TIDEWATER INC
Form 10-Q
February 03, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2015

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission file number: 1-6311

Tidewater Inc.

(Exact name of registrant as specified in its charter)

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

601 Poydras St., Suite 1500

New Orleans, Louisiana 70130

(Address of principal executive offices) (zip code)

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

Not Applicable

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or of such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90

days. Yes x No o

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 o

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 o Non-accelerated filer o Smaller reporting company o

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

46,969,590 shares of Tidewater Inc. common stock $.10 par value per share were outstanding on January 22, 2016. Registrant has no other class of common stock outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
TIDEWATER INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share and par value data)

ASSETS	December 31, 2015	March 31, 2015
Current assets:		
Cash and cash equivalents	$47,980	78,568
Trade and other receivables, net	261,209	303,096
Due from affiliate	336,474	420,365
Marine operating supplies	38,719	49,005
Other current assets	60,819	17,781
Total current assets	745,201	868,815
Investments in, at equity, and advances to unconsolidated companies	45,663	65,844
Properties and equipment:		
Vessels and related equipment	4,681,306	4,717,132
Other properties and equipment	120,969	119,879
	4,802,275	4,837,011
Less accumulated depreciation and amortization	1,194,974	1,090,704
Net properties and equipment	3,607,301	3,746,307
Other assets	82,350	75,196
Total assets	$4,480,515	4,756,162
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$61,019	54,011
Accrued expenses	96,604	146,255
Due to affiliate	169,943	185,657
Accrued property and liability losses	3,443	3,669
Current portion of long-term debt	9,810	10,181
Other current liabilities	66,253	82,461
Total current liabilities	407,072	482,234
Long-term debt	1,441,924	1,524,295
Deferred income taxes	35,600	23,276
Accrued property and liability losses	9,748	10,534
Other liabilities and deferred credits	210,239	235,108
Commitments and Contingencies (Note 7)		
Equity:		
Common stock of $0.10 par value, 125,000,000 shares authorized,	4,697	4,703

issued 46,969,590 shares at December 31, 2015 and 47,029,359 shares at March 31, 2015		
Additional paid-in capital	168,753	159,940
Retained earnings	2,216,862	2,330,223
Accumulated other comprehensive loss	(20,237)	(20,378)
Total stockholders' equity	2,370,075	2,474,488
Noncontrolling Interests	5,857	6,227
Total equity	2,375,932	2,480,715
Total liabilities and equity	$4,480,515	4,756,162

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

TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(In thousands, except share and per share data)

	Quarter Ended December 31,		Nine Months Ended December 31,	
	2015	2014	2015	2014
Revenues:				
Vessel revenues	$212,908	378,126	775,352	1,150,588
Other operating revenues	5,283	9,428	19,536	20,167
	218,191	387,554	794,888	1,170,755
Costs and expenses:				
Vessel operating costs	125,094	210,365	462,987	640,428
Costs of other operating revenues	3,778	8,395	15,624	19,616
General and administrative	35,598	46,642	116,837	144,464
Vessel operating leases	8,441	7,165	25,325	20,247
Depreciation and amortization	45,422	43,331	137,058	130,150
Gain on asset dispositions, net	(5,883)	(4,699)	(19,345)	(13,092)
Asset impairments	15,141	6,236	61,771	8,096
Goodwill impairment	—	283,699	—	283,699
Restructuring charge	—	—	7,586	—
	227,591	601,134	807,843	1,233,608
Operating loss	(9,400)	(213,580)	(12,955)	(62,853)
Other income (expenses):				
Foreign exchange gain (loss)	(469)	4,334	(3,758)	8,453
Equity in net earnings (losses) of unconsolidated companies	(1,710)	—	(7,070)	9,104
Interest income and other, net	609	434	1,754	1,555
Interest and other debt costs, net	(13,312)	(12,239)	(39,741)	(37,927)
	(14,882)	(7,471)	(48,815)	(18,815)
Loss before income taxes	(24,282)	(221,051)	(61,770)	(81,668)
Income tax expense (benefit)	(4,679)	(60,070)	16,996	(25,211)
Net Loss	$(19,603)	(160,981)	(78,766)	(56,457)
Less: Net losses attributable to noncontrolling interests	$(94)	(287)	(370)	(343)
Net loss attributable to Tidewater Inc.	$(19,509)	(160,694)	(78,396)	(56,114)
Basic loss per common share	$(0.42)	(3.31)	(1.67)	(1.14)
Diluted loss per common share	$(0.42)	(3.31)	(1.67)	(1.14)
Weighted average common shares outstanding	46,943,705	48,481,722	46,956,041	49,213,712
Dilutive effect of stock options and restricted stock	—	—	—	—
Adjusted weighted average common shares	46,943,705	48,481,722	46,956,041	49,213,712

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

TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

(In thousands)

	Quarter Ended December 31,		Nine Months Ended December 31,	
	2015	2014	2015	2014
Net loss	$(19,603)	(160,981)	(78,766)	(56,457)
Other comprehensive income (loss):				
Unrealized gains (losses) on available for sale securities, net of tax of $0, $(29), $0 and $43	212	(54)	(467)	79
Amortization of loss on derivative contract, net of tax of $0, $62, $0 and $188	180	116	538	349
Change in other benefit plan minimum liability, net of tax of $0, $0, $0 and $70	—	—	70	131
Total comprehensive loss	$(19,211)	(160,919)	(78,625)	(55,898)

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

TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Nine Months Ended December 31,	
	2015	2014
Operating activities:		
Net loss	$(78,766)	(56,457)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	137,058	130,150
Provision (benefit) for deferred income taxes	192	(77,278)
Gain on asset dispositions, net	(19,345)	(13,092)
Asset impairments	61,771	8,096
Goodwill impairment	—	283,699
Equity in earnings (losses) of unconsolidated companies, less dividends	22,087	(1,550)
Compensation expense - stock-based	9,960	16,395
Changes in assets and liabilities, net:		
Trade and other receivables	38,726	(48,876)
Changes in due to/from affiliate, net	68,177	78,881
Marine operating supplies	9,786	1,243
Other current assets	1,711	3,090
Accounts payable	6,862	(29,052)
Accrued expenses	(51,068)	(6,856)
Accrued property and liability losses	(226)	(366)
Other current liabilities	(17,239)	(437)
Other liabilities and deferred credits	2,406	(3,025)
Other, net	(699)	(9,006)
Net cash provided by operating activities	191,393	275,559
Cash flows from investing activities:		
Proceeds from sales of assets	8,428	5,160
Proceeds from sale/leaseback of assets	—	110,694
Additions to properties and equipment	(152,225)	(231,685)
Refunds from cancelled vessel construction contracts	36,190	—
Other	(210)	127
Net cash used in investing activities	(107,817)	(115,704)
Cash flows from financing activities:		
Principal payment on long-term debt	(109,163)	(27,206)
Debt borrowings	31,338	20,000
Proceeds from exercise of stock options	—	1,025
Cash dividends	(35,378)	(36,997)

Repurchases of common stock	—	(99,999)
Other	(961)	351
Net cash used in financing activities	(114,164)	(142,826)
Net change in cash and cash equivalents	(30,588)	17,029
Cash and cash equivalents at beginning of period	78,568	60,359
Cash and cash equivalents at end of period	$47,980	77,388
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	$47,608	48,046
Income taxes	$38,208	57,987
Supplemental disclosure of non-cash investing activities:		
Additions to properties and equipment	$146	3,386

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

TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

(In thousands)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Non controlling interest	Total
Balance at March 31, 2015	$ 4,703	159,940	2,330,223	(20,378)	6,227	2,480,715
Total comprehensive loss	—	—	(78,396)	141	(370)	(78,625)
Stock option expense	—	609	—	—	—	609
Cash dividends declared ($.75 per share)	—	—	(34,965)	—	—	(34,965)
Amortization of restricted stock units	1	7,843	—	—	—	7,844
Amortization/cancellation of restricted stock	(7)	361	—	—	—	354
Balance at December 31, 2015	$ 4,697	168,753	2,216,862	(20,237)	5,857	2,375,932
Balance at March 31, 2014	$ 4,973	142,381	2,544,255	(12,225)	5,987	2,685,371
Total comprehensive loss	—	—	(56,114)	559	(343)	(55,898)
Exercise of stock options	3	1,022	—	—	—	1,025
Cash dividends declared ($.75 per share)	—	—	(37,229)	—	—	(37,229)
Retirement of common stock	(284)	—	(99,715)	—	—	(99,999)
Amortization of restricted stock units	1	12,495	—	—	—	12,496
Amortization/cancellation of restricted stock	(4)	2,603	—	—	—	2,599
Cash received from noncontrolling interests	—	—	—	—	450	450
Cash paid to noncontrolling interests	—	—	—	—	(50)	(50)
Balance at December 31, 2014	$ 4,689	158,501	2,351,197	(11,666)	6,044	2,508,765

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

(1) INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements for the interim periods presented herein have been prepared in conformity with United States generally accepted accounting principles and, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the unaudited condensed consolidated financial statements at the dates and for the periods indicated as required by Rule 10-01 of Regulation S X of the Securities and Exchange Commission (SEC). Results of operations for interim periods are not necessarily indicative of results of operations for the respective full years. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the company's Annual Report on Form 10-K for the year ended March 31, 2015, filed with the SEC on May 28, 2015.

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

The company made certain reclassifications to prior period amounts to conform to the current year presentation, specifically, the separate disclosure on the income statement and related schedules of asset impairments, which historically were included as part of gain on asset dispositions, net. These reclassifications did not have a material effect on the condensed consolidated statements of earnings, balance sheets or cash flows.

(2) STOCKHOLDERS' EQUITY

Common Stock Repurchase Program

In May 2014, the company's Board of Directors authorized the company to spend up to $200 million to repurchase shares of its common stock in open-market or privately-negotiated transactions. In May 2015, the company's Board of Directors authorized an extension of its May 2014 common stock repurchase program from its original expiration date of June 30, 2015 to June 30, 2016. In fiscal 2015, $100 million was used to repurchase common stock under the May 2014 share repurchase program. No shares were repurchased by the company during the period from March 31, 2015 to December 31, 2015, and as of the end of this period $100 million remained authorized and available to repurchase shares under the May 2014 share repurchase program.

In January 2016, the company suspended its common stock repurchase program.

The aggregate dollar outlay for common stock repurchased, along with the number of shares repurchased, and average price paid per share, for the quarters and nine-month periods ended December 31 is as follows:

	Quarter Ended December 31,	Nine Months Ended

(In thousands, except share and per share data)	2015	2014	December 31, 2015	2014
Aggregate dollar outlay for common stock repurchased	$—	99,999	—	99,999
Shares of common stock repurchased	—	2,841,976	—	2,841,976
Average price paid per common share	$—	35.19	—	35.19

Dividends

The declaration of dividends is at the discretion of the company's Board of Directors, and will depend on the company's financial results, cash requirements, future prospects, and other factors deemed relevant by the Board of Directors. The Board of Directors declared the following dividends for the quarters and nine-month periods ended December 31:

	Quarter Ended December 31,		Nine Months Ended December 31,	
(In thousands, except dividend per share)	2015	2014	2015	2014
Dividends declared	$11,811	12,029	34,965	37,229
Dividend per share	0.25	0.25	0.75	0.75

In January 2016, the company suspended the quarterly dividend program.

Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component, net of tax for the quarters and nine month periods ended December 31, 2015 and 2014 are as follows:

	For the quarter ended December 31, 2015					For the nine months ended December 31, 2015				
(in thousands)	Balance at 9/30/15	Gains/(losses) recognized in OCI	Reclasses from OCI to net income	Net period OCI	Remaining balance 12/31/15	Balance at 3/31/15	Gains/(losses) recognized in OCI	Reclasses from OCI to net income	Net period OCI	Remaining balance 12/31/15
Available for sale securities	(444)	235	(24)	211	(233)	235	(569)	101	(468)	(233)
Currency translation adjustment	(9,811)	—	—	—	(9,811)	(9,811)	—	—	—	(9,811)
Pension/Post-retirement benefits	(9,059)	—	—	—	(9,059)	(9,129)	70	—	70	(9,059)
Interest rate swaps	(1,314)	—	180	180	(1,134)	(1,673)	—	539	539	(1,134)
Total	(20,628)	235	156	391	(20,237)	(20,378)	(499)	640	141	(20,237)

	For the quarter ended December 31, 2014					For the nine months ended December 31, 2014				
(in thousands)	Balance at 9/30/14	Gains/(losses) recognized in OCI	Reclasses from OCI to net income	Net period OCI	Remaining balance 12/31/14	Balance at 3/31/14	Gains/(losses) recognized in OCI	Reclasses from OCI to net income	Net period OCI	Remaining balance 12/31/14

Available for sale securities	225	(73)	19	(54)	171	92	(76)	155	79	171
Currency translation adjustment	(9,811)	—	—	—	(9,811)	(9,811)	—	—	—	(9,811)
Pension/Post-retirement benefits	15	—	—	—	15	(116)	131	—	131	15
Interest rate swaps	(2,157)	—	116	116	(2,041)	(2,390)	—	349	349	(2,041)
Total	(11,728)	(73)	135	62	(11,666)	(12,225)	55	504	559	(11,666)

The following table summarizes the reclassifications from accumulated other comprehensive income (loss) to the condensed consolidated statement of income for the quarters and nine month periods ended December 31, 2015 and 2014:

(In thousands)	Quarter Ended December 31, 2015	2014	Nine Months Ended December 31 2015	2014	Affected line item in the condensed consolidated statements of income
Realized gains on available for sale securities	$(37)	29	155	238	Interest income and other, net
Amortization of interest rate swap	277	178	829	537	Interest and other debt costs
Total pre-tax amounts	240	207	984	775	
Tax effect	84	72	344	271	
Total gains for the period, net of tax	$156	135	640	504	

(3) INCOME TAXES

We have historically calculated the provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate for the full fiscal year to “ordinary” income or loss (pretax income or loss excluding unusual or infrequently occurring discrete items) for the reporting period. We have used a discrete effective tax rate method to calculate taxes for the three and nine-month periods ended December 31, 2015. We determined that since small changes in estimated “ordinary” income would result in significant changes in the estimated annual effective tax rate, the historical method would not provide a reliable estimate for the three and nine-month periods ended December 31, 2015.

