

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934—For the Fiscal Year Ended March 31, 2002

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 or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

601 Poydras Street, New Orleans, Louisiana

70130

(Address of principal executive offices)

(Zip Code)

Registrant's Telephone Number, including area code (504) 568-1010

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

Title of each class

Name of each exchange on which registered

Common Stock, par value \$0.10
Preferred Stock Purchase Rights

New York Stock Exchange, Pacific Stock Exchange
New York Stock Exchange, Pacific Stock Exchange

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

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

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Table of Contents

As of April 15, 2002, the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$2,239,177,461. Excluded from the calculation of market value are 4,349,454 shares held by the Registrant's grantor stock ownership trust.

56,231,217 shares of Tidewater Inc. common stock \$0.10 par value per share were outstanding on April 15, 2002. Excluded from the calculation of shares outstanding at April 15, 2002 are 4,349,454 shares held by the Registrant's grantor stock ownership trust. Registrant has no other class of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for Registrant's 2002 Annual Meeting of Stockholders are incorporated into Part III of this report.

TABLE OF CONTENTS

<u>Item</u>		<u>Page Number</u>
Part I		
1 & 2.	Business and Properties	3
3.	Legal Proceedings	10
4.	Submission of Matters to a Vote of Security Holders	10
4A.	Executive Officers of the Registrant	10
Part II		
5.	Market for the Registrant's Common Stock and Related Stockholder Matters	11
6.	Selected Financial Data	11
7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	12
7A.	Quantitative and Qualitative Disclosures About Market Risk	26
8.	Financial Statements and Supplementary Data	27
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	27
Part III		
10.	Directors and Executive Officers of the Registrant	27
11.	Executive Compensation	27
12.	Security Ownership of Certain Beneficial Owners and Management	27
13.	Certain Relationships and Related Transactions	28
Part IV		
14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K	28

[Table of Contents](#)

Forward Looking Information and Cautionary Statement

In accordance with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the company notes that certain statements set forth in Items 1 and 7 and elsewhere in this report, which provide other than historical information and which are forward looking, involve risks and uncertainties that may impact the company's actual results of operations. The company faces many risks and uncertainties, many of which are beyond the control of the company, including: fluctuations in oil and gas prices; level of fleet additions by competitors; changes in capital spending by customers in the energy industry for exploration, development and production; unsettled political conditions, civil unrest and governmental actions, especially in higher risk countries of operations; foreign currency fluctuations; and environmental and labor laws. Other risk factors are discussed elsewhere in this Form 10-K.

Forward-looking statements, which can generally be identified by the use of such terminology as "may," "expect," "anticipate," "estimate," "forecast," "believe," "think," "could," "will," "continue," "intend," "seek," "plan," "should," "would" and similar expressions contained in this report, are predictions and not guarantees of future performance or events. The forward-looking statements are based on current industry, financial and economic information, which the company has assessed but which by its nature is dynamic and subject to rapid and possibly abrupt changes. The company's actual results could differ materially from those stated or implied by such forward-looking statements due to risks and uncertainties associated with our business. The forward-looking statements should be considered in the context of the risk factors listed above and discussed elsewhere in this Form 10-K. Investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements. Management disclaims any obligation to update or revise the forward-looking statements contained herein to reflect new information, future events or developments.

PART I

ITEMS 1 and 2. BUSINESS AND PROPERTIES

General

Tidewater Inc. (the "company"), a Delaware corporation, provides offshore supply vessels and marine support services to the offshore energy industry through the operation of the world's largest fleet of offshore marine service vessels. The company's worldwide headquarters and principal executive offices are located at 601 Poydras Street, New Orleans, Louisiana 70130, and its telephone number is (504) 568-1010. The company was incorporated in 1956. Unless otherwise required by the context, the term "company" as used herein refers to Tidewater Inc. and its consolidated subsidiaries.

With a fleet of over 550 vessels, the company operates (either through its consolidated entities or joint-ventures in which it participates), and has a leading market share, in most of the world's significant oil and gas exploration and production markets and provides services supporting all phases of offshore exploration, development and production, including: towing of and anchor handling of mobile drilling rigs and equipment; transporting supplies and personnel necessary to sustain drilling, workover and production activities; assisting in offshore construction activities; and a variety of specialized services including pipe laying, cable laying and 3-D seismic work.

Recent Developments

For the past two fiscal years the company has been engaged in an aggressive deepwater new-build vessel construction and deepwater vessel acquisition program to facilitate the company's entrance into the deepwater markets of the world. The company has committed \$711 million for the purchase and construction of 32 large deepwater vessels of which 19 vessels have been delivered, crewed and signed into contracts of varied terms. The company initiated a fleet replacement program concurrent with its deepwater vessel program and has committed through March 31, 2002, \$71 million for the construction of six supply vessels, which are expected to be delivered to the market beginning in October 2002. In order

[Table of Contents](#)

to avoid potential overcapacity in our markets that could be created through the addition of these vessels, the company has sold and/or scrapped 180 vessels between April 1999 and March 2002.

The company also entered into a crewboat expansion program during fiscal 2002 by acquiring 11 existing crewboats and committing to the construction of 11 additional crewboats of which three were delivered during fiscal 2002. Eighteen of the vessels are large traditional crewboats, with the balance of the program committed to the construction of four, state-of-the-art, fast, crew/supply vessels. The acquisition of these crewboats has allowed the company to meet its customers' demand for crewboats—a fast-growing segment of the offshore marine service market, and expand the company's market share in the U.S. Gulf of Mexico. Crewboats typically maintain higher utilization rates and have lower maintenance costs compared to supply vessels. In addition, the crewboat market has fewer competitors as compared to the supply vessel market.

During fiscal 2001, the company sold four vessels to one of its 49%-owned unconsolidated marine joint ventures, Sonatide Marine, Ltd., and sold its 40% holding in another unconsolidated joint venture, National Marine Service. During fiscal 2000 the company acquired six new-build vessels from an industry competitor. The package of vessels included one supply vessel, two offshore tugs and three crewboats.

The company has been financing all of its vessel commitment programs from current cash balances, operating cash flow and its revolving credit facility. At March 31, 2002, the company had 27 vessels under construction with a total capital commitment of \$468.3 million, of which the company has already expended \$182.5 million. A full discussion of each event including capital commitments and scheduled delivery dates is disclosed in the "Vessel Acquisition and Construction Programs" and "Vessel Dispositions" section of Item 7 and Note 8 of Notes to Consolidated Financial Statements.

Areas of Operation

The company's fleet is deployed in the major offshore oil and gas areas of the world. The principal areas of the company's operations include the U.S. Gulf of Mexico, the North Sea, the Persian Gulf, and areas offshore Australia, Brazil, Egypt, India, Indonesia, Malaysia, Mexico, Trinidad, Venezuela and West Africa. The company conducts its operations through wholly-owned subsidiaries and joint ventures. Information concerning revenues and operating profit derived from domestic and international marine operations and domestic and international marine identifiable assets for each of the fiscal years ended March 31 are summarized below:

	(in thousands)		
	2002	2001	2000
Revenues:			
Vessel operations:			
United States	\$ 203,648	197,660	140,090
International	511,713	386,271	398,427
Other marine operations	13,668	32,748	36,298
	<u>\$ 729,029</u>	<u>616,679</u>	<u>574,815</u>
Operating profit:			
Vessel operations:			
United States	\$ 56,128	26,812	(4,694)
International	145,412	65,241	78,888
Other marine operations	4,042	7,137	6,254
Gain on sales of assets	6,380	22,750	19,441
	<u>\$ 211,962</u>	<u>121,940</u>	<u>99,889</u>
Identifiable assets:			
United States	\$ 370,836	293,070	267,411
International	1,229,802	1,063,709	881,803
Total marine assets	<u>\$ 1,600,638</u>	<u>1,356,779</u>	<u>1,149,214</u>

Please refer to Item 7 of this report and Note 10 of Notes to Consolidated Financial Statements for further discussion of revenues, operating profit and identifiable assets.

[Table of Contents](#)

Marine Vessel Fleet

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

Deepwater Vessels. The company's newest class of vessel is its deepwater vessel class, which is often categorized as North Sea-type vessels. Included in this class are large platform supply vessels and large, high-horsepower (averaging around 15,000 horsepower) anchor handling towing supply vessels. This vessel class is chartered to customers for use in transporting supplies and equipment from shore bases to deepwater and intermediate offshore drilling rigs, platforms and other installations. Platform supply vessels, characterized with large cargo handling capabilities, serve drilling and production facilities and support offshore construction and maintenance work. The anchor handling towing supply vessels are equipped for and are capable of towing drilling rigs and other marine equipment along with setting anchors for positioning and mooring drilling rigs.

Towing Supply and Supply Vessels. This is the company's fleet class that has the largest number of vessels. Included in this class are anchor handling towing supply vessels and supply vessels with average horsepower below 10,000 BHP, and platform supply vessels that are generally less than 220 feet. The respective vessels in this class perform the same functions and services their deepwater vessel class counterparts perform except this class of vessels is chartered to customers for use in the intermediate and shallow water offshore drilling rigs, platforms and other installations.

Crewboats and Utility Vessels. Crewboats and utility vessels are chartered to customers for use in transporting personnel and small quantities of supplies from shore bases to offshore drilling rigs, platforms and other installations.

Offshore Tugs. Offshore tugs tow floating drilling rigs; dock tankers; tow barges; assist pipe laying, cable laying and construction barges; and are used in a variety of other commercial towing operations, including towing barges carrying a variety of bulk cargoes and containerized cargo.

Other Vessels. The company's vessels also include inshore tugs; inshore barges; offshore barges; and production, line-handling and various other special purpose vessels. Inshore tugs, which are operated principally within inland waters, tow drilling rigs to and from their locations, and tow barges carrying equipment and materials for use principally in inland waters for drilling and production operations. Barges are either used in conjunction with company tugs or are chartered to others.

Revenue Contribution of Main Classes of Vessels

Revenues from vessel operations were derived from the main classes of vessels. The table below includes the new vessel class category for the deepwater vessel fleet. The deepwater vessel revenues for the prior periods were included in the towing-supply/supply vessel class revenues. Accordingly, the prior fiscal years' revenue contribution percentages for the towing-supply/supply vessel class have been restated to exclude the revenues of the deepwater vessels for those periods.

	Year Ended March 31,		
	2002	2001	2000
Deepwater vessels	13.3%	6.9%	4.0%
Towing-supply/supply	65.0%	70.6%	68.8%
Offshore tugs	9.5%	9.6%	14.1%
Crew/utility	11.0%	11.5%	9.2%
Other	1.2%	1.4%	3.9%

[Table of Contents](#)

Shipyard Operations

Quality Shipyards, LLC, a wholly-owned subsidiary of the company, operates two shipyards in Houma, Louisiana, which construct, modify and repair vessels. While the shipyard performs some work for outside customers, the majority of its business relates to the construction, repair and modification of the company's vessels. On January 10, 2001, the company awarded Quality Shipyards, LLC four contracts for the construction of four large platform supply vessels, the first of which was delivered to the market during the fourth quarter of fiscal 2002. Also, during the fourth quarter of fiscal 2002, Quality Shipyards was awarded two replacement fleet construction contracts, which call for the construction of two 220-foot next generation supply vessels for a total cost of approximately \$22.2 million. Scheduled delivery for the two vessels is expected between April and July 2003.

Insurance

The operation of any marine vessel involves an inherent risk of catastrophic marine disaster, adverse weather conditions, mechanical failure, collisions, and property losses to the vessel and business interruption due to political action in countries other than the United States. Any such event may result in a reduction in revenues or increased costs. The company's vessels are insured for their estimated market value against damage or loss, including war and pollution risks. The company also carries workers' compensation, maritime employer's liability, general liability (including third party pollution) and other insurance customary in the industry.

The terrorist attacks on the United States on September 11, 2001 and the United States-led military response to counter terrorism and the continued threat of terrorist activity and other acts of war or hostility have created uncertainty in the insurance markets and have significantly increased the political, economic and social instability in some of the geographic areas in which the company operates. It is possible that further acts of terrorism may be directed against the United States domestically or abroad and such acts of terrorism could be directed against properties and personnel of U.S.-owned companies such as ours. The attacks and the resulting economic and political uncertainties, including the potential for further terrorist acts, have caused the premiums charged for our insurance coverage to increase, some dramatically. After the events of September 11, 2001 occurred, the company's insurance underwriters imposed higher premiums for war risk coverage on the company's vessels. The company currently maintains war risk coverage on its entire fleet. To date, the company has not experienced any property losses as a result of the political, economic and social instability resulting from the terrorist attacks.

Management believes that the company's insurance coverage is adequate. The company has not experienced a loss in excess of insurance policy limits; however, there is no assurance that the company's liability coverage will be adequate to cover all potential claims that may arise nor can the company claim that it will be able to maintain adequate insurance in the future at rates considered reasonable especially with the current level of uncertainty in the market resulting from the terrorist attacks on the United States on September 11, 2001.

Risks of Operating Internationally

The company's international marine vessel operations are subject to the usual risks inherent in doing business in countries other than the United States. Such risks include changing political conditions, possible vessel seizure, company nationalization or other governmental actions, currency restrictions and revaluations, import/export restrictions and terrorist attacks, all of which are beyond the control of the company. Recently, there has been a higher than usual level of anti-Western hostility and protests in the Middle East and Southeast Asia, where the company has substantial operations. Also, Venezuela recently experienced a military coup and then a counter-revolt, and the political outlook and stability in that country remains uncertain. Although it is impossible to predict the effect of any of these developments on the company, the company believes these risks to be within acceptable limits and, in view of the mobile nature of the company's principal revenue producing assets, does not consider them to constitute a factor materially adverse to the conduct of its international marine vessel operations as a whole.

[Table of Contents](#)

Industry Conditions, Competition and Customers

The company's operations are materially dependent upon the levels of activity in offshore oil and natural gas exploration, development and production throughout the world. Such activity levels are affected by the trends in worldwide crude oil and natural gas prices that are ultimately influenced by the supply and demand relationship for the natural resources. A discussion of current market conditions appears under "General Market Conditions and Results of Operations" in Item 7 of this report.

The principal competitive factors for the offshore vessel service industry are suitability and availability of equipment, price and quality of service. The company has numerous competitors in virtually all areas in which it operates. Certain customers of the company own and operate vessels to service certain of their offshore activities.

The company's diverse, mobile asset base and geographic distribution allow it to respond to changes in market conditions and provide a broad range of vessel services to its customers throughout the world. Management believes that the company has a significant competitive advantage because of the size, diversity and geographic distribution of its vessel fleet, the company's financial condition and economies of scale.

The company's principal customers are major oil and natural gas exploration, development and production companies, foreign government-owned or controlled organizations and companies that explore and produce oil and natural gas, and companies that provide other services to the offshore energy industry. Although one customer accounted for 10% and the five largest customers accounted for approximately 27% of its revenues during the year ended March 31, 2002, the company does not consider its operations dependent on any single customer.

Government Regulations

The company's vessels are subject to various statutes and regulations governing their operation and maintenance. Under the citizenship provisions of the Merchant Marine Act of 1920 and the Shipping Act, 1916, the company would lose the privilege of engaging in U.S. coastwise trade if more than 25% of the company's outstanding stock was owned by non-U.S. citizens. The company has a dual stock certificate system to prevent non-U.S. citizens from owning more than 25% of its common stock. In addition, the company's charter permits the company certain remedies with respect to any transfer or purported transfer of shares of the company's common stock that would result in the ownership by non-U.S. citizens of more than 24% of its common stock. Based on information supplied to the company by its transfer agent, approximately 3.6% of the company's outstanding common stock was owned by non-U.S. citizens as of March 31, 2002.

The company's vessels are subject to various statutes and regulations governing their operation. The laws of the United States provide that once a vessel is registered under a flag other than the United States, it cannot thereafter engage in U.S. coastwise trade. Therefore, the company's non-U.S. flag vessels must continue to be operated abroad, and if the company was not able to secure charters abroad for them, and work would otherwise have been available for them in the United States, its operations would be adversely affected. Of the total 555 vessels owned or operated by the company at March 31, 2002, 298 were registered under flags other than the United States and 257 were registered under the U.S. flag.

All of the company's offshore vessels are subject to international safety and classification standards. U.S. flag towing supply and supply vessels are required to undergo periodic inspections and to be recertified under drydock examination at least twice every five years. Vessels registered under flags other than the United States are subject to similar regulations as governed by the laws of the applicable jurisdictions.

Seasonality

The company's vessel fleet generally has its highest utilization rates in the warmer temperature months when the weather is more favorable for offshore exploration, development and construction work. However,

[Table of Contents](#)

business volume for the company is more dependent on oil and natural gas prices and the global supply and demand conditions for the company's services than any seasonal variation.

Environmental Compliance

During the ordinary course of business the company's operations are subject to a wide variety of environmental laws and regulations. The company attempts to comply in all material respects with these laws and regulations in order to avoid costly accidents and related environmental damage. Compliance with existing governmental regulations that have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had, nor is expected to have, a material effect on the company. The company is proactive in establishing policies and operating procedures for safeguarding the environment against any environmentally hazardous material aboard its vessels and at shore base locations. Whenever possible, hazardous materials are maintained or transferred in confined areas to ensure containment if accidents occur. In addition the company has established operating policies that are intended to increase awareness of actions that may harm the environment.

Employees

As of March 31, 2002, the company had approximately 6,800 employees worldwide. The company considers relations with its employees to be satisfactory. The company is not a party to any union contract in the United States but through several subsidiaries is a party to union agreements covering local nationals in several countries other than the United States. For the past few years, the company has been the target of a union organizing campaign for the U.S. Gulf of Mexico employees by maritime labor unions. These union efforts are still ongoing; however, activity has recently abated. If the Gulf employees were to unionize, the company's flexibility in managing industry changes in the domestic market could be adversely affected.

Business Risk Factors

The company operates in a business environment that has many risks. Listed below are some of the most critical risk factors that affect the company and the offshore marine service industry and should be considered when evaluating any forward-looking statement. The effect of any one risk factor or a combination of several risk factors could materially affect the company's results of operations and financial condition and the accuracy of any forward looking statement made in this Form 10-K.

Oil and Gas Prices Are Highly Volatile. Commodity prices for crude oil and natural gas are highly volatile. Prices are extremely sensitive to the supply/demand relationship for the respective natural resources. High demand for crude oil and natural gas and/or low inventory levels for the resources as well as any perceptions about future supply interruptions can cause commodity prices for crude oil and natural gas to rise, while generally, low demand for natural resources and/or increases in crude oil and natural gas supplies cause commodity prices for the respective natural resources to decrease.

Factors that affect the supply of crude oil and natural gas include but are not limited to the following: the Organization of Petroleum Exporting Countries' (OPEC) ability to control crude oil production levels and pricing, as well as, the level of production by non-OPEC countries; political and economic uncertainties; advances in exploration and development technology; worldwide demand for natural resources; and governmental restrictions placed on exploration and production of natural resources.

Changes in the Level of Capital Spending by Our Customers. The company's principal customers are major oil and natural gas exploration, development and production companies. The company's results of operations are highly dependent on the level of capital spending by the energy industry. The energy industry's level of capital spending is substantially related to the prevailing commodity price of natural gas and crude oil. Low commodity prices have the potential to reduce the amount of crude oil and natural gas that the company's customers can produce economically. When this market dynamic occurs the company's customers generally reduce their capital spending budgets for offshore drilling, exploration and development until commodity prices for natural resources increase to levels that can support increases in production and development and sustain growth.

Table of Contents

The Offshore Marine Service Industry is Highly Competitive. The company operates in a highly competitive environment. Competitive factors include price and quality of service by vessel operators and the quality and availability of vessels. Decreases in the level of offshore drilling and development activity by the energy industry can negatively affect the demand for the company's vessels subsequently applying downward pressure on day rates. Extended periods of low vessel demand and/or low day rates will reduce the company's revenues. Day rates for marine support vessels also depend on the supply of vessels. Generally, excess marine service capacity puts downward pressure on day rates. Excess capacity can occur when newly constructed vessels enter the market and when vessels are mobilized between market areas. While the company has committed to the construction of several vessels, it has also sold and/or scrapped a significant number of vessels over the last few years. A discussion about the company's new build and new vessel construction programs appears in Item 7 of this report.

Failure to Attract and Retain Key Management and Technical Personnel. The company's success depends upon the continued service of its executive officers and other key management and technical personnel, particularly the company's area managers and fleet personnel, and our ability to attract, retain, and motivate highly qualified personnel. The loss of the services of a number of the company's executive officers, area managers, fleet personnel or other key employees, or our ability to recruit replacements for such personnel or to otherwise attract, retain and motivate highly qualified personnel could harm the company. The company currently does not carry key employee life insurance payable to the company with respect to any of its management employees.

Risks Associated with Operating Internationally. For the fiscal years ended March 31, 2002, 2001 and 2000, 70.2%, 62.6% and 69.3%, respectively, of the company's total revenues were generated by international operations. The company is vulnerable to the risks associated with operating in foreign countries including political and economic instability, currency fluctuations and revaluations, the ability to recruit and retain management of overseas operations, company nationalization and other government actions, and vessel seizures—all or many of which are beyond the control of the company.

The terrorist attacks on the United States on September 11, 2001 and the United States-led military response to counter terrorism and the continued threat of terrorist activity and other acts of war or hostility have created uncertainty in the financial and insurance markets and may have significantly increased the political, economic and social instability in some of the geographic areas in which the company operates. It is possible that further acts of terrorism may be directed against the United States domestically or abroad and such acts of terrorism could be directed against properties and personnel of U.S.-owned companies such as ours. The attacks and the resulting economic and political uncertainties, including the potential for further terrorist acts, have caused the premiums charged for our insurance coverage to increase, some dramatically. To date, the company has not experienced any property losses or material adverse effects on its results of operations and financial condition as a result of the political, economic and social instability resulting from the terrorist attacks.

In addition to the foregoing general risks associated with its international operations, the company currently bears specific risks associated with its substantial offshore operations in the Middle East, Southeast Asia and Venezuela. Political and social unrest continues to be present throughout many regions of the Middle East and in Indonesia. Much of this turmoil can be traced to regional reaction to the United States military and political response to the terrorist attacks on the United States on September 11, 2001. Although, this reaction has not been as destabilizing as was initially feared, there continues to be a higher than normal level of unrest throughout the region. More recently, the potential for political instability has been exacerbated in the Middle East, including in countries with extensive oil and gas operations, with the escalation of hostilities between Israel and the Palestinians. At this time, it is not possible to assess at what time in the future political and social conditions in this region will return to normal. Although the escalated tensions have not adversely affected the company's operations in this region, the company, like other American companies engaged in business in the region, could be subject to the interruption of its operations, or other adverse developments, if the situation continues to deteriorate. Also, in early April 2002, Venezuela experienced a military coup of its elected President, which was followed almost immediately by a counter-revolt restoring the elected President to power. The political situation in Venezuela continues to be unstable. To date, the

[Table of Contents](#)

company's operations in Venezuela have not been affected by this political unrest, although the company believes that the risk of doing business in Venezuela has marginally increased.

ITEM 3. LEGAL PROCEEDINGS

The company is not a party to any litigation that, in the opinion of management, is likely to have a material adverse effect on the company's financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of fiscal 2002.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

<u>Name</u>	<u>Age</u>	<u>Position</u>
Dean E. Taylor	53	Chief Executive Officer since March 2002. President and member of the Board of Directors since October 2001. Executive Vice President from 2000 to 2001. Senior Vice President from 1998 to 2000.
Cliffé F. Laborde	50	Executive Vice President since 2000. Senior Vice President from 1992 to 2000. General Counsel since 1992.
Stephen W. Dick	52	Executive Vice President since December 2001. Senior Vice President from 1999 to 2001. Vice President from 1990 to 1999.
J. Keith Lousteau	54	Senior Vice President and Chief Financial Officer since 2000. Vice President from 1987 to 2000. Treasurer since 1987.
Joseph M. Bennett	46	Vice President and Principal Accounting Officer since 2000. Corporate Controller since 1990.

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

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The company's common stock is traded on the New York Stock Exchange and the Pacific Stock Exchange under the symbol TDW. At March 31, 2002, there were approximately 1,779 record holders of the company's common stock, based upon the record holder list maintained by the company's stock transfer agent. The following table sets forth the high and low closing sale prices of the company's common stock as reported on the New York Stock Exchange Composite Tape and the amount of cash dividends per share declared on Tidewater common stock for the periods indicated.

