TIDEWATER INC
Form 10-Q
August 06, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2013

¨ **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 1500

New Orleans, Louisiana 70130

(Address of principal executive offices) (zip code)

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

Not Applicable

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or of such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

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

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

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

49,538,361 shares of Tidewater Inc. common stock $.10 par value per share were outstanding on July 19, 2013. Registrant has no other class of common stock outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TIDEWATER INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share and par value data)

ASSETS	June 30, 2013	March 31, 2013
Current assets:		
Cash and cash equivalents	$ 64,813	40,569
Trade and other receivables, net	467,777	393,438
Marine operating supplies	62,007	62,348
Other current assets	24,576	11,735
Total current assets	619,173	508,090
Investments in, at equity, and advances to unconsolidated companies	49,445	46,047
Properties and equipment:		
Vessels and related equipment	4,589,777	4,250,169
Other properties and equipment	66,747	83,779
	4,656,524	4,333,948
Less accumulated depreciation and amortization	1,114,256	1,144,129
Net properties and equipment	3,542,268	3,189,819
Goodwill	341,448	297,822
Other assets	144,708	126,277
Total assets	$ 4,697,042	4,168,055
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 75,976	63,602
Accrued expenses	170,784	159,086
Accrued property and liability losses	4,328	4,133
Other current liabilities	40,218	39,808

Total current liabilities	291,306	266,629
Long-term debt	1,475,062	1,000,000
Deferred income taxes	189,266	189,763
Accrued property and liability losses	11,886	10,833
Other liabilities and deferred credits	144,055	139,074
Commitments and Contingencies (Note 8)		
Stockholders equity:		
Common stock of $0.10 par value, 125,000,000 shares authorized, issued 49,507,077 shares at June 30, 2013 and 49,485,832 shares at March 31, 2013	4,951	4,949
Additional paid-in capital	125,872	119,975
Retained earnings	2,471,557	2,453,973
Accumulated other comprehensive loss	(16,913)	(17,141)
Total stockholders equity	2,585,467	2,561,756
Total liabilities and stockholders equity	$ 4,697,042	4,168,055

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

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TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(In thousands, except share and per share data)

	Three Months Ended June 30,	
	2013	2012
Revenues:		
Vessel revenues	$ 331,630	290,094
Other operating revenues	2,455	4,354
	334,085	294,448
Costs and expenses:		
Vessel operating costs	196,161	161,336
Costs of other operating revenues	2,020	3,523
Vessel operating leases	4,031	4,492
Depreciation and amortization	40,108	35,784
General and administrative	50,480	40,664
Gain on asset dispositions, net	(2,140)	(838)
	290,660	244,961
Operating income	43,425	49,487
Other income (expenses):		
Foreign exchange loss	(89)	(1,751)
Equity in net earnings of unconsolidated companies	4,420	2,363
Interest income and other, net	740	719

Interest and other debt costs		(8,913)	(7,587)
		(3,842)	(6,256)
Earnings before income taxes		39,583	43,231
Income taxes		9,500	10,375
Net earnings	$	30,083	32,856
Basic earnings per common share	$	0.61	0.65
Diluted earnings per common share	$	0.61	0.65
Weighted average common shares outstanding		49,226,911	50,193,065
Dilutive effect of stock options and restricted stock		331,090	174,686
Adjusted weighted average common shares		49,558,001	50,367,751
Cash dividends declared per common share	$	0.25	0.25

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

TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	Three Months Ended June 30,	
	2013	2012
Net earnings	$ 30,083	32,856
Other comprehensive income/(loss):		
Unrealized gains/(losses) on available-for-sale securities net of tax of $60 and $(336)	111	(624)
Amortization of loss on derivative contract net of tax of $63 and $63	117	116
Total comprehensive income	$ 30,311	32,348

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

TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Three Months Ended June 30,	
	2013	2012
Operating activities:		
Net earnings	$ 30,083	32,856
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	40,108	35,784
Provision (benefit) for deferred income taxes	(12,151)	(2,654)
Gain on asset dispositions, net	(2,140)	(838)
Equity in earnings of unconsolidated companies, less dividends	(3,398)	(1,614)
Compensation expense - stock-based	5,711	4,359
Excess tax benefit on stock options exercised	(12)	(49)
Changes in assets and liabilities, net:		
Trade and other receivables	(62,616)	(9,698)
Marine operating supplies	1,100	(1,962)
Other current assets	(11,589)	(10,127)
Accounts payable	1,997	18,267
Accrued expenses	11,115	2,636
Accrued property and liability losses	158	(110)
Other current liabilities	944	219
Other liabilities and deferred credits	876	1,165
Other, net	3,409	846
Net cash provided by operating activities	3,595	69,080
Cash flows from investing activities:		
Proceeds from sales of assets	2,161	5,856
Additions to properties and equipment	(156,434)	(77,432)
Payments for acquisition, net of cash acquired	(127,737)	---
Other	(665)	(860)
Net cash used in investing activities	(282,675)	(72,436)
Cash flows from financing activities:		
Debt issuance costs	(2,699)	---
Principal payment on long-term debt	(97,490)	---
Debt borrowings	414,262	---
Proceeds from exercise of stock options	1,675	765
Cash dividends	(12,436)	(12,566)
Excess tax benefit on stock options exercised	12	49
Stock repurchases	---	(65,028)
Net cash provided by (used in) financing activities	303,324	(76,780)
Net change in cash and cash equivalents	24,244	(80,136)
Cash and cash equivalents at beginning of period	40,569	320,710
Cash and cash equivalents at end of period	$ 64,813	240,574
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 3,980	2,696
Income taxes	$ 20,617	12,646