Income tax expense for the three and nine-month periods ended December 31, 2015 reflects tax liabilities in various jurisdictions that are based on revenue (deemed profit regimes) rather than pre-tax profits.

The company’s balance sheet at December 31, 2015 reflects the following in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes:

(In thousands)	December 31, 2015
Tax liabilities for uncertain tax positions	$ 14,591
Income tax payable	27,581

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

Unrecognized tax benefits, which would lower the effective tax rate if realized at December 31, 2015, are as follows:

(In thousands)	December 31, 2015
Unrecognized tax benefit related to state tax issues	$ 11,732
Interest receivable on unrecognized tax benefit related to state tax issues	38

With limited exceptions, the company is no longer subject to tax audits by U.S. federal, state, local or foreign taxing authorities for years prior to 2008. The company has ongoing examinations by various U.S. federal, state and foreign tax authorities and does not believe that the results of these examinations will have a material adverse effect on the company's financial position, results of operations, or cash flows.

(4) EMPLOYEE BENEFIT PLANS

U.S. Defined Benefit Pension Plan

The company has a defined benefit pension plan (pension plan) that covers certain U.S. citizen employees and other employees who are permanent residents of the United States. Effective April 1, 1996, the pension plan was closed to new participation. In December 2009, the Board of Directors amended the pension plan to discontinue the accrual of benefits once the plan was frozen on December 31, 2010. This change did not affect benefits earned by participants prior to January 1, 2011. The pension plan is currently adequately funded and the company did not contribute to the pension plan during the quarters and nine months ended December 31, 2015 and 2014, and does not expect to contribute to the pension plan during the fourth quarter of fiscal 2016.

Supplemental Executive Retirement Plan

The company also maintains a non-contributory, defined benefit supplemental executive retirement plan (supplemental plan) that provides pension benefits to certain employees in excess of those allowed under the company's tax-qualified pension plan. A Rabbi Trust has been established for the benefit of participants in the supplemental plan. The Rabbi Trust assets, which are invested in a variety of marketable securities (but not the company's stock), are recorded at fair value with unrealized gains or losses included in accumulated other comprehensive income (loss). Effective March 4, 2010, the supplemental plan was closed to new participation. The supplemental plan is a non-qualified plan and, as such, the company is not required to make contributions to the supplemental plan. The company did not contribute to the supplemental plan during the quarters and nine months ended December 31, 2015 and 2014, and does not expect to contribute to the supplemental plan during the fourth quarter of fiscal 2016.

Investments held in a Rabbi Trust for the benefit of participants in the supplemental plan are included in other assets at fair value. The following table summarizes the carrying value of the trust assets, including unrealized gains or losses at December 31, 2015 and March 31, 2015:

(In thousands)	December 31, 2015	March 31, 2015
Investments held in Rabbi Trust	$ 9,072	9,915
Unrealized gains (losses) in fair value of trust assets	233	235
Obligations under the supplemental plan	27,143	25,510

To the extent that trust assets are liquidated to fund benefit payments, gains or losses, if any, will be recognized at that time. The company's obligations under the supplemental plan are included in 'accrued expenses' and 'other liabilities and deferred credits' on the consolidated balance sheet.

Postretirement Benefit Plan

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

Effective November 20, 2015, the company eliminated its post-65 medical coverage for all current and future retirees effective January 1, 2017. The plan amendment resulted in an additional estimated net periodic postretirement benefit of $0.6 million during the quarter and nine-month period ended December 31, 2015. The medical coverage remains unchanged for participants under age 65.

Net Periodic Benefit Costs

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

(In thousands)	Quarter Ended December 31, 2015	2014	Nine Months Ended December 31, 2015	2014
Pension Benefits:				
Service cost	$234	206	702	618
Interest cost	935	968	2,805	2,904
Expected return on plan assets	(530)	(685)	(1,590)	(2,055)
Amortization of prior service cost	9	12	27	36
Recognized actuarial loss	567	247	1,701	741
Net periodic benefit cost	$1,215	748	3,645	2,244
Other Benefits:				
Service cost	$41	68	191	204
Interest cost	103	226	524	678
Amortization of prior service cost	(899)	(508)	(1,920)	(1,524)
Recognized actuarial benefit	(281)	(325)	(770)	(975)
Net periodic benefit cost	$(1,036)	(539)	(1,975)	(1,617)

Other Plans

Effective December 1, 2015, the company amended its existing multinational savings plan to a self-directed multinational defined contribution retirement plan (multinational retirement plan). The company subsequently removed approximately
$6.4 million of plan assets and liabilities from the other assets and other liabilities and deferred credits section of the condensed consolidated balance sheets. Non-U.S. citizen shore-based and certain offshore employees working outside their respective country of origin are eligible to participate in the multinational retirement plan provided the employees are not enrolled in any home country pension or retirement program. Participants of the multinational retirement plan may contribute 1% to 50% of their base salary. The company matches, in cash, 50% of the first 6% of eligible compensation deferred by the employee which vests over five years. The company does not anticipate its contribution expense for the multinational retirement plan will increase due to the amendment.

(5) INDEBTEDNESS

Senior Notes, Revolving Credit and Term Loan Agreement

In May 2015, the company amended and extended its existing credit facility. The amended credit agreement matures in June 2019 and provides for a $900 million, five-year credit facility consisting of (i) a $600 million revolving credit facility and (ii) a $300 million term loan facility.

At December 31, 2015 the company was in compliance with all covenants set forth in its debt facilities and note indentures, however, given the current trajectory of offshore energy market conditions, which has had a corresponding negative effect on our vessel revenue and other financial metrics, it is possible that in future quarters (and possibly as early as fiscal 2017) that the company may cease being in compliance with interest coverage ratios contained in certain of its debt facilities and senior note indentures. Failure to meet the required interest coverage ratios would be an event of default under certain of our debt facilities. The company is in dialogue with the principal lenders and noteholders to obtain amendments and/or waivers of these covenants in advance of any such default occurring, with the goal of finalizing any amendments and/or waivers prior to any possible covenant breach. Any such amendments and/or waivers would require successful negotiations with our bank group and certain noteholders, and would likely require the company to make certain concessions, such as potentially providing collateral or accepting a reduction in total borrowing capacity under the revolving credit facility. Obtaining the covenant relief that we are seeking will require the company to successfully harmonize the interests of the noteholders and the banks.

U.S. Dollar Denominated Debt

The following is a summary of debt outstanding at December 31, 2015 and March 31, 2015:

(In thousands, except weighted average data)	December 31, 2015	March 31, 2015
Credit facility:		
Term loan agreement (A)	$ 300,000	300,000
Revolving line of credit (A) (B)	—	20,000
September 2013 senior unsecured notes:		
Aggregate debt outstanding	$ 500,000	500,000
Weighted average remaining life in years	7.6	8.4
Weighted average coupon rate on notes outstanding	4.86 %	4.86 %
Fair value of debt outstanding (Level 2)	$ 425,950	516,879
August 2011 senior unsecured notes:		
Aggregate debt outstanding	$ 165,000	165,000
Weighted average remaining life in years	4.8	5.6
Weighted average coupon rate on notes outstanding	4.42 %	4.42 %
Fair value of debt outstanding (Level 2)	$ 147,081	167,910
September 2010 senior unsecured notes (C):		
Aggregate debt outstanding	$ 382,500	425,000
Weighted average remaining life in years	4.3	4.6
Weighted average coupon rate on notes outstanding	4.35 %	4.25 %
Fair value of debt outstanding (Level 2)	$ 344,634	431,296
July 2003 senior unsecured notes (D):		
Aggregate debt outstanding	$ —	35,000
Weighted average remaining life in years	—	0.3
Weighted average coupon rate on notes outstanding	—	4.61 %
Fair value of debt outstanding (Level 2)	$ —	35,197
May 2015 notes (E) (F):		
Amount outstanding	$ 30,033	—
Fair value of debt outstanding (Level 2)	30,047	—
March 2015 notes (F):		
Amount outstanding	$ 28,259	29,488
Fair value of debt outstanding (Level 2)	28,265	29,501

(A) Fair values approximate carrying values because the borrowings bear interest at variable rates.

(B) $600 million and $580 million was available under the revolver at December 31, 2015 and March 31, 2015, respectively.

(C) Principal repayments of $42.5 million were paid during the quarter ended December 31, 2015.

(D) Remaining $35 million of borrowings fully paid in July 2015.

(E) In May 2015, a wholly owned subsidiary of the company entered into a $31.3 million, U.S. dollar denominated, 12 year borrowing agreement which matures in April 2027 and is secured by a guarantee by Tidewater Inc. The loan requires semi-annual principal payments of $1.3 million (plus accrued interest) and bears interest at a fixed rate of 2.92% plus a spread based on Tidewater Inc.'s consolidated funded indebtedness to total capitalization ratio

(currently equal to 1.30% for a total rate of 4.22%).

(F) Notes require semi-annual principal payments.

Norwegian Kroner Denominated Debt

The following is a summary of the Norwegian Kroner (NOK) denominated borrowings outstanding at December 31, 2015 and March 31, 2015, and their U.S. dollar equivalents:

(In thousands)	December 31, 2015	March 31, 2015
3.81% January 2014 notes (A):		
NOK denominated	262,500	275,000
U.S. dollar equivalent	$29,606	34,234
Fair value in U.S. dollar equivalent (Level 2)	29,612	34,226
5.38% May 2012 notes (A):		
NOK denominated	144,840	161,880
U.S. dollar equivalent	$16,336	20,152
Fair value in U.S. dollar equivalent (Level 2)	16,329	19,924
Variable rate borrowings:		
June 2013 borrowing agreement (B) (C)		
NOK denominated	—	25,000
U.S. dollar equivalent	$—	3,112
May 2012 borrowing agreement (B) (D)		
NOK denominated	—	20,000
U.S. dollar equivalent	$—	2,490

(A) Notes require semi-annual principal payments.
(B) Fair values approximate carrying values because the borrowings bear interest at variable rates.
(C) Remaining note balance was repaid in September 2015. The company recognized a $0.1 million gain on early extinguishment.
(D) Note was repaid in May 2015 upon maturity.

Debt Costs

The company capitalizes a portion of its interest costs incurred on borrowed funds used to construct vessels. The following is a summary of interest and debt costs incurred, net of interest capitalized, for the quarters and nine-month periods ended December 31:

	Quarter Ended December 31,		Nine Months Ended December 31,	
(In thousands)	2015	2014	2015	2014
Interest and debt costs incurred, net of interest capitalized	$13,312	12,239	39,741	37,927
Interest costs capitalized	2,513	3,638	8,280	9,920
Total interest and debt costs	$15,825	15,877	48,021	47,847

13

(6) LOSS PER SHARE

The components of basic and diluted loss per share for the quarters and the nine-month periods ended December 31, are as follows:

	Quarter Ended December 31,		Nine Months Ended December 31,	
(In thousands, except share and per share data)	2015	2014	2015	2014
Net loss available to common shareholders	$(19,509)	(160,694)	(78,396)	(56,114)
Weighted average outstanding shares of common stock, basic	46,943,705	48,481,722	46,956,041	49,213,712
Dilutive effect of options and restricted stock awards and units	—	—	—	—
Weighted average common stock and equivalents	46,943,705	48,481,722	46,956,041	49,213,712
Loss per share, basic (A)	$(0.42)	(3.31)	(1.67)	(1.14)
Loss per share, diluted (B)	$(0.42)	(3.31)	(1.67)	(1.14)
Additional information:				
Antidilutive incremental options and restricted stock awards and units	455,663	158,575	385,073	231,171

(A) The company calculates “Loss per share, basic” by dividing “Net loss available to common shareholders” by “Weighted average outstanding share of common stock, basic”.

(B) The company calculates “Loss per share, diluted” by dividing “Net loss available to common shareholders” by “Weighted average common stock and equivalents”.

(7) COMMITMENTS AND CONTINGENCIES

Vessel and Other Commitments

The table below summarizes the company’s various vessel commitments to acquire and construct new vessels, by vessel type, as of December 31, 2015:

(In thousands, except vessel count)	Number of Vessels	Total Cost	Invested Through 12/31/15	Remaining Balance 12/31/15
Vessels under construction (A):				
Deepwater PSVs	8	$335,746	231,256	104,490
Towing-supply vessels	1	16,280	13,580	2,700
Total vessel commitments (B)	9	$352,026	244,836	107,190

(A) Six additional option vessels and a fast supply boat are not included in the table above.

(B) The company is entitled to receive a refund of prior shipyard payments totaling approximately $43 million (of which $12 million was received in January 2016) which would offset the remaining balance of vessel commitments. See further discussion below.

