

TIDEWATER INC  
Form 10-Q  
November 06, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended September 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  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

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for such shorter period that the registrant was required to submit and post such files). Yes  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  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

49,823,682 shares of Tidewater Inc. common stock \$.10 par value per share were outstanding on October 26, 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  | September 30,<br>2012 | March 31,<br>2012 |
|---|-----------------------|-------------------|
| <b>Current assets:</b>  |                       |                   |
| Cash and cash equivalents   | \$ 136,729            | 320,710           |
| Trade and other receivables, net                                    | 333,284               | 309,468           |
| Marine operating supplies   | 56,131                | 53,850            |
| Other current assets  | 15,637                | 10,072            |
| <b>Total current assets</b>   | <b>541,781</b>        | <b>694,100</b>    |
| Investments in, at equity, and advances to unconsolidated companies | 50,108                | 46,077            |
| <b>Properties and equipment:</b>                                    |                       |                   |
| Vessels and related equipment                                       | 4,063,067             | 3,952,468         |
| Other properties and equipment                                      | 93,893                | 93,107            |
|   | 4,156,960             | 4,045,575         |
| Less accumulated depreciation and amortization                      | 1,144,937             | 1,139,810         |
| <b>Net properties and equipment</b>                                 | <b>3,012,023</b>      | <b>2,905,765</b>  |
| Goodwill  | 297,822               | 297,822           |
| Other assets  | 120,354               | 117,854           |
| <b>Total assets</b>   | <b>\$ 4,022,088</b>   | <b>4,061,618</b>  |

**LIABILITIES AND STOCKHOLDERS EQUITY**

|  |                |                |
|--|----------------|----------------|
| <b>Current liabilities:</b>            |                |                |
| Accounts payable                       | 89,560         | 74,115         |
| Accrued expenses                       | 144,446        | 134,953        |
| Accrued property and liability losses  | 3,395          | 3,636          |
| Other current liabilities              | 26,040         | 26,225         |
| <b>Total current liabilities</b>       | <b>263,441</b> | <b>238,929</b> |
| Long-term debt                         | 890,000        | 950,000        |
| Deferred income taxes                  | 214,515        | 214,627        |
| Accrued property and liability losses  | 3,436          | 3,150          |
| Other liabilities and deferred credits | 130,419        | 128,555        |

Commitments and Contingencies (Note 7)

Stockholders equity:

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|   |              |           |
|---|--------------|-----------|
| Common stock of \$0.10 par value, 125,000,000 shares authorized, issued 49,823,682 shares at September 30, 2012 and 51,250,995 shares at March 31, 2012 | 4,982        | 5,125     |
| Additional paid-in capital  | 112,606      | 102,726   |
| Retained earnings   | 2,421,991    | 2,437,836 |
| Accumulated other comprehensive loss  | (19,302)     | (19,330)  |
| Total stockholders' equity  | 2,520,277    | 2,526,357 |
| Total liabilities and stockholders' equity  | \$ 4,022,088 | 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)

|   | Quarter Ended<br>September 30, |            | Six Months Ended<br>September 30, |            |
|---|--------------------------------|------------|-----------------------------------|------------|
|   | 2012                           | 2011       | 2012                              | 2011       |
| <b>Revenues:</b>                                      |                                |            |                                   |            |
| Vessel revenues                                       | \$ 309,822                     | 248,412    | 599,916                           | 501,727    |
| Other marine revenues                                 | 2,096                          | 2,482      | 6,450                             | 3,774      |
|   | 311,918                        | 250,894    | 606,366                           | 505,501    |
| <b>Costs and expenses:</b>                            |                                |            |                                   |            |
| Vessel operating costs                                | 177,055                        | 161,290    | 342,883                           | 313,592    |
| Costs of other marine revenues                        | 1,585                          | 2,031      | 5,108                             | 3,262      |
| Depreciation and amortization                         | 36,047                         | 33,807     | 71,831                            | 67,556     |
| Goodwill impairment                                   | ---                            | 30,932     | ---                               | 30,932     |
| General and administrative                            | 41,867                         | 37,773     | 82,531                            | 75,354     |
| Gain on asset dispositions, net                       | (1,833)                        | (9,458)    | (2,671)                           | (11,175)   |
|   | 254,721                        | 256,375    | 499,682                           | 479,521    |
| Operating income (loss)                               | 57,197                         | (5,481)    | 106,684                           | 25,980     |
| <b>Other income (expenses):</b>                       |                                |            |                                   |            |
| Foreign exchange gain (loss)                          | 529                            | 1,659      | (1,222)                           | 2,473      |
| Equity in net earnings of unconsolidated companies    | 3,357                          | 3,456      | 5,720                             | 5,945      |
| Interest income and other, net                        | 1,128                          | 766        | 1,847                             | 1,956      |
| Interest and other debt costs                         | (7,148)                        | (4,766)    | (14,735)                          | (8,827)    |
|   | (2,134)                        | 1,115      | (8,390)                           | 1,547      |
| Earnings (loss) before income taxes                   | 55,063                         | (4,366)    | 98,294                            | 27,527     |
| Income tax expense                                    | 13,707                         | 510        | 24,082                            | 7,845      |
| Net earnings (loss)                                   | \$ 41,356                      | (4,876)    | 74,212                            | 19,682     |
| Basic earnings (loss) per common share                | \$ 0.84                        | (0.10)     | 1.49                              | 0.38       |
| Diluted earnings (loss) per common share              | \$ 0.83                        | (0.10)     | 1.48                              | 0.38       |
| Weighted average common shares outstanding            | 49,392,973                     | 51,296,924 | 49,792,212                        | 51,287,644 |
| Dilutive effect of stock options and restricted stock | 232,097                        | ---        | 214,291                           | ---        |
| Adjusted weighted average common shares               | 49,625,070                     | 51,296,924 | 50,006,503                        | 51,287,644 |
| Cash dividends declared per common share              | \$ 0.25                        | 0.25       | 0.50                              | 0.50       |

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

**TIDEWATER INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)

(In thousands, except share and per share data)

|  | Quarter Ended<br>September 30, |         | Six Months Ended<br>September 30, |         |
|--|--------------------------------|---------|-----------------------------------|---------|
|  | 2012                           | 2011    | 2012                              | 2011    |
| Net earnings   | \$ 41,356                      | (4,876) | 74,212                            | 19,682  |
| Other comprehensive income/(loss):                         |                                |         |                                   |         |
| Unrealized gains/(losses) on available-for-sale securities | 419                            | (980)   | (205)                             | (1,001) |
| Amortization of loss on derivative contract                | 117                            | 117     | 233                               | 233     |
| Total comprehensive income                                 | \$ 41,892                      | (5,739) | 74,240                            | 18,914  |

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

**TIDEWATER INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(In thousands)

|   | Six Months Ended<br>September 30, |                  |
|---|-----------------------------------|------------------|
|   | 2012                              | 2011             |
| <b>Operating activities:</b>  |                                   |                  |
| Net earnings  | \$ 74,212                         | 19,682           |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                                   |                  |
| Depreciation and amortization   | 71,831                            | 67,556           |
| Provision (benefit) for deferred income taxes                                       | (4,372)                           | (20,819)         |
| Gain on asset dispositions, net   | (2,671)                           | (11,175)         |
| Goodwill impairment   | ---                               | 30,932           |
| Equity in earnings of unconsolidated companies, net of dividends                    | (4,031)                           | 629              |
| Compensation expense - stock-based  | 10,320                            | 4,944            |
| Excess tax benefits on stock options exercised                                      | (95)                              | (124)            |
| Changes in assets and liabilities, net:   |                                   |                  |
| Trade and other receivables   | (20,707)                          | (15,008)         |
| Marine operating supplies   | (2,281)                           | (2,769)          |
| Other current assets  | (5,565)                           | (4,653)          |
| Accounts payable  | 16,195                            | (1,751)          |
| Accrued expenses  | 6,176                             | 8,204            |
| Accrued property and liability losses   | (241)                             | (21)             |
| Other current liabilities   | 1,134                             | 7,272            |
| Other liabilities and deferred credits  | 3,508                             | 2,639            |
| Other, net  | 2,846                             | 1,644            |
| <b>Net cash provided by operating activities</b>                                    | <b>146,259</b>                    | <b>87,182</b>    |
| <b>Cash flows from investing activities:</b>  |                                   |                  |
| Proceeds from sales of assets   | 9,977                             | 23,392           |
| Additions to properties and equipment   | (189,826)                         | (155,058)        |
| Other   | (1,338)                           | 1,224            |
| <b>Net cash used in investing activities</b>  | <b>(181,187)</b>                  | <b>(130,442)</b> |
| <b>Cash flows from financing activities:</b>  |                                   |                  |
| Principal payments on debt  | (60,000)                          | (40,000)         |
| Debt borrowings   | ---                               | 165,000          |
| Debt issuance costs   | ---                               | (234)            |
| Proceeds from exercise of stock options   | 938                               | 725              |
| Cash dividends  | (25,058)                          | (25,889)         |
| Excess tax benefits on stock options exercised                                      | 95                                | 124              |
| Stock repurchases   | (65,028)                          | ---              |
| <b>Net cash (used in) provided by financing activities</b>                          | <b>(149,053)</b>                  | <b>99,726</b>    |
| <b>Net change in cash and cash equivalents</b>                                      | <b>(183,981)</b>                  | <b>56,466</b>    |
| <b>Cash and cash equivalents at beginning of period</b>                             | <b>320,710</b>                    | <b>245,720</b>   |
| <b>Cash and cash equivalents at end of period</b>                                   | <b>\$ 136,729</b>                 | <b>302,186</b>   |



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Supplemental disclosure of cash flow information:

Cash paid during the period for:

|                                       |    |        |        |
|---------------------------------------|----|--------|--------|
| Interest                              | \$ | 19,259 | 19,605 |
| Income taxes                          | \$ | 27,075 | 24,444 |
| Non-cash investing activities:        |    |        |        |
| Additions to properties and equipment | \$ | 6,724  | 11,833 |

See Notes to Unaudited Condensed Consolidated Financial Statements.

**TIDEWATER INC.****CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(Unaudited)

(In thousands)

|   | Common<br>stock | Additional<br>paid-in<br>capital | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>loss | Total     |
|---|-----------------|----------------------------------|----------------------|---|-----------|
| <b>Balance at March 31, 2012</b>                    | \$ 5,125        | 102,726                          | 2,437,836            | (19,330)                                      | 2,526,357 |
| Total comprehensive income                          | ---             | ---                              | 74,212               | 28  | 74,240    |
| Stock option activity                               | 3               | 2,148                            | ---                  | ---   | 2,151     |
| Cash dividends declared                             | ---             | ---                              | (25,169)             | ---   | (25,169)  |
| Retirement of common stock                          | (140)           | ---                              | (64,888)             | ---   | (65,028)  |
| Amortization/cancellation of restricted stock units | ---             | 3,867                            | ---                  | ---   | 3,867     |
| Amortization/cancellation of restricted stock       | (6)             | 3,865                            | ---                  | ---   | 3,859     |
| <b>Balance at September 30, 2012</b>                | \$ 4,982        | 112,606                          | 2,421,991            | (19,302)                                      | 2,520,277 |
| <b>Balance at March 31, 2011</b>                    | \$ 5,188        | 90,204                           | 2,436,736            | (18,184)                                      | 2,513,944 |
| Total comprehensive income                          | ---             | ---                              | 19,682               | (768)   | 18,914    |
| Issuance of restricted stock                        | 2               | ---                              | ---                  | ---   | 2         |
| Stock option activity                               | ---             | 2,882                            | ---                  | ---   | 2,882     |
| Cash dividends declared                             | ---             | ---                              | (25,944)             | ---   | (25,944)  |
| Amortization/cancellation of restricted stock       | ---             | 2,762                            | ---                  | ---   | 2,762     |
| <b>Balance at September 30, 2011</b>                | \$ 5,190        | 95,848                           | 2,430,474            | (18,952)                                      | 2,512,560 |

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

**TIDEWATER INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(1) INTERIM FINANCIAL 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.

**Reclassifications**

The company made certain reclassifications to prior period amounts to conform to the current year presentation. These reclassifications did not have a material effect on the consolidated statement of financial position, results of operations or cash flows.

**(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 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 evaluates share repurchase opportunities relative to other investment opportunities and in the context of current conditions in the credit and capital markets. At September 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 \$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 authorized.

The aggregate cost of common stock repurchased, along with number of shares repurchased, and average price paid per share is as follows:

| (In thousands, except share and per share data) | Quarter Ended<br>September 30, |      | Six Months Ended<br>September 30, |           |     |
|---|--------------------------------|------|-----------------------------------|-----------|-----|
|   | 2012                           | 2011 | 2012                              | 2011      |     |
| Aggregate cost 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

**Dividends**

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 and six-month periods ended September 30:

| (In thousands, except dividend per share) | Quarter Ended<br>September 30, |        | Six Months Ended<br>September 30, |        |
|---|--------------------------------|--------|-----------------------------------|--------|
|   | 2012                           | 2011   | 2012                              | 2011   |
| Dividends declared                        | \$ 12,544                      | 12,975 | 25,169                            | 25,944 |
| Dividend per share                        | 0.25                           | 0.25   | 0.50                              | 0.50   |

**(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 and the six-month periods ended September 30, is as follows:

|   | Quarter Ended<br>September 30, |       | Six Months Ended<br>September 30, |       |
|---|--------------------------------|-------|-----------------------------------|-------|
|   | 2012                           | 2011  | 2012                              | 2011  |
| Effective tax rate applicable to pre-tax earnings | 24.9%                          | 11.7% | 24.5%                             | 28.5% |

The effective tax rate was lower during the six months ended September 30, 2012, as compared to the six months ended September 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 24.5% effective tax rate for the six months ended September 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 September 30, 2012 reflects the following in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*:

| (In thousands)                              | September 30,<br>2012 |
|---|-----------------------|
| Tax liabilities for uncertain tax positions | \$ 15,970             |
| 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.

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Unrecognized tax benefits, which would lower the effective tax rate if realized at September 30, 2012, are as follows:

| (In thousands)  | September 30,<br>2012 |
|---|-----------------------|
| Unrecognized tax benefit related to state tax issues                        | \$ 8,736              |
| Interest receivable on unrecognized tax benefit related to state tax issues | 64                    |

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.

## TIDEWATER INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## (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 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 and six-month periods ended September 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 executive 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 and six-month periods ended September 30, 2012 and 2011.

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 an estimated \$12.6 million lump sum distribution in full settlement and discharge of his supplemental executive retirement plan benefit. 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 at fair value. The following table summarizes the carrying value of the trust assets, including unrealized gains or losses at September 30, 2012 and March 31, 2012:

| (In thousands)   | September 30,<br>2012 | March 31,<br>2012 |
|--|-----------------------|-------------------|
| Investments held in Rabbi Trust  | \$ 16,904             | 17,366            |
| Unrealized gains (losses) in fair value of trust assets                                  | 46                    | 251               |
| Unrealized gains (losses) in fair value of trust assets are net of income tax expense of | 25                    | 135               |
| Obligations under the supplemental plan  | 32,063                | 30,633            |

The unrealized gains or losses in the fair 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.





## TIDEWATER INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**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.

**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<br>September 30, |              | Six Months Ended<br>September 30, |              |
|------------------------------------|--------------------------------|--------------|-----------------------------------|--------------|
|                                    | 2012                           | 2011         | 2012                              | 2011         |
| <b><u>Pension Benefits:</u></b>    |                                |              |                                   |              |
| Service cost                       | \$ 273                         | 219          | 546                               | 438          |
| Interest cost                      | 1,072                          | 1,103        | 2,144                             | 2,206        |
| Expected return on plan assets     | (687)                          | (644)        | (1,374)                           | (1,288)      |
| Amortization of prior service cost | 12                             | 12           | 24                                | 24           |
| Recognized actuarial loss          | 448                            | 440          | 896                               | 880          |
| <b>Net periodic benefit cost</b>   | <b>\$ 1,118</b>                | <b>1,130</b> | <b>2,236</b>                      | <b>2,260</b> |
| <b><u>Other Benefits:</u></b>      |                                |              |                                   |              |
| Service cost                       | \$ 119                         | 139          | 238                               | 278          |
| Interest cost                      | 309                            | 345          | 618                               | 690          |
| Amortization of prior service cost | (508)                          | (508)        | (1,016)                           | (1,016)      |
| Recognized actuarial (gain) loss   | ---                            | (1)          | ---                               | (2)          |
| <b>Net periodic benefit cost</b>   | <b>\$ (80)</b>                 | <b>(25)</b>  | <b>(160)</b>                      | <b>(50)</b>  |

**(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.

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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. Approximately \$140 million of principal repayments due in the quarter ending September 30, 2013 are classified as long term debt in the accompanying balance sheet at September 30, 2012 because the company has the ability and intent to fund this with the revolver.

## TIDEWATER INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The company has \$125 million in term loan borrowings outstanding at September 30, 2012 (whose fair value approximates the carrying value because the borrowings bear interest at variable Eurodollar rates plus a margin on leverage), and the entire \$450 million of the revolver was available for future financing needs, with no outstanding borrowings at September 30, 2012, or March 31, 2012 (Level 2 inputs as defined in the accounting guidance).

**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).

**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 September 30, 2012 and March 31, 2012, is as follows:

| (In thousands, except weighted average data)      | September 30,<br>2012 | March 31,<br>2012 |
|---|-----------------------|-------------------|
| Aggregate debt outstanding                        | \$ 165,000            | 165,000           |
| Weighted average remaining life in years          | 8.1                   | 8.6               |
| Weighted average coupon rate on notes outstanding | 4.42%                 | 4.42%             |
| Fair value of debt outstanding                    | 181,716               | 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 September 30, 2012 and March 31, 2012, is as follows:

| (In thousands, except weighted average data)      | September 30,<br>2012 | March 31,<br>2012 |
|---|-----------------------|-------------------|
| Aggregate debt outstanding                        | \$ 425,000            | 425,000           |
| Weighted average remaining life in years          | 7.1                   | 7.6               |
| Weighted average coupon rate on notes outstanding | 4.25%                 | 4.25%             |
| Fair value of debt outstanding                    | 463,344               | 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%.

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Included in accumulated other comprehensive income at September 30, 2012 and March 31, 2012, is an after-tax loss of \$3.1 million (\$4.8 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.

## TIDEWATER INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*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 September 30, 2012 and March 31, 2012, is as follows:

| (In thousands, except weighted average data)      | September 30,<br>2012 | March 31,<br>2012 |
|---|-----------------------|-------------------|
| Aggregate debt outstanding                        | \$ 175,000            | 235,000           |
| Weighted average remaining life in years          | 1.2                   | 1.4               |
| Weighted average coupon rate on notes outstanding | 4.47%                 | 4.43%             |
| Fair value of debt outstanding                    | 180,332               | 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%.