Supplemental disclosure of non-cash investing activities:			
Additions to properties and equipment	$	130	7,331
Increase in receivables due to sale of shipyard	$	9,500	---

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

TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(Unaudited)

(In thousands)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance at March 31, 2013	$ 4,949	119,975	2,453,973	(17,141)	2,561,756
Total comprehensive income	---	---	30,083	228	30,311
Stock option activity	5	1,688	---	---	1,693
Cash dividends declared	---	---	(12,499)	---	(12,499)
Amortization of restricted stock units	---	3,034	---	---	3,034
Amortization/cancellation of restricted stock	(3)	1,175	---	---	1,172
Balance at June 30, 2013	$ 4,951	125,872	2,471,557	(16,913)	2,585,467
Balance at March 31, 2012	$ 5,125	102,726	2,437,836	(19,330)	2,526,357
Total comprehensive income	---	---	32,856	(508)	32,348
Stock option activity	3	1,354	---	---	1,357
Cash dividends declared	---	---	(12,625)	---	(12,625)
Retirement of common stock	(140)	---	(64,888)	---	(65,028)
Amortization of restricted stock units	---	1,829	---	---	1,829
Amortization/cancellation of restricted stock	(6)	1,845	---	---	1,839
Balance at June 30, 2012	$ 4,982	107,754	2,393,179	(19,838)	2,486,077

The accompanying notes are an integral part of the 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, 2013, filed with the SEC on May 21, 2013.

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. Unless otherwise specified, all per share information included in this document is on a diluted earnings per share basis.

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 condensed consolidated statements of earnings, balance sheets or cash flows.

(2) ACQUISITION
Troms Offshore Supply AS

On June 4, 2013, the company, through a subsidiary, acquired Troms Offshore Supply AS, a Norwegian company (Troms Offshore). At the time of the acquisition, Troms Offshore owned four deepwater PSVs, and had two additional deepwater PSVs under construction, one of which was delivered shortly after the acquisition. In addition, Troms Offshore has an option to build a seventh vessel, also a deepwater PSV. The purchase price (not including transaction costs) included a $150.0 million cash payment to the shareholders of Troms Offshore and the assumption of approximately $262.8 million of combined Troms Offshore obligations, comprised of net interest-bearing debt and the remaining installment payments due on vessels under construction. The company has performed a fair value analysis and the purchase price was allocated to the acquired assets and liabilities based on their fair values resulting in $43.6 million of goodwill, all of which was allocated to our Sub-Saharan Africa/Europe segment. The allocation is preliminary and based on estimates and assumptions that as subject to change within the purchase price allocation period (generally one year from the acquisition date).

The following table summarizes the allocation of the purchase price for the acquisition of Troms Offshore:

(In thousands)	
Cash	$ 22,263
Trade receivables and other current assets	9,816
Vessels	245,605
Goodwill	43,626
Payable and other liabilities	(13,020)
Notes payable	(158,290)
Total purchase price	$ 150,000

The effect of the acquisition on pro forma results of operations and the condensed consolidated statement of operations for the quarter ended June 30, 2013 are immaterial and therefore not presented.

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(3) STOCKHOLDERS EQUITY
Common Stock Repurchase Program

On May 17, 2013, the company s Board of Directors authorized the company to spend up to $200 million to repurchase shares of its common stock in open-market or privately-negotiated transactions. The effective period for this authorization is July 1, 2013 through June 30, 2014. 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.

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 was July 1, 2012 through June 30, 2013.

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

(In thousands, except share and per share data)	Quarter Ended June 30, 2013	2012
Value of 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 ended June 30:

(In thousands, except dividend per share)	Quarter Ended June 30, 2013	2012
Dividends declared	$ 12,499	12,625
Dividend per share	0.25	0.25

Accumulated Other Comprehensive Loss

The changes in accumulated other comprehensive income by component, net of tax for the quarter ended June 30, 2013 and 2012 are as follows:

	Available For-sale Securities	Foreign Currency Translation Adjustments	Pensions and Other Post-Retirement Benefits	Interest Rate Swaps	Total
Balance at March 31, 2013	$ (121)	(9,811)	(4,353)	(2,856)	(17,141)
Other comprehensive income before reclassifications:					
Gains/(Losses) recognized in other comprehensive income	31	---	---	---	31
Amounts reclassified from accumulated other comprehensive income to net income:	80	---	---	117	197
Net current period other comprehensive income	111	---	---	117	228
Balance at June 30, 2013	$ (10)	(9,811)	(4,353)	(2,739)	(16,913)

	Available For-sale Securities	Foreign Currency Translation Adjustments	Pensions and Other Post-Retirement Benefits	Interest Rate Swaps	Total
Balance at March 31, 2012	$ 251	(9,811)	(6,448)	(3,322)	(19,330)
Other comprehensive income before reclassifications:					
Gains/(Losses) recognized in other comprehensive income	(760)	---	---	---	(760)
Amounts reclassified from accumulated other comprehensive income to net income:	136	---	---	116	252
Net current period other comprehensive income	(624)	---	---	116	(508)
Balance at June 30, 2012	$ (373)	(9,811)	(6,448)	(3,206)	(19,838)

The following table summarizes the reclassifications from accumulated other comprehensive loss to the condensed consolidated statement of income for the quarters ended June 30, 2013 and 2012:

	Quarter Ended June 30,		Affected line item in the condensed
(In thousands)	2013	2012	consolidated statements of income
Realized gains on available for-sale securities	$ 123	210	Interest income and other, net
Amortization of interest rate swap	180	178	Interest and other debt costs
Total pre-tax amounts	303	388	
Tax effect	106	136	
Total gains for the period, net of tax	$ 197	252	

(4) INCOME TAXES

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

	Quarter Ended June 30,	
	2013	2012
Effective tax rate applicable to pre-tax earnings	$ 24.0%	24.0%

The 24% effective tax rates for the quarters ended June 30, 2013 and 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.

