except weighted average data)	June 30, 2012	March 31, 2012
Aggregate debt outstanding	$ 165,000	165,000
Weighted average remaining life in years	8.3	8.6
Weighted average coupon rate on notes outstanding	4.42%	4.42%
Fair value of debt outstanding	173,723	166,916

The multiple series of notes were originally issued with maturities ranging from approximately eight to 10 years. The notes may be retired before their respective scheduled maturity dates subject only to a customary make-whole provision. The terms of the notes require that the company maintain a minimum ratio of debt to consolidated total capitalization that does not exceed 55%.

September 2010 Senior Notes

On October 15, 2010, the company completed the sale of $310 million of senior unsecured notes, and the sale of an additional $115 million of notes was completed on December 30, 2010. A summary of the aggregate amount of these notes outstanding at June 30, 2012 and March 31, 2012, is as follows:

(In thousands, except weighted average data)	June 30, 2012	March 31, 2012
Aggregate debt outstanding	$ 425,000	425,000
Weighted average remaining life in years	7.4	7.6
Weighted average coupon rate on notes outstanding	4.25%	4.25%
Fair value of debt outstanding	444,880	430,339

The multiple series of these notes were originally issued with maturities ranging from five to 12 years. The notes may be retired before their respective scheduled maturity dates subject only to a customary make-whole provision. The terms of the notes require that the company maintain a minimum ratio of debt to consolidated total capitalization that does not exceed 55%.

Included in accumulated other comprehensive income at June 30, 2012 and March 31, 2012, is an after-tax loss of $3.2 million ($4.9 million pre-tax), and $3.3 million ($5.1 million pre-tax)**,** respectively, relating to the purchase of interest rate hedges, which are cash flow hedges, in July 2010 in connection with the September 2010 senior notes offering. The interest rate hedges settled in August 2010 concurrent with the pricing of the senior unsecured notes. The hedges met the effectiveness criteria and their acquisition costs are being amortized over the term of the individual notes matching the term of the hedges to interest expense.

July 2003 Senior Notes

In July 2003, the company completed the sale of $300 million of senior unsecured notes. A summary of the aggregate amount of remaining senior unsecured notes that were issued in July 2003 and outstanding at June 30, 2012 and March 31, 2012, is as follows:

(In thousands, except weighted average data)	June 30, 2012	March 31, 2012
Aggregate debt outstanding	$ 235,000	235,000
Weighted average remaining life in years	1.1	1.4
Weighted average coupon rate on notes outstanding	4.43%	4.43%
Fair value of debt outstanding	239,773	240,585

The multiple series of notes were originally issued with maturities ranging from seven to 12 years. These notes can be retired in whole or in part prior to maturity for a redemption price equal to the principal amount of the notes redeemed plus a customary make-whole premium. The terms of the notes provide for a maximum ratio of consolidated debt to total capitalization of 55%.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Debt Costs

The company capitalizes a portion of its interest costs incurred on borrowed funds used to construct vessels. Interest and debt costs incurred, net of interest capitalized, for the quarters ended June 30, are as follows:

		Quarter Ended June 30,	
(In thousands)		2012	2011
Interest and debt costs incurred, net of interest capitalized	$	7,587	4,061
Interest costs capitalized		2,824	4,410
Total interest and debt costs	$	10,411	8,471

(6) EARNINGS PER SHARE

The components of basic and diluted earnings per share for the quarters ended June 30, are as follows:

		Quarter Ended June 30,	
(In thousands, except share and per share data)		2012	2011
Net Income available to common shareholders (A)	$	32,856	24,558
Weighted average outstanding shares of common stock, basic (B)		50,193,065	51,278,261
Dilutive effect of options and restricted stock awards and units		174,686	315,527
Weighted average common stock and equivalents (C)		50,367,751	51,593,788
Earnings per share, basic (A/B)	$	0.65	0.48
Earnings per share, diluted (A/C)	$	0.65	0.48
Additional information:			
Antidilutive incremental options and restricted stock awards and units		26,586	

(7) COMMITMENTS AND CONTINGENCIES

Vessel Commitments

The table below summarizes the company s various vessel commitments to acquire and construct new vessels, by vessel type, as of June 30, 2012:

(In thousands, except vessel count)	Number of Vessels	Estimated Total Cost	Invested Through 6/30/12	Remaining Balance 06/30/12
Vessels under construction:				

Anchor handling towing supply	1	$ 24,031	19,142	4,889
Platform supply vessels	18	579,706	213,128	366,578
Crewboats	5	22,394	11,864	10,530
Total vessels under construction	24	626,131	244,134	381,997
Vessels to be purchased:				
Platform supply vessels	2	39,562	9,340	30,222
Total vessels to be purchased	2	39,562	9,340	30,222
Total vessel commitments	26	$ 665,693	253,474	412,219

The total cost of the various vessel new-build commitments includes contract costs and other incidental costs. The company has vessels under construction at a number of different shipyards around the world (with one of these vessels being constructed in the United States by the company s wholly-owned shipyard, Quality Shipyards, L.L.C.). The anchor handling towing supply vessel (AHTS) under construction has 8,200 brake horsepower (BHP), while the platform supply vessels (PSV) under construction range between 1,900 and 6,360 deadweight tons (DWT) of cargo capacity. Scheduled delivery for the new-build vessels will begin in mid-to-late August 2012, with delivery of the final new-build vessel expected in January 2015.

TIDEWATER INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Regarding the vessels to be purchased, the company plans to take possession of these PSVs in August and September 2012. Both of these PSVs have 3,500 DWTs of cargo capacity. As of June 30, 2012, the company had invested $9.3 million for the acquisition of these two vessels.

The company s vessel construction program has been designed to replace over time the company s older fleet of vessels with fewer, larger and more efficient vessels, while also enhancing the size and capabilities of the company s fleet. The company anticipates using future operating cash flows, existing borrowing capacity and new borrowings or lease arrangements to fund current and future commitments in connection with the fleet renewal and modernization program. The company continues to evaluate its fleet renewal program, whether through new construction or acquisitions, relative to other investment opportunities and uses of cash, including the current share repurchase authorization, and in the context of current conditions in the credit and capital markets.

The company generally requires shipyards to provide third party credit support in the event that vessels are not completed and delivered in accordance with the terms of the shipbuilding contracts. That third party credit support typically guarantees the return of amounts paid by the company, and generally takes the form of refundment guarantees or standby letters of credit issued by major financial institutions located in the country of the shipyard. While the company seeks to minimize its shipyard credit risk by requiring these instruments, the ultimate return of amounts paid by the company in the event of shipyard default is still subject to the creditworthiness of the shipyard and the provider of the credit support, as well as the company s ability to successfully pursue legal action to compel payment of these instruments. When third party credit support is not available or cost effective, the company endeavors to limit its credit risk by requiring cash deposits and through other contract terms with the shipyard and other counterparties.

Currently the company is experiencing substantial delay with one fast, crew/supply boat under construction in Brazil that was originally scheduled to be delivered in September 2009. On April 5, 2011, pursuant to the vessel construction contract, the company sent the subject shipyard a letter initiating arbitration in order to resolve disputes of such matters as the shipyard s failure to achieve payment milestones, its failure to follow the construction schedule, and its failure to timely deliver the vessel. The company has suspended construction on the vessel and both parties continue to pursue that arbitration. The company has third party credit support in the form of insurance coverage for 90% of the progress payments made on this vessel, or all but approximately $2.4 million of the carrying value of the accumulated costs through June 30, 2012.

Two vessels under construction at a domestic shipyard have fallen substantially behind schedule. The shipyard recently notified the company that the shipyard should be entitled to a delay in the delivery dates and an increase in the contract price for both vessels because the company was late in completing and providing the shipyard with detailed design drawings of the vessel. The detailed design drawings were developed for the company by a third party designer. While the company believes that other factors also contributed to the delay, negotiations with the shipyard are ongoing in an attempt to reach an amicable settlement of these issues (including the possibility of an increase in the contract price for the vessels).