**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 and the six-month periods ended September 30, are as follows:

| (In thousands)  | Quarter Ended<br>September 30, |       | Six Months Ended<br>September 30, |        |
|---|--------------------------------|-------|-----------------------------------|--------|
|   | 2012                           | 2011  | 2012                              | 2011   |
| Interest and debt costs incurred, net of interest capitalized | \$ 7,148                       | 4,766 | 14,735                            | 8,827  |
| Interest costs capitalized                                    | 2,913                          | 4,188 | 5,736                             | 8,598  |
| Total interest and debt costs                                 | \$ 10,061                      | 8,954 | 20,471                            | 17,425 |

**(6) EARNINGS PER SHARE**

The components of basic and diluted earnings per share for the quarters and the six-month periods ended September 30, are as follows:

| (In thousands, except share and per share data)                | Quarter Ended<br>September 30, |            | Six Months Ended<br>September 30, |            |
|--|--------------------------------|------------|-----------------------------------|------------|
|  | 2012                           | 2011       | 2012                              | 2011       |
| Net Income available to common shareholders (A)                | \$ 41,356                      | (4,876)    | 74,212                            | 19,682     |
| Weighted average outstanding shares of common stock, basic (B) | 49,392,973                     | 51,296,924 | 49,792,212                        | 51,287,644 |
|  | 232,097                        | ---        | 214,291                           | ---        |

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### Dilutive effect of options and restricted stock awards and units

|  |            |            |            |            |
|--|------------|------------|------------|------------|
| Weighted average common stock and equivalents (C)                      | 49,625,070 | 51,296,924 | 50,006,503 | 51,287,644 |
| Earnings per share, basic (A/B)  | \$ 0.84    | (0.10)     | 1.49       | 0.38       |
| Earnings per share, diluted (A/C)                                      | \$ 0.83    | (0.10)     | 1.48       | 0.38       |
| <b>Additional information:</b>   |            |            |            |            |
| Antidilutive incremental options and restricted stock awards and units | 54,694     | 281,129    | 51,864     | 298,328    |

## TIDEWATER INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## (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 September 30, 2012:

| (In thousands, except vessel count)     | Number<br>of<br>Vessels | Total<br>Cost     | Invested<br>Through<br>09/30/12 | Remaining<br>Balance<br>09/30/12 |
|---|-------------------------|-------------------|---------------------------------|----------------------------------|
| <b>Vessels under construction:</b>      |                         |                   |                                 |                                  |
| Deepwater platform supply vessels       | 17                      | \$ 541,596        | 188,160                         | 353,436                          |
| Towing-supply/supply                    | 4                       | 75,072            | 13,811                          | 61,261                           |
| Crewboats and other                     | 7                       | 72,692            | 41,760                          | 30,936                           |
| <b>Total vessels under construction</b> | <b>28</b>               | <b>688,854</b>    | <b>243,731</b>                  | <b>445,633</b>                   |
| <b>Vessels to be purchased:</b>         |                         |                   |                                 |                                  |
| Deepwater platform supply vessels       | 2                       | 47,476            | 7,043                           | 40,433                           |
| <b>Total vessels to be purchased</b>    | <b>2</b>                | <b>47,476</b>     | <b>7,043</b>                    | <b>40,433</b>                    |
| <b>Total vessel commitments</b>         | <b>30</b>               | <b>\$ 736,840</b> | <b>250,774</b>                  | <b>485,066</b>                   |

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. The deepwater vessels under construction range between 3,000 and 6,360 deadweight tons (DWT) of cargo capacity, while the towing supply/supply vessels under construction have 7,100 brake horsepower (BHP). Scheduled delivery for the new-build vessels will begin in October 2012, with delivery of the final new-build vessel expected in January 2015.

Regarding the vessels to be purchased, the company took possession of both PSVs in October 2012. The first PSV has 3,500 DWTs of cargo capacity and the second PSV has 3,100 DWTs of cargo capacity. As of September 30, 2012, the company had invested \$7.0 million to acquire these two vessels.

With its commitment to modernizing its fleet through its vessel construction and acquisition program over the past decade, the company is replacing its older fleet of vessels with fewer, larger and more efficient vessels, while also enhancing the size and capabilities of the company's fleet. These efforts will continue, with the company anticipating that it will use its 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.

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

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progress payments made on this vessel, or all but approximately \$2.4 million of the carrying value of the accumulated costs through September 30, 2012.

The company generally requires shipyards to provide third party credit support in the event that vessels are not completed and delivered timely and 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



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**TIDEWATER INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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 minimizing pre-delivery payments and through other contract terms with the shipyard.

Two vessels under construction at a domestic shipyard have fallen substantially behind schedule. The shipyard 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, the company and the shipyard reached an agreement during the quarter ended September 30, 2012 which includes an increase in the contract price of each vessel, one or more change orders for each hull, among other modifications to the contract terms and the extension of the delivery dates of the two vessels by approximately seven and eight months, respectively.

**Merchant Navy Officers Pension Fund**

A 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 (MNOF). The company has been informed by the Trustee of the MNOF 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 MNOF based on assessments was \$4.1 million and \$6.7 million at September 30, 2012 and March 31, 2012, respectively, all of which has been accrued. No additional liabilities were recorded during the six months ended September 30, 2012, and \$2.5 million of payments were made during the six months ended September 30, 2012. Payments totaling \$2.0 million were made into the fund during the quarter ended September 30, 2011.

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 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 to \$4.1 million as of September 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 to restructure the existing joint venture and overall commercial relationship, although important and fundamental issues in the parties' efforts to restructure the existing relationship remain outstanding and unresolved. While the parties had several constructive meetings during the quarter ended September 30, 2012, the parties did not make significant progress during the quarter 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,

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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 for the periods when such costs would be absorbed. 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 continues to express a willingness to consider some further contracting activity by the Sonatide joint venture. During the quarter ended September 30, 2012, the Sonatide joint venture entered into two short term contracts, both of which have now expired.

During the nine months ended September 30, 2012, the company redeployed vessels from its Angolan operations to other markets and also transferred vessels into its Angolan operations from other markets. The net reduction in the number of vessels operating in its Angolan operations during this nine month period was not significant. The vessels that were redeployed outside its Angolan operations during the nine months ended September 30, 2012 were chartered at new day rates that were comparable to, or higher than their respective expiring contracts in Angola, in part because of generally improving markets for these vessels.

For the six months ended September 30, 2012, Tidewater's Angolan operations generated vessel revenues of approximately \$134.3 million, or 22%, of its consolidated vessel revenue, from an average of approximately 86 Tidewater-owned vessels that are marketed through the Sonatide joint venture (11 of which were stacked on average during the six months ended September 30, 2012), and, for the six months ended September 30, 2011, generated vessel revenues of approximately \$127.8 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 six months ended September 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 September 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 \$50 million and \$46 million, respectively.

**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 \$76.4 million as of September 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,

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

an administrative appeals board issued a decision that disallowed 149.0 million Brazilian reais (approximately \$73.4 million as of September 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 September 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.

The company's two Brazilian subsidiaries 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 September 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.

**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 provides 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



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**TIDEWATER INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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 prior to the end 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.

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.

## TIDEWATER INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**(8) FAIR VALUE MEASUREMENTS**

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 September 30, 2012:

| (In thousands)                         | Total     | Quoted prices in<br>active markets<br>(Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |
|--|-----------|---|--|--|
| <b>Equity securities:</b>              |           |   |  |  |
| Common stock                           | \$ 7,976  | 7,976   | ---  | ---  |
| Preferred stock                        | 11        | 11  | ---  | ---  |
| Foreign stock                          | 620       | 620   | ---  | ---  |
| American depository receipts           | 1,943     | 1,893   | 50   | ---  |
| Preferred American depository receipts | 9         | 9   | ---  | ---  |
| Real estate investment trusts          | 90        | 90  | ---  | ---  |
| <b>Debt securities:</b>                |           |   |  |  |
| Government debt securities             | 2,833     | 1,069   | 1,764  | ---  |
| Open ended mutual funds                | 2,649     | 2,649   | ---  | ---  |
| Cash and cash equivalents              | 883       | (40)  | 923  | ---  |
| <b>Total</b>                           | \$ 17,014 | 14,277  | 2,737  | ---  |
| Other pending transactions             | (110)     | (110)   | ---  | ---  |
| <b>Total fair value of plan assets</b> | \$ 16,904 | 14,167  | 2,737  | ---  |



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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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<br>active markets<br>(Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |
|--|------------------|---|--|--|
| <b>Equity securities:</b>              |                  |   |  |  |
| 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   | ---  | ---  |
| <b>Debt securities:</b>                |                  |   |  |  |
| Government debt securities             | 2,891            | 1,219   | 1,672  | ---  |
| Open ended mutual funds                | 2,690            | 2,690   | ---  | ---  |
| Cash and cash equivalents              | 922              | 401   | 521  | ---  |
| <b>Total</b>                           | <b>\$ 17,618</b> | <b>15,367</b>                                   | <b>2,251</b>                                     | <b>---</b>   |
| Other pending transactions             | (252)            | (252)   | ---  | ---  |
| <b>Total fair value of plan assets</b> | <b>\$ 17,366</b> | <b>15,115</b>                                   | <b>2,251</b>                                     | <b>---</b>   |

**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 seven foreign exchange spot contracts outstanding at September 30, 2012 which totaled an aggregate notional value of \$1.6 million. These seven spot contracts settled by October 2, 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.



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**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 using the market approach and obtaining broker quotations. As such, these derivative contracts are classified as Level 2.

At September 30, 2012, the company had four British pound forward contracts outstanding, which are 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 have

## TIDEWATER INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

expiration dates between March 20, 2013 and September 30, 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 six months ended September 30, 2012, because the 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 were 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 September 30, 2012:

| (In thousands)                                       | Total            | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|--|------------------|---|---|---|
| Cash equivalents                                     | \$ 77,439        | 77,439                                    | ---                                     | ---                                       |
| Long-term British pound forward derivative contracts | 4,571            | ---                                       | 4,571                                   | ---                                       |
| <b>Total fair value of assets</b>                    | <b>\$ 82,010</b> | <b>77,439</b>                             | <b>4,571</b>                            | <b>---</b>                                |

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                                   | ---                                       |
| <b>Total fair value of assets</b>                    | <b>\$ 295,488</b> | <b>288,446</b>                            | <b>7,042</b>                            | <b>---</b>                                |

#### 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

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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

## TIDEWATER INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 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 and the six-month periods ended September 30, 2012 and 2011, along with the amount of impairment. The impairment charges were recorded in gain on asset dispositions, net.

| (In thousands, except number of assets)            | Quarter Ended         |                       | Six Months Ended      |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September 30,<br>2012 | September 30,<br>2011 | September 30,<br>2012 | September 30,<br>2011 |
| Amount of impairment incurred                      | \$ 790                | 256                   | 3,564                 | 2,570                 |
| Combined fair value of assets incurring impairment | 1,192                 |                       | 8,602                 | 3,913                 |

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

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

| (In thousands)                      | September 30,<br>2012 | March 31,<br>2012 |
|-------------------------------------|-----------------------|-------------------|
| Recoverable insurance losses        | \$ 3,436              | 3,150             |
| Deferred income tax assets          | 68,350                | 64,090            |
| Deferred finance charges            | 5,935                 | 6,797             |
| Savings plans and supplemental plan | 29,564                | 29,538            |
| Noncurrent tax receivable           | 9,106                 | 9,106             |
| Other                               | 3,963                 | 5,173             |
|                                     | \$ 120,354            | 117,854           |

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

| (In thousands)               | September 30,<br>2012 | March 31,<br>2012 |
|------------------------------|-----------------------|-------------------|
| Payroll and related payables | \$ 31,392             | 31,729            |
| Commissions payable          | 15,390                | 14,309            |
| Accrued vessel expenses      | 83,900                | 76,078            |
| Accrued interest expense     | 8,085                 | 8,095             |

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|                        |            |         |
|------------------------|------------|---------|
| Other accrued expenses | 5,679      | 4,742   |
|                        | \$ 144,446 | 134,953 |

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

| (In thousands)             | September 30,<br>2012 | March 31,<br>2012 |
|----------------------------|-----------------------|-------------------|
| Taxes payable              | \$ 24,608             | 23,791            |
| Deferred credits - current | 1,165                 | 2,278             |
| Dividend payable           | 267                   | 156               |
|                            | \$ 26,040             | 26,225            |

## TIDEWATER INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

| (In thousands)                    | September 30,<br>2012 | March 31,<br>2012 |
|-----------------------------------|-----------------------|-------------------|
| Postretirement benefits liability | \$ 27,946             | 27,809            |
| Pension liabilities               | 43,150                | 40,875            |
| Deferred gain on vessel sales     | 39,568                | 39,568            |
| Other                             | 19,755                | 20,303            |
|                                   | \$ 130,419            | 128,555           |

**(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 AND GEOGRAPHIC DISTRIBUTION OF OPERATIONS**

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.

## TIDEWATER INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

We manage and measure our business performance in four distinct operating segments: Americas, Asia/Pacific, Middle East/North Africa, and Sub-Saharan Africa/Europe. These 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.

The following table provides a comparison of revenues, vessel operating profit, depreciation and amortization, and additions to properties and equipment for the quarters and the six-month periods ended September 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.

| (In thousands)                                     | Quarter Ended<br>September 30, |          | Six Months Ended<br>September 30, |          |
|--|--------------------------------|----------|-----------------------------------|----------|
|  | 2012                           | 2011     | 2012                              | 2011     |
| <b>Revenues:</b>                                   |                                |          |                                   |          |
| <b>Vessel revenues:</b>                            |                                |          |                                   |          |
| Americas   | \$ 82,316                      | 81,892   | 159,966                           | 162,569  |
| Asia/Pacific                                       | 45,738                         | 29,127   | 97,480                            | 64,626   |
| Middle East/N. Africa                              | 32,051                         | 24,810   | 64,501                            | 50,867   |
| Sub-Saharan Africa/Europe                          | 149,717                        | 112,583  | 277,969                           | 223,665  |
|  | 309,822                        | 248,412  | 599,916                           | 501,727  |
| Other operating revenues                           | 2,096                          | 2,482    | 6,450                             | 3,774    |
|  | \$ 311,918                     | 250,894  | 606,366                           | 505,501  |
| <b>Vessel operating profit:</b>                    |                                |          |                                   |          |
| Americas   | \$ 9,506                       | 9,530    | 19,698                            | 21,384   |
| Asia/Pacific                                       | 7,826                          | (4,776)  | 22,734                            | 494      |
| Middle East/N. Africa                              | 6,280                          | (996)    | 12,562                            | (968)    |
| Sub-Saharan Africa/Europe                          | 44,330                         | 21,631   | 71,426                            | 43,855   |
|  | 67,942                         | 25,389   | 126,420                           | 64,765   |
| Corporate expenses                                 | (12,484)                       | (9,361)  | (22,951)                          | (18,882) |
| Goodwill impairment                                |                                | (30,932) |                                   | (30,932) |
| Gain on asset dispositions, net                    | 1,833                          | 9,458    | 2,671                             | 11,175   |
| Other operating expense                            | (94)                           | (35)     | 544                               | (146)    |
| Operating income (loss)                            | \$ 57,197                      | (5,481)  | 106,684                           | 25,980   |
| Foreign exchange gain (loss)                       | 529                            | 1,659    | (1,222)                           | 2,473    |
| Equity in net earnings of unconsolidated companies | 3,357                          | 3,456    | 5,720                             | 5,945    |
| Interest income and other, net                     | 1,128                          | 766      | 1,847                             | 1,956    |
| Interest and other debt costs                      | (7,148)                        | (4,766)  | (14,735)                          | (8,827)  |
| Earnings (loss) before income taxes                | \$ 55,063                      | (4,366)  | 98,294                            | 27,527   |

Depreciation and amortization:



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|  |    |         |        |         |         |
|--|----|---------|--------|---------|---------|
| Americas                               | \$ | 10,629  | 9,800  | 20,721  | 19,294  |
| Asia/Pacific                           |    | 4,833   | 5,039  | 9,946   | 10,153  |
| Middle East/N. Africa                  |    | 4,388   | 4,138  | 8,467   | 8,740   |
| Sub-Saharan Africa/Europe              |    | 15,309  | 13,849 | 30,802  | 27,595  |
| Corporate                              |    | 888     | 981    | 1,895   | 1,774   |
|  | \$ | 36,047  | 33,807 | 71,831  | 67,556  |
| Additions to properties and equipment: |    |         |        |         |         |
| Americas                               | \$ | 25,118  | 2,072  | 41,896  | 4,318   |
| Asia/Pacific                           |    | 5,071   | 277    | 5,165   | 857     |
| Middle East/N. Africa                  |    | 721     | 705    | 1,795   | 1,153   |
| Sub-Saharan Africa/Europe              |    | 36,659  | 2,540  | 48,534  | 6,822   |
| Corporate (A)                          |    | 44,194  | 91,645 | 88,285  | 153,741 |
|  | \$ | 111,763 | 97,239 | 185,675 | 166,891 |

(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 September 30, 2012 and March 31, 2012:

| (In thousands)  | September 30,<br>2012 | March 31,<br>2012 |
|---|-----------------------|-------------------|
| <b>Total assets:</b>  |                       |                   |
| Americas  | \$ 1,023,442          | 1,031,962         |
| Asia/Pacific  | 613,480               | 654,357           |
| Middle East/North Africa  | 449,452               | 405,625           |
| Sub-Saharan Africa/Europe   | 1,456,216             | 1,519,124         |
|   | 3,542,590             | 3,611,068         |
| Investments in, at equity, and advances to unconsolidated companies | 50,108                | 46,077            |
|   | 3,592,698             | 3,657,145         |
| Corporate (A)   | 429,390               | 404,473           |
|   | \$ 4,022,088          | 4,061,618         |

