TIDEWATER INC
Form 10-K
May 21, 2013

Table of Contents

Index to Financial Statements

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2013

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXHANGE 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	**72-048776**
(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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.10	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Table of Contents

Index to Financial Statements

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

As of September 30, 2012, the aggregate market value of the registrant s voting common stock held by non-affiliates of the registrant was $2,390,575,522 based on the closing sales price as reported on the New York Stock Exchange of $48.53.

As of April 30, 2013, 49,494,676 shares of Tidewater Inc. common stock $0.10 par value per share were outstanding. Registrant has no other class of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s definitive proxy statement for its 2013 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant s last fiscal year is incorporated by reference into Part III of this Annual Report on Form 10-K.

Table of Contents

Index to Financial Statements

TIDEWATER INC.

FORM 10-K

FOR THE FISCAL YEAR ENDED MARCH 31, 2013

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENT		**4**
PART I		**4**
ITEM 1.	BUSINESS	4
ITEM 1A.	RISK FACTORS	16
ITEM 1B.	UNRESOLVED STAFF COMMENTS	23
ITEM 2.	PROPERTIES	23
ITEM 3.	LEGAL PROCEEDINGS	23
ITEM 4.	MINE SAFETY DISCLOSURE	24
PART II		**25**
ITEM 5.	MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES	25
ITEM 6.	SELECTED FINANCIAL DATA	27
ITEM 7.	MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	28
ITEM 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	71
ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	72
ITEM 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	73
ITEM 9A.	CONTROLS AND PROCEDURES	73
ITEM 9B.	OTHER INFORMATION	73
PART III		**74**
ITEM 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	74
ITEM 11.	EXECUTIVE COMPENSATION	74
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	74
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	74
ITEM 14.	PRINCIPAL ACCOUNTING FEES AND SERVICES	74
PART IV		**75**
ITEM 15.	EXHIBITS, FINANCIAL STATEMENT SCHEDULES	75
SIGNATURES OF REGISTRANT		**79**

Table of Contents

Index to Financial Statements

FORWARD-LOOKING STATEMENT

In accordance with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the company notes that this Annual Report on Form 10-K 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 in Item 1A. Risk Factors 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 guarantee performance or events. Any forward-looking statements are based on the company s assessment of current industry, financial and economic information, which by its nature is dynamic and subject to rapid and possibly abrupt changes. The company s actual results may differ materially from those stated or implied by such forward-looking statements due to risks and uncertainties associated with our business. While management believes that these forward-looking statements are reasonable when made, there can be no assurance that future developments that affect us will be those that we anticipate and have identified. The forward-looking statements should be considered in the context of the risk factors listed above and discussed in greater detail elsewhere in this Annual Report on Form 10-K. 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.

PART I

ITEM 1. BUSINESS

Tidewater Inc., a Delaware corporation that is a listed company on the New York Stock Exchange under the symbol TDW , provides offshore service vessels and marine support services to the global offshore energy industry through the operation of a diversified fleet of marine service vessels. The company was incorporated in 1956 and conducts its operations through wholly-owned United States (U.S.) and international subsidiaries, as well as through joint ventures in which Tidewater has majority and sometimes non-controlling interests (where required to satisfy local ownership or content requirements). Unless otherwise required by the context, the term company as used herein refers to Tidewater Inc. and its consolidated subsidiaries.

Table of Contents

Index to Financial Statements

About Tidewater

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. Included within the company s offshore service vessel fleet are vessels that are operated under joint ventures, as well as vessels that have been stacked or withdrawn from service.

The company has one of the broadest operating global footprints in the offshore energy industry with operations in most of the world s significant crude oil and natural gas exploration and production offshore regions, which allows us to be responsive to the needs of our customers. Our wide operating footprint facilitates strong customer relationships and the ability to react quickly to local market conditions and changing customer needs. The company is also one of the most experienced international operators in the offshore energy industry with over five decades of international experience.

At March 31, 2013, the company had 328 vessels (of which 10 were owned by joint ventures, 51 were stacked and two were withdrawn from service) available to serve the global energy industry. Please refer to Note (1) of Notes to Consolidated Financial Statements included in Item 8 of this report for additional information regarding our stacked vessels and vessels withdrawn from service.

The company also operated two shipyards that construct, upgrade and repair vessels. The shipyards performed repair work and new construction work for third-party customers, as well as the construction, repair and modification of the company s own vessels. One of the two shipyards was sold during fiscal 2013 and the remaining yard is currently being used for repair work.

Our revenues, net earnings and cash flows from operations are largely dependent upon the activity level of our offshore marine vessel fleet. As is the case with other energy service companies, our business activity is largely dependent on the level of drilling and exploration activity by 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.

Offices and Facilities

The company s worldwide headquarters and principal executive offices are located at 601 Poydras Street, Suite 1900, New Orleans, Louisiana 70130, and its telephone number is (504) 568-1010. The company s U.S. marine operations are based in Amelia, Louisiana; Oxnard, California; and Houston, Texas. The company s shipyard is located in Houma, Louisiana. We conduct our international operations through facilities and offices located in over 30 countries. Our principal international offices and/or warehouse facilities, most of which are leased, are located in Rio de Janeiro and Macae, Brazil; Ciudad Del Carmen, Mexico; Port of Spain, Trinidad; Aberdeen, Scotland; Cairo, Egypt; Luanda and Cabinda, Angola; Lagos and Onne Port, Nigeria; Douala, Cameroon; Singapore; Perth, Australia; Shenzhen, China; Port Moresby, Papua New Guinea; Al Khobar, Kingdom of Saudi Arabia, and Dubai, United Arab Emirates. The company s operations generally do not require highly specialized facilities, and suitable facilities are generally available on a lease basis as required.

Business Segments

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. 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.

Our Americas segment includes the activities of our North American operations, which include the U.S. Gulf of Mexico (GOM) and U.S. coastal waters of the Pacific and Atlantic oceans, Mexico, Trinidad and Brazilian operations. The Asia/Pacific segment includes our Australian and Southeast Asian and Pacific operations. Middle East/North Africa includes our operations in Egypt, the Arabian Gulf and India. Lastly, our

Table of Contents

Index to Financial Statements

Sub-Saharan Africa/Europe segment includes operations conducted along the East and West Coasts of Africa as well as operations in and around the Caspian Sea and the North Sea.

Our principal customers in each of these business segments are major and independent oil and natural gas exploration, field development and production companies; foreign government-owned or government-controlled organizations and other companies that explore and produce oil and natural gas; drilling contractors; and other companies that provide various services to the offshore energy industry, including but not limited to, offshore construction companies, diving companies and well stimulation companies.

The company s vessels are dispersed throughout the major offshore crude oil and natural gas exploration and development areas of the world. Although the company considers, among other things, mobilization costs and the availability of suitable vessels in its fleet deployment decisions, and cabotage rules in certain international countries occasionally restrict the ability of the company to move vessels between markets, the company s diverse, mobile asset base and the wide geographic distribution of its vessel assets enable the company to respond relatively quickly to changing market conditions and customer demands. As such, significant variations between various regions tend to be of a short-term duration, as we routinely move vessels between and within geographic regions.

Revenues in each of our segments are derived primarily from vessel time charter contracts that are generally three months to three years in duration as determined by customer requirements, and, to a lesser extent, from time charter contracts on a spot basis, which is a short-term agreement (one day to three months) to provide offshore marine services to a customer for a specific short-term job. The base rate of hire for a term contract is generally a fixed rate, though some charter arrangements allow the company to recover specific additional costs.

In each of our business segments, and depending on vessel capabilities and availability, our vessels operate in the shallow, intermediate and deepwater offshore markets of the respective regions. The deepwater offshore market continues to be a growing sector in the offshore crude oil and natural gas markets due to technological developments that have made such exploration feasible. It is the one sector that has not experienced significant negative effects from the 2008-2009 global economic recession, largely because deepwater exploration and development typically involves significant capital investment and multi-year development plans. Such projects are generally underwritten by the participating exploration, development and production companies using relatively conservative assumptions in regards to crude oil and natural gas prices and therefore are not as susceptible to short-term fluctuations in the price of crude oil and natural gas. However, the April 2010 *Deepwater Horizon* incident did negatively affect the level of drilling activity off the continental shelf of the U.S. GOM while the U.S. Department of the Interior, through the Bureau of Ocean Energy Management Regulation and Enforcement (BOEMRE), evaluated the causes of the incident and announced plans for enhanced regulatory and safety oversight as a condition to granting additional drilling and exploration permits. The BOEMRE resumed deepwater exploration and drilling permitting by February 2011, although the pace of permitting has been slow. Also, in our Americas segment, drilling activity in the shallow and intermediate waters of the U.S. GOM has been negatively impacted by low natural gas prices.

Please refer to Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations of this report for a greater discussion of the company s segments, including the macroeconomic environment we operate under. In addition, please refer to Note (14) of Notes to Consolidated Financial Statements included in Item 8 of this report for segment, geographical data and major customer information.

Geographic Areas of Operation

The company s fleet is deployed in the major global offshore oil and gas areas of the world. The principal areas of the company s operations include the U.S. GOM, the Persian/Arabian Gulf, and areas offshore Australia, Brazil, China, Egypt, India, Indonesia, Malaysia, Mexico, Thailand, Trinidad, and West and East Africa. The company regularly evaluates the deployment of its assets and repositions its vessels based on customer demand, relative market conditions, and other considerations.

Table of Contents

Index to Financial Statements

Revenues and operating profit derived from our marine operations along with total marine assets for our segments for the fiscal years ended March 31 are summarized below:

(In thousands)

		2013	2012	2011
Revenues:				
Vessel revenues:				
Americas	$	327,059	324,529	362,825
Asia/Pacific		184,014	153,752	176,877
Middle East/North Africa		149,412	109,489	92,151
Sub-Saharan Africa/Europe		569,513	472,698	419,360
Other operating revenues		14,167	6,539	4,175
	$	1,244,165	1,067,007	1,055,388
Marine operating profit:				
Vessel activity:				
Americas	$	40,318	56,003	49,341
Asia/Pacific		43,704	16,125	22,308
Middle East/North Africa		39,069	805	18,990
Sub-Saharan Africa/Europe		129,460	97,142	82,993
		252,551	170,075	173,632
Corporate expenses		(52,095)	(40,379)	(46,361)
Goodwill impairment			(30,932)	
Gain on asset dispositions, net		6,609	17,657	13,228
Other operating expenses		(833)	(2,867)	(1,163)
Operating income	$	206,232	113,554	139,336
Total marine assets:				
Americas	$	885,470	1,031,903	975,210
Asia/Pacific		607,546	654,357	583,569
Middle East/North Africa		507,124	405,625	369,122
Sub-Saharan Africa/Europe		1,706,355	1,565,260	1,325,657
Total marine assets	$	3,706,495	3,657,145	3,253,558

Please refer to Item 7 of this report and Note (14) of Notes to Consolidated Financial Statements included in Item 8 of this report for further disclosure of segment revenues, operating profits, and total assets by geographical areas in which the company operates.

Our Global Vessel Fleet

The company continues a vessel construction, acquisition and replacement program, with an intent of being able to operate in nearly all major oil and gas producing regions of the world. In recent years our focus has been on replacing older vessels in the company s fleet with larger, more technologically sophisticated vessels. Since calendar 2000, the company has purchased and/or constructed 256 vessels at a total cost of approximately $3.8 billion and at March 31, 2013, has an additional 32 vessels under construction or committed to be purchased for a total cost of approximately $836.6 million. To date, the company has generally funded its vessel programs from its operating cash flows, funds provided by three private debt placements of senior unsecured notes totaling $890 million, a $125 million term bank loan, borrowings under revolving credit facilities, and various sales-leaseback arrangements.

The company s strategy contemplates organic growth through the construction of vessels at a variety of shipyards worldwide and possible acquisitions of recently built vessels and/or other vessel owners and operators. The company has the largest number of new offshore supply vessels among its competitors in the industry. The company intends to pursue its long-term fleet replenishment and modernization strategy on a disciplined basis and, in each case, will carefully consider whether proposed investments and transactions have the appropriate risk/reward profile.

The average age of the company s 316 owned or chartered vessels (excluding joint-venture vessels and vessels withdrawn from service) at March 31, 2013 is approximately 12.6 years. The average age of 232 newer vessels in the fleet (defined as those that have been acquired or constructed since calendar year 2000 as part of the company s new build and acquisition program as discussed below) is approximately 6.2 years. The remaining 84 vessels have an average age of 30.1 years. Of the company s 316 vessels, 84 are deepwater vessels, 163 are in the non-deepwater towing-supply/supply vessels. Sixty-nine are other vessel classes are primarily comprised of crewboats and offshore tugs.