The total cost of the various vessel new-build commitments includes contract costs and other incidental costs. The company has vessels under construction at different shipyards around the world. The deepwater platform supply vessels (PSVs) under construction range between 4,200 and 6,000 deadweight tons (DWT) of cargo capacity and the towing-supply vessel under construction has 7,145 brake horsepower (BHP). Delivery of the new-build vessels began in January 2016, with delivery of the towing supply vessel and two of the deepwater PSVs. The delivery of the final new-build vessel is expected in May 2017. The company has approximately $107 million in unfunded capital commitments associated with the nine vessels under construction (approximately $64 million, net of $43 million of expected refunds from shipyards) at December 31, 2015.

The company has successfully replaced the vast majority of the older vessels in its fleet with fewer, larger and more efficient vessels that have a more extensive range of capabilities. These efforts are expected to continue with the delivery of the remaining nine vessels currently under construction. The company anticipates that it will use some portion of its future operating cash flows and existing borrowing capacity in order to fund current and any future commitments in connection with the completion of the fleet renewal and modernization program.

In June 2015, the company entered into settlement agreements with an international shipyard, which at the time was constructing six 7,145 BHP towing-supply-class vessels and six 261-foot, 4,700 DWT tons of cargo capacity, deepwater PSVs. Under the settlement agreements, contracts for three 7,145 BHP towing-supply-class vessels were terminated, and the shipyard agreed with respect to these three cancelled contracts to (i) return to the company approximately $36 million in aggregate installment payments, (ii) terminate the company's obligation to make any additional payments, and (iii) apply $3.5 million of accrued interest due to the company on the returned installment amounts to offset future installment obligations on other vessels at this shipyard. Of the total $36 million in returned installments, the shipyard returned $24 million in June 2015 and the remaining $12 million in July 2015. The company recorded an impairment charge of $0.8 million in the first quarter of fiscal 2016 to write off the amounts not recoverable from the shipyard with respect to these three vessels. The company applied the $3.5 million shipyard credit in the December quarter as an offset to other payments made to the shipyard.

In September 2015, the company entered into additional settlement agreements with the same shipyard to resolve the remaining nine vessels (three additional 7,145 BHP towing-supply-class vessels and six 261-foot, 4,700 deadweight tons of cargo capacity, deepwater PSVs) under construction. Under the settlement agreements, the company agreed to substantial discounts to the purchase price for each of these four vessels. The company took delivery of one towing-supply-class vessel in September of 2015, and another towing-supply-class vessel in January of 2016, and is expected to take delivery of two deepwater PSVs in fiscal 2017, if those vessels are completed and delivered in accordance with the underlying amended construction contracts, in the June quarter of 2016. Under the September 2015 settlement agreements, the company received separate options, but not obligations to acquire, each of the remaining five vessels, with option expiry dates ranging from November 2015 to October 2016. Under the terms of these options, if the company does not elect to take delivery of any of these vessels, (a) the company is entitled to receive the return of approximately $31 million in aggregate installment payments (representing installment payments made to date on these five vessels) together with interest on these installments of $3.7 million (which will be issued to the company as "shipyard credits" and applied to future installment payments on the two PSVs to be delivered) and (b) the company will be relieved of the obligation to pay the shipyard the approximately $75 million in remaining construction payments. The purchase prices for each of the five vessels that are subject to options are unchanged by the settlement. The company declined to exercise the first of these options, and in January 2016 received $12 million in refunded payments. The company has also taken the $3.7 million "shipyard credit" in the December quarter as an offset against other payments made to the shipyard. The remaining four option vessels are not included in the preceding table of vessel commitments as of December 31, 2015. Each settlement agreement (except for the agreement with respect to the towing-supply vessel delivered in September 2015) was entered into subject to the consent of the Bank of China, the issuer of the refundment guarantees on all nine vessels. The Bank of China has subsequently issued consents for all eight remaining settlement agreements.

In April 2015, the company entered into negotiations with an international shipyard constructing two 275-foot, 3,800 deadweight tons of cargo capacity, deepwater PSVs to resolve issues associated with the late delivery of these vessels. In May 2015, the company settled these issues with the shipyard. Under the terms of the settlement, the company can elect to take delivery of one or both completed vessels at any time prior to June 30, 2016. That date is subject to two six month extension periods, each extension requiring the mutual consent of the company and shipyard. If the company does not elect to take delivery of one or both vessels prior to June 30, 2016 (as that date may be extended by mutual agreement), (a) the company is entitled to receive the return of $5.4 million in aggregate installment payments per vessel together with interest on these installments (which aggregates to approximately $12 million, or all but approximately $1 million of the company's carrying value of the accumulated costs per vessel through March 31, 2015) and (b) the company will be relieved of the obligation to pay to the shipyard the $21.7 million of remaining payments per vessel. The shipyard's obligation to return the $5.4 million (plus interest) per vessel if the company elects not to take delivery of one or both vessels is secured by Bank of China refundment guarantees. These two vessels are not included in the preceding table of vessel commitments as of December 31, 2015.

The company has experienced substantial delay with one fast supply boat under construction in Brazil that was originally scheduled to be delivered in September 2009. On April 5, 2011, pursuant to the vessel construction contract, the company sent the subject shipyard a letter initiating arbitration in order to resolve disputes of such matters as the shipyard's failure to achieve payment milestones, its failure to follow the construction schedule, and its failure to timely deliver the vessel. The company has suspended construction on the vessel and both parties continue to pursue that arbitration. The company has third party credit support in the form of insurance coverage for 90% of the progress payments made on this vessel, or all but approximately $2.4 million of the carrying value of the accumulated costs through June 30, 2015. During the first quarter of fiscal 2016, the company recorded an impairment charge of $2.4 million (representing amounts not covered by insurance) and reclassified the remaining $5.6 million from construction in progress to other non-current assets. This vessel is not included in the preceding table of vessel commitments as of December 31, 2015.

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

Merchant Navy Officers Pension Fund

On July 15, 2013, a subsidiary of the company was placed into administration in the United Kingdom. Joint administrators were appointed to administer and distribute the subsidiary's assets to the subsidiary's creditors. The vessels owned by the subsidiary had become aged and were no longer economical to operate, which has caused the subsidiary's main business to decline in recent years. Only one vessel generated revenue as of the date of the administration. As part of the administration, the company agreed to acquire seven vessels from the subsidiary (in exchange for cash) and to waive certain intercompany claims. The purchase price valuation for the vessels, all but one of which were stacked, was based on independent, third party appraisals of the vessels.

The company previously reported that a subsidiary of the company is a participating employer in an industry-wide multi-employer retirement fund in the United Kingdom, known as the Merchant Navy Officers Pension Fund (MNOPF). The subsidiary that participates in the MNOPF is the entity that was placed into administration in the U.K. The MNOPF is that subsidiary's largest creditor, and has claimed as an unsecured creditor in the administration. The company believed that the administration was in the best interests of the subsidiary and its principal stakeholders, including the MNOPF. The MNOPF indicated that it did not object to the insolvency process and that, aside from asserting its claim in the subsidiary's administration and based on the company's representations of the financial status and other relevant aspects of the subsidiary, the MNOPF will not pursue the subsidiary in connection with any amounts due or which may become due to the MNOPF.

In December 2013, the administration was converted to a liquidation. That conversion allowed for an interim cash liquidation distribution to be made to the MNOPF. The conversion is not expected to have any impact on the company. The final meeting of creditors is scheduled for mid-February 2016, and the liquidation is expected to be completed in calendar 2016. The company believes that the liquidation will resolve the subsidiary's participation in the MNOPF. The company also believes that the ultimate resolution of this matter will not have a material effect on the consolidated financial statements.

Sonatide Joint Venture

As previously reported, in November 2013, a subsidiary of the company and its joint venture partner in Angola, Sonangol Holdings Lda. ("Sonangol"), executed a new joint venture agreement for their joint venture, Sonatide. The new joint venture agreement is currently effective and will expire, unless extended, two years after a new Angolan entity, which is intended to be one of the Sonatide group of companies, has been incorporated. Based on recent communications the Angolan entity is expected to be incorporated in 2016 after certain Angolan regulatory approvals have been obtained.

The challenges for the company to successfully operate in Angola remain significant. As the company has previously reported, on July 1, 2013, additional elements of new legislation (the "forex law") became effective that generally

require oil companies that engage in exploration and production activities offshore Angola through governmental concessions to pay for goods and services provided by foreign exchange residents in Angolan kwanzas that are initially deposited into an Angolan bank account. The forex law also imposes documentation and other requirements on service companies such as Sonatide in order to effect payments that are denominated in currencies other than Angolan kwanzas. The forex law has resulted in substantial customer payments being made to Sonatide in Angolan kwanzas. A cumbersome payment process has burdened Tidewater's management of its cash and liquidity, because the conversion of Angolan kwanzas into U.S. dollars and the subsequent expatriation of the funds causes payment delays, additional operating costs and, through the company's 49% ownership of Sonatide, foreign exchange losses. The payment process exposes the company to further risk of currency devaluation prior to Sonatide's conversion of Angolan kwanza-denominated bank deposits to U.S. dollars and potentially additional taxes.

In response to the adoption of the new forex law, Tidewater and Sonangol negotiated and signed an agreement (the "consortium agreement") that allowed the Sonatide joint venture to enter into contracts with customers that allocate billings for services provided by Sonatide between (i) billings for local services that are provided by a foreign exchange resident (that must be paid in Angolan kwanzas), and (ii) billings for services provided offshore (that can be paid in U.S. dollars). Sonatide successfully converted select customer contracts to this split billing arrangement during the quarters ended March 31, 2015 and June 30, 2015. The consortium agreement expired in November 2015, and the parties have been discussing signing a new consortium agreement for a one year term. If the parties are unable to agree on a new consortium agreement, the parties would need to negotiate the terms of a new agreement that would continue to allow the company to receive U.S. dollar payments for services provided offshore. In addition, it is not clear if this type of contracting will be available to Sonatide over the longer term. If the company is unable to reach agreement on a new split payment arrangement, any contract entered into after the expiration of the consortium agreement may result in the receipt of 100% Angolan kwanzas, which would be subject to the challenges and risks described above. The company believes that the split payment contracts entered into with customers prior to the expiration of the consortium agreement will remain in force until their expirations.

In November 2014, the National Bank of Angola issued new regulations controlling the sale of foreign currency. These regulations generally require oil companies to channel any U.S. dollar sales they choose to make through the National Bank of Angola to buy Angolan kwanzas that are required to be used to pay for goods and services provided by foreign exchange resident oilfield service companies. These foreign exchange resident oilfield services companies, in turn, generally have a need to source U.S. dollars in order to pay for goods and services provided offshore. The regulations continue to permit tripartite agreements among oil companies, commercial banks and service companies that provide for the sale of U.S. dollars by an oil company to a commercial bank in exchange for Angolan kwanzas. These same U.S. dollars are then sold onward by the commercial bank to the service company. The implementing regulations do, however, place constraints on those tripartite agreements that did not previously exist, and the period of time that the tripartite agreements will be allowed remains uncertain. If tripartite agreements or similar arrangements are not available to service companies in Angola that have a need for U.S. dollars, then such service companies will be required to source U.S. dollars exclusively through the National Bank of Angola. Sonatide has had some success to date in negotiating tripartite agreements and it continues to work with customers, commercial banks and the National Bank of Angola in regards to utilizing these arrangements.

For the fiscal year ended March 31, 2015, the company collected (primarily through Sonatide) approximately $338 million from its Angola operations, which is slightly less than the approximately $351 million of revenue recognized for the same period. Of the $338 million collected approximately $159 million represented U.S. dollars received by Sonatide on behalf of the company or U.S. dollars directly received by the company from customers. The balance of $179 million that was collected in fiscal 2015 resulted from Sonatide's converting Angolan kwanzas into U.S. dollars and subsequently expatriating the U.S. dollars to Tidewater. Additionally, the company received an approximate $10 million dividend payment from the Sonatide joint venture during the third quarter of fiscal 2015.

For the nine months ended December 31, 2015, the company collected (primarily through Sonatide) approximately $182 million from its Angolan operations, which exceeds by $10 million the approximately $172 million of revenue recognized for the same period. Of the $182 million collected, approximately $93 million were U.S. dollars received by Sonatide on behalf of the company or U.S. dollars directly received by the company from customers. The balance of $89 million collected resulted from Sonatide's converting Angolan kwanza into U.S. dollars and subsequently expatriating the dollars to Tidewater. Additionally, the company received an approximate $15 million dividend payment from the Sonatide joint venture during the third quarter of fiscal 2016 The company also reduced the due from affiliate and due to affiliate balances by approximately $65 million during the nine months ended December 31, 2015 through netting transactions based on agreement with the joint venture.

The company believes that the process for converting Angolan kwanzas continues to function reasonably well, but the tight U.S. dollar liquidity situation continues in Angola. Sonatide continues to press its commercial banks with which it has relationships to increase the amount of U.S. dollars that are made available to Sonatide.

As of December 31, 2015, the company had approximately $336 million in amounts due from Sonatide, with approximately half of the balance reflecting invoiced but unpaid vessel revenue related to services performed by the company through the Sonatide joint venture. Remaining amounts due to the company from Sonatide are generally supported by cash (primarily denominated in Angolan kwanzas) held by Sonatide that is pending conversion into U.S. dollars and the subsequent expatriation of such funds.

For the nine months ended December 31, 2015, Tidewater's Angolan operations generated vessel revenues of approximately $172 million, or 22%, of its consolidated vessel revenue, from an average of approximately 66 Tidewater-owned vessels that are marketed through the Sonatide joint venture (eight of which were stacked on average during the nine months ended December 31, 2015), and, for the nine months ended December 31, 2014, generated vessel revenues of approximately $271 million, or 23%, of consolidated vessel revenue, from an average of approximately 83 Tidewater-owned vessels (four of which were stacked on average during the nine months ended December 31, 2014).