<u>Fiscal Year</u>	<u>Quarter</u>	<u>High</u>	<u>Low</u>	<u>Dividend</u>
2002	First	\$51.230	\$37.200	\$.15
	Second	39.550	24.130	.15
	Third	35.100	25.010	.15
	Fourth	43.400	30.100	.15
2001	First	\$40.125	\$26.500	\$.15
	Second	48.500	30.125	.15
	Third	49.686	38.063	.15
	Fourth	52.950	39.875	.15

ITEM 6. SELECTED FINANCIAL DATA

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

Years Ended March 31

(in thousands, except ratio and per share amounts)

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998(2)</u>
Revenues:					
Vessel revenues	\$ 715,361	583,931	538,517	911,048	1,001,651
Other marine revenues	13,668	32,748	36,298	57,944	58,510
	<u>\$ 729,029</u>	<u>616,679</u>	<u>574,815</u>	<u>968,992</u>	<u>1,060,161</u>
Earnings from continuing operations	\$ 136,159	86,143	76,590	210,719	243,038
Earnings from discontinued operations	—	—	—	—	10,723
Gain on sale of discontinued operations	—	—	—	—	61,738
	<u>\$ 136,159</u>	<u>86,143</u>	<u>76,590</u>	<u>210,719</u>	<u>315,499</u>
Per common share(1):					
Earnings from continuing operations	\$ 2.41	1.53	1.37	3.68	3.99
Earnings from discontinued operations	—	—	—	—	.18
Gain on sale of discontinued operations	—	—	—	—	1.01
	<u>\$ 2.41</u>	<u>1.53</u>	<u>1.37</u>	<u>3.68</u>	<u>5.18</u>
Total assets	\$1,669,370	1,505,492	1,432,336	1,394,458	1,492,839
Long-term debt	\$ 54,000	—	—	—	25,000
Working capital	\$ 152,891	205,000	328,856	198,532	114,907
Current ratio	3.07	3.45	5.39	3.41	1.56
Cash dividends declared per common share	\$.60	.60	.60	.60	.60

(1) All per share amounts were computed on a diluted basis.

(2) In fiscal 1998 the company sold its compression division for \$348 million, which resulted in an after-tax gain of \$61.7 million, or \$1.01 per share.

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

Overview

The company provides services and equipment to the global offshore energy industry through the operation of a diversified fleet of marine service vessels. Revenues, net earnings and cash flows from operations are dependent upon the activity level of the vessel fleet that is ultimately dependent upon oil and natural gas prices that, in turn, are determined by the supply/demand relationship for oil and natural gas. The following discussion should be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements and related disclosures.

Forward Looking Information and Cautionary Statement

In accordance with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the company notes that certain statements set forth in Item 7 and elsewhere in this report, which provide other than historical information and which are forward looking, involve risks and uncertainties that may impact the company's actual results of operations. The company faces many risks and uncertainties, many of which are beyond the control of the company, including: fluctuations in oil and gas prices; level of fleet additions by competitors; changes in capital spending by customers in the energy industry for exploration, development and production; unsettled political conditions, civil unrest and governmental actions, especially in higher risk countries of operations; foreign currency fluctuations; and environmental and labor laws. Other risk factors are discussed elsewhere in this Form 10-K.

Forward-looking statements, which can generally be identified by the use of such terminology as "may," "expect," "anticipate," "estimate," "forecast," "believe," "think," "could," "will," "continue," "intend," "seek," "plan," "should," "would" and similar expressions contained in this report, are predictions and not guarantees of future performance or events. The forward-looking statements are based on current industry, financial and economic information, which the company has assessed but which by its nature is dynamic and subject to rapid and possibly abrupt changes. The company's actual results could differ materially from those stated or implied by such forward-looking statements due to risks and uncertainties associated with our business. The forward-looking statements should be considered in the context of the risk factors listed above and discussed elsewhere in this Form 10-K. Investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements. Management disclaims any obligation to update or revise the forward-looking statements contained herein to reflect new information, future events or developments.

Critical Accounting Policies

The preparation of financial statements in accordance with accounting standards generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The company evaluates its estimates and assumptions including those related to deferred expenses, bad debts, impairment of long-lived assets, goodwill, income taxes, and contingencies on an ongoing basis based on a combination of historical information and various other assumptions that are considered reasonable under the particular circumstances. Actual results may differ from these estimates under different assumptions.

Management suggests that the company's Summary of Significant Accounting Policies, as described in Note 1 of the Notes to Consolidated Financial Statements, be read in conjunction with this Management's Discussion and Analysis of Financial Condition and Results of Operations. The company believes the critical accounting policies that most impact the company's consolidated financial statements are described below.

[Table of Contents](#)

Revenue Recognition. The company earns revenue primarily from the time charter contracts of its vessels based on a rate per day of service basis. The majority of contracts are term contracts whose terms range from three months to two years. The company also provides time charter contracts of its vessels on a "spot" basis. In a term contract, the base rate of hire generally remains constant; however, contracts often include escalating clauses to recover specific costs. A spot contract is a short-term agreement to provide offshore marine services to a customer for a specific short-term job. Spot contract terms generally range from one day to one week. Marine vessel revenues are recognized on a daily basis throughout the contract period.

Receivables. In the normal course of business, the company extends credit to its customers on a short-term basis. The company's principal customers are major oil and natural gas exploration, development and production companies. Although credit risks associated with our customers are considered minimal, the company routinely reviews its accounts receivable balances and makes adequate provisions for probable doubtful accounts.

The company self-insures potential hull damage and personal injury claims that may arise in the normal course of business. The company is exposed to insurance risk related to the company's contracts with various insurance entities through the use of reinsurance contracts. The reinsurance recoverable amount can vary depending on the size of a loss. The exact amount of the reinsurance recoverable is not known until all losses are settled. The company estimates the reinsurance recoverable amount it expects to receive and also estimates losses for claims that have occurred but have not been reported. The company also monitors its reinsurance recoverable balances regularly for possible reinsurance exposure and makes adequate provisions for probable doubtful reinsurance receivables. It is the company's opinion that its accounts and reinsurance receivables have no impairment other than that for which provisions have been made.

Goodwill. At March 31, 2002, the company's goodwill balance represented 20% of total assets and 26% of stockholders' equity. Goodwill primarily relates to the fiscal 1998 acquisition of O.I.L., Ltd., a British company. The company elected to adopt, as of April 1, 2001, Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," which establishes a new method of testing goodwill for impairment using a fair value-based approach and does not permit amortization of goodwill as previously required by Accounting Principles Board (APB) Opinion No. 17, "Intangible Assets." An impairment loss would be recorded if the recorded goodwill amount exceeds its implied fair value. As the company adopted SFAS No. 142 as of April 1, 2001, goodwill amortization was ceased at that time.

The company tests goodwill impairment annually at a reporting unit level, as required, using carrying amounts as of December 31. The company considers its reporting units to be its domestic and international operations. The implied fair value of the reporting unit is determined by discounting the projected future operating cash flows for the remaining average useful life of the assets within the reporting units by the company's related cost of capital. Impairment is deemed to exist if the implied fair value of the reporting unit is less than recorded goodwill for the reporting unit, and in such case, an impairment loss would be recognized equal to the excess. There are many assumptions and estimates underlying the determination of the implied fair value of each reporting unit, such as, utilization and average day rates for the vessels, vessel additions and attrition, operating expenses and tax rates. Although the company believes its assumptions and estimates are reasonable, deviations from the assumptions and estimates could produce a materially different result.

The company performed its annual impairment test as of December 31, 2001, and the test determined there was no goodwill impairment. Interim testing will be performed when events occur or circumstances indicate that the carrying amount of goodwill may be impaired. Examples of events or circumstances that might give rise to interim goodwill impairment testing include significant adverse industry or economic changes, unanticipated competition that has the potential to dramatically reduce the company's earning potential, legal issues, or the loss of key personnel. Goodwill amortization on a pre-tax basis for the year ended March 31, 2002 would have been \$9.1 million, or \$.11 per share after tax, had the company not adopted SFAS No. 142. For both fiscal years ended March 31, 2001 and 2000, pre-tax goodwill amortization amounted to \$9.2 million, or \$.11 per share after tax.

[Table of Contents](#)

For the fiscal years 2001 and 2000, the company amortized goodwill as previously required by APB Opinion No. 17, "Intangible Assets." For the fiscal years 2001 and 2000, the company had goodwill, net of accumulated amortization, which represented 22% and 24%, respectively, of total assets, and 28% and 30%, respectively, of stockholders' equity. The goodwill amount was amortized over 40 years. The company considered many factors in assigning such amortization period including the projected future cash flows of the acquired business and the effects of obsolescence, demand, competition and other economic factors that may reduce a useful life. Management periodically evaluated whether subsequent events or circumstances had occurred that indicated the remaining useful life of goodwill may warrant revision or that the remaining goodwill balance may not have been recoverable. If an evaluation were necessary, projected undiscounted future operating cash flows of the net assets acquired would have been compared to the carrying amount in order to determine if impairment existed. If goodwill was considered to be impaired, the impairment that would have been recognized was measured based upon projected discounted future operating cash flows using the company's average cost of funds for the discount rate. For fiscal 2001 and 2000, management determined that there was no persuasive evidence that any material portion of goodwill dissipated over a shorter period than the amortization period used.

Impairment of Long-Lived Assets. The company reviews long-lived assets for impairment whenever events occur or changes in circumstances indicate that the carrying amount of assets may not be recoverable. In such evaluation, the estimated future undiscounted cash flows generated by the asset are compared with the amount recorded for the asset to determine if a write-down may be required. The company estimates cash flow based upon historical data adjusted for the company's best estimate of future market performance that is based on industry trends. If impairment exists, the carrying value of the long-lived asset is reduced to the estimated fair value of the asset, based upon its estimated future discounted cash flows. Although the company believes its assumptions and estimates are reasonable, deviations from the assumptions and estimates could produce a materially different result.

Income Taxes. The company determines its effective tax rate by estimating its permanent differences resulting from differing treatment of items for tax and accounting purposes. The company is periodically audited by taxing authorities in the United States and by the respective tax agencies in the countries in which we operate internationally. The tax audits generally include questions regarding the calculation of taxable income. Audit adjustments affecting permanent differences could have an impact on the company's effective tax rate.

The carrying value of the company's net deferred tax assets assumes that the company will be able to generate sufficient future taxable income in certain tax jurisdictions to utilize such deferred tax assets, based on estimates and assumptions. If these estimates and related assumptions change in the future, the company may be required to record additional valuation allowances against its deferred tax assets resulting in additional income tax expense in the company's consolidated statement of operations. Management evaluates the realizability of the deferred tax assets quarterly and assesses the need for additional valuation allowances quarterly. While the company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event the company were to determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Should the company determine that it would not be able to realize all or part of its net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

Vessel Acquisition and Construction Programs

On January 10, 2001, the company entered into agreements with three shipyards for the construction of seven large platform supply and five large anchor handling towing supply vessels. All of these vessels are capable of working in most deepwater markets of the world. The total estimated cost for the vessels is approximately \$346.1 million, which includes shipyard commitments and other incidental costs such as spare parts, management and supervision, and outfitting costs. The new-build program was initiated in order to better service the needs of the company's customers in the deepwater markets of the world. Four of the platform supply vessels contracts were awarded to the company's shipyard, Quality Shipyards, LLC, while the remaining eight vessels are being built at two Far East shipyards. All four platform supply vessels constructed at Quality Shipyards, LLC will be built to full Jones Act compliance.

Eleven of the 12 vessels under contract have not yet been delivered. Quality Shipyards, LLC has completed the construction of one large platform supply vessel for an approximate cost of \$28.5 million. The vessel was delivered to the market during the fourth quarter of fiscal 2002. Scheduled delivery for the 11 remaining vessels is expected to begin in July 2002 with final delivery of the last vessel in September 2003.

[Table of Contents](#)

As of March 31, 2002, \$161.4 million has been expended on the remaining 11 vessels of the total estimated \$317.6 million of commitments.

During fiscal 2002 the company also committed to the construction of two large, North Sea-type platform supply vessels and six 220-foot next generation supply vessels for approximately \$105.1 million. One of the large platform supply vessels is being built in Norway and one in Brazil, and both are designed and equipped for deepwater work. The company's shipyard, Quality Shipyard, LLC, will construct two of the 220-foot platform supply vessels while a different U.S. shipyard will construct the remaining four. The six vessels are intermediate in size and are technically capable of working in certain deepwater markets; however, these vessels are being constructed in order to replace older supply vessels. Scheduled delivery of the eight vessels is expected to commence in July 2002 with final delivery in July 2003. As of March 31, 2002, \$19.5 million has been expended on these vessels.

In fiscal 2002 the company took delivery of three large platform supply vessels built in Norway for a total cost of \$46.6 million. During the first quarter of fiscal 2002 the company finalized the cash purchase of two anchor handling towing supply vessels for \$48 million. The three large platform supply vessels and two anchor handling towing supply vessels are specifically designed and equipped for deepwater work.

During the second quarter of fiscal 2002, the company announced that it was expanding its crewboat fleet. The company purchased 10 existing crewboats and assumed four new-build contracts from Crewboats, Inc., a privately held, leading independent provider of crewboat services in the Gulf of Mexico, for approximately \$59.8 million. The scheduled delivery dates for the four crewboats is expected to commence in May 2002 with final delivery in September 2003. No amounts have been expended on the four crewboats of the total \$20.1 million commitment, as the individual vessels' purchase prices are due upon delivery of the respective vessels.

In addition, during the second quarter of fiscal 2002, the company committed \$25.5 million to the construction of four, 175-foot, state-of-the-art, fast, crew/supply boats that blend the speed of a crewboat with the capabilities of a supply vessel. The four crewboats are being constructed at a U.S. shipyard and scheduled delivery of the four crewboats is expected to commence in November 2002, with final delivery in October 2003. As of March 31, 2002, \$1.6 million has been expended on these vessels. Throughout fiscal 2002 the company constructed and took delivery of four large traditional crewboats that were built at U.S. shipyards for approximately \$14.2 million.

The table below summarizes the number of company vessels that have been added to its fleet during fiscal 2002 by vessel class and vessel type:

<u>Vessel class and type</u>	<u>Number of vessels</u>
Deepwater vessels:	
Anchor handling towing supply	2
Platform supply vessels	4
Crew/utility:	
Crewboats	14
Total number of company vessels added to its fleet during fiscal 2002	20

The table below summarizes the various vessel commitments by vessel class and type as of March 31, 2002:

<u>Vessel class and type</u>	<u>Number of vessels</u>	<u>Scheduled delivery dates</u>
Deepwater vessels:		
Anchor handling towing supply	5	January 2003 through September 2003
Platform supply vessels	8	July 2002 through January 2003
Towing-supply/supply:		
Platform supply vessels	6	October 2002 through July 2003
Crew/utility:		
Crewboats—162-foot	4	May 2002 through September 2003
Crewboats—175-foot	4	November 2002 through October 2003
Total number of vessels to be added to the fleet	27	

The company has been financing all the vessel commitment programs from its current cash balances, its operating cash flow and its revolving credit facility. Of the total \$468.3 million of capital commitments the company has expended \$182.5 million as of March 31, 2002.

[Table of Contents](#)

On November 21, 2000 the company purchased eight vessels from The Sanko Steamship Co., Ltd. for \$160 million in cash. Four of the vessels are large anchor handling towing supply vessels and four are large North Sea-type platform supply vessels. In addition, throughout fiscal 2001, the company purchased three large platform supply vessels for approximately \$53.8 million.

During fiscal 2000, the company acquired six new-build vessels, which included one supply vessel, two offshore tugs and three crew boats, for an aggregate cash payment of approximately \$22 million from an industry competitor. All six vessels were delivered to the market during fiscal 2000. Also during fiscal 2000, the company purchased two large, platform supply vessels for approximately \$22.7 million – both vessels are specifically designed and equipped for deepwater work.

Vessel Dispositions

During the second quarter of fiscal 2002 the company sold its 49% holding in its consolidated marine joint venture, Maritide Offshore Oil Services Company S.A.E., for approximately \$3.5 million, resulting in a \$1.6 million gain. As a result of the sale, the international towing-supply/supply vessel count decreased by five vessels.

During the third quarter of fiscal 2001 the company sold four vessels (two offshore tugs and two crewboats) to one of its 49%-owned unconsolidated joint ventures for \$17 million, of which \$9 million was financed by the company. The transaction resulted in a gain on asset sale of \$1 million. During the second quarter of fiscal 2001 the company sold its 40% holding in its unconsolidated marine joint venture, National Marine Service (NMS), for approximately \$31 million, resulting in a \$16.8 million gain. The after-tax effect of the gain on the sale was \$10.9 million, or \$.19 per share. As a result of the sale, the joint venture vessel count decreased by 24 vessels.

In order to avoid potential overcapacity in our markets that could be created through the addition of the new vessels discussed in the “Vessel Acquisition and Construction Programs” section above, the company has sold and/or scrapped 180 vessels between April 1999 and March 2002. The mix of vessels disposed of includes 66 towing-supply/supply vessels, 35 crew/utility vessels, 32 offshore tugs, 27 safety/standby vessels and 20 other vessels, primarily barges. Included in the vessel disposition count are the NMS and Maritide vessels discussed above.

General Market Conditions and Results of Operations

Fiscal 2002 results of operations surpassed those achieved in fiscal 2001 due to strengthened world crude oil commodity prices. Throughout fiscal 2002, OPEC adjusted crude oil production levels and successfully negotiated with several non-OPEC oil producing countries to adjust their respective production levels in order to help stabilize and maintain crude oil commodity prices at levels that would sustain growth. The higher crude oil prices resulted in international offshore drilling, exploration and production companies increasing their capital spending budgets. International vessel demand, which is primarily driven by crude oil production, increased throughout fiscal 2002 as a result of the improved international market conditions and is expected to remain solid during fiscal 2003. Domestic vessel demand, which is primarily driven by natural gas production, declined steadily throughout fiscal 2002 as exploration and production companies operating in the U.S. Gulf of Mexico reduced their capital investments in the Gulf. The high offshore rig fleet utilization rates achieved during fiscal 2001 began to steadily decrease during the second quarter of fiscal 2002 and continued to decrease throughout the remainder of fiscal 2002 on the news that inventory levels for natural gas were increasing as a result of unseasonably moderate weather and economic slowdowns in the United States and globally. It is unknown how much further domestic-based vessel demand will be affected by the downward trend in

[Table of Contents](#)

offshore drilling and exploration in the U.S. Gulf of Mexico. The company's depressed vessel utilization rates in the U.S. Gulf of Mexico are the lowest that the company has experienced in well over a decade.

International-based vessel revenues increased 32% as compared to fiscal 2001 due to higher average day rates, utilization, and an increase in the number of active vessels in the international-based fleet. The number of active vessels in the international fleet increased as a result of an aggressive deepwater vessel acquisition and construction program that began during fiscal 2001. Seventeen deepwater vessels have been added to the company's fleet since the beginning of fiscal 2001, seven of which are fulfilling bareboat contractual obligations that existed at the time the vessels were purchased. The bareboat charter agreements on four of the seven vessels will expire at various times over the next two years while the bareboat charter agreements on the remaining three vessels will expire at various times over the next two years with the option to extend certain contracts for another two years. In a bareboat charter agreement, the bareboat charterer leases a vessel for a pre-arranged fee and is able to market the vessel and is also responsible for providing the crew and all other operating costs related to the vessel. For the vessels that Tidewater has under bareboat contracts, only revenue and depreciation expense is recorded related to the vessels' activity. As Tidewater incurs no operating costs related to the vessels, the related bareboat day rates are less than comparable vessels operating under normal charter hire agreements. For both fiscal years ended March 31, 2002 and 2001 the seven bareboat chartered deepwater vessels experienced 100% utilization and average day rates of \$6,150. The international-based deepwater vessel fleet, excluding the bareboat chartered vessels discussed above, experienced approximately 89% utilization and average day rates of approximately \$13,300 for the year ended March 31, 2002.

Domestic-based vessel revenues increased slightly as compared to fiscal 2001 as a result of higher average day rates. Average day rates increased due to strong demand for the company's vessels in the U.S. Gulf of Mexico during the first quarter of fiscal 2002 that continued from fiscal 2001. However, during the second quarter of fiscal 2002, vessel demand began to decrease and continued to decrease throughout the remainder of the fiscal year as offshore drilling and exploration in the U.S. Gulf of Mexico waned. The company was able to achieve solid average day rates throughout fiscal 2002, although it did experience deterioration in vessel utilization throughout fiscal 2002. At March 31, 2002, the towing-supply/supply vessels, the company's largest major income producing asset in the U.S. Gulf of Mexico, experienced approximately 25% utilization and average day rates of approximately \$6,500.

Fiscal 2001 results of operations improved as compared to fiscal 2000 because of a stronger energy sector. Oil and natural gas commodity prices appreciated significantly between calendar year 1999 and the first quarter of 2001. The strong price of oil and natural gas combined with severely tight inventory levels for both crude oil and natural gas increased the demand for working drilling rigs and services in the U.S. Gulf of Mexico and globally. Strong worldwide demand for natural resources prompted the oil and gas exploration and production companies to increase their capital spending budgets in order to take advantage of improving industry conditions. U.S.-based vessel demand increased throughout fiscal 2001 as market conditions and drilling rig utilization rates increased in the U.S. Gulf of Mexico. International drilling expenditures did not increase as significantly as in the U.S. Gulf of Mexico. International drilling activity began increasing in the latter half of calendar year 2000 and continued to increase gradually throughout 2001. Fiscal 2001 witnessed worldwide offshore drilling rig utilization rates increase to levels not seen since the latter part of calendar year 1998.

Fiscal 2001 U.S.-based vessel revenues increased approximately 41% as compared to fiscal 2000 due to higher utilization and average day rates. Improved market conditions and vessel demand in the U.S. Gulf of Mexico helped to increase the average day rates for the U.S.-based towing-supply/supply vessels, the company's major income producing asset. At March 31, 2001, the towing-supply/supply vessels operating in the U.S. Gulf of Mexico experienced approximately 69% utilization and average day rates of approximately \$6,990 per day.

Fiscal 2001 international-based vessel revenues decreased approximately 3% as compared to fiscal 2000 due to a decrease in the number of active vessels in the international-based fleet. International average day rates for the years ended March 31, 2001 and 2000 were basically unchanged. The number of

[Table of Contents](#)

active vessels in the international fleet decreased because the company sold its safety/standby fleet in July 1999, as it did not conform to the company's long-range strategies. After removing the revenue effect of the safety/standby fleet, fiscal 2001 revenues were comparable to fiscal 2000. International-based vessel utilization rates increased slightly during the comparative periods, but primarily as a result of withdrawing several older, little-used vessels from active service during the latter part of fiscal 2000 at which time they were removed from the utilization statistics. At March 31, 2001, the vessels operating in the international areas experienced approximately 74% utilization and average day rates of approximately \$4,930.

Fiscal 2000 results of operations reflect the continued impact of the curtailment in capital spending in the oil industry as a result of the drop in oil prices that commenced in the fall of 1997. Although oil prices had increased substantially throughout fiscal 2000, the capital spending levels of oil and gas exploration and production companies continued to be below 1997 levels. The oil industry downturn affected the U.S. Gulf of Mexico vessel market most sharply as the duration of vessel contracts in this region normally range from one to three months. Further depressing the market was the delivery of a number of newly constructed supply vessels to various industry competitors which negatively affected the supply and demand balance for supply vessels in the Gulf of Mexico and some international markets, thereby putting continued downward pressure on vessel utilization and day rates. U.S.-based vessel activity stabilized during the early part of fiscal 2000 and recovered gradually throughout the remainder of fiscal 2000. Fiscal 2000 international activity was not as dramatically affected by the downturn in the oil industry due primarily to the longer-term nature of international vessel contracts. International-based vessel demand, which weakened sharply during the fourth quarter of fiscal 1999 and declined throughout the first and second quarter of fiscal 2000, stabilized during the third quarter of fiscal 2000. At March 31, 2000, the towing-supply/supply vessels operating in the U.S. Gulf of Mexico experienced approximately 54% utilization and average day rates of approximately \$3,660 per day. At March 31, 2000, the international-based vessels fleet experienced 76% utilization and average day rates of approximately \$4,425 per day.

The company withdraws from active service older, little-used vessels at which time the vessels are removed from the utilization statistics. Vessel utilization rates are a function of vessel days worked and vessel days available for active vessels only. During the second quarter of fiscal 2002, the company withdrew 20 vessels, primarily towing supply/supply vessels, from active service. Eight vessels were withdrawn from active service during fiscal 2001. During fiscal 2000, the company withdrew 49 vessels, the majority of which were withdrawn from service during the latter half of the fiscal year. Thirty-two of the vessels withdrawn from service during fiscal 2000 were towing-supply/supply vessels, 11 were crewboats and six were barges. Vessels that are withdrawn from active service are intended to be sold. The company continues to dispose of its older vessels out of the active fleet and the withdrawn fleet that are not marketable due to obsolescence or are economically prohibitive to operate due to high repair costs.

Offshore service vessels provide a diverse range of services and equipment to the energy industry. Fleet size, utilization and vessel day rates primarily determine the amount of revenues and operating profit because operating costs and depreciation do not change proportionally when revenue changes. Operating costs primarily consist of crew costs, repair and maintenance, insurance, fuel, lube oil and supplies. Fleet size and utilization are the major factors which affect crew costs. The timing and amount of repair and maintenance costs are influenced by customer demands, vessel age and scheduled drydockings to satisfy safety and inspection requirements mandated by regulatory agencies. Whenever possible, vessel drydockings are done during seasonally slow periods to minimize any impact on vessel operations and are only done if economically justified, given the vessel's age and physical condition. The following table compares revenues and operating expenses (excluding general and administrative expenses and depreciation expense) for the company's vessel fleet for the years ended March 31. Vessel revenues and operating costs relate to vessels owned and operated by the company, while other marine

Table of Contents

services relate to third-party activities of the company's shipyards, brokered vessels and other miscellaneous marine-related activities.