Table of Contents

Index to Financial Statements

At March 31, 2013, the company had agreements to acquire two vessels and commitments to build 30 vessels at a number of different shipyards around the world at a total cost, including contract costs and other incidental costs, of approximately $836.6 million. Of the 30 new construction commitment vessels, six are towing supply vessels with 7,145 brake horsepower (BHP), 19 are deepwater platform supply vessels (PSVs) ranging between 3,000 and 6,360 deadweight tons of cargo capacity, one is a fast supply boat, two are specialty construction support vessels two are crewboats. Scheduled delivery for these newbuild vessels began in April 2013, with delivery of the final vessel expected in the quarter ended September 2015. The company currently is experiencing substantial delay with one fast supply boat under construction in Brazil that was originally scheduled to be delivered in September of 2009. A discussion of this matter is disclosed in the Vessel Count, Dispositions, Acquisitions and Construction Programs section of Item 7 and Note (11) of Notes to Consolidated Financial Statements included in Item 8 of this report. At March 31, 2013, the company had invested $237.3 million in progress payments towards the construction of 30 vessels and the remaining expenditures necessary to complete construction was estimated at $505.7 million.

The aggregate purchase commitments for the two deepwater PSVs with 4,700 deadweight tons of cargo capacity is $93.6 million. The company took possession of one of the PSVs in April 2013 for a total cost of $46.8 million and expects to take possession of the remaining PSV in July 2013 for a total cost of $46.8 million. No investments had been made as of March 31, 2013 with respect to these two deepwater PSVs.

A discussion of the company s capital commitments, scheduled delivery dates and vessel sales is disclosed in the Vessel Count, Dispositions, Acquisitions and Construction Programs section of Item 7 and Note (11) of Notes to Consolidated Financial Statements. The Vessel Count, Dispositions, Acquisitions and Construction Programs section of Item 7 also contains a table comparing the actual March 31, 2013 vessel count and the average number of vessels by class and geographic distribution during the three years ended March 31, 2013, 2012 and 2011.

Between April 1999 and March 2013, the company also disposed of 635 vessels. Most of the vessel sales were sold at prices that exceeded their carrying values. In aggregate, proceeds from, and pre-tax gains on, vessel dispositions during this period approximated $674 million and $312 million, respectively.

Our Vessel Classifications

Our vessels regularly and routinely move from one operating area to another, often to and from offshore operating areas of different continents. We disclose our vessel statistical information, such as revenue, utilization and average day rates, by vessel class. Listed below are our three major vessel classes along with a description of the type of vessels categorized in each class and the services the respective vessels typically perform. Tables comparing the average size of the company s marine fleet by class and geographic distribution for the last three fiscal years are included in Item 7 of this report.

Deepwater Vessels

This class of equipment is currently the company s biggest contributor to consolidated vessel revenue and vessel operating margin. Included in this vessel class are large (typically greater than 230-feet and/or with at least 2,801 tons in dead weight cargo carrying capacity) PSVs and large, higher-horsepower (generally greater than 10,000 horsepower) anchor handling towing supply (AHTS) vessels. These vessels are generally chartered to customers for use in transporting supplies and equipment from shore bases to deepwater and intermediate water depth offshore drilling rigs, platforms . Deepwater PSVs generally have large cargo capacities, both below deck (liquid mud tanks and dry bulk tanks) and above deck, and support drilling and production operations and offshore construction and maintenance work. The deepwater AHTS vessels are equipped to tow drilling rigs and other marine equipment, as well as to set anchors for the positioning and mooring of drilling rigs. Many of our deepwater AHTS and PSVs are outfitted with dynamic positioning capabilities, which allow the vessel to maintain an absolute or relative position when mooring to an installation, rig or another vessel is impractical or undesirable. Our customers demand a high level of safety and technological advancements to meet the more stringent regulatory standards especially in the wake of the *Deepwater Horizon* incident.

Table of Contents

Index to Financial Statements

This class of vessel also includes specialty vessels that can support offshore well stimulation, construction work, subsea services and/or have fire fighting capabilities and/or accommodation facilities. These vessels are generally available for routine supply and towing services but are outfitted and primarily intended for specialty services. For example, these vessels can be equipped with a variety of lifting and deployment systems, including large capacity cranes, winches or reel systems. Included in the specialty vessel category is the company s one multi-purpose platform supply vessel (MPSV), which is designed for subsea service and construction support activities and which is significantly larger in size, more versatile, and more specialized than the PSVs discussed above. The MPSV typically commands a higher day rate because the vessel has more capabilities, and because the vessel has a higher construction cost and higher operating costs.

Towing-Supply and Supply Vessels

This is currently the company s largest fleet class by number of vessels. Included in this class are non-deepwater towing-supply vessels with horsepower below 10,000 BHP, and non-deepwater PSVs that are generally less than 230 feet. The vessels in this class perform the same functions and services as their deepwater vessel class counterparts except they are generally chartered to customers for use in intermediate and shallow waters.

Other Vessels

The company s Other Vessels included crewboats, utility vessels and offshore tugs. Crewboats and utility vessels are chartered to customers for use in transporting personnel and supplies from shore bases to offshore drilling rigs, platforms and other installations. These vessels are also often equipped for oil field security missions in markets where piracy, kidnapping or other potential violence presents a concern. Offshore tugs tow floating drilling rigs; assist in the docking of tankers; tow barges; assist pipe laying, cable laying and construction barges; and are used in a variety of other commercial towing operations, including towing barges carrying a variety of bulk cargoes and containerized cargo.

Revenue Contribution of Main Classes of Vessels

Revenues from vessel operations were derived from the following classes of vessels in the following percentages:

	Year Ended March 31,		
	2013	2012	2011
Deepwater vessels	49.2%	44.2%	39.6%
Towing-supply/supply	42.4%	44.9%	49.2%
Other	8.4%	10.9%	11.2%

Shipyard Operations

Quality Shipyards, L.L.C., a wholly-owned subsidiary of the company, operated two shipyards in Houma, Louisiana, that construct, upgrade and repair vessels. The shipyards perform repair work and new construction work for third-party customers, as well as the construction, repair and modification of the company s own vessels. During the last three fiscal years, Quality Shipyards, L.L.C. has constructed and delivered a 266-foot PSV which was delivered in November 2011. One of the two shipyards was sold during fiscal 2013 and the remaining yard is currently being used for repair work. During fiscal 2013, one partially constructed, 261 foot PSV was transferred to another unaffiliated U.S. shipyard. Delivery of this unit is scheduled for April 2014.

Customers and Contracting

The company s operations are materially dependent upon the levels of activity in offshore crude oil and natural gas exploration, field development and production throughout the world, which is affected by trends in global crude oil and natural gas pricing, including expectations of future commodity pricing, which are ultimately influenced by the supply and demand relationship for these natural resources. The activity levels of our customers are also influenced by the cost of exploring for and producing crude oil and natural gas, which can be affected by environmental regulations, technological advances that affect energy production and consumption, significant weather conditions, the ability of our customers to raise capital, and local and international economic and political environments, including government mandated moratoriums. A discussion

Table of Contents

Index to Financial Statements

of current market conditions and trends appears under Macroeconomic Environment and Outlook in Item 7 of this report.

The company s principal customers are major and independent oil and natural gas exploration, field development and production companies; foreign government-owned or government-controlled organizations and companies that explore and produce oil and natural gas; drilling contractors; and companies that provide other services to the offshore energy industry, including but not limited to, offshore construction companies, diving companies and well stimulation companies.

In recent years, the consolidation of exploration, field development, and production companies has reduced the number of customers for the company s vessels and services. This development may negatively affect exploration, field development and production activity as consolidated companies generally focus initially on increasing efficiency and reducing costs and delay or abandon exploration activity with less promise. Such activity could adversely affect demand for our vessels, and reduce the company s revenues. This trend is likely to continue in the future, although for every merger in the industry, there is frequently a start-up company that takes the place of the merged company, in numerical terms, if not in levels of activity.

Our primary source of revenue is derived from time charter contracts on our vessels on a rate per day of service basis; therefore, vessel revenues are recognized on a daily basis throughout the contract period. As noted above, these time charter contracts are generally either on a term or spot basis. There are no material differences in the cost structure of the company s contracts based on whether the contracts are spot or term because the operating costs are generally the same without regard to the length of a contract.

The following table discloses our customers that accounted for 10% or more of total revenues during our last three fiscal years:

	2013	2012	2011
Chevron Corporation (including its worldwide subsidiaries and affiliates)	17.8%	17.4%	16.2%
Petroleo Brasileiro SA	8.6%	14.6%	15.4%

While it is normal for our customer base to change over time as our time charter contracts turn over, the unexpected loss of either or both of these two significant customers could, at least in the short term, have a material adverse effect on the company s vessel utilization and its results of operations. The five largest customers of the company in aggregate accounted for approximately 42% of our fiscal 2013 total revenues, while the 10 largest customers in aggregate accounted for approximately 57% of the company s fiscal 2013 total revenues.

Competition

The principal competitive factors for the offshore vessel service industry are the suitability and availability of vessel equipment, price and quality of service. In addition, the ability to demonstrate a strong safety record and attract and retain qualified and skilled personnel are also important competitive factors. The company has numerous competitors in all areas in which it operates around the world, and the business environment in all of these markets is highly competitive.

The company s diverse, mobile asset base and the wide geographic distribution of its assets generally enable the company to respond relatively quickly to changes in market conditions and to provide a broad range of vessel services to its customers around the world. We believe the company has a competitive advantage because of the size, diversity and geographic distribution of our vessel fleet. Economies of scale and experience level in the many areas of the world in which we operate are also considered competitive advantages as is the company s strong financial position.

An increase in worldwide vessel capacity could have the effect of lowering charter rates, particularly when there are lower levels of exploration, field development and production activity. According to IHS-Petrodata, the global offshore supply vessel market at the end of March 2013 had approximately 427 new-build offshore support vessels (PSVs and anchor handlers and towing supply vessels only) under construction that are expected to be delivered into the worldwide offshore vessel market primarily over the next three years. The current worldwide fleet of these classes of vessels is estimated at approximately 2,903 vessels, of which Tidewater estimates more than 10% are stacked. The worldwide offshore marine vessel industry, however, also

Table of Contents

Index to Financial Statements

has a large number of aged vessels, including approximately 741 vessels, or 26%, of the worldwide offshore fleet, that are at least 25 years old and nearing or exceeding original expectations of their estimated economic lives. These older vessels, of which Tidewater estimates more than one-third are already stacked, could potentially be removed from the market within the next few years as the cost of extending these vessels lives may not be economically justifiable. Although the future attrition rate of these aging vessels cannot be determined with absolute certainty, the company believes that the retirement of a sizeable portion of these aged vessels could mitigate the potential 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 could mitigate the possible negative effects of the new-build vessels being added to the offshore support vessel fleet.

Challenges We Confront as an International Offshore Vessel Company

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

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

Sonatide Joint Venture

Tidewater has a 49% interest in Sonatide, a joint venture with Sonangol that owns vessels that serve the Angolan offshore energy industry. Tidewater has been in discussions over the last few years with Sonangol to establish the terms and conditions of a new Sonatide joint venture agreement. The company s existing joint venture agreement with Sonangol has been extended on several occasions during those discussions to allow ongoing negotiations to continue. The last extension was effective through March 31, 2013. While the existing joint venture agreement has therefore formally expired, 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.

While the company is continuing discussions with Sonangol to restructure the existing joint venture and overall commercial relationship, important and fundamental issues remain outstanding and unresolved. The parties did have several constructive meetings during the quarter ended March 31, 2013. 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.

Table of Contents

Index to Financial Statements

Sonangol continues to express a willingness to consider some further contracting activity by the Sonatide joint venture. During the quarter ended March 31, 2013, the Sonatide joint venture entered into several new contracts with customers, some of which extend into 2014.

During the twelve months ended March 31, 2013, 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 twelve month period was not significant. The vessels that were redeployed outside its Angolan operations during the twelve months ended March 31, 2013, were chartered at new day rates that were comparable to, or higher than the rates included in their respective expiring contracts in Angola, in part because of generally improving markets for these vessels.

