TIDEWATER INC
Form 10-Q
August 14, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .

Commission file number: 1-6311

Tidewater Inc.

(Exact name of registrant as specified in its charter)

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

6002 Rogerdale Road, Suite 600

Houston, Texas 77072

(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (713) 470-5300

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer   Accelerated filer   Non-accelerated filer   Smaller reporting company
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.   Yes   No

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26,085,155 shares of Tidewater Inc. common stock $0.001 par value per share were outstanding on July 27, 2018. Registrant has no other class of common stock outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
TIDEWATER INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share and par value data)

	Successor	
ASSETS	June 30, 2018	December 31, 2017
Current assets:		
Cash and cash equivalents	$459,286	432,035
Restricted cash	5,213	21,300
Trade and other receivables, net	96,630	114,184
Due from affiliates	197,059	230,315
Marine operating supplies	28,930	28,220
Other current assets	10,213	19,130
Total current assets	797,331	845,184
Investments in, at equity, and advances to unconsolidated companies	1,335	29,216
Net properties and equipment	803,725	837,520
Deferred drydocking and survey costs	14,372	3,208
Other assets	26,779	31,052
Total assets	$1,643,542	1,746,180
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$30,561	38,497
Accrued expenses	49,312	54,806
Due to affiliates	62,353	99,448
Accrued property and liability losses	2,790	2,585
Current portion of long-term debt	6,290	5,103
Other current liabilities	17,815	19,693
Total current liabilities	169,121	220,132
Long-term debt	438,559	443,057
Accrued property and liability losses	2,651	2,471
Other liabilities	57,685	58,576
Commitments and Contingencies (Note 10)		
Equity:		
Successor Common stock of $0.001 par value, 125,000,000 shares authorized, 26,085,274 and 22,115,916 shares issued and outstanding	26	22

at June 30, 2018 and December 31, 2017, respectively		
Additional paid-in capital	1,064,039	1,059,120
Retained deficit	(89,378)	(39,266)
Accumulated other comprehensive loss	(403)	(147)
Total stockholders’ equity	974,284	1,019,729
Noncontrolling interests	1,242	2,215
Total equity	975,526	1,021,944
Total liabilities and equity	$1,643,542	1,746,180

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

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TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(Unaudited)

(In thousands, except share and per share data)

	Successor Quarter Ended June 30, 2018	Predecessor Quarter Ended June 30, 2017	Successor Six Months Ended June 30, 2018	Predecessor Six Months Ended June 30, 2017
Revenues:				
Vessel revenues	$104,174	112,257	191,668	269,162
Other operating revenues	1,427	2,849	5,426	6,693
	105,601	115,106	197,094	275,855
Costs and expenses:				
Vessel operating costs	68,012	83,773	129,376	164,618
Costs of other operating revenues	642	1,585	3,116	4,274
General and administrative	24,425	33,059	47,990	74,786
Vessel operating leases	—	5,542	—	13,985
Depreciation and amortization	12,785	36,287	24,802	73,879
Gain on asset dispositions, net	(1,338)	(3,189)	(3,257)	(9,253)
Asset impairments	1,215	163,423	7,401	228,280
	105,741	320,480	209,428	550,569
Operating loss	(140)	(205,374)	(12,334)	(274,714)
Other income (expenses):				
Foreign exchange loss	(1,002)	(1,157)	(1,350)	(493)
Equity in net earnings (losses) of unconsolidated companies	390	4,517	(15,049)	7,358
Interest income and other, net	2,914	1,680	2,786	3,268
Reorganization items	—	(313,176)	—	(313,176)
Interest and other debt costs, net	(7,547)	(10,605)	(15,146)	(31,613)
	(5,245)	(318,741)	(28,759)	(334,656)
Loss before income taxes	(5,385)	(524,115)	(41,093)	(609,370)
Income tax expense	5,797	295	9,118	2,012
Net loss	$(11,182)	(524,410)	(50,211)	(611,382)
Less: Net income (loss) attributable to noncontrolling interests	(242)	24	(99)	7,907
Net loss attributable to Tidewater Inc.	$(10,940)	(524,434)	(50,112)	(619,289)
Basic loss per common share	$(0.44)	(11.13)	(2.09)	(13.15)
Diluted loss per common share	$(0.44)	(11.13)	(2.09)	(13.15)
Weighted average common shares outstanding	24,654,220	47,121,304	23,989,254	47,101,155
Dilutive effect of stock options and restricted stock	—	—	—	—
Adjusted weighted average common shares	24,654,220	47,121,304	23,989,254	47,101,155

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

TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

(In thousands)

	Successor Quarter Ended June 30, 2018	Predecessor Quarter Ended June 30, 2017	Successor Six Months Ended June 30, 2018	Predecessor Six Months Ended June 30, 2017
Net loss	$ (11,182)	(524,410)	(50,211)	(611,382)
Other comprehensive income:				
Unrealized gains (losses) on available for sale securities, net of tax of $0, $0, $0 and $61	43	86	(256)	(8)
Change in loss on derivative contract, net of tax of $0, $0, $0 and $823	—	—	—	1,317
Change in supplemental executive retirement plan liability, net of tax of $0, $0, $0 and ($927)	—	—	—	(1,721)
Change in pension plan minimum liability, net of tax of $0, $0, $0 and $215	—	—	—	399
Change in other benefit plan minimum liability, net of tax of $0, $0, $0 and ($2,046)	—	—	—	(3,799)
Total comprehensive loss	$ (11,139)	(524,324)	(50,467)	(615,194)

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

TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Successor Six Months Ended June 30, 2018	Predecessor Six Months Ended June 30, 2017
Operating activities:		
Net loss	$ (50,211)	(611,382)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Reorganization items	—	308,011
Depreciation and amortization	22,572	73,879
Amortization of deferred drydocking and survey costs	2,230	—
Amortization of debt premium and discounts	(900)	—
Provision for deferred income taxes	—	(7,743)
Gain on asset dispositions, net	(3,257)	(9,253)
Asset impairments	7,401	228,280
Changes in investments in, at equity, and advances to unconsolidated companies	27,881	(9,163)
Compensation expense - stock-based	6,139	(562)
Excess tax liability on stock option activity	—	4,927
Changes in assets and liabilities, net:		
Trade and other receivables	(15,097)	57,701
Changes in due to/from related parties, net	19,869	22,983
Marine operating supplies	(711)	(922)
Other current assets	8,752	(22,668)
Accounts payable	1,709	(15,384)
Accrued expenses	(6,652)	17,870
Accrued property and liability losses	205	(816)
Other current liabilities	5,590	(1,216)
Other liabilities	11	3,135
Cash paid for deferred drydocking and survey costs	(13,394)	—
Other, net	4,846	9,110
Net cash provided by operating activities	16,983	46,787
Cash flows from investing activities:		
Proceeds from sales of assets	12,968	3,072
Additions to properties and equipment	(5,775)	(9,982)

Proceeds related to novated vessel construction contract	—	5,272
Net cash provided by (used in) investing activities	7,193	(1,638)
Cash flows from financing activities:		
Principal payment on long-term debt	(2,637)	(5,048)
Payments to General Unsecured Creditors	(8,377)	—
Other	(1,998)	(6,127)
Net cash used in financing activities	(13,012)	(11,175)
Net change in cash, cash equivalents and restricted cash	11,164	33,974
Cash, cash equivalents and restricted cash at beginning of period	453,335	649,804
Cash, cash equivalents and restricted cash at end of period	$464,499	683,778
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	$16,134	8,651
Income taxes	$10,083	5,778
Supplemental disclosure of non-cash investing activities:		
Additions to properties and equipment	$—	282

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

TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

(In thousands)

	Common stock	Additional paid-in capital	Retained (deficit) earnings	Accumulated other comprehensive loss	Non controlling interest	Total
Balance at December 31, 2017 (Successor)	$ 22	1,059,120	(39,266)	(147)	2,215	1,021,944
Total comprehensive loss	—	—	(50,112)	(256)	(99)	(50,467)
Issuance of common stock	4	(2)	—	—	—	2
Amortization of restricted stock units	—	6,047	—	—	—	6,047
Acquisition of noncontrolling interests	—	(1,126)	—	—	(874)	(2,000)
Balance at June 30, 2018 (Successor)	$ 26	1,064,039	(89,378)	(403)	1,242	975,526
Balance at December 31, 2016 (Predecessor)	$ 4,707	171,018	1,570,027	(6,446)	8,258	1,747,564
Total comprehensive loss	—	—	(619,289)	(3,812)	7,907	(615,194)
Stock option activity	—	562	—	—	—	562
Cancellation of restricted stock awards	—	—	157	—	—	157
Amortization/cancellation of restricted stock units	5	(6,064)	—	—	—	(6,059)
Cash paid to noncontrolling interests	—	—	—	—	(1,200)	(1,200)
Balance at June 30, 2017 (Predecessor)	$ 4,712	165,516	950,895	(10,258)	14,965	1,125,830

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

(1) INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements for the interim periods presented herein have been prepared in conformity with United States generally accepted accounting principles and, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the unaudited condensed consolidated financial statements at the dates and for the periods indicated as required by Rule 10-01 of Regulation S X of the Securities and Exchange Commission (SEC). Results of operations for interim periods are not necessarily indicative of results of operations for the respective full years. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Tidewater Inc. (the company) Transition Report on Form 10-K for the nine month period ended December 31, 2017, filed with the SEC on March 15, 2018.

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

Reorganization and Fresh Start Accounting

References to "Successor" or "Successor Company" relate to the financial position and results of operations of the reorganized company subsequent to July 31, 2017. References to "Predecessor" or "Predecessor Company" relate to the financial position and results of operations of the company through July 31, 2017.