(in thousands)	2002	2001	2000
Revenues (A):			
Vessel revenues:			
United States	\$203,648	197,660	140,090
International	511,713	386,271	398,427
	715,361	583,931	538,517
Other marine revenues	13,668	32,748	36,298
Total revenues	\$729,029	616,679	574,815
Operating costs:			
Vessel operating costs:			
Crew costs	\$204,081	183,502	189,202
Repair and maintenance	83,863	100,087	66,709
Insurance	21,094	20,035	18,626
Fuel, lube and supplies	31,712	29,140	24,462
Other	42,184	31,420	31,536
	382,934	364,184	330,535
Costs of other marine revenues	9,174	25,096	29,446
Total operating costs	\$392,108	389,280	359,981

(A) For fiscal 2002, 2001 and 2000, one customer accounted for 10%, 11% and 12%, respectively, of revenues.

Marine operating profit and other components of earnings before income taxes for the years ended March 31 consists of the following:

(In thousands)	2002	2001	2000
Vessel activity:			
United States	\$ 56,128	26,812	(4,694)
International	145,412	65,241	78,888
	201,540	92,053	74,194
Gain on sales of assets	6,380	22,750	19,441
Other marine services	4,042	7,137	6,254
Operating profit	211,962	121,940	99,889
Other income	6,313	19,701	17,117
Corporate expenses	(12,691)	(13,026)	(11,012)
Interest and other debt costs	(833)	(1,195)	(714)
Earnings before income taxes	\$204,751	127,420	105,280

Operating profit for fiscal 2002 increased 74% as compared to fiscal 2001 as a result of increases in vessel revenues. Crew costs increased during fiscal 2002 as a result of better market conditions and additional vessels in the international areas of operations. Repair and maintenance costs decreased from the fiscal 2001 level as fiscal 2001 included an unusually high number of drydocks as explained in detail below. Included in fiscal 2002's gain on sales of assets is a \$1.6 million gain from the sale of the company's 49% holding in its consolidated marine joint venture, Maritide Offshore Oil Services Company S.A.E., for approximately \$3.5 million and a \$3.3 million writedown in the carrying values of certain vessels that were withdrawn from active service and held for sale. The writedown is a result of reviewing the recoverability of the carrying values of the vessels that were withdrawn from active service. Fiscal 2002 other income decreased as compared to fiscal 2001 because the company had less excess cash invested in short-term, interest-bearing securities than the previous fiscal year as a result of the use of the funds for vessel acquisition and new-build programs.

Operating profit for fiscal 2001 increased 22% as compared to fiscal 2000 as a result of increases in vessel revenues partially offset by higher repair and maintenance costs. Repair and maintenance costs increased as a result of costs incurred from an intense drydocking program the company initiated during the first quarter of fiscal 2001 and continued during the second and third quarters of fiscal 2001 in order to ready equipment for an expected improvement in demand for its vessels. The company initiated this drydocking program while vessel demand and average day rates had not fully recovered, thus sacrificing higher

[Table of Contents](#)

profitability in anticipation of higher average day rates and vessel demand when market conditions improved. Gains on sales of assets increased primarily as a result of the sale of the company's 40% holding in its unconsolidated marine joint venture, National Marine Service, for approximately \$31 million resulting in a \$16.8 million gain.

As a result of the uncertainty of a certain customer to make payment of vessel charter hire, the company has deferred the recognition of approximately \$4.9 million of billings as of March 31, 2002, \$7.0 million of billings as of March 31, 2001 and \$10.7 million of billings as of March 31, 2000 which would otherwise have been recognized as revenue. The company will recognize the amounts as revenue as cash is collected or at such time as the uncertainty has been reduced. The reduction in the balance of deferred billings over the last three fiscal years is a result of increased cash collections and a reduction in the level of operating activity with the customer.

Vessel utilization is determined primarily by market conditions and to a lesser extent by drydocking requirements. Vessel day rates are determined by the demand created through the level of offshore exploration, development and production spending by energy companies relative to the supply of offshore service vessels. Suitability of equipment and the degree of service provided also influence vessel day rates.

The day-based utilization percentages and average day rates tables include a new vessel class category for the deepwater vessel fleet. Included in this class are large platform supply vessels and large, high-horsepowered anchor handling towing supply vessels that are capable of operating in deepwater markets globally. The deepwater vessel fleet statistics for the prior years were included in the towing-supply/supply vessel class statistics. Accordingly, the prior two fiscal years' towing-supply/supply vessel class statistics have been restated to exclude the effect of the deepwater vessels. The following tables compare day-based utilization percentages and average day rates by vessel class and in total for each of the quarters in the years ended March 31:

[Table of Contents](#)

UTILIZATION:

Fiscal Year 2002

	First	Second	Third	Fourth	Year
Domestic-based fleet:					
Deepwater vessels	100.0%	100.0	100.0	100.0	100.0
Towing-supply/supply	71.5	59.3	40.2	27.8	50.4
Crew/utility	91.4	93.2	84.9	70.3	84.0
Offshore tugs	38.1	42.6	48.8	31.1	40.2
Other	22.0	47.7	57.2	57.4	43.5
Total	66.7%	61.1	51.8	37.9	54.6
International-based fleet:					
Deepwater vessels	95.6%	92.5	90.8	89.2	92.0
Towing-supply/supply	74.5	77.3	82.4	81.3	78.8
Crew/utility	88.7	84.0	90.2	86.0	87.2
Offshore tugs	70.9	70.1	75.9	70.4	71.8
Other	46.9	56.0	67.0	67.1	58.7
Total	75.2%	76.8	82.3	80.3	78.6
Worldwide fleet:					
Deepwater vessels	96.0%	93.1	91.5	90.0	92.6
Towing-supply/supply	73.4	70.7	67.2	62.4	68.6
Crew/utility	89.6	86.9	88.1	79.9	86.1
Offshore tugs	56.9	58.4	64.4	53.5	58.3
Other	41.5	54.0	64.4	66.7	55.7
Total	72.3%	71.4	71.5	65.9	70.3

Fiscal Year 2001

	First	Second	Third	Fourth	Year
Domestic-based fleet:					
Deepwater vessels	98.5%	100.0	88.7	98.9	96.7
Towing-supply/supply	56.1	63.3	63.4	68.1	62.7
Crew/utility	86.9	89.2	93.0	87.5	89.1
Offshore tugs	33.5	40.6	32.4	37.1	35.9
Other	30.7	23.9	11.2	27.2	23.2
Total	56.0%	61.7	59.9	63.7	60.3
International-based fleet:					
Deepwater vessels	70.3%	81.4	79.0	93.8	84.1
Towing-supply/supply	76.9	75.4	80.6	76.6	77.4
Crew/utility	93.9	91.5	95.3	88.5	92.3
Offshore tugs	66.8	67.3	72.8	64.5	67.8
Other	42.4	47.0	49.7	41.1	45.1
Total	74.5%	74.1	78.8	74.8	75.5
Worldwide fleet:					
Deepwater vessels	78.8%	86.6	80.5	94.3	86.4
Towing-supply/supply	68.7	70.8	74.0	73.5	71.7
Crew/utility	91.5	90.7	94.5	88.2	91.2
Offshore tugs	51.9	55.0	54.2	52.2	53.3
Other	39.9	42.0	41.1	37.8	40.3
Total	67.5%	69.4	71.8	70.8	69.9

Fiscal Year 2000

	First	Second	Third	Fourth	Year
Domestic-based fleet:					
Deepwater vessels	100.0%	100.0	91.2	95.1	95.3
Towing-supply/supply	46.8%	51.9	58.3	55.5	53.0
Crew/utility	77.3	74.1	77.1	80.0	77.1
Offshore tugs	38.9	46.8	42.8	35.6	41.2
Other	46.6	76.8	44.7	35.5	50.8
Total	49.4%	55.2	57.8	55.1	54.3
International-based fleet:					
Deepwater vessels	88.7%	81.2	78.3	90.3	84.6
Towing-supply/supply	71.4	66.5	73.9	75.5	71.6
Crew/utility	89.2	90.4	83.3	93.7	89.1
Offshore tugs	65.4	51.2	66.3	76.6	64.8
Other	63.1	48.3	48.5	43.7	52.9
Total	72.0%	66.3	71.9	75.6	71.3
Worldwide fleet:					
Deepwater vessels	90.1%	83.6	81.0	91.6	86.6
Towing-supply/supply	62.0	61.0	67.8	67.7	64.4
Crew/utility	85.2	84.9	81.2	89.0	85.0

Offshore tugs	54.1	49.4	56.3	59.1	54.9
Other	60.7	54.4	47.7	41.9	52.5
Total	64.1%	62.3	66.6	67.9	65.1

[Table of Contents](#)**AVERAGE DAY RATES:**

Fiscal Year 2002	First	Second	Third	Fourth	Year
Domestic-based fleet:					
Deepwater vessels	\$11,756	11,774	11,761	12,164	11,864
Towing-supply/supply	7,181	7,042	6,631	6,552	6,951
Crew/utility	2,838	2,948	3,089	2,885	2,951
Offshore tugs	8,160	7,467	6,131	7,625	7,259
Other	1,427	1,467	1,490	1,822	1,490
Total	\$ 6,437	6,088	5,255	5,491	5,895
International-based fleet:					
Deepwater vessels	\$ 9,936	10,778	11,763	11,408	10,975
Towing-supply/supply	5,774	5,971	6,140	6,447	6,085
Crew/utility	2,385	2,479	2,622	2,757	2,561
Offshore tugs	4,799	4,682	4,566	4,502	4,639
Other	953	1,070	1,148	1,558	1,195
Total	\$ 5,163	5,346	5,496	5,709	5,430
Worldwide fleet:					
Deepwater vessels	\$10,091	10,864	11,764	11,472	11,050
Towing-supply/supply	6,276	6,299	6,245	6,464	6,316
Crew/utility	2,537	2,640	2,803	2,800	2,699
Offshore tugs	5,765	5,541	5,073	5,285	5,410
Other	1,007	1,155	1,227	1,566	1,242
Total	\$ 5,568	5,565	5,434	5,667	5,555
Fiscal Year 2001					
Domestic-based fleet:					
Deepwater vessels	\$11,622	11,643	11,530	11,760	11,634
Towing-supply/supply	3,659	4,248	5,897	6,717	5,172
Crew/utility	2,046	2,197	2,544	2,724	2,373
Offshore tugs	6,235	5,927	6,298	6,902	6,325
Other	1,305	1,643	1,434	2,071	1,630
Total	\$ 3,735	4,169	5,306	5,967	4,803
International-based fleet:					
Deepwater vessels	\$ 7,413	8,954	8,633	8,270	8,366
Towing-supply/supply	4,985	4,981	5,095	5,482	5,137
Crew/utility	2,237	2,246	2,244	2,334	2,264
Offshore tugs	3,814	4,224	4,226	4,662	4,223
Other	1,624	1,318	1,362	974	1,335
Total	\$ 4,173	4,245	4,391	4,841	4,415
Worldwide fleet:					
Deepwater vessels	\$ 8,992	9,827	9,148	8,619	9,040
Towing-supply/supply	4,558	4,727	5,361	5,908	5,149
Crew/utility	2,173	2,229	2,346	2,467	2,301
Offshore tugs	4,516	4,804	4,796	5,378	4,867
Other	1,572	1,357	1,366	1,163	1,373
Total	\$ 4,035	4,220	4,674	5,202	4,539
Fiscal Year 2002					
Domestic-based fleet:					
Deepwater vessels	\$11,826	11,826	11,321	11,351	11,515
Towing-supply/supply	3,601	3,359	3,469	3,741	3,540
Crew/utility	1,806	1,790	1,871	2,014	1,872
Offshore tugs	6,028	5,922	5,751	5,733	5,868
Other	1,345	1,250	1,188	1,331	1,273
Total	\$ 3,572	3,427	3,512	3,732	3,558
International-based fleet:					
Deepwater vessels	\$ 7,989	6,727	6,144	6,961	6,983
Towing-supply/supply	5,604	5,474	5,153	5,200	5,359
Crew/utility	2,250	2,172	2,188	2,290	2,226
Offshore tugs	4,048	3,818	3,827	4,009	3,969
Other	3,822	1,383	1,358	1,604	2,501
Total	\$ 4,676	4,401	4,247	4,334	4,423
Worldwide fleet:					
Deepwater vessels	\$ 8,521	7,490	7,363	8,235	7,929
Towing-supply/supply	5,028	4,794	4,589	4,732	4,781

Crew/utility	2,114	2,059	2,084	2,204	2,116
Offshore tugs	4,652	4,638	4,456	4,452	4,566
Other	3,544	1,343	1,322	1,553	2,271
Total	\$ 4,377	4,088	4,009	4,151	4,160

Table of Contents

The average age of the company's owned or chartered vessel fleet is approximately 20 years. The following table compares the average number of vessels by class and geographic distribution during the years ended March 31 and the actual March 31, 2002 vessel count:

	Actual Vessel Count at March 31,	Average Number of Vessels During Year Ended March 31,		
	2002	2002	2001	2000
Domestic-based fleet:				
Deepwater vessels	2	2	2	2
Towing-supply/supply	101	106	118	126
Crew/utility	32	29	26	26
Offshore tugs	28	29	32	35
Other	—	7	9	9
Total	163	173	187	198
International-based fleet:				
Deepwater vessels	25	24	12	7
Towing-supply/supply	185	188	188	202
Crew/utility	54	51	48	50
Offshore tugs	38	39	38	48
Other	25	26	31	38
Total	327	328	317	345
Owned or chartered vessels included in marine revenues	490	501	504	543
Vessels withdrawn from active service	37	37	44	54
Joint-venture and other	28	28	35	45
Total	555	566	583	642

The above table includes a new vessel class for the deepwater vessel fleet. The prior two fiscal years' vessel averages for the deepwater vessel fleet were reported with the towing-supply/supply class; and accordingly, the average number of vessels for the towing-supply/supply class has been restated to exclude the effect of the deepwater vessel fleet.

Included in the domestic-based crew/utility vessel count for fiscal 2002 are 10 crewboat vessels purchased in September 2001 from Crewboats, Inc. Three of the four large, traditional crewboats that the company constructed and took delivery of at various times throughout fiscal 2002 are included in the international-based crew/utility vessel count.

During fiscal 2002, the company took delivery of four large platform supply vessels and finalized the purchase of two anchor handling towing supply vessels. During fiscal 2001, the company purchased four anchor handling towing supply vessels and four large platform supply vessels from the Sanko Steamship Co., Ltd. and also purchased an additional three large platform supply vessels.

During the second quarter of fiscal 2002, the company sold its 49% holding in its consolidated marine joint venture, Maritime Offshore Oil Services Company S.A.E. As a result of the sale, the international towing-supply/supply vessel count decreased by five vessels. During the second quarter of fiscal 2002, the company withdrew from active service 20 older, little-used vessels, primarily towing-supply/supply vessels. Nine vessels were withdrawn from the domestic market and 11 were withdrawn from the international market. The company sold and/or scrapped 31 vessels throughout fiscal 2002. The mix of vessels disposed of includes nine towing-supply/supply vessels, four crew/utility vessels, seven offshore tugs and 11 other vessels, primarily barges.

During the second quarter of fiscal 2001, the company sold its 40% holding in its unconsolidated marine joint venture, National Marine Service. As a result of the sale, the joint venture vessel count decreased by 24 vessels. During the third quarter of fiscal 2001, the company sold four vessels (two offshore tugs and two crew boats) to its 40%-owned unconsolidated joint venture, Sonatide Marine, Ltd. The company withdrew from active service eight vessels during fiscal 2001. In addition, the company sold and/or scrapped 37 vessels throughout fiscal 2001. The mix of vessels disposed of includes 14 towing-supply/supply vessels, 16 crew/utility vessels, three offshore tugs and four other vessels, primarily barges.

[Table of Contents](#)

During fiscal 2000, the company withdrew from active service, 49 older, little-used vessels. Sixteen of the vessels were withdrawn from the domestic-based fleet and 33 were withdrawn from the international-based fleet. The company sold and/or scrapped 83 vessels throughout fiscal 2000. The mix of vessels disposed of includes 20 towing-supply/supply vessels, 11 crew/utility vessels, 20 offshore tugs, 27 safety/standby vessels and five other vessels, primarily barges.

Consolidated general and administrative expenses for the years ended March 31 consists of the following components:

(In thousands)	2002	2001	2000
Personnel	\$39,880	40,214	40,206
Office and property	11,893	10,983	11,056
Sales and marketing	4,809	4,793	4,306
Professional service	5,380	4,262	5,729
Other	4,889	5,253	4,396
	<u>\$66,851</u>	<u>65,505</u>	<u>65,693</u>

General and administrative expenses for fiscal 2002 increased 2% as compared to fiscal 2001 due to an improving business environment in the international market. Fiscal 2001 general and administrative costs were comparable to fiscal 2000.

Liquidity, Capital Resources and Other Matters

The company's current ratio, level of working capital and amount of cash flows from operations for any year are directly related to fleet activity and vessel day rates. Variations from year-to-year in these items are primarily the result of market conditions. As a result of recent vessel purchases and vessel construction programs, the company's cash balances at March 31, 2002 are considerably less than at recent fiscal year ends. Cash from operations, in combination with an available line of credit, provide the company, in management's opinion, with adequate resources to satisfy its current financing requirements. At March 31, 2002, \$146 million of the company's \$200 million revolving line of credit was available for future financing needs. Continued payment of dividends, currently at \$.15 per quarter per common share, is subject to declaration by the Board of Directors.

Net cash provided by operating activities for any fiscal year will fluctuate according to the level of business activity for the applicable year. Fiscal year 2002 net cash provided by operating activities was higher than the previous fiscal year due to higher net earnings as a result of increased business activity in the international market.

Investing activities for fiscal 2002 used approximately \$300.2 million of cash. Proceeds from the sale of assets totaling \$17.5 million decreased as compared to fiscal 2001 due to fewer vessels sales. Sale proceeds were offset by additions to properties and equipment totaling \$317.9 million which was comprised of approximately \$17.2 million in capitalized repairs and maintenance and \$300.7 million for the construction of offshore marine vessels and the acquisition of two deepwater anchor handling towing supply vessels and 11 large crewboats. Additions to properties and equipment were higher in fiscal 2002 as compared to fiscal 2001 primarily because of the continuation in capital spending for various vessel construction programs and due to the purchase of several crewboat vessels as disclosed in the "Vessel Acquisition and Construction Programs" section of Item 7.

Investing activities for fiscal 2001 used approximately \$258.9 million of cash. Proceeds from the sale of assets totaling \$46.6 million decreased as compared to fiscal 2000 primarily due to fewer vessels being sold. Included in fiscal 2001 proceeds on the sale of assets is approximately \$31 million from the sale of the company's 40% interest in its unconsolidated marine joint venture company, National Marine Service, and \$15.6 million from the sale and/or scrapping of 37 vessels during the year. Sale proceeds were offset by additions to properties and equipment totaling \$302.8 million which was comprised of approximately \$13.6 million of capitalized repairs and maintenance and \$286.4 million for the construction of offshore marine vessels and the acquisition of 11 vessels. Additions to properties and equipment were

[Table of Contents](#)

higher in fiscal 2001 as compared to fiscal 2000 primarily because of the addition of several new deepwater vessels purchased throughout fiscal 2001 or under construction during fiscal 2001 as disclosed in the “Vessel Acquisition and Construction Programs” section of Item 7.

Investing activities for fiscal 2000 provided cash of approximately \$14.4 million. Proceeds from the sale of assets totaling \$71.6 million, primarily the safety/standby vessels, which were sold in July 1999 for approximately \$40 million in an all cash transaction. Additions to properties and equipment in fiscal 2000 totaled \$57.4 million of which \$7.6 million related to capitalized repairs and maintenance and \$47.3 million for the construction of vessels. The new construction includes approximately \$22 million for the purchase of six new-build vessels from an industry competitor.

Fiscal 2002 financing activities provided \$23.0 million of cash. The company had \$74 million of debt borrowings to help finance the company’s various vessel construction programs and vessel acquisitions. Twenty million of this debt has been repaid during the fiscal year. The company also used \$33.7 million of cash for the payment of quarterly common stock dividends. Fiscal 2001 financing activities used \$23.8 million of cash primarily for payment of quarterly common stock dividends. Fiscal 2000 financing activities used \$33.4 million of cash for payment of quarterly common stock dividends.

The company is capitalizing the interest costs incurred on borrowed funds used to construct vessels. Interest and debt costs incurred, net of \$1 million interest capitalized, for fiscal 2002 was approximately \$.8 million. Interest and debt costs for fiscal 2001 and 2000 was approximately \$1.2 million and \$.7 million, respectively.

New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, “Accounting for Asset Retirement Obligations” which requires companies to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The company does not anticipate any financial statement impact with the adoption of this statement.

In August 2001, the FASB issued SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” which establishes one accounting model to be used for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations to include more disposal transactions. SFAS No. 144 supersedes SFAS No. 121, “Accounting for the Impairment of Long-Lived Assets to Be Disposed Of” and the accounting and reporting provisions of APB Opinion No. 30. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The company does not anticipate any financial statement impact with the adoption of this statement.

Effects of Inflation

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

Environmental Matters

During the ordinary course of business the company’s operations are subject to a wide variety of environmental laws and regulations. The company attempts to comply with these laws and regulations in order to avoid costly accidents and related environmental damage. Compliance with existing governmental regulations that have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had, nor is expected to have, a material effect

[Table of Contents](#)

on the company. The company is proactive in establishing policies and operating procedures for safeguarding the environment against any environmentally hazardous material aboard its vessels and at shore base locations. Whenever possible, hazardous materials are maintained or transferred in confined areas to ensure containment if accidents occur. In addition the company has established operating policies that are intended to increase awareness of actions that may harm the environment.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk refers to the potential losses arising from changes in interest rates, foreign currency fluctuations and exchange rates, equity prices and commodity prices including the correlation among these factors and their volatility. The company is primarily exposed to interest rate risk and foreign currency fluctuations and exchange risk.

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

At March 31, 2002 the company had \$54 million of debt outstanding. The outstanding debt represents unsecured borrowings from the company's revolving credit facility. The fair value of this debt approximates the carrying value because the borrowings bear interest at variable market rates, which currently range from 2.44 to 2.85 percent. Monies were borrowed under the revolving credit facility to finance the company's new-build program previously disclosed. Interest expense associated with the borrowings is being capitalized.

Foreign Exchange Risk. The company's financial instruments that can be affected by foreign currency fluctuations and exchange risks consist primarily of cash and cash equivalents, trade receivables and trade payables denominated in currencies other than the U.S. dollar. The company periodically enters into spot and forward derivative financial instruments as a hedge against foreign currency denominated assets and liabilities and currency commitments.

Spot derivative financial instruments are short-term in nature and settle within two business days. The fair value approximates the carrying value due to the short-term nature of this instrument, and as a result, no gains or losses are recognized. Forward derivative financial instruments are generally longer-term in nature but generally do not exceed one year. The accounting for gains or losses on forward contracts is dependant on the nature of the risk being hedged and the effectiveness of the hedge. The company enters into derivative instruments only to the extent considered necessary to meet its risk management objectives and does not use derivative contracts for speculative purposes.

The company had no spot contracts outstanding at March 31, 2002, 2001 and 2000. The company is exposed to possible currency fluctuations related to its commitment to construct three of its new-build platform supply vessels at a Singapore shipyard. The company is required, per the construction agreements, to make all payments in Singapore dollars and is currently exposed to possible currency fluctuations on the remaining commitment which totals a current U.S. dollar equivalent of approximately \$12.9 million. At March 31, 2002 the company had five forward currency derivative contracts outstanding totaling \$11.5 million that hedged the company's foreign exchange exposure relating to the Singapore shipyard commitments, which qualified as a foreign currency hedge instrument. At March 31, 2001 the company had one forward contract outstanding totaling \$11 million that qualified as a hedge instrument. The company had no outstanding derivative financial instruments at March 31, 2000. For full disclosure on the company's derivative financial instruments see Note 9 of the Notes to the Consolidated Financial Statements.

Because of its significant international operations, the company is exposed to currency fluctuations and exchange risk on all contracts in foreign currencies. The company does not hedge against any foreign currency rate fluctuations associated with foreign currency contracts that arise in the normal course of

[Table of Contents](#)

business. To minimize the financial impact of these items the company attempts to contract a majority of its services in United States dollars. The company continually monitors the currency exchange risks associated with all contracts not denominated in U.S. dollar. Any gains or losses associated with such fluctuations have not been material.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is included in Part IV of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning directors of the company is incorporated by reference from the company's definitive proxy statement to be filed on or before July 25, 2002. For information regarding executive officers of the company, see Item 4A of this report.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is incorporated by reference from the proxy statement described in Item 10 of this report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning security ownership of certain beneficial owners and management is incorporated by reference from the proxy statement described in Item 10 of this report.