For the year ended March 31, 2013, Tidewater s Angolan operations generated vessel revenues of approximately $271 million, or 22%, of its consolidated vessel revenue, from an average of approximately 85 Tidewater-owned vessels that are marketed through the Sonatide joint venture (9 of which were stacked on average during the year ended March 31, 2013), and, for the year ended March 31, 2012, generated vessel revenues of approximately $254 million, or 24%, of consolidated vessel revenue, from an average of approximately 93 Tidewater-owned vessels (14 of which were stacked on average during the year ended March 31, 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 March 31, 2013 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 $46 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 39 countries that have ratified are: Antigua and Barbuda, Australia, Bahamas, Benin, Bosnia and Herzegovina, Bulgaria, Canada, Croatia, Cyprus, Denmark, Fiji, Finland, France, Gabon, Greece, Kiribati, Latvia, Lebanon, Liberia, Luxembourg, Malta, Marshall Islands, Morocco, Netherlands, Norway, Palau, Panama, Philippines, Poland, Russian Federation, Saint Kitts and Nevis, St. Vincent and the Grenadines, Serbia, Singapore, Spain, Sweden, Switzerland, Togo and Tuvalu. Notably, although Fiji, Lebanon and Gabon have submitted instruments of ratification, their respective registrations for Member state social protection benefits are still pending. The aforementioned 39 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.

Government Regulation

The company is subject to various United States federal, state and local statutes and regulations governing the operation and maintenance of its vessels. The company s U.S. flagged vessels are subject to the jurisdiction of the United States Coast Guard, the United States Customs and Border Protection, and the United States Maritime Administration. The company is also subject to international laws and conventions and the laws of international jurisdictions where the company and its offshore vessels operate.

Table of Contents

Index to Financial Statements

Under the citizenship provisions of the Merchant Marine Act of 1920 and the Shipping Act, 1916, as amended, the company would not be permitted to engage in the U.S. coastwise trade if more than 25% of the company s outstanding stock were owned by non-U.S. citizens. For a company engaged in the U.S. coastwise trade to be deemed a U.S. citizen: (i) the company must be organized under the laws of the United States or of a state, territory or possession thereof, (ii) each of the chief executive officer and the chairman of the board of directors of such corporation must be a U.S. citizen, (iii) no more than a minority of the number of directors of such corporation necessary to constitute a quorum for the transaction of business can be non-U.S. citizens and (iv) at least 75% of the interest in such company must be owned by U.S. citizens. The company has a dual stock certificate system to protect against non-U.S. citizens owning more than 25% of its common stock. In addition, the company s charter provides the company with certain remedies with respect to any transfer or purported transfer of shares of the company s common stock that would result in the ownership by non-U.S. citizens of more than 24% of its common stock. Based on information supplied to the company by its transfer agent, approximately 18% of the company s outstanding common stock was owned by non-U.S. citizens as of March 31, 2013.

The laws of the U.S. require that vessels engaged in the U.S. coastwise trade must be built in the U.S. and registered under U.S flag. In addition, once a U.S.-built vessel is registered under a non-U.S. flag, it cannot thereafter engage in U.S. coastwise trade. Therefore, the company s non-U.S. flagged vessels must operate outside of the U.S. coastwise trade. Of the total 328 vessels owned or operated by the company at March 31, 2013, 286 vessels were registered under flags other than the United States and 42 vessels were registered under the U.S. flag. If the company is not able to secure adequate numbers of charters abroad for its non-U.S. flag vessels, even if work would otherwise have been available for such vessels in the United States, these vessels cannot operate in the U.S. coastwise trade, and the company s financial performance could be affected.

All of the company s offshore vessels are subject to either United States or international safety and classification standards or sometimes both. U.S. flag towing-supply, supply vessels and crewboats are required to undergo periodic inspections twice within every five year period pursuant to U.S. Coast Guard regulations. Vessels registered under flags other than the United States are subject to similar regulations and are governed by the laws of the applicable international jurisdictions and the rules and requirements of various classification societies, such as the American Bureau of Shipping.

The company is in compliance with the International Ship and Port Facility Security Code (ISPS), an amendment to the Safety of Life at Sea (SOLAS) Convention (1974/1988), and further mandated in the Maritime Transportation and Security Act of 2002 to align United States regulations with those of SOLAS and the ISPS Code. Under the ISPS Code, the company performs worldwide security assessments, risk analyses, and develops vessel and required port facility security plans to enhance safe and secure vessel and facility operations. Additionally, the company has developed security annexes for those U.S. flag vessels that transit or work in waters designated as high risk by the United States Coast Guard pursuant to the latest revision of Marsec Directive 104-6.

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.

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.

Table of Contents

Index to Financial Statements

Whenever possible, hazardous materials are maintained or transferred in confined areas in an attempt to ensure containment, if accidents were to occur. In addition, the company has established operating policies that are intended to increase awareness of actions that may harm the environment.

Safety

We are committed to ensuring the safety of our operations for both our employees and our customers. The company s principal operations occur in offshore waters where the workplace environment presents safety challenges. Because the work environment presents these challenges, the company works diligently to maintain workplace safety. Management regularly communicates with its personnel to promote safety and instill safe work habits through company media and safety review sessions. We also regularly conduct safety training meetings for our seamen and shore based staff personnel. We dedicate personnel and resources to ensure safe operations and regulatory compliance. Our Director of Health, Safety and Environmental Management is involved in proactive efforts to prevent accidents and injuries and reviews all incidents that occur throughout the company. In addition, the company employs safety personnel at every operating location who are responsible for administering the company s safety programs and fostering the company s safety culture. We believe that every employee is a safety supervisor, and give each employee the right, the responsibility, and the obligation to stop any operation that the employee deems to be unsafe, whether it is deemed to be, in retrospect, unsafe or not.

Risk Management

The operation of any marine vessel involves an inherent risk of marine losses (including physical damage to the vessel) attributable to adverse sea and weather conditions, mechanical failure, and collisions. In addition, the nature of our operations exposes the company to the potential risks of damage to and loss of drilling rigs and production facilities, hostile activities attributable to war, sabotage, pirates and terrorism, as well as business interruption due to political action or inaction, including nationalization of assets by foreign governments. Any such event may lead to a reduction in revenues or increased costs. The company s vessels are generally insured for their estimated market value against damage or loss, including war, acts of terrorism, and pollution risks, but the company does not fully insure for business interruption. The company also carries workers compensation, maritime employer s liability, director and officer liability, general liability (including third party pollution) and other insurance customary in the industry.

The company seeks to secure appropriate insurance coverage at competitive rates by maintaining a self-retention layer up to certain limits on its marine package policy. The company carefully monitors claims and participates actively in claims estimates and adjustments. Estimated costs of self-insured claims, which include estimates for incurred but unreported claims, are accrued as liabilities on our balance sheet.

The continued threat of terrorist activity and other acts of war or hostility have significantly increased the risk of political, economic and social instability in some of the geographic areas in which the company operates. It is possible that further acts of terrorism may be directed against the United States domestically or abroad, and such acts of terrorism could be directed against properties and personnel of U.S.-owned companies such as ours. The resulting economic, political and social uncertainties, including the potential for future terrorist acts and war, could cause the premiums charged for our insurance coverage to increase. The company currently maintains war risk coverage on its entire fleet.

Management believes that the company s insurance coverage is adequate. The company has not experienced a loss in excess of insurance policy limits; however, there is no assurance that the company s liability coverage will be adequate to cover potential claims that may arise. While the company believes that it should be able to maintain adequate insurance in the future at rates considered commercially acceptable, it cannot guarantee such with the current level of uncertainty in the markets the company operates.

Seasonality

The company s global vessel fleet generally has its highest utilization rates in the warmer months when the weather is more favorable for offshore exploration, field development and construction work. Hurricanes, cyclones, monsoon season, and severe weather can impact operations. The company s U.S. GOM operations can be impacted by the Atlantic hurricane season from the months of June through November, when offshore exploration, field development and construction work tends to slow or halt in an effort to mitigate potential

Table of Contents

Index to Financial Statements

losses and damage that may occur to the offshore oil and gas infrastructure should a hurricane enter the U.S.

GOM. However, demand for offshore marine vessels typically increases in the U.S. GOM in connection with repair and remediation work that follows any hurricane damage to offshore crude oil and natural gas infrastructure. The company s vessels that operate in Southeast Asia and Pacific are impacted by the monsoon season, which moves across the region from November to April. The vessels that operate in Australia are impacted by cyclone season from November to April. Customers in this region, where possible, plan business activities around the cyclone season; however, Australia generally has high trade winds during the non-cyclone season and, as such, the impact of the cyclone season on our operations is not significant. Although hurricanes, cyclones, monsoons and other severe weather can impact operations, the company s business volume is more dependent on crude oil and natural gas pricing, global supply of crude oil and natural gas, and demand conditions for the company s offshore marine services than any seasonal variation.

Employees

As of March 31, 2013, the company had approximately 7,900 employees worldwide. The company strives to maintain excellent relations with its employees. The company is not a party to any union contract in the United States but through several subsidiaries is a party to union agreements covering local nationals in several countries other than the United States. In the past, the company has been the subject of a union organizing campaign for the U.S. GOM employees by maritime labor unions. These union organizing efforts have abated, although the threat has not been completely eliminated. If the employees in the U.S. GOM were to unionize, the company s flexibility in managing industry changes in the domestic market could be adversely affected.

Executive Officers of the Registrant

The name of each of our executive officers, together with their respective age and all offices held as of March 31, 2013 is as follows:

Name	Age	Position
Jeffrey M. Platt	55	President and Chief Executive Officer since June 2012. Chief Operating Officer since March 2010. Executive Vice President since July 2006. Senior Vice President from 2004 to June 2006. Vice President from 2001 to 2004.
Jeffrey A. Gorski	52	Chief Operating Officer and Executive Vice President since June 2012. Senior Vice President from January 2012 to May 2012. Prior to January 2012, Mr. Gorski was a Vice-President of Global Accounts with Schlumberger Inc.
Quinn P. Fanning	49	Chief Financial Officer since September 2008. Executive Vice President since July 2008. Prior to July 2008, Mr. Fanning was a Managing Director with Citigroup Global Markets Inc. and generally focused on advisory services for the energy industry.
Joseph M. Bennett	57	Executive Vice President since June 2008. Chief Investor Relations Officer since 2005. Senior Vice President from 2005 to May 2008. Principal Accounting Officer from 2001 to May 2008. Vice President from 2001 to 2005. Controller from 1990 to 2005.
Bruce D. Lundstrom	49	Executive Vice President since August 2008. Senior Vice President from September 2007 to July 2008. General Counsel since September 24, 2007.

On April 18, 2012, Dean E. Taylor, President, Chief Executive Officer and Chairman of the Board announced his retirement as President and Chief Executive Officer of Tidewater Inc. effective May 31, 2012. Mr. Taylor was succeeded as President and Chief Executive Officer by Jeffrey M. Platt effective June 1, 2012. Mr. Taylor continues to serve as Tidewater s non-executive Chairman of the Board. Succeeding Mr. Platt as Chief Operating Officer is Jeffrey A. Gorski. Mr. Gorski joined Tidewater as Senior Vice President in January 2012.

Table of Contents

Index to Financial Statements

There are no family relationships between the directors or executive officers of the company. The company s officers are elected annually by the Board of Directors and serve for one-year terms or until their successors are elected.

Available Information

We make available free of charge, on or through our website (www.tdw.com), our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other filings pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and amendments to such filings, as soon as reasonably practicable after each is electronically filed with, or furnished to, the Securities and Exchange Commission (the SEC). You may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. The SEC maintains a website that contains the company s reports, proxy and information statements, and the company s other SEC filings. The address of the SEC s website is www.sec.gov. Information appearing on the company s website is not part of any report that it files with the SEC.

We also make available its Code of Business Conduct and Ethics (Code), which is posted on our website, for its directors, chief executive officer, chief financial officer, principal accounting officer, and other officers and employees on matters of business conduct and ethics, including compliance standards and procedures. We will make timely disclosure by a Current Report on Form 8-K and on our website of any change to, or waiver from, the Code of Business Conduct and Ethics for our principal executive and senior financial officers. Any changes or waivers to the Code will be maintained on the company s website for at least 12 months. A copy of the Code is also available in print to any stockholder upon written request addressed to Tidewater Inc., 601 Poydras Street, Suite 1900, New Orleans, Louisiana 70130.