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The company s balance sheet at June 30, 2013 reflects the following in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes:*

(In thousands)	June 30, 2013
Tax liabilities for uncertain tax positions	$ 15,291
Income tax payable	32,787

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

Unrecognized tax benefits, which would lower the effective tax rate if realized at June 30, 2013, are as follows:

(In thousands)	June 30, 2013

Unrecognized tax benefit related to state tax issues	$ 8,202
Interest receivable on unrecognized tax benefit related to state tax issues	18

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 2006. 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, results of operations, or cash flows.

(5) 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 other employees who are permanent residents of the United States. 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. This change did not affect benefits earned by participants prior to January 1, 2011. The company did not contribute to the defined benefit pension plan during the quarters ended June 30, 2013 and 2012, and does not expect to contribute to the plan during the remaining quarters of fiscal 2014.

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 (but not Tidewater stock), are recorded at fair value with unrealized gains or losses included in other comprehensive income. Effective March 4, 2010, the supplemental plan was closed to new participation. The supplemental plan is a non-qualified plan and, as such, the company is not required to make contributions to the supplemental plan. The company did not contribute to the supplemental plan during the quarters ended June 30, 2013 and 2012 and does not expect to contribute to the plan during the remaining quarters of fiscal 2014.

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 June 30, 2013 and March 31, 2013:

(In thousands)	June 30, 2013	March 31, 2013
Investments held in Rabbi Trust	$ 10,564	10,486
Unrealized gains (losses) in fair value of trust assets	(10)	(121)
Unrealized gains (losses) in fair value of trust assets are net of income tax expense of	(5)	(65)
Obligations under the supplemental plan	21,846	21,431

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.

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 June 30, 2013	2012
Pension Benefits:		
Service cost	$ 198	273
Interest cost	895	1,072
Expected return on plan assets	(718)	(687)
Amortization of prior service cost	12	12
Recognized actuarial loss	276	448
Net periodic benefit cost	$ 663	1,118
Other Benefits:		
Service cost	$ 101	119
Interest cost	262	309
Amortization of prior service cost	(508)	(508)
Recognized actuarial benefit	(99)	---
Net periodic benefit cost	$ (244)	(80)

(6) INDEBTEDNESS

Revolving Credit and Term Loan Agreement

In June 2013, the company amended and extended its existing credit facility. The amended credit agreement matures in June 2018 (the Maturity Date) and provides a $900 million (credit facility), five-year credit facility consisting of a (i) $600 million revolving credit facility (the revolver) and a (ii) $300 million term loan facility (term loan).

Borrowings under the credit facility are unsecured and bear interest at the company s option at (i) the greater of prime or the federal funds rate plus 0.25 to 1.0%, or (ii) Eurodollar rates plus margins ranging from 1.25 to 2.0%, based on the company s consolidated funded debt to capitalization ratio. Commitment fees on the unused portion of the facilities range from 0.15 to 0.30% based on the company s funded debt to total

capitalization ratio. The credit facility provides 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 has $300 million in term loan borrowings, and $280 million in revolver borrowings, outstanding at June 30, 2013 (whose fair value approximates the carrying value because the borrowings bear interest at variable Eurodollar rates plus a margin based on leverage), and has $320.0 million of availability for future financing needs at June 30, 2013. The company had $125 million of term loan borrowings and $110.0 million of revolver borrowings outstanding under the previous credit facility at March 31, 2013. These estimated fair values are based on Level 2 inputs.

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. These estimated fair values are based on Level 2 inputs.

August 2011 Senior Notes

On August 15, 2011, the company issued $165 million of senior unsecured notes to a group of institutional investors. A summary of these notes outstanding at June 30, 2013 and March 31, 2013, is as follows:

(In thousands, except weighted average data)	June 30, 2013	March 31, 2013
Aggregate debt outstanding	$ 165,000	165,000
Weighted average remaining life in years	7.3	7.6
Weighted average coupon rate on notes outstanding	4.42%	4.42%
Fair value of debt outstanding	172,577	179,802

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

In fiscal 2011, the company completed the sale of $425 million of senior unsecured notes. A summary of the aggregate amount of these notes outstanding at June 30, 2013 and March 31, 2013, is as follows:

(In thousands, except weighted average data)	June 30, 2013	March 31, 2013
Aggregate debt outstanding	$ 425,000	425,000
Weighted average remaining life in years	6.4	6.6
Weighted average coupon rate on notes outstanding	4.25%	4.25%
Fair value of debt outstanding	443,044	458,520

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

Included in accumulated other comprehensive income at June 30, 2013 and March 31, 2013, is an after-tax loss of $2.7 million ($4.2 million pre-tax), and $2.9 million ($4.4 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 outstanding at June 30, 2013 and March 31, 2013, is as follows:

(In thousands, except weighted average data)	June 30, 2013	March 31, 2013
Aggregate debt outstanding	$ 175,000	175,000
Weighted average remaining life in years	0.5	0.7
Weighted average coupon rate on notes outstanding	4.47%	4.47%
Fair value of debt outstanding	177,065	178,227

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%.