Sonatide owns eight vessels (three of which are currently stacked) and certain other assets, in addition to earning commission income from Tidewater-owned vessels marketed through the Sonatide joint venture (owned 49% by Tidewater). In addition, as of December 31, 2015, Sonatide maintained the equivalent of approximately $95 million of primarily Angolan kwanza-denominated deposits in Angolan banks, largely related to customer receipts that had not yet been converted to U.S. dollars, expatriated and then remitted to the company, and approximately $1 million of U.S. dollar-denominated deposits in banks outside of Angola. As of December 31, 2015 and March 31, 2015, 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 $43 million and $67 million, respectively.

Due from affiliate at December 31, 2015 and March 31, 2015 of approximately $336 million and $420 million, respectively, represents cash received by Sonatide from customers and due to the company, and amounts due from customers that are expected to be remitted to the company through Sonatide. The collection of the amounts due to Sonatide from customers, and the subsequent conversion and expatriation process are subject to those risks and considerations set forth above.

Due to affiliate at December 31, 2015 and March 31, 2015 of approximately $170 million and $186 million, respectively, represents amounts due to Sonatide for commissions payable (approximately $27 million and $66 million, respectively) and other costs paid by Sonatide on behalf of the company.

A new presidential decree regulating maritime transportation activities was enacted in Angola in 2014. Following recent discussions with port state authorities and local counsel, the company remains uncertain whether the authorities will interpret the decree to require one hundred percent Angolan ownership of local vessel operators such as Sonatide. This interpretation may result in the need to work with Sonangol to further restructure our Sonatide joint venture and our operations in Angola. The company is seeking further clarification of the new decree. The company is exploring potential alternative structures in order to comply.

The Angolan government enacted a new statute, which came into effect on June 30, 2015, for a new levy that could impose an additional 10% surcharge on certain foreign exchange transactions. The specific details of the levy have not yet been disclosed and it is not clear if this new statute will apply to Sonatide's scope of operations. The additional surcharge has not been imposed on any Sonatide transactions to date. The company has undertaken efforts to mitigate the effects of the levy, in the event the levy does apply to Sonatide's operations, including successfully negotiating rate adjustments and termination rights with some of its customers. The company will be unlikely to completely mitigate the effects of the levy, resulting in increased costs and lower margins, if the levy is interpreted to apply to Sonatide's operations.

Management continues to explore ways to profitably participate in the Angolan market while looking for opportunities to reduce the overall level of exposure to the increased risks that the company believes currently characterize the Angolan market. Included among mitigating measures taken by the company to address these risks is the redeployment of vessels from time to time to other markets where there is adequate demand for the company's vessels.

During the year ended March 31, 2015, the company redeployed vessels from its Angolan operations to other markets and also transferred vessels into its Angolan operations from other markets resulting in a net 13 vessels transferred out of Angola. Redeployment of vessels to and from Angola during the nine months ended December 31, 2015 has resulted in a net 18 vessels transferred out of Angola.

As the company considers the redeployment of additional vessels from Angola to other markets, there would likely be temporary negative financial effects associated with such redeployment, 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 Tidewater's results of operations and cash flows for the periods when such costs would be incurred. The recent decline in crude oil and natural gas prices, the reduction in spending expectations among E&P companies, the number of new-build

vessels which are expected to deliver within the next two years and the resulting potential overcapacity in the worldwide offshore support vessel market may exacerbate such negative financial effects, particularly if a large re-deployment were undertaken by the company in the near- to intermediate-term.

Brazilian Customs

In April 2011, two Brazilian subsidiaries of Tidewater were notified by the Customs Office in Macae, Brazil that they were jointly and severally being assessed fines of 155 million Brazilian reais (approximately $39 million as of December 31, 2015). The assessment of these fines is for the alleged failure of these subsidiaries to obtain import licenses with respect to 17 Tidewater vessels that provided Brazilian offshore vessel services to Petrobras, the Brazilian national oil company, over a three-year period ending December 2009. After consultation with its Brazilian tax advisors, Tidewater and its Brazilian subsidiaries believe that vessels that provide services under contract to the Brazilian offshore oil and gas industry are deemed, under applicable law and regulations, to be temporarily imported into Brazil, and thus exempt from the import license requirement. The Macae Customs Office has, without a change in the underlying applicable law or regulations, taken the position that the temporary importation exemption is only available to new, and not used, goods imported into Brazil and therefore it was improper for the company to deem its vessels as being temporarily imported. The fines have been assessed based on this new interpretation of Brazilian customs law taken by the Macae Customs Office.

After consultation with its Brazilian tax advisors, the company believes that the assessment is without legal justification and that the Macae Customs Office has misinterpreted applicable Brazilian law on duties and customs. The company is vigorously contesting these fines (which it has neither paid nor accrued) and has already obtained success in the majority of cases. This has reduced the initial fines from 155 million reais down to 33 million reais (approximately $8.3 million as of December 31, 2015). The company believes that it has a high probability of success with respect to overturning the remaining fines. The remaining fines are still subject to a secondary administrative appeals board hearing, but the company believes that its previous success will be helpful in that upcoming hearing. The company believes that the ultimate resolution of this matter will not have a material effect on the consolidated financial statements.

Nigeria Marketing Agent Litigation

In October 2012, Tidewater Inc. notified its Nigerian marketing agent, Phoenix Tide Offshore Nigeria Limited, that it was discontinuing its relationship with the marketing agent and two of its principals (H.H. The Otunba Ayora Dr. Bola Kuforiji-Olubi, OON and Olutokunbo Afolabi Kuforiji). The company entered into a new strategic relationship with a different Nigerian marketing agent 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.

On March 1, 2013, Tidewater filed suit in the London Commercial Court against Phoenix Tide Offshore Nigeria Limited, its prior 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 $16 million (including U.S. dollar denominated invoices and Naira denominated invoices which have been adjusted for the devaluation of the Naira relative to the U.S. dollar) due to Tidewater for vessel services performed in Nigeria. Shortly after the London Commercial Court filing, TOTAL commenced interpleader proceedings in Nigeria naming the Nigerian agent and the company as respondents and seeking an order which would allow TOTAL to deposit those monies with a Nigerian court for the respondents to resolve. On April 25, 2013, Tidewater filed motions in the Nigerian Federal High Court to stop the interpleader proceedings in Nigeria or alternatively stay them until the resolution of the suit filed in London. The company will continue to actively pursue the collection of those monies. On April 30, 2013, the Nigerian marketing agent filed a separate suit in the Nigerian Federal High Court naming Tidewater and certain TOTAL affiliates as defendants. The

suit seeks various declarations and orders, including a claim for the monies that are subject to the above interpleader proceedings, and other relief. The company is seeking dismissal of this suit and otherwise intends to vigorously defend against the claims made. On or about December 30, 2014, the company received notice that the Nigerian marketing agent had filed an action in the Nigerian Federal High court seeking to prevent the continuation of the proceedings initiated by Tidewater in the London Commercial Court. The company intends to vigorously defend that action.

The company has not reserved for this receivable and believes that the ultimate resolution of this matter will not have a material effect on the consolidated financial statements.

Repairs to U.S. Flagged Vessels Operating Abroad

Near the end of fiscal 2015 the company became aware that it may have had compliance deficiencies in documenting and declaring upon re-entry to U.S. waters all repairs done on its U.S. flagged vessels while they were working outside the United States. When a U.S. flagged vessel operates abroad, any repairs made abroad must be declared to U.S. Customs. Duties must be paid for certain of those repairs upon return to U.S. waters. During our examination of our most recent filings with U.S. Customs, we determined that it was necessary to file amended forms with U.S. Customs. We continue to evaluate the return of other U.S. flagged vessels to the United States to determine whether it is necessary to adjust our responses in any of those instances. To the extent that further evaluation requires us to file amended entries, we do not yet know the magnitude of any duties, fines or interest associated with amending the entries for these vessels. We are committed to bolstering our processes, procedures and training to ensure that we correctly identify all repairs made abroad if and when U.S. flagged vessels return to the United States in the future.

Legal Proceedings

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

Arbitral Award for the Taking of the Company’s Venezuelan Operations

On March 13, 2015, the three member tribunal constituted under the rules of the World Bank’s International Centre for the Settlement of Investment Disputes (“ICSID”) awarded subsidiaries of the company compensation, including accrued interest and costs, for the Bolivarian Republic of Venezuela’s (“Venezuela”) expropriation of the investments of those subsidiaries in Venezuela. The award, issued in accordance with the provisions of the Venezuela-Barbados Bilateral Investment Treaty (“BIT”), represented $46.4 million for the fair market value of the company’s principal Venezuelan operating subsidiary, plus interest from May 8, 2009 to the date of payment of that amount accruing at an annual rate of 4.5% compounded quarterly ($16.1 million as of December 31, 2015) and $2.5 million for reimbursement of legal and other costs expended by the company in connection with the arbitration. The aggregate award is therefore $65 million as of December 31, 2015. The nature of the investments expropriated and the progress of the ICSID proceeding were previously reported by the company in prior filings.

The company is committed to taking appropriate steps to enforce and collect the award, which is enforceable in any of the 150 member states that are party to the ICSID Convention. As an initial step, the company was successful in having the award recognized and entered on March 16, 2015 as a final judgment by the United States District Court for the Southern District of New York. In July 2015, Venezuela applied to ICSID to annul the award and obtained a provisional stay of enforcement. In August 2015, ICSID formed an annulment committee and the first hearing of the committee took place on November 23, 2015. At that hearing, the committee heard arguments on the company’s motion to lift the provisional stay of enforcement with respect to all or a substantial portion of the award during the pendency of the annulment proceedings. Even in the absence of a stay of enforcement, the company recognizes that collection of the award may present significant practical challenges, particularly in the short term. Because the award has yet to be satisfied and post-award annulment proceedings are pending, the net impact of these matters on the company cannot be reasonably estimated at this time and the company has not recognized a gain related to these matters as of December 31, 2015.

20

(8) FAIR VALUE MEASUREMENTS

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The company measures on a recurring basis and records at fair value investments held by participants in the supplemental plan. The following table provides the fair value hierarchy for the supplemental plan assets measured at fair value as of December 31, 2015:

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equity securities:				
Common stock	$3,497	3,497	—	—
Preferred stock	—	—	—	—
Foreign stock	258	258	—	—
American depository receipts	1,529	1,529	—	—
Preferred American depository receipts	15	15	—	—
Real estate investment trusts	74	74	—	—
Debt securities:				
Government debt securities	1,818	1,028	790	—
Open ended mutual funds	1,770	1,770	—	—
Cash and cash equivalents	306	(34)	340	—
Total	$9,267	8,137	1,130	—
Other pending transactions	(195)	(195)	—	—
Total fair value of plan assets	$9,072	7,942	1,130	—

The following table provides the fair value hierarchy for the plan assets measured at fair value as of March 31, 2015:

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equity securities:				
Common stock	$3,859	3,859	—	—
Preferred stock	—	—	—	—
Foreign stock	201	201	—	—
American depository receipts	1,685	1,685	—	—
Preferred American depository receipts	15	15	—	—
Real estate investment trusts	59	59	—	—
Debt securities:				
Government debt securities	1,926	1,377	549	—
Open ended mutual funds	1,916	1,916	—	—
Cash and cash equivalents	377	72	305	—
Total	$10,038	9,184	854	—

Other pending transactions	(123)	(123)	—	—
Total fair value of plan assets	$9,915	9,061	854	—

Other Financial Instruments

The company's primary financial instruments consist of cash and cash equivalents, trade receivables and trade payables with book values that are considered to be representative of their respective fair values. The company periodically utilizes derivative financial instruments to hedge against foreign currency denominated assets and liabilities, currency commitments, or to lock in desired interest rates. These transactions are generally spot or forward currency contracts or interest rate swaps that are entered into with major financial institutions. Derivative financial instruments are intended to

reduce the company's exposure to foreign currency exchange risk and interest rate risk. The company enters into derivative instruments only to the extent considered necessary to address its risk management objectives and does not use derivative contracts for speculative purposes. The derivative instruments are recorded at fair value using quoted prices and quotes obtainable from the counterparties to the derivative instruments.

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

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

The company had no outstanding spot contracts at December 31, 2015. The company had two foreign exchange spot contracts outstanding at March 31, 2015, which had a notional value of $2.3 million and settled by April 1, 2015.

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

At December 31, 2015, the company had 14 Norwegian kroner (NOK) forward contracts outstanding, which are generally intended to hedge the company's foreign exchange exposure relating to its NOK denominated notes payable as disclosed in Note (5). The forward contracts have expiration dates between January 2016 and November 2016. The combined change in fair value of the forward contracts was $1.8 million, all of which was recorded as a foreign exchange loss during the nine months ended December 31, 2015, because the forward contracts did not qualify as hedge instruments. All changes in fair value of the forward contracts were recorded in earnings. The company did not have any forward contracts outstanding at March 31, 2015.

The following table provides the fair value hierarchy for the company's other financial instruments measured as of December 31, 2015:

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Money market cash equivalents	$1,507	1,507	—	—
Total fair value of assets	$1,507	1,507	—	—

The following table provides the fair value hierarchy for the company's other financial instruments measured as of March 31, 2015:

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Money market cash equivalents	$3,007	3,007	—	—
Total fair value of assets	$3,007	3,007	—	—

For disclosures related to assets and liabilities measured at fair value on a nonrecurring basis refer to Note (15).

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

A summary of other current assets at December 31, 2015 and March 31, 2015 is as follows:

(In thousands)	December 31, 2015	March 31, 2015
Deposits on vessel construction options (A)	$ 44,748	—
Deposits - general	7,017	7,381
Prepaid expenses	9,054	10,400
	$ 60,819	17,781

(A) Refer to Note (7) for additional discussion regarding the vessels under construction with option agreements.