On July 31, 2017, the company and certain of its subsidiaries that had been named as additional debtors in the Chapter 11 proceedings emerged from bankruptcy after successfully completing its reorganization pursuant to the Second Amended Joint Prepackaged Chapter 11 Plan of Reorganization of the company and its Affiliated Debtors (the “Plan”). Upon the company's emergence from Chapter 11 bankruptcy, the company qualified for and adopted fresh-start accounting in accordance with the provisions set forth in ASC 852, which requires the company to present its assets, liabilities, and equity as if it were a new entity upon emergence from bankruptcy. The implementation of the Plan and the application of fresh-start accounting materially changed the carrying amounts and classifications reported in the company’s consolidated financial statements and resulted in the company becoming a new entity for financial reporting purposes. As a result of the application of fresh-start accounting and the effects of the implementation of the Plan, the financial statements after July 31, 2017 are not comparable with the financial statements prior to July 31, 2017. Therefore, "black-line" financial statements are presented to distinguish between the Predecessor and Successor companies.

(2) ACCOUNTING PRONOUNCEMENTS

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

In March 2017, the FASB issued ASU 2017-7, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Costs and Net Periodic Postretirement Benefit Costs. This new guidance amends the requirements related to the income statement presentation of the components of net periodic benefit cost for an entity's sponsored defined benefit pension and other postretirement plans. This new guidance was effective for the company in January 2018. The adoption of this guidance required a retrospective approach and did not have a material effect on the company's consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory, which removes the prohibition in ASC 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. This new guidance was effective for the company in January 2018. The adoption of this guidance required a modified retrospective approach and did not have a material effect on the company's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which amends ASC 230 to add or clarify guidance on the classification of certain specific types of cash receipts in the statement of cash flows with the intent of reducing diversity in practice. This new guidance was effective for the company in January 2018. The adoption of this guidance required a retrospective approach and did not have a material effect on the company’s consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, which amended guidance for lease arrangements in order to increase transparency and comparability by providing additional information to users of financial statements regarding an entity's leasing activities. The revised guidance requires lessees to recognize lease assets and lease liabilities on the balance sheet for substantially all lease arrangements. In July 2018, the FASB finalized the targeted improvements to ASU 2016-02, which provided for an optional transition method whereby entities may prospectively adopt the ASU with cumulative catch-up upon adoption and provided lessors with a practical expedient that would allow lessors to account for the combined lease and non-lease components under ASU 2014-09 when the non-lease component is the predominant element of the combined component. The new guidance will be effective for the company in January 2019. Upon adoption of the new lease accounting standard the company will record right of use assets and corresponding lease liabilities that are not expected to be material to the consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 supersedes prior revenue recognition guidance and provides a five step recognition framework that requires entities to recognize the amount of revenue to which it expects to be entitled for the transfer of goods and services. This new revenue standard was effective for the company in January 2018 and was adopted using the modified retrospective approach. The company adopted this standard on January 1, 2018, and did not adjust the beginning accumulated deficit. The necessary changes to the company’s business processes, systems and controls to support recognition and disclosure of this ASU upon adoption on January 1, 2018, have been implemented. Prior to the adoption of this ASU, the company recognized mobilization fees as revenue in the period earned. Customer reimbursed vessel modifications were not reflected in the statement of earnings. Refer to Note (3) for further details.

(3) REVENUE RECOGNITION

The company’s primary source of revenue is derived from time charter contracts for which the company provides a vessel and crew on a rate per day of service basis. Services provided under respective charter contracts represent a single performance obligation satisfied over time and are comprised of a series of time increments; therefore, vessel revenues are recognized on a daily basis throughout the contract period. These vessel time charter contracts are generally either on a “term” basis (ranging from three months to three years) or on a “spot” basis. Spot contract terms generally range from one day to three months. There are no material differences in the cost structure of the company’s contracts based on whether the contracts are spot or term since the operating costs are generally the same without regard to the length of a contract. Customers are typically billed on a monthly basis for dayrate services and payment terms are generally 30 to 45 days.

Occasionally, customers pay additional lump-sum fees to the company in order to either mobilize a vessel to a new location prior to the start of a charter contract or demobilize the vessel at the end of a charter contract. Mobilizations are not considered to be a separate performance obligation, thus, the company has determined that mobilization fees are a component of the vessel's charter contract. As such, the company defers lump-sum mobilization fees as a liability and recognizes such fees as revenue consistent with the pattern of revenue recognition (primarily on a straight-line basis) over the term of the vessel's respective charter. Lump-sum demobilization revenue expected to be received upon contract termination is deferred as an asset and recognized ratably as revenue but only in circumstances where the receipt of the demobilization fee at the end of the contract is estimable and there is a high degree of certainty that collection will occur. Costs associated with mobilizations and demobilizations are recognized in vessel operating expense.

Customers also occasionally reimburse the company for modifications to vessels in order to meet contractual requirements. These vessel modifications are not considered to be a separate performance obligation of the vessel's charter; thus, the company records a liability for lump-sum payments made by customers for vessel modification and recognizes it as revenue consistent with the pattern of revenue recognition (primarily on a straight-line basis) over the term of the vessel's respective charter.

Total revenue is determined for each individual contract by estimating both fixed (mobilization, demobilization and vessels modifications) and variable (dayrate services) consideration expected to be earned over the contract term. The company has applied the optional exemption under the revenue standard and has not disclosed the estimated transaction price related to the variable portion of the unsatisfied performance obligation at the end of the reporting period.

Prior to the adoption of ASU 2014-09, the company recognized mobilization fees as revenue in the period earned and customer reimbursed vessel modifications were not reflected in earnings.

Costs associated with customer-directed mobilizations and reimbursed modifications to vessels are considered costs of fulfilling a charter contract and are expected to be recovered. Mobilization costs such as crew, travel, fuel, port fees, temporary importation fees and other costs are deferred as an asset and amortized as other vessel operating expenses consistent with the pattern of revenue recognition (primarily on a straight-line basis) over the term of such vessel's charter. Costs incurred for modifications to vessels in order to meet contractual requirements are capitalized as a fixed asset and depreciated either over the term of the respective charter contract or over the remaining estimated useful life of the vessel in instances where the modification is a permanent upgrade to the vessel and enhances its usefulness.

The following table discloses the amount of revenue by segment and in total for the worldwide fleet, for the quarters and six month periods ended June 30, 2018 and 2017:

(In thousands)	Successor Quarter Ended June 30, 2018	Predecessor Quarter Ended June 30, 2017	Successor Six Months Ended June 30, 2018	Predecessor Six Months Ended June 30, 2017
Vessel revenues:				
Americas	$32,601	31,887	58,682	112,420
Middle East/Asia Pacific	22,406	27,766	40,794	54,444
Europe/Mediterranean Sea	13,357	11,031	22,980	21,197
West Africa	35,810	41,573	69,212	81,101
	104,174	112,257	191,668	269,162

Contract Balances

Trade accounts receivables are recognized when revenue is earned and collectible. Contract assets include pre-contract costs, primarily related to vessel mobilizations, which have been deferred and will be amortized as other vessel expenses consistent with the pattern of revenue recognition (primarily on a straight-line basis) over the term of such vessel's charter. Contract liabilities include payments received for mobilizations or reimbursable vessel modifications to be recognized consistent with the pattern of revenue recognition (primarily on a straight-line basis) over the term of such vessel's charter. At June 30, 2018, the company had $0.1 million of deferred mobilization costs included within other current assets and $1.2 million of contract liabilities/deferred revenue included within other current liabilities.

The table below summarizes the revenue expected to be recognized in future quarters related to unsatisfied performance obligations as of June 30, 2018:

	Successor For the quarter period ended		
	September 30,	December 31,	
(In thousands)	2018	2018	Total
Contract liabilities/deferred revenue	$ 692	552	1,244

The impact of adopting the new revenue recognition guidance on the unaudited condensed consolidated balance sheets, statement of earnings (loss) and statement of cash flows as of and for the six months ended June 30, 2018 was immaterial.

(4) STOCKHOLDERS' EQUITY
Accumulated Other Comprehensive Loss

The changes in accumulated other comprehensive income (loss) by component, net of tax for the quarters and six month periods ended June 30, 2018 and 2017 are as follows:

	For the quarter ended June 30, 2018 (Successor)					For the six months ended June 30, 2018 (Successor)				
(in thousands)	Balance at 3/31/18	Gains/(losses) recognized in OCI	Reclasses from OCI to net income	Net period OCI	Remaining balance 6/30/18	Balance at 12/31/17	Gains/(losses) recognized in OCI	Reclasses from OCI to net income	Net period OCI	Remaining balance 6/30/18
Available for sale securities	(43)	—	43	43	—	256	(660)	404	(256)	—
Pension/Post-retirement benefits	(403)	—	—	—	(403)	(403)	—	—	—	(403)
Total	(446)	—	43	43	(403)	(147)	(660)	404	(256)	(403)

	For the quarter ended June 30, 2017 (Predecessor)					For the six months ended June 30, 2017 (Predecessor)				
(in thousands)	Balance at 3/31/17	Gains/(losses) recognized in OCI	Reclasses from OCI to net income	Net period OCI	Remaining balance 6/30/17	Balance at 12/31/16	Gains/(losses) recognized in OCI	Reclasses from OCI to net income	Net period OCI	Remaining balance 6/30/17
Available for sale securities	(95)	6	80	86	(9)	(1)	(209)	201	(8)	(9)
Currency translation adjustment	(9,811)	—	—	—	(9,811)	(9,811)	—	—	—	(9,811)
Pension/Post-retirement benefits	(438)	—	—	—	(438)	4,683	(5,121)	—	(5,121)	(438)
Interest rate swap	—	—	—	—	—	(1,317)	—	1,317	1,317	—
Total	(10,344)	6	80	86	(10,258)	(6,446)	(5,330)	1,518	(3,812)	(10,258)

The following table summarizes the reclassifications from accumulated other comprehensive income (loss) to the condensed consolidated statement of income for the quarters and six month periods ended June 30, 2018 and 2017:

	Successor Quarter Ended	Predecessor Quarter Ended	Successor Six Months	Predecessor Six Months

(In thousands)	June 30, 2018	June 30, 2017	Ended June 30, 2018	Ended June 30, 2017	Affected line item in the condensed consolidated statements of income
Realized gains on available for sale securities	$ 43	80	404	405	Interest income and other, net
Interest rate swap	—	—	—	2,140	Interest and other debt costs
Total pre-tax amounts	43	80	404	2,545	
Tax effect	—	—	—	1,027	
Total gains for the period, net of tax	$ 43	80	404	1,518	

(5) INCOME TAXES

For all periods prior to March 31, 2015, we calculated the provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate for the full fiscal year to “ordinary” income or loss (pretax income or loss excluding unusual or infrequently occurring discrete items) for the reporting period. Beginning in the quarter ended June 30, 2015, we use a discrete effective tax rate method to calculate taxes for interim periods. We determined that due to the level of volatility and unpredictability of earnings in our industry, both overall and by jurisdiction, use of the discrete method would continue to be proper for the period ended June 30, 2018.