Troms Offshore Debt

In April, 2013, Troms Offshore issued 500.0 million Norwegian Kroner (NOK) denominated (approximately $86.0 million) of its public bonds. The bonds, which mature in April 2016, bear interest based on the three month Norwegian Interbank Offered Rate (NIBOR) plus 5.40% and are callable by the Troms Offshore at any time two years after the issue date at a price equal to 103.0% of par value plus accrued interest. The terms of the notes provide for an asset coverage ratio for certain of the company s vessels of at least 120% of the outstanding bonds, a minimum liquidity ratio of 30.0 million NOK (approximately $5.3 million as of June 30, 2013) and other usual and customary covenants.

In May 2012, Troms Offshore entered into a 204.4 million NOK denominated (approximately $36.0 million) borrowing agreement which matures in May 2024. The loan bears interest at a fixed rate of 6.38% and is secured by certain guarantees and various types of collateral, including a vessel. As of June 30, 2013 approximately $33.8 million is outstanding under this agreement.

In May 2012, Troms Offshore entered into a 35.0 million NOK denominated (approximately $6.0 million) borrowing agreement with a shipyard which matures in March 2015. In June 2013, Troms Offshore entered into a 25.0 million NOK denominated (approximately $4.3 million) borrowing agreement with the same shipyard which matures in June 2016. These borrowings bear interest at NIBOR plus 2.00%. As of June 30, 2013 approximately $10.3 million is outstanding under these agreements.

Troms Offshore has $96.3 million outstanding in floating rate debt at June 30, 2013 (whose fair value approximates the carrying value because the borrowings bear interest at variable NIBOR rates plus a margin). Troms Offshore also has $32.2 million of outstanding fixed rate debt at June 30, 2013 which has a carrying value and an estimated fair value of $33.8 million. These estimated fair values are based on Level 2 inputs.

In June 2013, Troms Offshore repaid a 188.9 million NOK loan, plus accrued interest that was secured with various guarantees and collateral, including a vessel, for approximately $32.5 million.

Current Maturities of Long Term Debt

Principal repayments of approximately $145.5 million due during the twelve months ending June 30, 2014 are classified as long term debt in the accompanying balance sheet at June 30, 2013 because the company has the ability and intent to fund the repayments with borrowings under the credit facility which matures in June, 2018.

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Debt Costs

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

	Quarter Ended June 30,	
(In thousands)	2013	2012
Interest and debt costs incurred, net of interest capitalized	$ 8,913	7,587
Interest costs capitalized	2,963	2,824
Total interest and debt costs	$ 11,876	10,411

(7) EARNINGS PER SHARE

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

(In thousands, except share and per share data)	Quarter Ended June 30, 2013	2012
Net Income available to common shareholders (A)	$ 30,083	32,856
Weighted average outstanding shares of common stock, basic (B)	49,226,911	50,193,065
Dilutive effect of options and restricted stock awards and units	331,090	174,686
Weighted average common stock and equivalents (C)	49,558,001	50,367,751
Earnings per share, basic (A/B)	$ 0.61	0.65
Earnings per share, diluted (A/C)	$ 0.61	0.65
Additional information:		
Antidilutive incremental options and restricted stock awards and units	17,755	26,586

(8) COMMITMENTS AND CONTINGENCIES

Vessel Commitments

The table below summarizes the company s various vessel commitments to acquire and construct new vessels, by vessel type, as of June 30, 2013:

(In thousands, except vessel count)	Number of Vessels	Total Cost	Invested Through 6/30/13	Remaining Balance 6/30/13
Vessels under construction:				
Deepwater platform supply vessels	22	$ 724,509	202,645	521,864
Towing supply/supply vessels	6	112,907	42,477	70,430
Other	3	61,487	48,299	13,188
Total vessels under construction	31	898,903	293,421	605,482
Vessels to be purchased:				
Deepwater platform supply vessels	1	46,800	---	46,800
Total vessel commitments	32	$ 945,703	293,421	652,282

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 platform supply vessels (PSV) 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 begins in August 2013, with delivery of the final new-build vessel expected in February 2016.

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 are expected to continue, with the company anticipating that it will use some portion of its future operating cash flows and existing borrowing capacity as well as possible new borrowings or lease arrangements in order 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 supply boat under construction in Brazil that was originally scheduled to be delivered in September 2009. On April 5, 2011, pursuant to the vessel construction contract, the company sent the subject shipyard a letter initiating arbitration in order to resolve disputes of such matters as the shipyard s failure to achieve payment milestones, its failure to follow the construction schedule, and its failure to timely deliver the vessel. The company has suspended construction on the vessel and both parties continue to pursue that arbitration. The company has third party credit support in the form of insurance coverage for 90% of the progress payments made on this vessel, or all but approximately $2.4 million of the carrying value of the accumulated costs through June 30, 2013.

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 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.

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. Implementation of the DOJ settlement eliminated a $3.0 million contingent civil penalty in connection with the SEC civil settlement detailed above. An additional financial charge of $4.35 million associated with the DOJ settlement was recorded during the quarter ended September 30, 2010 and was included in general and administrative expenses. Tidewater submitted its first annual report to the DOJ in November 2011 and its second annual report to the DOJ in November 2012.

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

Merchant Navy Officers Pension Fund

After consultation with its advisers, on July 15, 2013, a subsidiary of the company was placed into administration in the United Kingdom. Joint administrators were appointed to administer and distribute the subsidiary s assets to the subsidiary s creditors. The vessels owned by the subsidiary have become aged and are no longer economical to operate, which has caused the subsidiary s main business to decline in recent years. Only one vessel currently generates revenue and this vessel likely has a limited remaining operating window as an offshore service vessel. As part of the administration, the company agreed to acquire seven vessels and to waive certain intercompany claims. The purchase price valuation for the vessels, all but one of which are stacked, is based on independent, third party appraisals of the vessels.