Note 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 September 30, 2012 and March 31, 2012, \$242.8 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 and the six-month periods ended September 30, 2012 and 2011:

| Revenue by vessel class<br>(In thousands) | Quarter Ended<br>September 30, |            |               |            | Six Months Ended<br>September 30, |            |                |            |
|---|--------------------------------|------------|---------------|------------|-----------------------------------|------------|----------------|------------|
|   | 2012                           | %          | 2011          | %          | 2012                              | %          | 2011           | %          |
| <b>Americas fleet:</b>                    |                                |            |               |            |                                   |            |                |            |
| Deepwater vessels                         | \$ 44,747                      | 14%        | 36,639        | 15%        | 81,027                            | 14%        | 73,044         | 15%        |
| Towing-supply/supply                      | 31,109                         | 10%        | 36,648        | 15%        | 65,461                            | 11%        | 72,334         | 14%        |
| Other                                     | 6,460                          | 2%         | 8,605         | 3%         | 13,478                            | 2%         | 17,191         | 3%         |
| <b>Total</b>                              | <b>\$ 82,316</b>               | <b>27%</b> | <b>81,892</b> | <b>33%</b> | <b>159,966</b>                    | <b>27%</b> | <b>162,569</b> | <b>32%</b> |
| <b>Asia/Pacific fleet:</b>                |                                |            |               |            |                                   |            |                |            |
| Deepwater vessels                         | \$ 24,592                      | 8%         | 12,264        | 5%         | 49,929                            | 8%         | 28,193         | 6%         |
| Towing-supply/supply                      | 20,229                         | 7%         | 15,870        | 6%         | 45,729                            | 8%         | 34,314         | 7%         |
| Other                                     | 917                            | <1%        | 993           | <1%        | 1,822                             | <1%        | 2,119          | <1%        |
| <b>Total</b>                              | <b>\$ 45,738</b>               | <b>15%</b> | <b>29,127</b> | <b>12%</b> | <b>97,480</b>                     | <b>16%</b> | <b>64,626</b>  | <b>13%</b> |
| <b>Middle East/N. Africa fleet:</b>       |                                |            |               |            |                                   |            |                |            |
| Deepwater vessels                         | \$ 12,275                      | 4%         | 11,782        | 5%         | 23,559                            | 4%         | 22,533         | 4%         |
| Towing-supply/supply                      | 18,859                         | 6%         | 11,616        | 5%         | 38,859                            | 6%         | 25,090         | 5%         |
| Other                                     | 917                            | <1%        | 1,412         | 1%         | 2,083                             | <1%        | 3,244          | 1%         |
| <b>Total</b>                              | <b>\$ 32,051</b>               | <b>10%</b> | <b>24,810</b> | <b>10%</b> | <b>64,501</b>                     | <b>10%</b> | <b>50,867</b>  | <b>10%</b> |
| <b>Sub-Saharan Africa/Europe fleet:</b>   |                                |            |               |            |                                   |            |                |            |

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|                         |    |         |      |         |      |         |      |         |      |
|-------------------------|----|---------|------|---------|------|---------|------|---------|------|
| Deepwater vessels       | \$ | 67,696  | 22%  | 45,605  | 18%  | 130,311 | 22%  | 84,111  | 17%  |
| Towing-supply/supply    |    | 63,548  | 20%  | 48,698  | 20%  | 112,560 | 20%  | 101,324 | 20%  |
| Other                   |    | 18,473  | 6%   | 18,280  | 7%   | 35,098  | 6%   | 38,230  | 8%   |
| Total                   | \$ | 149,717 | 48%  | 112,583 | 45%  | 277,969 | 47%  | 223,665 | 45%  |
| <b>Worldwide fleet:</b> |    |         |      |         |      |         |      |         |      |
| Deepwater vessels       | \$ | 149,310 | 48%  | 106,290 | 43%  | 284,826 | 47%  | 207,881 | 41%  |
| Towing-supply/supply    |    | 133,745 | 43%  | 112,832 | 45%  | 262,609 | 44%  | 233,062 | 46%  |
| Other                   |    | 26,767  | 9%   | 29,290  | 12%  | 52,481  | 9%   | 60,784  | 12%  |
| Total                   | \$ | 309,822 | 100% | 248,412 | 100% | 599,916 | 100% | 501,727 | 100% |

## TIDEWATER INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**(12) GOODWILL**

The company tests goodwill for impairment annually at the reporting unit level using carrying amounts as of December 31 or more frequently if events and circumstances indicate that goodwill might be impaired.

During fiscal 2012, the company changed its reportable segments during the quarter ended September 30, 2011 from International and United States to Americas, Asia/Pacific, Middle East/North Africa, and Sub-Saharan Africa/Europe. The company performed an interim goodwill impairment assessment prior to changing its reportable segments and determined there was no goodwill impairment.

Goodwill of approximately \$49.4 million historically assigned to the United States segment was assigned to the Americas segment. Goodwill of approximately \$279.4 million historically assigned to the International segment was allocated among the new reportable segments based on their relative fair values.

The company also performed an interim goodwill impairment assessment on the new reporting units using September 30, 2011 carrying values as prescribed in ASC 350, *Intangibles-Goodwill and Other* (ASC 350) and determined on the basis of the step one of the goodwill impairment test that the carrying value of its Middle East/North Africa unit exceeded its fair value thus triggering the second step of the goodwill analysis as then prescribed by ASC 350. An estimated goodwill impairment charge of \$30.9 million was recorded during the quarter ended September 30, 2011. Step two of the assessment was completed during the quarter ended December 31, 2011 and there was no further adjustment to goodwill.

Goodwill by reportable segment at September 30, 2012 and at March 31, 2012 is as follows:

| (In thousands)            | September 30,<br>2012 | March 31,<br>2012 |
|---------------------------|-----------------------|-------------------|
| Americas                  | \$ 114,237            | 114,237           |
| Asia/Pacific              | 56,283                | 56,283            |
| Middle East/N. Africa     | ---                   | ---               |
| Sub-Saharan Africa/Europe | 127,302               | 127,302           |
|                           | \$ 297,822            | 297,822           |

**(13) SUBSEQUENT EVENTS**

During October 2012, the company elected to repurchase, for a total \$8.4 million, a platform supply vessel that it had sold and leased back during fiscal 2006. Please refer to the *Off-Balance Sheet Arrangements* section of Management Discussion and Analysis in Item 2 of this report for a discussion on the company's sale/leaseback vessels.

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**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 September 30, 2012, and the related condensed consolidated statements of earnings, comprehensive income, cash flows, and stockholders' equity for the three-month and six-month periods ended September 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

November 6, 2012

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**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, forecast, believe, think, could, continue, intend, seek, plan, and similar expressions contained in this report, are predictions and not guaranteed 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 September 30, 2012, the company had 333 vessels (of which 10 were owned by joint ventures, 61 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 and subsea 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.

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 a Global 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.



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### **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 to restructure the existing joint venture and overall commercial relationship, although important and fundamental issues in the parties' efforts to restructure the existing relationship remain outstanding and unresolved. While the parties had several constructive meetings during the quarter ended September 30, 2012, the parties did not make significant progress during the quarter 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 for the periods when such costs would be absorbed. 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 continues to express a willingness to consider some further contracting activity by the Sonatide joint venture. During the quarter ended September 30, 2012, the Sonatide joint venture entered into two short term contracts, both of which have now expired.

During the nine months ended September 30, 2012, the company redeployed seven vessels from its Angolan operations to other markets and also transferred vessels into its Angolan operations from other markets. The net reduction in the number of vessels operating in its Angolan operations during this nine month period was not significant. The vessels that were redeployed outside its Angolan operations during the nine months ended September 30, 2012 were chartered at new day rates that were comparable to, or higher than their respective expiring contracts in Angola, in part because of generally improving markets for these vessels.

For the six months ended September 30, 2012, Tidewater's Angolan operations generated vessel revenues of approximately \$134.3 million, or 22% of its consolidated vessel revenue, from an average of approximately 86 Tidewater-owned vessels that are marketed through the Sonatide joint venture (11 of which were stacked on average during the six months ended September 30, 2012), and, for the six months ended September 30, 2011, generated vessel revenues of approximately \$127.8 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 six months ended September 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 September 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 \$50 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. This Convention has now exceeded the requisite 30 countries needed for ratification.

The 32 countries that have ratified are: Antigua and Barbuda, Australia, the Bahamas, Benin, Bosnia and Herzegovina, Bulgaria, Canada, Croatia, Cyprus, Denmark, Gabon, Kiribati, Latvia, Liberia, Luxembourg, Marshall Islands, Morocco, Netherlands, Norway, Palau, Panama, Philippines, Poland, Russian Federation, Saint Kitts and Nevis, St. Vincent and the Grenadines, Singapore, Spain, Sweden, Switzerland, Togo and Tuvalu. Notably, although Gabon has submitted instruments of ratification, its registration for Member state social protection benefits is still pending. The aforementioned 32 countries represent more than 50% of the world's vessel tonnage, and, as such the requisites for ratification were met in August of 2012 for this Convention to become law in August 2013 in those ratifying countries. Because the company maintains that this Convention is unnecessary in light of existing international labor laws that offer substantial equivalency to the labor provisions of the Convention, the company continues to work with flag state and industry representatives to object to further ratifications of this Convention. The company continues to assess its global seafarer labor relationships and to review its fleet operational practices in light of the Convention requirements. Where the Convention will apply, the company and its customers' operations may be negatively affected by future compliance costs which cannot be reasonably estimated at this time.

### **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 upward during the quarter ended September 30, 2012 because of renewed optimism that governmental economic stimulus plans that were initiated during the quarter in the U.S., the Euro-Zone and in China will provide the stimulation needed to lead to stronger economic growth globally (which, in turn, should increase demand for crude oil) and because of geopolitical tensions in the Middle East that have renewed concerns over potential oil shortages due to supply disruption if the tensions escalate. However, by the end of the September 2012 quarter, crude oil price volatility emerged as renewed concerns regarding prolonged levels of relatively high unemployment in the U.S. and other advanced economies, along with a worsening financial uncertainty in certain Euro-zone countries (despite reduced debt burdens in ailing European countries resulting from the sovereign debt purchases by the European Central Bank), and inflation risks in emerging economies creating market concerns that global demand for crude oil in the near term will soften. In addition, the Organization of Petroleum Exporting Companies (OPEC), expressed at its meeting held in June 2012 that it will strive to meet consumer demand, stabilize the crude oil market, and ensure a balanced global supply of crude oil by responding quickly to market developments as the 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-October 2012, was trading around \$91 per barrel for West Texas Intermediate (WTI) crude and around \$114 per barrel for Intercontinental Exchange (ICE) Brent, up from \$87 per barrel for WTI and \$103 for ICE in mid-July 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 relatively 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 continued to trend higher during the quarter ended September 30, 2012 as the supply and demand balance for natural gas tightened 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 dry wells 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-October 2012, natural gas was trading in the U.S. in the \$3.40 to \$3.60 per Mcf range which is up from the \$2.85 to \$2.95 range in mid-July 2012. Oversupplied natural gas inventories in the U.S. exert downward pricing pressures on natural gas prices in the U.S. Prolonged periods of oversupply of natural gas (whether from conventional or unconventional natural gas production or gas produced as a byproduct of crude oil production) will likely continue to suppress prices for natural gas, although over the longer term, relatively low natural gas prices 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 suppress demand for offshore support vessel services, primarily in the Americas segment (specifically our U.S. operations where natural gas is the more prevalent exploitable hydrocarbon resource).

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 lower shipyard construction and financing costs. Reports published by IHS-Petrodata in mid-October 2012 indicate that the worldwide movable offshore drilling rig count (currently estimated at approximately 862, approximately 45% of which are designed to operate in deeper waters), will increase as approximately 200 new-build offshore rigs that are currently on order and under construction, most of which will be delivered within the next three years. Of the estimated 862 movable offshore rigs worldwide, approximately 630 are currently working. It is further estimated that approximately 54% 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 72 new floating production units currently under construction and expected to be delivered primarily over the next three years to supplement the current approximately 354 floating production units worldwide.

According to IHS-Petrodata, the global offshore supply vessel market in mid-October 2012 had 439 new-build offshore support vessels (platform supply vessels and anchor handlers only) under construction, most of which are expected to be delivered to the worldwide offshore vessel market within the next two and one half years. The current worldwide fleet of these classes of vessels is estimated at 2,808 vessels, of which Tidewater estimates more than 10% are stacked.

An increase in worldwide vessel capacity without a corresponding increase in vessel demand would tend to have the effect of lowering charter rates. The effects of vessel oversupply are particularly acute when reduced market prices for oil lead to 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 over 700 vessels, or approximately 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, up to fifty percent 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.

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**Fiscal 2013 Second Quarter Business Highlights**

During the first half of fiscal 2013, the company continued its focus on maintaining its competitive advantages and its market share in international markets where it operates, 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 September 30, 2012, the company had 321 owned or chartered vessels (excluding joint-venture vessels and vessels withdrawn from service) in its fleet with an average age of 12.9 years. The average age of 222 newer vessels that have been acquired or constructed since calendar year 2000 as part of the company's new-build and acquisition program is 5.6 years. The remaining 99 vessels have an average age of 29.4 years. During the six months ended September 30, 2012 and 2011, the company's newer vessels generated \$547.9 million and \$422.1 million, respectively, of revenue and accounted for 97%, or \$248.2 million, and 91%, or \$171.5 million, respectively, of total vessel margin (vessel revenues less vessel operating costs). Vessel operating costs associated with the company's new vessels exclude depreciation of \$61.3 million and \$53.0 million, respectively, during the same comparative periods.

The company's consolidated net earnings for the first half of fiscal 2013 increased 277%, or \$54.5 million, as compared to the same period in fiscal 2012, primarily due to an approximate 20% increase in total revenues, which was partially offset by a 9%, or \$29.3 million, increase in vessel operating costs, and a \$16.2 million, or 207%, increase in income tax expense as a result of incurring higher earnings before taxes during the comparative periods as disclosed in Note (3) of Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report. In addition, a \$30.9 million non-cash goodwill impairment (\$22.1 million after-tax, or \$0.43 per share) was recorded during the second quarter of fiscal year 2012 on the company's Middle East/North Africa segment as disclosed in Note (12) of Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report. The company recorded \$606.4 million in revenues during the first half of fiscal 2013, which is an increase of \$100.9 million over the revenue earned during the same period of fiscal 2012, due to a 17% increase in our total average day rates and an approximate seven percentage point increase in total vessel utilization. Increases in average day rates is attributable to higher demand for our vessels as a result of increased E&P activity by our customers due to upward trending oil prices as well as the operation of newer, more sophisticated vessels.

Vessel revenues generated by the company's Americas segment decreased 2%, or \$2.6 million, during the first half of fiscal 2013 as compared to the revenues earned during the same period in fiscal 2012, primarily due to a \$6.9 million and \$3.7 million decrease in revenues earned on the towing supply/supply and other classes of vessels, respectively. These decreases in revenue were partially offset by an \$8.0 million increase in revenue generated by the deepwater vessels during the same comparable periods. Americas-based vessel operating costs decreased a modest 1%, or \$0.9 million, during the first half of fiscal 2013 as compared to the same period in fiscal 2012.

Vessel revenues generated by our Asia/Pacific segment increased 51%, or \$32.9 million, during the first six months 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 73% increase in average day rates on the deepwater vessels (providing a \$21.7 million increase in deepwater vessel revenues) along with a 10% increase in average day rates on the towing supply/supply vessels (which provided an \$11.4 million increase in revenue on this class). Vessel operating costs for the Asia/Pacific segment increased 21%, or \$9.8 million, during the same comparative periods.

Vessel revenues generated by our Middle East/North Africa segment increased 27%, or \$13.6 million, during the first six months 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 22% increase in the average day rates on the towing supply/supply vessels operating in this segment. During the first half of fiscal 2013, vessel operating costs for the Middle East/North Africa segment decreased 4%, or \$1.4 million, as compared to the same period in fiscal year 2012.

Vessel revenues generated by our Sub-Saharan Africa/Europe segment increased 24%, or \$54.3 million, during the first six months of fiscal 2013 as compared to the revenues earned during the same period in fiscal 2012, primarily due to a \$46.2 million increase in deepwater vessel revenue as a result of a 17% increase in average day rates and an increase in the number of deepwater vessels operating in this segment resulting from the addition of new vessels and vessels mobilizing into this segment. Also included in the fiscal 2013 second quarter revenues are retroactive rate increases (retroactive to January 1, 2012) on certain vessel charter agreements for which the company recognized a total of \$7.4 million of revenues related to services provided during the six-months ended June 30, 2012. Revenue on the towing supply/supply class of vessel contributed \$11.2 million to the increase of revenue during the same comparative periods due to a 12% increase in average day rates. Vessel operating costs for the Sub-Saharan Africa/Europe segment increased 17%, or \$21.8 million, during the same comparative periods.

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

## Results of Operations

We 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 and the six-month periods ended September 30, 2012 and 2011 and for the quarter ended June 30, 2012:

| (In thousands)                 | Quarter Ended<br>September 30, |      |         |      | Six Months Ended<br>September 30, |      |         |      | Quarter<br>Ended<br>June 30, |      |
|--------------------------------|--------------------------------|------|---------|------|-----------------------------------|------|---------|------|------------------------------|------|
|                                | 2012                           | %    | 2011    | %    | 2012                              | %    | 2011    | %    | 2012                         | %    |
| <b>Vessel revenues:</b>        |                                |      |         |      |                                   |      |         |      |                              |      |
| Americas                       | \$ 82,316                      | 27%  | 81,892  | 33%  | 159,966                           | 27%  | 162,569 | 32%  | 77,650                       | 27%  |
| Asia/Pacific                   | 45,738                         | 15%  | 29,127  | 12%  | 97,480                            | 16%  | 64,626  | 13%  | 51,742                       | 18%  |
| Middle East/N. Africa          | 32,051                         | 10%  | 24,810  | 10%  | 64,501                            | 11%  | 50,867  | 10%  | 32,450                       | 11%  |
| Sub-Saharan Africa/Europe      | 149,717                        | 48%  | 112,583 | 45%  | 277,969                           | 46%  | 223,665 | 45%  | 128,252                      | 44%  |
|                                | \$ 309,822                     | 100% | 248,412 | 100% | 599,916                           | 100% | 501,727 | 100% | 290,094                      | 100% |
| <b>Vessel operating costs:</b> |                                |      |         |      |                                   |      |         |      |                              |      |
| Crew costs                     | \$ 90,811                      | 29%  | 78,364  | 31%  | 178,115                           | 30%  | 159,488 | 32%  | 87,304                       | 30%  |
| Repair and maintenance         | 32,754                         | 11%  | 27,149  | 11%  | 59,978                            | 10%  | 49,209  | 10%  | 27,224                       | 9%   |
| Insurance and loss reserves    | 3,810                          | 1%   | 5,374   | 2%   | 9,161                             | 2%   | 10,671  | 2%   | 5,351                        | 2%   |
| Fuel, lube and supplies        | 19,269                         | 6%   | 21,394  | 9%   | 37,012                            | 6%   | 37,761  | 7%   | 17,743                       | 6%   |
| Vessel operating leases        | 4,403                          | 1%   | 4,491   | 2%   | 8,895                             | 1%   | 8,983   | 2%   | 4,492                        | 2%   |
| Other                          | 26,008                         | 9%   | 24,518  | 10%  | 49,722                            | 8%   | 47,480  | 9%   | 23,714                       | 8%   |
|                                | \$ 177,055                     | 57%  | 161,290 | 65%  | 342,883                           | 57%  | 313,592 | 62%  | 165,828                      | 57%  |