Income tax expense for the quarter ended June 30, 2018, reflects tax liabilities in various jurisdictions that are either based on revenue (deemed profit regimes) or pre-tax profits.

The company’s balance sheet at June 30, 2018, reflects the following in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes:

(In thousands)	June 30, 2018
Tax liabilities for uncertain tax positions	$19,626
Income tax payable	$8,995
Income tax receivable	$7,814

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

Unrecognized tax benefits, which would lower the effective tax rate if realized at June 30, 2018, are as follows:

(In thousands)	June 30, 2018
Unrecognized tax benefit related to state tax issues	$12,425
Interest receivable on unrecognized tax benefit related to state tax issues	$58

As of December 31, 2017, the company’s balance sheet reflected approximately $43.2 million of net deferred tax assets with a valuation allowance of $43.2 million. For the quarter ended June 30, 2018, the company has net deferred tax assets of approximately $47.7 million prior to a valuation allowance analysis.

Management assesses all available positive and negative evidence to estimate the company's ability to generate sufficient future taxable income of the appropriate character, and in the appropriate taxing jurisdictions, to permit use of existing deferred tax assets. A significant piece of objective negative evidence is a cumulative loss incurred over a three-year period in a taxing jurisdiction. Prevailing accounting practice is that such objective evidence would limit the ability to consider other subjective evidence, such as projections for future growth.

On the basis of this evaluation, a valuation allowance of $47.7 million has been recorded against net deferred tax assets which are more likely than not to be unrealized. The amount of deferred tax assets considered realizable could be adjusted if future estimates of U.S. taxable income change, or if objective negative evidence in the form of cumulative losses is no longer present and subjective evidence, such as financial projections for future growth and tax planning strategies, are given additional weight.

With limited exceptions, the company is no longer subject to tax audits by U.S. federal, state, local or foreign taxing authorities for years prior to 2014. The company has ongoing examinations by various foreign tax authorities and does not believe that the results of these examinations will have a material adverse effect on the company's financial position, results of operations, or cash flows.

On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Act") was enacted. As of June 30, 2018, the company has not completed its accounting for the tax effects of enactment of the Tax Act. The Securities and Exchange Commission issued Staff Accounting Bulletin No. 118, or SAB 118, to address the accounting and reporting of the Tax Act. SAB 118 allows companies to take a reasonable period, which should not extend beyond one year from enactment of the Tax Act, to measure and recognize the effects of the new tax law. For various reasons discussed further below, we have not yet completed the accounting for the income tax effects of certain elements of the Tax Act. However, we were able to make reasonable estimates of certain effects and, therefore, recorded provisional adjustments as discussed below:

Reduction of US federal corporate tax rate: The Tax Act reduces the corporate tax rate to 21 percent effective January 1, 2018. Therefore, the company made a reasonable estimate of the effects on existing deferred tax balances as of December 31, 2017. While we were able to make a reasonable estimate of the impact of the reduction in corporate rate, it may be affected by other analyses related to the Tax Act, including, but not limited to, our calculation of the one-time transition tax. During the six month period ended June 30, 2018, we recognized no adjustments to the provisional amounts recorded at December 31, 2017.

One Time Transition Tax: The deemed repatriation transition tax is a tax on previously untaxed accumulated and current earnings and profits (E&P) of certain of our foreign subsidiaries. To determine the amount of the transition tax, we must determine, in addition to other factors, the amount of post-1986 E&P of the relevant subsidiaries. We were able to make a reasonable estimate of the one-time transition tax and recognized a provisional deemed dividend inclusion at December 31, 2017. During the six month period ended June 30, 2018, we recognized no adjustments to the provisional amounts recorded at December 31, 2017.

Global Intangible Low-taxed Income ("GILTI"): The company continues to evaluate the impacts of the newly enacted GILTI provisions which subject the company's foreign earnings to a minimum level of tax. Because of the complexities of the new legislation, the company has not elected an accounting policy for GILTI at this time. Recent FASB guidance indicates that accounting for GILTI either as part of deferred taxes or as a period cost are both acceptable methods. Once further information is gathered and interpretation and analysis of the tax legislation evolves, the company will make an appropriate accounting method election. For the six month period ended June 30, 2018, we were able to make a reasonable estimate of GILTI and do not expect that it will have a material impact on our 2018 financial statements.

Base Erosion Anti-abuse Tax ("BEAT"): The BEAT provisions in the Tax Act eliminate the deduction of certain base-erosion payments made to related foreign corporations beginning in 2018. For the six month period ended June 30, 2018, we are in the process of analyzing the impact of BEAT and have provisionally concluded that we are below the required thresholds defined in the Tax Act. Therefore, we do not expect BEAT to have a material impact on our 2018 financial statements.

Foreign-Derived Intangible Income ("FDII"): The FDII provisions in the Tax Act provide tax incentives to US companies to earn income from the sale, lease or license of goods and services abroad in the form of a deduction for foreign-derived intangible income. For the six month period ended June 30, 2018, we are in the process of analyzing the impact of FDII and have provisionally concluded FDII will be inapplicable in 2018 due to our net operating loss position. Therefore, we do not expect FDII to have a material impact on our 2018 financial statements.

Executive Compensation: The Tax Act expanded the number of individuals whose compensation is subject to a $1.0 million cap on deductibility under Section 162(m) and repealed the exclusion for performance-based compensation. For the six month period ended June 30, 2018, we were able to make a reasonable estimate of the impact of the executive compensation changes and do not expect those changes to have a material impact on our 2018 financial statements.

Interest Expense Limitation: The Tax Act limits the deduction for net interest expense that exceeds 30% of the adjusted taxable income for the year under IRC Section 163(j). For the six month period ended June 30, 2018, we were able to make a reasonable estimate of the interest expense limitation and have included the resulting limitation of approximately $7.5 million before consideration of the valuation allowance in the financial statements. We recorded this adjustment as of June 30, 2018; however, because of the offsetting adjustment to our valuation allowance we estimate no impact to 2018 net income as a result of this provision.

(6) EMPLOYEE BENEFIT PLANS
U.S. Defined Benefit Pension Plan

The company has a defined benefit pension plan (pension plan) that covers certain U.S. citizen employees and other employees who are permanent residents of the United States. Effective April 1, 1996, the pension plan was closed to new participation. In December 2009, the Board of Directors amended the pension plan to discontinue the accrual of benefits on December 31, 2010. This change did not affect benefits earned by participants prior to January 1, 2011. The company did not contribute to the pension plan during the quarters and six months ended June 30, 2018 and 2017, and currently is evaluating whether to contribute to the pension plan during the remaining quarters of calendar year 2018.

Supplemental Executive Retirement Plan

The company maintains a non-contributory, defined benefit supplemental executive retirement plan (supplemental plan) that provides pension benefits to certain employees in excess of those allowed under the company's tax-qualified pension plan. A Rabbi Trust has been established for the benefit of participants in the supplemental plan. Effective March 4, 2010, the supplemental plan was closed to new participation. The supplemental plan is a non-qualified plan and, as such, the company is not required to make contributions to the supplemental plan. During the quarter and six month periods ended June 30, 2018, the company contributed $0.04 million and $0.3 million, respectively, and did not contribute during the quarter and six month periods ended June 30, 2017, to the supplemental plan. The company expects to contribute $0.7 million to the supplemental plan during the remaining quarters of 2018.

The Rabbi Trust assets, which were invested in a variety of marketable securities (but not the company's stock), were recorded at fair value with unrealized gains or losses included in accumulated other comprehensive income (loss) until the investments were sold in the March 2018 quarter. Investments consisting of money market funds held in a Rabbi Trust at June 30, 2018 and December 31, 2017, are included in other assets at fair value. The following table summarizes the carrying value of the trust assets, including unrealized gains or losses at June 30, 2018 and December 31, 2017:

	Successor	
(In thousands)	June 30, 2018	December 31, 2017
Investments held in Rabbi Trust at fair value	$45	8,908
Unrealized gains in fair value of trust assets	—	256
Obligations under the supplemental plan	23,797	32,508

The company's obligations under the supplemental plan are included in 'accrued expenses' and 'other liabilities' on the consolidated balance sheet.

Jeffrey M. Platt retired from his position as the company's President and Chief Executive Officer and resigned as a member of the company's board of directors (the "Board"), effective October 15, 2017. As a result of Mr. Platt's retirement, he received in May 2018 an $8.9 million lump sum distribution in settlement of his supplemental executive retirement plan obligation. A settlement loss of approximately $0.3 million was recorded during the quarter ended

June 30, 2018. During the six months period ended June 30, 2018 the company elected to sell its investments held in the rabbi trust in order to preserve the value of such investments and to fund the payment due to the former CEO.

Postretirement Benefit Plan

Qualified retired employees currently are covered by a plan which provides limited health care and life insurance benefits. Costs of the plan are based on actuarially determined amounts and are accrued over the period from the date of hire to the full eligibility date of employees who are expected to qualify for these benefits. This plan is funded through payments by the company as benefits are required. The company eliminated the life insurance portion of its post retirement benefit effective January 1, 2018.