The company has previously reported that 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 (MNOPF). The subsidiary that participates in the MNOPF is the entity that has been placed into administration in the U.K. MNOPF is that subsidiary s largest creditor, and will claim as an unsecured creditor in the administration. The Company believes that the administration is in the best interests of the subsidiary and its principal stakeholders, including the MNOPF. The MNOPF has indicated that it does not object to the insolvency process and that, aside from asserting its claim in the subsidiary s administration and based on the company s representations of the financial status and other relevant aspects of the subsidiary, MNOPF will not pursue the subsidiary in connection with any amounts due or which may become due to the Fund. The administration is not expected to be fully complete for more than a year. The company believes that the administration will resolve the subsidiary s participation in the MNOPF. The company believes that the ultimate resolution of this matter will not have a material effect on the consolidated financial statements.

Sonatide Joint Venture

The company has previously reported that it has been in negotiations with Sonangol regarding a new joint venture agreement for Sonatide, a joint venture between the company and Sonangol that serves the Angolan offshore energy industry. Pending the completion of the new agreement, the joint venture has been operating under a joint venture agreement, extended on several prior occasions, that was last extended through March 31, 2013. Based on the outcome of several meetings that were held during the June quarter and in July, the company believes that the substantive issues between the parties have been resolved, and the company expects to proceed with Sonangol towards reflecting those understandings in a new definitive joint venture agreement. However, there is no agreement yet in place. In the interim, Sonatide continues its normal day-to-day operations without significant effects resulting from that expiration. The company has previously experienced gaps when the term of the existing joint venture agreement had expired and before an extension agreement had been signed.

If negotiations relating to the Sonatide joint venture are ultimately unsuccessful, however, the company will work toward an orderly wind up of the joint venture. 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 incurred. 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.

During the quarter ended June 30, 2013, the Sonatide joint venture entered into several new contracts with customers, some of which extend into 2014. During the twelve months ended June 30, 2013, the company redeployed vessels from its Angolan operations to other markets and also transferred vessels into its Angolan operations from other markets resulting in a net increase in the number of vessels operating in the area.

Tidewater and Sonangol have also discussed the impact of a new Foreign Exchange Law for the Angolan Petroleum Sector that became effective as of July 1, 2013. Under the new law, oil companies are required to make all payments for goods and services provided by foreign exchange residents in Angolan Kwanzas from an Angolan bank account. This new requirement could result in the joint venture collecting substantially all of its revenue in Angolan Kwanzas, unless a more efficient structure is agreed to by the joint venture parties. The conversion of Angolan Kwanzas into US Dollars and expatriation of the funds involves an often lengthy process that will likely result in time delays and possible additional taxes as well as currency fluctuation risk and conversion fees. The joint venture is working to design and implement procedures to conform to the recently enacted law and to develop more efficient cash collection processes.

For the three months ended June 30, 2013, Tidewater s Angolan operations generated vessel revenues of approximately $97.9 million, or 29%, of its consolidated vessel revenue, from an average of approximately 88 Tidewater-owned vessels that are marketed through the Sonatide joint venture (five of which were stacked on average during the three months ended June 30, 2013), and, for the three months ended June 30, 2012, generated vessel revenues of approximately $62.2 million, or 21%, of consolidated vessel revenue, from an average of approximately 88 Tidewater-owned vessels (10 of which were stacked on average during the quarter ended June 30, 2012.

In addition to the company s Angolan operations, which reflect the results of Tidewater-owned vessels marketed through the Sonatide joint venture (owned 49% by Tidewater), ten vessels and other assets are owned by the Sonatide joint venture. As of June 30, 2013 and March 31, 2013, 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 $46 million and $46 million, respectively. As of June 30, 2013, the company had $108.5 million of receivables due from and $69.3 million of payables due to Sonatide.

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 $69.3 million as of June 30, 2013). 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, 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) 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 $66.6 million as of June 30, 2013) of the total fines sought by the Macae Customs Office. A secondary administrative appeals board recently considered fines totaling 112.0 million Brazilian reais (approximately $50.1 million as of June 30, 2013). This secondary board rendered a decision on April 23, 2013 that disallowed all of those fines. The remaining fines totaling 43.0 million Brazilian reais (approximately $19.2 million as of June 30, 2013) are still subject to a secondary board hearing, but the company believes that the April 23, 2013 decision will be helpful in that upcoming hearing. The secondary

board decision disallowing the fines totaling 112.0 million Brazilian reais is, however, still subject to the possibility of further administrative appeal by the authorities that imposed the initial 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 three vessels to start new charters in Brazil, the company filed three suits on August 22, 2011, April 5, 2012 and Jan 18, 2013, respectively, against the Brazilian state and judicially deposited the respective state tax for these newly imported vessels. As of June 30, 2013, 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.

Equatorial Guinea Customs

In December 2012, the Customs Department of Equatorial Guinea assessed a $450 million fine against the company for alleged customs violations. After considering certain factual and legal arguments made by the company, the Customs Department reduced the fine to $15 million in March, 2013. The reduced fine amount relates to two company vessels that were operating in Equatorial Guinea as of December 2012. The Customs Department contends that the company has been operating vessels in Equatorial Guinea without appropriate temporary importation

approvals. Equatorial Guinea, like many countries, has a customs regime which permits companies to import temporarily equipment into the country without paying customs as long as such equipment is not intended to be permanently located in the country. According to the Customs Department, the company failed to make the proper filings to qualify its vessels for temporary importation status. The size of the reduced fine was apparently based on the book value of the two company vessels multiplied by a penalty factor of two.