Equity Compensation Plan Information

The following table provides information as of March 31, 2002 about equity compensation plans of the company under which shares of common stock of the company are authorized for issuance:

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights (A)</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights (B)</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A)) (C)</u>
Equity Compensation plans approved by shareholders	4,230,121	36.23	2,051,003(1)
Equity compensation plans not approved by shareholders	—	—	222,352(2)
Balance at March 31, 2002	4,230,121(3)	36.23	2,273,355

(1) Any of the 23,003 shares remaining available for grant under the company's 1997 Stock Incentive Plan could be issued as restricted stock and up to 300,000 shares available for grant under the company's 2001 Stock Incentive Plan could be issued as restricted stock or other non-option award.

(2) All of such shares are issuable as restricted stock under the company's Employee Restricted Stock Plan. See the description of the employee Restricted Stock Plan included in Note 7 of Notes to the Consolidated Financial Statements.

(3) If the exercise of these outstanding options and issuance of additional common shares had occurred as of March 31, 2002, these shares would represent 7% of the then total outstanding common shares of the company.

[Table of Contents](#)

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions is incorporated by reference from the proxy statement described in Item 10 of this report.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

A. Financial Statements and Schedules

The Consolidated Financial Statements and Schedule of the company listed on the accompanying Index to Financial Statements and Schedule (see page F-1) are filed as part of this report.

B. Reports on Form 8-K

The company's report on Form 8-K dated March 28, 2002 reports that William C. O'Malley, the company's Chairman, President and Chief Executive Officer, retired as Chief Executive Officer of the company and that Dean E. Taylor was named the new Chief Executive Officer. Mr. Taylor has served as President of Tidewater and a member of its Board of Directors since October 2001.

C. Exhibits

The index below describes each exhibit filed as a part of this report. Exhibits not incorporated by reference to a prior filing are designated by an asterisk; all exhibits not so designated are incorporated herein by reference to a prior filing as indicated.

- 3(a) — Restated Certificate of Incorporation of Tidewater Inc. (filed with the Commission as Exhibit 3(a) to the company's quarterly report on Form 10-Q for the quarter ended September 30, 1993).
- 3(b) — Tidewater Inc. Bylaws (filed with the Commission as Exhibit 3(a) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 2001).
- 4(a) — Restated Rights Agreement dated as of September 19, 1996 between Tidewater Inc. and The First National Bank of Boston (filed with the Commission as Exhibit 1 to Form 8-A on September 30, 1996).
- 10(a) — \$200,000,000 Revolving Credit and Term Loan Agreement dated April 26, 2001 (filed with the Commission as Exhibit 10(a) to the Company's annual report on Form 10-K for the fiscal year ended March 31, 2001).
- 10(b) — Tidewater Inc. 1975 Incentive Program Stock Option Plan, as amended in 1990 (filed with the Commission as Exhibit 10(c) to the company's annual report on Form 10-K for the fiscal year ended March 31, 1991).
- 10(c) — Amended and Restated Tidewater Inc. 1992 Stock Option and Restricted Stock Plan dated September 27, 2001 (filed with the Commission as Exhibit 10(a) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 2001).
- 10(d) — Tidewater Inc. Second Amended and Restated Supplemental Executive Retirement Plan dated October 1, 1999 (filed with the Commission as Exhibit 10(f) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).

Table of Contents

- 10(e) — Second Amended and Restated Employees' Supplemental Savings Plan of Tidewater Inc. dated October 1, 1999 (filed with the Commission as Exhibit 10(d) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(f) — Supplemental Health Plan for Executive Officers of Tidewater Inc. (filed with the Commission as Exhibit 10(i) to a Registration Statement on September 12, 1989, Registration No. 33-31016).
- 10(g) — Amended and Restated Deferred Compensation Plan for Outside Directors of Tidewater Inc., effective October 1, 1999 (filed with the Commission as Exhibit 10(i) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(h) — Restated Non-Qualified Pension Plan for Outside Directors of Tidewater Inc. dated May 31, 2001 (filed with the Commission as Exhibit 10 to the company's quarterly report on Form 10-Q for the quarter ended September 30, 2001).
- 10(i) — Amended and Restated Change of Control Agreement dated October 1, 1999 between Tidewater and William C. O'Malley (filed with the Commission as Exhibit 10(b) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(j) — Form of Amended and Restated Change of Control Agreement dated October 1, 1999 with three executive officers of Tidewater Inc. (filed with the Commission as Exhibit 10(c) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(k) — Tidewater Inc. 1996 Annual Incentive Plan (filed with the Commission as Exhibit 10(m) to the company's annual report on Form 10-K for the fiscal year ended March 31, 1997).
- 10(l) — Employment Agreement dated September 25, 1997 between Tidewater Inc. and William C. O'Malley (filed with the Commission as Exhibit 10 to the company's report on Form 10-Q for the quarter ended September 30, 1997).
- 10(m) — Amendment No. 1 to Employment Agreement dated October 1, 1999 between Tidewater Inc. and William C. O'Malley (filed with the Commission as Exhibit 10(a) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(n) — Amended and Restated Tidewater Inc. 1997 Stock Incentive Plan dated September 27, 2001 (filed with the Commission as Exhibit 10(b) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 2001).
- 10(o) — Restated Non-Qualified Deferred Compensation Plan and Trust Agreement as Restated October 1, 1999 between Tidewater Inc. and Merrill Lynch Trust Company of America (filed with the Commission as Exhibit 10(e) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(p) — Second Restated Executives Supplemental Retirement Trust as Restated October 1, 1999 between Tidewater Inc. and Hibernia National Bank (filed with the Commission as Exhibit 10(j) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- *10(q) — Tidewater Inc. Amended and Restated Supplemental Executive Retirement Plan (Pension SERP) dated November 29, 2002.
- *10(r) — Tidewater Inc. Employee Restricted Stock Plan dated March 27, 1998.
- 10(s) — Tidewater Inc. 2001 Stock Incentive Plan dated July 27, 2001 (filed with the Commission as Exhibit 10(c) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 2001).

[Table of Contents](#)

*10(t)	—	Continuing Employment and Separation Agreement (“Agreement”) between the Company and Larry T. Rigdon dated January 22, 2002.
*21	—	Subsidiaries of the company.
*23	—	Consent of Independent Auditors.

SIGNATURES OF REGISTRANT

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1933, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on April 25, 2002.

TIDEWATER INC.
(Registrant)

By: /S/ DEAN E. TAYLOR

Dean E. Taylor
President, Chief Executive Officer and Director

By: /S/ J. KEITH LOUSTEAU

J. Keith Lousteau
Senior Vice President and Chief Financial Officer

By: /S/ JOSEPH M. BENNETT

Joseph M. Bennett
Vice President and Corporate Controller
(Principal Accounting Officer)

SIGNATURES OF DIRECTORS

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on April 25, 2002.

/S/ WILLIAM C. O'MALLEY

William C. O'Malley
Chairman of the Board

/S/ PAUL W. MURRILL

Paul W. Murrill

/S/ DONALD T. BOLLINGER

Donald T. Bollinger

/S/ ROBERT H. BOH

Robert H. Boh

/S/ ARTHUR R. CARLSON

Arthur R. Carlson

/S/ LESTER POLLACK

Lester Pollack

/S/ JON C. MADONNA

Jon C. Madonna

/S/ J. HUGH ROFF, JR.

J. Hugh Roff, Jr.

/S/ DEAN E. TAYLOR

Dean E. Taylor

/S/ DONALD G. RUSSELL

Donald G. Russell

/S/ RICHARD A. PATTAROZZI

Richard A. Pattarozzi

[Table of Contents](#)

TIDEWATER INC.

**Annual Report on Form 10-K
Items 8, 14(a), and 14(d)**

Index to Financial Statements and Schedule

	Page
Financial Statements	
Report of Independent Auditors	F-2
Consolidated Balance Sheets, March 31, 2002 and 2001	F-3
Consolidated Statements of Earnings, three years ended March 31, 2002	F-4
Consolidated Statements of Stockholders' Equity, three years ended March 31, 2002	F-5
Consolidated Statements of Cash Flows, three years ended March 31, 2002	F-6
Notes to Consolidated Financial Statements	F-7
Financial Statement Schedule	
II. Tidewater Inc. and Subsidiaries Valuation and Qualifying Accounts	F-22

All other schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or the related notes.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Tidewater Inc.

We have audited the accompanying consolidated balance sheets of Tidewater Inc. as of March 31, 2002 and 2001 and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2002. Our audits also included the financial statement schedule listed in the accompanying Index to Financial Statements and Schedule. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tidewater Inc. at March 31, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142 in the year ended March 31, 2002.

ERNST & YOUNG LLP

New Orleans, Louisiana
April 22, 2002

[Table of Contents](#)

TIDEWATER INC.
CONSOLIDATED BALANCE SHEETS
March 31, 2002 and 2001
(in thousands)

	<u>2002</u>	<u>2001</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,882	95,153
Trade and other receivables, less allowance for doubtful accounts of \$7,944 in 2002 and \$7,981 in 2001	182,592	160,677
Marine operating supplies	28,071	28,632
Other current assets	4,036	4,125
Total current assets	<u>226,581</u>	<u>288,587</u>
Investments in, at equity, and advances to unconsolidated companies	13,722	16,544
Properties and equipment:		
Vessels and related equipment	1,855,182	1,613,604
Other properties and equipment	41,860	42,837
	<u>1,897,042</u>	<u>1,656,441</u>
Less accumulated depreciation	898,631	884,765
Net properties and equipment	<u>998,411</u>	<u>771,676</u>
Goodwill	328,754	328,836
Other assets	101,902	99,849
Total assets	<u>\$1,669,370</u>	<u>1,505,492</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	61,809	68,426
Accrued property and liability losses	9,737	6,825
Income taxes	2,144	8,336
Total current liabilities	<u>73,690</u>	<u>83,587</u>
Long-term debt	54,000	—
Deferred income taxes	173,422	155,744
Accrued property and liability losses	34,025	38,682
Other liabilities and deferred credits	48,415	49,139
Stockholders' equity	1,285,818	1,178,340
Total liabilities and stockholders' equity	<u>\$1,669,370</u>	<u>1,505,492</u>

See accompanying Notes to Consolidated Financial Statements.

[Table of Contents](#)

TIDEWATER INC.
CONSOLIDATED STATEMENTS OF EARNINGS
Years Ended March 31, 2002, 2001, and 2000
(in thousands, except share and per share data)

	2002	2001	2000
Revenues:			
Vessel revenues	\$ 715,361	583,931	538,517
Other marine revenues	13,668	32,748	36,298
	<u>729,029</u>	<u>616,679</u>	<u>574,815</u>
Costs and expenses:			
Vessel operating costs	382,934	364,184	330,535
Costs of other marine revenues	9,174	25,096	29,446
Depreciation and amortization	78,132	79,527	82,502
General and administrative	66,851	65,505	65,693
	<u>537,091</u>	<u>534,312</u>	<u>508,176</u>
	191,938	82,367	66,639
Other income (expenses):			
Foreign exchange gain (loss)	(843)	297	43
Gain on sales of assets	6,380	22,750	19,443
Equity in net earnings of unconsolidated companies	4,977	6,994	8,994
Minority interests	(199)	127	(486)
Interest and miscellaneous income	3,331	16,080	11,361
Interest and other debt costs	(833)	(1,195)	(714)
	<u>12,813</u>	<u>45,053</u>	<u>38,641</u>
Earnings before income taxes	204,751	127,420	105,280
Income taxes	68,592	41,277	28,690
Net earnings	<u>\$ 136,159</u>	<u>86,143</u>	<u>76,590</u>
Earnings per common share	<u>\$ 2.43</u>	<u>1.55</u>	<u>1.38</u>
Diluted earnings per common share	<u>\$ 2.41</u>	<u>1.53</u>	<u>1.37</u>
Weighted average common shares outstanding	56,054,797	55,741,624	55,546,832
Incremental common shares from stock options	333,537	525,735	249,976
Adjusted weighted average common shares	<u>56,388,334</u>	<u>56,267,359</u>	<u>55,796,808</u>
Cash dividends declared per common share	<u>\$.60</u>	<u>.60</u>	<u>.60</u>

See accompanying Notes to Consolidated Financial Statements.

[Table of Contents](#)

TIDEWATER INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended March 31, 2002, 2001 and 2000
(in thousands)

	Common stock	Additional paid-in capital	Retained earnings	Deferred compensation- restricted stock	Accumulated Other Comprehensive Income	Grantor Trust Stock Ownership Program (GSOP)	Total
Balance at March 31, 1999	6,057	293,558	888,788	(3,230)	(10,582)	(106,884)	1,067,707
Net earnings	—	—	76,590	—	—	—	76,590
Currency translation adjustments	—	—	—	—	2	—	2
Unrealized gains on available-for-sale securities	—	—	—	—	676	—	676
Comprehensive income							77,268
Issuance of restricted stock	—	43	—	(43)	—	—	—
Exercise of stock options	(1)	(265)	—	—	—	733	467
Cash dividends declared	—	—	(33,370)	—	—	—	(33,370)
Issuance of common shares	—	340	—	—	—	862	1,202
Other	—	(59)	—	986	—	—	927
Balance at March 31, 2000	6,056	293,617	932,008	(2,287)	(9,904)	(105,289)	1,114,201
Net earnings	—	—	86,143	—	—	—	86,143
Currency translation adjustments	—	—	—	—	—	—	—
Unrealized losses on available-for-sale securities	—	—	—	—	(147)	—	(147)
Supplemental Executive Retirement Plan minimum liability	—	—	—	—	(877)	—	(877)
Comprehensive income							85,119
Issuance of restricted stock	—	(2)	—	—	—	138	136
Exercise of stock options	(1)	2,019	—	—	—	7,683	9,701
Cash dividends declared	—	—	(33,481)	—	—	—	(33,481)
Issuance of common shares	—	682	—	—	—	850	1,532
Other	—	2	—	1,130	—	—	1,132
Balance at March 31, 2001	\$ 6,055	296,318	984,670	(1,157)	(10,928)	(96,618)	1,178,340
Net earnings	—	—	136,159	—	—	—	136,159
Currency translation adjustments	—	—	—	—	2	—	2
Unrealized losses on available-for-sale securities	—	—	—	—	(366)	—	(366)
Supplemental Executive Retirement Plan minimum liability	—	—	—	—	(269)	—	(269)
Comprehensive income							135,526
Issuance of restricted stock	4	1,589	—	(1,593)	—	—	—
Exercise of stock options	—	407	—	—	—	2,079	2,486
Cash dividends declared	—	—	(33,656)	—	—	—	(33,656)
Issuance of common shares	—	1,120	—	—	—	1,077	2,197
Other	(1)	(231)	—	1,157	—	—	925
Balance at March 31, 2002	\$ 6,058	299,203	1,087,173	(1,593)	(11,561)	(93,462)	1,285,818

See accompanying Notes to Consolidated Financial Statements.

[Table of Contents](#)

TIDEWATER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2002, 2001 and 2000
(in thousands)

	2002	2001	2000
Operating activities:			
Net earnings	\$ 136,159	86,143	76,590
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	78,132	79,527	82,502
Provision for deferred income taxes	12,422	8,934	6,968
Gain on sales of assets	(6,380)	(22,750)	(19,443)
Equity in earnings of unconsolidated companies, less dividends	2,598	(2,408)	(2,232)
Minority interests, less dividends	65	(322)	(879)
Compensation expense—restricted stock	1,157	1,130	944
Changes in assets and liabilities, net:			
Trade and other receivables	(23,588)	(9,085)	84,330
Marine operating supplies	527	(3,175)	2,542
Other current assets	93	(1,739)	2,098
Accounts payable and accrued expenses	(6,019)	14,093	(3,048)
Accrued property and liability losses	2,823	2,710	(1,693)
Other, net	(4,083)	(2,142)	6,383
Net cash provided by operating activities	193,906	150,916	235,062
Investing activities:			
Proceeds from sales of assets	17,496	46,578	71,676
Additions to properties and equipment	(317,907)	(302,793)	(57,362)
Other	195	(2,680)	114
Net cash provided by (used in) investing activities	(300,216)	(258,895)	14,428
Financing activities:			
Principal payments on debt	(20,000)	—	—
Debt borrowings	74,000	—	—
Proceeds from issuance of common stock	2,694	9,703	426
Cash dividends	(33,656)	(33,481)	(33,370)
Other	1	—	(58)
Net cash provided by (used in) financing activities	23,039	(23,778)	(33,002)
Net change in cash and cash equivalents	(83,271)	(131,757)	216,488
Cash and cash equivalents at beginning of year	95,153	226,910	10,422
Cash and cash equivalents at end of year	\$ 11,882	95,153	226,910
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	\$ 1,479	1,049	685
Income taxes	\$ 60,100	23,559	38,373

See accompanying Notes to Consolidated Financial Statements.

TIDEWATER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2002, 2001, and 2000

(1) Summary of Significant Accounting Policies

Nature of Operations

The company provides services and equipment to the offshore energy industry through the operation of the world's largest fleet of offshore service vessels. Revenues, net earnings and cash flows from operations are dependent upon the activity level for the vessel fleet, which is ultimately dependent upon oil and natural gas prices which, in turn, are determined by the supply/demand relationship for oil and natural gas.

Use of Estimates

The preparation of financial statements in accordance with accounting standards generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The company evaluates its estimates and assumptions on an ongoing basis based on a combination of historical information and various other assumptions that are considered reasonable under the particular circumstances. Actual results may differ from these estimates under different assumptions.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Tidewater Inc. and its subsidiaries. Significant intercompany balances and transactions are eliminated in consolidation.

Cash Equivalents

The company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Inventories

Inventories, which consist primarily of operating parts and supplies for the company's vessels, are stated at the lower of weighted-average cost or market.

Properties and Equipment

Properties and equipment are stated at cost. Depreciation for financial reporting purposes is computed primarily on the straight-line basis beginning with the date of construction, with salvage values of 5%-10% for marine equipment, using estimated useful lives of:

	<u>Years</u>
Marine equipment (from date of construction)	15-25
Other properties and equipment	3-30

Used equipment is depreciated in accordance with the above schedule; however, no life less than six years is used for marine equipment regardless of the date constructed.

Maintenance and repairs are charged to operations as incurred during the asset's original estimated useful life. Major repair costs incurred after the original estimated useful life that also have the effect of extending the useful life of the asset are capitalized and amortized over three years. Major modifications to equipment are capitalized and amortized over the remaining life of the equipment.

Goodwill

Goodwill primarily relates to the fiscal 1998 acquisition of O.I.L. Ltd., a British company. The company elected to adopt, as of April 1, 2001, Statement of Financial Accounting Standards (SFAS) No. 142,

[Table of Contents](#)

“Goodwill and Other Intangible Assets,” which establishes a new method of testing goodwill for impairment using a fair value-based approach and does not permit amortization of goodwill as previously required by Accounting Principles Board (APB) Opinion No. 17, “Intangible Assets.” An impairment loss would be recorded if the recorded goodwill exceeds its implied fair value. As the company adopted SFAS No. 142 as of April 1, 2001, goodwill amortization was ceased at that time. The company amortized goodwill during fiscal 2001 and 2000, as previously required by APB Opinion No. 17. Amortization expense in the amount of \$9.2 million, or \$.11 per share after tax, for both fiscal 2001 and 2000 was based on a 40-year amortization period. Total accumulated goodwill amortization as of March 31, 2002 is \$35.4 million.

The company tests goodwill impairment annually at a reporting unit level, as required, using carrying amount as of December 31. The company considers its reporting units to be its domestic and international operations. The implied fair value of the reporting unit is determined by discounting the projected future operating cash flows for the remaining average useful life of the assets within the reporting units by the company’s related cost of capital. Impairment is deemed to exist if the implied fair value of the reporting unit is less than recorded goodwill for the reporting unit, and in such case, an impairment loss would be recognized equal to the excess. There are many assumptions and estimates underlying the determination of the implied fair value of a reporting unit, such as, utilization and average day rates for the vessels, vessel additions and attrition, operating expenses and tax rates. Although the company believes its assumptions and estimates are reasonable, deviations from the assumptions and estimates could produce a materially different result. Goodwill amortization on a pre-tax basis for the year ended March 31, 2002 would have been \$9.1 million, or \$.11 per share after tax, had the company not adopted SFAS No. 142.

Impairment of Long-Lived Assets

The company reviews long-lived assets for impairment whenever events occur or changes in circumstances indicate that the carrying amount of assets may not be recoverable. In such evaluation, the estimated future undiscounted cash flows generated by the asset are compared with the amount recorded for the asset to determine if a write-down may be required. The company estimates cash flow based upon historical data adjusted for the company’s best estimate of future market performance that is based on industry trends. If impairment exists, the carrying value of the long-lived asset is reduced to the estimated fair value of the asset, based upon its estimated future discounted cash flows. Although the company believes its assumptions and estimates are reasonable, deviations from the assumptions and estimates could produce a materially different result.

Accrued Property and Liability Losses

The company’s insurance subsidiary establishes case based reserves for estimates of reported losses on direct business written, estimates received from ceding reinsurers, and reserves based on past experience of unreported losses. Such losses principally relate to the company’s marine operations and are included as a component of costs of marine operations in the Consolidated Statements of Earnings. The liability for such losses and the related reimbursement receivable from reinsurance companies are classified in the Consolidated Balance Sheet into current and noncurrent amounts based upon estimates of when the liabilities will be settled and when the receivables will be collected.

Pension and Other Postretirement Benefits

Pension costs are accounted for in accordance with the provisions of SFAS No. 87 and are funded to at least meet the minimum funding requirements as required by law. Prior service costs are amortized on the straight-line basis over the average remaining service period of employees expected to receive pension benefits. Postretirement benefits other than pensions are accounted for in accordance with SFAS No. 106. The estimated cost of postretirement benefits other than pensions are accrued during the employees’ active service period.

The company follows the disclosure provisions of SFAS No. 132, “Employers’ Disclosures about Pension and Other Postretirement Benefits,” which standardizes the disclosures for pensions and other postretirement benefit plans.

[Table of Contents](#)

Income Taxes

Income taxes are accounted for in accordance with the provisions of SFAS No. 109. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Revenue Recognition

Marine services are generally contracted for on a rate per day of service basis; therefore, marine vessel revenues are recognized on a daily basis throughout the contract period.

Foreign Currency Translation

The U.S. dollar is the functional currency for all of the company's existing international operations, as transactions in these operations are predominately denominated in U.S. dollars. Foreign currency exchange gains and losses are included in the Consolidated Statements of Earnings.

Earnings Per Share

Earnings per share are computed in accordance with SFAS No. 128, "Earnings Per Share," which requires the reporting of both earnings per share and diluted earnings per share. The calculation of earnings per share is based on the weighted average number of shares outstanding and therefore excludes any dilutive effect of stock options, while diluted earnings per share includes the dilutive effect of stock options. Per share amounts disclosed in these Notes to Consolidated Financial Statements are on a diluted basis.

Concentrations of Credit Risk

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of trade and other receivables. These receivables are with a variety of domestic, international and national energy companies and also include reinsurance companies for recoverable insurance losses. The company manages its exposure to risk through ongoing credit evaluations of its customers and generally does not require collateral. The company maintains an allowance for doubtful accounts for potential losses and does not believe it is generally exposed to concentrations of credit risk that are likely to have a material adverse impact on the company's financial position or results of operations.

Stock-Based Compensation

The company uses the intrinsic value method of accounting for stock-based compensation prescribed by APB No. 25, "Accounting for Stock Issued to Employees," and, accordingly, adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation."

Comprehensive Income

The Company uses SFAS No. 130, "Reporting Comprehensive Income," which requires the reporting and display of total comprehensive income and its components in the financial statements. Total comprehensive income represents the net change in stockholders' equity during a period from sources other than transactions with stockholders and as such, includes net earnings. For the company, accumulated other comprehensive income is comprised of the net after-tax effect of accumulated foreign currency translation adjustments, unrealized gains and losses on available-for-sale securities and derivative financial instruments, and a minimum pension liability for the company's Supplemental Executive Retirement Plan.

Derivative Instruments and Hedging Activities

Effective April 1, 2001, the company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. The company utilizes derivative financial instruments to hedge against foreign currency denominated assets and liabilities and currency commitments. These transactions are forward currency contracts that are entered into with major financial institutions. Derivative financial

[Table of Contents](#)

instruments are intended to reduce the company's exposure to foreign currency exchange risk. The company accounts for changes in the fair value of a derivative instrument depending on the intended use of the derivative and the resulting designation, which is established at the inception of a derivative. SFAS No. 133 requires that a company formally document, at the inception of a hedge, the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge, including identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, the method used to assess effectiveness and the method that will be used to measure hedge ineffectiveness of derivative instruments that receive hedge accounting treatment. For derivative instruments designated as foreign currency hedges, changes in fair value, to the extent the hedge is effective, are recognized in other comprehensive income until the hedged item is recognized in earnings. Hedge effectiveness is assessed quarterly based on the total change in the derivative's fair value.

New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations" which requires companies to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The company does not anticipate any financial statement impact with the adoption of this statement.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" which establishes one accounting model to be used for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations to include more disposal transactions. SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets to Be Disposed Of" and the accounting and reporting provisions of APB Opinion No. 30. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The company does not anticipate any financial statement impact with the adoption of this statement.