Net Periodic Benefit Costs

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

(In thousands)	Successor Quarter Ended June 30, 2018	Predecessor Quarter Ended June 30, 2017	Successor Six Months Ended June 30, 2018	Predecessor Six Months Ended June 30, 2017
Pension Benefits:				
Service cost	$ 41	294	71	713
Interest cost	882	984	1,784	1,975
Expected return on plan assets	(482)	(518)	(964)	(1,119)
Administrative expenses	2	2	3	24
Payroll tax of net pension costs	—	—	—	56
Amortization of net actuarial losses	—	—	—	32
Recognized actuarial loss	—	561	—	1,008
Settlement loss recognized	335	—	335	—
Net periodic pension cost	$ 778	1,323	1,229	2,689
Other Benefits:				
Service cost	$ 15	17	30	38
Interest cost	29	48	58	99
Amortization of prior service cost	(75)	(695)	(150)	(1,783)
Recognized actuarial benefit	11	(252)	22	(535)
Net periodic postretirement benefit	$ (20)	(882)	(40)	(2,181)

The company also has a defined benefit pension plan that covers certain Norwegian citizen employees and other employees who are permanent residents of Norway. Benefits are based on years of service and employee compensation. The company contributed 1.9 million NOK (approximately $0.2 million) during the quarter and six months ended June 30, 2018, and 3.0 million NOK (approximately $0.4 million) during the quarter and six months ended June 30, 2017, to the Norwegian defined benefit pension plan. The company currently does not expect to contribute to the Norwegian pension plan during the remaining quarters of calendar year 2018. The preceding net periodic benefit cost table includes the Norwegian pension plan.

(7)INDEBTEDNESS

The following is a summary of all debt outstanding at June 30, 2018 and December 31, 2017:

(In thousands)	June 30, 2018	December 31, 2017
New secured notes:		
8.00% New secured notes due August 2022 (A)	349,954	350,000
Troms Offshore borrowings (B):		
NOK denominated notes due May 2024	13,595	14,054
NOK denominated notes due January 2026	25,315	25,965
USD denominated notes due January 2027	22,729	23,345
USD denominated notes due April 2027	24,810	25,463
	$436,403	438,827
Debt premiums and discounts, net	8,446	9,333
Less: Current portion of long-term debt	6,290	5,103
Total long-term debt	$438,559	443,057

(A) As of June 30, 2018 and December 31, 2017, the fair value (Level 2) of the New Secured Notes was $361.5 million and $359.8 million, respectively.

(B) The company pays principal and interest on these notes semi-annually. As of June 30, 2018 and December 31, 2017, the aggregate fair value (Level 2) of the Troms Offshore borrowings was $86.4 million and $88.5 million, respectively. The weighted average interest rate of the Troms Offshore borrowings as of June 30, 2018, was 5.00%.

New Secured Notes Tender Offer

Pursuant to the New Secured Notes indenture dated July 31, 2017, among the company, each of the guarantors party thereto, and Wilmington Trust, National Association, as Trustee and Collateral Agent (the “Indenture”) governing the Notes, the company is required to make cash offers to the registered or beneficial holders (the “Holders” and each, a “Holder”) of the Notes within 60 days of the date that the net proceeds realized by the company from Asset Sales (as defined in the Indenture, but which generally equates to 65% of the proceeds from Asset Sales, net of any commission paid) exceed $10.0 million (the “Asset Sale Threshold”). Since the issuance of the Notes, the company executed certain Asset Sales and on December 19, 2017, the aggregate net proceeds realized from such Asset Sales exceeded the Asset Sale Threshold, which triggered the obligation under the Indenture for the company to commence the Offer.

On February 2, 2018, the company commenced an offer to purchase (the "Offer") up to $24.7 million aggregate principal amount (the "Offer Amount") of its outstanding 8.00% senior secured notes due 2022 (the "Notes") for cash. On March 7, 2018, we purchased $46,023 aggregate principal amount of the Notes that were validly tendered in accordance with the terms and conditions of the Offer.

Because the aggregate principal amount of tendered and accepted Notes was less than the Offer Amount, cash in an amount equal to the difference between the Offer Amount and the principal amount of the Notes accepted for tender became available for use by the company in any manner not prohibited by the Indenture and is no longer shown as restricted cash on the balance sheet. The $5.2 million restricted cash on the balance sheet at June 30, 2018, represents additional proceeds from Asset Sales since the date of the February 2018 tender offer and is, therefore, restricted by the terms of the Indenture.

Debt Costs

The company capitalizes a portion of its interest costs incurred on borrowed funds used to construct vessels. The following is a summary of interest and debt costs incurred, net of interest capitalized, for the quarters and six month periods ended June 30, 2018 and 2017.

(In thousands)	Successor Quarter Ended June 30, 2018	Predecessor Quarter Ended June 30, 2017	Successor Six Months Ended June 30, 2018	Predecessor Six Months Ended June 30, 2017
Interest and debt costs incurred, net of interest capitalized	$ 7,547	10,605	$ 15,146	31,613
Interest costs capitalized	194	601	368	1,818
Total interest and debt costs	$ 7,741	11,206	$ 15,514	33,431

(8) LOSS PER SHARE

The components of basic and diluted loss per share for the quarters and six month periods ended June 30, 2018 and 2017 are as follows:

(In thousands, except share and per share data)	Successor Quarter Ended June 30, 2018	Predecessor Quarter Ended June 30, 2017	Successor Six Months Ended June 30, 2018	Predecessor Six Months Ended June 30, 2017
Net loss available to common shareholders	$(10,940)	(524,434)	(50,112)	(619,289)
Weighted average outstanding shares of common stock, basic (A)	24,654,220	47,121,304	23,989,254	47,101,155
Dilutive effect of options, warrants and restricted stock awards and units	—	—	—	—
Weighted average shares of common stock and equivalents	24,654,220	47,121,304	23,989,254	47,101,155
Loss per share, basic (B)	$(0.44)	(11.13)	(2.09)	(13.15)
Loss per share, diluted (C)	$(0.44)	(11.13)	(2.09)	(13.15)
Additional information:				
Incremental "in-the-money" options, warrants and restricted stock awards and units at the end of the period (D)	4,521,727	183	5,454,218	183

(A) Common shares and new creditor warrants and the sum of common shares and New Creditor Warrants outstanding at June 30, 2018, were 26,085,274, 3,924,441 and 30,009,715, respectively.

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

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

(D) For the six months ended June 30, 2018, the company also had 5,062,089 shares of “out-of- the-money” warrants outstanding at the end of the period.

(9) RELATED PARTY BALANCES

The company maintained the following balances with related parties as of June 30, 2018 and December 31, 2017:

(In thousands)	Successor June 30, 2018	December 31, 2017
Due from related parties:		
Sonatide (Angola)	$ 152,826	230,315
DTDW (Nigeria)	44,233	33,353
Due to related parties:		
Sonatide (Angola)	$ 46,742	99,448
DTDW (Nigeria)	15,611	9,645
Due from related parties, net of due to related parties	$ 134,706	154,575

Included in due from related parties balances are customer receivables expected to be remitted to the company through joint ventures, receivables related to operating expenses paid by the company on behalf of joint ventures and cash received by joint ventures from customers and due to the company. Included in the due to related parties balances are commissions payable by the company to the related parties and payables related to local expenses paid by the related parties on behalf of the company. For more information regarding amounts due to and from Sonatide please refer to Note (10). Amounts due from and due to DTDW (Nigeria) of $33.4 million and $9.6 million, respectively, are included in trade and other receivables, net, and accounts payable line items at December 31, 2017.

(10) COMMITMENTS AND CONTINGENCIES

Vessel and Other Commitments

The company has $2.3 million in unfunded capital commitments associated with one 5,400 deadweight ton (DWT) deepwater platform supply vessel (PSV) under construction at June 30, 2018. The total cost of the new-build vessel includes contract costs and other incidental costs. The company took delivery of this vessel on July 31, 2018.

Sonatide Joint Venture

The company has previously disclosed the significant financial and operational challenges that it confronts with respect to its operations in Angola, as well as steps that the company has taken to address or mitigate those risks. Most of the company’s attention has been focused in three areas: (i) reducing the net receivable balance due to the company from Sonatide, its Angolan joint venture with Sonangol, for vessel services; (ii) reducing the foreign currency risk created by virtue of provisions of Angolan law that require that payment for a significant portion of the services provided by Sonatide be paid in Angolan kwanza; and (iii) optimizing opportunities, consistent with Angolan law, for services provided by the company to be paid for directly in U.S. dollars. These challenges, and the company’s efforts to respond, continue.

Amounts due from Sonatide (Due from affiliates in the consolidated balance sheets) at June 30, 2018 and December 31, 2017 of approximately $153 million and $230 million, respectively, represent cash received by Sonatide from customers and due to the company, amounts due from customers that are expected to be remitted to the company through Sonatide and costs incurred by the company on behalf of Sonatide. Approximately $25 million of the balance at June 30, 2018 represents invoiced but unpaid vessel revenue related to services performed by the company through the Sonatide joint venture. Remaining amounts due to the company from Sonatide are, in part, supported by approximately $67 million of cash held by Sonatide, of which the equivalent of $43 million is denominated in Angolan kwanzas, pending conversion into U.S. dollars and subsequent expatriation. In addition, the company owes Sonatide the aggregate sum of approximately $47 million, including $30 million in commissions payable by the company to Sonatide. The company monitors the aggregate amounts due from Sonatide relative to the amounts due to Sonatide.

For the six months ended June 30, 2018, the company collected (primarily through Sonatide) approximately $51 million from its Angolan operations. Of the $51 million collected, approximately $47 million were U.S. dollars received by Sonatide on behalf of the company or U.S. dollars received directly by the company from customers. The balance of $4 million collected reflects Sonatide's conversion of Angolan kwanza into U.S. dollars and the subsequent expatriation of the dollars and payment to the company. The company also reduced the respective due from affiliates and due to affiliates balances by approximately $55 million during the six months ended June 30, 2018 through netting transactions based on an agreement with the joint venture.

Amounts due to Sonatide (Due to affiliates in the consolidated balance sheets) at June 30, 2018 and December 31, 2017 of approximately $47 million and $99 million, respectively, represents amounts due to Sonatide for commissions payable and other costs paid by Sonatide on behalf of the company.

The company believes that the process for converting Angolan kwanzas continues to function, but the relative scarcity of U.S. dollars in Angola continues to hinder the conversion process. Sonatide continues to press the commercial banks with which it has relationships to increase the amount of U.S. dollars that are made available to Sonatide.