A summary of other assets at December 31, 2015 and March 31, 2015 is as follows:

(In thousands)	December 31, 2015	March 31, 2015
Recoverable insurance losses	$ 9,682	10,468
Deferred income tax assets	31,136	19,004
Deferred finance charges – revolver	7,125	7,396
Savings plans and supplemental plan	14,984	23,208
Other	19,423	15,120
	$ 82,350	75,196

A summary of accrued expenses at December 31, 2015 and March 31, 2015 is as follows:

(In thousands)	December 31, 2015	March 31, 2015
Payroll and related payables	$ 22,405	32,041
Commissions payable (A)	7,197	8,282
Accrued vessel expenses	53,414	79,549
Accrued interest expense	4,791	14,514
Other accrued expenses	8,797	11,869
	$ 96,604	146,255

(B)

Excludes $27.3 million and $46.3 million of commissions due to Sonatide at December 31, 2015 and March 31, 2015, respectively. These amounts are included in amounts due to affiliate.

A summary of other current liabilities at December 31, 2015 and March 31, 2015 is as follows:

(In thousands)	December 31, 2015	March 31, 2015
Taxes payable	$ 41,480	56,620
Deferred gain on vessel sales - current	24,403	25,057
Other	370	784
	$ 66,253	82,461

A summary of other liabilities and deferred credits at December 31, 2015 and March 31, 2015 is as follows:

(In thousands)	December 31, 2015	March 31, 2015
Postretirement benefits liability	$ 20,651	23,018
Pension liabilities	42,773	41,279
Deferred gain on vessel sales	118,420	136,238
Other	28,395	34,573
	$ 210,239	235,108

(10) ACCOUNTING PRONOUNCEMENTS

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

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 supersedes prior revenue recognition guidance and provides a five step recognition framework that will require entities to recognize the amount of revenue to which it expects to be entitled for the transfer of goods and services. In July 2015, the FASB permitted early adoption and deferred the effective date of this guidance one year, therefore, it will be effective for the company in the first quarter of fiscal 2019 and may be implemented retrospectively to all years presented or in the period of adoption through a cumulative adjustment. The company believes that the impact of the implementation of this new guidance on its consolidated financial statements and disclosures will not be significant.

In April 2015, the FASB issued ASU 2015-03, Interest-Imputation of Interest: Simplifying the Presentation of Debt Issue Costs which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this guidance. This new guidance is effective for the company in the first quarter of fiscal 2017. The company believes that the impact of the implementation of this new guidance on its consolidated financial statements and disclosures will not be significant.

In February 2015, the FASB issued ASU 2015-02, Consolidation – Amendments to the Consolidation Analysis, which affects reporting entities that are required to evaluate whether certain legal entities should be consolidated. The ASU modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. This new guidance is effective for the company in the first quarter of fiscal 2017. The company is in the process of evaluating whether adoption of this update will have a material impact on its financial statements.

(11) SEGMENT AND GEOGRAPHIC DISTRIBUTION OF OPERATIONS
The following table provides a comparison of segment revenues, vessel operating profit, depreciation and amortization, and additions to properties and equipment for the quarters and nine-month periods ended December 31, 2015 and 2014. Vessel revenues and operating costs relate to vessels owned and operated by the company while other operating revenues relate to the activities of the remotely operated vehicles (ROVs), brokered vessels and other miscellaneous marine-related businesses.

(In thousands)	Quarter Ended December 31, 2015	Quarter Ended December 31, 2014	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2014
Revenues:				
Vessel revenues:				
Americas	$75,963	134,554	279,345	388,550
Asia/Pacific	19,144	35,046	79,254	121,284
Middle East/North Africa	40,184	55,925	132,786	160,301
Sub-Saharan Africa/Europe	77,617	152,601	283,967	480,453
	212,908	378,126	775,352	1,150,588
Other operating revenues	5,283	9,428	19,536	20,167
	$218,191	387,554	794,888	1,170,755
Vessel operating profit (loss):				
Americas	$9,289	33,784	41,940	100,770
Asia/Pacific	(3,796)	2,621	4,122	9,064
Middle East/North Africa	5,849	12,408	21,524	31,568
Sub-Saharan Africa/Europe	(2,079)	34,120	2,459	113,168
	9,263	82,933	70,045	254,570
Other operating loss	(626)	(1,032)	(3,120)	(5,548)
	8,637	81,901	66,925	249,022
Corporate general and administrative expenses	(7,150)	(9,411)	(25,096)	(30,686)
Corporate depreciation	(1,629)	(834)	(4,772)	(2,486)
Corporate expenses	(8,779)	(10,245)	(29,868)	(33,172)
Gain on asset dispositions, net	5,883	4,699	19,345	13,092
Asset impairments (A)	(15,141)	(6,236)	(61,771)	(8,096)
Goodwill impairment	—	(283,699)	—	(283,699)
Restructuring charge (B)	—	—	(7,586)	—
Operating loss	$(9,400)	(213,580)	(12,955)	(62,853)
Foreign exchange gain (loss)	(469)	4,334	(3,758)	8,453
Equity in net earnings (losses) of unconsolidated companies	(1,710)	—	(7,070)	9,104
Interest income and other, net	609	434	1,754	1,555
Interest and other debt costs, net	(13,312)	(12,239)	(39,741)	(37,927)
Loss before income taxes	$(24,282)	(221,051)	(61,770)	(81,668)
Depreciation and amortization:				
Americas	$12,029	11,825	36,311	35,623
Asia/Pacific	5,803	4,731	16,503	13,538
Middle East/North Africa	6,992	7,016	21,103	20,383
Sub-Saharan Africa/Europe	17,600	18,067	54,084	55,494

	42,424	41,639	128,001	125,038
Other	1,369	858	4,285	2,626
Corporate	1,629	834	4,772	2,486
	$45,422	43,331	137,058	130,150
Additions to properties and equipment:				
Americas	$2,064	32,421	44,118	64,057
Asia/Pacific	360	44,983	2,069	68,193
Middle East/North Africa	127	424	776	1,659
Sub-Saharan Africa/Europe	460	823	1,827	14,736
	3,011	78,651	48,790	148,645
Other	26	10,206	113	18,931
Corporate (C)	8,872	14,198	103,467	67,678
	$11,909	103,055	152,370	235,254

(A) Refer to Note (15) for additional information regarding asset impairment charges.
(B) Refer to Note (14) for additional information regarding the restructuring charge.
(C) Included in Corporate are additions to properties and equipment relating to vessels currently under construction which have not yet been assigned to a non-corporate reporting segment as of the dates presented.

25

The following table provides a comparison of total assets at December 31, 2015 and March 31, 2015:

(In thousands)	December 31, 2015	March 31, 2015
Total assets:		
Americas	$1,132,305	1,016,133
Asia/Pacific	515,380	506,265
Middle East/North Africa	591,657	666,983
Sub-Saharan Africa/Europe	1,871,941	2,064,010
	4,111,283	4,253,391
Other	45,789	49,554
	4,157,072	4,302,945
Investments in, at equity, and advances to unconsolidated companies	45,663	65,844
	4,202,735	4,368,789
Corporate (A)	277,780	387,373
	$4,480,515	4,756,162

(A) Included in Corporate are vessels currently under construction which have not yet been assigned to a non-corporate reporting segment. A vessel's construction costs are reported in Corporate until the earlier of the date the vessels is assigned to a non-corporate reporting segment or the date it is delivered. At December 31, 2015 and March 31, 2015, $150.1 million and $235.2 million, respectively, of vessel construction costs are included in Corporate.

The following table discloses the amount of revenue by segment, and in total for the worldwide fleet, along with the respective percentage of total vessel revenue for the quarters and nine-month periods ended December 31, 2015 and 2014:

Revenue by vessel class	Quarter Ended December 31,				Nine Months Ended December 31,			
(In thousands)	2015	%	2014	%	2015	%	2014	%
Americas fleet:								
Deepwater	$49,792	23 %	94,298	25 %	191,720	25 %	267,983	23 %
Towing-supply	22,254	11 %	33,607	9 %	75,890	10 %	97,511	9 %
Other	3,917	2 %	6,649	2 %	11,735	1 %	23,056	2 %
Total	$75,963	36 %	134,554	36 %	279,345	36 %	388,550	34 %
Asia/Pacific fleet:								
Deepwater	$13,267	6 %	20,575	5 %	56,535	7 %	72,492	6 %
Towing-supply	5,877	3 %	13,487	4 %	22,719	3 %	45,862	4 %
Other	—	—	984	<1%	—	—	2,930	<1%
Total	$19,144	9 %	35,046	9 %	79,254	10 %	121,284	10 %
Middle East/North Africa fleet:								
Deepwater	$17,690	9 %	25,615	7 %	58,845	8 %	64,336	6 %
Towing-supply	21,795	10 %	29,441	8 %	71,898	9 %	93,435	8 %

Other	699	<1%	869	<1%	2,043	<1%	2,530	<1%
Total	$40,184	19 %	55,925	15 %	132,786	17 %	160,301	14 %
Sub-Saharan Africa/Europe fleet:								
Deepwater	$30,361	14 %	81,129	21 %	124,282	16 %	262,013	23 %
Towing-supply	35,186	16 %	52,532	14 %	118,490	15 %	162,585	14 %
Other	12,070	6 %	18,940	5 %	41,195	6 %	55,855	5 %
Total	$77,617	36 %	152,601	40 %	283,967	37 %	480,453	42 %
Worldwide fleet:								
Deepwater	$111,110	52 %	221,617	58 %	431,382	56 %	666,824	58 %
Towing-supply	85,112	40 %	129,067	35 %	288,997	37 %	399,393	35 %
Other	16,686	8 %	27,442	7 %	54,973	7 %	84,371	7 %
Total	$212,908	100%	378,126	100%	775,352	100%	1,150,588	100%

(12) GOODWILL

The company historically performed its annual goodwill impairment test at the reporting unit level using carrying amounts as of December 31 or more frequently if events and circumstances indicated that goodwill might be impaired.

During the quarter ended December, 31, 2014 the company performed its annual goodwill impairment assessment and determined that the rapid and significant decline in crude oil and natural gas prices (which occurred and accelerated throughout the latter part of the company's third quarter of fiscal 2015), and the expected short to intermediate term effect that the downturn might have on levels of exploration and production activity would likely have a negative effect on average day rates and utilization levels of the company's vessels. Expected future cash flow analyses using the projected average day rates and utilization levels in this new commodity pricing environment were included in the company's valuation models and indicated that the fair values of the Americas and Sub-Saharan Africa/Europe reporting units were less than their respective carrying values. A goodwill impairment charge of $283.7 million, to write-off the company's remaining goodwill, was recorded during the quarter ended December 31, 2014.

Goodwill by reportable segment at December 31, 2015 and 2014 is as follows:

(In thousands)	March 31, 2015	Goodwill acquired	Impairments	December 31, 2015
Americas	$ —	—	—	—
Sub-Saharan Africa/Europe	—	—	—	—
Total carrying amount (A)	$ —	—	—	—

(In thousands)	March 31, 2014	Goodwill acquired	Impairments	December 31, 2014
Americas	$ 114,237	—	114,237	—
Sub-Saharan Africa/Europe	169,462	—	169,462	—
Total carrying amount (B)	$ 283,699	—	283,699	—

(A) The total carrying amount of goodwill at March 31, 2015 and December 31, 2015 is net of accumulated impairment charges of $370.9 million.

(B) The total carrying amount of goodwill at March 31, 2014 is net of accumulated impairment charges $30.9 million and $56.3 million related to the Middle East/North Africa and Asia/Pacific segments, respectively.

(13) SALE/LEASEBACK ARRANGEMENTS

As of December 31, 2015, the future minimum lease payments for vessels under operating lease terms are as follows:

Fiscal year ending (In thousands)	Fiscal 2015 Sale/Leaseback	Fiscal 2014 Sale/Leaseback	Total
Remaining three months of 2016	$ 2,371	5,220	7,591
2017	9,485	20,879	30,364
2018	9,604	23,485	33,089
2019	10,234	24,800	35,034
2020	11,497	25,519	37,016
Thereafter	30,866	39,744	70,610
Total future lease payments	$ 74,057	139,647	213,704

Included in gain on asset dispositions, net for the quarter and nine months ended December 31, 2015, respectively, are $5.8 million and $17.5 million of deferred gains from sale leaseback transactions. During the quarter and nine months ended December 31, 2014, the company recognized $4.8 million and $17.5 million of deferred gains from sale leaseback transactions which are also included in gain on asset dispositions, net.

(14) RESTRUCTURING CHARGE

In the second quarter of fiscal 2016 the company's management continued to restructure its operations worldwide to reduce operating and general and administrative costs as a result of the continuing decline in oil prices and the resulting softening demand for the company's vessels, and several contract cancellations (particularly in regards to the company's Brazil operations). This plan consists of select employee terminations and early retirements that are intended to eliminate redundant or unneeded positions, reduce costs, and better align our workforce with anticipated lower activity levels in the geographic areas in which the company presently operates. In connection with these efforts, the company recognized a $7.6 million restructuring charge during the quarter ended September 30, 2015. Although no payments were made related to this charge as of September 30, 2015, the company paid $5.8 million during the quarter ended December 31, 2015.

Measures taken during the second quarter include the transfer and stacking of vessels from the company's Australian and Brazilian operations. Such vessel stackings resulted in the termination of mariners who were entitled to severance payments under the terms of the enterprise bargaining agreements and in accordance with Australian and Brazilian labor laws.