Merchant Navy Officers Pension Fund

A current subsidiary of the company is a participating employer in an industry-wide multi-employer retirement fund in the United Kingdom, known as the Merchant Navy Officers Pension Fund (MNOPF). The company has been informed by the Trustee of the MNOPF that the Fund has a deficit that will require contributions from the participating employers. The amount and timing of the company's share of the fund's deficit depends on a number of factors, including updated calculations of the total fund deficit, theories of contribution imposed as determined by and within the scope of the Trustee's authority, the number of then participating solvent employers, and the final formula adopted to allocate the required contribution among such participating employers. The amount payable to MNOPF based on assessments was $5.7 million and $6.7 million at June 30, 2012 and March 31, 2012, respectively, all of which has been accrued. No additional liabilities were recorded during the quarter June 30, 2012, and a $0.9 million payment was made during the quarter ended June 30, 2012. In the future, the fund's Trustee may claim that the company owes additional amounts for various reasons, including negative fund investment returns or the inability of other assessed participating employers to contribute their share of respective allocations, failing which, the company and other solvent participating employers will be asked for additional contributions. In October 2010, the Trustee

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advised the company of its intention to accelerate previously agreed installment payments for the company and other participating employers in the scheme. The company objected to that decision and has reached an agreement with the Trustee to pay the total remaining assessments (aggregating $5.7 million as of June 30, 2012) in installments through October 2014.

Sonatide Joint Venture

The company has previously disclosed that its existing Sonatide joint venture agreement with Sonangol had been extended to December 31, 2012 to allow ongoing joint venture restructuring negotiations to continue.

The company is continuing discussions with Sonangol. Important and fundamental issues in the parties efforts to restructure the existing relationship remain outstanding and unresolved. The parties have not made significant progress recently in resolving those issues. If negotiations relating to the Sonatide joint venture are ultimately unsuccessful, the company will work toward an orderly wind up of the joint venture, and the company is preparing itself for that possibility. Based on prior conduct between the parties during this period of uncertainty, we believe, that the joint venture would be allowed to honor existing vessel charter agreements through their contract terms. Even though the global market for offshore supply vessels is currently reasonably well balanced, with offshore vessel supply approximately equal to offshore vessel demand, there would likely be negative financial impacts associated with the wind up of the existing joint venture and the possible redeployment of vessels to other markets, including mobilization costs and costs to redeploy Tidewater shore-based employees to other areas, in addition to lost revenues associated with potential downtime between vessel contracts. These financial impacts could, individually or in the aggregate, be material to our results of operations and cash flows. If there is a need to redeploy vessels which are currently deployed in Angola to other international markets, Tidewater believes that there is sufficient demand for these vessels at prevailing market day rates.

Sonangol has recently expressed a willingness to consider some further contracting activity by the Sonatide joint venture. During the quarter ended June 30, 2012, the Sonatide joint venture entered into seven short term contracts, four of which have now expired. The remaining three contracts will expire on or before December 31, 2012.

During the six months ended June 30, 2012, the company redeployed five vessels from its Angolan operations to other markets. Each of these vessels was redeployed at day rates comparable to, or higher than their respective expiring contracts in Angola, in part because of generally improving markets for these vessels.

For the quarter ended June 30, 2012, Tidewater s Angolan operations generated vessel revenues of approximately $62 million, or 21% of its consolidated vessel revenue, from an average of approximately 88 Tidewater-owned vessels that are marketed through the Sonatide joint venture (10 of which were stacked on average during the quarter ended June 30, 2012), and, for the quarter ended June 30, 2011, generated vessel revenues of approximately $64 million, or 25% of consolidated vessel revenue, from an average of approximately 95 Tidewater-owned vessels (13 of which were stacked on average during the quarter ended June 30, 2011). For the year ended March 31, 2012, Tidewater s Angolan operations generated vessel revenues of approximately $254 million, or 24% of its consolidated vessel revenue, from an average of approximately 93 Tidewater-owned vessels (14 of which were stacked on average in fiscal 2012), and, for the year ended March 31, 2011, generated vessel revenues of approximately $237 million, or 23% of consolidated vessel revenue, from an average of approximately 97 vessels (13 of which were stacked on average in fiscal 2011).

In addition to the company s Angolan operations, which reflect the results of Tidewater-owned vessels marketed through the Sonatide joint venture (owned 49% by Tidewater), ten vessels and other assets are owned by the Sonatide joint venture. As of June 30, 2012 and March 31, 2012, the carrying value of Tidewater's investment in the Sonatide joint venture, which is included in "Investments in, at equity, and advances to unconsolidated companies," is approximately $48 million and $46 million, respectively.

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Brazilian Customs

In April 2011, two Brazilian subsidiaries of Tidewater were notified by the Customs Office in Macae, Brazil that they were jointly and severally being assessed fines of 155.0 million Brazilian reais (approximately $77.0 million as of June 30, 2012). The assessment of these fines is for the alleged failure of these subsidiaries to obtain import licenses with respect to 17 Tidewater vessels that provided Brazilian offshore vessel services to Petrobras, the Brazilian national oil company, over a three-year period ending December 2009. After consultation with its Brazilian tax advisors, Tidewater and its Brazilian subsidiaries believe that vessels that provide services under contract to the Brazilian offshore oil and gas industry are deemed, under applicable law and regulations, to be temporarily imported into Brazil, and thus exempt from the import license requirement. The Macae Customs Office has now, without a change in the underlying applicable law or regulations, taken the position that the temporary importation exemption is only available to new, and not used, goods imported into Brazil and therefore it was improper for the company to deem its vessels as being temporarily imported. The fines have been assessed based on this new interpretation of Brazilian customs law taken by the Macae Customs Office. After consultation with its Brazilian tax advisors, the company believes that the assessment is without legal justification and that the Macae Customs Office has misinterpreted applicable Brazilian law on duties and customs. The company is vigorously contesting these fines (which it has neither paid nor accrued for) and, based on the advice of its Brazilian counsel, believes that it has a high probability of success with respect to the overturn of the entire amount of the fines, either at the administrative appeal level or, if necessary, in Brazilian courts. In December 2011, an administrative appeals board issued a decision that disallowed 149.0 million Brazilian reais (approximately $74.0 million as of June 30, 2012) of the total fines sought by the Macae Customs Office. The full decision is subject to further administrative appellate review, and the company understands that this further full review by a secondary appellate board is ongoing. The company is contesting the decision with respect to the remaining 6.0 million Brazilian reais (approximately $3.0 million as of June 30, 2012) in fines. The company believes that the ultimate resolution of this matter will not have a material effect on the consolidated financial statements.

Potential for Future Brazilian State Tax Assessment

The company is aware that a Brazilian state in which the company has operations has notified two of the company s competitors that they are liable for unpaid taxes (and penalties and interest thereon) for failure to pay state import taxes with respect to vessels that such competitors operate within the coastal waters of such state pursuant to charter agreements. The import tax being asserted is equal to a percentage (which could be as high as 16% for vessels entering that state s waters prior to December 31, 2010 and 3% thereafter) of the affected vessels declared values. The company understands that the two companies involved are contesting the assessment through administrative proceedings before the taxing authority.

To date, the company s two Brazilian subsidiaries, as well as vessels for all other competitors (more than a hundred competitors), have not been similarly notified by the Brazilian state that it has an import tax liability related to its vessel activities imported through that state. Although the company has been advised by its Brazilian tax counsel that substantial defenses would be available if a similar tax claim were asserted against the company, if an import tax claim were to be asserted, it could be for a substantial amount given that the company has had substantial and continuing operations within the territory of the state (although the amount could fluctuate significantly depending on the administrative determination of the taxing authority as to the rate to apply, the vessels subject to the levy and the time periods covered). In addition, under certain circumstances, the company might be required to post a bond or other adequate security in the amount of the assessment (plus any interest and penalties) if it became necessary to challenge the assessment in a Brazilian court. The statute of limitations for the Brazilian state to levy an assessment of the import tax is five years from the date of a vessel s entry into Brazil. The company has not yet determined the potential tax assessment, and according to the Brazilian tax counsel, chances of defeating a possible claim/notification from the State authorities in court are probable. To obtain legal certainty and predictability for future charter agreements and because the company was importing two vessels to start new charters in Brazil, the company filed two suits on August 22, 2011 and April 5, 2012, respectively, against the Brazilian state and judicially deposited the respective state tax for these newly imported vessels. As of June 30, 2012, no accrual has been recorded for any liability associated with any potential future assessment for previous periods based on management s assessment, after consultation with Brazilian counsel, that a liability for such taxes was not probable.