For the six month period ended June, 2018, the company's Angolan operations generated vessel revenues of approximately $29 million, or 15%, of its consolidated vessel revenue, from an average of approximately 38 company-owned vessels that are marketed through the Sonatide joint venture (17 of which were stacked on average during the six months ended June 30, 2018). For the six months ended June 30, 2017, the company's Angolan operations generated vessel revenues of approximately $53 million, or 20%, of consolidated vessel revenue, from an average of approximately 53 company-owned vessels (23 of which were stacked on average during the six months ended June 30, 2017).

In addition to vessels that Sonatide charters from the company, Sonatide owns seven vessels (five of which are currently stacked) and certain other assets, in addition to earning commission from company-owned vessels marketed through the Sonatide joint venture (owned 49% by the company). As of June 30, 2018 and December 31, 2017, the carrying value of the company's investment in the Sonatide joint venture, which is included in "Investments in, at equity, and advances to unconsolidated companies," was $0 and approximately $27 million, respectively. During the six months ended June 30, 2018, the exchange rate of the Angolan kwanza versus the U.S. dollar was devalued from a ratio of approximately 168 to 1 to a ratio of approximately 250 to 1, or approximately 49%. As a result, the company recognized 49% of the total foreign exchange loss, or approximately $20.6 million through equity in net earnings (losses) of unconsolidated companies.

Also during the quarter ended June 30, 2018, the company received a dividend from Sonatide of $12.3 million which reduced the carrying value of the company's investment in Sonatide to zero. Approximately $4.9 million of dividends received in excess of the investment balance was recognized in earnings during the quarter ended June 30, 2018.

Management continues to explore ways to profitably participate in the Angolan market while evaluating opportunities to reduce the overall level of exposure to the increased risks that the company believes characterize the Angolan market. Included among mitigating measures taken by the company to address these risks is the redeployment of vessels from time to time to other markets. Redeployment of vessels to and from Angola since June 30, 2017 has resulted in a net 8 vessels transferred out of Angola. Company-owned vessels operating in Angola decreased by 47 vessels, from June 30, 2014 to June 30, 2018 (from 84 vessels to 37 vessels). Company-owned active vessels decreased in the same period by 58 vessels (from 80 vessels to 22 vessels).

Brazilian Customs

In April 2011, two Brazilian subsidiaries of the company were notified by the Customs Office in Macae, Brazil that they were jointly and severally being assessed fines of 33.0 million Brazilian reais (approximately $8.5 million as of June 30, 2018). Other fines imposed at that same time by the Customs Office have been formally resolved in favor of the company. The assessment of these fines is for the alleged failure of these subsidiaries to obtain import licenses with respect to company vessels that provided Brazilian offshore vessel services to Petrobras, the Brazilian national oil company, over a three-year period ended December 2009. After consultation with its Brazilian tax advisors, the company and its Brazilian subsidiaries believe that vessels that provide services under contract to the Brazilian offshore oil and gas industry are deemed, under applicable law and regulations, to be temporarily imported into Brazil, and thus exempt from the import license requirement.

The company is vigorously contesting these fines (which it has neither paid nor accrued). Based on the advice of its Brazilian counsel, the company believes that it has a high probability of success with respect to overturning the entire amount of the fines, either at the administrative appeal level or, if necessary, in Brazilian courts. In May 2016, a final administrative appeal allowed fines totaling 3.0 million Brazilian reais (approximately $0.8 million as of June 30, 2018). The company appealed this 3.0 million Brazilian reais administrative award to the appropriate Brazilian court and deposited 6.0 million Brazilian reais (approximately $1.5 million as of June 30, 2018) with the court. The 6.0 million Brazilian reais deposit represents the amount of the award and the substantial interest that would be due if the company did not prevail in this court action. The court action is in its initial stages. The remaining fines totaling 30.0 million Brazilian reais (approximately $7.7 million as of June 30, 2018) are still subject to additional administrative appeals board hearings, but the company believes that previous administrative appeals board decisions will be helpful in those upcoming hearings for the vast majority of amounts still claimed by the Macae Customs Office. The company believes that the ultimate resolution of this matter will not have a material effect on the company’s financial position, results of operations or cash flows.

Repairs to U.S. Flagged Vessels Operating Abroad

During fiscal 2015 the company became aware that it may have had compliance deficiencies in documenting and declaring upon re-entry to the U.S. certain foreign purchases for or repairs to U.S. flagged vessels while they were working outside of the U.S. When a U.S. flagged vessel operates abroad, certain foreign purchases for or repairs made to the U.S. flagged vessel while it is outside of the U.S. are subject to declaration with U.S. Customs and Border Protection (CBP) upon re-entry to the U.S. and are subject to 50% vessel repair duty. During our examination of our filings made in or prior to fiscal 2015 with CBP, we determined that it was necessary to file amended forms with CBP to supplement previous filings. We have amended several vessel repair entries with CBP and have paid additional vessel repair duties and interest associated with these amended forms. In connection with three of our amended filings, CBP assessed penalties, which the company paid after CBP granted mitigation and reduced the amount of each civil penalty. The amount paid in civil penalties was not material. It is possible that CBP may seek to impose further civil penalties or fines in connection with some or all of the other amended filings that could be material.

Currency Devaluation and Fluctuation Risk

Due to the company’s international operations, the company is exposed to foreign currency exchange rate fluctuations and exchange rate risks on all charter hire contracts denominated in foreign currencies. For some of our international contracts, a portion of the revenue and local expenses are incurred in local currencies with the result that the company is at risk of changes in the exchange rates between the U.S. dollar and foreign currencies. We generally do not hedge against any foreign currency rate fluctuations associated with foreign currency contracts that arise in the normal course of business, which exposes us to the risk of exchange rate losses. To minimize the financial impact of these items, the

company attempts to contract a significant majority of its services in U.S. dollars. In addition, the company attempts to minimize the financial impact of these risks by matching the currency of the company’s operating costs with the currency of the revenue streams when considered appropriate. The company continually monitors the currency exchange risks associated with all contracts not denominated in U.S. dollars.

For more information regarding the reduction in the company's investment balance as a result of currency devaluation, please refer to the section of Note (10) entitled Sonatide Joint Venture.

Legal Proceedings

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

Committees formed under the rules of the World Bank's International Centre for Settlement of Investment Disputes ("ICSID") have awarded two subsidiaries of the company compensation for the expropriation of the investments of the two subsidiaries by the Bolivarian Republic of Venezuela. The nature of the investments expropriated and the progress of the ICSID proceeding were previously reported by the company in prior filings. The final aggregate award is $56.9 million as of June 30, 2018 and accrues interest at approximately $0.6 million per quarter. The committees' decisions are not subject to any further ICSID review, appeal or other substantive proceeding or any stay of enforcement.

The company is committed to taking appropriate steps to enforce and collect the award, which is enforceable in any of the 150 member states that are party to the ICSID Convention. As an initial step, the company had the award recognized and entered as a judgment by the United States District Court for the Southern District of New York. A recent federal court of appeals decision resulted in that judgment being vacated for reasons related to service of process. The company has initiated a separate court action in Washington, D.C. using a different service of process method and expects to be successful in having the award recognized in the Washington, D.C. court. In addition, the award has been recognized and entered in November 2016 as a final judgment of the High Court of Justice of England and Wales. Even with the likely eventual recognition of the award in the United States and the current recognition by the court in the United Kingdom, the company recognizes that collection of the award presents significant practical challenges. The company is accounting for this matter as a gain contingency, and will record any such gain in future periods if and when the contingency is resolved, in accordance with ASC 450 Contingencies.

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

(11) FAIR VALUE MEASUREMENTS

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The company’s supplemental plan assets are accounted for at fair value and are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement, with the exception of investments for which fair value is measured using the net asset value (NAV) per share expedient.

The following table provides the fair value hierarchy for the supplemental plan assets measured at fair value as of June 30, 2018 (Successor):

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Measured at Net Asset Value
Cash and cash equivalents	$45	—	—	—	45
Total fair value of plan assets	$45	—	—	—	45

The following table provides the fair value hierarchy for the supplemental plan assets measured at fair value as of December 31, 2017 (Successor):

	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Measured at Net Asset

(In thousands)	Total	(Level 1)	(Level 2)	(Level 3)	Value
Equity securities	$5,295	5,295	—	—	—
Debt securities	3,368	851	841	—	1,676
Cash and cash equivalents	246	27	170	—	49
Total	$8,909	6,173	1,011	—	1,725
Other pending transactions	(1)	(1)	—	—	—
Total fair value of plan assets	$8,908	6,172	1,011	—	1,725

Other Financial Instruments

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

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

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

The following table provides the fair value hierarchy for the company's other financial instruments measured as of June 30, 2018 (Successor):

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$423,131	423,131	—	—
Total fair value of assets	$423,131	423,131	—	—

The following table provides the fair value hierarchy for the company's other financial instruments measured as of December 31, 2017 (Successor):

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$399,322	399,322	—	—
Total fair value of assets	$399,322	399,322	—	—

For disclosures related to assets and liabilities measured at fair value on a nonrecurring basis refer to Note (14).

(12) OTHER CURRENT ASSETS, PROPERTIES AND EQUIPMENT, OTHER ASSETS, ACCRUED EXPENSES, OTHER CURRENT LIABILITIES AND OTHER LIABILITIES

A summary of other current assets at June 30, 2018 and December 31, 2017 is as follows:

	Successor	
(In thousands)	June 30, 2018	December 31, 2017
Deposits	$2,151	1,780
Investments held in rabbi trust (A)	45	8,908
Prepaid expenses	8,017	8,442
	$10,213	19,130

(A) The company converted substantially all investments held in the rabbi trust to cash to fund a lump sum benefit to the former CEO in May 2018. Refer to Note (6) for more information regarding this payment.