In July 2013, after extensive negotiations with the Customs Department and consultation with its advisors, the company agreed to pay a $0.9 million fine to fully and finally settle the alleged customs violations. The company accrued $0.9 million in general and administrative expenses during the quarter ended June 30, 2013.

Nigeria Marketing Agent Litigation

On March 1, 2013, Tidewater filed suit in the London Commercial Court against Tidewater s Nigerian marketing agent for breach of the agent s obligations under contractual agreements between the parties. The alleged breach involves actions of the Nigerian marketing agent to discourage various affiliates of TOTAL S.A. from paying approximately $19 million due to the company for vessel services performed in Nigeria. Shortly after the London Commercial Court filing, TOTAL commenced interpleader proceedings in Nigeria naming the Nigerian agent and the company as respondents and seeking an order which would allow TOTAL to deposit those monies with a Nigerian court for the respondents to resolve. On April 25, 2013, Tidewater filed motions in the Nigerian Federal High Court to stop the interpleader proceedings in Nigeria or alternatively stay them until the resolution of the suit filed in London. The company will continue to actively pursue the collection of those monies. On April 30, 2013, the Nigerian marketing agent filed a separate suit in the Nigerian Federal High Court naming Tidewater and certain TOTAL affiliates as defendants. The suit seeks various declarations and orders, including a claim for the monies that are subject to the above interpleader proceedings, and other relief. The company is seeking dismissal of this suit and otherwise intends to vigorously defend against the claims made. The company believes that the ultimate resolution of this matter will not have a material effect on the consolidated financial statements.

In October, 2012, Tidewater had notified the Nigerian marketing agent that it was discontinuing its relationship with the Nigerian marketing agent. The company has entered into a new strategic relationship with a different Nigerian counterparty that it believes will better serve the company s long term interests in Nigeria. This new strategic relationship is currently functioning as the company intended.

Venezuelan Operations

On February 16, 2010, Tidewater and certain of its subsidiaries (collectively, the Claimants) filed with the International Centre for Settlement of Investment Disputes (ICSID) a Request for Arbitration against the Bolivarian Republic of Venezuela. As previously reported by Tidewater, in May 2009 Petróleos de Venezuela, S.A. (PDVSA), the national oil company of Venezuela, took possession and control of (a) eleven of the Claimants vessels that were then supporting PDVSA operations in Lake Maracaibo, (b) the Claimants shore-based headquarters adjacent to Lake Maracaibo, (c) the Claimants operations in Lake Maracaibo, and (d) certain other related assets. The company also previously reported that in July 2009 Petrosucre, S.A., a subsidiary of PDVSA, took possession and control of the Claimants four vessels, operations, and related assets in the Gulf of Paria. It is Tidewater s position that, through those measures, the Republic of Venezuela directly or indirectly expropriated the Claimants investments, including the capital stock of the Claimants principal operating subsidiary in Venezuela.

The Claimants alleged in the Request for Arbitration that each of the measures taken by the Republic of Venezuela against the Claimants violates the Republic of Venezuela s obligations under the bilateral investment treaty with Barbados and rules and principles of Venezuelan law and international law. An arbitral tribunal was constituted under the ICSID Convention to resolve the dispute. The tribunal first addressed the Republic of Venezuela s objections to the tribunal s jurisdiction over the dispute. After two rounds of briefing by the parties, a hearing on jurisdiction was held in Washington, D.C. on February 29 and March 1, 2012.

On February 8, 2013, the tribunal issued its decision on jurisdiction. The tribunal found that it has jurisdiction over the claims under the Venezuela-Barbados bilateral investment treaty, including the claim for compensation for the expropriation of Tidewater s principal operating subsidiary, but that it does not have jurisdiction based on Venezuela s investment law. The practical effect of the tribunal s decision is to exclude from the case the claims for expropriation of the fifteen vessels described above. The proceeding will now move to the merits, including a determination whether the Republic of Venezuela violated the Venezuela-Barbados bilateral investment treaty and a valuation of Tidewater s principal operating subsidiary in Venezuela. At the time of the expropriation, the principal operating subsidiary had sizeable accounts receivable from PDVSA and Petrosucre, denominated in both U.S. Dollars and Venezuelan Bolivars. The company expects those accounts receivable to form part of the total valuation of Tidewater s principal operating subsidiary. As a result of the seizures, the lack of further operations in Venezuela, and the continuing uncertainty about the timing and amount of the compensation the company might collect in the future, the company recorded a $44.8 million provision during the quarter ended June 30, 2009, to fully reserve accounts receivable due from PDVSA and Petrosucre.

While the tribunal determined that it does not have jurisdiction over the claim for the seizure of the fifteen vessels, Tidewater received during fiscal 2011 insurance proceeds for the insured value of those vessels (less an additional premium payment triggered by those proceeds). Tidewater believes that the claims remaining in the case, over which the tribunal upheld jurisdiction, represent the most substantial portion of the overall value lost as a result of the measures taken by the Republic of Venezuela. Tidewater has discussed the nature of the insurance proceeds received for the fifteen vessels in previous quarterly and annual filings.

The tribunal has issued a briefing and hearing schedule to determine the merits of the claims over which the tribunal has jurisdiction. That schedule culminates in a final hearing in mid-2014

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.