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The following table compares other operating revenues and costs related to third-party activities of the company's shipyards, brokered vessels and other miscellaneous marine-related activities for the quarters and the six-month periods ended September 30, 2012 and 2011 and for the quarter ended June 30, 2012:

| (In thousands)                    | Quarter Ended<br>September 30, |       | Six Months Ended<br>September 30, |       | Quarter<br>Ended<br>June 30, |
|-----------------------------------|--------------------------------|-------|-----------------------------------|-------|------------------------------|
|                                   | 2012                           | 2011  | 2012                              | 2011  | 2012                         |
| Other operating revenues          | \$ 2,096                       | 2,482 | 6,450                             | 3,774 | 4,354                        |
| Costs of other operating revenues | 1,585                          | 2,031 | 5,108                             | 3,262 | 3,523                        |

The following table presents vessel operating costs by the company's segments, the related segment vessel operating costs as a percentage of segment vessel revenues, total vessel operating costs and the related total vessel operating costs as a percentage of total vessel revenues for the quarters and the six-month periods ended September 30, 2012 and 2011 and for the quarter ended June 30, 2012.

| (In thousands)                    | Quarter Ended<br>September 30, |     |        |     | Six Months Ended<br>September 30, |     |         |     | Quarter<br>Ended<br>June 30, |     |
|-----------------------------------|--------------------------------|-----|--------|-----|-----------------------------------|-----|---------|-----|------------------------------|-----|
|                                   | 2012                           | %   | 2011   | %   | 2012                              | %   | 2011    | %   | 2012                         | %   |
| <b>Vessel operating costs:</b>    |                                |     |        |     |                                   |     |         |     |                              |     |
| <b>Americas:</b>                  |                                |     |        |     |                                   |     |         |     |                              |     |
| Crew costs                        | \$ 29,610                      | 36% | 28,766 | 35% | 57,357                            | 36% | 58,616  | 36% | 27,747                       | 36% |
| Repair and maintenance            | 10,725                         | 13% | 9,069  | 11% | 18,837                            | 12% | 17,337  | 11% | 8,112                        | 10% |
| Insurance and loss reserves       | 761                            | 1%  | 2,042  | 2%  | 2,189                             | 1%  | 3,320   | 2%  | 1,428                        | 2%  |
| Fuel, lube and supplies           | 5,108                          | 6%  | 5,388  | 7%  | 10,320                            | 6%  | 9,174   | 6%  | 5,212                        | 7%  |
| Vessel operating leases           | 822                            | 1%  | 910    | 1%  | 1,733                             | 1%  | 1,821   | 1%  | 911                          | 1%  |
| Other                             | 6,008                          | 7%  | 5,925  | 7%  | 9,551                             | 6%  | 10,574  | 7%  | 3,543                        | 5%  |
|                                   | 53,034                         | 64% | 52,100 | 63% | 99,987                            | 62% | 100,842 | 63% | 46,953                       | 60% |
| <b>Asia/Pacific:</b>              |                                |     |        |     |                                   |     |         |     |                              |     |
| Crew costs                        | \$ 19,793                      | 43% | 12,502 | 43% | 38,322                            | 39% | 26,320  | 41% | 18,529                       | 36% |
| Repair and maintenance            | 3,019                          | 7%  | 4,150  | 14% | 5,627                             | 6%  | 6,079   | 9%  | 2,608                        | 5%  |
| Insurance and loss reserves       | 425                            | 1%  | 609    | 2%  | 527                               | 1%  | 1,229   | 2%  | 102                          | <1% |
| Fuel, lube and supplies           | 3,274                          | 7%  | 4,844  | 17% | 6,447                             | 7%  | 7,588   | 12% | 3,173                        | 6%  |
| Other                             | 2,289                          | 5%  | 2,432  | 8%  | 4,743                             | 5%  | 4,668   | 7%  | 2,454                        | 5%  |
|                                   | 28,800                         | 63% | 24,537 | 84% | 55,666                            | 58% | 45,884  | 71% | 26,866                       | 52% |
| <b>Middle East/N. Africa:</b>     |                                |     |        |     |                                   |     |         |     |                              |     |
| Crew costs                        | \$ 9,241                       | 29% | 8,024  | 32% | 18,901                            | 29% | 16,179  | 32% | 9,660                        | 30% |
| Repair and maintenance            | 2,911                          | 9%  | 4,657  | 19% | 5,470                             | 8%  | 7,196   | 14% | 2,559                        | 8%  |
| Insurance and loss reserves       | 625                            | 2%  | 725    | 3%  | 1,531                             | 2%  | 2,034   | 4%  | 906                          | 3%  |
| Fuel, lube and supplies           | 2,925                          | 9%  | 2,925  | 12% | 5,027                             | 8%  | 7,208   | 14% | 2,102                        | 6%  |
| Vessel operating leases           | 507                            | 2%  | 506    | 2%  | 1,013                             | 2%  | 872     | 2%  | 506                          | 2%  |
| Other                             | 1,690                          | 5%  | 2,182  | 9%  | 4,522                             | 7%  | 4,396   | 9%  | 2,832                        | 9%  |
|                                   | 17,899                         | 56% | 19,019 | 77% | 36,464                            | 56% | 37,885  | 75% | 18,565                       | 57% |
| <b>Sub-Saharan Africa/Europe:</b> |                                |     |        |     |                                   |     |         |     |                              |     |
| Crew costs                        | \$ 32,167                      | 21% | 29,072 | 26% | 63,535                            | 23% | 58,373  | 26% | 31,368                       | 24% |
| Repair and maintenance            | 16,099                         | 11% | 9,273  | 8%  | 30,044                            | 11% | 18,597  | 8%  | 13,945                       | 11% |
| Insurance and loss reserves       | 1,999                          | 1%  | 1,998  | 2%  | 4,914                             | 2%  | 4,088   | 2%  | 2,915                        | 2%  |
| Fuel, lube and supplies           | 7,962                          | 5%  | 8,237  | 7%  | 15,218                            | 5%  | 13,791  | 6%  | 7,256                        | 6%  |
| Vessel operating leases           | 3,074                          | 2%  | 3,075  | 3%  | 6,149                             | 2%  | 6,290   | 3%  | 3,075                        | 2%  |
| Other                             | 16,021                         | 11% | 13,979 | 12% | 30,906                            | 11% | 27,842  | 12% | 14,885                       | 12% |
|                                   | 77,322                         | 51% | 65,634 | 58% | 150,766                           | 54% | 128,981 | 57% | 73,444                       | 57% |

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|                       |    |         |     |         |     |         |     |         |     |         |     |
|-----------------------|----|---------|-----|---------|-----|---------|-----|---------|-----|---------|-----|
| Total operating costs | \$ | 177,055 | 57% | 161,290 | 64% | 342,883 | 57% | 313,592 | 62% | 165,828 | 57% |
|-----------------------|----|---------|-----|---------|-----|---------|-----|---------|-----|---------|-----|

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The following table compares operating income and other components of earnings before income taxes and its related percentage of total revenue for the quarters and the six-month periods ended September 30, 2012 and 2011 and for the quarter ended June 30, 2012.

| (In thousands)                                     | Quarter Ended<br>September 30, |            |                |             | Six Months Ended<br>September 30, |            |               |           | Quarter<br>Ended<br>June 30, |            |
|--|--------------------------------|------------|----------------|-------------|-----------------------------------|------------|---------------|-----------|------------------------------|------------|
|  | 2012                           | %          | 2011           | %           | 2012                              | %          | 2011          | %         | 2012                         | %          |
| <b>Vessel operating profit:</b>                    |                                |            |                |             |                                   |            |               |           |                              |            |
| Americas   | \$ 9,506                       | 3%         | 9,530          | 4%          | 19,698                            | 3%         | 21,384        | 4%        | 10,192                       | 3%         |
| Asia/Pacific                                       | 7,826                          | 3%         | (4,776)        | (2%)        | 22,734                            | 4%         | 494           | <1%       | 14,908                       | 5%         |
| Middle East/N. Africa                              | 6,280                          | 2%         | (996)          | (<1%)       | 12,562                            | 2%         | (968)         | (<1%)     | 6,282                        | 2%         |
| Sub-Saharan Africa/Europe                          | 44,330                         | 14%        | 21,631         | 9%          | 71,426                            | 12%        | 43,855        | 9%        | 27,096                       | 9%         |
|  | 67,942                         | 22%        | 25,389         | 10%         | 126,420                           | 21%        | 64,765        | 13%       | 58,478                       | 20%        |
| Corporate expenses                                 | (12,484)                       | (4%)       | (9,361)        | (4%)        | (22,951)                          | (4%)       | (18,882)      | (4%)      | (10,467)                     | (4%)       |
| Goodwill impairment                                | ---                            | ---        | (30,932)       | (12%)       | ---                               | ---        | (30,932)      | (6%)      | ---                          | ---        |
| Gain on asset dispositions, net                    | 1,833                          | 1%         | 9,458          | 4%          | 2,671                             | <1%        | 11,175        | 2%        | 838                          | <1%        |
| Other operating expenses                           | (94)                           | <1%        | (35)           | (<1%)       | 544                               | <1%        | (146)         | (<1%)     | 638                          | <1%        |
| <b>Operating income (loss)</b>                     | <b>57,197</b>                  | <b>18%</b> | <b>(5,481)</b> | <b>(2%)</b> | <b>106,684</b>                    | <b>17%</b> | <b>25,980</b> | <b>5%</b> | <b>49,487</b>                | <b>17%</b> |
| Foreign exchange gain (loss)                       | 529                            | <1%        | 1,659          | 1%          | (1,222)                           | (<1%)      | 2,473         | <1%       | (1,751)                      | (<1%)      |
| Equity in net earnings of unconsolidated companies | 3,357                          | 1%         | 3,456          | 1%          | 5,720                             | 1%         | 5,945         | 1%        | 2,363                        | 1%         |
| Interest income and other, net                     | 1,128                          | <1%        | 766            | <1%         | 1,847                             | <1%        | 1,956         | <1%       | 719                          | <1%        |
| Interest and other debt costs                      | (7,148)                        | (2%)       | (4,766)        | (2%)        | (14,735)                          | (2%)       | (8,827)       | (2%)      | (7,587)                      | (3%)       |
| <b>Earnings (loss) before income taxes</b>         | <b>\$ 55,063</b>               | <b>18%</b> | <b>(4,366)</b> | <b>(2%)</b> | <b>98,294</b>                     | <b>16%</b> | <b>27,527</b> | <b>5%</b> | <b>43,231</b>                | <b>15%</b> |

**Americas Segment Operations.** Americas-based vessel revenues, during the second quarter of fiscal 2013 were comparable to the second quarter of fiscal 2012. Although Americas-based vessel revenue was comparable during this period, increases in revenues generated by the deepwater vessels were almost offset by lower revenues generated by the towing supply/supply and other vessel classes. Revenues earned on the deepwater vessels increased \$8.1 million, or 22%, due to an increased number of vessels operating in this segment as a result of newly-delivered vessels added to the segment and because vessels transferred into the Americas segment from other segments. In addition, average day rates on the deepwater vessels increased 14% during the same comparative periods. Revenue on the towing supply/supply vessels decreased 15%, or \$5.5 million, during the same comparative periods, primarily due to 5% lower average day rates and to less vessels operating in the segment due to vessel sales, while the other class of vessels incurred a 25%, or \$2.1 million, reduction in revenue, during the same comparative periods, due primarily to a 5% decrease in average day rates on this class of vessel in the segment.

Americas-based vessel revenues during the six-month period ended September 30, 2012, decreased 2%, or \$2.6 million, as compared to the six-month period ended September 30, 2011, primarily due to a decrease in revenue on the towing supply/supply vessels and the other vessels. Revenue on the towing supply/supply vessels decreased 10%, or \$6.9 million, due to a 2% decrease in average day rates and to a fewer number of towing supply/supply vessels operating in this segment. Revenue on the other vessel class decreased \$3.7 million, or 22%, due to a 3% decrease in average day rates and to a fewer number of other vessels operating in this segment due to vessel sales. Increases in deepwater vessel revenue partially offset declines in revenue incurred by the towing supply/supply and other vessels operating in this segment. Deepwater vessel revenue increased 11%, or \$8.0 million, during the six-month period ended September 30, 2012 as compared to the same period during fiscal 2012, due to a 6% increase in average day rates and due to an increased number of newly delivered vessels operating in this segment and because vessels transferred into the Americas segment from other segments.

Total utilization rates for the Americas-based vessels increased 5 percentage points, during the first half of fiscal 2013 as compared to the first half in fiscal 2012; however, this increase is primarily a result of the sale of 25 older, stacked vessels from the Americas fleet during the eighteen month period ended September 30, 2012. Vessel utilization rates are calculated by dividing the number of days a vessel works by the number of days the vessel is available to work. As such, stacked vessels depressed utilization rates during the comparative periods because stacked vessels are considered available to work, and as such, are included in the calculation of utilization rates. Within the Americas segment, the company continued to stack, and in





some cases dispose of, vessels that could not find attractive charters. At the beginning of fiscal 2013, the company had 21 Americas-based stacked vessels. During the first six months of fiscal 2013, the company stacked five additional vessels, sold one vessel from the previously stacked vessel fleet and put one previously stacked vessel back to work resulting in a total of 24 stacked Americas-based vessels as of September 30, 2012.

Operating profit for the Americas-based vessels during the second quarter of fiscal 2013 was comparable to the second quarter of fiscal 2012. Vessel operating profit decreased 8%, or \$1.7 million, during the six month period ended September 30, 2012 as compared to the six-month period ended September 30, 2011, due to lower revenues, higher depreciation expense and lower general and administrative expense. General and administrative expenses, during the first six months of fiscal 2013 decreased 7%, or \$1.5 million, as compared to the same period in fiscal 2012, due to lower administrative payroll and benefits, professional services and office and property costs during the current period. Depreciation expense increased 7%, or \$1.4 million, during the first six months of fiscal 2013 as compared to the same period in fiscal 2012, due to an increased number of vessels operating in this segment as discussed above. Vessel operating costs during the quarters and six-month periods ended September 30, 2012 were comparable to the vessel operating costs incurred during the same periods in fiscal 2012.

Americas-based vessel revenues increased 6%, or \$4.7 million, during the second quarter of fiscal 2013 as compared to the first quarter of fiscal 2013, primarily due to a 23%, or \$8.5 million, increase in deepwater vessel revenue due to the addition of one new vessel, because four vessels transferred into the Americas segment from other segments, and due to a 10% increase in average day rates. Deepwater vessel revenues were partially offset by a 9%, or \$3.2 million, decrease in revenue on the towing supply/supply vessels, during the same comparative periods, due to a five percentage point decrease in utilization rates.

Operating profit for the Americas-based vessels decreased 7%, or \$0.7 million, during the second quarter of fiscal 2013 as compared to the first quarter of fiscal 2013, due to 13%, or \$6.1 million, higher vessel operating costs (primarily crew costs, repair and maintenance costs, and other vessel costs) and higher depreciation expense. Higher revenues and lower general and administrative expenses partially offset increases in vessel operating costs and higher depreciation expense.

Crew costs increased 7%, or \$1.9 million, during the second quarter of fiscal 2013 as compared to the first quarter of fiscal 2013, due to crew wage increases as well as the addition of deepwater vessels operating in the segment. Crew wage pressures in the U.S. GOM have resulted from a shortage of qualified crew personnel for the company's large, deepwater vessels which require highly skilled and licensed personnel. Crew availability in the U.S. offshore vessel market has, in part, been impacted by drilling operators trying to staff newer generation drilling platforms and drillships, most of which have dynamic positioning (DP) capabilities, with former vessel crew personnel that have DP licenses. This required vessel owning companies, such as ours, to increase crew wages to retain and attract qualified personnel effective June 1 2012. There has also been an increase in the number of deepwater vessels operating in the area as a result of vessels being transferred in from other segments and the addition of a newly delivered vessel. Repair and maintenance costs increased \$2.6 million, or 32%, during the same comparative periods, due to a greater number of drydockings being performed during the current period. Depreciation expense increased 5%, or \$0.5 million, during the second quarter of fiscal 2013 as compared to the first quarter of fiscal 2013, due to a greater number of vessels operating in this segment. General and administrative expenses decreased 12%, or \$1.3 million, during the second quarter of fiscal 2013 as compared to the first quarter of fiscal 2013, primarily due to decreases in administrative benefits and other administrative personnel related costs.

**Asia/Pacific Segment Operations.** Asia/Pacific-based vessel revenues increased 57% and 51%, or \$16.6 million and \$32.9 million, respectively, during the quarter and six-month period ended September 30, 2012 as compared to the same periods during fiscal 2012, respectively, primarily due to higher revenues earned on the deepwater vessels. Deepwater vessel revenue increased a respective \$12.3 million and \$21.7 million, or 101% and 77%, during the same comparative periods, respectively, due to a 104% and 73% increase in average day rates and a 22 percentage points increase in utilization rates, respectively, as vessels were put to work following the resolution of delays on certain customer projects. Also, revenue on the towing supply/supply vessels increased \$4.4 million and \$11.4 million, or 27% and 33%, respectively, during the quarter and six-month period ended September 30, 2012 as compared to the same periods during fiscal 2012, respectively, due to a 16 and 14 percentage points increase in utilization rates, respectively, and 6% and 10% higher average day rates, respectively, a result of stronger demand for this class of vessel in this segment.

Within the Asia/Pacific segment, the company continued dispose of vessels that could not find attractive charters. At the beginning of fiscal 2013, the company had 16 Asia/Pacific-based stacked vessels. During the first six months of fiscal 2013, the company stacked no additional vessels and sold four vessels from the previously stacked vessel fleet, resulting in a total of 12 stacked Asia/Pacific-based vessels as of September 30, 2012.

Asia/Pacific-based vessel operating profit increased \$12.6 million, or 264%, and \$22.2 million, or 4,502%, during the quarter and six-month period ended September 30, 2012 as compared to same periods in fiscal 2012, respectively, due to higher revenues which were partially offset by \$4.3 million and \$9.8 million, or 17% and 21%, respectively, increase in vessel operating costs (primarily crew costs) during the same comparative periods. Crew costs increased 58% and 46%, or \$7.3 million and \$12.0 million, respectively, during the quarter and six-month period ended September 2012 as compared to the same periods during fiscal 2012, due to increases in crew personnel operating in Australia due to an increased number of vessels operating in that area after delays on certain customer projects ended. Also, general and administrative expenses increased 13%, or \$1.0 million, during the six months ended September 30, 2012 as compared to the same period in fiscal 2012, due to pay increases for administrative personnel.

Asia/Pacific-based vessel revenues decreased 12%, or \$6.0 million, during the quarter ended September 30, 2012 as compared to the quarter ended June 30, 2012, primarily due to the departure of a towing supply/supply vessel from the segment and an 11% decrease in average day rates on the towing supply/supply vessels, which together resulted in a 21%, or \$5.3 million, decline in revenue. Additionally, two deepwater vessels were transferred to other operating segments during the current period which caused a 3%, or \$0.7 million, decrease in revenue on the deepwater vessels during the quarter ended September 30, 2012 as compared to the quarter ended June 30, 2012.