ITEM 1A. RISK FACTORS

We operate globally in challenging and highly competitive markets and thus our business is subject to a variety of risks. Listed below are some of the more critical or unique risk factors that we have identified as affecting or potentially affecting our company and the offshore marine service industry. In addition, we are also subject to a variety of risks and uncertainties not known to us or that we currently believe are not as significant as the risks described below. You should consider these risks when evaluating any of the company s forward-looking statements. The effect of any one risk factor or a combination of several risk factors could materially affect the company s results of operations, financial condition and cash flows and the accuracy of any forward-looking statements made in this Annual Report on Form 10-K.

Oil and Gas Prices Are Highly Volatile

Commodity prices for crude oil and natural gas are highly volatile. Prices are extremely sensitive to the respective supply/demand relationship for crude oil and natural gas. High demand for crude oil and natural gas, reductions in supplies and/or low inventory levels for these resources as well as any perceptions about future supply interruptions can cause prices for crude oil and natural gas to rise. Conversely, low demand for crude oil and natural gas, increases in supplies and/or increases in crude oil and natural gas inventories cause prices for crude oil and natural gas to decrease. In addition, global military, political, and economic events, including civil unrest in the Middle East and North Africa oil producing and exporting countries, have contributed to crude oil and natural gas price volatility.

Factors that affect the supply of crude oil and natural gas include, but are not limited to, the following: global demand for hydrocarbons; the Organization of Petroleum Exporting Countries (OPEC) ability to control crude oil production levels and pricing, as well as, the level of production by non-OPEC countries; sanctions imposed by the U.S., the European Union, or other governments against oil producing countries; political and economic uncertainties (including wars, terrorist acts or security operations); advances in exploration and field development technologies; significant weather conditions; and governmental policies/restrictions placed on exploration and production of natural resources.

Prolonged material downturns in crude oil and natural gas prices and/or perceptions of long-term lower commodity prices can negatively impact the development plans of exploration and production companies given the long-term nature of large-scale development projects, which would likely result in a corresponding decline in

Table of Contents

Index to Financial Statements

demand for offshore support vessel services and a reduction in charter rates and/or utilization rates, which would have a material adverse effect on our results of operations, cash flows and financial condition. Higher commodity prices, however, do not necessarily translate into increased demand for offshore support vessel services as increased commodity supply could come from land-based energy sources.

Crude oil pricing volatility has increased in recent years as crude oil has emerged into a financial asset class used for speculative purchase. Traditionally, crude oil futures and options were purchased by commercial traders for future production in an effort to hedge against price risk. More recently, non-commercial market participants have traded crude oil derivatives to profit off of fluctuations in the price performance of crude oil. The extent to which speculation causes excessive crude oil pricing volatility is currently not fully known; however, a material adverse effect on our results of operations could potentially occur depending on the extent which speculative price volatility, especially as it relates to declines, in crude prices affects the decisions of offshore exploration and production companies.

Changes in the Level of Capital Spending by Our Customers

Demand for our vessels, and thus our results of operations are highly dependent on the level of capital spending for exploration and field development by the companies that operate in the energy industry. The energy industry s level of capital spending is substantially related to current and expected future demand for hydrocarbons and the prevailing commodity prices of crude oil and, to a lesser extent, natural gas. When commodity prices are low, or when our customers believe that they will be low in the future, our customers generally reduce their capital spending budgets for onshore and offshore drilling, exploration and field development. The level of offshore crude oil and natural gas exploration, development and production activity has historically been volatile, and that volatility is likely to continue.

Other factors that influence the level of capital spending by our customers that are beyond our control include: worldwide demand for crude oil and natural gas; the cost of offshore exploration and production of crude oil and natural gas, which can be affected by environmental regulations; significant weather conditions; technological advances that affect energy production and consumption; local and international economic and political environment; the availability and cost of financing.

Consolidation of the Company s Customer Base

Oil and natural gas companies, energy companies and drilling contractors have undergone consolidation, and additional consolidation is possible. Consolidation reduces the number of customers for the company s equipment, and may negatively affect exploration, field development and production activity as consolidated companies focus on increasing efficiency and reducing costs and delay or abandon exploration activity with less promise. Such activity could adversely affect demand for the company s vessels and reduce the company s revenues.

The Offshore Marine Service Industry is Highly Competitive

We operate in a highly competitive industry, which could depress vessel charter rates and utilization and adversely affect our financial performance. We compete for business with our competitors on the basis of price; reputation for quality service; quality, suitability and technical capabilities of vessels; availability of vessels; safety and efficiency; cost of mobilizing vessels from one market to a different market; and national flag preference. In addition, competition in international markets may be adversely affected by regulations requiring, among other things, local construction, flagging, ownership or control of vessels, the awarding of contracts to local contractors, the employment of local citizens and/or the purchase of supplies from local vendors that favor or require local ownership. In general, declines in the level of offshore drilling and development activity by the energy industry negatively affects the demand for our vessels and results in downward pressure on day rates. Extended periods of low vessel demand and/or low day rates reduce the company s revenues.

Risk Associated With the Loss of a Major Customer

We derive a significant amount of revenue from a relatively small number of customers. For the years ended March 31, 2013, 2012 and 2011, the five largest customers accounted for approximately 42%, 43%, and 45%, respectively, of the company s total revenues, while the 10 largest customers accounted for a respective 57%, 59%, and 63% of our total revenues. While it is normal for our customer base to change over time as our time

Table of Contents

Index to Financial Statements

charter contracts turn over, our results of operations, financial condition and cash flows could be materially adversely affected if one or more of these customers decide to interrupt or curtail their activities; terminate their contracts with us; fail to renew existing contracts; and/or refuse to award new contracts, and we were unable to contract our vessels with new customers at comparable day rates.

Unconventional Natural Gas Sources are Exerting Downward Pricing Pressures on the Price of Natural Gas

The rise in production of unconventional gas resources (onshore shale plays resulting from technological advancements in horizontal drilling and fracturing) in North America and the commissioning of a number of new large Liquefied Natural Gas (LNG) export facilities around the world are contributing to an over-supplied natural gas market. While production of natural gas from unconventional sources is still a relatively small portion of the worldwide natural gas production, it is increasing because improved drilling efficiencies are lowering the costs of extraction. There is a significant oversupply of natural gas inventories in the United States in part due to the increase of unconventional gas in the market. Prolonged increases in the worldwide supply of natural gas, whether from conventional or unconventional sources, will likely continue to weigh on natural gas prices. A prolonged period of low natural gas prices would likely have a negative impact on development plans of exploration and production companies (at least in regards to development plans primarily targeting natural gas), which in turn, may result in a decrease in demand for offshore support vessel services. This effect could be particularly acute in our Americas segments, specifically our shallow water U.S. GOM operations, which is more oriented towards natural gas than crude oil production, and therefore more sensitive to the changes in the market pricing for natural gas than to changes in the market pricing of crude oil.

Challenging Macroeconomic Conditions

Uncertainty about future global economic market conditions makes it challenging to forecast operating results and to make decisions about future investments. The success of our business is both directly and indirectly dependent upon conditions in the global financial and credit markets that are outside of our control and difficult to predict. Uncertain economic conditions may lead our customers to postpone capital spending in response to tighter credit and reductions in income or asset values. Similarly, when lenders and institutional investors reduce, and in some cases, cease to provide funding to corporate and other industrial borrowers, the liquidity and financial condition of our customers can be adversely impacted. These factors may also adversely affect our liquidity and financial condition. Factors such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, commodity prices, currency exchange rates and controls, and national and international political circumstances (including wars, terrorist acts or security operations) can have a material negative effect on our business and operations, which in turn would reduce our revenues and profitability.

Prolonged material economic downturns in crude oil and natural gas prices can negatively affect the development plans of exploration and production companies. In addition, a prolonged recession may result in a decrease in demand for offshore support vessel services and a reduction in charter rates and/or utilization rates, which would have a material adverse effect on the company s results of operations, cash flows and financial condition.

Potential Overcapacity in the Offshore Marine Industry

Over the past decade, as offshore exploration and production activities increasingly focused on deepwater well exploration, field development and production, offshore service companies, such as ours, constructed specialized offshore vessels that are capable of supporting complex deepwater and deep well (defined by well depth rather than water depth) projects that are generally located in challenging environments. During this time, construction of offshore vessels increased significantly in order to meet customer demands. Excess offshore supply vessel capacity usually exerts downward pressure on charter day rates. Excess capacity can occur when newly constructed vessels enter the market and also when vessels migrate between market areas. While the company is committed to the construction of additional vessels, it has also sold and/or scrapped a significant number of vessels over the last several years. A discussion about the aging of the company s fleet, which has necessitated the company s new vessel construction programs, appears in the Vessel Count, Dispositions, Acquisitions and Construction Programs section of Item 7 in this report.

[Table of Contents](#)

[Index to Financial Statements](#)

The offshore supply vessel market has approximately 427 new-build offshore support vessels (platform supply vessels, anchor handlers and towing-supply vessels only), under construction as of March 31, 2013, that are expected to be delivered to the worldwide offshore vessel market primarily over the next three years, according to ODS-Petrodata. The current worldwide fleet of these classes of vessels is estimated at approximately 2,903 vessels, according to the same source. An increase in vessel capacity could result in increased competition in the company s industry which may have the effect of lowering charter rates and utilization rates, which, in turn, would result in lower revenues to the company.

In addition, the provisions of the Shipping Act restricting engagement of U.S. coastwise trade to vessels controlled by U.S. citizens may from time to time be circumvented by foreign competitors that seek to engage in trade reserved for vessels controlled by U.S. citizens and otherwise qualifying for coastwise trade. A repeal, suspension or significant modification of the Shipping Act, or the administrative erosion of its benefits, permitting vessels that are either foreign-flagged, foreign-built, foreign-owned, foreign-controlled or foreign- operated to engage in the U.S. coastwise trade, could also result in excess vessel capacity and increased competition especially for our vessels that operate in North America.

Risks Associated with Vessel Construction and Maintenance

The company has a number of vessels currently under construction, and it may construct additional vessels in response to current and future market conditions. In addition, the company routinely engages shipyards to drydock vessels for regulatory compliance and to provide repair and maintenance services. Construction projects and drydockings are subject to risks of delay and cost overruns, resulting from shortages of equipment, materials and skilled labor; lack of shipyard availability; unforeseen design and engineering problems; work stoppages; weather interference; unanticipated cost increases; unscheduled delays in the delivery of material and equipment; financial and other difficulties at shipyards including labor disputes and shipyard insolvency; and inability to obtain necessary certifications and approvals.

A significant delay in either construction or drydockings of vessels could have a material adverse effect on our ability to fulfill contract commitments and to realize timely revenues with respect to vessels under construction, conversion or other drydockings. Significant cost overruns or delays for vessels under construction could also adversely affect the company s financial condition, results of operations or cash flows. The demand for vessels currently under construction may diminish from levels originally anticipated. If the company fails to obtain favorable contracts for newly constructed vessels, such failure could have a material adverse effect on the company s revenues and profitability.

Also, difficult economic market conditions and/or prolonged distress in credit and capital markets may hamper the ability of shipyards to meet their scheduled deliveries of new vessels or the ability of the company to renew its fleet through new vessel construction or acquisitions. In addition, there is always the risk of insolvency of the shipyards that construct or drydock our vessels, which could adversely affect our new construction or repair programs, and consequently, adversely affect our financial condition, results of operations or cash flows.

Risks Associated with Operating Internationally

We operate in various regions throughout the world, which exposes us to many risks inherent in doing business in countries other than the United States, some of which have recently become more pronounced. Our customary risks of operating internationally include political and economic instability within the host country; possible vessel seizures or nationalization of assets and other governmental actions by the host country (please refer to Item 7 in this report and Note (11) of Notes to Consolidated Financial Statements included in Item 8 of this report for a discussion of our Venezuelan operations regarding vessel seizures) including enforcement of customs or other laws that are not well developed or consistently enforced; foreign government regulations that favor or require the awarding of contracts to local competitors; an inability to recruit and retain management of overseas operations; difficulties in collecting accounts receivable and longer collection periods, changing taxation policies, fluctuations in currency exchange rates, revaluations, devaluations and restrictions on repatriation of currency; and import/export quotas and restrictions or other trade barriers - most of which are beyond the control of the company.