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Venezuelan Operations

The company has previously reported that in May 2009 the Venezuelan National Assembly enacted a law (the Reserve Law) whereby the Bolivarian Republic of Venezuela (Venezuela) reserved to itself assets and services related to maritime activities on Lake Maracaibo. In May 2009, Petróleos de Venezuela, S.A. (PDVSA), the Venezuelan national oil company, invoking the Reserve Law, took possession of (a) 11 of the company s vessels that were then supporting PDVSA operations in the Lake Maracaibo region, (b) the company s shore-based facility adjacent to Lake Maracaibo and (c) certain other related assets. In July 2009, Petrosucre, S.A. (Petrosucre), a subsidiary of PDVSA, took control of four additional company vessels. As a consequence of these measures, the company (i) no longer has possession or control of those assets, (ii) no longer operates them or provides support for their operations, and (iii) no longer has any other vessels or operations in Venezuela. The company recorded a $43.7 million charge in fiscal 2010 to account for the vessel seizures, net of insurance recoveries, and provide for accounts receivables due from PDVSA and Petrosucre.

As a result of these actions, the company filed with the International Centre for Settlement of Investment Disputes (ICSID) a Request for Arbitration against the Republic of Venezuela seeking compensation for the expropriation of the company s Venezuelan investments. On January 24, 2011, the arbitration tribunal, appointed under the ICSID Convention to resolve the investment dispute, held its first session on procedural issues in Washington, D.C. The arbitration tribunal established a briefing and hearing schedule related to jurisdictional issues. The briefing and hearings on jurisdiction concluded on March 1, 2012. The company expects the arbitration tribunal to issue a written ruling on jurisdictional issues in the second half of calendar 2012. To the extent that the arbitration tribunal finds a basis for jurisdiction over this dispute, the company intends to continue diligently to prosecute its claim in the arbitration. While the company believes, after consultation with its advisors, that it is entitled to full reparation for the losses suffered as a result of the actions taken by the Republic, there can be no assurances that the company will prevail in the arbitration.

Completion of Internal Investigation and Settlements with United States and Nigerian Agencies

The company has previously reported that special counsel engaged by the company s Audit Committee had completed an internal investigation into certain Foreign Corrupt Practices Act (FCPA) matters and reported its findings to the Audit Committee. The substantive areas of the internal investigation have been reported publicly by the company in prior filings.

Special counsel has reported to the Department of Justice (DOJ) and the Securities and Exchange Commission the results of the investigation, and the company has entered into separate agreements with these two U.S. agencies to resolve the matters reported by special counsel. The company subsequently also entered into an agreement with the Federal Government of Nigeria (FGN) to resolve similar issues with the FGN. The company has previously reported the principal terms of these three agreements. Certain aspects of the agreement with the DOJ are set forth below.

Tidewater Marine International Inc. (TMII), a wholly-owned subsidiary of the company organized in the Cayman Islands, and the DOJ entered into a Deferred Prosecution Agreement (DPA). Pursuant to the DPA, the DOJ deferred criminal charges against TMII for a period of three years and seven days from the date of judicial approval of the Agreement, in return for: (a) TMII s acceptance of responsibility for, and agreement not to contest or contradict the truthfulness of, the statement of facts and allegations contained in a three-count criminal information to be filed concurrently with the DPA; (b) TMII s payment of a $7.35 million fine (which has been paid), (c) TMII s and Tidewater Inc. s compliance with certain undertakings relating to compliance with the FCPA and other applicable laws in connection with the company s operations, and cooperation with domestic and foreign authorities in connection with the matters that are the subject of the DPA; (d) TMII s and Tidewater Inc. s agreement to continue to address any deficiencies in the company s internal controls, policies and procedures relating to compliance with the FCPA and other applicable anti-corruption laws, if and to the extent not already addressed; and (e) Tidewater Inc. s agreement to report to the DOJ in writing annually for the term of the DPA regarding remediation of the matters that are the subject of the DPA, the implementation of any enhanced internal controls, and any evidence of improper payments the company may have discovered during the term of the DPA. Tidewater submitted its first annual report to the DOJ in November 2011.

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If TMII and Tidewater Inc. comply with the DPA during its term, the DOJ will not bring the charges set out in the information. In the event TMII or Tidewater Inc. breaches the DPA, the DOJ has discretion to extend its term for up to a year, or bring certain criminal charges against TMII as outlined in the DPA. A federal district court accepted the DPA on November 9, 2010.

Legal Proceedings

Various legal proceedings and claims are outstanding which arose in the ordinary course of business. In the opinion of management, the amount of ultimate liability, if any, with respect to these actions, will not have a material adverse effect on the company's financial position, results of operations, or cash flows.

(8) FAIR VALUE MEASUREMENTS AND DISCLOSURES

The company follows the provisions of ASC 820, *Fair Value Measurements and Disclosures*, for financial assets and liabilities that are measured and reported at fair value on a recurring basis. ASC 820 establishes a hierarchy for inputs used in measuring fair value. Fair value is calculated based on assumptions that market participants would use in pricing assets and liabilities and not on assumptions specific to the entity. The statement requires that each asset and liability carried at fair value be classified into one of the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The company measures on a recurring basis and records at fair value investments held by participants in a supplemental executive retirement plan. The following table provides the fair value hierarchy for the plan assets measured at fair value as of June 30, 2012:

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equity securities:				
Common stock	$ 7,704	7,704	---	---
Preferred stock	11	11	---	---
Foreign stock	516	516	---	---
American depository receipts	1,771	1,725	46	---
Preferred American depository receipts	8	8	---	---
Real estate investment trusts	129	129	---	---
Debt securities:				
Government debt securities	2,681	1,254	1,427	---
Open ended mutual funds	2,735	2,735	---	---
Cash and cash equivalents	1,036	46	990	---
Total	$ 16,591	14,128	2,463	---
Other pending transactions	(159)	(159)	---	---

Total fair value of plan assets	$ 16,432	13,969	2,463	---

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The following table provides the fair value hierarchy for the plan assets measured at fair value as of March 31, 2012:

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equity securities:				
Common stock	$ 8,248	8,248	---	---
Preferred stock	12	12	---	---
Foreign stock	542	542	---	---
American depository receipts	2,166	2,108	58	---
Preferred American depository receipts	8	8		
Real estate investment trusts	139	139	---	---
Debt securities:				
Government debt securities	2,891	1,219	1,672	---
Open ended mutual funds	2,690	2,690	---	---
Cash and cash equivalents	922	401	521	---
Total	$ 17,618	15,367	2,251	---
Other pending transactions	(252)	(252)	---	---
Total fair value of plan assets	$ 17,366	15,115	2,251	---

Other Financial Instruments

The company s primary financial instruments consist of cash and cash equivalents, trade receivables and trade payables with book values that are considered to be representative of their respective fair values. The company periodically utilizes derivative financial instruments to hedge against foreign currency denominated assets and liabilities, currency commitments, or to lock in desired interest rates. These transactions are generally spot or forward currency contracts or interest rate swaps that are entered into with major financial institutions. Derivative financial instruments are intended to reduce the company s exposure to foreign currency exchange risk and interest rate risk. The company enters into derivative instruments only to the extent considered necessary to address its risk management objectives and does not use derivative contracts for speculative purposes. The derivative instruments are recorded at fair value using quoted prices and quotes obtainable from the counterparties to the derivative instruments.

Cash Equivalents. The company s cash equivalents, which are securities with maturities less than 90 days, are held in money market funds or time deposit accounts with highly rated financial institutions. The carrying value for cash equivalents is considered to be representative of its fair value due to the short duration and conservative nature of the cash equivalent investment portfolio.

Spot Derivatives. Spot derivative financial instruments are short-term in nature and generally settle within two business days. The fair value of spot derivatives approximates the carrying value due to the short-term nature of this instrument, and as a result, no gains or losses are recognized.