Operating profit for the Asia/Pacific-based vessels decreased 48%, or \$7.1 million, during the quarter ended September 30, 2012 as compared to the quarter ended June 30, 2012, primarily due to lower revenues and 7%, or \$1.9 million, higher vessel operating costs (primarily crew costs). Crew costs increased 7%, or \$1.3 million, during the same comparative periods, primarily due to increases in crew costs resulting from the accrual of bonuses related to the completion of a project in Australia.

**Middle East/North Africa Segment Operations.** Middle East/North Africa-based vessel revenues increased 29% and 27%, or \$7.2 million and \$13.6 million, respectively, during the quarter and the six-month period ended September 30, 2012 as compared to the quarter and the six-month period ended September 30, 2011, respectively. These increases are primarily attributable to increases in revenues from the towing supply/supply vessels of 62% and 55%, or \$7.2 million and \$13.8 million, respectively, during the same comparative periods, respectively, due to 22 and 20 percentage point increases in utilization rates and a 16% and 22% increase in average day rates, respectively, resulting from the resolution of delays in the acceptance of and cancellations of other vessels as part of a multi-vessel package committed to charter hire contracts with one customer in the Middle East.

At the beginning of fiscal 2013, the company had seven Middle East/North Africa-based stacked vessels, and during the first six months of fiscal 2013, the company did not add to or sell vessels from the previously stacked vessel fleet, resulting in a total of seven stacked Middle East/North Africa-based vessels as of September 30, 2012.

Middle East/North Africa-based vessel operating profit increased \$7.3 million and \$13.5 million, or 730% and 1,398%, during the quarter and six-month period ended September 30, 2012 as compared to the same periods during fiscal 2012, due to higher revenues, \$1.1 million and \$1.4 million, or 6% and 4%, respectively, lower vessel operating costs, respectively (primarily repairs and maintenance costs during the quarters ended September 30 comparative periods, and primarily repairs and maintenance costs and fuel, lube and supplies costs partially offset by higher crew costs during the comparative six-month periods ended September 30), partially offset by higher general and administrative expenses.

Repairs and maintenance costs decreased by 37% and 24%, or \$1.7 million, during the quarter and six-month period ended September 30, 2012 as compared to the same periods during fiscal 2012, due to fewer drydockings being performed during the current periods.

Fuel, lube and supplies costs decreased by \$2.2 million, or 30%, during the six-month period ended September 30, 2012 as compared to the same period in fiscal year 2012, due to a higher number of vessels mobilizing into the segment during the first six months of fiscal 2012 than in the current six-month period. Crew costs increased \$2.7 million, or 17%, during the six-month period ended September 30, 2012 as compared to the same period during fiscal 2012, due to an increase in crew personnel assigned to this segment related to the addition of vessels as a result of the scaling up of operations in this segment related to a multi-vessel package committed to charter hire contracts with one customer.

General and administrative expenses increased 32% and 35%, or \$0.8 million and \$1.8 million, respectively, during the quarter and six-month period ended September 30, 2012 as compared to the same periods during fiscal 2012, due to an increase in administrative payroll and benefit costs (resulting from an increase in the number of administrative personnel operating in the segment), office and property costs, as well as, travel expenses.

Middle East/North Africa-based vessel revenues and operating profit during the second quarter of fiscal 2013 were comparable to the first quarter of fiscal 2013.

**Sub-Saharan Africa/Europe Segment Operations.** Sub-Saharan Africa/Europe-based vessel revenues increased 33% and 24%, or \$37.1 million and \$54.3 million, respectively, during the quarter and six-month period ended September 30, 2012 as compared to the same periods during fiscal 2012, respectively. The deepwater vessels generated 48% and 55%, or \$22.1 million and \$46.2 million, respectively, of the revenue increases. In addition, revenues attributable to towing supply/supply vessels increased by 30% and 11%, or \$14.9 million and \$11.2 million, respectively, during these same comparable periods, respectively, due to a 19% and 11% increase in average day rates, respectively. Revenues on the deepwater vessels and towing supply/supply vessels increased during the same comparative periods, due to an increase in the number of deepwater and towing supply/supply vessels operating in this segment as a result of new vessel deliveries and the transfer of vessels into this segment. Also included in fiscal 2013 second quarter revenues are retroactive rate increases (retroactive to January 1, 2012) on certain vessel charter agreements for which the company recognized a total of \$7.4 million of revenues related to services provided during the six-months ended June 30, 2012.

Total utilization rates for the Sub-Saharan Africa/Europe-based vessels increased 4 percentage points during the first half of fiscal 2013 as compared to the first half in fiscal 2012; however, this increase is a result of the sale of 19 older, stacked vessels from the Sub-Saharan Africa/Europe-based vessel fleet during the eighteen month period ended September 30, 2012. Within the Sub-Saharan Africa/Europe segment, the company also continued to stack, and in some cases dispose of, vessels that could not find attractive charters. At the beginning of fiscal 2013, the company had 23 Sub-Saharan Africa/Europe-based stacked vessels. During the

first six months of fiscal 2013, the company stacked three additional vessels and sold eight vessels from the previously stacked vessel fleet, resulting in a total of 18 stacked Sub-Saharan Africa/Europe-based vessels as of September 30, 2012.

Sub-Saharan Africa/Europe-based vessel operating profit increased \$22.7 million and \$27.6 million, or 105% and 63%, respectively, during the quarter and six-month period ended September 30, 2012 as compared to the same periods during fiscal 2012, respectively, primarily due to higher revenues (\$7.4 million of which relates to retroactive rate increases noted above) which were partially offset by a respective \$11.7 million and \$21.8 million, or 18% and 17%, increase in vessel operating costs (primarily crew costs, repair and maintenance costs, and other vessel costs) and higher depreciation expense.

Crew costs increased by 11% and 9%, or \$3.1 million and \$5.2 million, respectively, during the quarter and six-month period ended September 30, 2012 as compared to the same periods during fiscal 2012, respectively, due to a greater number of crew personnel assigned to this segment related to an increase in the number of deepwater vessels and towing supply/supply vessels operating in this segment. Repair and maintenance costs increased \$6.8 million and \$11.4 million, or 74% and 62%, respectively, during the quarter and six-month period ended September 30, 2012 as compared to the same periods during fiscal 2012, respectively, due to a greater number of drydockings being performed during the current periods. Other vessel costs increased by 15% and 11%, or \$2.0 million and \$3.1 million, respectively, during the quarter and six-month period ended September 30, 2012 as compared to the same periods during fiscal 2012, respectively, due to an increase broker commissions and training costs. Depreciation expense increased 11%, or \$1.5 million, and 12%, or \$3.2 million, during the quarter and six-month period ended September 30, 2012 as compared to the same period during fiscal 2012, respectively, due to an increase in the number of vessels operating in this segment.

Sub-Saharan Africa/Europe-based vessel revenues increased 17%, or \$21.5 million, during the second quarter of fiscal 2013 as compared to the first quarter of fiscal 2013 primarily due to a 30%, or \$14.5 million, increase in revenue generated by the towing supply/supply vessels due to a 20% increase in average day rates during the same comparable periods. Also included in the fiscal 2013 second quarter revenues are retroactive rate increases (retroactive to January 1, 2012) on certain vessel charter agreements for which the company recognized a total of \$7.4 million of revenues related to services provided during the six-months ended June 30, 2012.

Operating profit for the Sub-Saharan Africa/Europe-based vessels increased 64%, or \$17.2 million, during the quarter ended September 30, 2012 as compared to the quarter ended June 30, 2012, primarily due to revenue increases. These revenue increases were partially offset by increased vessel operating costs of 5%, or \$3.9 million (primarily repair and maintenance costs and other vessel costs). Repair and maintenance costs increased \$2.2 million, or 15%, during the quarter ended September 30, 2012 as compared to the quarter ended June 30, 2012, due to an increased number of drydockings. Other vessel costs increased 8%, or \$1.1 million, during the same comparative periods, due to an increase in brokers commissions.

**Other Items.** Insurance and loss reserves expense decreased \$1.6 million and \$1.5 million, or 29% and 14%, respectively, during the quarter and six-month period ended September 30, 2012 as compared to the same periods during fiscal 2012, due to improved safety results and loss management efforts.

Gain on asset dispositions, net for the first half of fiscal 2013 decreased \$8.5 million, or 76%, as compared to the same period in fiscal 2012, primarily due to fewer vessels being sold during the first half of fiscal 2013 as compared to the first half of fiscal 2012. Gain on asset dispositions, net was \$1.0 million, or 119%, higher during the second quarter of fiscal 2013 as compared to the first quarter of fiscal 2013, because the current quarter incurred a \$0.8 million impairment charge as compared to a \$2.8 million impairment charge incurred during the quarter ended June 30, 2012. In addition, the current quarter had \$1.0 million lower gains earned due to fewer vessels being sold as compared to the prior quarter. Dispositions of vessels can vary from quarter to quarter; therefore, gains on sales of assets may, and usually do fluctuate significantly from period to period.

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

| (In thousands, except number of assets)            | Quarter Ended         |      | Six Months Ended      |       |
|--|-----------------------|------|-----------------------|-------|
|  | September 30,<br>2012 | 2011 | September 30,<br>2012 | 2011  |
| Amount of impairment incurred                      | \$ 790                | 256  | 3,564                 | 2,570 |
| Combined fair value of assets incurring impairment | 1,192                 | ---  | 8,602                 | 3,913 |

### Vessel Class Revenue and Statistics by Segment

Vessel utilization is determined primarily by market conditions and to a lesser extent by drydocking requirements. Vessel day rates are determined by the demand created largely through the level of offshore exploration, field development and production spending by energy companies relative to the supply of offshore service vessels. Suitability of equipment and the degree of service provided may also influence vessel day rates. Vessel utilization rates are calculated by dividing the number of days a vessel works during a reporting period by the number of days the vessel is available to work in the reporting period. Stacked vessels depress utilization rates because stacked vessels are considered available to work, and as such, are included in the calculation of utilization rates. Average day rates are calculated by dividing the revenue a vessel earns during a reporting period by the number of days the vessel worked in the reporting period.

Vessel utilization and average day rates are calculated on all vessels in service (which includes stacked vessels and vessels in drydock) but do not include vessels withdrawn from service (two vessels at September 30, 2012) or vessels owned by joint ventures (10 vessels at September 30, 2012).

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The following tables compare revenues, day-based utilization percentages and average day rates by vessel class and in total for the quarters and the six-month periods ended September 30, 2012 and 2011 and the quarter ended June 30, 2012:

|   | Quarter Ended<br>September 30, |         | Six Months Ended<br>September 30, |         | Quarter<br>Ended<br>June 30, |
|---|--------------------------------|---------|-----------------------------------|---------|------------------------------|
|   | 2012                           | 2011    | 2012                              | 2011    | 2012                         |
| <b>REVENUES BY VESSEL CLASS (In thousands):</b> |                                |         |                                   |         |                              |
| <b>Americas fleet:</b>                          |                                |         |                                   |         |                              |
| Deepwater vessels                               | \$ 44,747                      | 36,639  | 81,027                            | 73,044  | 36,280                       |
| Towing-supply/supply                            | 31,109                         | 36,648  | 65,461                            | 72,334  | 34,352                       |
| Other   | 6,460                          | 8,605   | 13,478                            | 17,191  | 7,018                        |
| Total   | \$ 82,316                      | 81,892  | 159,966                           | 162,569 | 77,650                       |
| <b>Asia/Pacific fleet:</b>                      |                                |         |                                   |         |                              |
| Deepwater vessels                               | \$ 24,592                      | 12,264  | 49,929                            | 28,193  | 25,337                       |
| Towing-supply/supply                            | 20,229                         | 15,870  | 45,729                            | 34,314  | 25,500                       |
| Other   | 917                            | 993     | 1,822                             | 2,119   | 905                          |
| Total   | \$ 45,738                      | 29,127  | 97,480                            | 64,626  | 51,742                       |
| <b>Middle East/N. Africa fleet:</b>             |                                |         |                                   |         |                              |
| Deepwater vessels                               | \$ 12,275                      | 11,782  | 23,559                            | 22,533  | 11,284                       |
| Towing-supply/supply                            | 18,859                         | 11,616  | 38,859                            | 25,090  | 20,000                       |
| Other   | 917                            | 1,412   | 2,083                             | 3,244   | 1,166                        |
| Total   | \$ 32,051                      | 24,810  | 64,501                            | 50,867  | 32,450                       |
| <b>Sub-Saharan Africa/Europe fleet:</b>         |                                |         |                                   |         |                              |
| Deepwater vessels                               | \$ 67,696                      | 45,605  | 130,311                           | 84,111  | 62,615                       |
| Towing-supply/supply                            | 63,548                         | 48,698  | 112,560                           | 101,324 | 49,012                       |
| Other   | 18,473                         | 18,280  | 35,098                            | 38,230  | 16,625                       |
| Total   | \$ 149,717                     | 112,583 | 277,969                           | 223,665 | 128,252                      |
| <b>Worldwide fleet:</b>                         |                                |         |                                   |         |                              |
| Deepwater vessels                               | \$ 149,310                     | 106,290 | 284,826                           | 207,881 | 135,516                      |
| Towing-supply/supply                            | 133,745                        | 112,832 | 262,609                           | 233,062 | 128,864                      |
| Other   | 26,767                         | 29,290  | 52,481                            | 60,784  | 25,714                       |
| Total   | \$ 309,822                     | 248,412 | 599,916                           | 501,727 | 290,094                      |
| <b>UTILIZATION:</b>                             |                                |         |                                   |         |                              |
| <b>Americas fleet:</b>                          |                                |         |                                   |         |                              |
| Deepwater vessels                               | 70.7%                          | 73.5    | 72.1                              | 72.2    | 73.7                         |
| Towing-supply/supply                            | 48.2                           | 46.9    | 50.8                              | 45.0    | 53.4                         |
| Other   | 72.5                           | 66.3    | 76.5                              | 68.4    | 80.5                         |
| Total   | 58.6%                          | 56.8    | 60.9                              | 55.5    | 63.3                         |
| <b>Asia/Pacific fleet:</b>                      |                                |         |                                   |         |                              |
| Deepwater vessels                               | 81.2%                          | 59.6    | 87.4                              | 65.5    | 92.6                         |
| Towing-supply/supply                            | 52.2                           | 36.3    | 53.6                              | 39.3    | 54.9                         |
| Other   | 100.0                          | 79.3    | 74.1                              | 89.6    | 58.7                         |
| Total   | 58.7%                          | 42.8    | 60.7                              | 46.8    | 62.5                         |
| <b>Middle East/N. Africa fleet:</b>             |                                |         |                                   |         |                              |
| Deepwater vessels                               | 91.8%                          | 91.6    | 92.7                              | 83.7    | 93.6                         |
| Towing-supply/supply                            | 71.2                           | 49.7    | 74.2                              | 53.8    | 77.2                         |
| Other   | 34.5                           | 50.0    | 38.4                              | 56.6    | 42.2                         |
| Total   | 69.9%                          | 57.4    | 72.4                              | 59.6    | 75.0                         |
| <b>Sub-Saharan Africa/Europe fleet:</b>         |                                |         |                                   |         |                              |
| Deepwater vessels                               | 83.0%                          | 88.1    | 83.6                              | 85.0    | 84.1                         |
| Towing-supply/supply                            | 67.8                           | 54.6    | 64.1                              | 55.7    | 60.3                         |
| Other   | 79.9                           | 80.0    | 78.2                              | 82.0    | 76.6                         |
| Total   | 75.4%                          | 69.2    | 73.3                              | 69.6    | 71.3                         |
| <b>Worldwide fleet:</b>                         |                                |         |                                   |         |                              |
| Deepwater vessels                               | 79.8%                          | 79.3    | 81.4                              | 77.5    | 83.1                         |
| Towing-supply/supply                            | 59.9                           | 48.1    | 60.0                              | 49.2    | 60.0                         |
| Other   | 74.7                           | 74.1    | 74.4                              | 76.7    | 74.2                         |
| Total   | 67.8%                          | 60.2    | 68.1                              | 60.9    | 68.4                         |





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|  | Quarter Ended<br>September 30, |        | Six Months Ended<br>September 30, |        | Quarter<br>Ended<br>June 30, |
|--|--------------------------------|--------|-----------------------------------|--------|------------------------------|
|  | 2012                           | 2011   | 2012                              | 2011   | 2012                         |
| <b><u>AVERAGE VESSEL DAY RATES:</u></b>        |                                |        |                                   |        |                              |
| <b><u>Americas fleet:</u></b>                  |                                |        |                                   |        |                              |
| Deepwater vessels                              | \$ 28,450                      | 24,863 | 27,213                            | 25,587 | 25,829                       |
| Towing-supply/supply                           | 14,103                         | 14,786 | 14,120                            | 14,404 | 14,135                       |
| Other  | 6,094                          | 6,408  | 6,038                             | 6,221  | 5,987                        |
| Total  | \$ 17,012                      | 15,466 | 16,247                            | 15,279 | 15,508                       |
| <b><u>Asia/Pacific fleet:</u></b>              |                                |        |                                   |        |                              |
| Deepwater vessels                              | \$ 42,037                      | 20,619 | 36,411                            | 21,073 | 32,225                       |
| Towing-supply/supply                           | 12,663                         | 11,974 | 13,491                            | 12,261 | 14,229                       |
| Other  | 9,972                          | 6,807  | 9,959                             | 6,464  | 9,945                        |
| Total  | \$ 20,109                      | 14,098 | 19,717                            | 14,476 | 19,384                       |
| <b><u>Middle East/N. Africa fleet:</u></b>     |                                |        |                                   |        |                              |
| Deepwater vessels                              | \$ 18,359                      | 17,466 | 18,624                            | 17,784 | 18,920                       |
| Towing-supply/supply                           | 9,857                          | 8,513  | 9,834                             | 8,079  | 9,812                        |
| Other  | 4,812                          | 5,117  | 4,946                             | 5,220  | 5,056                        |
| Total  | \$ 11,561                      | 10,716 | 11,441                            | 10,185 | 11,325                       |
| <b><u>Sub-Saharan Africa/Europe fleet:</u></b> |                                |        |                                   |        |                              |
| Deepwater vessels                              | \$ 25,235                      | 20,375 | 23,919                            | 20,386 | 22,643                       |
| Towing-supply/supply                           | 15,721                         | 13,121 | 14,707                            | 13,176 | 13,572                       |
| Other  | 5,236                          | 4,779  | 5,063                             | 4,896  | 4,884                        |
| Total  | \$ 14,602                      | 11,518 | 13,875                            | 11,397 | 13,113                       |
| <b><u>Worldwide fleet:</u></b>                 |                                |        |                                   |        |                              |
| Deepwater vessels                              | \$ 27,102                      | 21,338 | 25,749                            | 21,687 | 24,406                       |
| Towing-supply/supply                           | 13,705                         | 12,706 | 13,377                            | 12,519 | 13,054                       |
| Other  | 5,496                          | 5,240  | 5,373                             | 5,276  | 5,250                        |
| Total  | \$ 15,384                      | 12,771 | 14,827                            | 12,631 | 14,275                       |