A summary of net properties and equipment at June 30, 2018 and December 31, 2017 is as follows:

	Successor	
(In thousands)	June 30, 2018	December 31, 2017
Properties and equipment:		
Vessels and related equipment	$836,773	850,268
Other properties and equipment	5,481	5,710
	842,254	855,978
Less accumulated depreciation and amortization	38,529	18,458
Net properties and equipment	$803,725	837,520

A summary of other assets at June 30, 2018 and December 31, 2017 is as follows:

	Successor	
(In thousands)	June 30, 2018	December 31, 2017
Recoverable insurance losses	$2,585	2,405
Investments held for supplemental savings plan accounts	5,274	6,583
Long-term deposits	13,763	16,217
Other	5,157	5,847
	$26,779	31,052

A summary of accrued expenses at June 30, 2018 and December 31, 2017 is as follows:

	Successor	
(In thousands)	June 30, 2018	December 31, 2017
Payroll and related payables (B)	$9,004	17,344
Commissions payable (C)	2,488	1,898
Accrued vessel expenses	28,701	27,222
Accrued interest expense	5,958	6,036
Other accrued expenses	3,161	2,306
	$49,312	54,806

(B) The balance at December 31, 2017 includes $8.9 million payable to the former CEO, which was paid in May 2018.

(C) Excludes $30.2 million and $36.4 million of commissions due to Sonatide at June 30, 2018 and December 31, 2017,
respectively. These amounts are included in amounts due to affiliates.

A summary of other current liabilities at June 30, 2018 and December 31, 2017 is as follows:

	Successor	
(In thousands)	June 30, 2018	December 31, 2017
Taxes payable	$15,988	10,326
Amounts payable to holders of General Unsecured Claims	—	8,474
Other	1,827	893
	$17,815	19,693

A summary of other liabilities at June 30, 2018 and December 31, 2017 is as follows:

	Successor	
(In thousands)	June 30, 2018	December 31, 2017
Postretirement benefits liability	$2,420	2,642
Pension liabilities	36,526	36,614
Deferred supplemental savings plan liability	5,277	6,592
Other	13,462	12,728
	$57,685	58,576

(13) SEGMENT AND GEOGRAPHIC DISTRIBUTION OF OPERATIONS

During the quarter ended March 31, 2018, the company's Africa/Europe segment was split as a result of management realignment such that the company's operations in Europe and Mediterranean Sea regions and the company's West African regions are now separately reported segments. As such, the company now discloses these new segments as Europe/Mediterranean Sea and West Africa, respectively. The company's Americas and Middle East/Asia Pacific segments are not affected by this change. This new segment alignment is consistent with how the company's chief operating decision maker reviews operating results for the purposes of allocating resources and assessing performance. Prior year amounts have been recast to conform to the new segment alignment.

The following table provides a comparison of segment revenues, vessel operating profit (loss), depreciation and amortization, and additions to properties and equipment for the quarters and six month periods ended June 30, 2018 and 2017. Vessel revenues and operating costs relate to vessels owned and operated by the company while other operating revenues relate to brokered vessels and other miscellaneous marine-related businesses.

(In thousands)	Successor Quarter Ended June 30, 2018	Predecessor Quarter Ended June 30, 2017	Successor Six Months Ended June 30, 2018	Predecessor Six Months Ended June 30, 2017
Revenues:				
Vessel revenues:				
Americas	$32,601	31,887	58,682	112,420
Middle East/Asia Pacific	22,406	27,766	40,794	54,444
Europe/Mediterranean Sea	13,357	11,031	22,980	21,197
West Africa	35,810	41,573	69,212	81,101
	104,174	112,257	191,668	269,162
Other operating revenues (A)	1,427	2,849	5,426	6,693
	$105,601	115,106	197,094	275,855
Vessel operating profit (loss):				
Americas	$5,681	(15,699)	10,592	14,919
Middle East/Asia Pacific	625	(1,316)	(1,628)	(7,480)
Europe/Mediterranean Sea	(1,142)	(10,163)	(4,696)	(17,265)
West Africa	1,705	(2,774)	(48)	(8,127)
	6,869	(29,952)	4,220	(17,953)
Other operating profit (loss)	778	55	2,284	(170)
	7,647	(29,897)	6,504	(18,123)
Corporate general and administrative expenses	(7,810)	(14,702)	(14,494)	(36,459)
Corporate depreciation	(100)	(541)	(200)	(1,105)
Corporate expenses	(7,910)	(15,243)	(14,694)	(37,564)
Gain on asset dispositions, net	1,338	3,189	3,257	9,253
Asset impairments (B)	(1,215)	(163,423)	(7,401)	(228,280)
Operating loss	$(140)	(205,374)	(12,334)	(274,714)
Foreign exchange loss	(1,002)	(1,157)	(1,350)	(493)
Equity in net earnings (losses) of unconsolidated companies	390	4,517	(15,049)	7,358
Interest income and other, net	2,914	1,680	2,786	3,268
Reorganization items	—	(313,176)	—	(313,176)
Interest and other debt costs, net	(7,547)	(10,605)	(15,146)	(31,613)
Loss before income taxes	$(5,385)	(524,115)	(41,093)	(609,370)
Depreciation and amortization:				
Americas	$3,530	10,748	6,843	22,045
Middle East/Asia Pacific	2,844	7,746	5,613	16,245
Europe/Mediterranean Sea	2,239	6,803	4,043	13,364
West Africa	4,067	9,595	8,093	19,411

	12,680	34,892	24,592	71,065
Other	5	854	10	1,709
Corporate	100	541	200	1,105
	$ 12,785	36,287	24,802	73,879
Additions to properties and equipment:				
Americas	$ 1,230	27	2,267	27
Middle East/Asia Pacific	1,073	648	1,496	1,673
Europe/Mediterranean Sea	135	—	135	—
West Africa	—	274	1	368
	2,438	949	3,899	2,068
Other	—	—	—	—
Corporate (C)	1,659	678	1,876	7,632
	$ 4,097	1,627	5,775	9,700

(A) Included in other operating revenues for the quarter and six months ended June 30, 2017, were $0.5 million and $0.8 million, respectively, of revenues related to the company's subsea business. The eight ROVs representing substantially all of the company's subsea assets were sold in December 2017.

(B) Refer to Note (14) for additional information regarding asset impairment.

(C) Included in Corporate are additions to properties and equipment relating to a vessel under construction which has not yet been assigned to a non-corporate reporting segment as of the dates presented.

The following table provides a comparison of total assets at June 30, 2018 and December 31, 2017:

(In thousands)	June 30, 2018	December 31, 2017
Total assets (A):		
Americas (B)	$310,121	164,958
Middle East/Asia Pacific	215,105	48,268
Europe/Mediterranean Sea	167,695	171,157
West Africa (C)	486,333	864,299
	1,179,254	1,248,682
Other	363	2,443
	1,179,617	1,251,125
Investments in, at equity, and advances to unconsolidated companies	1,335	29,216
	1,180,953	1,280,341
Corporate (D)	462,589	465,839
	$1,643,542	1,746,180

(A) The company's segment level assets as of June 30, 2018, reflect the elimination of certain intersegment balances.

(B) Americas segment assets include cash held by non-corporate subsidiaries of $94.6 million and 95.1 million, as of June 30, 2018 and December 31, 2017, respectively.

(C) West Africa segment assets include due from related parties of $197.1 million and $263.7 million as of June 30, 2018 and December 31, 2017, respectively.

(D) Corporate includes cash (including restricted cash) of $353.2 million and $336.4 million as of June 30, 2018 and December 31. 2017, respectively. Also included in Corporate is a vessel under construction which has not yet been assigned to a non-corporate reporting segment. A vessel's construction costs are reported in Corporate until the earlier of the date the vessel is assigned to a non-corporate reporting segment or the date it is delivered. At June 30, 2018 and December 31, 2017, $11.2 million and $9.3 million, respectively, of vessel construction costs are included in Corporate.

The following table compares revenue by segment, and in total for the worldwide fleet, along with the respective percentage of total vessel revenue for the quarters and six month periods ended June 30, 2018 (Successor) and June 30, 2017 (Predecessor):

Vessel revenue by vessel class (In thousands)	Successor Quarter Ended June 30, 2018	% of Vessel Revenue		Predecessor Quarter Ended June 30, 2017	% of Vessel Revenue		Successor Six Months Ended June 30, 2018	% of Vessel Revenue		Predecessor Six Months Ended June 30, 2017	% of Vessel Revenue	
Americas fleet:												
Deepwater	$22,661	22	%	17,313	15	%	$38,866	20	%	80,144	30	%
Towing-supply	7,560	7	%	11,274	10	%	14,406	8	%	26,012	10	%
Other	2,380	2	%	3,300	3	%	5,410	3	%	6,264	2	%
Total	$32,601	31	%	31,887	28	%	$58,682	31	%	112,420	42	%
Middle East/Asia Pacific fleet:												
Deepwater	$9,603	9	%	10,701	10	%	$19,167	10	%	20,134	7	%
Towing-supply	12,783	12	%	17,065	15	%	21,607	11	%	34,310	13	%
Other	20	<1	%	—	—		20	<1	%	—	—	
Total	$22,406	21	%	27,766	25	%	$40,794	21	%	54,444	20	%
Europe/Mediterranean Sea fleet:												
Deepwater	$12,596	12	%	8,237	8	%	$21,616	11	%	18,090	7	%
Towing-supply	761	1	%	2,794	2	%	1,364	1	%	3,116	1	%
Other	—	—		—	—		—	—		(9)	(<1	%)
Total	$13,357	13	%	11,031	10	%	$22,980	12	%	21,197	8	%
West Africa fleet:												
Deepwater	$14,314	14	%	13,921	12	%	$28,252	15	%	27,100	10	%
Towing-supply	17,321	17	%	24,225	22	%	33,460	17	%	46,697	17	%
Other	4,175	4	%	3,427	3	%	7,500	4	%	7,304	3	%
Total	$35,810	35	%	41,573	37	%	$69,212	36	%	81,101	30	%
Worldwide fleet:												
Deepwater	$59,174	57	%	50,172	45	%	$107,901	56	%	145,468	54	%
Towing-supply	38,425	37	%	55,358	49	%	70,837	37	%	110,135	41	%
Other	6,575	6	%	6,727	6	%	12,930	7	%	13,559	5	%
Total	$104,174	100	%	112,257	100	%	$191,668	100	%	269,162	100	%

(14) ASSET IMPAIRMENTS

Management estimates the fair value of each vessel not expected to return to active service (considered Level 3, as defined by ASC 820, Fair Value Measurements and Disclosures) by considering items such as the vessel’s age, length of time stacked, likelihood of a return to active service and actual recent sales of similar vessels, among others. For vessels with more significant carrying values, we obtain an estimate of the fair value of the stacked vessel from third-party appraisers or brokers for use in our determination of fair value estimates.