The company had one foreign exchange spot contract outstanding at June 30, 2012 which totaled an aggregate notional value of $0.2 million. The one spot contract settled by July 3, 2012. The company had one foreign exchange spot contract outstanding at March 31, 2012, which totaled a notional value of $1.0 million. The one spot contract settled by April 2, 2012.

Forward Derivatives. Forward derivative financial instruments are generally longer-term in nature but generally do not exceed one year. The accounting for gains or losses on forward contracts is dependent on the nature of the risk being hedged and the effectiveness of the hedge. Forward contracts are valued using counterparty quotations, and we validate the information obtained from the counterparties in calculating the ultimate fair values. As such, these derivative contracts are classified as Level 2.

At June 30, 2012, the company had six British pound forward contracts outstanding, which is generally intended to hedge the company s foreign exchange exposure relating to its MNOPF liability as disclosed in Note (7) and elsewhere in this document. The forward contracts expire at various times through September 2013. The combined change in fair value of the forward contracts was approximately $0.2 million, all of which was recorded as a foreign exchange loss during the quarter ended June 30, 2012, because the

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forward contracts did not qualify as hedge instruments. All changes in fair value of the forward contracts were recorded in earnings.

At March 31, 2012, the company had four British pound forward contracts outstanding, which is generally intended to hedge the company s foreign exchange exposure relating to its MNOPF liability as disclosed in Note (7) and elsewhere in this document. The forward contracts expire at various times through March 2013. The combined change in fair value of the forward contracts was approximately $0.1 million, all of which was recorded as a foreign exchange gain during the fiscal year ended March 31, 2012, because the forward contracts did not qualify as hedge instruments. All changes in fair value of the forward contracts were recorded in earnings.

The following table provides the fair value hierarchy for the company s other financial instruments measured as of June 30, 2012:

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$ 135,841	135,841	---	---
Long-term British pound forward derivative contracts	6,230	---	6,230	---
Total fair value of assets	$ 142,071	135,841	6,230	---

The following table provides the fair value hierarchy for the company s other financial instruments measured as of March 31, 2012:

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$ 288,446	288,446	---	---
Long-term British pound forward derivative contracts	7,042	---	7,042	---
Total fair value of assets	$ 295,488	288,446	7,042	---

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Asset Impairments

The company accounts for long-lived assets in accordance with ASC 360-10-35, *Impairment or Disposal of Long-Lived Assets.* The company reviews the vessels in its active fleet for impairment whenever events occur or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. In such evaluation the estimated future undiscounted cash flows generated by an asset group are compared with the carrying amount of the asset group to determine if a write-down may be required. With respect to vessels that have not been stacked, we group together for impairment testing purposes vessels with similar operating and marketing characteristics. We also subdivide our groupings of assets with similar operating and marketing characteristics between our older vessels and newer vessels.

The company estimates cash flows based upon historical data adjusted for the company s best estimate of expected future market performance, which, in turn, is based on industry trends. If an asset group fails the undiscounted cash flow test, the company uses the discounted cash flow method to determine the estimated fair value of each asset group and compares such estimated fair value (considered Level 3, as defined by ASC 360) to the carrying value of each asset group in order to determine if impairment exists. If impairment exists, the carrying value of the asset group is reduced to its estimated fair value.

In addition to the periodic review of its active long-lived assets for impairment when circumstances warrant, the company also performs a review of its stacked vessels and vessels withdrawn from service every six months or whenever changes in circumstances indicate that the carrying amount of a vessel may not be recoverable. Management estimates each stacked vessel s fair value by considering items such as the vessel s age, length of time stacked, likelihood of a return to active service, actual recent sales of similar vessels, among others which are unobservable inputs. In certain situations we obtain an estimate of the fair value of the stacked vessel from third-party appraisers or brokers. The company records an impairment

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charge when the carrying value of a vessel withdrawn from service or a stacked vessel exceeds its estimated fair value. The estimates of fair value of stacked vessels are also subject to significant variability, are sensitive to changes in market conditions, and are reasonably likely to change in the future.

The below table summarizes the combined fair value of the assets that incurred impairments during the quarters ended June 30, 2012 and 2011, along with the amount of impairment. The impairment charges were recorded in gain on asset dispositions, net.

(In thousands)	June 30, 2012	June 30, 2011
Amount of impairment incurred	$ 2,774	2,314
Combined fair value of assets incurring impairment	7,410	3,913

(9) OTHER ASSETS, ACCRUED EXPENSES, OTHER CURRENT LIABILITIES AND OTHER LIABILITIES AND DEFERRED CREDITS

A summary of other assets at June 30, 2012 and March 31, 2012 is as follows:

(In thousands)	June 30, 2012	March 31, 2012
Recoverable insurance losses	$ 3,166	3,150
Deferred income tax assets	66,703	64,090
Deferred finance charges	6,364	6,797
Savings plans and supplemental plan	28,165	29,538
Noncurrent tax receivable	9,106	9,106
Other	4,948	5,173
	$ 118,452	117,854

A summary of accrued expenses at June 30, 2012 and March 31, 2012 is as follows:

(In thousands)	June 30, 2012	March 31, 2012
Payroll and related payables	$ 32,012	31,729
Commissions payable	14,511	14,309
Accrued vessel expenses	74,924	76,078
Accrued interest expense	15,194	8,095
Other accrued expenses	2,993	4,742
	$ 139,634	134,953

A summary of other current liabilities at June 30, 2012 and March 31, 2012 is as follows:

(In thousands)	June 30, 2012	March 31, 2012
Taxes payable	$ 23,523	23,791
Deferred credits - current	1,583	2,278
Dividend payable	215	156
	$ 25,321	26,225

A summary of other liabilities and deferred credits at June 30, 2012 and March 31, 2012 is as follows:

(In thousands)	June 30, 2012	March 31, 2012
Postretirement benefits liability	$ 27,708	27,809
Pension liabilities	41,479	40,875
Deferred gain on vessel sales	39,568	39,568
Other	18,524	20,303
	$ 127,279	128,555

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(10) ACCOUNTING PRONOUNCEMENTS

From time to time new accounting pronouncements are issued by the FASB that are adopted by the company as of the specified effective date. Unless otherwise discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the company s consolidated financial statements upon adoption.

In September 2011, the FASB issued guidance on ASC 350, *Intangibles-Goodwill and Other,* for testing goodwill for impairment. The new guidance provides a company the option to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the company s assessment determines that this is the case, it is required to perform the currently prescribed two-step goodwill impairment test to identify potential goodwill impairment and measure the amount of goodwill impairment to be recognized for that reporting unit, if any. If the company determines it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, the two-step goodwill impairment test is not required. The guidance became effective for us on April 1, 2012. The adoption of this guidance did not have a material impact on our consolidated financial position, results of operations, or cash flows.

In June 2011, the FASB issued guidance on ASC 220, *Comprehensive Income*, regarding the presentation of comprehensive income. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in stockholders equity. Instead, a company is required to present either a continuous statement of net income and other comprehensive income or in two separate but consecutive statements. The new guidance also requires companies to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. In December 2011, the FASB issued guidance which indefinitely defers the guidance related to the presentation of reclassification adjustments. The guidance became effective for us on April 1, 2012. The adoption of this guidance did not have a material impact on our consolidated financial position, results of operations, or cash flows.

In May 2011, the FASB issued Accounting Standards Update No. 2011-04 (ASU 2011-04), *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards* (IFRS) . This pronouncement was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and IFRS. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This pronouncement is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The guidance became effective for us on January 1, 2012. The adoption of this guidance did not have a material impact on our consolidated financial position, results of operations, or cash flows.

(11) SEGMENT INFORMATION AND GEOGRAPHICAL DATA

The company follows the disclosure requirements of ASC 280, *Segment Reporting.* Operating business segments are defined as a component of an enterprise for which separate financial information is available and is evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

During the quarter ended September 30, 2011, our International and United States segments were reorganized to form four new operating segments. We now manage and measure our business performance in four distinct operating segments based on our geographical organization: Americas, Asia/Pacific, Middle East/North Africa, and Sub-Saharan Africa/Europe. The new segments are reflective of how the company s chief operating decision maker (CODM) reviews operating results for the purposes of allocating resources and assessing performance. The company s CODM is its Chief Executive Officer. Moreover, management decided to reorganize its reporting segments because the company s Sub-Saharan Africa/Europe and Latin American business regions gained greater significance as a percentage of consolidated revenues and operating profit, while our former United States segment decreased in its significance to consolidated

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revenues and operating profit. Prior period disclosures have been adjusted to reflect the change in reportable segments.