The following tables compare vessel day-based utilization percentages, average day rates and the number of active vessels (excluding stacked vessels) for the company's new vessels (defined as vessels acquired or constructed since calendar year 2000 as part of its new-build and acquisition program) and its older, or traditional, vessels for the quarters and the six-month periods ended September 30, 2012 and 2011 and for the quarter ended June 30, 2012:

|  | Quarter Ended<br>September 30, |      | Six Months Ended<br>September 30, |      | Quarter<br>Ended<br>June 30, |
|--|--------------------------------|------|-----------------------------------|------|------------------------------|
|  | 2012                           | 2011 | 2012                              | 2011 | 2012                         |
| <b><u>UTILIZATION:</u></b>                     |                                |      |                                   |      |                              |
| <b><u>Americas fleet:</u></b>                  |                                |      |                                   |      |                              |
| New vessels                                    | 79.8%                          | 85.6 | 82.4                              | 86.2 | 85.3                         |
| Traditional vessels                            | 36.1                           | 36.2 | 38.9                              | 35.6 | 41.8                         |
| Total  | 58.6%                          | 56.8 | 60.9                              | 55.5 | 63.3                         |
| <b><u>Asia/Pacific fleet:</u></b>              |                                |      |                                   |      |                              |
| New vessels                                    | 84.2%                          | 69.8 | 89.1                              | 75.1 | 93.6                         |
| Traditional vessels                            | ---                            | 8.2  | ---                               | 12.6 | ---                          |
| Total  | 58.7%                          | 42.8 | 60.7                              | 46.8 | 62.5                         |
| <b><u>Middle East/N. Africa fleet:</u></b>     |                                |      |                                   |      |                              |
| New vessels                                    | 84.8%                          | 58.6 | 87.1                              | 63.7 | 89.5                         |
| Traditional vessels                            | 37.5                           | 55.9 | 41.8                              | 55.0 | 46.0                         |
| Total  | 69.9%                          | 57.4 | 72.4                              | 59.6 | 75.0                         |
| <b><u>Sub-Saharan Africa/Europe fleet:</u></b> |                                |      |                                   |      |                              |
| New vessels                                    | 86.8%                          | 86.8 | 85.3                              | 87.4 | 83.7                         |
| Traditional vessels                            | 36.7                           | 33.7 | 34.1                              | 33.7 | 31.6                         |
| Total  | 75.4%                          | 69.2 | 73.3                              | 69.6 | 71.3                         |
| <b><u>Worldwide fleet:</u></b>                 |                                |      |                                   |      |                              |
| New vessels                                    | 84.7%                          | 80.5 | 85.5                              | 82.4 | 86.2                         |
| Traditional vessels                            | 32.0                           | 33.5 | 32.5                              | 34.2 | 33.0                         |
| Total  | 67.8%                          | 60.2 | 68.1                              | 60.9 | 68.4                         |



|   | Quarter Ended<br>September 30, |        | Six Months Ended<br>September 30, |        | Quarter<br>Ended<br>June 30, |
|---|--------------------------------|--------|-----------------------------------|--------|------------------------------|
|   | 2012                           | 2011   | 2012                              | 2011   | 2012                         |
| <b><u>AVERAGE VESSEL DAY RATES:</u></b>                         |                                |        |                                   |        |                              |
| <b><u>Americas fleet:</u></b>                                   |                                |        |                                   |        |                              |
| New vessels   | \$ 20,771                      | 19,469 | 19,952                            | 19,166 | 19,119                       |
| Traditional vessels   | 8,203                          | 8,650  | 8,265                             | 9,142  | 8,318                        |
| Total   | \$ 17,012                      | 15,466 | 16,247                            | 15,279 | 15,508                       |
| <b><u>Asia/Pacific fleet:</u></b>                               |                                |        |                                   |        |                              |
| New vessels   | \$ 20,109                      | 15,028 | 19,717                            | 15,902 | 19,384                       |
| Traditional vessels   | ---                            | 3,953  | ---                               | 4,143  | ---                          |
| Total   | \$ 20,109                      | 14,098 | 19,717                            | 14,476 | 19,384                       |
| <b><u>Middle East/N. Africa fleet:</u></b>                      |                                |        |                                   |        |                              |
| New vessels   | \$ 12,453                      | 13,562 | 12,420                            | 13,002 | 12,388                       |
| Traditional vessels   | 7,179                          | 6,759  | 7,183                             | 6,483  | 7,186                        |
| Total   | \$ 11,561                      | 10,716 | 11,441                            | 10,185 | 11,325                       |
| <b><u>Sub-Saharan Africa/Europe fleet:</u></b>                  |                                |        |                                   |        |                              |
| New vessels   | \$ 15,332                      | 12,134 | 14,523                            | 12,020 | 13,680                       |
| Traditional vessels   | 8,773                          | 8,313  | 8,563                             | 8,141  | 8,331                        |
| Total   | \$ 14,602                      | 11,518 | 13,875                            | 11,397 | 13,113                       |
| <b><u>Worldwide fleet:</u></b>                                  |                                |        |                                   |        |                              |
| New vessels   | \$ 16,660                      | 14,291 | 16,064                            | 14,190 | 15,466                       |
| Traditional vessels   | 8,258                          | 7,970  | 8,187                             | 7,979  | 8,121                        |
| Total   | \$ 15,384                      | 12,771 | 14,827                            | 12,631 | 14,275                       |
| <b><u>AVERAGE VESSEL COUNT (EXCLUDING STACKED VESSELS):</u></b> |                                |        |                                   |        |                              |
| <b><u>Americas fleet:</u></b>                                   |                                |        |                                   |        |                              |
| New vessels   | 46                             | 41     | 45                                | 40     | 43                           |
| Traditional vessels   | 19                             | 27     | 20                                | 28     | 21                           |
| Total   | 65                             | 68     | 65                                | 68     | 64                           |
| <b><u>Asia/Pacific fleet:</u></b>                               |                                |        |                                   |        |                              |
| New vessels   | 29                             | 29     | 30                                | 29     | 31                           |
| Traditional vessels   | ---                            | 4      | ---                               | 3      | 1                            |
| Total   | 29                             | 33     | 30                                | 32     | 32                           |
| <b><u>Middle East/N. Africa fleet:</u></b>                      |                                |        |                                   |        |                              |
| New vessels   | 28                             | 25     | 28                                | 24     | 27                           |
| Traditional vessels   | 8                              | 13     | 8                                 | 15     | 8                            |
| Total   | 36                             | 38     | 36                                | 39     | 35                           |
| <b><u>Sub-Saharan Africa/Europe fleet:</u></b>                  |                                |        |                                   |        |                              |
| New vessels   | 114                            | 103    | 114                               | 103    | 115                          |
| Traditional vessels   | 14                             | 20     | 15                                | 22     | 15                           |
| Total   | 128                            | 123    | 129                               | 125    | 130                          |
| <b><u>Worldwide fleet:</u></b>                                  |                                |        |                                   |        |                              |
| New vessels   | 218                            | 198    | 217                               | 196    | 216                          |
| Traditional vessels   | 40                             | 64     | 43                                | 68     | 45                           |
| Total   | 258                            | 262    | 260                               | 264    | 261                          |

**Vessel Count, Dispositions, Acquisitions and Construction Programs**

The following table compares the average number of vessels by class and geographic distribution for the quarters and the six-month periods ended September 30, 2012 and 2011 and for the quarter ended June 30, 2012:

|  | Quarter Ended<br>September 30, |            | Six Months Ended<br>September 30, |            | Quarter<br>Ended<br>June 30, |
|--|--------------------------------|------------|-----------------------------------|------------|------------------------------|
|  | 2012                           | 2011       | 2012                              | 2011       | 2012                         |
| <b>Americas fleet:</b>                   |                                |            |                                   |            |                              |
| Deepwater vessels                        | 24                             | 22         | 23                                | 22         | 21                           |
| Towing-supply/supply                     | 50                             | 57         | 50                                | 61         | 50                           |
| Other                                    | 16                             | 22         | 16                                | 22         | 16                           |
| <b>Total</b>                             | <b>90</b>                      | <b>101</b> | <b>89</b>                         | <b>105</b> | <b>87</b>                    |
| Less stacked vessels                     | 25                             | 33         | 24                                | 37         | 23                           |
| <b>Active vessels</b>                    | <b>65</b>                      | <b>68</b>  | <b>65</b>                         | <b>68</b>  | <b>64</b>                    |
| <b>Asia/Pacific fleet:</b>               |                                |            |                                   |            |                              |
| Deepwater vessels                        | 8                              | 11         | 9                                 | 11         | 9                            |
| Towing-supply/supply                     | 33                             | 40         | 34                                | 39         | 36                           |
| Other                                    | 1                              | 2          | 1                                 | 2          | 2                            |
| <b>Total</b>                             | <b>42</b>                      | <b>53</b>  | <b>44</b>                         | <b>52</b>  | <b>47</b>                    |
| Less stacked vessels                     | 13                             | 20         | 14                                | 20         | 15                           |
| <b>Active vessels</b>                    | <b>29</b>                      | <b>33</b>  | <b>30</b>                         | <b>32</b>  | <b>32</b>                    |
| <b>Middle East/N. Africa fleet:</b>      |                                |            |                                   |            |                              |
| Deepwater vessels                        | 8                              | 8          | 8                                 | 8          | 7                            |
| Towing-supply/supply                     | 29                             | 30         | 29                                | 32         | 29                           |
| Other                                    | 6                              | 6          | 6                                 | 6          | 6                            |
| <b>Total</b>                             | <b>43</b>                      | <b>44</b>  | <b>43</b>                         | <b>46</b>  | <b>42</b>                    |
| Less stacked vessels                     | 7                              | 6          | 7                                 | 7          | 7                            |
| <b>Active vessels</b>                    | <b>36</b>                      | <b>38</b>  | <b>36</b>                         | <b>39</b>  | <b>35</b>                    |
| <b>Sub-Saharan Africa/Europe fleet:</b>  |                                |            |                                   |            |                              |
| Deepwater vessels                        | 35                             | 27         | 35                                | 27         | 36                           |
| Towing-supply/supply                     | 65                             | 74         | 66                                | 75         | 66                           |
| Other                                    | 48                             | 52         | 48                                | 52         | 49                           |
| <b>Total</b>                             | <b>148</b>                     | <b>153</b> | <b>149</b>                        | <b>154</b> | <b>151</b>                   |
| Less stacked vessel                      | 20                             | 30         | 20                                | 29         | 21                           |
| <b>Active vessels</b>                    | <b>128</b>                     | <b>123</b> | <b>129</b>                        | <b>125</b> | <b>130</b>                   |
| <b>Active owned or chartered vessels</b> | <b>258</b>                     | <b>262</b> | <b>260</b>                        | <b>264</b> | <b>261</b>                   |
| Stacked vessels                          | 65                             | 89         | 65                                | 93         | 66                           |
| <b>Total owned or chartered vessels</b>  | <b>323</b>                     | <b>351</b> | <b>325</b>                        | <b>357</b> | <b>327</b>                   |
| Vessels withdrawn from service           | 2                              | 2          | 2                                 | 3          | 2                            |
| Joint-venture and other                  | 10                             | 10         | 10                                | 10         | 10                           |
| <b>Total</b>                             | <b>335</b>                     | <b>363</b> | <b>337</b>                        | <b>370</b> | <b>339</b>                   |

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Owned or chartered vessels include vessels that were stacked by the company. The company considers a vessel to be stacked if the vessel crew is disembarked and limited maintenance is being performed on the vessel. The company reduces operating costs by stacking vessels when management does not foresee opportunities to profitably or strategically operate the vessels in the near future. Vessels are stacked when market conditions warrant and they are no longer considered stacked when they are returned to active service, sold or otherwise disposed. When economically practical marketing opportunities arise, the stacked vessels can be returned to service by performing any necessary maintenance on the vessel and either rehiring or returning fleet personnel to operate the vessel. Although not currently fulfilling charters, stacked vessels are considered to be in service and are included in the calculation of the company's utilization statistics. The company had 61, 78 and 66 stacked vessels at September 30, 2012 and 2011 and June 30, 2012, respectively. Most of the vessels stacked are being marketed for sale and are not expected to return to the active fleet, primarily due to their age.

Vessels withdrawn from service are not included in the company's utilization statistics.

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The following is a summary of net properties and equipment at September 30, 2012 and March 31, 2012:

|  | September 30, 2012   |                   | March 31, 2012       |                   |
|--|----------------------|-------------------|----------------------|-------------------|
|  | Number<br>Of Vessels | Carrying<br>Value | Number<br>of Vessels | Carrying<br>Value |
|  | (In thousands)       |                   | (In thousands)       |                   |
| Owned vessels in active service                      | 249                  | \$ 2,684,126      | 251                  | \$ 2,567,321      |
| Stacked vessels                                      | 61                   | 35,520            | 67                   | 34,768            |
| Vessels withdrawn from service                       | 2                    | 633               | 2                    | 633               |
| Marine equipment and other assets under construction |                      | 255,898           |                      | 261,679           |
| Other property and equipment                         |                      | 39,846            |                      | 41,364            |
| Totals   | 312                  | \$ 3,012,023      | 320                  | \$ 2,905,765      |

***Vessel Dispositions***

The company seeks opportunities to sell and/or scrap its older vessels when market conditions warrant and opportunities arise. The majority of the company's vessels are sold to buyers who do not compete with the company in the offshore energy industry. The following is a summary of the number of vessels disposed of by vessel type and segment during the six months ended September 30:

|  | Six Months Ended<br>September 30, |      |
|--|-----------------------------------|------|
|  | 2012                              | 2011 |
| Number of vessels disposed by vessel type: |                                   |      |
| Anchor handling towing supply              | 7                                 | 28   |
| Platform supply vessel                     | 4                                 | 6    |
| Other                                      | 5                                 | 2    |
| Total                                      | 16                                | 36   |
| Number of vessels disposed by segment:     |                                   |      |
| Americas                                   | 2                                 | 15   |
| Asia/Pacific                               | 5                                 | 3    |
| Middle East/North Africa                   | 1                                 | 11   |
| Sub-Saharan Africa/Europe                  | 8                                 | 7    |
| Total                                      | 16                                | 36   |

***Vessel Deliveries and Acquisitions***

During the first half of fiscal 2013, the company took delivery of four newly-built vessels and acquired four vessels from third parties. Two of the delivered vessels are 286-foot, deepwater, PSVs, both of which were constructed at an international shipyard for a total cost of \$58.7 million. The other two vessels delivered during the first half of fiscal 2013 are towing supply/supply class, AHTS vessels that have 8,200 brake horse power (BHP). These two vessels were constructed at different international shipyards for a total cost of \$47.5 million. The company also acquired three deepwater, PSVs and one towing supply/supply class PSV for a total cost of \$75.3 million. These vessels range between 220-feet to 250-feet. The acquired towing supply/supply class PSV vessel was originally sold and leased back in fiscal year 2006. The company elected to repurchase this vessel from the lessor for a total \$8.9 million in September 2012. Please refer to the *Off-Balance Sheet Arrangements* section of Management Discussion and Analysis of this report for a discussion on the company's sale/leaseback vessels.

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During fiscal 2012, the company took delivery of 13 newly-built vessels and acquired 11 vessels from third parties. Six of the newly-built vessels are towing supply/supply class, AHTS vessels and seven are deepwater class PSVs. The six AHTS vessels were constructed at two different international shipyards for \$94.2 million and have between 5,150 and 8,200 BHP. One 266-foot deepwater PSV was constructed at the company's own shipyard, Quality Shipyards, L.L.C., for a cost of \$36.1 million. The other six deepwater, PSVs measure 286-feet and were constructed at the same international shipyard for \$172.3 million. The company also acquired a 246-foot and a 250-foot deepwater PSV for a total cost of \$41.6 million and nine 5,150 BHP towing supply/supply class, AHTS vessels for a total cost of \$108.7 million.

*Vessel Commitments at September 30, 2012*

At September 30, 2012, the company had four 7,100 BHP towing supply/supply vessels under construction at an international shipyard, for a total expected cost of \$75.1 million. The vessels are expected to be delivered beginning in July 2014 with final delivery of the last vessel in November 2014. As of September 30, 2012, the company had invested \$13.8 million for these vessels.

The company is also committed to the construction of two 246-foot, one 261-foot, eight 275-foot, four 286-foot and two 300-foot deepwater platform supply vessels (PSVs) for a total estimated cost of \$541.6 million. One U.S. located shipyard is constructing the 261-foot deepwater class vessel and a different U.S. shipyard is constructing the two 300-foot deepwater PSVs. Two different international shipyards are each constructing four 275-foot deepwater PSVs, and a fourth international shipyard is constructing the three 286-foot deepwater PSVs. The 261-foot deepwater platform supply vessel has an expected delivery in March 2014. The eight 275-foot deepwater class vessels are expected to be delivered beginning in January 2014, with final delivery of the eighth vessel in January 2015. The company took delivery of the first 286-foot deepwater class vessels in October 2012 with final delivery of the last 286-foot vessel scheduled for March 2013. The two 300-foot deepwater class vessels are scheduled for delivery in August and December 2013. As of September 30, 2012, \$188.2 million was invested in these 17 vessels.

Two vessels under construction at a domestic shipyard have fallen substantially behind schedule. The shipyard 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, the company and the shipyard reached an agreement during the quarter ended September 30, 2012 which includes an increase in the contract price of each vessel, one or more change orders for each hull, among other modifications to the contract terms and the extension of the delivery dates of the two vessels by approximately seven and eight months, respectively.

The company is also committed to the construction of one 175-foot, fast supply boat, four water jet crewboats, and two 215-foot specialty vessels for a cost of \$72.7 million. Three separate international shipyards are constructing these vessels. The company is experiencing a substantial delay with the fast supply boat, which is under construction in Brazil and 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 continues to pursue arbitration of these issues. The four water jet crewboats are expected to be delivered in February, April and June of 2013. As of September 30, 2012, the company had invested \$41.8 million for the construction of these vessels.

At September 30, 2012, the company agreed to purchase two PSVs for an aggregate approximate total purchase price of \$47.5 million. The company took possession of both PSVs in October 2012 for \$19.2 and 28.3 million, respectively. The first PSV has 3,500 DWTs of cargo capacity and the second PSV has 3,100 DWTs of cargo capacity. As of September 30, 2012, the company had invested \$7.0 million to acquire these two vessels.