Restructuring charges incurred by segment and cost type for the quarter and nine month periods ended December 31, 2015:

(In thousands)	Quarter Ended December 31, 2015		Nine Months Ended December 31, 2015
Americas:			
Crew costs	$	—	3,410
Other vessel costs		—	203
Asia/Pacific:			
Crew costs		—	3,973
Total restructuring charges	$	—	7,586

(15) ASSET IMPAIRMENTS

The company reviews the vessels in its active fleet for impairment whenever events occur or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. In such evaluation, the estimated future undiscounted cash flows generated by an asset group are compared with the carrying amount of the asset group to determine if a write-down may be required. With respect to vessels that are expected to remain in active service, we group together for impairment testing purposes vessels with similar operating and marketing characteristics. We also subdivide our groupings of assets with similar operating and marketing characteristics between our older vessels and newer vessels.

The company estimates cash flows based upon historical data adjusted for the company's best estimate of expected future market performance, which, in turn, is based on industry trends. If an asset group fails the undiscounted cash flow test, the company estimates the fair value of each asset group and compares such estimated fair value, considered Level 3, as defined by ASC 820, Fair Value Measurements and Disclosures, to the carrying value of each asset group in order to determine if impairment exists. If an asset group fails the undiscounted cash flow test, management derives the fair value of the asset group through making estimates of fair value for each vessel in the group, considering items such as age, vessel class supply and demand, and recent sales of similar vessels among other factors and for more

significant vessel carrying values we may obtain third-party appraisals for use by management in determining a vessel's fair value. If impairment exists, the carrying value of the asset group is reduced to its estimated fair value.

The primary estimates and assumptions used in reviewing active vessel groups for impairment and estimating undiscounted cash flows include utilization rates, average dayrates, and average daily operating expenses. These estimates are made based on recent actual trends in utilization, dayrates and operating costs and reflect management's best estimate of expected market conditions during the period of future cash flows. These assumptions and estimates have changed considerably as market conditions have changed, and they are reasonably likely to continue to change as market conditions change in the future. Although the company believes its assumptions and estimates are reasonable, deviations from the assumptions and estimates could produce materially different results. Management estimates may vary considerably from actual outcomes due to future adverse market conditions or poor operating results that could result in the inability to recover the current carrying value of an asset group, thereby possibly requiring an impairment charge in the future. As the company's fleet continues to age, management closely monitors the estimates and assumptions used in the impairment analysis in order to properly identify evolving trends and changes in market conditions that could impact the results of the impairment evaluation.

In addition to the periodic review of its active long-lived assets for impairment when circumstances warrant, the company also performs a review of its stacked vessels not expected to return to active service every six months or whenever changes in circumstances indicate that the carrying amount of a vessel may not be recoverable. Management estimates the fair value of each vessel not expected to return to active service (considered Level 3, as defined by ASC 820, Fair Value Measurements and Disclosures) by considering items such as the vessel's age, length of time stacked, likelihood of a return to active service, actual recent sales of similar vessels, among others. For more significant vessel carrying values, we obtain an estimate of the fair value of the stacked vessel from third-party appraisers or brokers for use in our determination of fair value estimates. The company records an impairment charge when the carrying value of a stacked vessel not expected to return to active service exceeds its estimated fair value. The estimates of fair value of stacked vessels are also subject to significant variability, are sensitive to changes in market conditions, and are reasonably likely to change in the future.

Asset impairments recognized for the quarter and nine months ended December 31, 2015 increased $8.9 million and $53.7 million, respectively, from the same periods of fiscal 2015, primarily due to a decline in offshore support vessel values as a result of the decrease in the volume of oil and gas exploration, field development and production spending by our customers. During the third quarter of fiscal 2016 the company recognized impairments to the stacked vessel fleet of $15.2 million. During the first nine months of fiscal 2016 the company recognized impairments to stacked vessels fleet of $55.5 million, a $3 million impairment to active vessels, a $2.4 million impairment related to a vessel under construction that is currently the subject of an arbitration proceeding in Brazil (so as to reduce the carrying value of this vessel to the amount that is covered by third party credit support) and, a $0.8 million impairment related to the cancellation of vessel construction contracts.

The below table summarizes the combined fair value of the assets that incurred impairments during the quarters and nine-month periods ended December 31, 2015 and 2014, along with the amount of impairment.

	Quarter Ended December 31,		Nine Months Ended December 31,	
(In thousands)	2015	2014	2015	2014
Amount of impairment incurred	$15,141	6,236	61,771	8,096
Combined fair value of assets incurring impairment	90,010	3,914	244,310	4,634

16) SUBSEQUENT EVENTS

In January 2016, the exchange rate of the Angolan kwanza versus the U.S. dollar was devalued from a ratio of approximately 135 to 1 to a ratio of approximately 158 to 1, or approximately 17%. Based on Angolan kwanza denominated balance sheet accounts at December 31, 2015, and an Angolan kwanza to U.S. dollar exchange ratio of 158 to 1, Sonatide will recognize a further exchange loss estimated to be approximately $17 million. The company will recognize 49% of the total foreign exchange loss, or approximately $8 million through equity in net earnings (losses) of unconsolidated companies.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Tidewater Inc.

New Orleans, Louisiana

We have reviewed the accompanying condensed, consolidated balance sheet of Tidewater Inc. and subsidiaries (the "Company") as of December 31, 2015, and the related condensed, consolidated statements of earnings and comprehensive income for the three-month and nine-month periods ended December 31, 2015 and 2014, and of cash flows and statement of equity for the nine-month periods ended December 31, 2015 and 2014. These interim financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Tidewater Inc. and subsidiaries as of March 31, 2015, and the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated May 28, 2015, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed, consolidated balance sheet as of March 31, 2015 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana

February 3, 2016

30

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS
FORWARD-LOOKING STATEMENT

In accordance with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the company notes that this Quarterly Report on Form 10-Q and the information incorporated herein by reference contain certain forward-looking statements which reflect the company’s current view with respect to future events and future financial performance. Forward-looking statements are all statements other than statements of historical fact. All such forward-looking statements are subject to risks and uncertainties, and the company’s future results of operations could differ materially from its historical results or current expectations reflected by such forward-looking statements. Some of these risks are discussed in this report and include, without limitation, volatility in worldwide energy demand and oil and gas prices; and the potential long-term effects of a depressed level of oil and gas prices; consolidation of our customer base: fleet additions by competitors and industry overcapacity; our views with respect to the need for and timing of the replenishment of our asset base, including through acquisitions or vessel construction; changes in capital spending by customers in the energy industry for offshore exploration, field development and production; loss of a major customer: changing customer demands for vessel specifications, which may make some of our older vessels technologically obsolete for certain customer projects or in certain markets; delays and other problems associated with vessel construction and maintenance; uncertainty of global financial market conditions and difficulty in accessing credit or capital; acts of terrorism and piracy; integration of acquired businesses and entry into new lines of business; disagreements with our joint venture partners; 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, or requirements that services provided locally be paid in local currency, in each case especially in higher political risk countries where we operate; foreign currency fluctuations; labor changes proposed by international conventions; increased regulatory burdens and oversight; changes in laws governing the taxation of foreign source income; retention of skilled workers; 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,” “can,” “potential,” “expect,” “project,” “target,” “anticipate,” “estimate,” “forecast,” “believe,” “think,” “could,” “continue,” “intend,” “seek,” “p expressions contained in this Quarterly Report on Form 10-Q, are not guarantees of future 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, which the company may or may not be able to control. Further, the company may make changes to its business plans that could or will affect its results. 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 Item 1A included in the company’s Annual Report on Form 10-K for the year ended March 31, 2015, filed with the Securities and Exchange Commission (SEC) on May 28, 2015, as updated by subsequent filings with the SEC. 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 reports and undertakes no obligation to update such information.

The following information contained in this Form 10-Q should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in Item 1 of this Quarterly Report and related disclosures and the company's Annual Report on Form 10-K for the year ended March 31, 2015, filed with the SEC on May 28, 2015.

About Tidewater

The company's vessels and associated vessel services provide support of all phases of offshore exploration, field development and production. These services include towing of, and anchor handling for, mobile offshore drilling units; transporting supplies and personnel necessary to sustain drilling, workover and production activities; offshore construction, remotely operated vehicle (ROV) operations, and seismic and subsea support; and a variety of specialized

services such as pipe and cable laying. The company's offshore support vessel fleet includes vessels that are operated under joint ventures, as well as vessels that have been stacked or withdrawn from service. At December 31, 2015, the company owned or chartered 269 vessels (excluding nine joint venture vessels, but including 70 stacked vessels) and eight ROVs available to serve the global energy industry.

The company has one of the broadest geographic operating footprints in the offshore energy industry with operations in most of the world's significant offshore crude oil and natural gas exploration and production offshore regions. Our global operating footprint allows us to react quickly to changing local market conditions and to respond to the changing requirements of the many customers with which we believe we have strong relationships. The company is also one of the most experienced international operators in the offshore energy industry with over five decades of international experience.

Principal Factors That Drive Our Revenues

The company's revenues, net earnings and cash flows from operations are largely dependent upon the activity level (utilization) of our offshore support vessel fleet and average day rates that we earn from chartering our vessels and providing related vessel services. Overall business activity for offshore support vessels is largely dependent on the level of offshore oil and gas exploration, field development and production 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. For more discussion on factors that influence our revenues, see "Macroeconomic Environment and Outlook" in this Item.

The offshore support vessel industry is highly competitive and the company's revenues in all segments are dependent upon the company's ability to maintain a substantial fleet of vessels that are modern and efficient. 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 costs, insurance costs and loss reserves, fuel, lube oil and supplies costs, and other vessel operating costs.

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 vessels generally require a greater number of specially trained, more highly compensated fleet personnel than the company's older, smaller and less sophisticated vessels. The delivery of new-build offshore rigs and support vessels currently under construction may further increase the number of technologically sophisticated offshore rigs and support vessels operating worldwide. Crew costs may continue to increase as competition for skilled personnel intensifies, though a weaker offshore energy market should somewhat mitigate the upward trend in crew costs experienced in recent years. Overall labor costs will also be impacted by the company's operation of remotely operated vehicles (ROVs), which generally require more highly compensated personnel than the company's existing fleet.

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 and other major repairs and maintenance mandated by regulatory agencies. A certain number of periodic drydockings are required to meet regulatory requirements. The company will generally drydock a vessel and undertake other major repairs and maintenance 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 regulatory drydock or other major repairs and maintenance, 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 and other major repairs and maintenance costs, but it also generally 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 impact on the company’s revenues and operating costs.

At times, major repairs and maintenance and drydockings take on an increased significance to the company and its financial performance. Older vessels may require frequent and expensive repairs and maintenance. Newer vessels (generally those built after 2000), which now account for an overwhelming majority of the company’s revenues and vessel margin (vessel revenues less vessel operating costs), can also require expensive major repairs and maintenance, 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, repair and maintenance expense in any period could decline. The combination of these factors can create volatility in period to period repairs 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 major repairs and maintenance and 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 major repair and maintenance and drydocking costs and days off hire (due to vessels being drydocked) have contributed to volatility in repair and maintenance costs and vessel revenue. During this current industry down cycle the company has increased the number of vessel stackings thereby deferring drydocking and major repairs and maintenance costs in order to reduce vessel operating costs.

Insurance costs and loss reserves 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, lube and supplies 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, including commissions paid to unconsolidated joint venture companies, 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.

Sonatide Joint Venture

As previously reported, in November 2013, a subsidiary of the company and its joint venture partner in Angola, Sonangol Holdings Lda. ("Sonangol"), executed a new joint venture agreement for their joint venture, Sonatide. The new joint venture agreement is currently effective and will expire, unless extended, two years after a new Angolan entity, which is intended to be one of the Sonatide group of companies, has been incorporated. Based on recent communications the Angolan entity is expected to be incorporated in 2016 after certain Angolan regulatory approvals have been obtained.

The challenges for the company to successfully operate in Angola remain significant. As the company has previously reported, on July 1, 2013, additional elements of new legislation (the "forex law") became effective that generally require oil companies that engage in exploration and production activities offshore Angola through governmental concessions to pay for goods and services provided by foreign exchange residents in Angolan kwanzas that are

initially deposited into an Angolan bank account. The forex law also imposes documentation and other requirements on service companies such as Sonatide in order to effect payments that are denominated in currencies other than Angolan kwanzas. The forex law has resulted in substantial customer payments being made to Sonatide in Angolan kwanzas. A cumbersome payment process has burdened Tidewater's management of its cash and liquidity, because the conversion of Angolan kwanzas into U.S. dollars and the subsequent expatriation of the funds causes payment delays, additional operating costs and, through the company's 49% ownership of Sonatide, foreign exchange losses. The payment process exposes the company to further risk of currency devaluation prior to Sonatide's conversion of Angolan kwanza-denominated bank deposits to U.S. dollars and potentially additional taxes.

In response to the adoption of the new forex law, Tidewater and Sonangol negotiated and signed an agreement (the "consortium agreement") that allowed the Sonatide joint venture to enter into contracts with customers that allocate billings for services provided by Sonatide between (i) billings for local services that are provided by a foreign exchange resident (that must be paid in Angolan kwanzas), and (ii) billings for services provided offshore (that can be paid in U.S. dollars). Sonatide successfully converted select customer contracts to this split billing arrangement during the quarters ended March 31, 2015 and June 30, 2015. The consortium agreement expired in November 2015, and the parties have been discussing signing a

new consortium agreement for a one year term. If the parties are unable to agree on a new consortium agreement, the parties would need to negotiate the terms of a new agreement that would continue to allow the company to receive U.S. dollar payments for services provided offshore. In addition, it is not clear if this type of contracting will be available to Sonatide over the longer term. If the company is unable to reach agreement on a new split payment arrangement, any contract entered into after the expiration of the consortium agreement may result in the receipt of 100% Angolan kwanzas, which would be subject to the challenges and risks described above. The company believes that the split payment contracts entered into with customers prior to the expiration of the consortium agreement will remain in force until their expirations.