The following table provides a comparison of revenues, vessel operating profit, depreciation and amortization, and additions to properties and equipment for the quarters ended June 30, 2012 and 2011. Vessel revenues and operating costs relate to vessels owned and operated by the company while other operating revenues relate to the activities of the company's shipyards, brokered vessels and other miscellaneous marine-related businesses.

		Quarter Ended June 30,	
(In thousands)		2012	2011
Revenues:			
Vessel revenues:			
Americas	$	77,650	80,677
Asia/Pacific		51,742	35,499
Middle East/North Africa		32,450	26,057
Sub-Saharan Africa/Europe		128,252	111,082
		290,094	253,315
Other operating revenues		4,354	1,292
	$	294,448	254,607
Vessel operating profit:			
Americas	$	10,192	11,854
Asia/Pacific		14,908	5,270
Middle East/North Africa		6,282	28
Sub-Saharan Africa/Europe		27,096	22,224
		58,478	39,376
Corporate expenses		(10,467)	(9,521)
Gain on asset dispositions, net		838	1,717
Other operating services		638	(111)
Operating income	$	49,487	31,461
Foreign exchange (loss) gain		(1,751)	814
Equity in net earnings of unconsolidated companies		2,363	2,489
Interest income and other, net		719	1,190
Interest and other debt costs		(7,587)	(4,061)
Earnings before income taxes	$	43,231	31,893
Depreciation and amortization:			
Americas	$	10,092	9,494
Asia/Pacific		5,113	5,114
Middle East/North Africa		4,079	4,602
Sub-Saharan Africa/Europe		15,493	13,746
Corporate		1,007	793
	$	35,784	33,749
Additions to properties and equipment:			
Americas	$	16,778	2,246
Asia/Pacific		94	580
Middle East/North Africa		1,074	448
Sub-Saharan Africa/Europe		11,875	4,282
Corporate (A)		44,092	62,096
	$	73,913	69,652

(A) Included in Corporate are additions to properties and equipment relating to vessels currently under construction which have not yet been assigned to a non-corporate reporting segment as of the dates presented.

TIDEWATER INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following table provides a comparison of total assets at June 30, 2012 and March 31, 2012:

(In thousands)		June 30, 2012	March 31, 2012
Total assets:			
Americas	$	1,017,071	1,031,962
Asia/Pacific		642,737	654,357
Middle East/North Africa		400,598	405,625
Sub-Saharan Africa/Europe		1,465,292	1,519,124
		3,525,698	3,611,068
Investments in, at equity, and advances to unconsolidated companies		47,691	46,077
		3,573,389	3,657,145
Corporate (A)		468,875	404,473
	$	4,042,264	4,061,618

(A) Included in Corporate are vessels currently under construction which have not yet been assigned to a non-corporate reporting segment. The vessel construction costs will be reported in Corporate until the earlier of the vessels being assigned to a non-corporate reporting segment or the vessels delivery. At June 30, 2012 and March 31, 2012, $245.5 million and $249.4 million, respectively, of vessel construction costs are included in Corporate.

The following table discloses the amount of revenue by segment, and in total for the worldwide fleet, along with the respective percentage of total vessel revenue for the quarters ended June 30, 2012 and 2011:

Revenue by vessel class:

		Quarter Ended June 30,			
(In thousands):		2012	% of Vessel Revenue	2011	% of Vessel Revenue
Americas fleet:					
Deepwater vessels	$	36,280	13%	36,405	14%
Towing-supply/supply		34,352	12%	35,686	14%
Other (A)		7,018	2%	8,586	3%
Total	$	77,650	27%	80,677	32%
Asia/Pacific fleet:					
Deepwater vessels	$	25,337	9%	15,929	6%
Towing-supply/supply		25,500	9%	18,444	7%
Other (A)		905	<1%	1,126	<1%
Total	$	51,742	18%	35,499	14%
Middle East/North Africa fleet:					
Deepwater vessels	$	11,284	4%	10,751	4%
Towing-supply/supply		20,000	7%	13,474	5%
Other (A)		1,166	<1%	1,832	<1%
Total	$	32,450	11%	26,057	10%
Sub-Saharan Africa/Europe fleet:					
Deepwater vessels	$	62,615	22%	38,506	15%
Towing-supply/supply		49,012	17%	52,626	21%
Other (A)		16,625	6%	19,950	8%

Total	$	128,252	44%	111,082	44%
Worldwide fleet:					
Deepwater vessels	$	135,516	47%	101,591	40%
Towing-supply/supply		128,864	44%	120,230	47%
Other (A)		25,714	9%	31,494	3%
Total	$	290,094	100%	253,315	100%

(A) Included in Other are revenues of the company crew/utility and offshore tug classes of vessels.

(12) SUBSEQUENT EVENTS

In July 2012, the company entered into a contract to construct two deepwater PSVs with an international shipyard for approximately $34.0 million and also entered into an agreement to purchase two deepwater PSVs for approximately $56.5 million.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Tidewater Inc.

New Orleans, Louisiana

We have reviewed the accompanying condensed consolidated balance sheet of Tidewater Inc. and subsidiaries (the Company) as of June 30, 2012, and the related condensed consolidated statements of earnings, comprehensive income, cash flows and stockholders equity for the three-month periods ended June 30, 2012 and 2011. These interim financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Tidewater Inc. and subsidiaries as of March 31, 2012, and the related consolidated statements of earnings, stockholders equity and other comprehensive income, and cash flows for the year then ended (not presented herein); and in our report dated May 21, 2012, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of March 31, 2012 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana

August 8, 2012

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

FORWARD-LOOKING STATEMENT

In accordance with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the company notes that this Quarterly Report on Form 10-Q and the information incorporated herein by reference contain certain forward-looking statements which reflect the company s current view with respect to future events and financial performance. All such forward-looking statements are subject to risks and uncertainties, and the company s future results of operations could differ materially from its historical results or current expectations reflected by such forward-looking statements. Some of these risks are discussed in this report and include, without limitation, volatility in worldwide energy demand and oil and gas prices; fleet additions by competitors and industry overcapacity; changes in capital spending by customers in the energy industry for offshore exploration, field development and production; changing customer demands for vessel specifications, which may make some of our older vessels technologically obsolete for certain customer projects or in certain markets; uncertainty of global financial market conditions and difficulty in accessing credit or capital; acts of terrorism and piracy; significant weather conditions; unsettled political conditions, war, civil unrest and governmental actions, such as expropriation, especially in higher political risk countries where we operate; foreign currency fluctuations; labor changes proposed by international conventions; increased regulatory burdens and oversight; and enforcement of laws related to the environment, labor and foreign corrupt practices.

Forward-looking statements, which can generally be identified by the use of such terminology as may, expect, anticipate, estimate, forec believe, think, could, continue, intend, seek, plan, and similar expressions contained in this report, are predictions and not guarantee performance or events. Any forward-looking statements are based on the company s assessment of current industry, financial and economic information, which by its nature is dynamic and subject to rapid and possibly abrupt changes. The company s actual results may differ materially from those stated or implied by such forward-looking statements due to risks and uncertainties associated with our business. While management believes that these forward-looking statements are reasonable when made, there can be no assurance that future developments that affect us will be those that we anticipate and have identified. The forward-looking statements should be considered in the context of the risk factors listed above and discussed in Items 1, 1A, 2 and 7 included in the company s Annual Report on Form 10-K for the year ended March 31, 2012, filed with the Securities and Exchange Commission (SEC) on May 21, 2012, and elsewhere in the Form 10-Q. Investors and prospective investors are cautioned not to rely unduly on such forward-looking statements, which speak only as of the date hereof. Management disclaims any obligation to update or revise any forward-looking statements contained herein to reflect new information, future events or developments.

In certain places in this report, we may refer to reports published by third parties that purport to describe trends or developments in energy production and drilling and exploration activity. The company does so for the convenience of our investors and potential investors and in an effort to provide information available in the market that will lead to a better understanding of the market environment in which the company operates. The company specifically disclaims any responsibility for the accuracy and completeness of such information and undertakes no obligation to update such information.