**Vessel Commitments Summary at September 30, 2012**

The table below summarizes the various vessel commitments by vessel class and type as of September 30, 2012:

| Vessel class and type                   | Number of Vessels | Non-U.S. Built    |                           |                            | Number of Vessels | U.S. Built     |                           |                            |
|---|-------------------|-------------------|---------------------------|----------------------------|-------------------|----------------|---------------------------|----------------------------|
|   |                   | Total Cost        | Invested Through 09/30/12 | Remaining Balance 09/30/12 |                   | Total Cost     | Invested Through 09/30/12 | Remaining Balance 09/30/12 |
| In thousands, except number of vessels: |                   |                   |                           |                            |                   |                |                           |                            |
| Deepwater platform supply vessels       | 16                | \$ 436,178        | 129,205                   | 306,973                    | 3                 | 152,894        | 65,998                    | 86,896                     |
| Towing-supply/supply vessels            | 4                 | 75,072            | 13,811                    | 61,261                     | ---               | ---            | ---                       | ---                        |
| Crewboats and other                     | 7                 | 72,696            | 41,760                    | 30,963                     | ---               | ---            | ---                       | ---                        |
| <b>Totals</b>                           | <b>27</b>         | <b>\$ 583,946</b> | <b>184,776</b>            | <b>399,170</b>             | <b>3</b>          | <b>152,894</b> | <b>65,998</b>             | <b>86,896</b>              |

The table below summarizes by vessel class and vessel type the number of vessels expected to be delivered by quarter along with the expected cash outlay (in thousands) of the various vessel commitments as discussed above:

| Vessel class and type             | Quarter Period Ended |          |          |          |          |             |  |
|-----------------------------------|----------------------|----------|----------|----------|----------|-------------|--|
|                                   | 12/12                | 03/13    | 06/13    | 09/13    | 12/13    | Thereafter  |  |
| Deepwater platform supply vessels | 4                    | 2        | ---      | 1        | 1        | 11          |  |
| Towing-supply/supply vessels      | ---                  | ---      | ---      | ---      | ---      | 4           |  |
| Crewboats and other               | ---                  | 2        | 2        | 1        | 2        | ---         |  |
| <b>Totals</b>                     | <b>4</b>             | <b>4</b> | <b>2</b> | <b>2</b> | <b>3</b> | <b>15</b>   |  |
| (In thousands)                    |                      |          |          |          |          |             |  |
| Expected quarterly cash outlay    | \$ 107,326           | 35,398   | 26,543   | 42,820   | 33,379   | 240,610 (A) |  |

(A) The \$240,610 of Thereafter vessel construction obligations is expected to be paid out as follows: \$69,494 in the remaining quarter of fiscal 2014 and \$171,116 during fiscal 2015.

The company believes it has sufficient liquidity and financial capacity to support the continued investment in new vessels, assuming customer demand, acquisition and shipyard economics and other considerations justify such an investment. 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 its financial position and conditions in the credit and capital markets. In recent years, the company has funded vessel additions with available cash, operating cash flow, revolving credit facility borrowings, a bank term loan, various leasing arrangements, and funds provided by the sale of senior unsecured notes as disclosed in Note (5) of Notes to Condensed Consolidated Financial Statements. The company has \$486.1 million in unfunded capital commitments associated with the 28 vessels currently under construction and the two vessel purchase commitments at September 30, 2012.

## General and Administrative Expenses

Consolidated general and administrative expenses and its related percentage of total revenue for the quarters and the six-month periods ended September 30 and June 30 consist of the following components:

| (In thousands)        | Quarter Ended<br>September 30, |     |        |     | Six Months Ended<br>September 30, |     |        |     | Quarter<br>Ended<br>June 30, |     |
|-----------------------|--------------------------------|-----|--------|-----|-----------------------------------|-----|--------|-----|------------------------------|-----|
|                       | 2012                           | %   | 2011   | %   | 2012                              | %   | 2011   | %   | 2012                         | %   |
| Personnel             | \$ 26,347                      | 8%  | 21,655 | 9%  | 51,502                            | 8%  | 44,023 | 9%  | 25,155                       | 9%  |
| Office and property   | 6,288                          | 2%  | 5,818  | 2%  | 12,315                            | 2%  | 11,565 | 2%  | 6,027                        | 2%  |
| Sales and marketing   | 2,209                          | 1%  | 2,243  | 1%  | 4,587                             | 1%  | 4,401  | 1%  | 2,378                        | 1%  |
| Professional services | 4,288                          | 1%  | 5,653  | 2%  | 8,652                             | 1%  | 10,596 | 2%  | 4,365                        | 1%  |
| Other                 | 2,735                          | 1%  | 2,404  | 1%  | 5,475                             | 1%  | 4,769  | 1%  | 2,739                        | 1%  |
|                       | \$ 41,867                      | 13% | 37,773 | 15% | 82,531                            | 13% | 75,354 | 15% | 40,664                       | 14% |

General and administrative expenses, during the second quarter of fiscal 2013, were 10.8%, or \$4.1 million, higher than the second quarter of fiscal 2012, primarily due to increases in personnel expenses which increased 21.7%, or \$4.7 million, and higher office and property expenses which increased 8.1%, or \$0.5 million. These increases were offset by a 24.1%, or \$1.4 million, reduction in professional services expenses.

General and administrative expenses were higher by approximately 9.5%, or \$7.2 million, during the six-month period ended September 30, 2012, as compared to the same period in fiscal 2012, primarily due to higher personnel expenses and higher office and property expenses. These increases were offset by a reduction in professional service costs.

General and administrative expenses during the second quarter of fiscal 2013 were comparable to the first quarter of fiscal 2013

## Liquidity, Capital Resources and Other Matters

The company's current ratio, level of working capital and amount of cash flows from operations for any year are primarily related to fleet activity, vessel day rates and the timing of collections and disbursements. Vessel activity levels and vessel day rates are, among other things, dependent upon the supply/demand relationship for offshore vessels, which tend to follow the level of oil and natural gas exploration and production. Variations from year-to-year in these items are primarily the result of market conditions.

### Availability of Cash

At September 30, 2012, the company had \$136.7 million in cash and cash equivalents, of which \$75.2 million was held by foreign subsidiaries. The company currently intends that earnings by foreign subsidiaries will be indefinitely reinvested in foreign jurisdictions in order to fund strategic initiatives (such as investment, expansion and acquisitions), fund working capital requirements and repay debt (both third-party and intercompany) of its foreign subsidiaries in the normal course of business. Moreover, the company does not currently intend to repatriate earnings of foreign subsidiaries to the United States because cash generated from the company's domestic businesses and credit available under its domestic financing facilities, as well as the repayment of intercompany liabilities from foreign subsidiaries, are currently sufficient (and are expected to continue to be sufficient for the foreseeable future) to fund the cash needs of its operations in the United States. However, if, in the future, cash and cash equivalents held by foreign subsidiaries are needed to fund the company's operations in the United States, the repatriation of such amounts to the United States could result in a significant incremental tax liability in the period in which the decision to repatriate occurs. Payment of any incremental tax liability would reduce the cash available to the company to fund its operations by the amount of taxes paid.

Our objective in financing our business is to maintain adequate financial resources and access to sufficient levels of liquidity. Cash and cash equivalents, future net cash provided by operating activities and the company's revolving credit facilities provide the company, in our opinion, with sufficient liquidity to meet our

liquidity requirements, including required payments on vessel construction currently in progress and payments required to be made in connection with current vessel purchase commitments.

**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. Approximately \$140 million of principal repayments due in the quarter ending September 30, 2013 are classified as long term debt in the accompanying balance sheet at September 30, 2012 because the company has the ability and intent to fund this with the revolver.

The company has \$125 million in term loan borrowings outstanding at September 30, 2012 (whose fair value approximates the carrying value because the borrowings bear interest at variable Eurodollar rates plus a margin on leverage), and the entire \$450 million of the revolver was available for future financing needs, with no outstanding borrowings at September 30, 2012, or March 31, 2012.

**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 September 30, 2012 and March 31, 2012, is as follows:

| (In thousands, except weighted average data)      | September 30,<br>2012 | March 31,<br>2012 |
|---|-----------------------|-------------------|
| Aggregate debt outstanding                        | \$ 165,000            | 165,000           |
| Weighted average remaining life in years          | 8.1                   | 8.6               |
| Weighted average coupon rate on notes outstanding | 4.42%                 | 4.42%             |
| Fair value of debt outstanding                    | 181,716               | 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%.

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**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 September 30, 2012 and March 31, 2012, is as follows:

| (In thousands, except weighted average data)      | September 30,<br>2012 | March 31,<br>2012 |
|---|-----------------------|-------------------|
| Aggregate debt outstanding                        | \$ 425,000            | 425,000           |
| Weighted average remaining life in years          | 7.1                   | 7.6               |
| Weighted average coupon rate on notes outstanding | 4.25%                 | 4.25%             |
| Fair value of debt outstanding                    | 463,344               | 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 September 30, 2012 and March 31, 2012, is an after-tax loss of \$3.1 million (\$4.8 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 September 30, 2012 and March 31, 2012, is as follows:

| (In thousands, except weighted average data)      | September 30,<br>2012 | March 31,<br>2012 |
|---|-----------------------|-------------------|
| Aggregate debt outstanding                        | \$ 175,000            | 235,000           |
| Weighted average remaining life in years          | 1.2                   | 1.4               |
| Weighted average coupon rate on notes outstanding | 4.47%                 | 4.43%             |
| Fair value of debt outstanding                    | 180,332               | 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%.

### ***Interest and 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 and the six-month periods ended September 30, 2012 and 2011 are as follows:

| (In thousands)  | Quarter Ended<br>September 30, |       | Six Months Ended<br>September 30, |        |
|---|--------------------------------|-------|-----------------------------------|--------|
|   | 2012                           | 2011  | 2012                              | 2011   |
| Interest and debt costs incurred, net of interest capitalized | \$ 7,148                       | 4,766 | 14,735                            | 8,827  |
| Interest costs capitalized                                    | 2,913                          | 4,188 | 5,736                             | 8,598  |
| Total interest and debt costs                                 | \$ 10,061                      | 8,954 | 20,471                            | 17,425 |



Total interest and debt costs were higher, during the quarter and the six-month periods ended September 30, 2012 than the same periods in fiscal 2012, because of an increase in interest expense related to the issuance of \$165 million senior notes during the quarter ended September 30, 2011 and the \$125 million term loan as discussed above. Also, the relative-portion of interest cost capitalized during the quarter and the six-month period ended September 30, 2012 was lower than the same periods in fiscal 2012 due to a decrease in the level of investments in the company's new construction program during the comparative periods.

**Share Repurchases**

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 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 evaluates share repurchase opportunities relative to other investment opportunities and in the context of current conditions in the credit and capital markets. At September 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 \$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 authorized.

The cash paid for common stock repurchased, along with number of shares repurchased, and average price paid per share is as follows:

| (In thousands, except share and per share data) | Quarter Ended<br>September 30, |      | Six Months Ended<br>September 30, |      |
|---|--------------------------------|------|-----------------------------------|------|
|   | 2012                           | 2011 | 2012                              | 2011 |
| Cash paid for common stock repurchased          | \$ ---                         | ---  | 65,028                            | ---  |
| Shares of common stock repurchased              | ---                            | ---  | 1,400,500                         | ---  |
| Average price paid per common share             | \$ ---                         | ---  | 46.43                             | ---  |

**Dividends**

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 and six-month periods ended September 30:

| (In thousands, except dividend per share) | Quarter Ended<br>September 30, |        | Six Months Ended<br>September 30, |        |
|---|--------------------------------|--------|-----------------------------------|--------|
|   | 2012                           | 2011   | 2012                              | 2011   |
| Dividends declared                        | \$ 12,544                      | 12,975 | 25,169                            | 25,944 |
| Dividend per share                        | 0.25                           | 0.25   | 0.50                              | 0.50   |

**Operating Activities**

Net cash provided by operating activities for any period will fluctuate according to the level of business activity for the applicable period.

Net cash provided by operating activities for the six months ended September 30, is as follows:

| (In thousands)                                |    | 2012    | Change   | 2011     |
|---|----|---------|----------|----------|
| Net earnings                                  | \$ | 74,212  | 54,530   | 19,682   |
| Depreciation and amortization                 |    | 71,831  | 4,275    | 67,556   |
| Provision (benefit) for deferred income taxes |    | (4,372) | 16,447   | (20,819) |
| Gain on asset dispositions, net               |    | (2,671) | 8,504    | (11,175) |
| Goodwill impairment                           |    | ---     | (30,932) | 30,932   |
| Changes in operating assets and liabilities   |    | 1,065   | 5,508    | (4,443)  |
| Other non-cash items                          |    | 6,194   | 745      | 5,449    |
| Net cash provided by operating activities     | \$ | 146,259 | 59,077   | 87,182   |

Cash flows from operations increased \$59.1 million, or 68%, to \$146.3 million, during the six months ended September 30, 2012 as compared to \$87.2 million during the six months ended September 30, 2011, due primarily to an increase in net earnings, a goodwill impairment charge incurred in fiscal 2012, a decrease in the benefit for deferred income taxes due to an increase in pretax income and because the prior year included a \$13.1 million tax benefit related to the goodwill impairment charge, and to changes in net operating assets and liabilities; specifically, a increase in trade and other receivable balances (because of \$71.7 million increase in cash collections due to the timing of payments from customers and \$66.9 million higher billings to customers due to an increase in business activity), a \$17.9 million increase in trade payables due to the timing of payments which provided cash, and a \$2.0 million decrease in accrued expenses due to the timing of accruals.

**Investing Activities**

Net cash used in investing activities for the six months ended September 30, is as follows:

| (In thousands)                        |    | 2012      | Change   | 2011      |
|---------------------------------------|----|-----------|----------|-----------|
| Proceeds from the sale of assets      | \$ | 9,977     | (13,415) | 23,392    |
| Additions to properties and equipment |    | (189,826) | (34,768) | (155,058) |
| Other                                 |    | (1,338)   | (2,562)  | 1,224     |
| Net cash used in investing activities | \$ | (181,187) | (50,745) | (130,442) |

Investing activities for the six months ended September 30, 2012 used \$181.2 million of cash, which is primarily attributed to \$189.8 million of additions to properties and equipment partially offset by \$10.0 million in proceeds from the sales of assets. Additions to properties and equipment were comprised of approximately \$17.8 million in capitalized major repair costs, \$171.2 million for the construction and purchase of offshore marine vessels and \$0.8 million in other properties and equipment purchases.

Investing activities for the six months ended September 30, 2011, used \$130.4 million of cash, which is attributed to \$155.0 million of additions to properties and equipment partially offset by \$23.4 million in proceeds from the sales of assets. Additions to properties and equipment were comprised of approximately \$13.9 million in capitalized major repair costs, \$138.9 million for the construction and purchase of offshore marine vessels, and \$2.2 million in other properties and equipment purchases

**Financing Activities**

Net cash provided by (used in) financing activities for the six months ended September 30, is as follows:

| (In thousands)                                | 2012         | Change    | 2011     |
|---|--------------|-----------|----------|
| Principal payments on debt                    | \$ (60,000)  | (20,000)  | (40,000) |
| Debt borrowings                               | ---          | (165,000) | 165,000  |
| Debt issuance costs                           | ---          | 234       | (234)    |
| Proceeds from exercise of stock options       | 938          | 213       | 725      |
| Cash dividends                                | (25,058)     | 831       | (25,889) |
| Excess tax benefit on stock options exercised | 95           | (29)      | 124      |
| Stock repurchases                             | (65,028)     | (65,028)  | ---      |
| Net cash used in financing activities         | \$ (149,053) | (248,779) | (99,726) |

Financing activities for the six months ended September 30, 2012 used \$149.1 million of cash, which is primarily the result of \$65.0 million used to repurchase the company's common stock, \$60.0 million used to repay debt, and \$25.1 million used for the quarterly payment of common stock dividends of \$0.25 per common share. Uses of cash were slightly offset by \$0.9 million of proceeds from the issuance of common stock resulting from stock option exercises and \$95.0 thousand tax benefit on stock options exercised during the quarter.

Financing activities for the six months ended September 30, 2011, provided \$99.7 million of cash, which included \$165.0 million of privately placed unsecured debt borrowings, \$0.7 million of proceeds from the issuance of common stock resulting from stock option exercises, and \$0.1 million tax benefit on stock options exercised during the quarter. Proceeds were partially offset by \$40.0 million used to repay debt and \$25.9 million used for the quarterly payment of common stock dividends of \$0.25 per common share, and \$0.2 million of debt issuance costs.

**Other Liquidity Matters**

**Vessel Construction.** With its commitment to modernizing its fleet through its vessel construction and acquisition program over the past decade, the company is replacing its older fleet of vessels with fewer, larger and more efficient vessels, while also enhancing the size and capabilities of the company's fleet. These efforts will continue, with the company anticipating that it will use its 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.

At September 30, 2012, the company had approximately \$136.7 million of cash and cash equivalents. In addition, there was \$450.0 million of credit facilities available at September 30, 2012.

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 September 30, 2012.

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.

Two vessels under construction at a domestic shipyard have fallen substantially behind schedule. The shipyard 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, the company and the shipyard reached an agreement during the quarter ended September 30, 2012 which includes an increase in the contract price of each vessel, one or more change orders for each hull, among other modifications to the contract terms and the extension of the delivery dates of the two vessels by approximately seven and eight months, respectively.

**Merchant Navy Officers Pension Fund.** A 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 (MNOFP). The company has been informed by the Trustee of the MNOFP 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 MNOFP based on assessments was \$4.1 million and \$6.7 million at September 30, 2012 and March 31, 2012, respectively, all of which has been accrued. No additional liabilities were recorded during the six months ended September 30, 2012, and \$2.5 million of payments were made during the six months ended September 30, 2012. Payments totaling \$2.0 million were made into the fund during the quarter ended September 30, 2011.

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 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 \$4.1 million as of September 30, 2012) in installments through October 2014.

**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 \$76.4 million as of September 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

\$73.4 million as of September 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 September 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.

The company's two Brazilian subsidiaries 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 September 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.

**Shareholder Derivative Suit.** In mid-February 2011, an individual claiming to be a Tidewater shareholder filed a shareholder derivative suit in the U.S. District Court for the Eastern District of Louisiana. The defendants in the suit were individual directors and certain officers of Tidewater Inc. Tidewater Inc. was also a nominal defendant in the lawsuit. The suit asserted various causes of action, including breach of fiduciary duty, against the individual defendants in connection with the facts and circumstances giving rise to the settlements with the DOJ and SEC and sought a number of remedies against the individual defendants and the company as a result. For a discussion of the settlements with the DOJ and SEC regarding matters arising under the United States Foreign Corrupt Practices Act, refer to the company's Annual Report on Form 10-K for the year ended March 31, 2012, filed with the SEC on May 21, 2012. While the company incurred costs in connection with the defense of this law suit, the suit did not seek monetary damages against the company. The individual defendants and the company retained legal counsel.

On July 2, 2012, the presiding judge in this case, Judge Milazzo, dismissed the shareholder derivative suit but gave the plaintiff an opportunity to file an amended complaint. On July 23, 2012 and in lieu of filing an amended complaint, the plaintiff brought a motion to stay the U.S. District Court proceedings pending resolution of a demand by the plaintiff on the company's Board of Directors to conduct an independent investigation and bring claims against the individual defendants. By letter dated July 23, 2012, plaintiff made this demand on the company's Board of Directors. On August 7, 2012, the individual defendants and the company filed oppositions to the motion to stay and sought dismissal of the suit with prejudice. The presiding judge has yet to rule on the plaintiff's motion to stay.