(2) Unconsolidated Companies

Investments in, at equity, and advances to unconsolidated marine joint-venture companies at March 31 were as follows:

	Percentage ownership	(in thousands)	
		2002	2001
Sonatide Marine, Ltd. (Luanda, Angola)	49%	\$11,437	13,780
Others	20%-50%	2,285	2,764
		<u>\$13,722</u>	<u>16,544</u>

During the second quarter of fiscal 2001, the company sold its 40% holding in its unconsolidated marine joint venture, National Marine Service (NMS), for approximately \$31 million resulting in a \$16.8 million gain. The after-tax effect of the gain on the sale was \$10.9 million, or \$0.19 per share.

On December 15, 2000, the company sold four vessels (two offshore tugs and two crewboats) to Sonatide Marine Ltd., its 49%-owned unconsolidated joint venture, for \$17 million, of which \$9 million was financed by the company. As of March 31, 2002 and 2001, \$2.6 million and \$8.7 million, respectively, was owed the company related to this financing.

[Table of Contents](#)

(3) Income Taxes

Earnings before income taxes derived from United States and international operations for the years ended March 31 are as follows:

	2002	(in thousands) 2001	2000
United States	\$ 49,673	34,504	11,032
International	155,078	92,916	94,248
	<u>\$204,751</u>	<u>127,420</u>	<u>105,280</u>

Income tax expense for the years ended March 31 consists of the following:

	(in thousands)			Total
	U.S.			
	Federal	State	International	
2002				
Current	\$22,002	1,487	25,870	49,359
Deferred	21,678	—	(2,445)	19,233
	<u>\$43,680</u>	<u>1,487</u>	<u>23,425</u>	<u>68,592</u>
2001				
Current	\$ 9,566	1,364	21,413	32,343
Deferred	14,033	—	(5,099)	8,934
	<u>\$23,599</u>	<u>1,364</u>	<u>16,314</u>	<u>41,277</u>
2000				
Current	\$ (7,660)	2,567	26,815	21,722
Deferred	10,518	—	(3,550)	6,968
	<u>\$ 2,858</u>	<u>2,567</u>	<u>23,265</u>	<u>28,690</u>

The actual income tax expense for the years ended March 31, 2002, 2001, and 2000 differs from the amounts computed by applying the U.S. federal tax rate of 35% to pre-tax earnings as a result of the following:

	2002	(in thousands) 2001	2000
Computed "expected" tax expense	\$ 71,663	44,597	36,848
Increase (reduction) resulting from:			
Overaccrual of income tax expense in prior years	—	—	(5,000)
Foreign tax credits not previously recognized	(2,445)	(5,099)	(3,550)
Utilization of net operating loss carryforwards	(13)	—	(52)
Expenses which are not deductible for tax purposes	79	655	771
State taxes	967	887	1,669
Other, net	(1,659)	237	(1,996)
	<u>\$ 68,592</u>	<u>41,277</u>	<u>28,690</u>

The reversal in fiscal year 2000 of taxes overaccrued in prior years is the result of settlements of open income tax audits with the Internal Revenue Service for fiscal years 1993 through 1997.

Table of Contents

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2002 and 2001 are as follows:

	(in thousands)	
	2002	2001
Deferred tax assets:		
Financial provisions not deducted for tax purposes	\$ 17,261	16,406
Foreign net operating loss carryforwards	14,270	14,283
Tax credit carryforwards	9,813	10,502
Other	1,468	2,040
Gross deferred tax assets	42,812	43,231
Less valuation allowance	(14,270)	(14,283)
Net deferred tax assets	28,542	28,948
Deferred tax liabilities:		
Depreciation and amortization	(154,754)	(137,582)
Other	(18,668)	(18,162)
Gross deferred tax liabilities	(173,422)	(155,744)
Net deferred tax liabilities	\$ (144,880)	(126,796)

The valuation allowance is primarily the result of a doubt over the ultimate realization of benefits from certain foreign net operating losses. The remaining balance of the deferred tax assets is expected to be realized through future operating results and the reversal of taxable temporary differences.

The company has not recognized a deferred tax liability of approximately \$31.5 million for the undistributed earnings of certain non-U.S. subsidiaries that arose in prior years because the company currently does not expect those unremitted earnings to reverse and become taxable to the company in the foreseeable future. A deferred tax liability will be recognized when the company expects that it will realize those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of investments. As of March 31, 2002, the undistributed earnings of these subsidiaries were approximately \$90 million.

The company receives a tax benefit that is generated by certain employee stock benefit plan transactions. This benefit is recorded directly to additional paid-in-capital and does not reduce the company's effective income tax rate. The tax benefit for the years ended March 31, 2002, 2001 and 2000 totaled approximately \$484,000, \$2.3 million and \$30,000, respectively.

(4) Long-Term Debt

At March 31, 2002 the company has a \$200 million revolving credit facility with a group of banks and at that date there was \$54 million of borrowings outstanding under the facility. Borrowings bear interest, at the company's option, at prime or Federal Funds rates plus .5% or Eurodollar rates plus margins from .5% to .75% based on the company's funded debt to total capitalization ratio. The revolving credit commitment expires on April 30, 2004, at which time the then outstanding balance will convert to a term loan payable in eight quarterly installments beginning July 31, 2004. All of the borrowings under the agreement are unsecured and the company pays an annual fee of .225% on the unused portion of the facility. During fiscal 2002, the company capitalized approximately \$1.0 million of interest costs incurred on borrowed funds used to construct vessels. The company did not capitalize any interests costs during fiscal 2001 and 2000.

Under the terms of the agreement, the company has agreed to limitations on future levels of investments and aggregate indebtedness, and maintenance of certain debt to capitalization ratios and also debt to earnings ratios. The agreement also limits the company's ability to encumber its assets for the benefit of others.

(5) Benefit Plans

Upon meeting various citizenship, age and service requirements, employees are eligible to participate in a defined contribution savings plan and can contribute from 2% to 50% of their base salary to an employee benefit trust. The company matches with company common stock 50% of the employee's contribution to the plan up to a maximum of 6% of the employee's base salary. The plan held 460,962 shares and 434,746 shares of the company's common stock at March 31, 2002 and 2001, respectively. Amounts charged to expense for the plan for 2002, 2001 and 2000 were \$1.6 million, \$1.8 million and \$1.7 million, respectively.

A defined benefits pension plan covers certain U.S. citizen employees and employees who are permanent residents of the United States. Benefits are based on years of service and employee compensation. The company's policy is to fund the plan based upon minimum funding requirements of the Employee Retirement Income Security Act of 1974. Certain benefits programs are maintained in several other countries that provide retirement income for covered employees.

The company also has a supplemental retirement plan (supplemental plan) that provides pension benefits to certain employees in excess of those allowed under the company's tax-qualified pension plan. Assets of this non-contributory defined benefit plan are held in a Rabbi Trust, which consists of a variety of marketable securities, none of which is Tidewater stock. The Trust assets, which are included in "other assets" in the company's Consolidated Balance Sheet, are recorded at fair value with unrealized gains or losses included in other comprehensive income. Trust assets at March 31, 2002 and 2001 were \$7.6 million and \$5.8 million, respectively, and the company's obligation under the supplemental plan, which is included in "other liabilities and deferred credits" on the Consolidated Balance Sheet, amounted to \$9.2 million and \$8.1 million, respectively, at March 31, 2002 and 2001.

Qualified retired employees currently are covered by a program, which provides limited health care and life insurance benefits. Costs of the program are based on actuarially determined amounts and are accrued over the period from the date of hire to the full eligibility date of employees who are expected to qualify for these benefits. This plan is not funded.

Changes in plan assets and obligations during the years ended March 31, 2002 and 2001 and the funded status of the U.S. defined benefits pension plan and the supplemental plan (referred to collectively as

[Table of Contents](#)

“Pension Benefits”) and the postretirement health care and life insurance plan (referred to as “Other Benefits”) at March 31, 2002 and 2001 were as follows:

	(in thousands)			
	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 39,437	34,684	15,775	13,336
Service cost	816	890	980	848
Interest cost	2,929	2,616	1,387	979
Participant contributions	—	—	334	286
Plan amendments	30	—	—	—
Benefits paid	(1,506)	(1,158)	(1,196)	(860)
Actuarial (gain) loss	3,456	2,405	7,905	1,186
Benefit obligation at end of year	\$ 45,162	39,437	25,185	15,775
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 32,726	31,073	—	—
Actual return	3,854	2,627	—	—
Employer contributions	454	184	862	574
Participant contributions	—	—	334	286
Benefits paid	(1,506)	(1,158)	(1,196)	(860)
Fair value of plan assets at end of year	\$ 35,528	32,726	—	—
Funded (unfunded) status	(9,634)	(6,710)	(25,185)	(15,775)
Unrecognized actuarial (gain) loss	3,042	1,202	3,868	(4,037)
Unrecognized prior service cost	461	555	(5)	(67)
Net accrued benefit cost	\$ (6,131)	(4,953)	(21,322)	(19,879)
Net accrued benefit cost consists of:				
Prepaid benefit cost	\$ 1,248	1,783	—	—
Accrued benefit liability	(9,142)	(8,085)	(21,322)	(19,879)
Accumulated other comprehensive income	1,763	1,349	—	—
Net accrued benefit cost	\$ (6,131)	(4,953)	(21,322)	(19,879)

For pension plans with benefit obligations in excess of plan assets, the projected benefit obligation at March 31, 2002 and 2001 was \$11.3 million and \$9.0 million, respectively. The accumulated benefit obligation for pension plans with benefit obligations in excess of plan assets was \$9.1 million and \$8.1 million at March 31, 2002 and 2001, respectively.

Net periodic pension cost for the U.S. defined benefit pension plan and the supplemental plan for 2002, 2001 and 2000 include the following components:

	(in thousands)		
	2002	2001	2000
	Service cost	\$ 816	890
Interest cost	2,929	2,616	2,432
Expected return on plan assets	(2,653)	(2,900)	(2,718)
Amortization of prior service cost	126	126	204
Recognized actuarial (gain) loss	413	312	538
Net periodic pension cost	\$ 1,631	1,044	1,470

Net periodic postretirement health care and life insurance costs for 2002, 2001 and 2000 include the following components:

	(in thousands)		
	2002	2001	2000
	Service cost	\$ 980	848

Interest cost	1,387	979	942
Other amortization and deferral	(62)	(409)	(284)
	<u> </u>	<u> </u>	<u> </u>
Net periodic postretirement benefit cost	\$ 2,305	1,418	1,558
	<u> </u>	<u> </u>	<u> </u>

[Table of Contents](#)

Assumptions used in actuarial calculations were as follows:

	2002	2001	2000
Discount rate	7.3%	7.5%	7.5%
Expected long-term rate of return on assets	8.3%	8.3%	9.5%
Rates of annual increase in compensation levels	4.0%	4.0%	4.0%

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation will be 9% in 2003, gradually declining to 5% in the year 2007 and thereafter. A 1% increase in the assumed health care cost trend rates for each year would increase the accumulated postretirement benefit obligation by approximately \$3.9 million at March 31, 2002 and increase the cost for the year ended March 31, 2002 by \$.4 million. A 1% decrease in the assumed health care cost trend rates for each year would decrease the accumulated postretirement benefit obligation by approximately \$3.1 million at March 31, 2002 and decrease the cost for the year ended March 31, 2002 by \$.3 million.

A defined contribution retirement plan covers all eligible U.S. fleet personnel, along with all new eligible employees of the company hired after December 31, 1995. This plan is noncontributory by the employee, but the company has contributed in cash 3% of an eligible employee's compensation to an employee benefit trust. The cost of the plan for fiscal 2002, 2001 and 2000 was \$2.2 million, \$2.3 million, and \$2.2 million, respectively. Fiscal 2002 cost of the plan has been reduced by \$.6 million of forfeitures due to employee severances.

(6) Other Assets, Other Liabilities and Deferred Credits and Accumulated Other Comprehensive Income

A summary of other assets at March 31 follows:

	(in thousands)	
	2002	2001
Recoverable insurance losses	\$ 34,250	38,907
Assets held for sale	20,148	19,299
Deferred income tax assets	28,542	28,948
Other	18,962	12,695
	<u>\$101,902</u>	<u>99,849</u>

A summary of other liabilities and deferred credits at March 31 follows:

	(in thousands)	
	2002	2001
Postretirement benefits liability	\$21,322	19,879
Pension liability	6,131	4,953
Minority interests in net assets of subsidiaries	1,518	3,460
Deferred vessel revenues	5,993	7,628
Other	13,451	13,219
	<u>\$48,415</u>	<u>49,139</u>

A summary of accumulated other comprehensive income at March 31 follows:

	(in thousands)	
	2002	2001
Currency translation adjustments	\$ 10,578	10,580
Unrealized gains on available-for-sale securities	(163)	(529)
Supplemental Executive Retirement Plan minimum liability	1,146	877
	<u>\$ 11,561</u>	<u>10,928</u>

[Table of Contents](#)**(7) Capital Stock**

The company has 125 million shares of \$.10 par value common stock authorized. At March 31, 2002 and 2001, 60,580,671 shares and 60,543,181 shares, respectively, were issued. At March 31, 2002 and 2001, 4,359,728 and 4,506,962 shares, respectively, were held by the Grantor Trust Stock Ownership Program, which are not included in common shares outstanding for earnings per share calculations. At March 31, 2002 and 2001, three million shares of no par value preferred stock were authorized and unissued.

Under the company's stock option and restricted stock plans, the Compensation Committee of the Board of Directors has authority to grant stock options and restricted shares of the company's stock to officers and other key employees. At March 31, 2002, 6,506,988 shares of common stock are reserved for issuance under the plans of which 2,273,355 shares are available for future grants. Stock options are granted with an exercise price equal to the stock's fair market value at the date of grant. All outstanding stock options have ten-year terms and most of the outstanding options vest and become exercisable in equal installments over a three-year period from the grant date.

The per share weighted-average fair values of stock options granted during fiscal years 2002, 2001 and 2000 were \$16.33, \$18.60 and \$13.28, respectively, on the dates of grant using the Black Scholes option-pricing model with the following weighted-average assumptions:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Risk-free interest rate	5.00%	4.70%	6.50%
Expected dividend yield	1.40%	1.20%	2.00%
Expected stock price volatility	48.87%	48.43%	45.71%
Expected stock option life	5 years	5 years	5 years

The company applies APB Opinion No. 25 in accounting for its plans and, accordingly, no compensation cost has been recognized for its stock options in the consolidated financial statements. Had the company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the company's net earnings would have been reduced to the pro forma amounts as follows:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Net earnings (in thousands):			
As reported	\$136,159	86,143	76,590
Pro forma	\$129,413	78,232	69,434
Earnings per common share:			
As reported	\$ 2.43	1.55	1.38
Pro forma	\$ 2.31	1.40	1.25
Diluted earnings per common share:			
As reported	\$ 2.41	1.53	1.37
Pro forma	\$ 2.30	1.39	1.24

[Table of Contents](#)

Stock option activity during 2002, 2001 and 2000 was as follows:

	Weighted-average Exercise Price	Number of Shares
Balance at March 31, 1999	\$ 33.21	3,009,006
Granted	32.02	609,000
Exercised	15.64	(33,699)
Expired or cancelled	33.77	(24,000)
Balance at March 31, 2000	33.17	3,560,307
Granted	42.68	616,000
Exercised	22.79	(358,397)
Expired or cancelled	35.00	(264,169)
Balance at March 31, 2001	35.73	3,553,741
Granted	37.49	844,500
Exercised	25.18	(96,786)
Expired or cancelled	26.50	(71,334)
Balance at March 31, 2002	\$ 36.23	4,230,121

The 4,230,121 options outstanding at March 31, 2002 fall into three general exercise-price ranges as follows:

	Exercise Price Range		
	\$ 19.00—\$29.44	\$ 32.25—\$40.28	\$ 42.19—\$59.00
Options outstanding at March 31, 2002	1,226,760	1,446,361	1,557,000
Weighted average exercise price	\$23.57	\$36.38	\$46.07
Weighted average remaining contractual life	6.0 years	8.4 years	6.8 years
Options exercisable at March 31, 2002	1,176,760	569,683	1,287,989
Weighted average exercise price of options exercisable at March 31, 2002	\$23.37	\$34.36	\$46.74

At March 31, 2002, 2001, and 2000, the number of options exercisable under the stock option plans was 3,034,432, 2,411,216, and 2,049,618, respectively; and the weighted average exercise price of those options was \$35.35, \$36.38, and \$35.02, respectively.

A total of 78,448 shares of restricted common stock of the company were granted to certain key employees during fiscal years 1998 through 2002 from the company's Employee Restricted Stock Plan. These restricted shares vest and become freely transferable over a four-year period provided the employee remains employed by the company during the vesting period. During the restricted period, the restricted shares may not be transferred or encumbered, but the recipient has the right to vote and receive dividends on the restricted shares. The fair market value of the stock at the time of the grants totaled approximately \$3.3 million and was classified in stockholders' equity as deferred compensation – restricted stock. The deferred amount is being amortized by equal monthly charges to earnings over the respective four-year vesting periods. The restricted stock plan is the only equity compensation plan that has not been approved by shareholders.

In accordance with an employment agreement with the company's chairman of the board entered into on September 25, 1997, 50,000 shares of restricted common stock were granted on that date. These restricted shares vest at varying intervals when the average market price of the common stock reaches certain predetermined levels or upon the chairman reaching age 65. The fair market value of the stock at the time of grant totaling approximately \$3 million was deferred and has been amortized by equal monthly charges to earnings over the five years ended March 31, 2002. The chairman reached age 65 in March 2002; therefore, the restrictions have been lifted from the shares.

On January 29, 1999 the company established a Grantor Trust Stock Ownership Program in connection with which the company entered into a trust agreement with a bank providing for the establishment of the related trust (the "trust"). The trust is designed to acquire, hold and distribute shares of the common stock of the company to provide for the payment of benefits and compensation under the

[Table of Contents](#)

company's employee benefit plans, including its stock option plans and 401(k) plan. The trust will not increase or alter the amount of benefits or compensation that will be paid under these plans.

On January 29, 1999 the company sold at market value 5,000,000 shares (the "acquired shares") of common stock to the trust for \$107,187,500, or \$21.4375 per share. In payment for the acquired shares, the trust paid \$500,000 in cash and issued a promissory note payable to the company for the remaining balance. Acquired shares will be released to satisfy the company's obligations to pay benefits under company benefit plans as the promissory note is paid down or forgiven.

For financial reporting purposes the trust is consolidated with the company. Any dividend transactions between the company and the trust are eliminated. Acquired shares held by the trust remain valued at the market price at the date of purchase and are shown as a reduction to stockholders' equity in the company's consolidated balance sheet. The difference between the trust share value and the fair market value on the date shares are released from the trust is included in additional paid-in capital. Common stock held in the trust is not considered outstanding in the computation of earnings per share. The trust held 4,359,728 and 4,506,962 shares of common stock at March 31, 2002 and 2001, respectively. The trustee will vote or tender shares held by the trust in accordance with the confidential instructions of participants in the company's stock option plans and 401(k) plan.

Under a Shareholder Rights Plan, one preferred stock purchase right has been distributed as a dividend for each outstanding common share. Each right entitles the holder to purchase, under certain conditions, one one-hundredth of a share of Series A Participating Preferred Stock at an exercise price of \$160, subject to adjustment. The rights will not be exercisable unless a person (as defined in the plan) acquires beneficial ownership of 15% or more of the outstanding common shares, or a person commences a tender offer or exchange offer, which upon its consummation such person would beneficially own 15% or more of the outstanding common shares. The Board of Directors is authorized in certain circumstances to lower the beneficial ownership percentage to not less than 10%.

If after the rights become exercisable a person becomes the beneficial owner of 15% or more of the outstanding common shares (except pursuant to an offer for all shares approved by the Board of Directors), each holder (other than the acquirer) will be entitled to receive, upon exercise, common shares having a market value of twice the exercise price. In addition, if the company is involved in a merger (other than a merger which follows an offer for all shares approved by the Board of Directors), major sale of assets or other business combination after a person becomes the beneficial owner of 15% or more of the outstanding common shares, each holder of a right (other than the acquirer) will be entitled to receive, upon exercise, common stock of the acquiring company having a market value of twice the exercise price.

The rights may be redeemed for \$.01 per right at any time prior to ten days following the acquisition by a person of 15% or more of the outstanding common shares. The rights expire on November 1, 2006.

(8) Commitments and Contingencies

Compensation continuation agreements exist with all of the company's officers whereby each receives compensation and benefits in the event that their employment is terminated following certain events relating to a change in control of the company. The maximum amount of cash compensation that could be paid under the agreements, based on present salary levels, is approximately \$10 million.

As of March 31, 2002, the company committed to the construction of 27 vessels at a total cost of approximately \$468.3 million, which includes shipyard commitments and other incidental costs. The company is committed to the construction of five large anchor handling towing supply vessels, eight large platform supply vessels, six 220-foot platform supply vessels, four 162-foot crewboats and four 175-foot fast crewboats. Scheduled delivery for the vessels is expected to begin in May 2002 with final delivery in October 2003. As of March 31, 2002, \$182.5 million has been expended on these vessels.

[Table of Contents](#)

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 materially adverse effect on the company's financial position or results of its ongoing operations.

(9) Financial Instruments

The company's financial instruments consist primarily of cash and cash equivalents, trade receivables, trade payables and long-term debt whose book values are considered to be representative of their respective fair values. The company also periodically enters into spot and forward currency derivative financial instruments as a hedge against foreign currency denominated assets and liabilities and currency commitments.

Spot contracts are short-term in nature and settle within two business days. The fair value approximates the carrying value due to the short-term nature of this instrument, and as a result, no gains or losses are recognized. There were no spot contracts outstanding at March 31, 2002, 2001 and 2000.

Forward currency contracts are longer-term in nature but generally do not exceed one year. At March 31, 2002 the company had five forward contracts outstanding totaling \$11.5 million that qualified as a foreign currency hedge instrument. The fair market value of the foreign currency hedge contract was \$11.4 million at March 31, 2002. The forward contracts were purchased to hedge against any possible foreign exchange exposure the company may experience with its \$12.9 million commitment to a Singapore shipyard that is currently constructing three platform supply vessels for delivery between July 2002 and November 2002. The company had one forward contract outstanding totaling \$11 million that qualified as a derivative financial instrument at March 31, 2001. The company had no outstanding derivative financial instruments at March 31, 2000.

[Table of Contents](#)

(10) Segment and Geographic Distribution of Operations

The company follows SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information” but operates in only one business segment. The following table provides a comparison of revenues, operating profit, identifiable assets, and depreciation and amortization and additions to properties and equipment for the years ended March 31. Vessel revenues and operating costs relate to vessels owned and operated by the company while other marine services relate to the activities of the company’s shipyards, brokered vessels and other miscellaneous marine-related businesses.

	(in thousands)		
	2002	2001	2000
Marine revenues (A):			
Vessel revenues:			
United States	\$ 203,648	197,660	140,090
International (B)	511,713	386,271	398,427
	715,361	583,931	538,517
Other marine services	13,668	32,748	36,298
	\$ 729,029	616,679	574,815
Marine operating profit:			
Vessel activity:			
United States	\$ 56,128	26,812	(4,694)
International	145,412	65,241	78,888
	201,540	92,053	74,194
Gains on sales of assets	6,380	22,750	19,441
Other marine services	4,042	7,137	6,254
	211,962	121,940	99,889
Other income	6,313	19,701	17,117
Corporate expenses	(12,691)	(13,026)	(11,012)
Interest and other debt costs	(833)	(1,195)	(714)
Earnings before income taxes	\$ 204,751	127,420	105,280
Identifiable assets:			
Marine:			
United States	\$ 370,192	292,952	268,234
International (B)	1,216,724	1,047,283	857,705
	1,586,916	1,340,235	1,125,939
Investments in and advances to unconsolidated Marine companies	13,722	16,544	23,275
	1,600,638	1,356,779	1,149,214
General corporate	68,732	148,713	283,122
	\$ 1,669,370	1,505,492	1,432,336
Depreciation and amortization:			
Marine equipment depreciation	\$ 77,350	69,596	72,662
General corporate depreciation	782	761	670
Goodwill amortization	—	9,170	9,170
	\$ 78,132	79,527	82,502
Additions to properties and equipment:			
Marine equipment operations	\$ 317,790	302,706	56,476
General corporate	117	87	886
	\$ 317,907	302,793	57,362

(A) One customer accounted for 10%, 11% and 12% of revenues for the fiscal year ended March 31, 2002, 2001 and 2000, respectively.

(B) Marine support services are conducted worldwide with assets that are highly mobile. Revenues are principally derived from offshore service vessels, which regularly and routinely move from one operating area to another, often to and from offshore operating areas in different continents. Because of this asset mobility, revenues and long-lived assets attributable to the company's international marine operations in any one country are not "material" as that term is defined by SFAS No. 131. Equity in net assets of non-U.S. subsidiaries is \$870.5 million, 798.5 million, and \$581.9 million at March 31, 2002, 2001 and 2000, respectively. Other international identifiable assets include accounts receivable and other balances denominated in currencies other than the U.S. dollar which aggregate approximately \$12.0 million, 5.5 million, and \$5.0 million at March 31, 2002, 2001, and 2000, respectively. These amounts are subject to the usual risks of fluctuating exchange rates and government-imposed exchange controls.