The following information contained in this Form 10-Q should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in Item 1 of this Quarterly Report and related disclosures and the company s Annual Report on Form 10-K for the year ended March 31, 2012, filed with the SEC on May 21, 2012.

About Tidewater

We provide offshore service vessels and marine support services to the global offshore energy industry through the operation of a diversified fleet of marine service vessels. Tidewater manages and measures its business performance in four distinct operating segments: Americas, Asia/Pacific, Middle East/North Africa, and Sub-Saharan Africa/Europe, and has one of the broadest global operating footprints in the offshore energy industry. We operate vessels in most of the world's significant offshore crude oil and natural gas exploration and production regions. The company is also one of the most experienced international operators in the offshore energy industry having operated in many countries throughout the world over the last six decades. At June 30, 2012, the company had 336 vessels (of which 10 were owned by joint ventures, 66 were stacked and two were withdrawn from service) available to serve the global energy industry. The size and composition of the company s offshore service vessel fleet includes vessels that are operated under joint ventures, as well as vessels that have been stacked or withdrawn from service. The company provides offshore vessel services in support of all phases of offshore exploration, field development and production, including towing of, and anchor handling for, mobile offshore drilling units; transporting supplies and personnel necessary to sustain drilling, workover and production activities; offshore construction, ROV operations, and seismic support; and a variety of specialized services such as pipe and cable laying.

Principal Factors That Drive Our Revenues

The company s revenues, net earnings and cash flows from operations are largely dependent upon the activity level of its offshore marine vessel fleet. As is the case with many other energy service companies, our business activity is largely dependent on the level of drilling and exploration activity of our customers. Our customers business activity, in turn, is dependent on crude oil and natural gas prices, which fluctuate depending on expected future levels of supply and demand for crude oil and natural gas, and on estimates of the cost to find, develop and produce reserves. In addition, after the Deepwater Horizon incident in April 2010, the level of drilling activity off the continental shelf of the United States (U.S.) Gulf Of Mexico (GOM) declined while the U.S. government evaluated the causes of the incident and announced a plan for enhanced regulatory and safety oversight as a condition to granting additional drilling and exploration permits.

The company s revenues in all segments are driven primarily by the company s fleet size, vessel utilization and day rates. Because a sizeable portion of the company s operating costs and its depreciation does not change proportionally with changes in revenue, the company s operating profit is largely dependent on revenue levels.

Principal Factors That Drive Our Operating Costs

Operating costs consist primarily of crew costs, repair and maintenance, insurance and loss reserves, fuel, lube oil and supplies and vessel operating lease expense.

Fleet size, fleet composition, geographic areas of operation, supply and demand for marine personnel, and local labor requirements are the major factors which affect overall crew costs in all segments. In addition, the company s newer, more technologically sophisticated anchor handling towing supply vessels (AHTS) and platform supply vessels (PSVs) generally require a greater number of specially trained, more highly compensated fleet personnel than the company s older, smaller and less sophisticated vessels. Competition for skilled crew personnel has intensified as new-build support vessels currently under construction increase the number of technologically sophisticated offshore vessels operating worldwide. It is expected that crew cost will likely increase as competition for skilled personnel intensifies.

The timing and amount of repair and maintenance costs are influenced by customer demand, vessel age and drydockings mandated by regulatory agencies. A certain number of periodic drydockings are required to meet regulatory requirements. The company will generally incur drydocking costs only if economically justified, taking into consideration the vessel s age, physical condition, contractual obligations, current customer requirements and future marketability. When the company elects to forego a required drydocking, it stacks and occasionally sells the vessel because it is not permitted to work without valid regulatory certifications. When the company drydocks a productive vessel, the company not only foregoes vessel revenues and incurs drydocking costs, but also continues to incur vessel operating and depreciation costs. In any given period, vessel downtime associated with drydockings and major repairs and maintenance can have a significant effect on the company s revenues and operating costs.

At times, vessel drydockings take on an increased significance to the company and its financial performance. Older vessels may require more frequent and more expensive repairs and drydockings. Newer vessels (generally those built after 2000), which now account for a majority of the company s revenues and vessel margin (vessel revenues less vessel operating costs), can also require expensive drydockings, even in the early years of a vessel s useful life, due to the larger relative size and greater relative complexity of these vessels. Conversely, when the company stacks vessels, the number of drydockings in any period could decline. The combination of these factors can affect drydock costs, which are primarily included in repair and maintenance expense, and incrementally increase the volatility of the company s revenues and operating income, thus making period-to-period comparisons more difficult.

Although the company attempts to efficiently manage its fleet drydocking schedule, changes in the demand for (and supply of) shipyard services can result in heavy workloads at shipyards and inflationary pressure on shipyard pricing. In recent years, increases in drydocking costs and days off hire (due to vessels being drydocked) have contributed to volatility in repair and maintenance costs and vessel revenue. In addition, some of the more recently constructed vessels are now experiencing their first or second required regulatory drydockings.

Insurance and loss reserves costs are dependent on a variety of factors, including the company s safety record and pricing in the insurance markets, and can fluctuate over time. The company's vessels are generally insured for up to their estimated fair market value in order to cover damage or loss resulting from marine casualties, adverse weather conditions, mechanical failure, collisions, and property losses to the vessel. The company also purchases coverage for potential liabilities stemming from third-party losses with limits that it believes are reasonable for its operations. Insurance limits are reviewed annually and third-party coverage is purchased based on the expected scope of ongoing operations and the cost of third-party coverage.

Fuel and lube costs can also fluctuate in any given period depending on the number and distance of vessel mobilizations, the number of active vessels off charter, drydockings, and changes in fuel prices.

The company also incurs vessel operating costs that are aggregated as other vessel operating costs. These costs consist of brokers commissions, training costs and other miscellaneous costs. Brokers commissions are incurred primarily in the company s non-United States operations where brokers sometimes assist in obtaining work for the company s vessels. Brokers generally are paid a percentage of day rates and, accordingly, commissions paid to brokers generally fluctuate in accordance with vessel revenue. Other costs include, but are not limited to, satellite communication fees, agent fees, port fees, canal transit fees, vessel certification fees, temporary vessel importation fees and any fines or penalties.

Challenges We Confront as an International Offshore Vessel Company

We operate in many challenging operating environments around the world that present varying degrees of political, social, economic and other uncertainties. We operate in markets where risks of expropriation, confiscation or nationalization of our vessels or other assets, terrorism, piracy, civil unrest, changing foreign currency exchange rates and controls, and changing political conditions, may adversely affect our operations. Although the company takes what it believes to be prudent measures to safeguard its property, personnel and financial condition against these risks, it cannot eliminate entirely the foregoing risks, though the wide geographic dispersal of the company's vessels helps reduce the potential impact of these risks. In addition, immigration, customs, tax and other regulations (and administrative and judicial interpretations thereof) can have a material impact on our ability to work in certain countries and on our operating costs.

In some international operating environments, local customs or laws may require the company to form joint ventures with local owners or use local agents. The company is dedicated to carrying out its international operations in compliance with the rules and regulations of the Office of Foreign Assets Control (OFAC), the Trading with the Enemy Act, the Foreign Corrupt Practices Act (FCPA), and other applicable laws and regulations. The company has adopted policies and procedures to mitigate the risks of violating these rules and regulations.

Sonatide Joint Venture

The company has previously disclosed that its existing Sonatide joint venture agreement with Sonangol had been extended to December 31, 2012 to allow ongoing joint venture restructuring negotiations to continue.

The company is continuing discussions with Sonangol. Important and fundamental issues in the parties efforts to restructure the existing relationship remain outstanding and unresolved. The parties have not made significant progress recently in resolving those issues. If negotiations relating to the Sonatide joint venture are ultimately unsuccessful, the company will work toward an orderly wind up of the joint venture, and the company is preparing itself for that possibility. Based on prior conduct between the parties during this period of uncertainty, we believe, that the joint venture would be allowed to honor existing vessel charter agreements through their contract terms. Even though the global market for offshore supply vessels is currently reasonably well balanced, with offshore vessel supply approximately equal to offshore vessel demand, there would likely be negative financial impacts associated with the wind up of the existing joint venture and the possible redeployment of vessels to other markets, including mobilization costs and costs to redeploy Tidewater shore-based employees to other areas, in addition to lost revenues associated with potential downtime between vessel contracts. These financial impacts could, individually or in the aggregate, be material to our results of operations and cash flows. If there is a need to redeploy vessels which are currently deployed in Angola to other international markets, Tidewater believes that there is sufficient demand for these vessels at prevailing market day rates.