Stacked vessels expected to return to active service are generally newer vessels, have similar capabilities and likelihood of future active service as other currently operating vessels, are generally current with classification societies in regards to their regulatory certification status, and are being actively marketed. Stacked vessels expected to return to service are evaluated for impairment as part of their assigned active asset group and not individually.

The company reviews the vessels in its active fleet for impairment whenever events occur or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. In such evaluation, the estimated future undiscounted cash flows generated by an asset group are compared with the carrying amount of the asset group to determine if a write-down may be required. If an asset group fails the undiscounted cash flow test, the company estimates the fair value of each asset group and compares such estimated fair value, considered Level 3, as defined by ASC 820, Fair Value Measurements and Disclosures, to the carrying value of each asset group in order to determine if impairment exists. Similar to stacked vessels, management obtains estimates of the fair values of the active vessels from third party appraisers or brokers for use in determining fair value estimates.

The below table summarizes the number of vessels impaired and the amount of the impairment incurred during the quarters and six month periods ended June 30, 2018 and 2017.

(In thousands, except number of vessels impaired)	Successor Quarter Ended June 30, 2018	Predecessor Quarter Ended June 30, 2017	Successor Six Months Ended June 30, 2018	Predecessor Six Months Ended June 30, 2017
Number of vessels impaired in the period (A)	2	77	15	89
Amount of impairment incurred	$ 1,215	163,423	7,401	228,280

(A) For the quarter and six months periods ended June 30, 2018, there were 2 and 15 stacked vessels impaired, respectively. For the quarter ended June 30, 2017, there were 72 stacked vessels and 5 active vessels impaired, respectively and for the six month period ended June 30, 2017 there were 83 stacked vessels and 6 active vessels impaired, respectively.

(15) SUBSEQUENT EVENT

On July 15, 2018, the company and GulfMark Offshore, Inc. (“GulfMark”) entered into a definitive merger agreement to combine the two companies. Under the terms of the agreement, GulfMark stockholders will receive 1.1 shares of company common stock for each share of GulfMark common stock. Each GulfMark noteholder warrant will be automatically converted into the right to receive 1.1 company shares, subject to Jones Act restrictions on maximum ownership of shares by non-U.S. citizens. The company will assume GulfMark's obligations under existing GulfMark equity warrants. Upon completion of the proposed merger, the company’s and GulfMark’s stockholders will own approximately 74 percent and 26 percent, respectively, of the combined company.

The proposed merger is expected to close in the fourth quarter of 2018, subject to regulatory and other customary closing conditions, including approval from the stockholders of the company and GulfMark. If the merger agreement is terminated under certain circumstances, the company may be obligated to pay GulfMark a termination fee of $35.0 million, and GulfMark may be obligated to pay the company a termination fee of $13.0 million.

On August 6, 2018, GulfMark issued a press release confirming receipt of a non-binding, unsolicited proposal from HGIM Corp. (“Harvey Gulf”) to combine the companies through a merger in which GulfMark would acquire Harvey Gulf, with the combined company remaining publicly listed and GulfMark stockholders owning 41.2% of the combined company. According to GulfMark, its Board of Directors, with the assistance of outside financial and legal advisors, will review the Harvey Gulf unsolicited proposal. In that same press release, the GulfMark Board of Directors confirmed its belief that, at the time of the release, the Tidewater merger is in the best interests of GulfMark's stockholders and continues to recommend that GulfMark stockholders adopt the merger agreement at the special meeting of GulfMark stockholders to be scheduled for this fall.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

FORWARD-LOOKING STATEMENT

In accordance with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the company notes that this Quarterly Report on Form 10-Q and the information incorporated herein by reference contain certain forward-looking statements which reflect the company's current view with respect to future events and future financial performance. Forward-looking statements are all statements other than statements of historical fact. All such forward-looking statements are subject to risks and uncertainties, and the company's future results of operations could differ materially from its historical results or current expectations reflected by such forward-looking statements. Some of these risks are discussed in this Quarterly Report on Form 10-Q and include, without limitation, the ability of the company to complete the proposed transaction with GulfMark Offshore, Inc. (the "proposed merger") on the anticipated terms and timetable, if at all; the ability to obtain shareholder and government approval of the proposed merger; the ability to satisfy various other conditions to the closing of the transaction; the risk that the cost savings and any other synergies from the transaction may not be fully realized or may take longer to realize than expected; disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers; the possibility of litigation (related to the proposed merger); the diversion of management's time from day-to-day operations by the proposed merger; the difficulty attracting, motivating and retaining executives and other employees with the proposed merger pending; restrictions on the conduct of business pursuant to the merger agreement; incurrence of substantial transaction-related costs; new accounting policies and our consolidation activities; volatility in worldwide energy demand and oil and gas prices, and continuing depressed levels of oil and gas prices without a clear indication of if, or when, prices will recover to a level to support renewed offshore exploration activities; fleet additions by competitors and industry overcapacity; our limited capital resources available to replenish our asset base, including through acquisitions or vessel construction, and to fund our capital expenditure needs; uncertainty of global financial market conditions and potential constraints in accessing capital or credit if and when needed with favorable terms, if at all; changes in decisions and capital spending by customers in the energy industry and the industry expectations for offshore exploration, field development and production; consolidation of our customer base; loss of a major customer; changing customer demands for vessel specifications, which may make some of our older vessels technologically obsolete for certain customer projects or in certain markets; rapid technological changes; delays and other problems associated with vessel construction and maintenance; the continued availability of qualified personnel and our ability to attract and retain them; the operating risks normally incident to our lines of business, including the potential impact of liquidated counterparties; our ability to comply with covenants in our indentures and other debt instruments; acts of terrorism and piracy; integration of acquired businesses and entry into new lines of business; disagreements with our joint venture partners; significant weather conditions; unsettled political conditions, war, civil unrest and governmental actions, such as expropriation or enforcement of customs or other laws that are not well developed or consistently enforced; the risks associated with our international operations, including local content, local currency or similar requirements especially in higher political risk countries where we operate; interest rate and foreign currency fluctuations; labor changes proposed by international conventions; increased regulatory burdens and oversight; changes in laws governing the taxation of foreign source income; retention of skilled workers; enforcement of laws related to the environment, labor and foreign corrupt practices; the effects of asserted and unasserted claims and the extent of available insurance coverage; and the resolution of pending legal proceedings.

Forward-looking statements, which can generally be identified by the use of such terminology as "may," "can," "potential," "expect," "project," "target," "anticipate," "estimate," "forecast," "believe," "think," "could," "continue," "intend," "seek," "pl expressions contained in this Quarterly Report on Form 10-Q, are not guarantees of future performance or events. Any forward-looking statements are based on the company's assessment of current industry, financial and economic information, which by its nature is dynamic and subject to rapid and possibly abrupt changes, which the company may or may not be able to control. Further, the company may make changes to its business plans that could or will affect its results. While management believes that these forward-looking statements are reasonable when made, there can be no assurance that future developments that affect us will be those that we anticipate and have identified. The forward-looking statements should be considered in the context of the risk factors listed above and discussed in Item 1A included in the company's Transition Report on Form 10-K for the nine month period ended December 31, 2017, filed with the Securities and Exchange Commission (SEC) on March 15, 2018, as updated by subsequent filings with the SEC. Investors and prospective investors are cautioned not to rely unduly on such forward-looking statements, which speak only as of the date hereof. Management disclaims any obligation to update or revise any forward-looking statements contained herein to reflect new information, future events or developments.

In certain places in this Quarterly Report on Form 10-Q, we may refer to reports published by third parties that purport to describe trends or developments in energy production and drilling and exploration activity. The company does so for the convenience of our investors and potential investors and in an effort to provide information available in the market that will lead to a better understanding of the market environment in which the company operates. The company specifically disclaims any responsibility for the accuracy and completeness of such information reports and undertakes no obligation to update such information.

The following information contained in this Quarterly Report on Form 10-Q should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in Item 1 of this Quarterly Report and related disclosures and the company's Transition Report on Form 10-K for the nine month period ended December 31, 2017, filed with the SEC on March 15, 2018.

About Tidewater

The company's vessels and associated vessel services provide support for all phases of offshore exploration, field development and production. These services include towing of, and anchor handling for, mobile offshore drilling units; transporting supplies and personnel necessary to sustain drilling, workover and production activities; offshore construction and seismic and subsea support; and a variety of specialized services such as pipe and cable laying. Our offshore support vessel fleet includes vessels that are operated under joint ventures, as well as vessels that have been stacked. At June 30, 2018, we owned or chartered 204 vessels (excluding eight joint venture vessels, but including 66 stacked vessels) available to serve the global energy industry.

The company has one of the broadest geographic operating footprints in the offshore energy industry with operations in most of the world's significant offshore crude oil and natural gas exploration and production regions. Our global operating footprint allows us to react quickly to changing local market conditions and to be responsive to the changing requirements of the many customers with which we believe we have strong relationships. The company is also one of the most experienced international operators in the offshore energy industry with over 60 years of international experience.

Recent Developments

On July 15, 2018, the company and GulfMark Offshore, Inc. ("GulfMark") entered into a definitive merger agreement to combine the two companies. Under the terms of the agreement, GulfMark stockholders will receive 1.1 shares of company common stock for each share of GulfMark common stock. Each GulfMark noteholder warrant will be automatically converted into the right to receive 1.1 company shares, subject to Jones Act restrictions on maximum ownership of shares by non-U.S. citizens. The company will assume GulfMark's obligations under existing GulfMark equity warrants. Upon completion of the proposed merger, the company's and GulfMark's stockholders will own approximately 74 percent and 26 percent, respectively, of the combined company.

The proposed merger is expected to close in the fourth quarter of 2018, subject to regulatory and other customary closing conditions, including approval from the stockholders of the company and GulfMark. If the merger agreement is terminated under certain circumstances, the company may be obligated to pay GulfMark a termination fee of $35.0 million and GulfMark may be obligated to pay the company a termination fee of $13.0 million.