In November 2014, the National Bank of Angola issued new regulations controlling the sale of foreign currency. These regulations generally require oil companies to channel any U.S. dollar sales they choose to make through the National Bank of Angola to buy Angolan kwanzas that are required to be used to pay for goods and services provided by foreign exchange resident oilfield service companies. These foreign exchange resident oilfield services companies, in turn, generally have a need to source U.S. dollars in order to pay for goods and services provided offshore. The regulations continue to permit tripartite agreements among oil companies, commercial banks and service companies that provide for the sale of U.S. dollars by an oil company to a commercial bank in exchange for Angolan kwanzas. These same U.S. dollars are then sold onward by the commercial bank to the service company. The implementing regulations do, however, place constraints on those tripartite agreements that did not previously exist, and the period of time that the tripartite agreements will be allowed remains uncertain. If tripartite agreements or similar arrangements are not available to service companies in Angola that have a need for U.S. dollars, then such service companies will be required to source U.S. dollars exclusively through the National Bank of Angola. Sonatide has had some success to date in negotiating tripartite agreements and it continues to work with customers, commercial banks and the National Bank of Angola in regards to utilizing these arrangements.

For the fiscal year ended March 31, 2015, the company collected (primarily through Sonatide) approximately $338 million from its Angola operations, which is slightly less than the approximately $351 million of revenue recognized for the same period. Of the $338 million collected approximately $159 million represented U.S. dollars received by Sonatide on behalf of the company or U.S. dollars directly received by the company from customers. The balance of $179 million that was collected in fiscal 2015 resulted from Sonatide’s converting Angolan kwanzas into U.S. dollars and subsequently expatriating the U.S. dollars to Tidewater. Additionally, the company received an approximate $10 million dividend payment from the Sonatide joint venture during the third quarter of fiscal 2015.

For the nine months ended December 31, 2015, the company collected (primarily through Sonatide) approximately $182 million from its Angolan operations, which exceeds by $10 million the approximately $172 million of revenue recognized for the same period. Of the $182 million collected, approximately $93 million were U.S. dollars received by Sonatide on behalf of the company or U.S. dollars directly received by the company from customers. The balance of $89 million collected resulted from Sonatide’s converting Angolan kwanza into U.S. dollars and subsequently expatriating the dollars to Tidewater. Additionally, the company received an approximate $15 million dividend payment from the Sonatide joint venture during the third quarter of fiscal 2016. The company also reduced the due from affiliate and due to affiliate balances by approximately $65 million during the nine months ended December 31, 2015 through netting transactions based on agreement with the joint venture.

The company believes that the process for converting Angolan kwanzas continues to function reasonably well, but the tight U.S. dollar liquidity situation continues in Angola. Sonatide continues to press its commercial banks with which it has relationships to increase the amount of U.S. dollars that are made available to Sonatide.

As of December 31, 2015, the company had approximately $336 million in amounts due from Sonatide, with approximately half of the balance reflecting invoiced but unpaid vessel revenue related to services performed by the company through the Sonatide joint venture. Remaining amounts due to the company from Sonatide are generally supported by cash (primarily denominated in Angolan kwanzas) held by Sonatide that is pending conversion into U.S. dollars and the subsequent expatriation of such funds.

For the nine months ended December 31, 2015, Tidewater’s Angolan operations generated vessel revenues of approximately $172 million, or 22%, of its consolidated vessel revenue, from an average of approximately 66 Tidewater-owned vessels that are marketed through the Sonatide joint venture (eight of which were stacked on average during the nine months ended December 31, 2015), and, for the nine months ended December 31, 2014, generated vessel revenues of approximately $271 million, or 23%, of consolidated vessel revenue, from an average of approximately 83 Tidewater-owned vessels (four of which were stacked on average during the nine months ended December 31, 2014).

Sonatide owns eight vessels (three of which are currently stacked) and certain other assets, in addition to earning commission income from Tidewater-owned vessels marketed through the Sonatide joint venture (owned 49% by Tidewater). In addition, as of December 31, 2015, Sonatide maintained the equivalent of approximately $95 million of primarily Angolan kwanza-denominated deposits in Angolan banks, largely related to customer receipts that had not yet been converted to U.S. dollars, expatriated and then remitted to the company, and approximately $1 million of U.S. dollar-denominated deposits in banks outside of Angola. As of December 31, 2015 and March 31, 2015, 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 $43 million and $67 million, respectively.

Due from affiliate at December 31, 2015 and March 31, 2015 of approximately $336 million and $420 million, respectively, represents cash received by Sonatide from customers and due to the company, and amounts due from customers that are expected to be remitted to the company through Sonatide. The collection of the amounts due to Sonatide from customers, and the subsequent conversion and expatriation process are subject to those risks and considerations set forth above.

Due to affiliate at December 31, 2015 and March 31, 2015 of approximately $170 million and $186 million, respectively, represents amounts due to Sonatide for commissions payable (approximately $27 million and $66 million, respectively) and other costs paid by Sonatide on behalf of the company.

A new presidential decree regulating maritime transportation activities was enacted in Angola in 2014. Following recent discussions with port state authorities and local counsel, the company remains uncertain whether the authorities will interpret the decree to require one hundred percent Angolan ownership of local vessel operators such as Sonatide. This interpretation may result in the need to work with Sonangol to further restructure our Sonatide joint venture and our operations in Angola. The company is seeking further clarification of the new decree. The company is exploring potential alternative structures in order to comply.

The Angolan government enacted a new statute, which came into effect on June 30, 2015, for a new levy that could impose an additional 10% surcharge on certain foreign exchange transactions. The specific details of the levy have not yet been disclosed and it is not clear if this new statute will apply to Sonatide’s scope of operations. The additional surcharge has not been imposed on any Sonatide transactions to date. The company has undertaken efforts to mitigate the effects of the levy, in the event the levy does apply to Sonatide’s operations, including successfully negotiating rate adjustments and termination rights with some of its customers. The company will be unlikely to completely mitigate the effects of the levy, resulting in increased costs and lower margins, if the levy is interpreted to apply to Sonatide’s operations.

Management continues to explore ways to profitably participate in the Angolan market while looking for opportunities to reduce the overall level of exposure to the increased risks that the company believes currently characterize the Angolan market. Included among mitigating measures taken by the company to address these risks is the redeployment of vessels from time to time to other markets where there is adequate demand for the company’s vessels.

During the year ended March 31, 2015, the company redeployed vessels from its Angolan operations to other markets and also transferred vessels into its Angolan operations from other markets resulting in a net 13 vessels transferred out of Angola. Redeployment of vessels to and from Angola during the nine months ended December 31, 2015 has resulted in a net 18 vessels transferred out of Angola.

As the company considers the redeployment of additional vessels from Angola to other markets, there would likely be temporary negative financial effects associated with such redeployment, 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 Tidewater's results of operations and cash flows for the periods when such costs would be incurred. The recent decline in crude oil and natural gas prices, the reduction in spending expectations among E&P companies, the number of new-build vessels which are expected to deliver within the next two years and the resulting potential overcapacity in the worldwide offshore support vessel market may exacerbate such negative financial effects, particularly if a large re-deployment were undertaken by the company in the near- to intermediate-term.

International Labour Organization's Maritime Labour Convention

The International Labour Organization's Maritime Labour Convention, 2006 (the "Convention") mandates globally, among other things, seafarer living and working conditions (accommodations, wages, conditions of employment, health and other benefits) aboard ships that are engaged in commercial activities. Since its initial entry into force on August 20, 2013, a total of 70 countries have ratified the Convention, making for a more diverse geographic footprint of enforcement.

Accordingly, the company continues prioritizing certification of its vessels to Convention requirements based on the dates of enforcement by countries in which the company has operations, performs maintenance and repairs at shipyards, or may make port calls during ocean voyages. Once obtained, vessel certifications are maintained regardless of the area of operation. Additionally, where possible, the company continues to work with operationally identified flag states to seek substantial equivalencies to comparable national and industry laws that meet the intent of the Convention. When obtained, these substantial equivalencies, allow the company to maintain its long-standing operational protocols that meet the requirements of the Convention and mitigate changes in business processes that would offer no additional substantive benefits to crew members. As ratifications continue, the company continues to assess its global seafarer labor relationships and fleet operational practices to not only ensure compliance with the Convention but also gauge the impact of effective enforcement, the effects of which cannot be reasonably estimated at this time.

Macroeconomic Environment and Outlook

The primary driver of our business (and revenues) is the level of our customers' capital and operating expenditures for offshore 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, estimates of current and future oil and natural gas production, the relative cost of exploring, developing and producing onshore and offshore oil and natural gas, and our customers' ability to access exploitable oil and natural gas resources. The prices of crude oil and natural gas are critical factors in our customers' investment and spending decisions, including their decisions to contract drilling rigs and offshore support vessels in support of offshore exploration, field development and production activities in the various global geographic markets, in most of which the company already operates.

After a significant decrease in the price of oil during fiscal 2015, largely due to an increase in global supply without a commensurate increase in worldwide demand, the price of crude oil has continued to decline during the quarter ended December 31, 2015 and in January 2016. Tidewater anticipates that its longer-term utilization and average day rate trends for its vessels will generally correlate with demand for, and the price of, crude oil, which during January 2016, was trading at below $30 per barrel for West Texas Intermediate (WTI) crude and for Intercontinental Exchange (ICE) Brent crude, down from $45 and $48 per barrel, respectively, in October 2015 and $48 and $50 per barrel, respectively, in January 2015. The current pricing outlook and recent trend in crude oil prices will likely continue to suppress additional drilling and exploration activity. Current prices for WTI and ICE Brent are significantly below the average prices per barrel reportedly used in exploration and production (E&P) companies' capital expenditure budgets as reported in numerous calendar 2016 E&P spending surveys. These surveys have forecasted an overall spending reduction of 11 to 17% which includes a reduction in offshore spending of 20 to 25% as compared to calendar 2015 levels. This forecasted reduction is expected to continue a trend of decreasing E&P spending from already depressed levels in 2015. The surveys also recognize that if oil and gas prices ultimately remain below levels assumed in the E&P capital expenditure budgets for 2016, the probability of further reductions in 2016 E&P spending is very likely.

The production of unconventional gas resources in North America and the commissioning of a number of new, large, Liquefied Natural Gas (LNG) export facilities around the world have also contributed to an oversupplied natural gas market. High levels of onshore gas production along with a prolonged downturn in natural gas prices would be expected over the short and intermediate term to negatively impact the offshore exploration and development plans of energy companies, which in turn would suppress demand for offshore support vessel services. The impact of lower gas prices in recent years has been most pronounced in our Americas segment and specifically in our U.S. operations where natural gas is a more prevalent, exploitable hydrocarbon resource. In January 2016, natural gas was trading in the U.S. at approximately $2.11 per Mcf, down from the October 2015 level of $2.65 per Mcf and the January 2015 level of $3.15 per Mcf.

Deepwater activity is a significant segment of the global offshore crude oil and natural gas markets, and, when the commodity pricing environment improves, it could be a source of potential long-term growth for the company. 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 crude oil and natural gas pricing assumptions. Although these projects are generally less susceptible to short-term fluctuations in the price of crude oil and natural gas, the recent decrease in crude oil prices has already caused, and may continue to cause, E&P companies to reevaluate their future capital expenditures in regards to deepwater projects.

Reports published by IHS-Petrodata in December 2015 indicate that the worldwide movable offshore drilling rig count is estimated at approximately 940 rigs, of which approximately 550 offshore rigs were working as of December 2015, a decrease of approximately 19%, or 125 working rigs, since the beginning of the company’s 2016 fiscal year. While the

supply of, and demand for, offshore drilling rigs that meet the technical requirements of end user exploration and development companies may be key drivers of pricing for contract drilling services, the company believes that the number of rigs working offshore rather than the total population of moveable offshore drilling rigs is a better indicator of overall offshore activity levels and the demand for offshore support vessel services.

Of the estimated 940 movable offshore rigs worldwide, approximately 33%, or approximately 310 rigs, are designed to operate in deeper waters. Of the approximately 550 working offshore rigs in December 2015, approximately 185 rigs, or 34%, are designed to operate in deeper waters. As of December 2015, the number of working deepwater rigs was approximately 29% less than the number of deepwater rigs working a year ago. It is further estimated that approximately 35% of the approximate 205 total offshore rigs currently under construction, or approximately 70 rigs, are being built to operate in deeper waters, suggesting that newbuild deepwater rigs represent 36% of the approximately 185 deepwater rigs working in December 2015. As such, there is some uncertainty as to whether the deepwater rigs currently under construction will, at least in the near to intermediate-term, increase the working fleet or merely replace older, less productive drilling units. As a result, it is not clear what impact the delivery of additional rigs (deepwater and otherwise) within the next several years will have on the working rig count, especially in an environment of expected reduced E&P spending.

Investment is also being made in the floating production unit market, with approximately 70 new floating production units under construction and expected to be delivered primarily over the next three years to supplement the approximately 350 floating production units already installed worldwide, however, given the current economic environment, the risk of cancellation of some new build contracts or the stacking of installed but underutilized floating production units continues to increase.