**Supplemental Retirement Plan.** 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 an estimated \$12.6 million lump sum distribution in full settlement and discharge of his supplemental executive retirement plan benefit. A settlement loss, which is currently estimated to be \$4.4 million, will be recorded at the time of distribution.

**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.

#### Contractual Obligations and Other Commercial Commitments

The following table summarizes the company's consolidated contractual obligations as of September 30, 2012 for the remaining months of fiscal 2013, and the next four fiscal years and thereafter, and the effect such obligations, inclusive of interest costs, are expected to have on the company's liquidity and cash flows in future periods:

| (In thousands)                  | Payments Due by Fiscal Year |         |         |         |      |      |     | More Than<br>5 Years |
|---------------------------------|-----------------------------|---------|---------|---------|------|------|-----|----------------------|
|                                 | Total                       | 2013    | 2014    | 2015    | 2016 | 2017 |     |                      |
| Vessel purchase obligations     | \$ 40,433                   | 40,433  | ---     | ---     | ---  | ---  | --- |                      |
| Vessel construction obligations | 445,123                     | 101,890 | 174,468 | 168,765 | ---  | ---  | --- |                      |
| Total obligations               | \$ 485,556                  | 142,323 | 174,468 | 168,765 | ---  | ---  | --- |                      |

A discussion regarding the company's vessel construction commitments is disclosed in the "Vessel Count, Dispositions, Acquisitions and Construction Programs" section above. The company did not have any other material changes in its contractual obligations and commercial commitments other than in the ordinary course of business since the end of fiscal 2012. Refer to the company's Annual Report on Form 10-K for additional information regarding the company's contractual obligations and commercial commitments.

#### Off-Balance Sheet Arrangements

##### *Fiscal 2010 Sale/Leaseback*

In June 2009, the company sold five vessels to four unrelated third-party companies, and simultaneously entered into bareboat charter agreements for the vessels with the purchasers. In July 2009, the company sold an additional vessel to an unrelated third-party company, and simultaneously entered into a bareboat charter agreement with that purchaser.

The sale/leaseback transactions resulted in proceeds to the company of approximately \$101.8 million and a deferred gain of \$39.6 million. The aggregate carrying value of the six vessels was \$62.2 million at the dates of sale. The leases on the five vessels sold in June 2009 will expire June 30, 2014, and the lease on the vessel sold in July 2009 will expire July 30, 2014. The company is accounting for the transactions as sale/leaseback transactions with operating lease treatment and expenses lease payments over the five year charter hire operating lease terms.

Under the sale/leaseback agreements, the company has the right to either re-acquire the six vessels at 75% of the original sales price or cause the owners to sell the vessels to a third-party under an arrangement where the company guarantees approximately 84% of the original lease value to the third party purchaser. The company will recognize the deferred gain as income if it does not exercise its option to purchase the six vessels at the end of the operating lease term. If the company exercises its option to purchase these vessels, the deferred gain will reduce the vessels' stated cost after exercising the purchase option.

**Fiscal 2006 Sale/Leaseback**

In March 2006, the company entered into agreements to sell five of its vessels that were under construction at the time to Banc of America Leasing & Capital LLC (BOAL&C), an unrelated third party, for \$76.5 million and simultaneously entered into bareboat charter agreements with BOAL&C upon the vessels' delivery to the market. Construction on these five vessels was completed at various times between March 2006 and March 2008, at which time the company sold the respective vessels and simultaneously entered into bareboat charter agreements.

The company accounted for all five transactions as sale/leaseback transactions with operating lease treatment. Accordingly, the company did not record the assets on its books and the company is expensing periodic lease payments. The operating lease for all five charter hire agreements were for eight year terms. The company has the option to extend the respective bareboat charter agreements three times, each for a period of 12 months. At the end of the basic term (or extended option periods), the company has an option to purchase each of the vessels at its then fair market value or to redeliver the vessel to its owner.

The bareboat charter agreements on the first two vessels, whose original expiration dates were in calendar year 2014, have ended in September and October 2012 because the company exercised its option to repurchase these vessels as discussed below. The bareboat charter agreements on the third and fourth vessels expire in 2015 and the company has the option to extend the bareboat charter agreements three times, each for a period of 12 months, which would provide the company the opportunity to extend the operating leases through calendar year 2018. The bareboat charter agreement on the fifth vessel expires in 2016. The company has the option to extend the bareboat charter agreements three times, each for a period of 12 months, which would provide the company the opportunity to extend the operating leases through calendar year 2019.

The company may purchase each of the vessels at their fixed amortized values, as outlined in the bareboat charter agreements, at the end of the fifth year, and again at the end of the seventh year, from the commencement dates of the respective charter agreements. The company may also purchase each of the vessels at a mutually agreed upon price at any time during the lease term. In September 2012, the company elected to repurchase one of its leased vessels from the lessor for a total \$8.9 million. In addition, during October 2012, the company repurchased a second platform supply vessel, for a total \$8.4 million. Refer to Note (13) of Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

**Future Minimum Lease Payments**

As of September 30, 2012, the future minimum lease payments for the vessels under the operating lease terms are as follows:

| Fiscal year ending (In thousands) | Fiscal 2010<br>Sale/Leaseback | Fiscal 2006<br>Sale/Leaseback | Total  |
|-----------------------------------|-------------------------------|-------------------------------|--------|
| Remaining six months of 2013      | \$ 5,351                      | 2,935                         | 8,286  |
| 2014                              | 10,703                        | 5,853                         | 16,556 |
| 2015                              | 2,836                         | 4,825                         | 7,661  |
| 2016                              | ---                           | 2,304                         | 2,304  |
| Thereafter                        | ---                           | ---                           | ---    |
| Total future lease payments       | \$ 18,890                     | 15,917                        | 34,807 |

For the quarters and the six-month periods ended September 30, 2012 and 2011, the company expensed approximately \$4.4 million and \$4.5 million and \$8.9 million and \$9.0 million, respectively, on all of its bareboat charter arrangements.

**Goodwill**

For information regarding the \$30.9 million non-cash goodwill impairment recorded during the quarter ended September 30, 2011, please refer to Note (12) of Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

### **Application of Critical Accounting Policies and Estimates**

The company's Annual Report on Form 10-K for the year ended March 31, 2012, filed with the Securities and Exchange Commission on May 21, 2012, describes the accounting policies that are critical to reporting the company's financial position and operating results and that require management's most difficult, subjective or complex judgments. This Quarterly Report on Form 10-Q should be read in conjunction with the discussion contained in the company's Annual Report on Form 10-K for the year ended March 31, 2012, regarding these critical accounting policies.

### **New Accounting Pronouncements**

For information regarding the effect of new accounting pronouncements, refer to Note (10) of Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

### **Effects of Inflation**

Day-to-day operating costs are generally affected by inflation. Because the energy services industry requires specialized goods and services, general economic inflationary trends may not affect the company's operating costs. The major impact on operating costs is the level of offshore exploration, field development and production spending by energy exploration and production companies. As spending increases, prices of goods and services used by the energy industry and the energy services industry will increase. Future increases in vessel day rates may shield the company from the inflationary effects on operating costs.

The company's newer technologically sophisticated AHTS vessels and PSVs generally require a greater number of specially trained fleet personnel than the company's older, smaller vessels. Competition for skilled crews will likely intensify, particularly in international markets, as new-build vessels currently under construction enter the global fleet. Concerns regarding shortages in skilled labor become an increasing concern globally, during calendar year 2011, global wages in the energy industry have risen approximately 6% per analyst reports. Increases in local wages is another developing trend regarding wage inflation, especially in South America where local wages have trended higher and are now on par or have exceeded wages earned by the expatriate employee work force. If competition for personnel intensifies, the market for experienced crews could exert upward pressure on wages, which would likely increase the company's crew costs.

Strong fundamentals in the global energy industry experienced in the past few years have also increased the activity levels at shipyards worldwide until the calendar year 2008-2009 global recession. The price of steel then peaked in 2011 due to increased worldwide demand for the metal, which demand has since declined due to the weakening of steel consumption and global economic industrial activity as a whole. The price of steel continues to be high by historical standards. If the price of steel declines, the cost of new vessels will result in lower capital expenditures and depreciation expenses, which taken by themselves would increase our future operating profits.

### **Environmental Compliance**

During the ordinary course of business, the company's operations are subject to a wide variety of environmental laws and regulations that govern the discharge of oil and pollutants into navigable waters. Violations of these laws may result in civil and criminal penalties, fines, injunction and other sanctions. Compliance with the existing governmental regulations that have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment has not had, nor is expected to have, a material effect on the company. Environmental laws and regulations are subject to change however, and may impose increasingly strict requirements and, as such, the company cannot estimate the ultimate cost of complying with such potential changes to environmental laws and regulations.

All vessels over 79 feet in registered length, regardless of flag, that are operating as a means of transportation within the inland and offshore waters of the U.S. (but not beyond the three nautical mile territorial sea limit) must comply with the Environmental Protection Agency's National Pollutant Discharge Elimination System (NPDES) Vessel General Permit (VGP) for discharges incidental to the normal operation of vessels. For our vessels, that includes ballast water, bilge water, graywater, cooling water, chain locker effluent, deck wash down and runoff, cathodic protection, and other such type runoff. The company believes that it is in full compliance with the VGP.

The company is also involved in various legal proceedings that relate to asbestos and other environmental matters. In the opinion of management, based on current information, the amount of ultimate liability, if any, with respect to these proceedings is not expected to have a material adverse effect on the company's financial position, results of operations, or cash flows. The company is proactive in establishing policies and operating procedures for safeguarding the environment against any hazardous materials aboard its vessels and at shore-based locations. Whenever possible, hazardous materials are maintained or transferred in confined areas in an attempt to ensure containment if accidents occur. In addition, the company has established operating policies that are intended to increase awareness of actions that may harm the environment.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

Market risk refers to the potential losses arising from changes in interest rates, foreign currency fluctuations and exchange rates, equity prices and commodity prices including the correlation among these factors and their volatility. The company is primarily exposed to interest rate risk and foreign currency fluctuations and exchange risk. The company enters into derivative instruments only to the extent considered necessary to meet its risk management objectives and does not use derivative contracts for speculative purposes.

#### **Interest Rate Risk and Indebtedness**

Changes in interest rates may result in changes in the fair market value of the company's financial instruments, interest income and interest expense. The company's financial instruments that are exposed to interest rate risk are its cash equivalents and long-term borrowings. Due to the short duration and conservative nature of the cash equivalent investment portfolio, the company does not expect any material loss with respect to its investments. The book value for cash equivalents is considered to be representative of its fair value.

#### ***Revolving Credit and Term Loan Agreement***

Please refer to the Liquidity, Capital Resources and Other Matters section of this report for a discussion on the company's revolving credit and term loan agreement and outstanding senior notes.

At September 30, 2012, the company had a \$125.0 million outstanding term loan. The fair market value of this debt approximates the carrying value because the borrowings bear interest at variable Eurodollar rates plus a margin based on leverage, which together currently approximate 2.0% percent (1.75% margin plus 0.25% Eurodollar rate). A one percentage point change in the Eurodollar interest rate on the \$125.0 million term loan borrowings at September 30, 2012 would change the company's interest costs by approximately \$1.25 million annually.

**Senior Notes**

Please refer to the Liquidity, Capital Resources and Other Matters section of this report for a discussion on the company's outstanding senior notes debt.

Because the senior notes outstanding at September 30, 2012 bear interest at fixed rates, interest expense would not be impacted by changes in market interest rates. The following table discloses how the estimated fair value of our respective senior notes, as of September 30, 2012, would change with a 100 basis-point increase or decrease in market interest rates:

| (In thousands) | Outstanding<br>Value | Estimated<br>Fair Value | 100 Basis<br>Point Increase | 100 Basis<br>Point Decrease |
|----------------|----------------------|-------------------------|-----------------------------|-----------------------------|
| August 2011    | 165,000              | 181,716                 | 169,880                     | 194,549                     |
| September 2010 | 425,000              | 463,344                 | 435,989                     | 492,852                     |
| July 2003      | 175,000              | 180,332                 | 178,185                     | 182,527                     |
| Total          | \$ 765,000           | 825,392                 | 784,054                     | 869,928                     |

**Foreign Exchange Risk**

The company's financial instruments that can be affected by foreign currency fluctuations and exchange risks consist primarily of cash and cash equivalents, trade receivables and trade payables denominated in currencies other than the U.S. dollar. The company periodically enters into spot and forward derivative financial instruments as a hedge against foreign currency denominated assets and liabilities, currency commitments, or to lock in desired interest rates. Spot derivative financial instruments are short-term in nature and 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. 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.

**Derivatives**

The company had seven foreign exchange spot contracts outstanding at September 30, 2012, which totaled an aggregate notional value of \$1.6 million. These seven spot contracts settled by October 2, 2012. The company had one foreign exchange spot contract outstanding at March 31, 2012, which totaled an aggregate notional value of \$1.0 million. The one spot contract settled by April 2, 2012.

At September 30, 2012, the company had four British pound forward contracts outstanding totaling \$4.6 million, which are 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 have expiration dates between March 20, 2013 and September 20, 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 six months ended September 30, 2012, because the 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 totaling \$7.0 million, which were 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.

**Other**

Due to the company's international operations, the company is exposed to foreign currency exchange rate fluctuations and exchange rate risks on all charter hire contracts denominated in foreign currencies. For some of our international contracts, a portion of the revenue and local expenses are incurred in local currencies with the result that the company is at risk of changes in the exchange rates between the U.S. dollar and foreign currencies. We generally do not hedge against any foreign currency rate fluctuations associated with foreign currency contracts that arise in the normal course of business, which exposes us to the risk of exchange rate losses. To minimize the financial impact of these items the company attempts to contract a significant majority of its services in U.S. dollars. In addition, the company attempts to minimize its financial impact of these risks by matching the currency of the company's operating costs with the currency of the revenue streams when considered appropriate. The company continually monitors the currency exchange risks associated with all contracts not denominated in U.S. dollars.

**ITEM 4. CONTROLS AND PROCEDURES**

**CEO and CFO Certificates**

Included as exhibits to this Quarterly Report on Form 10-Q are Certifications of the Chief Executive Officer and the Chief Financial Officer. The first form of certification is required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002. This section of the Quarterly Report contains the information concerning the controls evaluation referred to in the Section 302 Certifications and this information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

**Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are designed with the objective of ensuring that all information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 ( Exchange Act ), such as this report, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its chief executive and chief financial officers, or person performing similar functions, as appropriate to allow timely decisions regarding required disclosure. However, any control system, no matter how well conceived and followed, can provide only reasonable, and not absolute, assurance that the objectives of the control system are met.

The company evaluated, under the supervision and with the participation of the company's management, including the company's Chairman of the Board, President and Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of the company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act, as amended), as of the end of the period covered by this report. Based on that evaluation, the company's Chairman of the Board, President and Chief Executive Officer along with the company's Chief Financial Officer concluded that the company's disclosure controls and procedures are effective in timely alerting them to material information relating to the company (including its consolidated subsidiaries) that is required to be disclosed in the reports the company files and submits under the Exchange Act.

**Changes in Internal Control Over Financial Reporting**

There was no change in the company's internal control over financial reporting that occurred during the quarter ended September 30, 2012, that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.



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**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

**Shareholder Derivative Suit**

In mid-February 2011, an individual claiming to be a Tidewater shareholder filed a shareholder derivative suit in the U.S. District Court for the Eastern District of Louisiana. The defendants in the suit were individual directors and certain officers of Tidewater Inc. Tidewater Inc. was also a nominal defendant in the lawsuit. The suit asserted various causes of action, including breach of fiduciary duty, against the individual defendants in connection with the facts and circumstances giving rise to the settlements with the DOJ and SEC and sought a number of remedies against the individual defendants and the company as a result. For a discussion of the settlements with the DOJ and SEC regarding matters arising under the United States Foreign Corrupt Practices Act, refer to the company's Annual Report on Form 10-K for the year ended March 31, 2012, filed with the SEC on May 21, 2012. While the company incurred costs in connection with the defense of this law suit, the suit did not seek monetary damages against the company. The individual defendants and the company retained legal counsel.

On July 2, 2012, the presiding judge in this case, Judge Milazzo, dismissed the shareholder derivative suit but gave the plaintiff an opportunity to file an amended complaint. On July 23, 2012 and in lieu of filing an amended complaint, the plaintiff brought a motion to stay the U.S. District Court proceedings pending resolution of a demand by the plaintiff on the company's Board of Directors to conduct an independent investigation and bring claims against the individual defendants. By letter dated July 23, 2012, plaintiff made this demand on the company's Board of Directors. On August 7, 2012, the individual defendants and the company filed oppositions to the motion to stay and sought dismissal of the suit with prejudice. The presiding judge has yet to rule on the plaintiff's motion to stay.

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.

**ITEM 1A. RISK FACTORS**

There have been no material changes to the risk factors as previously disclosed in Item 1A in the company's Annual Report on Form 10-K for the year ended March 31, 2012, filed with the Securities and Exchange Commission on May 21, 2012.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

**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 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 evaluates share repurchase opportunities relative to other investment opportunities and in the context of current conditions in the credit and capital markets.

No amounts were expended from inception of the May 2012 authorized program through September 30, 2012, and the entire \$200.0 million remains available to repurchase shares under the May 2012 share repurchase program at September 30, 2012.

In May 2011, the Board of Directors replaced its then existing July 2009 share repurchase program with a \$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 authorized.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. RESERVED**

None.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

The information required by this Item 6 is set forth in the Index to Exhibits accompanying this quarterly report on Form 10-Q.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

TIDEWATER INC.  
(Registrant)

Date: November 6, 2012

/s/ Jeffrey M. Platt  
Jeffrey M. Platt  
President and Chief Executive Officer

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

Date: November 6, 2012

/s/ Quinn P. Fanning  
Quinn P. Fanning  
Executive Vice President and Chief Financial Officer

Date: November 6, 2012

/s/ Craig J. Demarest  
Craig J. Demarest  
Vice President, Principal Accounting Officer and Controller

**EXHIBIT INDEX**

| Exhibit Number | Description   |
|----------------|---|
| 10.1*+         | Tidewater Inc. Company Performance Executive Officer Annual Incentive Plan for Fiscal Year 2013.                        |
| 10.2*+         | Tidewater Inc. Individual Performance Executive Officer Annual Incentive Plan for Fiscal Year 2013.                     |
| 15*            | Letter re Unaudited Interim Financial Information   |
| 31.1*          | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                      |
| 31.2*          | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                     |
| 32.1*          | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101*           | Interactive Data File.  |

\* Filed herewith

+ Indicates a management contract or compensatory plan or arrangement.