Sonangol has recently expressed a willingness to consider some further contracting activity by the Sonatide joint venture. During the quarter ended June 30, 2012, the Sonatide joint venture entered into seven short term contracts, four of which have now expired. The remaining three contracts will expire on or before December 31, 2012.

During the six months ended June 30, 2012, the company redeployed five vessels from its Angolan operations to other markets. Each of these vessels was redeployed at day rates comparable to, or higher than their respective expiring contracts in Angola, in part because of generally improving markets for these vessels.

For the quarter ended June 30, 2012, Tidewater s Angolan operations generated vessel revenues of approximately $62 million, or 21% of its consolidated vessel revenue, from an average of approximately 88 Tidewater-owned vessels that are marketed through the Sonatide joint venture (10 of which were stacked on average during the quarter ended June 30, 2012), and, for the quarter ended June 30, 2011, generated vessel revenues of approximately $64 million, or 25% of consolidated vessel revenue, from an average of approximately 95 Tidewater-owned vessels (13 of which were stacked on average during the quarter ended June 30, 2011). For the year ended March 31, 2012, Tidewater s Angolan operations generated vessel revenues of approximately $254 million, or 24% of its consolidated vessel revenue, from an average of approximately 93 Tidewater-owned vessels (14 of which were stacked on average in fiscal 2012), and, for the year ended March 31, 2011, generated vessel revenues of approximately $237 million, or 23% of consolidated vessel revenue, from an average of approximately 97 vessels (13 of which were stacked on average in fiscal 2011).

In addition to the company s Angolan operations, which reflect the results of Tidewater-owned vessels marketed through the Sonatide joint venture (owned 49% by Tidewater), ten vessels and other assets are owned by the Sonatide joint venture. As of June 30, 2012 and March 31, 2012, the carrying value of Tidewater's investment in the Sonatide joint venture, which is included in "Investments in, at equity, and advances to unconsolidated companies," is approximately $48 million and $46 million, respectively.

International Labour Organization s Maritime Labour Convention

The International Labour Organization's Maritime Labour Convention, 2006 (the "Convention") seeks to mandate globally, among other things, seafarer working conditions, ship accommodations, wages, conditions of employment, health and other benefits for all ships (and the seafarers on those ships) that are engaged in commercial activities. To date, this Convention has been ratified by 28 countries, namely, Antigua and Barbuda, Australia, the Bahamas, Benin, Bosnia and Herzegovina, Bulgaria, Canada, Croatia, Cyprus, Denmark, Kiribati, Latvia, Liberia, Luxembourg, Marshall Islands, Netherlands, Norway, Palau, Panama, Poland, Saint Kitts and Nevis, St. Vincent and the Grenadines, Singapore, Spain, Sweden, Switzerland, Togo and Tuvalu. Additionally, instruments of ratification have been received, but registration is pending for Gabon. The aforementioned 29 countries represent more than 50% of the world's vessel tonnage. If 30 Member States ratify the Convention, then, within 12 months thereof, the Convention will become law. Even though the company believes that the labor changes proposed by this Convention are unnecessary in light of existing international labor laws that govern many of these issues, and the company continues to work with industry representatives to oppose ratification of this Convention, the company continues to assess its seafarer labor relationships, including benefits provided, and to review its fleet operational practices in light of the Convention requirements. Should this Convention become law, the company and its customers' operations may be negatively affected by future compliance costs.

Macroeconomic Environment and Outlook

The primary driver of our business, and revenues, is the level of our customers capital and operating expenditures for oil and natural gas exploration, field development and production. These expenditures, in turn, generally reflect our customers expectations for future oil and natural gas prices, economic growth, hydrocarbon demand and estimates of current and future oil and natural gas production. The prices of crude oil and natural gas are critical factors in exploration and production (E&P) companies decisions to contract drilling rigs and offshore service vessels in the various international markets or the U.S. GOM, with the various international markets being largely driven by supply and demand for crude oil, and the U.S. GOM being influenced both by the supply and demand for natural gas (primarily in regards to shallow water activity) and the supply and demand for crude oil (primarily in regards to deepwater activity).

Crude oil prices trended downward during the quarter ended June 30, 2012 on concerns that the global economic recovery is losing steam. Renewed concerns regarding prolonged levels of relatively high unemployment in the U.S. and other advanced economies, along with a worsening fiscal and financial uncertainty in certain Euro-zone countries, and inflation risks in emerging economies, have softened global demand for crude oil in the near term. The Organization of Petroleum Exporting Companies (OPEC), at its meeting held in June 2012, stated that because of the downside risks to the global economy in the near term, despite seasonally higher demand, it will maintain current crude oil production levels (approximately 30 mb/d) to ensure that supply and demand for crude oil is balanced. OPEC further expressed that it will strive to meet consumer demand, crude oil market stability, and other coordinated efforts to respond quickly to market developments to ensure balanced global supply of crude oil at a time when, despite the current economic uncertainties, long-term demand for crude oil is expected to grow. Tidewater anticipates that its longer-term utilization and day rate trends for its vessels will continue to be correlated with demand for and the price of crude oil, which in mid-July 2012, was trading around $87 per barrel for West Texas Intermediate (WTI) crude and around $103 per barrel for Intercontinental Exchange (ICE) Brent down from $105 per barrel for WTI and $120 for ICE in mid-April 2012. High crude oil prices generally bode well for increases in drilling and exploration activity, which would support increases in demand for the company s vessels. Conversely, downward pricing trends result in lower E&P expenditures by our customers and accordingly, lower demand for the company s vessels.

Natural gas prices continue to be weak due to the rise in production of unconventional gas resources in North America (in part due to increases in onshore shale production resulting from technological advancements in horizontal drilling and hydraulic fracturing) and the commissioning of a number of new, large, Liquefied Natural Gas (LNG) exporting facilities around the world, which have contributed to an oversupplied natural gas market. The price of natural gas trended slightly higher during the quarter ended June 30, 2012 due to increased demand for natural gas as a result of the industrial sector switching from coal-to-gas. In addition, some production shut-ins of natural gas wells have occurred, but to date such shut-ins have not yet had a significant impact on natural gas pricing, in part because a considerable amount of natural gas is being derived as a byproduct of drilling crude oil and natural gas liquids-oriented wells in liquid rich basins onshore, which is contributing to an oversupplied market. As of mid-July 2012, natural gas was trading in the U.S. in the $2.85 to $2.95 per Mcf range up from the $1.85 to $2.05 range in mid-April 2012. The dynamic of oversupplied natural gas inventories in the U.S. exerts downward pricing pressures on natural gas prices in the U.S. Prolonged increases in the supply of natural gas (whether the supply comes from conventional or unconventional natural gas production or gas produced as a byproduct of crude oil production) generally will continue to suppress prices for natural gas, although over the longer term may also lead to increased demand for the resource. High onshore gas production along with a prolonged downturn in natural gas prices can negatively impact the offshore exploration and development plans of E&P companies, which in turn, would result in a decrease in demand for offshore support vessel services, primarily in the Americas segment (specifically our U.S. operations where natural gas is the relatively more predominant exploitable hydrocarbon resource).

Certain energy industry analysts are reporting in their 2012 Mid-Year E&P Expenditure (both land-based and offshore) Surveys that global capital expenditure budgets for E&P companies are forecast to increase by approximately 11% over calendar year 2011 levels with international spending driving the increase. The surveys forecast that international capital spending budgets will increase 12% (originally forecast at 9% in the year-end 2011 surveys) over calendar year 2011 levels while North American capital spending budgets (primarily oil drilling related as natural gas directed drilling is forecast to decline) are forecast to increase 9% (originally forecast at 11%) over calendar year 2011 levels. It is anticipated by these analysts that the North American capital budget increases will primarily be spent onshore rather than offshore, while international E&P spending is expected to be largely offshore, with the strongest markets expected to include Asia, Latin America, Europe, and the Middle East. Capital expenditure budgets incorporated into the spending surveys were based on an approximate $90 WTI average price per barrel of oil, which is above the current WTI market prices for crude oil. Analysts also report that declines in capital budgets for natural gas-focused spending in North America were offset by higher levels of drilling for oil.