[Table of Contents](#)

(11) Supplementary Information—Quarterly Financial Data (Unaudited)

Years Ended March 31, 2002 and 2001
(in thousands, except per share data)

2002	First	Second	Third	Fourth
Marine revenues	\$190,563	187,263	181,828	169,375
Marine operating profit	\$ 60,357	55,054	51,102	45,449
Net earnings	\$ 39,031	35,329	33,542	28,257
Earnings per share	\$.70	.63	.60	.50
Diluted earnings per share	\$.69	.63	.60	.50

2001	First	Second	Third	Fourth
Marine revenues	\$136,884	146,137	159,127	174,531
Marine operating profit	\$ 9,935	36,645	31,586	43,774
Net earnings	\$ 8,158	26,297	22,339	29,349
Earnings per share	\$.15	.47	.40	.53
Diluted earnings per share	\$.15	.47	.40	.52

Operating profit consists of revenues less operating costs and expenses, depreciation, general and administrative expenses and other income and expenses of the Marine division.

See Notes 1, 2 and 3 for detailed information regarding transactions which affect fiscal 2002 and 2001 quarterly amounts. A discussion of current market conditions appears in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

TIDEWATER INC. AND SUBSIDIARIES
Valuation and Qualifying Accounts
Years Ended March 31, 2002, 2001 and 2000
(in thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of period	Additions at Cost	Deductions	Balance at End of Period
2002				
Deducted in balance sheet from trade accounts receivables:				
Allowance for doubtful accounts	\$ 7,981	—	37(A)	7,944
Deducted in balance sheet from other assets:				
Amortization of goodwill	\$35,358	—	—	35,358
Amortization of prepaid rent and debt issuance costs	\$ 5,272	175	—	5,447
2001				
Deducted in balance sheet from trade accounts receivable:				
Allowance for doubtful accounts	\$12,331	664	5,014(A)	7,981
Deducted in balance sheet from other assets:				
Amortization of goodwill	\$26,238	9,120	—	35,358
Amortization of prepaid rent and debt issuance costs	\$ 5,126	146	—	5,272
2000				
Deducted in balance sheet from trade accounts receivables:				
Allowance for doubtful accounts	\$11,125	1,800	594(A)	12,331
Deducted in balance sheet from other assets:				
Amortization of goodwill	\$17,118	9,120	—	26,238
Amortization of prepaid rent and debt issuance costs	\$ 4,883	243	—	5,126

(A) Accounts receivable amounts considered uncollectible and removed from accounts receivable by reducing allowance for doubtful accounts.

**TIDEWATER INC.
EXHIBITS FOR THE
ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED MARCH 31, 2002**

EXHIBIT INDEX

The index below describes each exhibit filed as a part of this report. Exhibits not incorporated by reference to a prior filing are designated by an asterisk; all exhibits not so designated are incorporated herein by reference to a prior filing as indicated.

- 3(a) - Restated Certificate of Incorporation of Tidewater Inc. (filed with the Commission as Exhibit 3(a) to the company's quarterly report on Form 10-Q for the quarter ended September 30, 1993).
- 3(b) - Tidewater Inc. Bylaws (filed with the Commission as Exhibit 3(a) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 2001).
- 4(a) - Restated Rights Agreement dated as of September 19, 1996 between Tidewater Inc. and The First National Bank of Boston (filed with the Commission as Exhibit 1 to Form 8-A on September 30, 1996).
- 10(a) - \$200,000,000 Revolving Credit and Term Loan Agreement dated April 26, 2001 (filed with the Commission as Exhibit 10(a) to the Company's annual report on Form 10-K for the fiscal year ended March 31, 2001).
- 10(b) - Tidewater Inc. 1975 Incentive Program Stock Option Plan, as amended in 1990 (filed with the Commission as Exhibit 10(c) to the company's annual report on Form 10-K for the fiscal year ended March 31, 1991).
- 10(c) - Amended and Restated Tidewater Inc. 1992 Stock Option and Restricted Stock Plan dated September 27, 2001 (filed with the Commission as Exhibit 10(a) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 2001).
- 10(d) - Tidewater Inc. Second Amended and Restated Supplemental Executive Retirement Plan dated October 1, 1999 (filed with the Commission as Exhibit 10(f) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(e) - Second Amended and Restated Employees' Supplemental Savings Plan of Tidewater Inc. dated October 1, 1999 (filed with the Commission as Exhibit 10(d) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(f) - Supplemental Health Plan for Executive Officers of Tidewater Inc. (filed with the Commission as Exhibit 10(i) to a Registration Statement on September 12, 1989, Registration No. 33-31016).
- 10(g) - Amended and Restated Deferred Compensation Plan for Outside Directors of Tidewater Inc., effective October 1, 1999 (filed with the Commission as Exhibit 10(i) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(h) - Restated Non-Qualified Pension Plan for Outside Directors of Tidewater Inc. dated May 31, 2001 (filed with the Commission as Exhibit 10 to the company's quarterly report on Form 10-Q for the quarter ended September 30, 2001).
- 10(i) - Amended and Restated Change of Control Agreement dated October 1, 1999 between Tidewater and William C. O'Malley (filed with the Commission as Exhibit 10(b) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).

Table of Contents

- 10(j) - Form of Amended and Restated Change of Control Agreement dated October 1, 1999 with three executive officers of Tidewater Inc. (filed with the Commission as Exhibit 10(c) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(k) - Tidewater Inc. 1996 Annual Incentive Plan (filed with the Commission as Exhibit 10(m) to the company's annual report on Form 10-K for the fiscal year ended March 31, 1997).
- 10(l) - Employment Agreement dated September 25, 1997 between Tidewater Inc. and William C. O'Malley (filed with the Commission as Exhibit 10 to the company's report on Form 10-Q for the quarter ended September 30, 1997).
- 10(m) - Amendment No. 1 to Employment Agreement dated October 1, 1999 between Tidewater Inc. and William C. O'Malley (filed with the Commission as Exhibit 10(a) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(n) - Amended and Restated Tidewater Inc. 1997 Stock Incentive Plan dated September 27, 2001 (filed with the Commission as Exhibit 10(b) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 2001).
- 10(o) - Restated Non-Qualified Deferred Compensation Plan and Trust Agreement as Restated October 1, 1999 between Tidewater Inc. and Merrill Lynch Trust Company of America (filed with the Commission as Exhibit 10(e) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(p) - Second Restated Executives Supplemental Retirement Trust as Restated October 1, 1999 between Tidewater Inc. and Hibernia National Bank (filed with the Commission as Exhibit 10(j) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- *10(q) - Tidewater Inc. Amended and Restated Supplemental Executive Retirement Plan (Pension SERP) dated November 29, 2002.
- *10(r) - Tidewater Inc. Employee Restricted Stock Plan dated March 27, 1998.
- 10(s) - Tidewater Inc. 2001 Stock Incentive Plan dated July 27, 2001 (filed with the Commission as Exhibit 10(c) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 2001).
- *10(t) - Continuing Employment and Separation Agreement ("Agreement") between the Company and Larry T. Rigdon dated January 22, 2002.
- *21 - Subsidiaries of the company.
- *23 - Consent of Independent Auditors.

TIDEWATER
FOURTH AMENDED AND RESTATED
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

PENSION SERP

November 29, 2001

[Table of Contents](#)

TABLE OF CONTENTS

PREAMBLE		1
ARTICLE 1:	PURPOSE OF THE PLAN	1
ARTICLE 2:	THE PENSION PLAN	1
ARTICLE 3:	ADMINISTRATION	1
ARTICLE 4:	ELIGIBILITY	2
ARTICLE 5:	AMOUNT OF SUPPLEMENTAL PENSION BENEFIT	2
ARTICLE 6:	PAYMENT OF SUPPLEMENTAL PENSION BENEFIT	3
ARTICLE 6A:	PAYMENT ELECTION IN ANTICIPATION OF A CHANGE OF CONTROL	4
ARTICLE 7:	EMPLOYEES' RIGHTS	4
ARTICLE 8:	AMENDMENT AND DISCONTINUANCE	4
ARTICLE 8A:	CHANGE OF CONTROL	5
ARTICLE 9:	RESTRICTIONS ON ASSIGNMENT	7
ARTICLE 10:	NATURE OF AGREEMENT	7
ARTICLE 11:	CONTINUED EMPLOYMENT	7
ARTICLE 12:	BINDING ON EMPLOYER, EMPLOYEES AND THEIR SUCCESSORS	8
ARTICLE 13:	LAWS GOVERNING	8
ARTICLE 14:	MISCELLANEOUS	8

TIDEWATER INC.
FOURTH AMENDED AND RESTATED
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

PREAMBLE

Tidewater Inc. ("Employer") is the sponsor of the Tidewater Pension Plan ("Pension Plan"), which is a plan qualified under Section 401(a) of the Internal Revenue Code of 1986 ("Code"). Benefits under the Pension Plan are limited by various sections of the Code, such as Sections 401(a)(17) and 415. In order to provide benefits to a select group of management or highly compensated employees equal to the benefits that such employees are prevented from receiving under the Pension Plan because of those Code limitations, the Employer adopted a nonqualified unfunded plan known as the Tidewater Inc. Supplemental Executive Retirement Plan ("Plan"), effective as of July 1, 1991. The Plan also replaces certain service lost under the Pension Plan due to breaks in service, and enhances the benefit calculation formula. The Employer amended and restated the Plan effective January 1, 1993, further amended the Plan effective January 1, 1994, adopted two amendments and amended and restated the Plan effective October 1, 1999, further amended the Plan effective November 28, 2000 and November 29, 2001 and hereby restates the Plan effective November 29, 2001, as set forth below.

ARTICLE 1: PURPOSE OF THE PLAN

The Employer intends and desires by the adoption of this Plan to recognize the value to the Employer of past and present services of certain Eligible Employees and to encourage and assure their continued service with the Employer by making more adequate provision for their future retirement security. The establishment of this Plan is made necessary by certain limitations on contributions and benefits which are imposed on the Pension Plan by the Code. The Employer also wishes to compensate certain members of management or highly compensated employees who may have been disadvantaged by the break in service rules under the Pension Plan and to enhance the benefit calculation formula.

ARTICLE 2: THE PENSION PLAN

The Pension Plan, whenever referred to in this Plan, shall mean the Tidewater Pension Plan, as amended, as it exists as of the date any determination is made of benefits payable under this Plan. All terms used in this Plan shall have the meanings assigned to them under the provisions of the Pension Plan, unless otherwise qualified by the context. Since this Plan is intended to supplement the Pension Plan, any ambiguities or gaps in this Plan shall be resolved by reference to the Pension Plan document.

ARTICLE 3: ADMINISTRATION

This Plan shall be administered by the Compensation Committee of Employer's Board of Directors, the Employee Benefits Committee, and the Board of Directors of the Employer, which shall administer this Plan in a manner consistent with their duties of administration of the Pension Plan. Each of these governing bodies shall have full power and authority to interpret, construe and administer this Plan in accordance with their respective duties under the Pension Plan, and a governing body's interpretations and constructions hereof and actions hereunder,

[Table of Contents](#)

including the timing, form, amount or recipient of any payment to be made hereunder, within the scope of its authority, shall be binding and conclusive on all persons for all purposes. No member of a governing body shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Plan, unless attributable to his own willful misconduct or lack of good faith. Each administrator shall be fully indemnified as provided in the Pension Plan. A member of a governing body shall not participate in any action or determination regarding his own benefits hereunder.

ARTICLE 4: ELIGIBILITY

To be eligible to participate in this Plan, an Employee must satisfy the following conditions, (a) and (b):

- (a) The Employee must be a Participant in the Pension Plan;
- (b) The Employee must serve as the Chief Executive Officer, the President, a Vice President or the Corporate Controller of the Employer.

An Employee who satisfies conditions (a) and (b) is referred to as an "Eligible Employee." An Eligible Employee who ceases to be an Eligible Employee because of a change in his status as an officer under (b), shall have benefits under this Plan frozen as of the date he ceases to be an officer described in (b), and his benefits shall be paid as provided in Articles 6 and 6A. Notwithstanding the foregoing, the Board of Directors or the Compensation Committee of the Board of Directors of the Employer may, in its discretion, determine to increase benefits hereunder, credit an Eligible Employee with an additional period of service hereunder, accelerate the time or times of payment of benefits hereunder or change the date (but not retroactively) on which benefits cease to accrue for an Employee or terminating Employee.

Notwithstanding anything to the contrary, the Plan may not be amended to preclude the participation in the Plan, on the same basis as other Eligible Employees, of the person serving on October 1, 1999 as the Chief Executive Officer, the President, a Vice President or the Corporate Controller of the Employer, as long as such person continues to serve in such position or in any equivalent or higher position.

ARTICLE 5: AMOUNT OF SUPPLEMENTAL PENSION BENEFIT

Unless otherwise determined by the Board of Directors or Compensation Committee under Article 4, the amount of supplemental pension benefit shall be:

- (a) The supplemental pension benefit payable to an Eligible Employee or his Beneficiary or Beneficiaries under this Plan shall be the actuarial equivalent (based on the definition of this term in Section 1.02 of the Pension Plan) of the excess, if any, of (i) over (ii) as described below:
 - (i) the benefit which would have been payable to such Eligible Employee or on his behalf to his Beneficiary or Spouse, as the case may be, under the Pension Plan (but not taking into account any Additional Monthly Benefit payable under Section 5.07 of the Pension Plan), if the provisions of Pension Plan were administered without regard to either the maximum amount of retirement income limitations of Section 415 of the Code, or the maximum compensation limitation of Section 401(a)(17) of the Code,

[Table of Contents](#)

(ii) the benefit (including any Additional Monthly Benefit) which is in fact payable to such Eligible Employee or on his behalf to his Beneficiary or Spouse under the Pension Plan.

(b) The computation in paragraph (a) above shall be made as though the factor, 0.85%, in Section 5.01(b)(1) of the Pension Plan were 1.35%.

(c) The computation in paragraph (i) above shall be made as to take into account any change authorized by the Board of Directors or the Compensation Committee as permitted in Article 4 hereof. The computation shall also be made as though the Employee's service under the Pension Plan included the service prior to a break in service lost under such Plan as a result of a break in service. After an Employee becomes an Eligible Employee, he may request the Employer to provide him with a written statement of the number of years of service lost under the Pension Plan. If the Eligible Employee disagrees with the Employer's determination, he immediately shall contest it through the Plan's Appeal Procedure referenced in Article 14, below. In the absence of the Eligible Employee's timely request and objection, the Employer's determination shall become fixed.

(d) Supplemental pension benefits payable under this Plan to any recipient shall be computed in accordance with the foregoing, with the objective that such recipient should receive under this Plan and the Pension Plan the total amount which would have been payable to that recipient solely under the Pension Plan (as enriched by (b) and (c)), had neither Section 415 nor Section 401(a)(17) of the Code been applicable thereto. An Eligible Employee who is not entitled to benefits under the Pension Plan is not entitled to supplemental pension benefits under this Plan.

ARTICLE 6: PAYMENT OF SUPPLEMENTAL PENSION BENEFIT

Except as provided in Article 4, 8 or 8A or unless the Employee elects otherwise under this Article 6 or Article 6A, the supplemental pension benefit under the Plan with respect to an Employee shall commence at the same time and be paid in the same form and to the same recipient as the benefit with respect to the Employee that is payable under the Pension Plan. An Employee can elect, on a form provided by the Committee, to receive a benefit commencing at an earlier date following termination of employment and after reaching age 55, but only if the election is made at least 13 months prior to the benefit commencement date. The earlier benefit can be paid in any form permitted under the Pension Plan. The benefit paid earlier than the benefit under the Pension Plan shall be determined as if the Pension Plan benefit were being paid at the same time and in the same form as the benefit under the Plan.

The foregoing notwithstanding, if the total value of the benefit payable under the Plan to the Employee or the Employee's Spouse upon the Employee's termination of employment (by retirement, death or otherwise) is less than \$10,000, the recipient shall receive an immediate lump sum benefit.

ARTICLE 6A. PAYMENT ELECTION IN ANTICIPATION OF A CHANGE OF CONTROL

An Employee or a former Employee who has not yet satisfied the requirements to begin to receive payment of benefits under the Plan can also elect at any time prior to a Change of Control, in a form and manner reasonably satisfactory to the Company, to have the supplemental pension benefit that becomes payable under the Plan to such Employee or former Employee following a Change of Control paid in cash in the form of a lump sum as of the date payments to the Employee would otherwise commence under the terms of the Plan, without regard to the form of payment provisions otherwise provided in the Plan and any payment or distribution elections applicable to the payment of the Employee's or former Employee's benefit in the absence of a Change of Control. A former Employee who has satisfied the requirements to begin to receive the payment of benefits under the Plan, whether or not payments have commenced, can also elect at any time prior to a Change of Control, in a form and manner reasonably satisfactory to the Company, to have the full value of the remaining supplemental pension benefits payable to such former Employee paid in a lump sum in cash within five business days of the Change of Control, without regard to the form of payment provisions otherwise provided in the Plan and any payment or distribution elections applicable to the payment of the former Employee's benefit in the absence of a Change of Control. The determination of the lump sum amount shall be made using the same assumptions as are used in the Pension Plan to determine the amount of a lump sum benefit.

ARTICLE 7: EMPLOYEES' RIGHTS

No Employee, Spouse or Beneficiary shall have greater rights under this Plan than those of general creditors of the Employer. Benefits payable under this Plan shall be a mere promise to pay in the future and shall be general, unsecured obligations of the Employer, to be paid by the Employer from its own funds. Such payments shall not (i) impose any additional obligation upon the Employer under the Pension Plan; (ii) be paid from the Pension Plan; or (iii) have any effect whatsoever upon the Pension Plan. No Employee or his Beneficiary or Spouse shall have any title to or beneficial ownership in any assets which the Employer may use to pay benefits hereunder. Notwithstanding the foregoing provisions of this Article 7 and any other provision of the Plan (including, without limitation, Article 10), the Employer may, in its discretion, establish a trust to pay amounts becoming payable pursuant to the Plan, which trust shall be subject to the claims of the general creditors of the Employer in the event of its bankruptcy or insolvency. Notwithstanding any establishment of such a trust, the Company shall remain responsible for the payment of any amounts so payable which are not so paid by such trust.

ARTICLE 8: AMENDMENT AND DISCONTINUANCE

The Employer expects to continue this Plan indefinitely but, except as otherwise provided, reserves the right to amend or discontinue it if, in its sole judgment, such a change is deemed necessary or desirable. However, if the Employer should amend or discontinue this Plan, the Employer shall continue to be liable to pay all benefits accrued under this Plan (determined on the basis of each Employee's presumed termination of employment as of the date of such amendment or discontinuance), as of the date of such action. Such accrued benefits shall be calculated pursuant to the provisions of the Plan immediately prior to any such amendment or discontinuance. Upon a discontinuance, all benefits shall be 100% vested, and a lump sum equal to the actuarial present value of each Employee's unpaid accrued benefit under this Plan shall be distributed to the Employee (or his Beneficiary or Spouse), and the

[Table of Contents](#)

Employer shall have no further obligation under this Plan. Such lump sum distributions shall be distributed within the thirty (30) days immediately following such discontinuance. No amendment shall be deemed to cause a reduction in an Employee's accrued benefit under the Plan if the reduction of the benefit under this Plan is paired with a corresponding increase in the accrued benefit under the Pension Plan.

ARTICLE 8A: CHANGE OF CONTROL

8A.01 Effect of Change of Control. Upon a Change of Control (as defined in Section 8A.02 hereof) all benefits which have accrued under the Plan shall immediately become fully vested. Upon or after a Change of Control, the Plan shall be deemed to have been discontinued (within the meaning of Article 8 hereof) upon the first to occur of the following: (i) the date of the Change of Control if the successor to the Employer shall have failed to assume the obligations under the Plan prior to or upon such Change of Control, either by express agreement or by operation of law, (ii) the date of any amendment to the Plan which reduces or adversely affects either the benefit accrued with respect to any Employee or the future benefit accrual of any Employee (unless paired with a corresponding increase in the benefit paid under the Pension Plan), or (iii) if the Employer shall have established a trust as described in the last two sentences of Article 7 hereof, any failure of the Employer (or the successor to the Employer) to make in a timely fashion any contribution to the trust with respect to benefits accrued under the Plan which may be required by the terms of such trust.

8A.02 Definition of Change of Control. As used in this Section 8A, 'Change of Control' shall mean:

(i) the acquisition by any 'Person' (as defined in Section 8A.03 hereof) of 'Beneficial Ownership' (as defined in Section 8A.03 hereof) of 30% or more of the outstanding Shares of the Company's Common Stock, \$0.10 par value per share (the 'Common Stock') or 30% or more of the combined voting power of the Company's then outstanding securities; provided, however, that for purposes of this subsection 8A.02(i), the following shall not constitute a Change of Control:

(A) any acquisition (other than a 'Business Combination' (as defined in Section 8A.02(iii) hereof) which constitutes a Change of Control under Section 8A.02(iii) hereof) of Common Stock directly from the Company,

(B) any acquisition of Common Stock by the Company or its subsidiaries,

(C) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or

(D) any acquisition of Common Stock by any corporation pursuant to a Business Combination which does not constitute a Change of Control under Section 8A.02(iii) hereof; or

(ii) individuals who, as of the effective date of the Amendment, constitute the Board (the 'Incumbent Board') cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the effective date of the Amendment whose election, or nomination for election by the

[Table of Contents](#)

Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board; or

(iii) consummation of a reorganization, merger or consolidation (including a merger or consolidation of the Company or any direct or indirect subsidiary of the Company), or sale or other disposition of all or substantially all of the assets of the Company (a 'Business Combination'), in each case, unless, immediately following such Business Combination,

(A) the individuals and entities who were the Beneficial Owners of the Company's outstanding Common Stock and the Company's voting securities entitled to vote generally in the election of directors immediately prior to such Business Combination have direct or indirect Beneficial Ownership, respectively, of more than 50% of the then outstanding shares of common stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the Post-Transaction Corporation (as defined in Section 8A.03 hereof), and

(B) except to the extent that such ownership existed prior to the Business Combination, no Person (excluding the Post-Transaction Corporation and any employee benefit plan or related trust of either the Company, the Post-Transaction Corporation or any subsidiary of either corporation) Beneficially Owns, directly or indirectly, 30% or more of the then outstanding shares of common stock of the corporation resulting from such Business Combination or 30% or more of the combined voting power of the then outstanding voting securities of such corporation, and

(C) at least a majority of the members of the board of directors of the Post-Transaction Corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

8A.03 Other Definitions. As used in Section 8A.02 hereof, the following words or terms shall have the meanings indicated:

(i) Affiliate: 'Affiliate' (and variants thereof) shall mean a Person that controls, or is controlled by, or is under common control with, another specified Person, either directly or indirectly.

(ii) Beneficial Owner: 'Beneficial Owner' (and variants thereof), with respect to a security, shall mean a Person who, directly or indirectly (through any contract, understanding, relationship or otherwise), has or shares (i) the power to vote, or direct the voting of, the security, and/or (ii) the power to dispose of, or to direct the disposition of, the security.

[Table of Contents](#)

(iii) Person: 'Person' shall mean a natural person or company, and shall also mean the group or syndicate created when two or more Persons act as a syndicate or other group (including, without limitation, a partnership or limited partnership) for the purpose of acquiring, holding, or disposing of a security, except that 'Person' shall not include an underwriter temporarily holding a security pursuant to an offering of the security.

(iv) Post-Transaction Corporation: Unless a Change of Control includes a Business Combination (as defined in Section 8A.02(iii) hereof), 'Post-Transaction Corporation' shall mean the Company after the Change of Control. If a Change of Control includes a Business Combination, 'Post-Transaction Corporation' shall mean the corporation resulting from the Business Combination unless, as a result of such Business Combination, an ultimate parent corporation controls the Company or all or substantially all of the Company's assets either directly or indirectly, in which case, 'Post-Transaction Corporation' shall mean such ultimate parent corporation.

ARTICLE 9: RESTRICTIONS ON ASSIGNMENT

The interest of an Employee or his Beneficiary or Spouse may not be sold, transferred, assigned, or encumbered in any manner, either voluntarily or involuntarily, and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge the same shall be null and void; neither shall the benefits hereunder be liable for or subject to the debts, contracts, liabilities, engagement, or torts of any person to whom such benefits or funds are payable, nor shall they be subject to garnishment attachment, or other legal or equitable process nor shall they be an asset in bankruptcy, except that no amount shall be payable hereunder until and unless any and all amounts representing debts or other obligations owed to the Employer or any affiliate of the Employer by the Employee with respect to whom such amount would otherwise be payable shall have been fully paid and satisfied. The interest of any Employee, Beneficiary or Spouse shall be held subject to the maximum restraint on alienation permitted or required by applicable Louisiana law.