The company is also subject to acts of piracy and kidnappings that put its assets and personnel at risk. The increase in the level of these criminal or terrorist acts over the last few years has been well-publicized. As a marine services company that operates in offshore, coastal or tidal waters, the company is particularly

Table of Contents

Index to Financial Statements

vulnerable to these kinds of unlawful activities. Although the company takes what it considers to be prudent measures to protect its personnel and assets in markets that present these risks, it has confronted these kinds of incidents in the past, and there can be no assurance it will not be subjected to them in the future.

The continued threat of terrorist activity and other acts of war or hostility have significantly increased the risk of political, economic and social instability in some of the geographic areas in which the company operates. It is possible that further acts of terrorism may be directed against the United States domestically or abroad and such acts of terrorism could be directed against properties and personnel of U.S.-owned companies such as ours. To date, the company has not experienced any material adverse effects on its results of operations and financial condition as a result of terrorism, political instability or war.

Risks Associated with Doing Business Through Joint Ventures

The company operates in several foreign areas through a joint venture with a local company, in some cases as a result of local laws requiring local company ownership. While the joint venture partner may provide local knowledge and experience, entering into joint ventures inevitably requires us to surrender a measure of control over the assets and operations devoted to the joint venture, and occasions may arise when we do not agree with the business goals and objectives of our partner, or other factors may arise that make the continuation of the relationship unwise or untenable. Any such disagreements or discontinuation of the relationship could disrupt our operations and affect the continuity of our business. If we are unable to resolve issues with a joint venture partner, we may decide to terminate the joint venture and either locate a different partner and continue to work in the area or seek opportunities for our vessels in another area. The unwinding of an existing relationship could prove to be difficult or time-consuming, and the loss of revenue related to the termination or unwinding of a joint venture and costs related to the sourcing of a new partner or the mobilization of vessels to another area could adversely affect our financial condition, results of operations or cash flows.

International Operations Exposed to Currency Devaluation and Fluctuation Risk

Since we are a global company, our international operations are exposed to foreign currency 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 and 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. Gains and losses from the revaluation of our assets and liabilities denominated in currencies other than our functional currency are included in our consolidated statements of operations. Foreign currency fluctuations may cause the U.S. dollar value of our non-U.S. results of operations and net assets to vary with exchange rate fluctuations. This could have a negative impact on our results of operations and financial position. In addition, fluctuations in currencies relative to currencies in which the earnings are generated may make it more difficult to perform period-to-period comparisons of our reported results of operations.

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 revenue streams when considered appropriate. The company continually monitors the currency exchange risks associated with all contracts not denominated in U.S. dollars.

Operational Hazards Inherent to the Offshore Marine Vessel Industry

The operation of any marine vessel involves inherent risk that could adversely affect our financial performance if we are not adequately insured or indemnified. Our operations are also subject to various operating hazards and risks, including risk of catastrophic marine disaster; adverse sea and weather conditions; mechanical failure; navigation errors; collisions and property losses to the vessel; damage to and loss of drilling rigs and production facilities; war, sabotage, pirate and terrorism risks; and business interruption due to political action or inaction, including nationalization of assets by foreign governments.

These risks present a threat to the safety of personnel and to our vessels, cargo, equipment under tow and other property, as well as the environment. Any such event may result in a reduction in revenues, increased costs, property damage, and additionally, third parties may have significant claims against us for damages due

20

Table of Contents

Index to Financial Statements

to personal injury, death, property damage, pollution and loss of business. We carry what we consider to be prudent levels of liability insurance, and our vessels are generally insured for their estimated market value against damage or loss, including war, terrorism acts, and pollution risks, but the company does not fully insure for business interruption. Our insurance coverages are subject to deductibles and certain exclusions. We can provide no assurance, however, that our insurance coverages will be available beyond the renewal periods, that we will be able to obtain insurance for all operational risks and that our insurance policies will be adequate to cover future claims that may arise.

Compliance with the Foreign Corrupt Practices Act and Similar Worldwide Anti-Bribery Laws

Our global operations require us to comply with a number of U.S. and international laws and regulations, including those involving anti-bribery and anti-corruption. In order to effectively compete in certain foreign jurisdictions, the company seeks to establish joint ventures with local operators or strategic partners. As a U.S. corporation, we are subject to the regulations imposed by the Foreign Corrupt Practices Act (FCPA), which generally prohibits U.S. companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business or obtaining an improper business benefit. We have adopted proactive procedures to promote compliance with the FCPA, but we may be held liable for actions taken by our strategic or local partners or agents even though these partners or agents may not themselves be subject to the FCPA. Any determination that we have violated the FCPA (or any other applicable anti-bribery laws in countries in which the company does business) could have a material adverse effect on our business, results of operations, and cash flows. A discussion of the company s FCPA internal investigation is disclosed in the Completion of Internal Investigation and Settlements with United States and Nigerian Agencies section of Note (11) of Notes to Consolidated Financial Statements included in Item 8 of this report.

Compliance with Complex and Developing Laws and Regulations

Our operations are subject to many complex and burdensome laws and regulations. Stringent federal, state, local and foreign laws and regulations governing worker health and safety and the manning, construction and operation of vessels significantly affect our operations. Many aspects of the marine industry are subject to extensive governmental regulation by the United States Coast Guard and the United States Customs and Border Protection and their foreign equivalents and to regulation by private industry organizations such as the American Bureau of Shipping, the Oil Companies International Marine Forum, and the International Marine Contractors Association.

Our operations are also subject to federal, state, local and international laws and regulations that control the discharge of pollutants into the environment or otherwise relate to environmental protection. Compliance with such laws and regulations may require installation of costly equipment, increased manning or operational changes. Some environmental laws impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject the company to liability without regard to whether the company was negligent or at fault.

Further, many of the countries in which the company operates have laws, regulations and enforcement systems that are largely undeveloped, and the requirements of these systems are not always readily discernible even to experienced and proactive participants. Further, these laws, regulations and enforcement systems can be unpredictable and subject to frequent change or reinterpretation, sometimes with retroactive effect, and with associated taxes, fees, fines or penalties sought from the company based on that reinterpretation or retroactive effect. While the company endeavors to comply with applicable laws and regulations, the company s compliance efforts might not always be wholly successful, and failure to comply may result in administrative and civil penalties, criminal sanctions, imposition of remedial obligations or the suspension or termination of the company s operations. These laws and regulations may expose the company to liability for the conduct of or conditions caused by others, including charterers or third party agents. Moreover, these laws and regulations could be changed or be interpreted in new, unexpected ways that substantially increase costs that the company may not be able to pass along to its customers. Any changes in laws, regulations or standards that would impose additional requirements or restrictions could adversely affect the company s financial condition, results of operations or cash flows.

In order to meet the continuing challenge of complying with applicable laws and regulations in jurisdictions where it operates, the company revitalized and strengthened its compliance training, makes available and uses a worldwide compliance reporting system and performs compliance auditing/monitoring. The company

appointed its general counsel as its chief compliance officer in fiscal 2008 to help organize and lead these compliance efforts. This strengthened compliance program may from time to time identify past practices that need to be changed or remediated. Such corrective or remedial measures could involve significant expenditures or lead to changes in operational practices that could adversely affect the company s financial condition, results of operations or cash flows.

Risk of Changes in Laws Governing U.S. Taxation of Foreign Source Income

We operate globally through various subsidiaries which are subject to changes in applicable tax laws, treaties or regulations in the jurisdictions in which we conduct our business, including laws or policies directed toward companies organized in jurisdictions with low tax rates. We determine our income tax expense based on our interpretation of the applicable tax laws and regulations in effect in each jurisdiction for the period during which we operate and earn income. A material change in the tax laws, tax treaties, regulations or accounting principles, or interpretation thereof, in one or more countries in which we conduct business, or in which we are incorporated or a resident of, could result in a higher effective tax rate on our worldwide earnings, and such change could be significant to our financial results. In addition, our overall effective tax rate could be adversely and suddenly affected by lower than anticipated earnings in countries where we have lower statutory rates and higher than anticipated earnings in countries where we have higher statutory rates, or by changes in the valuation of our deferred tax assets and liabilities.

Over 90% of the company s revenues and net income are generated by its operations outside of the United States. The company s effective tax rate has averaged approximately 19.2% since fiscal 2006, primarily a result of the passage of The American Jobs Creation Act of 2004, which excluded from the company s current taxable income in the U.S. income earned offshore through the company s controlled foreign subsidiaries.

Periodically, tax legislative initiatives are proposed to effectively increase U.S. taxation of income with respect to foreign operations. Whether any such initiatives will win congressional or executive approval and become law is presently unknown; however, if any such initiatives were to become law, and were such law to apply to the company s international operations, it would result in a materially higher tax expense, which would have a material impact on the company s financial condition, results of operations or cash flows, and which could cause the company to review the utility of continued U.S. domicile.

In addition, our income tax returns are subject to review and examination by the Internal Revenue Service and other tax authorities where tax returns are filed. The company routinely evaluates the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for taxes. We do not recognize the benefit of income tax positions we believe are more likely than not to be disallowed upon challenge by a tax authority. If any tax authority successfully challenges our operational structure or intercompany transfer pricing policies, or if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure, or if we lose a material tax dispute in any country, our effective tax rate on our worldwide earnings could increase, and our financial condition and results of operations could be materially adversely affected.

Compliance with Environmental Regulations May Adversely Impact Our Operations and Markets

A variety of regulatory developments, proposals and requirements have been introduced (and in some cases enacted) in the U.S. and various other countries that are focused on restricting the emission of carbon dioxide, methane and other gases. Any such regulations could result in the increased cost of energy as well as environmental and other costs and capital expenditures could be necessary to comply with the limitations. These developments may curtail production and demand for hydrocarbons such as crude oil and natural gas in areas of the world where our customers operate and thus adversely affect future demand for the company s offshore supply vessels, which are highly dependent on the level of activity in offshore oil and natural gas exploration, development and production market. Although it is unlikely that demand for oil and gas will lessen dramatically over the short-term, in the long-term, increased regulation of environmental emissions may create greater incentives for use of alternative energy sources. Unless and until regulations are implemented and their effects are known, we cannot reasonably or reliably estimate their impact on our financial condition, results of operations and ability to compete. However, any long term material adverse effect on the crude oil and natural gas industry may adversely affect our financial condition, results of operations and cash flows.

Table of Contents

Index to Financial Statements

The *Deepwater Horizon* Incident and the Aftereffects of the Drilling Moratorium in the U.S. GOM Could Have a Material Impact on Exploration and Production Activities in United States Coastal Waters

The success and profitability of our operations in the United States are dependent on the level of upstream drilling and exploration activity in the U.S. GOM, and to a lesser extent on the West Coast of the United States and in Alaska. In particular, many of our new-build vessels were designed to operate in deep water off the continental shelf to assist in drilling and exploration efforts in that area. The margins we earn on our deepwater vessels have typically been higher than margins we achieve on other classes of our vessels. Although the BOEMRE is now issuing new drilling permits, the new regulations and requirements could suppress the level of drilling activity and demand for our services, which could have a material adverse effect on our U.S. operations which are part of our Americas segment. In addition, if exploration and production activity migrates from the U.S. GOM to international markets because of the these additional regulations and resulting increase in operating costs in the U.S. GOM, it is also possible that other offshore supply vessel owners will redeploy their respective vessels to international markets where we operate. These mobilizations would increase competition and thus could negatively affect our vessel utilization and day rates in international markets, depending on the number of drilling rigs that exit the U.S. GOM and move to international markets.

Also among the uncertainties that confront the industry are whether Congress will repeal the $75.0 million cap for non-reclamation liabilities under the Oil Pollution Act of 1990 and whether insurance will continue to be available at a reasonable cost and with reasonable policy limits to support drilling and exploration activity in the U.S. GOM. Although the eventual outcome of these developments is currently unknown, we believe that, even in the best case for the industry that we serve, additional regulatory and operational costs will be incurred, and these additional costs may either reduce the level of exploratory activity in the U.S. GOM, reduce demand for our services, or both.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Information on Properties is contained in Item 1 of this report.

ITEM 3. LEGAL PROCEEDINGS

Shareholder Derivative Suit

The company has previously disclosed that 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. Additional information regarding the substance of the allegations made in the lawsuit are disclosed in the Company s 10-Q for the quarter ended December 2012 under the heading Part II, Item 1. Legal Proceedings-Shareholder Derivative Suit.

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 filed a motion to stay the District Court proceedings pending resolution of a demand the plaintiff had made on that same day on the company s Board of Directors to conduct an independent investigation and bring claims against the individual defendants. 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.