Worldwide shallow-water exploration and production activity has also decreased during the last twelve months. According to IHS-Petrodata, there were approximately 335 working jack-up rigs as of December 2015 (60% of the 550 working offshore rigs), which is a decrease of approximately 18% from the number of jack-up rigs working a year ago. The construction backlog for new jack-up rigs has decreased approximately 10% over the last twelve months to approximately 125 jack-up rigs, nearly all of which are scheduled for delivery in the next three years. As discussed above with regards to the deepwater rig market and recognizing that 125 newbuild jackup rigs represent 37% of the approximately 335 jack up rigs working in December 2015, there is also uncertainty as to how many of the jack-up rigs currently under construction will either increase the working fleet or replace older, less productive jack-up rigs.

Also, according to IHS-Petrodata, there are approximately 465 new-build offshore support vessels (deepwater PSVs, deepwater AHTS vessels and towing-supply vessels only) either under construction (365 vessels), on order or planned as of December 2015. The majority of the vessels under construction are scheduled to be delivered within the next 18 months, however, the company believes not all of these vessels will ultimately be completed based on current and expected future offshore E&P market conditions. Further increases 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.

As of December 2015, the worldwide fleet of these classes of offshore support vessels (deepwater PSVs, deepwater AHTS vessels and towing-supply vessels only) is estimated at approximately 3,380 vessels which include approximately 630 vessels that are at least 25 years old and nearing or exceeding original expectations of their estimated economic lives. These older vessels, of which we estimate the majority are already stacked or not actively marketed by the vessels' owners, could potentially be removed from the market in the near future if the cost of extending the vessels' lives is not economical, especially in light of recent market conditions. Excluding the 630 vessels that are at least 25 years old from the overall population, the company estimates that the number of offshore support vessels under construction (365 vessels) represents approximately 13% of the remaining worldwide fleet of approximately 2,750 offshore support vessels.

In addition, we and other offshore support vessel owners have selectively stacked more recently constructed vessels as a result of the significant reduction in our customers' offshore oil and gas-related activity and the resulting more challenging offshore support vessel market that has existed since late 2014. Should market conditions continue to deteriorate, the stacking or underutilization of additional recently constructed vessels by the offshore supply vessel industry is likely.

Although the future attrition rate of the 630 older offshore support vessels cannot be determined with certainty, the company believes that the retirement and/or sale to owners outside of the oil and gas market of a vast majority of these aged vessels (a majority of which the company believes have already been stacked or are not being actively marketed by the vessels' owners) could mitigate the potential negative effects on vessel utilization and vessel pricing of (i) additional offshore support vessel supply resulting from the delivery of additional new-build vessels and (ii) reduced demand for

offshore support vessels resulting from reduced E&P spending. Similarly, the cancellation or deferral of delivery of some portion of the 365 offshore support vessels that are under construction according to IHS-Petrodata would also mitigate the potential negative effects on vessel utilization and vessel pricing of reduced demand for offshore support vessels resulting from reduced E&P spending.

As discussed above, additional vessel demand, which also could mitigate the possible negative effects of the new-build vessels being added to the offshore support vessel fleet, could be created by the delivery of new drilling rigs and floating production units to the extent such new drilling rigs and/or floating production units both become operational and are not offset by the idling or retirement of existing active drilling rigs and floating production units

Although we believe investment in additional rigs, especially those capable of operating in deeper waters, indicates offshore rig owner's longer-term expectation for higher levels of activity, the recent decline in crude oil and natural gas prices, the reduction in spending expectations among E&P companies and the number of new-build vessels which are expected to deliver within the next 18 months indicates that there may be, at least in the short to intermediate-term, a period of potential overcapacity in the worldwide offshore support vessel fleet which may lead to lower utilization and average day rates across the offshore support vessel industry.

Fiscal 2016 Third Quarter Business Highlights

During the first nine months of fiscal 2016 the company continued to focus on identifying potential cost savings that could be realized in the context of lower crude oil prices and reduced E&P spending. Key elements of the company's strategy include sustaining the company's offshore support vessel fleet and its global operating footprint, and maintaining a strong balance sheet and adequate liquidity to fund operations and the remaining payments related to nine vessel under construction at December 31, 2015, and compliance with debt covenants. Operating management is focused on safe operations, minimizing unscheduled vessel downtime, improving the oversight over major repairs and maintenance projects and drydockings and maintaining disciplined cost control.

At December 31, 2015, the company had 269 owned or chartered vessels (excluding joint-venture vessels) in its fleet with an average age of 9.1 years. The average age of 246 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 approximately 7.3 years.

The company's consolidated net loss for the first nine months of fiscal 2016 increased 40%, or $22.3 million, as compared to the same period in fiscal 2015, primarily due to a 32% decrease in total revenues, which was partially offset by a 28% decrease in vessel operating costs, and a 19% decrease in general and administrative expenses. In addition, net earnings for the first nine months of fiscal 2016 reflect a 178% decrease to equity in net earnings (losses) of unconsolidated companies, and a $53.7 million increase in asset impairments. During the first nine months of fiscal 2016, the company also recorded a restructuring charge of $7.6 million primarily related to its Brazilian and Australian operations. The company recorded $775.4 million in vessel revenues during the first nine months of fiscal 2016, which is a decrease of $375.2 million, or 33%, over the vessel revenues earned during the same period in fiscal 2015. The overall decrease in revenues for the nine-month period ended December 31, 2015 is a result of customer reductions in exploration and production spending due to relatively weak oil and gas fundamentals which have impacted vessel utilization and average day rates of offshore supply vessels worldwide. Lower vessel utilization in the first nine months of fiscal 2016 reflects, in part, our stacking of 49, net additional vessels worldwide. The stacking of vessels also resulted in our recognizing asset impairments totaling $55.5 million during the first nine months of fiscal 2016. In addition to these asset impairments, the company also recognized $3 million in asset impairments related to the active vessel fleet and $3.3 million of other asset impairment and write-offs. Vessel operating costs and general and administrative expenses also decreased, reflecting the decline in the number of operating vessels and other cost control measures implemented by the company as a result of current market conditions. Our subsea business generated

revenues of $6.1 million during the first nine months of fiscal 2016 which is included in other operating revenues.

Vessel revenues generated by our Americas segment decreased approximately 28%, or $109.2 million, during the first nine months of fiscal 2016 as compared to the vessel revenues earned during the same period in fiscal 2015, primarily due to a $76.3 million decrease in revenues earned on the deepwater vessels, reflecting a 23 percentage point decrease in utilization and a 15% decrease in average day rates. Vessel operating costs for the Americas segment also decreased 23%, or $47.1 million (inclusive of a 26%, or $10.8 million, decrease in repairs and maintenance expense, which includes our major repairs and regulatory drydocking costs), during the same comparative periods. During the nine-month period

ended December 31, 2015, the company recorded $3.6 million of restructuring charges related to its Brazilian operations which are included in the Americas segment, as a result of the termination of mariners who were entitled to severance payments under the terms of the enterprise bargaining agreements and in accordance with and Brazilian labor laws.

Vessel revenues generated by our Asia/Pacific segment decreased 35%, or $42 million, during the first nine months of fiscal 2016 as compared to the same period in fiscal 2015, due to a $23.1 million decrease in revenues earned on the towing supply vessels reflecting a 15 percentage point decrease in utilization and a 45% decrease in average day rates of towing supply vessels operating in the segment and a $16 million decrease in revenues earned on the deepwater vessels reflecting a 25 percentage point decrease in utilization and a 14% decrease in average day rates of deepwater vessels operating in the segment. Vessel operating costs for the Asia/Pacific segment decreased 43%, or $36.7 million (inclusive of a 60%, or $9.4 million, decrease in repairs and maintenance expense, which includes our major repairs and regulatory drydocking costs), during the same comparative periods. During the nine-month period ended December 31, 2015, the company recorded $4.0 million of restructuring charges related to its Australian operations which are included in the Asia/Pacific segment, as a result of the termination of mariners who were entitled to severance payments under the terms of the enterprise bargaining agreements and in accordance with Australian labor laws.

Vessel revenues generated by our Middle East/North Africa segment decreased 17%, or $27.5 million, during the first nine months of fiscal 2016 as compared to the revenues earned during the same period in fiscal 2015, primarily due to a $21.5 million decrease in revenues earned on the towing-supply vessel class reflecting a nine percentage point decrease in utilization and a 14% decrease in average day rates. Vessel operating costs for the Middle East/North Africa segment also decreased 19%, or $17.7 million (inclusive of a 2%, or 0.4 million, decrease in repairs and maintenance expense, which includes our major repairs and regulatory drydocking costs), during the same comparative periods.

Vessel revenues generated by our Sub-Saharan Africa/Europe segment decreased 41%, or $196.5 million, during the first nine months of fiscal 2016 as compared to the revenues earned during the same period in fiscal 2015, primarily due to a decrease in revenues earned from deepwater and towing-supply vessels of 53%, or $137.7 million, and 27% or $44.1 million, respectively. Revenue decreases for these vessel classes is primarily the result of respective 27 and 15 percentage point decreases in utilization and 29% and 4% respective decreases in average day rates, as compared to the same period of the preceding fiscal year. Vessel operating costs for the Sub-Saharan Africa/Europe segment decreased 30%, or $76 million (inclusive of a 57%, or $32.2 million, decrease in repairs and maintenance expense, which includes our major repairs and regulatory drydocking costs), during the same comparative periods.

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

Results of Operations

We manage and measure our business performance primarily based on four distinct geographic operating segments: Americas, Asia/Pacific, Middle East/North Africa, and Sub-Saharan Africa/Europe. The following table compares vessel revenues and vessel operating costs (excluding general and administrative expenses, depreciation expense, and gains on asset dispositions, net) for the company's owned and operated vessel fleet and the related percentage of vessel revenue for the quarters and nine-month periods ended December 31, 2015 and 2014 and for the quarter ended September 30, 2015:

	Quarter Ended December 31,				Nine Months Ended December 31,				Quarter Ended September 30,	
(In thousands)	2015	%	2014	%	2015	%	2014	%	2015	%
Vessel revenues:										
Americas	$75,963	36 %	134,554	36 %	279,345	36 %	388,550	34 %	89,210	34 %
Asia/Pacific	19,144	9 %	35,046	9 %	79,254	10 %	121,284	10 %	32,173	12 %
Middle East/North Africa	40,184	19 %	55,925	15 %	132,786	17 %	160,301	14 %	45,336	17 %
Sub-Saharan Africa/Europe	77,617	36 %	152,601	40 %	283,967	37 %	480,453	42 %	97,412	37 %
Total vessel revenues	$212,908	100%	378,126	100%	775,352	100%	1,150,588	100%	264,131	100%
Vessel operating costs:										
Crew costs	$71,270	33 %	104,167	28 %	247,670	32 %	330,086	29 %	84,112	32 %
Repair and maintenance	14,811	7 %	46,418	12 %	80,593	10 %	133,481	12 %	28,528	11 %
Insurance and loss reserves	1,689	1 %	3,093	1 %	9,815	1 %	10,470	1 %	2,751	1 %
Fuel, lube and supplies	16,369	8 %	24,710	7 %	51,626	7 %	69,900	6 %	17,147	6 %
Other	20,955	10 %	31,977	8 %	73,283	10 %	96,491	8 %	26,074	10 %
Total vessel operating costs	$125,094	59 %	210,365	56 %	462,987	60 %	640,428	56 %	158,612	60 %

The following table compares other operating revenues and costs related to brokered vessels, ROVs and other miscellaneous marine-related activities for the quarters and nine-month periods ended December 31, 2015 and 2014 and for the quarter ended September 30, 2015:

	Quarter Ended December 31,		Nine Months Ended December 31,		Quarter Ended September 30,
(In thousands)	2015	2014	2015	2014	2015
Other operating revenues	$5,283	9,428	19,536	20,167	7,792
Costs of other operating revenues	3,778	8,395	15,624	19,616	6,102

The following table presents vessel operating costs by the company's four geographic segments, the related segment vessel operating costs as a percentage of segment vessel revenues, total vessel operating costs and the related total vessel operating costs as a percentage of total vessel revenues for the quarters and nine-month periods ended December 31, 2015 and 2014 and for the quarter ended September 30, 2015:

	Quarter Ended				Nine Months Ended				Quarter Ended September 30,	
	December 31,				December 31,					
(In thousands)	2015	%	2014	%	2015	%	2014	%	2015	%
Vessel operating costs:										
Americas:										
Crew costs (A)	$24,342	32%	37,250	28 %	88,517	32%	110,765	28%	30,416	34%
Repair and maintenance	4,713	6 %	18,763	14 %	30,159	11%	40,985	10%	10,713	12%
Insurance and loss reserves	427	1 %	668	<1%	3,230	1 %	2,762	1 %	918	1 %
Fuel, lube and supplies	5,830	8 %	7,728	6 %	16,240	6 %	22,527	6 %	5,995	7 %
Other	5,616	7 %	8,339	6 %	18,334	6 %	26,504	7 %	5,704	6 %
	40,928	54%	72,748	54 %	156,480	56%	203,543	52%	53,746	60%
Asia/Pacific:										
Crew costs (A)	$7,246	38%	13,628	39 %	28,773	36%	53,301	44%	11,302	35%
Repair and maintenance	2,355	12%	4,473	13 %	6,360	8 %	15,763	13%	1,929	6 %
Insurance and loss reserves	278	2 %	595	2 %	1,185	2 %	1,233	1 %	330	1 %
Fuel, lube and supplies	1,982	10%	2,834	8 %	6,077	8 %	8,726	7 %	1,698	5 %
Other	2,286	12%	1,884	5 %	6,556	8 %	6,607	6 %	2,047	7 %
	14,147	74%	23,414							