ARTICLE 10: NATURE OF AGREEMENT

Eligible Employees and their Beneficiaries by virtue of participating under this Plan have only an unsecured right to receive benefits from their Employer as a general creditor of the Employer. The Plan constitutes a mere promise to make payments in the future. The adoption of the Plan and any setting aside of amounts by the Employer with which to discharge its obligations hereunder shall not be deemed to create a trust for the benefit of Eligible Employees or their Beneficiaries; except as provided in any trust document, legal and equitable title to any funds so set aside shall remain in the Employer, and any recipient of benefits hereunder shall have no security or other interest in such funds. Any and all funds so set aside shall remain subject to the claims of the general creditors of the Employer, present and future, and no payment shall be made under this Plan unless the Employer is then solvent. This provision shall not require the Employer to set aside any funds, but the Employer may set aside such funds if it chooses to do so.

ARTICLE 11: CONTINUED EMPLOYMENT

Nothing contained herein shall be construed as conferring upon any Employee the right to continue in the employ of the Employer in any capacity.

[Table of Contents](#)

ARTICLE 12: BINDING ON EMPLOYER, EMPLOYEES AND THEIR SUCCESSORS

This Plan shall be binding upon and inure to the benefit of the Employer, its successors and assigns and each Eligible Employee and his heirs, executors, administrators and legal representatives.

ARTICLE 13: LAWS GOVERNING

This Plan shall be construed in accordance with and governed by the laws of the State of Louisiana, except to the extent that the Plan is governed by the Employee Retirement Income Security Act of 1974 ("ERISA"). It is the Employer's intent that the Plan shall be exempt from ERISA's provisions, to the maximum extent permitted by law. To the extent that the Plan is an excess benefit plan (as defined in Section 3(36) of ERISA), it shall be exempt from coverage entirely, as provided in ERISA Section 4(b)(5). The Plan is intended to be unfunded for federal income tax purposes and for purposes of title I of ERISA and intended to provide deferred compensation only for a select group of management or highly compensated employees and shall be exempt from Parts 2, 3, and 4 of ERISA, pursuant to Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA.

ARTICLE 14: MISCELLANEOUS

14.1 Claims and Appeal Procedures. All disputes over benefits allegedly due under this Plan shall be resolved through the procedures for making claims, and appealing from denials of claims, that are set forth in the Summary Plan Description of the Pension Plan.

14.2 Recovery of Payments Made by Mistake. Notwithstanding anything to the contrary, an Eligible Employee or other person receiving amounts from the Plan is entitled only to those benefits provided by the Plan and promptly shall return any payment, or portion thereof, made by mistake of fact or law. The Committee may offset the future benefits of any recipient who refuses to return an erroneous payment, in addition to pursuing any other remedies provided by law.

EXECUTED effective this 29th day of November, 2001.

TIDEWATER INC.

By: /s/ J. KEITH LOUSTEAU

J. Keith Lousteau
Senior Vice President, Chief
Financial Officer and Treasurer

ATTEST:

By: /s/ MICHAEL L. GOLDBLATT

Michael L. Goldblatt
Assistant Secretary

**TIDEWATER INC.
EMPLOYEE RESTRICTED STOCK PLAN**

1. Purpose. The purpose of the Employee Restricted Stock Plan (the “Plan”) of Tidewater Inc. (“Tidewater”) is to attract, retain and motivate key employees of Tidewater and its subsidiaries (collectively, the “Company”) and to strengthen the mutuality of interests between such employees and Tidewater’s shareholders through grants of restricted shares of common stock, \$.10 par value per share, of Tidewater (the “Common Stock”), on terms determined under the Plan. The shares of Common Stock issued hereunder and subject to restrictions shall be referred to herein as “Restricted Stock”. As used in the Plan, the term “subsidiary” means any corporation of which Tidewater owns (directly or indirectly) within the meaning of Section 425(f) of the Internal Revenue Code of 1986, as amended (the “Code”), 50% or more of the total combined voting power of all classes of stock.

2. Administration.

2.1. Administrators. The Plan shall be administered by the Compensation Committee of the Board of Directors of Tidewater or by a subcommittee thereof (the “Committee”).

2.2. Authority. The Committee shall have plenary authority to award Restricted Stock under the Plan, to interpret the Plan, to establish any rules or regulations relating to the Plan that it determines to be appropriate, to enter into agreements with participants as to the terms of the Restricted Stock (the “Restricted Stock Agreements”) and to make any other determinations that it believes necessary or advisable for the proper administration of the Plan. Its decisions in matters relating to the Plan shall be final and conclusive on the Company and participants.

2.3. The Committee may delegate to the Chief Executive Officer of the Company any and all of its authority under the Plan.

3. Eligible Participants. Key employees of the Company who do not hold officer positions shall become eligible to receive Restricted Stock under the Plan when designated by the Committee. Employees may be designated individually or by groups or categories, as the Committee deems appropriate.

4. Shares Subject to the Plan.

4.1. Number of Shares. Subject to adjustment as provided in Section 6.3, a total of 300,000 shares of Common Stock are authorized to be issued as Restricted Stock under the Plan. In the event that shares of Restricted Stock are issued under the Plan and thereafter are forfeited such forfeited shares may again be issued under the Plan.

4.2. Type of Common Stock. Common Stock issued under the Plan may be authorized and unissued shares or issued shares held as treasury shares.

5. Restricted Stock.

5.1. Grant of Restricted Stock. The Committee may award shares of Restricted Stock to such key employees as the Committee determines pursuant to the terms of Section 3. An award of Restricted Stock shall be subject to such restrictions on transfer and forfeitability provisions and such other terms and conditions as the Committee may determine. An award of Restricted Stock may also be subject to the attainment of specified performance goals or targets.

5.2. The Restricted Period. At the time an award of Restricted Stock is made, the Committee shall establish a period of time during which the transfer of the shares of Restricted Stock shall be restricted (the "Restricted Period"). During the Restricted Period, the Restricted Stock may not be sold, assigned, transferred, exchanged, pledged, hypothecated or otherwise encumbered. Each award of Restricted Stock may have a different Restricted Period.

5.3. Escrow. The participant receiving Restricted Stock shall enter into a Restricted Stock Agreement with the Company setting forth the conditions of the grant. Certificates representing shares of Restricted Stock shall be registered in the name of the participant and deposited with the Company, together with a stock power endorsed in blank by the participant. Each such certificate shall bear a legend in substantially the following form:

The transferability of this certificate and the shares of Common Stock represented by it are subject to the terms and conditions (including conditions of forfeiture) contained in the Tidewater Inc. Employee Restricted Stock Plan (the "Plan"), and an agreement entered into between the registered owner and Tidewater Inc. thereunder. Copies of the Plan and the agreement are on file at the principal office of the Company.

5.4. Dividends on Restricted Stock. Any and all cash and stock dividends paid with respect to the shares of Restricted Stock shall be subject to any restrictions on transfer, forfeitability provisions or reinvestment requirements as the Committee may, in its discretion, prescribe in the Restricted Stock Agreement.

5.5. Forfeiture. In the event of the forfeiture of any shares of Restricted Stock under the terms provided in the Restricted Stock Agreement (including any additional shares of Restricted Stock that may result from the reinvestment of cash and stock dividends, if so provided in the Restricted Stock Agreement), such forfeited shares shall be surrendered and the certificates cancelled. The participants shall have the same rights and privileges, and be subject to the same forfeiture provisions, with respect to any additional shares received pursuant to Section 6.3 due to a recapitalization, merger or other change in capitalization.

5.6. Expiration of Restricted Period. Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee, the restrictions applicable to the Restricted Stock shall lapse and a stock certificate for the number of shares of Restricted Stock with respect to which the restrictions have lapsed shall be delivered, free of all such restrictions and legends, except any that may be imposed by law, to the participant or the participant's estate, as the case may be.

5.7. Rights as a Shareholder. Subject to the terms and conditions of the Plan and subject to any restrictions on the receipt of dividends that may be imposed in the Restricted Stock Agreement, each participant receiving Restricted Stock shall have all the rights of a shareholder with respect to shares of stock during the Restricted Period, including without limitation, the right to vote any shares of Common Stock.

6. General.

6.1. Duration. Subject to Section 6.7, the Plan shall remain in effect until all shares of Restricted Stock authorized to be issued under the Plan have been issued and all restrictions imposed on shares of Restricted Stock in connection with their issuance under the Plan have lapsed.

6.2. Additional Condition. Anything in this Plan to the contrary notwithstanding: (a) the Company may, if it shall determine it necessary or desirable for any reason, at the time of the issuance of any shares of Restricted Stock require the recipient of the Restricted Stock, as a condition to the receipt thereof, to deliver to the Company a written representation of present intention to acquire the shares of Restricted Stock issued pursuant thereto for his own account for investment and not for distribution; and (b) if at any time the Company further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of any shares of Restricted Stock is necessary on any securities exchange or under any federal or state securities or blue sky law, or that the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with the issuance of shares of Restricted Stock pursuant thereto, or the removal of any restrictions imposed on such shares, such shares of Restricted Stock shall not be issued or such restrictions

shall not be removed, as the case may be, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

6.3. Adjustment. In the event of any merger, consolidation or reorganization of the Company with any other corporation or corporations, there shall be substituted for each of the shares of Common Stock then subject to the Plan, including shares of Restricted Stock still subject to restrictions, the number and kind of shares of stock or other securities to which the holders of the shares of Common Stock will be entitled pursuant to the transaction. In the event of any recapitalization, stock dividend, stock split, combination of shares or other change in the Common Stock, the number of shares of Common Stock then subject to the Plan, including issued shares, shall be adjusted in proportion to the change in outstanding shares of Common Stock. In the event of any such adjustments, the shares of Restricted Stock shall be adjusted as and to the extent appropriate, in the reasonable discretion of the Committee, to provide participants with the same relative rights before and after such adjustment. No substitution or adjustment shall require the Company to issue a fractional share under this Plan and the substitution or adjustment shall be limited by deleting any fractional share.

6.4. Restricted Stock Agreements. The terms of each Restricted Stock grant shall be stated in an agreement approved by the Committee. The Committee has complete authority to modify the terms of a Restricted Stock grant by means of an amendment to the Restricted Stock Agreement. Consent of the participant to the modification is required only if the modification materially impairs the rights previously provided to the participant in the Restricted Stock Agreement.

6.5. Withholding.

A. The Company shall have the right to withhold from any shares of Restricted Stock or to collect as a condition of the release of restrictions on Restricted Stock any taxes required by law to be withheld. At any time that a participant is required to pay to the Company an amount required to be withheld under applicable income tax laws in connection with the lapse of restrictions on Restricted Stock, the participant may, subject to disapproval by the Committee, satisfy this obligation in whole or in part by electing (the "Election") to have the Company withhold shares of Common Stock having a value equal to the amount required to be withheld. The value of the shares to be withheld shall be based on the Fair Market Value of the Common Stock on the date that the amount of tax to be withheld shall be determined ("Tax Date").

B. Each Election must be made prior to the Tax Date. The Committee may disapprove of any Election, may suspend or terminate the right to make Elections, or may provide with respect to any grant of Restricted Stock that the right to make Elections shall not apply to such

grant. If a participant makes an election under Section 83(b) of the Internal Revenue Code with respect to shares of Restricted Stock, an Election is not permitted to be made.

6.6. No Continued Employment. No participant under the Plan shall have any right, because of his or her participation, to continue in the employ of the Company for any period of time or to any right to continue his or her present or any other rate of compensation.

6.7. Amendments to or Termination of the Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time.

6.8. Definition of Fair Market Value. Whenever “Fair Market Value” of Common Stock shall be determined for purposes of this Plan, it shall be the closing sale price on the consolidated transaction reporting system for New York Stock Exchange issues on the date of reference for a share of the Common Stock, or if no sale of the Common Stock shall have been made on that day, on the next preceding day on which there was a sale of the Common Stock.

CONTINUING EMPLOYMENT AND SEPARATION AGREEMENT

This Continuing Employment and Separation Agreement (“Agreement”) between Tidewater Inc, a Delaware corporation (the “Company”), and Larry T. Rigdon (the “Employee”) is dated as of January 22, 2002 (the “Agreement Date”) and shall be effective as of the Agreement Date subject to the limitations set forth in Article V hereof.

WITNESSETH:

WHEREAS, Employee currently is employed by the Company as Executive Vice President;

WHEREAS, the Company desires to retain the services of Employee pursuant to the terms of this Agreement, and to provide certain benefits to Employee in connection with the termination of his employment as stated herein;

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

**ARTICLE I
EMPLOYMENT CAPACITY AND TERM**

1. **Capacity and Duties of Employee.** The Employee shall continue to be employed by the Company as Executive Vice President for the Employment Term, defined below. During the Employment Term, the Employee shall, subject to the time reasonably required by Employee to seek other employment, perform such duties, consistent with the Employee’s title, as may be prescribed by the Company’s Chief Executive Officer. It is understood and agreed that Employee will cease to serve as an executive officer of the Company effective April 1, 2002 and will seek other employment during the Employment Term, as defined herein. For purposes of this Agreement, seeking employment may include, but not be limited to (a) contacts by Employee with others, including competitors of the Company, with respect to employment, with respect to joint ventures, roll-up transactions, and other enterprises of which entity Employee might be an owner and which entity might be in competition with the Company (“Potential Competitors”), and with respect to other matters; (b) contacts by Employee with financial institutions, investment bankers, and others with respect to possible financing of Potential Competitors; and (c) contacts with shipyards, suppliers, and (subject to the provisions of Section 4 of Article IV hereof) others with respect to Potential Competitors.

2. **Employment Term.** The employment term (the “Employment Term”) shall commence on the Agreement Date and, subject to any earlier termination of Employee’s status as an employee pursuant to this Agreement, shall continue until the earlier of:

- (a) March 31, 2003; or

(b) the date on which Employee commences employment with or begins to provide consulting or other services to a person or entity other than the Company.

It is the understanding of the parties that Employee's employment relationship with the Company will terminate upon the expiration of the Employment Term, except that if the Employment Term terminates as a result of (b) above and the person or entity by whom Employee is employed or for whom Employee provides services is not a direct competitor of the Company, then solely for purposes of the terms of Employee's options to acquire Company common stock under the Company's stock option plans, Employee's employment with the Company shall be treated as continuing until March 31, 2003. At any time that Employee becomes employed by or begins to provide services to a direct competitor of the Company, his employment relationship with the Company shall be deemed to terminate for all purposes, but Employee shall nevertheless be entitled to the benefits provided in Section 2 of Article II of this Agreement. It is agreed and understood by Employee and the Company that during this additional period of deemed continued employment for purposes of the stock options, Employee shall be available to advise and consult with the Company at the Company's request, in such a manner and at such times as to not unreasonably interfere with Employee's regular employment or required services to a non-competitor of the Company.

3. **Devotion to Responsibilities.** During the Employment Term, the Employee shall, subject to the time reasonably required by Employee to seek other employment, devote that portion of his business time reasonably requested by the Chief Executive Officer to the business of the Company and shall use his reasonable best efforts to perform faithfully and efficiently his duties under this Agreement.

4. **Termination of Employment.** Employee's employment by the Company shall terminate prior to the expiration of the Employment Term described in Article I Section 2 as a result of Employee's death or disability, as defined in Tidewater's Long-Term Disability Plan, and may be terminated prior to the expiration of the Employment Term by the Company for Cause or by the Employee with the consent of the Company or with Good Reason.

ARTICLE II COMPENSATION AND BENEFITS

1. **Compensation for the Employment Term.** During the Employment Term and subject to the other terms hereof, the Company shall continue to provide the Employee with the compensation and benefits provided immediately prior to the Agreement Date. Employee has been paid his bonus for the fiscal year ending March 31, 2002 ("Fiscal 2002"), which amount was based upon the Company's good faith estimate of the Company's achievement of the performance measures used in the Company's Management Annual Incentive Plan for Fiscal 2002. Employee shall not be entitled to any additional bonus from the Company for the remainder of the Employment Term or the Continuing Benefits Term, as defined below.

2. **Compensation for the Continuing Benefits Term.** Except as otherwise provided in Article II Section 2(c) below, if the Employment Term ends prior to March 31, 2003, the Company shall provide the Employee with the following additional payments, benefits and perquisites during

the period beginning on the day following the end of the Employment Term and ending on March 31, 2003 (the "Continuing Benefits Term"):

(a) Cash Payment. Subject to Article II Section 2(c) below, in lieu of salary and any other cash compensation during the Continuing Benefits Term, Employee will be paid \$20,000 in cash per month (reduced pro rata for any partial month) over the Continuing Benefits Term. Equal payments will be made bi-monthly on the same dates as salary payments are made to salaried employees of the Company generally. To the extent that Employee earns compensation income for services provided to a person or entity other than the Company during the Continuing Benefits Term, whether in a self-employed capacity or as an employee of or consultant to another person or entity, such income shall be offset against the cash payments required to be made to Employee under this Article II Section 2. Employee shall be obligated to provide the Company with information as to all compensation earned during the Continuing Benefits Term in order that the Company may determine the appropriate amount of the offset.

(b) Insurance Benefits. Subject to the conditions described in Article II Section 2(c) below, the Employee shall be entitled to continue to participate in the following plans or any successor or replacement plans through the Continuing Benefits Term on terms at least equivalent to those in effect immediately prior to the Agreement Date:

(1) Except as otherwise provided in this Article II Section 2(b), the Tidewater Health Care Plan with premiums paid by Employee on the same terms as are applicable to the Company's executive officers and the Executive Medical Plan with full premiums paid by the Company. (Employee shall be offered COBRA continuation coverage with the COBRA continuation coverage period beginning when the foregoing coverage terminates);

(2) The Tidewater Life Insurance Plan with full premiums paid by the Company;

(3) The Tidewater AD&D Plan with full premiums paid by the Company; and

(4) The Tidewater Long-Term Disability Plan with full premiums paid by the Company.

The obligation of the Company to provide the insurance benefits described in this Article II Section 2(b) shall cease at such time as Employee has available health, disability and life insurance benefits from a new employer; provided, however that, to the extent such benefits offered by a new employer are less beneficial to Employee than the benefits the Company has agreed to provide in this Section 2(b), the Company shall supplement Employee's health and life insurance benefits such that Employee's benefits for the Continuing Benefits Term are equivalent to the benefits agreed to be provided by the Company herein. Employee agrees to provide the Company with all relevant information as to benefits provided by a new employer.

If Employee is otherwise employed during the Continuing Benefits Term and the amount of the cash payments due to Employee under Article II Section 2(a) are offset by compensation earned by Employee such that the bi-monthly cash amount due to Employee from the Company is insufficient to pay the premium for insurance coverage under the Tidewater Health Care Plan, then the Company shall make up the shortfall.

(c) Conditions to Benefits.

- (1) The Company's obligation to make the cash payments described in Article II Section 2(a) and the payments of premiums and other amounts described in Article II Section 2(b) shall cease upon termination of Employee's employment by the Company for Cause or resignation by the Employee without the consent of the Company and without Good Reason.
- (2) The Company's obligation to provide certain of the benefits referred to in Article II Section 2(b) is subject to approval by the applicable insurance or re-insurance provider. The Company agrees to use its best efforts to obtain such consent. In the event the Company is unable to obtain such consent, the Company shall self insure or shall fund the cost of comparable insurance issued directly to the Employee. The Company also agrees to take any and all necessary action to amend the terms of the Company's benefit plans to permit participation by Employee on the terms provided herein

(d) Right of Set-Off. Except for the cash offset described in Article II Section 2(a) and the benefits offset described in Article II Section 2(b), the Company's obligations hereunder shall not be affected by any other compensation or benefits paid to Employee by a third party.

3. **Other Compensation.** Effective upon the execution of this Agreement by both parties, the following shall occur:

(a) Stock Options. The terms of Employee's stock options shall be amended as follows:

- (1) the exercisability of all outstanding unvested stock options held by Employee shall be accelerated such that they are fully vested and exercisable in full, except that (A) the vesting of options to purchase 25,000 shares scheduled to vest on January 18, 2004 shall not be accelerated and these options shall be forfeited upon termination of Employee's employment with the Company and (B) the vesting of options to purchase 26,667 shares scheduled to vest on March 11, 2002, shall not be accelerated;

(2) the post-termination exercise period of the options listed below shall be extended until the earlier of five years following termination of employment or ten years following the date of grant of such options:

<u>Year of Grant</u>	<u>Outstanding Options</u>	<u>Option Price</u>
1996	10,000	\$39.00
1997	30,000	\$43.625
1998	35,000	\$45.625
2000	35,000	\$32.25
2001	75,000	\$42.1875

(3) the termination of Employee's employment hereunder shall be deemed to be a retirement for purposes of Employee's options to purchase 80,000 shares of Company common stock at an exercise price of \$22.75 per share, such that such options shall continue to be exercisable for two years following the end of the Employment Term, except that if Employee is not employed by and does not provide services to a person or entity that is a direct competitor of the Company, the two-year post-retirement exercise period shall begin to run on March 31, 2003.

(b) Retirement Benefits. Employee shall be credited with an additional period of service under the Supplemental Retirement Plan (the "SERP") such that his aggregate benefits from the Pension Plan and the SERP will equal the benefits that he would have received if he had retired from employment with the Company on March 31, 2003. The Employee's hire date of January 5, 1976 shall be used in all such calculations. Employee's retirement benefits under the Pension Plan and the SERP shall be distributed commencing when Employee reaches age 65 or at such earlier age as is allowed under each plan and elected by Employee. Employee shall be entitled to participate in the Company's Retiree Life Insurance Plan and Retiree Medical Insurance Plan beginning on April 1, 2003 on the terms generally available to participants in such plans who retire from employment with the Company at age 55.

4. **Terminated Benefits.** (a) Benefit Plans. Except as otherwise provided herein, Employee shall not be entitled to participate in the following plans or any successor plans after the Employment Term:

- (1) The Pension Plan;
- (2) The Pension SERP (although Employee shall be credited with an additional period of service through March 31, 2003);
- (3) The 401(k) Savings Plan;
- (4) The Supplemental 401(k) Savings Plan;
- (5) The Supplemental Life Insurance Plan;

(6) The Supplemental AD&D Plan; and

(7) The Management Annual Incentive Plan.

(b) **Other Benefits.** In addition, Employee shall not be entitled to the following after the Employment Term:

(1) Additional grants of stock options or other stock awards under the Company's stock incentive plans;

(2) The use of the Company aircraft;

(3) Office space, secretarial services, or a reserved parking space;

(4) Any of the benefits provided in the Change of Control Agreement between the Company and Employee, which shall terminate as described in Article V Section 5;

(5) Reimbursement for expenses, including social or business club or association dues; and

(6) Benefits provided through the Tidewater Business Travel Plan.

**ARTICLE III
TERMINATION OF EMPLOYMENT
DURING EMPLOYMENT TERM**

1. **Continuation of Benefits.** If during the Employment Term, Employee's employment terminates as a result of the resignation of the Employee with the consent of the Company, termination by the Employee with Good Reason, termination by the Company without Cause, death or disability (as defined in the Company's Administrative Long-Term Disability Plan), Employee or Employee's estate, heirs or other legal representatives, as appropriate, shall continue to be entitled to all of the benefits provided herein during the Employment Term and the Continuing Benefits Term.

2. **Definition of "Good Reason."** For purposes of this Agreement, "Good Reason" shall mean

(a) The Company requiring the Employee to be based at any office or location other than the Company's current corporate headquarters or requiring the Employee to travel on business to a substantially greater extent than required immediately prior to the execution of this Agreement;

(b) The failure of the Company to provide Employee with a reasonable level of staff support and office space;

(c) Any failure by the Company to comply with any of the provisions of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad

faith that is remedied within 10 days after receipt of written notice thereof from the Employee to the Company;

- (d) Except as provided in the last sentence of Article III Section 3, Employee's resignation to seek or engage in other employment; or
- (e) Any purported termination by the Company of Employee's employment otherwise than as expressly permitted by this Agreement.

2. **Definition of "Cause."** For purposes of this Agreement, "Cause" shall mean termination as a result of

- (a) the commission of a felony by the Employee;
- (b) gross misconduct by the Employee that is materially and demonstrably injurious to the Company, which is not remedied within 20 days after receipt of written notice from the Chairman of the Board of the Company specifying such misconduct; or
- (c) the continuing and material breach by the Employee of his obligations under Article I or Article IV of this Agreement (other than as a result of incapacity due to physical or mental illness) which is committed in bad faith or without belief that such breach is in or not opposed to the best interests of the Company and which is not remedied within 20 days after receipt of written notice from the Chairman of the Board of the Company specifying such breach;

provided, however, that in no event shall Employee's competing with the Company, whether directly or indirectly, be deemed gross misconduct under Article III Section 3(b); and further provided that Employee's competing with the Company, whether directly or indirectly, shall not be deemed a breach of Employee's obligations under Article I or IV of this Agreement except to the extent such conduct involves the disclosure of Confidential Information or the solicitation of an employee of the Company in violation of this Agreement. No resignation by Employee after receipt of a written notice of termination for Cause under Article III Section 3(b) or (c) shall constitute a termination by the Employee for Good Reason or affect in any way the Company's right to terminate payments under Article II Section 2 as a result of termination for Cause.