On March 5, 2013, Judge Milazzo issued a ruling denying the plaintiff s motion to stay and rendered a judgment dismissing the derivative action with prejudice. The time period for appealing the judge s ruling has now passed without an appeal by the plaintiff.

Table of Contents

Index to Financial Statements

Nana Tide Sinking

In January, 2013, the Ministry of the Environment, Nature Conservation, and Tourism, an agency of the Democratic Republic of Congo (DRC) with jurisdiction over environmental affairs, delivered a letter requesting that the company pay $0.25 million to the DRC. The request was made as indemnification for alleged environmental damages to the coastal waters of the DRC related to the sinking of the company s anchor handling tug, Nana Tide, in shallow waters off the Congolese coast on December 21, 2012. The cause of the casualty loss is not yet known. We are cooperating with our customer, our insurers and DRC authorities to evaluate how best to recover the vessel and limit the environmental impact of this incident. While there has been some evidence, from time to time, of a sheen in the immediate vicinity of the Nana Tide, we do not believe that there has been any major breach of her liquid tanks. Also, other than the initial letter from the DRC agency, we are not aware of any proceedings that have been instituted by the DRC.

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 receipt 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 still evaluating this most recent suit but intends to vigorously defend against the claims made.

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.

Other Items

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. Information related to various commitments and contingencies, including legal proceedings, is disclosed in Note (11) of Notes to Consolidated Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURE

None

Table of Contents

Index to Financial Statements

PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock Market Prices

The company s common stock is traded on the New York Stock Exchange under the symbol TDW. At March 31, 2013, there were 753 record holders of the company s common stock, based on the record holder list maintained by the company s stock transfer agent. The closing price on the New York Stock Exchange Composite Tape on March 28, 2013 (last business day of the month) was $50.50. The following table sets forth for the periods indicated the high and low sales price of the company s common stock as reported on the New York Stock Exchange Composite Tape and the amount of cash dividends per share declared on Tidewater common stock.

Quarter ended	June 30	September 30	December 31	March 31
Fiscal 2013 common stock prices:				
High	$ 56.71	$ 53.06	$ 49.20	$ 50.93
Low	43.14	46.05	42.33	45.07
Dividend	.25	.25	.25	.25
Fiscal 2012 common stock prices:				
High	$ 60.59	$ 56.07	$ 52.34	$ 63.26
Low	48.96	43.10	38.83	48.52
Dividend	.25	.25	.25	.25

Issuer Repurchases of Equity Securities

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 March 31, 2013, $180.0 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 value of common stock repurchased, along with number of shares repurchased, and average price paid per share for the years ended March 31, are as follows:

(In thousands, except share and per share data)	2013	2012	2011
Aggregate cost of common stock repurchased	$ 85,034	35,015	19,988
Shares of common stock repurchased	1,856,900	739,231	486,800
Average price paid per common share	$ 45.79	47.37	41.06

During fiscal 2013, shares were repurchased during the first quarter ended June 30, 2012 and the third quarter ended December 31, 2012. The shares repurchased during fiscal 2012 occurred in the third quarter ended December 31, 2011, while the shares repurchased during fiscal 2011 occurred during the first quarter ended June 30, 2010.

Table of Contents

Index to Financial Statements

Dividend Program

The declaration of dividends is at the discretion of the company s Board of Directors. The Board of Directors declared the following dividends for the years ended March 31:

(In thousands, except per share data)	2013	2012	2011
Dividends declared	$ 49,766	51,370	51,507
Dividend per share	1.00	1.00	1.00

Performance Graph

The following graph compares the cumulative total stockholder return on the company s common stock against the cumulative total return of the Standard & Poor s 500 Stock Index and the cumulative total return of the Value Line Oilfield Services Group Index (the Peer Group) over the last five fiscal years. The analysis assumes the investment of $100 on April 1, 2008, at closing prices on March 31, 2008, and the reinvestment of dividends. The Value Line Oilfield Services Group consists of 25 companies including Tidewater Inc.

Indexed returns

Years ended March 31

Company name/Index	2008	2009	2010	2011	2012	2013
Tidewater Inc.	100	68.84	89.56	115.78	106.50	101.68
S&P 500	100	61.91	92.72	107.23	116.39	132.64
Peer Group	100	44.82	74.51	107.58	86.07	92.62

Investors are cautioned against drawing conclusions from the data contained in the graph, as past results are not necessarily indicative of future performance.

The above graph is being furnished pursuant to the Securities and Exchange Commission rules. It will not be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the company specifically incorporates it by reference.

Table of Contents

Index to Financial Statements

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth a summary of selected financial data for each of the last five fiscal years. This information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 and the Consolidated Financial Statements of the company included in Item 8 of this report.

Years Ended March 31

(In thousands, except ratio and per share amounts)

		2013	2012	2011 (A)	2010 (B)	2009
Statement of Earnings Data :						
Revenues:						
Vessel revenues	$	1,229,998	1,060,468	1,051,213	1,138,162	1,356,322
Other marine services revenues		14,167	6,539	4,175	30,472	34,513
	$	1,244,165	1,067,007	1,055,388	1,168,634	1,390,835
Gain on asset dispositions, net	$	6,609	17,657	13,228	28,178	27,251
Provision for Venezuelan operations	$				43,720	
Goodwill Impairment (C)	$		30,932			
Net earnings	$	150,750	87,411	105,616	259,476	406,898
Basic earnings per common share	$	3.04	1.71	2.06	5.04	7.92
Diluted earnings per common share	$	3.03	1.70	2.05	5.02	7.89
Cash dividends declared per common share	$	1.00	1.00	1.00	1.00	1.00
Balance Sheet Data (at end of period):						
Cash and cash equivalents	$	40,569	320,710	245,720	223,070	250,793
Total assets	$	4,168,055	4,061,618	3,748,116	3,293,357	3,073,804
Current maturities of long-term debt	$				25,000	
Long-term debt	$	1,000,000	950,000	700,000	275,000	300,000
Stockholders equity	$	2,561,756	2,526,357	2,513,944	2,464,030	2,244,678
Working capital	$	241,461	455,171	395,558	380,915	431,101
Current ratio		1.91	2.91	3.15	2.86	3.12
Cash Flow Data:						
Net cash provided by operating activities	$	213,923	222,421	264,206	328,261	523,889
Net cash used in investing activities	$	(413,487)	(315,081)	(569,943)	(298,482)	(434,055)
Net cash provided by (used in) financing activities	$	(80,577)	167,650	328,387	(57,502)	(109,246)

(A) Fiscal 2011 net earnings includes a $4.4 million, or $0.08 per common share, final settlement with the DOJ and a $6.3 million, or $0.12 per common share, settlement with the Federal Government of Nigeria related to the internal investigation as disclosed in Note (11) of Notes to Consolidated Financial Statements included in Item 8 of this report.

(B) In addition to the Provision for Venezuelan operations separately noted above, fiscal 2010 net earnings includes (1) the reversal of $36.1 million, or $0.70 per common share, of uncertain tax positions related to the resolution of a tax dispute with the U.S. IRS, (2) an $11.4 million, or $0.22 per common share, proposed settlement with the SEC related to the internal investigation, and (3) an $11.0 million, or $0.21 per common share, foreign exchange gain resulting from the devaluation of the Venezuelan bolivar fuerte relative to the U.S. dollar.

(C) During fiscal 2012, the company recorded a $30.9 million non-cash goodwill impairment charge ($22.1 million after-tax, or $0.43 per share) as disclosed in Note (15) of Notes to Consolidated Financial Statements.

Table of Contents

Index to Financial Statements

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

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the accompanying consolidated financial statements as of March 31, 2013 and 2012 and for the years ended March 31, 2013, 2012 and 2011 that we included in Item 8 of this Annual Report on Form 10-K. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. The company s future results of operations could differ materially from its historical results or those anticipated in its forward-looking statements as a result of certain factors, including those set forth under Risk Factors in Item 1A and elsewhere in this report. With respect to this section, the cautionary language applicable to such forward-looking statements described in Forward-Looking Statements found before Item 1 of this report is incorporated by reference into this Item 7. The following discussion should also be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements and related disclosures of this report.

Fiscal 2013 Business Highlights and Key Focus

During fiscal 2013 the company continued to focus on enhancing its competitive advantages and its market share in international markets, and continued to modernize its vessel fleet to increase future earnings capacity while removing from active service certain older, or traditional, vessels that currently have more limited 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 vessel downtime, and maintaining disciplined cost control.

The company s strategy includes the continuing assessment of opportunities to acquire vessels and/or companies that own and operate offshore supply vessels as well as organic growth through the construction of vessels at a variety of shipyards worldwide. The company has the largest number of new PSVs, anchor handling towing supply and towing-supply vessels among its competitors in the industry, but it also has the largest fleet of older vessels in the industry. Management regularly evaluates alternatives for its older fleet. The company intends to pursue its long-term fleet replenishment and modernization strategy on a disciplined basis and, in each case, will carefully consider whether proposed investments and transactions have the appropriate risk/reward profile.

The company s revenue during fiscal 2013 increased $177.2 million, or 17%, over the revenues earned during fiscal 2012 primarily driven by the overall increases in utilization and average day rates experienced in fiscal 2013 due to the increased number of newer and more sophisticated vessels in the company s fleet. The company s consolidated net earnings also increased 73%, or $63.3 million during fiscal 2013. This disproportionate increase in net earnings as compared to revenue is due, in part, to a $30.9 million non-cash goodwill impairment charge ($22.1 million after-tax, or $0.43 per share) recorded during the second quarter of fiscal 2012 on the company s Middle East/North Africa segment as disclosed in Note (15) of Notes to Consolidated Financial Statements included in Part I, Item 1 of this report.

The increases in revenues were accompanied by increases to vessel operating costs which increased 11%, or 71.3 million, overall during fiscal 2013 as compared to fiscal 2012. Crew costs increased approximately 9%, or $28.4 million, during fiscal 2013 as compared to fiscal 2012, primarily because of the company s increased vessel utilization in the current year and the overall higher cost of personnel necessary to operate the company s vessels. Repair and maintenance cost increased 28%, or $29.3 million, during fiscal 2013 and is attributable to a greater number of scheduled and unscheduled routine repair and maintenance activities and dry dockings. Other vessel operating costs increased $9.3 million, or 10%, during the same comparative periods.

The company also experienced increases in depreciation and amortization of 7%, or $8.9 million, due to the higher costs associated with the company s newer, more sophisticated vessels. General and administrative expenses increased 12%, or $19.0 million, related to administrative benefits, incentive compensation and the settlement of a supplemental retirement plan of the former chief executive officer of the company. Due to a smaller number of vessels sold and a higher number of vessel impairments recognized during fiscal 2013 as compared to fiscal 2012, the current year had $11.0 million, or 63%, less gains on asset dispositions, net.

Table of Contents

Index to Financial Statements

Increases to the amounts borrowed by the company resulted in higher interest and other debt expenses of $7.4 million, or 33%, as disclosed in Note (4) of Notes Consolidated Financial Statements. The overall increase to pre-tax earnings attributed to an 88%, or 20.8 million increase to income tax expense.

We continued our vessel construction and acquisition program during fiscal 2013 that had begun in calendar year 2000. This program facilitated the company s entrance into deepwater markets around the world in addition to allowing the company to begin to replace its core towing-supply/supply fleet with fewer, larger, and more technologically sophisticated vessels in order to meet our customers needs. The vessel construction and acquisition program was initiated with the intent of strengthening the company s presence in all major oil and gas producing regions of the world through the replacement of aging vessels in the company s core fleet. During this time, the company has purchased and/or constructed 256 vessels at a total cost of approximately $3.8 billion. Between April 1999 and March 2013, the company also disposed, primarily through vessel sales to buyers that operate outside of our industry, 635 vessels. Most of the vessel sales were at prices that exceeded their carrying values. In aggregate, proceeds from, and pre-tax gains on, vessel dispositions during this period approximated $673 million and $311 million, respectively.

In recent years, the company has generally funded vessel additions with operating cash flow, and funds provided by the July 2003 private placement of $300 million, the September 2010 private placement of $425 million, the August 15, 2011 private placement of $165 million in senior unsecured notes, borrowings under its revolving credit facilities and $125 million of bank term loan and various leasing arrangements.