(9) 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 June 30, 2013:

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equity securities:				
Common stock	$ 4,303	4,303	---	---
Preferred stock	---	---	---	---
Foreign stock	294	294	---	---
American depository receipts	1,826	1,826	---	---
Preferred American depository receipts	18	18	---	---
Real estate investment trusts	---	---	---	---
Debt securities:				
Government debt securities	2,139	1,291	848	---
Open ended mutual funds	1,747	1,747	---	---
Cash and cash equivalents	310	28	282	---
Total	$ 10,637	9,507	1,130	---
Other pending transactions	(73)	(73)	---	---
Total fair value of plan assets	$ 10,564	9,434	1,130	---

The following table provides the fair value hierarchy for the plan assets measured at fair value as of March 31, 2013:

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equity securities:				
Common stock	$ 4,240	4,240	---	---
Preferred stock	---	---	---	---
Foreign stock	285	285	---	---
American depository receipts	1,811	1,811	---	---
Preferred American depository receipts	16	16		
Real estate investment trusts	---	---	---	---
Debt securities:				
Government debt securities	2,007	1,240	767	---
Open ended mutual funds	1,743	1,743	---	---
Cash and cash equivalents	533	93	440	---
Total	$ 10,635	9,428	1,207	---
Other pending transactions	(149)	(149)	---	---
Total fair value of plan assets	$ 10,486	9,279	1,207	---

Other Financial Instruments

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

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

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

The company had one foreign exchange spot contract outstanding at June 30, 2013 which had a notional value of $0.1 million. The one spot contract settled July 2, 2013. The company had no foreign exchange spot contracts outstanding at March 31, 2013.

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 June 30, 2013, the company had two British pound forward contracts outstanding. The forward contracts have expiration dates between September and December 2013. The combined change in fair value of the forward contracts was immaterial and was recorded as a foreign exchange loss during quarter ended June 30, 2013, 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, 2013, the company had three 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 (8) and elsewhere in this document. The forward contracts expired at various times through December 18, 2013. The combined change in fair value of the forward contracts was immaterial and was recorded as a foreign exchange loss during the fiscal year ended March 31, 2013, because the forward contracts did not qualify as hedge instruments. All changes in fair value of the forward contracts were recorded in earnings.

The following table provides the fair value hierarchy for the company s other financial instruments measured as of June 30, 2013:

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$ 2,086	2,086	---	---
Long-term forward derivative contracts	3,286	---	3,286	---
Total fair value of assets	$ 5,372	2,086	3,286	---

The following table provides the fair value hierarchy for the company s other financial instruments measured as of March 31, 2013:

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$ 949	949	---	---
Long-term British pound forward derivative contracts	4,359	---	4,359	---
Total fair value of assets	$ 5,308	949	4,359	---

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Asset Impairments

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

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

In addition to the periodic review of its active long-lived assets for impairment when circumstances warrant, the company also performs a review of its stacked vessels and vessels withdrawn from service every six months or whenever changes in circumstances indicate that the carrying amount of a vessel may not be recoverable. Management estimates each stacked vessel s fair value by considering items such as the vessel s age, length of time stacked, likelihood of a return to active service, actual recent sales of similar vessels, 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 ended June 30, 2013 and 2012, along with the amount of impairment. The impairment charges were recorded in gain on asset dispositions, net.

(In thousands)	June 30, 2013	June 30, 2012
Amount of impairment incurred	$ 3,872	2,774
Combined fair value of assets incurring impairment	4,305	7,410

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

A summary of other assets at June 30, 2013 and March 31, 2013 is as follows:

(In thousands)	June 30, 2013	March 31, 2013
Recoverable insurance losses	$ 11,886	10,833
Deferred income tax assets	84,759	73,105
Deferred finance charges	7,413	5,133
Savings plans and supplemental plan	22,535	23,149
Noncurrent tax receivable	9,106	9,106
Other	9,009	4,951
	$ 144,708	126,277

A summary of accrued expenses at June 30, 2013 and March 31, 2013 is as follows:

(In thousands)	June 30, 2013	March 31, 2013
Payroll and related payables	$ 24,164	23,453
Commissions payable	22,017	13,866
Accrued vessel expenses	106,636	103,177
Accrued interest expense	14,349	8,096
Other accrued expenses	3,618	10,494
	$ 170,784	159,086

A summary of other current liabilities at June 30, 2013 and March 31, 2013 is as follows:

(In thousands)	June 30, 2013	March 31, 2013
Taxes payable	$ 39,151	38,100
Deferred credits - current	669	1,374
Dividend payable	398	334

	$ 40,218	39,808

A summary of other liabilities and deferred credits at June 30, 2013 and March 31, 2013 is as follows:

(In thousands)	June 30, 2013	March 31, 2013
Postretirement benefits liability	$ 27,319	27,681
Pension liabilities	38,755	37,096
Deferred gain on vessel sales	39,568	39,568
Other	38,413	34,729
	$ 144,055	139,074

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(11) 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 February 2013, the FASB issued ASU 2013-02 *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.* This guidance requires entities to present changes in accumulated other comprehensive income by component, including the amounts of changes that are due to reclassifications and the amounts that are due to current period other comprehensive income. Entities are also required to present significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. The new guidance was effective for us beginning April 1, 2013 and includes disclosure changes only.

(12) 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.

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.

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The following table provides a comparison of revenues, vessel operating profit, depreciation and amortization, and additions to properties and equipment for the quarters ended June 30, 2013 and 2012. Vessel revenues and operating costs relate to vessels owned and operated by the company while other operating revenues relate to the activities of the company s shipyards, brokered vessels and other miscellaneous marine-related businesses.