Deepwater activity continues to be a significant segment of the global offshore crude oil and natural gas markets, and deepwater activity has also been a source of growth for the company. Deepwater activity in non-U.S. markets did not experience significant negative effects from the 2008-2009 global economic recession, largely because deepwater oil and gas development typically involves significant capital investment and multi-year development plans. Such projects are generally underwritten by the participating exploration, field development and production companies using relatively conservative assumptions relating to crude oil and natural gas prices. These projects are, therefore, considered less susceptible to short-term fluctuations in the price of crude oil and natural gas. During the past few years, worldwide rig construction increased as rig owners capitalized on the high worldwide demand for drilling and low shipyard and financing costs. Reports published by ODS-Petrodata in mid-July 2012 suggest that the worldwide movable drilling rig count (currently estimated at approximately 860 movable offshore rigs worldwide, approximately 45% of which are designed to operate in deeper waters) will increase as approximately 195 new-build offshore rigs that are currently on order and under construction are delivered, primarily over the next three years. Of the estimated 860 movable offshore rigs worldwide, approximately 640 are currently working. It is further estimated that approximately 50% of the new-build rigs are being built to operate in deeper waters, suggesting that the number of rigs designed to operate in deeper waters could grow in the coming years to nearly 50% of the market. Investment is also being made in the floating production unit market, with approximately 70 new floating production units currently under construction and expected to be delivered primarily over the next three years to supplement the current approximately 355 floating production units worldwide.

According to ODS-Petrodata, the global offshore supply vessel market in mid-July 2012 had approximately 415 new-build offshore support vessels (platform supply vessels and anchor handlers only), under construction that are expected to be delivered to the worldwide offshore vessel market primarily over the next two years. The current worldwide fleet of these classes of vessels is estimated at approximately 2,775 vessels, of which Tidewater estimates more than 10% are stacked.

An increase in worldwide vessel capacity would tend to have the effect of lowering charter rates, particularly when there are lower levels of exploration, field development and production activity. The worldwide offshore marine vessel industry, however, also has a large number of aged vessels including approximately 717 vessels, or 26%, of the worldwide offshore fleet, that are at least 25 years old and nearing or exceeding original expectations of their estimated economic lives. These older vessels, approximately one-third of which Tidewater estimates are already stacked, could potentially be removed from the market within the next few years if the cost of extending the vessels lives is not economically justifiable. Although the future attrition rate of these aging vessels cannot be determined with certainty, the company believes that the retirement of a sizeable portion of these aged vessels could mitigate the potential combined negative effects of new-build vessels on vessel utilization and vessel pricing. Additional vessel demand could also be created by the addition of new drilling rigs and floating production units that are expected to be delivered and become operational over the next few years, which should help minimize the possible negative effects of the new-build offshore support vessels being added to the offshore support vessel fleet.

Fiscal 2013 First Quarter Business Highlights

During the first quarter of fiscal 2013, the company continued to focus on maintaining its competitive advantages and its market share in international markets, and continued to modernize its vessel fleet to increase future earnings capacity while removing from active service certain older, or traditional, vessels that currently have fewer market opportunities. Key elements of the company s strategy continue to be the preservation of its strong financial position and the maintenance of adequate liquidity to fund the expansion of its fleet of newer vessels. Operating management focused on safe operations, minimizing unscheduled downtime, and maintaining disciplined cost control.

At June 30, 2012 the company had 324 owned or chartered vessels (excluding joint-venture vessels and vessels withdrawn from service) in its fleet with an average age of 13.5 years. The average age of 218 newer vessels that have been acquired or constructed since calendar year 2000 as part of the company s new-build and acquisition program is 5.7 years. The remaining 106 vessels have an average age of 29.5 years. During the quarters ended June 30, 2012 and 2011, the company's newer vessels generated $263.3 million and $211.0 million, respectively, of revenue and accounted for 98%, or $121.9 million, and 91%, or $91.7 million, respectively, of total vessel margin (vessel revenues less vessel operating costs). Vessel operating costs exclude depreciation on the company s new vessels of $30.4 million and $26.1 million, respectively, during the same comparative periods.

The company s consolidated net earnings for the first quarter of fiscal 2013 increased 34%, or $8.3 million, as compared to the same period in fiscal 2012, due to a 16% increase in total revenues, which were partially offset by a 9%, or $13.5 million increase in vessel operating costs, an 8%, or $3.1 million, increase in general and administrative costs, and a $3.5 million, or 87%, increase in interest and other debt costs. The company recorded $294.4 million in revenues during the first quarter of fiscal 2013, which is an increase of $39.8 million over the revenue earned during the same period of fiscal 2012.

Vessel revenues generated by the company s Americas segment decreased approximately 4%, or $3.0 million, during the first quarter of fiscal 2013 as compared to the revenues earned during the same period in fiscal 2012, primarily due to $1.3 million and $1.6 million lower revenues earned on the towing supply/supply and other classes of vessels, respectively. Americas-based vessel operating costs decreased 4%, or $1.8 million, during the first quarter of fiscal 2013 as compared to the same period in fiscal 2012.

Vessel revenues generated by our Asia/Pacific segment increased 46%, or $16.2 million, during the first quarter of fiscal 2013 as compared to the revenues earned during the same period in fiscal 2012, due to a 22 percentage point increase in utilization rates and a 50% increase in average day rates on the deepwater vessels along with a 12 percentage point increase in utilization rates and a 14% increase in average day rates on the towing supply/supply vessels. Vessel operating costs for the Asia/Pacific segment increased approximately 26%, or $5.5 million, during the same comparative periods.

Vessel revenues generated by our Middle East/North Africa segment increased approximately 25%, or $6.4 million, during the first quarter of fiscal 2013 as compared to the revenues earned during the same period in fiscal 2012, primarily due to a 20 percentage point increase in utilization rates and a 27% increase in the average day rates on the towing supply/supply vessels operating in this segment. During the first quarter of fiscal 2013, vessel operating costs for the Middle East/North Africa segment were comparable to the vessel operating costs incurred during the same period in fiscal 2012.

Vessel revenues generated by our Sub-Saharan Africa/Europe segment increased 16%, or $17.2 million, during the first quarter of fiscal 2013 as compared to the revenues earned during the same period in fiscal 2012, primarily due to an increase in the number of deepwater vessels operating in this segment resulting from the addition of new vessels, vessels mobilizing into this segment, and because of an approximate 11% increase in average day rates and a three percentage point increase in utilization rates on the deepwater vessels. Vessel operating costs for the Sub-Saharan Africa/Europe segment increased 16%, or $10.1 million, during the same comparative periods.

Other operating revenues increased $3.1 million, during the same comparative periods, while costs of other operating revenues increased $2.3 million during the same comparative periods.

A complete discussion of each of the above segment highlights is included in the Results Of Operations section below.

Results of Operations

During the quarter ended September 30, 2011, our International and United States segments were reorganized to form four new operating segments. We now manage and measure our business performance in four distinct operating segments which are based on our geographical organization: Americas, Asia/Pacific, Middle East/North Africa, and Sub-Saharan Africa/Europe. The following table compares vessel revenues and vessel operating costs (excluding general and administrative expenses, depreciation expense, and gains on asset dispositions, net) for the company s owned and operated vessel fleet and the related percentage of vessel revenue for the quarters ended June 30, 2012 and 2011 and for the quarter ended March 31, 2012:

		Quarter Ended June 30,				Quarter Ended March 31,	
(In thousands)		2012	%	2011	%	2012	%
Vessel revenues:							
Americas	$	77,650	27%	80,677	32%	79,219	27%
Asia/Pacific		51,742	18%	35,499	14%	48,207	17%
Middle East/North Africa		32,450	11%	26,057	10%	30,783	11%
Sub-Saharan Africa/Europe							