At March 31, 2013, the company had agreements to acquire two vessels and commitments to build 30 vessels at a number of different shipyards around the world at a total cost, including contract costs and other incidental costs, of approximately $836.6 million. At March 31, 2013, the company had invested $237.3 million in progress payments towards the construction of these 30 vessels and two vessel acquisitions. At March 31, 2013, the remaining expenditures necessary to complete construction of the 30 vessels currently under construction (based on contract prices) and to fund the acquisition of the two vessels was $599.3 million. A full discussion of the company s capital commitments, scheduled delivery dates and vessel sales is disclosed in the Vessel Count, Dispositions, Acquisitions and Construction Programs section of Item 7 and Note (11) of Notes to Consolidated Financial Statements included in Item 8 of this report.

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).

The price of crude oil decreased dramatically during the beginning of the fiscal year and subsequently rebounded due to better than anticipated economic news from China and several other developing countries, as well as the less-than-expected deceleration of the U.S. economy, primarily attributable to positive developments in housing and labor markets. There are, however, risks to the tenuous recovery such as continued contraction in the Euro-zone markets, which based on recent political events suggest that the sovereign debt crisis could continue to have negative effects on the global economy for the upcoming year, as well as continued tensions in the Middle East and North Africa.

Looking forward, some economists believe that oil demand for the upcoming year will be unchanged from 2012. There is significant growth expected from China and other developing countries while U.S. demand is expected to remain stable, however, there are also factors exerting significant downward pressure on demand forecasts, including the possibility that instability of the Euro may lead to a deeper recession in Europe and the failure of U.S. political leadership to agree on fiscal priorities.

Table of Contents

Index to Financial Statements

Tidewater anticipates that its longer-term utilization and day rate trends for its vessels will be correlated with demand for and the price of crude oil, which in April 2013, was trading around $97 per barrel for West Texas Intermediate (WTI) crude and around $110 per barrel for Intercontinental Exchange (ICE) Brent crude. 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, both in the various global markets and the deepwater sectors of the U.S. GOM.

Throughout fiscal 2013, natural gas prices trended higher due to stronger heating demand than in prior year as well as unexpected decreases in production during winter months.

Although higher in recent months, 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. Toward the end of fiscal 2013, the price of natural gas trended higher as a prolonged and colder than expected winter increased demand. As of the end of March 2013, natural gas was trading in the U.S. at approximately $4.00 per Mcf which is up from approximately $1.80 per Mcf in March 2012. Oversupplied natural gas inventories in the U.S. continue to 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).

Certain oil and gas industry analysts are reporting in their 2013 E&P expenditures (both land-based and offshore) surveys that global capital expenditure budgets for E&P companies are forecast to increase by at least 7% over calendar year 2012 levels. The surveys forecast that international capital spending budgets will increase approximately 9% while North American capital spending budgets are forecast to increase less than 1% as compared to prior year. It is anticipated by these analysts that the North American capital budget increases will primarily be spent onshore rather than offshore, while international E&P spending is expected to be largely offshore, with the strongest markets expected to include Latin America, the Middle East, Russia, Europe and Asia. Capital expenditure budgets incorporated into the spending surveys were based on an approximate $85 WTI and $98 Brent average prices per barrel of oil. Although E&P companies are using an approximate $3.47 per Mcf average natural gas price for their 2013 capital budgets, natural gas directed drilling is forecast to decline due to weak natural gas prices.

Deepwater activity continues to be a significant segment of the global offshore crude oil and natural gas markets, and it is also a source of growth for the company. Deepwater activity in non-U.S. markets did not experience significant negative effects from the 2008-2009 global economic recession, largely because deepwater oil and gas development typically involves significant capital investment and multi-year development plans. Such projects are generally underwritten by the participating exploration, field development and production companies using relatively conservative assumptions relating to crude oil and natural gas prices. These projects are, therefore, considered less susceptible to short-term fluctuations in the price of crude oil and natural gas. During the past few years, worldwide rig construction increased as rig owners capitalized on the high worldwide demand for drilling and low shipyard and financing costs. Reports published by IHS-Petrodata at the end of March 2013 indicate that the worldwide movable offshore drilling rig count, estimated at approximately 871, approximately 45% of which are designed to operate in deeper waters, will increase with approximately 200 new-build offshore rigs that are on order and under construction, most of which will be delivered within the next three years. Of the estimated 871 movable offshore rigs worldwide, approximately 678 are working as of March 31, 2013. It is further estimated that approximately 53% 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 51 new floating production units under construction and expected to be delivered primarily over the next three years to supplement the approximately 363 floating production units already in existence worldwide.

Table of Contents

Index to Financial Statements

According to IHS-Petrodata, the global offshore supply vessel market at the end of March 2013 had 433 new-build offshore support vessels (platform supply vessels, anchor handlers and towing-supply vessels 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. As of the end of March 2013, the worldwide fleet of these classes of vessels is estimated at 2,903 vessels, of which Tidewater estimates more than 10% are stacked.

An increase in worldwide vessel capacity would tend to have the effect of lowering charter rates, particularly when there are lower levels of exploration, field development and production activity. The worldwide offshore marine vessel industry, however, also has a large number of aged vessels, including approximately 741 vessels, or 26%, of the worldwide offshore fleet, that are at least 25 years old and nearing or exceeding original expectations of their estimated economic lives. These older vessels, approximately one-third of which Tidewater estimates are already stacked, could potentially be removed from the market within the next few years if the cost of extending the vessels lives is not economically justifiable. Although the future attrition rate of these aging vessels cannot be determined with certainty, the company believes that the retirement of a sizeable portion of these aged vessels could mitigate the potential combined negative effects of new-build vessels on vessel utilization and vessel pricing. Additional vessel demand could also be created by the addition of new drilling rigs and floating production units that are expected to be delivered and become operational over the next few years, which should help minimize the possible negative effects of the new-build offshore support vessels being added to the offshore support vessel fleet.

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 others in our industry, 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 expectations of future customer demand for our vessels, as well as 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.

Table of Contents

Index to Financial Statements

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 create volatility in period to period 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 of financial results 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.

Table of Contents

Index to Financial Statements

Results of Operations

Tidewater manages and measures its 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, provision for Venezuelan operations, goodwill impairment, and gains on asset dispositions) for the company s vessel fleet and the related percentage of vessel revenue for the years ended March 31. Vessel revenues and operating costs relate to vessels owned and operated by the company.

(In thousands)		2013	%	2012	%	2011	%
Vessel revenues:							
Americas	$	327,059	27%	324,529	31%	362,825	35%
Asia/Pacific		184,014	15%	153,752	14%	176,877	17%
Middle East/North Africa		149,412	12%	109,489	10%	92,151	9%
Sub-Saharan Africa/Europe		569,513	46%	472,698	45%	419,360	40%
Total vessel revenues	$	1,229,998	100%	1,060,468	100%	1,051,213	100%
Vessel operating costs:							
Crew costs	$	356,165	29%	327,762	31%	338,126	32%
Repair and maintenance		132,587	11%	103,257	10%	110,496	11%
Insurance and loss reserves		20,765	2%	17,507	2%	19,601	2%
Fuel, lube and supplies		79,023	6%	76,904	7%	61,784	6%
Vessel operating leases		16,837	1%	17,967	1%	17,964	2%
Other		104,041	8%	94,740	9%	90,619	9%
Total vessel operating costs	$	709,418	58%	638,137	60%	638,590	61%

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 years ended March 31.

(In thousands)		2013	2012	2011
Other operating revenues	$	14,167	6,539	4,175
Costs of other operating revenues		12,216	7,115	4,660

Table of Contents

Index to Financial Statements

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 each for the fiscal years ended March 31.

(In thousands)		2013	%	2012	%	2011	%
Vessel operating costs:							
Americas:							
Crew costs	$	112,339	34%	112,138	35%	127,715	35%
Repair and maintenance		44,798	14%	31,430	10%	49,545	14%
Insurance and loss reserves		5,171	1%	5,259	2%	6,855	2%
Fuel, lube and supplies		19,081	6%	18,092	6%	14,737	4%
Vessel operating leases		2,654	1%	3,643	1%	4,107	1%
Other		23,015	7%	19,087	6%	24,808	7%
		207,058	63%	189,649	58%	227,767	63%
Asia/Pacific:							
Crew costs	$	69,726	38%	60,777	40%	70,791	40%
Repair and maintenance		10,469	6%	13,180	9%	16,620	9%
Insurance and loss reserves		2,510	1%	2,257	1%	3,778	2%
Fuel, lube and supplies		10,887	6%	13,786	9%	15,900	9%
Other		9,313	5%	9,93	6%	9,336	5%
		102,905	56%	99,993	65%	116,425	66%
Middle East/North Africa:							
Crew costs	$	39,227	26%	35,375	32%	25,325	27%
Repair and maintenance		11,530	8%	16,473	15%	9,172	10%
Insurance and loss reserves		2,869	2%	2,995	3%	1,306	1%
Fuel, lube and supplies		11,598	8%	13,217	12%	8,310	9%
Vessel operating leases		2,026	1%	1,885	2%		
Other		9,653	7%	9,268	8%	6,461	7%
		76,903	52%	79,213	72%	43,858	55%
Sub-Saharan Africa/Europe:							
Crew costs	$	134,873	24%	119,472	25%	114,295	27%
Repair and maintenance		65,790	11%	42,174	9%	35,159	8%
Insurance and loss reserves		10,215	2%	6,996	1%	7,662	2%
Fuel, lube and supplies		37,457	7%	31,809	7%	22,837	5%
Vessel operating leases		12,157	2%	12,439	3%	13,857	3%
Other		62,060	11%	56,392	12%	50,014	12%
		322,552	57%	269,282	57%	243,824	58%
Total vessel operating costs	$	709,418	58%	638,137	60%	638,590	61%

The following table compares operating income and other components of earnings before income taxes, and its related percentage of total revenues for the years ended March 31.

(In thousands)		2013	%	2012	%	2011	%
Vessel operating profit:							
Americas	$	40,318	3%	56,003	5%	49,341	5%
Asia/Pacific		43,704	4%	16,125	2%	22,308	2%
Middle East/North Africa		39,069	3%	805	<1%	18,990	2%
Sub-Saharan Africa/Europe		129,460	10%	97,142	9%	82,993	8%
		252,551	20%	170,075	16%	173,632	17%
Corporate expenses		(52,095)	(4%)	(40,379)	(4%)	(46,361)	(4%)
Goodwill impairment				(30,932)	(3%)		
Gain on asset dispositions, net		6,609	1%	17,657	2%	13,228	1%
Other services		(833)	(<1%)	(2,867)	(<1%)	(1,163)	(<1%)
Operating income		206,232	17%	113,554	11%	139,336	13%

Foreign exchange gain	3,011	<1%	3,309	<1%	2,278	<1%
Equity in net earnings of unconsolidated companies	12,189	1%	13,041	1%	12,185	1%
Interest income and other, net	3,476	<1%	3,440	<1%	5,065	<1%
Interest and other debt costs	(29,745)	(2%)	(22,308)	(2%)	(10,769)	(<1%)
Earnings before income taxes	$ 195,163	16%	111,036	10%	148,095	14%

Fiscal 2013 Compared to Fiscal 2012

Consolidated Results. The company s revenue during fiscal 2013 increased $177.2 million, or 17%, over the revenues earned during fiscal 2012 and were primarily attributable to increases in demand in certain markets and the additions of new vessels delivered or acquired during the current fiscal year. The company s consolidated net earnings also increased 73%, or $63.3 million during fiscal 2013 partially due to a $30.9 million

Table of Contents

Index to Financial Statements

non-cash goodwill impairment charge ($22.1 million after-tax, or $0.43 per share) recorded during the second quarter of fiscal 2012 on the company s Middle East/North Africa segment as disclosed in Note (15) of Notes to Consolidated Financial Statements included in Part I, Item 1 of this report.

Vessel operating costs increased 11%, or 71.3 million, during fiscal 2013 as compared to fiscal 2012. Crew costs increased approximately 9%, or $28.4 million, during fiscal 2013 as compared to fiscal 2012, primarily because of the company s increased vessel utilization in the current year and the overall higher cost of personnel. Repair and maintenance costs increased 28%, or $29.3 million, during fiscal 2013, because a greater number of drydockings were performed during fiscal year 2013. Other vessel operating costs also increased $9.3 million, or 10%, during the same comparative periods primarily due to an increase in broker fees.