	Quarter Ended June 30,	
(In thousands)	2013	2012
Revenues:		
Vessel revenues:		
Americas	$ 90,244	77,650
Asia/Pacific	42,956	51,742

Middle East/North Africa	41,213	32,450
Sub-Saharan Africa/Europe	157,217	128,252
	331,630	290,094
Other operating revenues	2,455	4,354
	$ 334,085	294,448
Vessel operating profit:		
Americas	$ 20,301	10,192
Asia/Pacific	10,289	14,908
Middle East/North Africa	10,123	6,282
Sub-Saharan Africa/Europe	17,519	27,096
	58,232	58,478
Corporate expenses	(16,555)	(10,467)
Gain on asset dispositions, net	2,140	838
Other operating services	(392)	638
Operating income	$ 43,425	49,487
Foreign exchange loss	(89)	(1,751)
Equity in net earnings of unconsolidated companies	4,420	2,363
Interest income and other, net	740	719
Interest and other debt costs	(8,913)	(7,587)
Earnings before income taxes	$ 39,583	43,231
Depreciation and amortization:		
Americas	$ 10,112	10,092
Asia/Pacific	4,525	5,113
Middle East/North Africa	5,606	4,079
Sub-Saharan Africa/Europe	19,155	15,493
Corporate	710	1,007
	$ 40,108	35,784
Additions to properties and equipment:		
Americas	$ 3,194	16,778
Asia/Pacific	515	94
Middle East/North Africa	139	1,074
Sub-Saharan Africa/Europe (A)	336,471	11,875
Corporate (B)	61,850	44,092
	$ 402,169	73,913

(A) Included in Sub-Saharan Africa/Europe is $245.6 million related to vessels acquired through the acquisition of Troms Offshore.

(B) 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.

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The following table provides a comparison of total assets at June 30, 2013 and March 31, 2013:

(In thousands)	June 30, 2013	March 31, 2013

Total assets:		
Americas	$ 928,278	885,470
Asia/Pacific	538,068	607,546
Middle East/North Africa	503,483	507,124
Sub-Saharan Africa/Europe	2,194,956	1,706,355
	4,164,785	3,706,495
Investments in, at equity, and advances to unconsolidated companies	49,445	46,047
	4,214,230	3,752,542
Corporate (A)	482,812	415,513
	$ 4,697,042	4,168,055

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 June 30, 2013 and March 31, 2013, $279.1 million and $229.3 million, respectively, of vessel construction costs are included in Corporate.

The following table discloses the amount of revenue by segment, and in total for the worldwide fleet, along with the respective percentage of total vessel revenue for the quarters ended June 30, 2013 and 2012:

Revenue by vessel class:	Quarter Ended June 30,			
(In thousands):	2013	% of Vessel Revenue	2012	% of Vessel Revenue
Americas fleet:				
Deepwater vessels	$ 55,032	17%	36,280	13%
Towing-supply/supply	27,670	8%	34,352	12%
Other	7,542	2%	7,018	2%
Total	$ 90,244	27%	77,650	27%
Asia/Pacific fleet:				
Deepwater vessels	$ 24,292	7%	25,337	9%
Towing-supply/supply	17,722	6%	25,500	9%
Other	942	<1%	905	<1%
Total	$ 42,956	13%	51,742	18%
Middle East/North Africa fleet:				
Deepwater vessels	$ 15,852	5%	11,284	4%
Towing-supply/supply	24,497	7%	20,000	7%
Other	864	<1%	1,166	<1%
Total	$ 41,213	13%	32,450	11%
Sub-Saharan Africa/Europe fleet:				
Deepwater vessels	$ 87,251	26%	62,615	22%
Towing-supply/supply	54,860	17%	49,012	17%
Other	15,106	4%	16,625	6%
Total	$ 157,217	47%	128,252	44%
Worldwide fleet:				
Deepwater vessels	$ 182,427	55%	135,516	47%
Towing-supply/supply	124,749	38%	128,864	44%
Other	24,454	7%	25,714	9%
Total	$ 331,630	100%	290,094	100%

(13) 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.

The company performed its annual goodwill impairment assessment during the quarter ended December 31, 2012 and determined there was no goodwill impairment.

During the first quarter of fiscal 2014, $43.6 million of goodwill related to the acquisition of Troms Offshore was allocated to the Sub-Saharan Africa/Europe segment.

Goodwill by reportable segment at June 30, 2013 and at March 31, 2013 is as follows:

(In thousands)	June 30, 2013	March 31, 2013
Americas	$ 114,237	114,237
Asia/Pacific	56,283	56,283
Sub-Saharan Africa/Europe	170,928	127,302
	$ 341,448	297,822

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Tidewater Inc.

New Orleans, Louisiana

We have reviewed the accompanying condensed consolidated balance sheet of Tidewater Inc. and subsidiaries (the Company) as of June 30, 2013, and the related condensed consolidated statements of earnings, comprehensive income, cash flows, and stockholders equity for the three-month periods ended June 30, 2013 and 2012. These interim financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with the standards of the Pubic 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, 2013, and the related consolidated statements of earnings, comprehensive income, stockholders equity and cash flows for the year then ended (not presented herein); and in our report dated May 21, 2013, 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, 2013 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana

August 6, 2013

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 future 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 or enforcement of customs or other laws that are not well-developed or consistently enforced, especially in higher political risk countries where we operate; foreign currency fluctuations; labor changes proposed by international conventions; increased regulatory burdens and oversight; and enforcement of laws related to the environment, labor and foreign corrupt practices.

Forward-looking statements, which can generally be identified by the use of such terminology as may, expect, anticipate, estimate, forec believe, think, could, continue, intend, seek, plan, and similar expressions contained in this report, are predictions and not guarante performance or event