4. **Notice of Termination.** Any termination by the Company for Cause or by the Employee for Good Reason shall be communicated by Notice of Termination to the Employee or the Company, as appropriate, given in accordance with Article VI Section 2 of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice that (a) indicates the specific termination provision in this Agreement relied upon (b) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provisions so indicated and (c) specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Company or the Employee to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Cause or Good Reason, as appropriate, shall not negate the effect of the notice nor waive any right of the Employee or the Company, respectively, hereunder, or preclude the

Company or the Employee from asserting such fact or circumstance in enforcing the Company's or the Employee's rights hereunder.

5. **Stock Option Plans.** The terms of the Company's 1992 Stock Option and Restricted Stock Plan, 1997 Stock Incentive Plan and 2001 Stock Incentive Plan and agreements thereunder shall govern the treatment of the Employee's stock options in the event of termination of employment; provided, however, that for purposes of Employee's stock options only, (a) Employee shall continue to be considered employed by the Company until the earlier of March 31, 2003 or the date that he becomes employed by or begins providing services to a direct competitor of the Company, and (b) his termination of employment shall be treated as a retirement.

**ARTICLE IV
NONDISCLOSURE, NONSOLICITATION
OF EMPLOYEES, PROPRIETARY RIGHTS
AND COMPETITION**

1. **Definition of Confidential Information.** For purposes of this Agreement, the term "Confidential Information" shall mean the terms and conditions of this Agreement, any information, knowledge or data of any nature and in any form (including information that is electronically transmitted or stored on any form of magnetic or electronic storage media) relating to the past, current or prospective business or operations of the Company and its subsidiaries, that at the time or times concerned is not generally known to persons engaged in businesses similar to those conducted or contemplated by the Company and its subsidiaries (other than information known by such persons through a violation of an obligation of confidentiality to the Company), whether produced by the Company and its subsidiaries or any of their consultants, agents or independent contractors or by Employee, and whether or not marked confidential, including without limitation information relating to the Company's or its subsidiaries' services, business plans, business acquisitions, processes, research and development methods or techniques, training methods and other operational methods or techniques, quality assurance procedures or standards, operating procedures, files, plans, specifications, proposals, drawings, charts, graphs, support data, trade secrets, supplier lists, supplier information, purchasing methods or practices, distribution and selling activities, consultants' reports, marketing and engineering or other technical studies, maintenance records, employment or personnel data, marketing data, strategies or techniques, financial reports, budgets, projections, cost analyses, price lists, formulae and analyses, employee lists, customer records, customer lists, customer source lists, proprietary computer software, and internal notes and memoranda relating to any of the foregoing. The term "Confidential Information" does not include information acquired by Employee from a third party on a non-confidential basis, provided that such information is not disclosed by the third party to Employee in violation of a confidentiality agreement with the Company.

2. **Nondisclosure of Confidential Information.** During the Employment Term, Employee shall hold in a fiduciary capacity for the benefit of the Company all Confidential Information which shall have been obtained by Employee during Employee's employment (whether prior to or after the Agreement Date) and shall use such Confidential Information solely within the scope of his employment with and for the exclusive benefit of the Company. For a period of five years after the expiration of the Employment Term, Employee agrees (a) not to communicate, divulge or make available to any person or entity (other than the Company) any such Confidential

Information, except (i) upon the prior written authorization of the Company, (ii) to professional advisors of Employee, provided that such professional advisors do not communicate or otherwise use such information in a manner that is a prohibited communication or use by Employee under this Agreement, or (iii) as may be required by law or legal process, and (b) to deliver promptly to the Company any Confidential Information in his possession, including any duplicates thereof and any notes or other records Employee has prepared with respect thereto. Employee shall be permitted to retain copies of such Confidential Information as is necessary in order to enable the Employee to assert any rights to payments or benefits under this Agreement, provided that such Confidential Information shall be used solely for such purpose. In the event that the provisions of any applicable law or the order of any court would require Employee to disclose or otherwise make available any Confidential Information, Employee shall give the Company prompt prior written notice of such required disclosure and an opportunity to contest the requirement of such disclosure or apply for a protective order with respect to such Confidential Information by appropriate proceedings. Nothing contained herein shall prohibit Employee from using, in connection with seeking other employment or after termination of his employment with the Company, the knowledge and experience acquired by Employee while an employee of the Company, provided such use does not involve the disclosure of Confidential Information in violation of this Agreement.

3. Proprietary Rights. The Employee agrees to and hereby does assign to the Company all his right, title and interest in and to all inventions, business plans, work models or procedures, whether or not patentable, which are made or conceived solely or jointly by him:

- (a) At any time during the term of his employment by the Company, or
- (b) With the use of time or materials of the Company.

The Employee agrees to communicate to the Company or its representatives all facts known to him concerning such matters, to sign all necessary instruments, make all necessary oaths and generally, at the Company's expense, to do everything reasonably practicable (without expense to the Employee) to aid the Company in obtaining and enforcing proper legal protection for all such matters in all countries and in vesting title to such matters in the Company. At the Company's request (during or after the term of this Agreement) and expense, the Employee will promptly execute a specific assignment of title to the Company, and perform any other acts reasonably necessary to implement the foregoing assignment.

4. Non-Solicitation of Employees. During the Employment Term and the Continuing Benefits Term, Employee will not make contact with any of the employees of the Company or of its subsidiaries with whom he had contact during the course of his employment with the Company for the purpose of soliciting such employee for hire, whether as an employee or independent contractor, or otherwise disrupting such employee's relationship with the Company or its subsidiaries.

5. Injunctive Relief; Other Remedies. Employee acknowledges that a breach by Employee of Section 2, 3 or 4 of this Article IV would cause immediate and irreparable harm to the Company for which an adequate monetary remedy does not exist; hence, Employee agrees that, in the event of a breach or threatened breach by Employee of the provisions of Section 2, 3 or 4 of this Article IV during or after the Employment Term, the Company shall be entitled to injunctive relief

restraining Employee from such violation without the necessity of proof of actual damage or the posting of any bond, except as required by non-waivable, applicable law. Nothing herein, however, shall be construed as prohibiting the Company from pursuing any other remedy at law or in equity to which the Company may be entitled under applicable law in the event of a breach or threatened breach of this Agreement by Employee, including without limitation the recovery of damages and/or costs and expenses, such as reasonable attorneys' fees, incurred by the Company as a result of any such breach. In addition to the exercise of the foregoing remedies, the Company shall have the right upon the occurrence of any material such breach to cancel any unpaid salary, bonus, severance payment, commissions or reimbursements otherwise outstanding under this Agreement. In particular, Employee acknowledges that the payments provided hereunder are conditioned upon Employee fulfilling any nondisclosure and non-solicitation agreements contained in this Article IV. In the event Employee shall at any time materially breach any nondisclosure or non-solicitation agreements contained in this Article IV, the Company may suspend or eliminate payments under Article II during the period of such breach. Employee acknowledges that any such suspension or elimination of payments would be an exercise of the Company's right to suspend or terminate its performance hereunder upon Employee's breach of this Agreement; such suspension or elimination of payments would not constitute, and should not be characterized as, the imposition of liquidated damages.

6. No Prohibition on Competition. Following Employee's termination of employment with the Company, Employee is not prohibited from engaging in competition with the Company and may directly or indirectly own, manage, operate, control, be employed by, consult for or otherwise engage or participate in or allow his skill, knowledge experience or reputation to be used in connection with the ownership, management or operation of any company or other business enterprise engaged in any business in any location.

7. Legal Expenses. In the event that Employee institutes proceedings to enforce his rights under this Agreement, he shall be entitled to

(a) be advanced up to \$30,000 in the aggregate to cover his attorneys' fees and related costs upon receipt by the Company of proper documentation thereof and an undertaking by Employee to repay all amounts advanced if Employee does not prevail in such proceedings; and

(b) if he prevails in such proceedings, to be reimbursed by the Company for all attorneys' fees and costs incurred, upon presentation of proper documentation thereof.

**ARTICLE V
WAIVER AND RELEASE; RIGHT OF REVOCATION;
CHANGE OF CONTROL; INDEMNIFICATION**

1. Waiver and Release by Employee. In consideration of the Company's agreement to enter into and to provide the terms of this Agreement, Employee hereby and forever, irrevocably and unconditionally, waives and releases the Company from (a) any and all rights, claims and causes of action against the Company of whatever kind or nature, known or unknown, asserted or unasserted, that arise or exist as a result of acts or omissions prior to the date of Employee's execution of this

Agreement and (b) any and all claims or rights against the Company arising or that could be asserted under the Employee Retirement Income Security Act, 29 U.S.C. § 1001 et seq.; Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e et seq.; the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq.; the Americans with Disabilities Act, 42 U.S.C. § 12101 et seq.; the Louisiana Employment Discrimination Law, La. R.S. 23:331 et seq.; the Louisiana penalty wage statute, La. R.S. § 631 and 632; or any other federal, state, or local statute, law, rule or regulation concerning employment discrimination or otherwise concerning the employment relationship. In addition, it is understood and agreed that by this Agreement, Employee waives any claims he may have against the Company based on any other theory of liability, statutory or non-statutory, in contract or in tort, for wrongful or constructive discharge or breach of any express or implied employment contract or agreement. It is further understood and agreed that the parties covered by Employee's release include the Company's present and former shareholders, officers, directors, employees, agents, insurers, assigns, predecessors, and successors, and that any reference to the Company in this Agreement is understood to include all of the foregoing persons or entities. Notwithstanding the foregoing, Employee does not waive any rights under or pursuant to this Agreement, rights under benefits plans of the Company or rights under the Company's current Bylaws, including rights to indemnification and advancement provided therein,

2. Waiver and Release by the Company. In consideration of Employee's agreement to enter into this Agreement, the Company hereby and forever, irrevocably and unconditionally waives and releases any and all rights, claims and causes of action against Employee, known or unknown, asserted or unasserted, that arise or exist as a result of acts or omissions prior to the date of Employee's execution of this Agreement.

3. Review and Consultation; Information Provided to Employee. It is understood and agreed that Employee has entered into and executed this Agreement voluntarily and that such execution by Employee is not based upon any representations or promises of any kind made by the Company or any of its representatives except as expressly recited in this Agreement. Employee further acknowledges that he has read and fully understands each paragraph of this Agreement, that he was advised in writing by the Company to consult with an attorney prior to executing this Agreement, and that he has availed himself of legal or other counsel to the full extent that he desires. Employee also acknowledges that he was advised in writing by the Company that he could take up to twenty-one (21) days within which to consider and sign this Agreement and that he has considered this Agreement to the full extent that he desires.

Finally, Employee agrees and acknowledges that the consideration provided under this Agreement is in addition to any other payments, benefits or other things of value to which he is entitled and that he would not be entitled to any of the consideration provided under this Agreement in the absence of his execution and acceptance of this Agreement.

4. Right of Revocation. Employee shall have seven (7) days following his execution of this Agreement within which to exercise a right of revocation, and this Agreement will not be enforceable or effective, and no payments shall be made hereunder, until the expiration of such seven-day period. Any such revocation of this Agreement must be communicated in writing and delivered in person or by fax to the Company as specified in Article VI Section 2 not later than the

close of business on the seventh (7th) day following Employee's execution of this Agreement. Otherwise, such revocation shall be of no force or effect.

5. Termination of Change of Control Agreement. In consideration of the Company's agreement to enter into and provide the terms of this Agreement, concurrently with the execution hereof Employee shall execute and deliver to the Company a termination of the Change of Control Agreement, dated October 1, 1999, by and between Employee and the Company, substantially in the form attached hereto as Appendix A.

6. Indemnification and D&O Insurance. The Company acknowledges as follows:

(a) Under its Bylaws, the Company provides certain indemnification rights to its officers and former officers that will be applicable to the Employee with respect to his acts and omissions in his capacity as an officer of the Company; and

(b) The rights to indemnification provided in the Bylaws vest upon the occurrence of the event or chain of events giving rise to a claim and no amendment to the indemnification provisions of the Bylaws may adversely affect the rights of the indemnified party; and

(c) The Company currently has in effect Directors and Officers Insurance covering acts committed by Employee while an officer of the Company and the Company agrees to retain such insurance in effect through Employee's termination of employment. The current Directors and Officers Insurance policy also covers former officers for acts or omissions that occurred while they were officers after a certain date specified in the policy.

ARTICLE IV MISCELLANEOUS

1. Binding Effect.

(a) This Agreement shall be binding upon and inure to the benefit of the Company and any of its successors or assigns.

(b) This Agreement is personal to the Employee and shall not be assignable by the Employee without the consent of the Company (there being no obligation to give such consent) other than such rights or benefits as are transferred by will or the laws of descent and distribution or that provide rights to Employee's spouse, dependents or beneficiaries.

(c) The Company shall require any successor to or assignee of (whether direct or indirect, by purchase, merger, consolidation or otherwise) all or substantially all of the assets or businesses of the Company (i) to assume unconditionally and expressly this Agreement and (ii) to agree to perform all of the obligations under this Agreement in the same manner and to the same extent as would have been required of the Company had no assignment or succession occurred, such assumption to be set forth in a writing reasonably satisfactory to the Employee. In the event of any such assignment or succession, the term "Company" as used in this Agreement shall refer also to such successor or assign.

2. **Notices.** All notices hereunder must be in writing and shall be deemed to have given upon receipt of delivery by: (a) hand (against a receipt therefor), (b) certified or registered mail, postage prepaid, return receipt requested, (c) a nationally recognized overnight courier service (against a receipt therefor) or (d) telecopy transmission with confirmation of receipt. All such notices must be addressed as follows:

If to the Company, to:

Tidewater Inc.
Pan American Life Center
601 Poydras Street, Suite 1900
New Orleans, Louisiana 70130
Attn: J. Keith Lousteau

If to the Employee, to:

Larry T. Rigdon
730 Camp Street
Suite 2
New Orleans, LA 70130

or such other address as to which any party hereto may have notified the other in writing.

3. **Governing Law.** This Agreement shall be construed and enforced in accordance with and governed by the internal laws of the State of Louisiana without regard to principles of conflict of laws.

4. **Arbitration.** With respect to any dispute under the Agreement, the Company and Employee each hereby irrevocably consent to submit such dispute to arbitration before a single arbitrator in the City of New Orleans, Louisiana. The arbitrator will be selected by the joint agreement of the Employee and the Company, but if they do not agree within 20 days after the date either party delivers to the other a notice of intent to submit such dispute to arbitration, the selection shall be made in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "Rules"). If no such arbitrator is appointed within 45 days of such request to such association, either party may apply to a court having jurisdiction to make such appointment. Once the arbitrator has been selected, the arbitration of the dispute shall be conducted in English in accordance with the Rules in the City of New Orleans, Louisiana. Unless otherwise provided or limited by the Rules, the arbitrator shall give each of the parties a fair opportunity to prepare and present its position with respect to the dispute, and each party shall be entitled to call witnesses to testify, examine and cross-examine witnesses that the other party calls to testify, introduce documents and other materials, and submit written statements of position and arguments. The arbitrator shall make a final determination, to be provided in writing to each party, that resolves the dispute and, if Article IV Section 7 applies and the Employee's fees, costs and expenses are to be paid by the Company, includes an award of such fees, costs and expenses to Employee. All results of the arbitration proceeding shall be final, conclusive and binding on all parties to this Agreement, and shall not be

subject to judicial review. Judgment upon the award rendered by the arbitrator may be entered in the Civil District Court for the Parish of Orleans or any other court having competent jurisdiction.

5. **Withholding.** The Employee agrees that the Company has the right to withhold, from the amounts payable pursuant to this Agreement, all amounts required to be withheld under applicable income and/or employment tax laws, or as otherwise stated in documents granting rights that are affected by this Agreement.

6. **Severability.** If any term or provision of this Agreement, other than Article II, or the application thereof to any person or circumstance, shall at any time or to any extent be invalid, illegal or unenforceable in any respect as written, Employee and the Company intend for any court construing this Agreement to modify or limit such provision temporally, spatially or otherwise so as to render it valid and enforceable to the fullest extent allowed by law. Any such provision that is not susceptible of such reformation shall be ignored so as to not affect any other term or provision hereof, and the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

7. **Waiver of Breach.** The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

8. **Remedies Not Exclusive.** No remedy specified herein shall be deemed to be such party's exclusive remedy, and accordingly, in addition to all of the rights and remedies provided for in this Agreement, the parties, subject to the releases and waivers of rights provided in Article V, shall have all other rights and remedies provided to them by applicable law, rule or regulation.

9. **Company's Reservation of Rights.** Employee acknowledges and understands that the Employee serves at the pleasure of the Board and that the Company has the right at any time to terminate Employee's status as an employee of the Company, subject to the rights of the Employee to claim the benefits conferred by this Agreement.

10. **JURY TRIAL WAIVER.** THE PARTIES HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING TO WHICH THEY ARE PARTIES INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT.

11. **Survival.** The rights and obligations of the Company and Employee contained in this Agreement shall survive the termination of the Agreement. Following the date of termination, each party shall have the right to enforce all rights, and shall be bound by all obligations, of such party that are continuing rights and obligations under this Agreement.

12. **Code of Business Conduct.** Employee acknowledges and agrees to comply with the Company's Code of Business Conduct during the Employment Term. To the extent that this Agreement imposes more stringent restrictions on Employee's activities than the restrictions contained in the Company's Code of Business Conduct, the terms of this Agreement shall govern.

13. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument

IN WITNESS WHEREOF, the Company and the Employee have caused this Agreement to be executed as of the Agreement Date.

Date of Execution: 1/22/02

TIDEWATER INC.
By: /s/ J. KEITH LOUSTEAU

J. Keith Lousteau
Senior Vice President and
Chief Financial Officer

Date of Execution: 1/22/02

EMPLOYEE:
/s/ LARRY T. RIGDON

Name: Larry T. Rigdon

TERMINATION OF CHANGE OF CONTROL AGREEMENT

This TERMINATION OF CHANGE OF CONTROL AGREEMENT (this "Termination Agreement"), dated as of January 22, 2002, is by and between Tidewater Inc. (the "Company"), a Delaware corporation and Larry T. Rigdon (the "Employee").

WHEREAS, the parties hereto desire that that certain Change of Control Agreement dated as of October 1, 1999, by and between Employee and the Company (the "Change of Control Agreement") be terminated and of no further force or effect.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Termination. Employee and the Company agree that, effective April 1, 2002, the Change of Control Agreement shall be terminated and of no further force or effect, subject to the limitations set forth in Article V of that Continuing Employment and Separation Agreement, dated as of the date hereof, by and between Employee and the Company, which limitations shall apply equally to this Termination Agreement.

2. Miscellaneous. This Termination Agreement shall be governed by and construed in accordance with the substantive laws of the State of Louisiana, without giving effect to the choice of law provisions of such state. This Termination Agreement may be executed in counterparts, and it shall not be necessary that the signatures of all parties hereto be contained on any one counterpart thereof. Each counterpart shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have signed this Termination Agreement as of the day and year first above written.

TIDEWATER INC.

By: /s/ J. Keith Lousteau

J. Keith Lousteau
Senior Vice President and
Chief Financial Officer

/s/ Larry T. Rigdon

Larry T. Rigdon

LIST OF SUBSIDIARIES

NAME	STATE OR JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED
Al Wasl Marine LLC	Dubai	49%
Antilles Marine Service Limited	Trinidad & Tobago	50%
Candies Tidewater Joint Venture, L.L.C.	Louisiana	50%
Compania Marítima de Magallanes Limitada	Chile	100%
Divetide Limited	Thailand	49%
Equipo Mara, C.A.	Venezuela	19.9%
Equipo Zulia, C.A.	Venezuela	100%
Fairway Personnel Services Limited	England	100%
Four Star Marine, Inc.	Louisiana	49%
Gulf Fleet Abu Dhabi	Abu Dhabi	49%
Gulf Fleet Middle East, Inc.	Panama	100%
Gulf Fleet N.V.	Netherlands Antilles	100%
Gulf Fleet Supply Vessels, L.L.C.	Louisiana	100%
Hilliard Oil & Gas, Inc.	Nevada	100%
Hombeck Shipping Limited	Isle of Man	100%
Hombeck Support Ships Limited	Isle of Man	100%
Jackson Marine, L.L.C.	Louisiana	100%
Jackson Marine, S.A.	Panama	100%
Java Boat Corporation	Louisiana	100%
Lamnalco-Tidewater Marine Service Limited	Vanuatu	50%
Mare Alta do Brasil Navegacao Ltda.	Brazil	100%
Marine Offshore Services Private Limited	India	100%
Mashhor Marine Sdn. Bhd.	Brunei	70%
Niugini Offshore Services Joint Venture (unincorporated)	New Guinea	50%
O.I.L. (Nigeria) Limited	Nigeria	82.1%
Offshore Pacific Pty. Ltd.	Vanuatu	100%
OSA do Brasil Representações Ltda.	Brazil	100%
OSA Marine Services (Asia) Pte. Limited	Singapore	100%
Pacific Tidewater Pty. Ltd.	Australia	100%
Pan Marine International, Inc.	Cayman Islands	100%
Pan-Marine do Brasil Transportes Ltda.	Brazil	100%
Pental Insurance Co. Ltd.	Bermuda	100%
Point Marine, L.L.C.	Louisiana	100%
Provident Marine Ltd.	Turks & Caicos	50%
Quality Shipyards, L.L.C. .	Louisiana	100%
Remolcadores y Gabarras Remigasa, S.A.	Venezuela	19.9%
S.O.P., Inc.	Louisiana	100%
Seafarer Boat Corporation	Louisiana	100%
Servicios de Abastecimientos Mexicanos, S. de R.L. de C.V.	Mexico	100%
Servicios Marítimos del Carmen, S.A. de C.V.	Mexico	100%
Servicios Marítimos Ves, S. de R.L. de C.V.	Mexico	100%
Servicios y Representaciones Marítimas Mexicanas, S.A. de C.V.	Mexico	100%
Sin-Hai Offshore Co. Pte. Ltd.	Singapore	97.5%
Solo Fleet Sdn. Bhd.	Malaysia	33%

NAME	STATE OR JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED
Solo Fleet Two Sdn. Bhd.	Malaysia	49%
Solo Support Sdn. Bhd.	Malaysia	100%
Sonatide Marine, Ltd.	Cayman Islands	49%
Southern Ocean Services Pte. Ltd.	Singapore	100%
T. Benetee L.L.C.	Louisiana	100%
Thabet and O.I.L. Co. Ltd.	Yemen	30%
Thai OSA Services Limited	Thailand	49%
Tidewater Australia Pte. Ltd.	Australia	100%
Tidewater Caribe, C.A.	Venezuela	100%
Tidewater Crewing Limited	Cayman Islands	100%
Tidewater Foreign Sales Corporation	Barbados	100%
Tidewater Marine (Malaysia) Sdn. Bhd.	Malaysia	100%
Tidewater Marine Alaska, Inc.	Alaska	100%
Tidewater Marine Australia Pty Ltd	Australia	100%
Tidewater Marine International Pte. Ltd.	Singapore	100%
Tidewater Marine International, Inc.	Panama	100%
Tidewater Marine North Sea Limited	England	100%
Tidewater Marine Service (M) Sdn. Bhd.	Malaysia	49%
Tidewater Marine Service, C.A. (SEMARCA)	Venezuela	100%
Tidewater Marine Service, Inc.	Louisiana	100%
Tidewater Marine West Indies Limited	Bahama Islands	100%
Tidewater Marine Western, Inc.	Texas	100%
Tidewater Marine, L.L.C.	Louisiana	100%
Tidewater Offshore (GP-1984), Inc.	Delaware	100%
Tidewater Offshore Sdn Bhd	Malaysia	49%
Tidewater Vessels Limited	Cayman Islands	100%
Tidex Nigeria Limited	Nigeria	60%
Tidex/OTS Nigeria Limited (unincorporated)	Nigeria	50%
TT Boat Corporation	Louisiana	100%
Twenty Grand (Brazil), L.L.C	Louisiana	100%
Twenty Grand Marine Service, L.L.C. .	Louisiana	100%
Twenty Grand Offshore, Inc.	Louisiana	100%
VTG Supply Boat Liberia Inc.	Liberia	100%
Zapata Gulf Indonesia Limited	Vanuatu	80%
Zapata Gulf Marine International Limited	Vanuatu	100%
Zapata Gulf Marine L.L.C.	Louisiana	100%
Zapata Gulf Marine Operators, L.L.C.	Louisiana	100%
Zapata Gulf Pacific, L.L.C	Louisiana	100%
Zapata Marine Service (Nigeria) Limited	Nigeria	100%
Zapata Serviços Marítimos Ltda.	Brazil	100%(1)

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Forms S-8 No. 33-63094, No. 33-38240, No. 333-32729, No. 333-47687 and No. 333-66054) of Tidewater Inc. of our report dated April 22, 2002, with respect to the consolidated financial statements and schedule of Tidewater Inc. included in this Annual Report (Form 10-K) for the year ended March 31, 2002.

Ernst & Young LLP

New Orleans, Louisiana
April 22, 2002