The company experienced increases in depreciation and amortization of 7%, or $8.9 million, in fiscal 2013 as compared to fiscal 2012 due to the higher costs of the company s newer, more sophisticated vessels. General and administrative costs increased 12%, or $19.0 million, primarily due to higher personnel costs resulting from higher accruals for incentive bonuses, the settlement of a supplemental retirement plan of the former chief executive officer of the company, higher costs related to stock-based compensation awards and higher office and property expenses (primarily office rent and information technology costs). Interest and other debt expense also increased $7.4 million, or 33%, due to the increase in borrowings as disclosed in Note (4) of Notes to Consolidated Financial Statements and income tax expense increased 88%, or $20.8 million, due to higher overall income before taxes.

At March 31, 2013, the company had 316 owned or chartered vessels (excluding joint-venture vessels and vessels withdrawn from service) in its fleet with an average age of 12.6 years. The average age of 232 newer vessels in the fleet (defined as those that have been acquired or constructed since calendar year 2000 as part of the company s new build and acquisition program) is 6.2 years. The remaining 84 vessels, of which 51 are stacked at fiscal year-end, have an average age of 30.1 years. During fiscal 2013 and 2012, the company s newer vessels generated $1,128 million and $911.5 million, respectively, of consolidated revenue and accounted for 98%, or $507.8 million, and 86%, or $386.1 million, respectively, of total vessel margin (vessel revenues less vessel operating costs). Vessel operating costs exclude depreciation on the company s new vessels of $127.5 million and $111.6 million, respectively, during the same comparative periods.

Americas Segment Operations. Americas-based vessel revenues increased approximately 1%, or $2.5 million, during fiscal 2013 as compared to fiscal 2012. Although Americas-based vessel revenue increased modestly during the comparative periods, increases in revenues generated by the deepwater vessels were offset by lower revenues generated by the towing-supply/supply and other vessel classes. Revenues on the deepwater vessels increased 22%, or $32.1 million, during the comparative periods, due to a 10% increase in average day rates, and due to an increased number of deepwater vessels operating in the area as a result of newly delivered vessels and because deepwater vessels transferred into the Americas segment from other segments. Revenue from the towing-supply/supply vessel classs decreased 16%, or $23.0 million, during the same comparative periods, due to fewer towing-supply/supply vessels operating in the Americas segment as a result of vessels being stacked during the fiscal year. Revenue for the other vessel class decreased $6.6 million, or 20%, due to a fewer number of other vessels operating in this segment due to vessel sales.

Total utilization rates for the Americas-based vessels increased two percentage points, during fiscal 2013 as compared to fiscal 2012; however, this increase is partially a result of the sale of 25 older, stacked vessels from the Americas fleet during this two-year period with a significant number of those vessels sold near the end of fiscal 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 fiscal 2013, the company stacked seven additional vessels, reactivated one vessel and sold one vessel from the previously stacked vessel fleet, resulting in a total of 26 stacked Americas-based vessels as of March 31, 2013.

Vessel operating profit for the Americas-based vessels decreased approximately 28%, or $15.7 million, during fiscal 2013 as compared to fiscal 2012, primarily due to a 9%, or $17.4 million, increase in vessel operating costs (primarily repair and maintenance costs and other vessel costs) and a 6%, or $2.3 million, increase in

Table of Contents

Index to Financial Statements

depreciation expense which offset the increase in revenues. Fiscal 2013 general and administrative expenses were comparable to prior period.

Repair and maintenance costs increased 43%, or $13.4 million, during fiscal 2013 as compared to fiscal 2012, due to an increase in the number of drydockings performed primarily in Brazil. Other vessel costs increased 21%, or $3.9 million, during the same comparative periods, due to an increase in the number of new vessels operating in this segment. The increase in depreciation expense is primarily related to the increase in the number of deepwater vessels operating in the area.

Asia/Pacific Segment Operations. Asia/Pacific-based vessel revenues increased approximately 20%, or $30.2 million, during fiscal 2013 as compared to fiscal 2012, primarily due to higher revenues earned on the deepwater vessels. Revenues on the deepwater vessels increased $20.6 million, or 27%, during the same comparative periods, due to a 22% increase in average date rates and a 10 percentage point increase in utilization rates, respectively. Increases in average day rates for deepwater vessels were primarily due to addition of newer vessels in the segment and the renewal of contracts at higher rates. Also, revenue on the towing-supply/supply vessels increased $10.4 million, or 14%, due to a 12 percentage point increase in utilization rates. Increases in utilization for these vessel classes was the result of under-utilized vessels in the segment put to work following the resolution of delays on certain customer projects at the end of fiscal 2012. Increases in average day rates for deepwater vessels were primarily due to addition of newer vessels in the segment and the renewal of contracts at higher rates.

Within the Asia/Pacific segment, the company also continued to 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 fiscal 2013, the company sold seven vessels from the previously stacked vessel fleet, resulting in a total of nine stacked Asia/Pacific-based vessels as of March 31, 2013.

Asia/Pacific-based vessel operating profit increased $27.5 million, or 171%, during fiscal 2013 as compared to fiscal 2012, primarily due to higher revenues which were minimally offset by slightly higher vessel operating costs (crew costs, offset by lower repair and maintenance and vessel operating leases). Fiscal 2013 depreciation expense and general and administrative expenses were comparable to prior period.

Crew costs increased 14.7% or $8.9 million, during fiscal 2013 as compared to fiscal 2012 , due to increases in crew personnel operating in Australia after delays on certain customer projects ended. Repair and maintenance costs decreased approximately 21%, or $2.7 million, and fuel, lube and supplies costs decreased 21%, or $2.9 million, during the same comparative periods , due to a greater number of new build vessels passing through the Asia/Pacific operating segment in fiscal 2012 for outfitting prior to moving into service.

Middle East/North Africa Segment Operations. Middle East/North Africa-based vessel revenues increased approximately 37%, or $39.9 million, during fiscal 2013 as compared to fiscal 2012. These increases are primarily attributable to increases in revenues from the towing-supply/supply vessels of 58%, or $33.0 million, during the same comparative period, due to a 16 percentage point increase in utilization rates and 31% increase in average day rates, 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. In addition, deepwater vessel revenue increased 20%, or $9.4 million, during the same comparative periods, due to a 13% increase in average day rates due to the replacement of older vessels in the area, whose demand had decreased, with newer, more sophisticated vessels that have greater capabilities that our customers demand in the region.

At the beginning of fiscal 2013, the company had seven Middle East/North Africa-based stacked vessels. During fiscal 2013, the company stacked one additional vessel and sold two vessels from the previously stacked vessel fleet, resulting in a total of six stacked Middle East/North Africa-based vessels as of March 31, 2013.

Middle East/North Africa-based vessel operating profit increased $38.3 million, during fiscal 2013 as compared to fiscal 2012, primarily due to higher revenues which were minimally offset by higher general and administrative expense which increased 24% or $2.8 million due to a higher number of administrative personnel, higher office and property costs and other costs associated with the increase in operational activity in the region.

Table of Contents

Index to Financial Statements

Sub-Saharan Africa/Europe Segment Operations. Sub-Saharan Africa/Europe-based vessel revenues increased approximately 21%, or $96.8 million, during fiscal 2013 as compared to fiscal 2012. Revenues attributable to deepwater vessels increased 37%, or $73.8 million, during the same comparative periods, due to a 16% increase in average day rates. Towing-supply/supply vessel revenue increased 14%, or 27.4 million, during the same comparative periods, due to a 9% increase in average day rates and an 11 percentage point increase in utilization. Average day rates on the deepwater vessels and towing-supply/supply vessels increased due to the replacement of older vessels in the area with newer more sophisticated vessels with greater capabilities that are in demand by our customers in the region, as well as the annual renewal of certain contracts at higher day rates.

Total utilization rates for the Sub-Saharan Africa/Europe-based vessels increased four percentage points during fiscal 2013 as compared to fiscal 2012; however, this increase is partially a result of the sale of 21 older, stacked vessels from the Sub-Saharan/Europe-based vessel fleet during this two year period. Within the Sub-Saharan Africa/Europe 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 23 Sub-Saharan Africa/Europe-based stacked vessels. During fiscal 2013, the company stacked five additional vessels and sold 18 vessels from the previously stacked vessel fleet, resulting in a total of 10 stacked Sub-Saharan Africa/Europe-based vessels as of March 31, 2013.

Sub-Saharan Africa/Europe-based vessel operating profit increased approximately 33%, or $32.3 million, during fiscal 2013 as compared to fiscal 2012, primarily due to higher revenues, which were partially offset by an approximate 20%, or $53.3 million, increase in vessel operating costs (primarily crew costs and repair and maintenance costs and other vessel operating costs); an increase in depreciation expense and an increase in general and administrative expenses.

Crew costs increased approximately 13%, or $15.4 million, during fiscal 2013 as compared to fiscal 2012, due to an increase in the number of deepwater vessels operating in the segment. Repair and maintenance cost increased 56%, or $23.6 million, from the prior fiscal year, due to a higher number of drydockings being performed during the current period. Other vessel costs also increased 10%, or $5.7 million, during fiscal 2013 as compared to fiscal 2012 primarily due to higher fees paid to brokers. Depreciation expense increased 12%, or $7.1 million, during the same comparative periods, due to an increase in the number of vessels operating in this segment. General and administrative expenses increased 9%, or $4.1 million, during the same comparative periods, most notably due to increases in office and property costs.

Other Items. Insurance and loss reserves expense increased $3.3 million, or 19%, during fiscal 2013 as compared to fiscal 2012, primarily due to additional premium costs due as a result of the sinking of a 3,800 BHP tug (net book value of approximately $4.2 million). The company believes that its insurance coverage, subject to customary retentions, deductibles and premium adjustments, is adequate to provide for the loss and any claims that may arise as a result of the sinking. The company is unaware of any personal injuries resulting from the incident.

Gain on asset dispositions, net during fiscal 2013 decreased $11.0 million, or 63%, as compared to fiscal 2012, primarily due to a lower number of vessels disposed during the current fiscal year and an increase in impairment charges to this account in fiscal 2013. Also included in gain on asset dispositions, net is a gain of $2.3 million related to the sale of one of the company s two shipyards. Dispositions of vessels can vary from quarter to quarter; therefore, gains on sales of assets may fluctuate significantly from period to period.

The company performed reviews of its assets for impairment during fiscal 2013 and 2012. The below table summarizes the combined fair value of the assets that incurred impairments along with the amount of impairment during the years ended March 31. The impairment charges were recorded in gain on asset dispositions, net.

(In thousands)	2013	2012
Amount of impairment incurred	$ 8,078	3,607
Combined fair value of assets incurring impairment	14,733	8,175

Table of Contents

Index to Financial Statements

Fiscal 2012 Compared to Fiscal 2011

Consolidated Results. Although the company s revenue during fiscal 2012 increased $11.6 million, or a modest 1%, over the revenues earned during fiscal 2011, the company s consolidated net earnings decreased 17%, or $18.2 million, during fiscal 2012, reflecting a $30.9 million non-cash goodwill impairment charge ($22.1 million after-tax, or $0.43 per share) recorded during the quarter ended September 30, 2011 on the company s Middle East/North Africa segment as disclosed in Note (15) of Notes to Consolidated Financial Statements included in Part I, Item 1 of this report; an $11.5 million, or 107%, increase in interest and debt costs as disclosed in Note (4) of Notes to Consolidated Financial Statements; and an $11.1 million, or 8%, increase in general and administrative expenses.

Partially offsetting the increase in these expenses was a $4.4 million, or 33%, increase in gain on asset dispositions, net, and a 44%, or $18.9 million, reduction in income taxes due to the expiration of statutes of limitations with respect to tax liabilities that had been previously established for uncertain tax positions (as disclosed in Note (3) of Notes to Consolidated Financial Statements) and lower earnings before income taxes. Other operating revenues increased approximately $2.4 million, or 57%, during the same comparative periods primarily because activity at the company s shipyards increased during the current period.

Vessel operating costs during fiscal 2012 were comparable to those in fiscal 2011. Crew costs decreased approximately 3%, or $10.4 million, during fiscal 2012 as compared to fiscal 2011, primarily because the prior fiscal year included a $6.0 million charge associated with the company s participation in the Merchant Navy Officers Pension Fund (MNOPF) as disclosed in Note (11) of Notes to Consolidated Financial Statements. Repair and maintenance costs decreased 7%, or $7.2 million, during fiscal 2012, because a greater number of drydockings were performed during fiscal year 2011. In particular, during fiscal 2011, we performed four scheduled drydockings of our largest anchor handling towing supply vessels for an aggregate cost of $14.5 million. Fuel, lube and supply costs increased 24%, or $15.1 million, during fiscal 2012 as compared to fiscal 2011, primar