On August 6, 2018, GulfMark issued a press release confirming receipt of a non-binding, unsolicited proposal from HGIM Corp. (“Harvey Gulf”) to combine the companies through a merger in which GulfMark would acquire Harvey Gulf, with the combined company remaining publicly listed and GulfMark stockholders owning 41.2% of the combined company. According to GulfMark, its Board of Directors, with the assistance of outside financial and legal advisors, will review the Harvey Gulf unsolicited proposal. In that same press release, the GulfMark Board of Directors confirmed its belief that, at the time of the release, the Tidewater merger is in the best interests of GulfMark's stockholders and continues to recommend that GulfMark stockholders adopt the merger agreement at the special meeting of GulfMark stockholders to be scheduled for this fall.

Reorganization and Fresh Start Accounting

References to "Successor" or "Successor Company" relate to the financial position and results of operations of the reorganized company subsequent to July 31, 2017. References to "Predecessor" or "Predecessor Company" relate to the financial position and results of operations of the company through July 31, 2017.

On July 31, 2017, the company and certain of its subsidiaries that had been named as additional debtors in the Chapter 11 proceedings emerged from bankruptcy after successfully completing its financial reorganization pursuant to the Second Amended Joint Prepackaged Chapter 11 Plan of Reorganization of the company and its Affiliated Debtors (the “Plan”). Upon the company's emergence from Chapter 11 bankruptcy, the company qualified for and adopted fresh-start accounting in accordance with the provisions set forth in ASC 852, which requires the company to present its assets, liabilities, and equity as if it were a new entity upon emergence from bankruptcy. The implementation of the Plan and the application of fresh-start accounting materially changed the carrying amounts and classifications reported in the company’s consolidated financial statements and resulted in the company becoming a new entity for financial reporting purposes. As a result of the application of fresh-start accounting and the effects of the implementation of the Plan, the financial statements after July 31, 2017 are not comparable with the financial statements prior to July 31, 2017. Therefore, "black-line" financial statements are presented to distinguish between the Predecessor and Successor companies.

Principal Factors That Drive Our Revenues

The company’s revenues, net earnings and net cash provided by (used in) operating activities are largely dependent upon the activity level of its offshore marine vessel fleet. As is the case with the numerous other vessel operators in our industry, our business activity is largely dependent on the level of exploration, field development and production activity of our customers. Our customers’ business activity, in turn, is dependent on crude oil and natural gas prices, which fluctuate depending on expected future levels of supply and demand for crude oil and natural gas, and on estimates of the cost to find, develop and produce reserves.

The company’s revenues in all segments are driven primarily by the company’s fleet size, vessel utilization and day rates. Because a sizeable portion of the company’s operating costs and its depreciation does not change proportionally with changes in revenue, the company’s operating profit is largely dependent on revenue levels.

Principal Factors That Drive Our Operating Costs

Operating costs consist primarily of crew costs, repair and maintenance costs, insurance costs and loss reserves, fuel, lube oil and supplies costs and other vessel operating costs. Fleet size, fleet composition, geographic areas of operation, supply and demand for marine personnel, and local labor requirements are the major factors which affect overall crew costs in all segments. In addition, the company’s newer, more technologically sophisticated PSVs and AHTS vessels generally require a greater number of specially trained, more highly compensated fleet personnel than the company’s older, smaller and less sophisticated vessels. Crew costs may increase if competition for skilled personnel intensifies, though a weaker offshore energy market should somewhat mitigate any potential inflation of crew costs.

Concurrent with emergence from Chapter 11 bankruptcy, the Successor Company adopted a new policy for the recognition of the costs of planned major maintenance activities incurred to ensure compliance with applicable regulations and maintain certifications for vessels with classification societies. These costs include drydocking and survey costs necessary to maintain certifications and generally occur twice in every five year period. These recertification costs are typically incurred while the vessel is in drydock and may be incurred concurrent with other vessel maintenance and improvement activities. Costs related to the recertification of vessels are deferred and amortized over 30 months on a straight-line basis. Maintenance costs incurred at the time of the recertification drydocking that are not related to the recertification of the vessel are expensed as incurred. Costs related to vessel improvements that either extend the vessel's useful life or increase the vessel's functionality are capitalized and depreciated. The company's previous policy (Predecessor) was to expense vessel recertification costs in the period incurred.

Insurance and loss reserves costs are dependent on a variety of factors, including the company's safety record and pricing in the insurance markets, and can fluctuate over time. The company's vessels are generally insured for up to their estimated fair market value in order to cover damage or loss resulting from marine casualties, adverse weather conditions, mechanical failure, collisions, and property losses to the vessel. The company also purchases coverage for potential liabilities stemming from third-party losses with limits that it believes are reasonable for its operations but does not generally purchase business interruption insurance or similar coverage. Insurance limits are reviewed annually, and third-party coverage is purchased based on the expected scope of ongoing operations and the cost of third-party coverage.

Fuel and lube costs can also fluctuate in any given period depending on the number and distance of vessel mobilizations, the number of active vessels off charter, drydockings, and changes in fuel prices. The company also incurs vessel operating costs that are aggregated as "other" vessel operating costs. These costs consist of brokers' commissions, including commissions paid to unconsolidated joint venture companies, training costs and other miscellaneous costs. Brokers' commissions are incurred primarily in the company's non-United States operations where brokers often assist in obtaining work for the company's vessels. Brokers generally are paid a percentage of day rates, and accordingly, commissions paid to brokers generally fluctuate in accordance with vessel revenue. Other costs include, but are not limited to, satellite communication fees, agent fees, port fees, canal transit fees, vessel certification fees, the amortization of previously deferred mobilization costs, temporary vessel importation fees and any fines or penalties.

Sonatide Joint Venture

The company has previously disclosed the significant financial and operational challenges that it confronts with respect to its operations in Angola, as well as steps that the company has taken to address or mitigate those risks. Most of the company's attention has been focused in three areas: (i) reducing the net receivable balance due to the company from Sonatide, its Angolan joint venture with Sonangol, for vessel services; (ii) reducing the foreign currency risk created by virtue of provisions of Angolan law that require that payment for a significant portion of the services provided by Sonatide be paid in Angolan kwanza; and (iii) optimizing opportunities, consistent with Angolan law, for services provided by the company to be paid for directly in U.S. dollars. These challenges, and the company's efforts to respond, continue.

Amounts due from Sonatide (Due from affiliates in the consolidated balance sheets) at June 30, 2018 and December 31, 2017 of approximately $153 million and $230 million, respectively, represent cash received by Sonatide from customers and due to the company, amounts due from customers that are expected to be remitted to the company through Sonatide and costs incurred by the company on behalf of Sonatide. Approximately $25 million of the balance at June 30, 2018 represents invoiced but unpaid vessel revenue related to services performed by the company through the Sonatide joint venture. Remaining amounts due to the company from Sonatide are, in part, supported by approximately $67 million of cash held by Sonatide, of which the equivalent of $43 million is denominated in Angolan kwanzas, pending conversion into U.S. dollars and subsequent expatriation. In addition, the company owes Sonatide the aggregate sum of approximately $47 million, including $30 million in commissions payable by the company to Sonatide. The company monitors the aggregate amounts due from Sonatide relative to the amounts due to Sonatide.

For the six months ended June 30, 2018, the company collected (primarily through Sonatide) approximately $51 million from its Angolan operations. Of the $51 million collected, approximately $47 million were U.S. dollars received by Sonatide on behalf of the company or U.S. dollars received directly by the company from customers. The balance of $4 million collected reflects Sonatide's conversion of Angolan kwanza into U.S. dollars and the subsequent expatriation of the dollars and payment to the company. The company also reduced the respective due from affiliates and due to affiliates balances by approximately $55 million during the six months ended June 30, 2018 through netting transactions based on an agreement with the joint venture.

Amounts due to Sonatide (Due to affiliates in the consolidated balance sheets) at June 30, 2018 and December 31, 2017 of approximately $47 million and $99 million, respectively, represents amounts due to Sonatide for commissions payable and other costs paid by Sonatide on behalf of the company.

The company believes that the process for converting Angolan kwanzas continues to function, but the relative scarcity of U.S. dollars in Angola continues to hinder the conversion process. Sonatide continues to press the commercial banks with which it has relationships to increase the amount of U.S. dollars that are made available to Sonatide.

For the six month period ended June 30, 2018, the company's Angolan operations generated vessel revenues of approximately $29 million, or 15%, of its consolidated vessel revenue, from an average of approximately 38 company-owned vessels that are marketed through the Sonatide joint venture (17 of which were stacked on average during the six months ended June 30, 2018). For the six months ended June 30, 2017, the company's Angolan operations generated vessel revenues of approximately $53 million, or 20%, of consolidated vessel revenue, from an average of approximately 53 company-owned vessels (23 of which were stacked on average during the six months ended June 30, 2017).

In addition to vessels that Sonatide charters from the company, Sonatide owns seven vessels (five of which are currently stacked) and certain other assets, in addition to earning commission from company-owned vessels marketed through the Sonatide joint venture (owned 49% by the company). As of June 30, 2018 and December 31, 2017, the carrying value of the company's investment in the Sonatide joint venture, which is included in "Investments in, at equity, and advances to unconsolidated companies," was $0 and approximately $27 million, respectively. During the six months ended June 30, 2018, the exchange rate of the Angolan kwanza versus the U.S. dollar was devalued from a ratio of approximately 168 to 1 to a ratio of approximately 250 to 1, or approximately 49%. As a result, the company recognized 49% of the total foreign exchange loss, or approximately $20.6 million through equity in net earnings (losses) of unconsolidated companies.

Also during the quarter ended June 30, 2018, the company received a dividend from Sonatide of $12.3 million which reduced the carrying value of the company's investment in Sonatide to zero. Approximately $4.9 million of dividends received in excess of the investment balance was recognized in earnings during the quarter ended June 30, 2018.

Management continues to explore ways to profitably participate in the Angolan market while evaluating opportunities to reduce the overall level of exposure to the increased risks that the company believes characterize the Angolan market. Included among mitigating measures taken by the company to address these risks is the redeployment of vessels from time to time to other markets. Redeployment of vessels to and from Angola since June 30, 2017 has resulted in a net 8 vessels transferred out of Angola. Company-owned vessels operating in Angola decreased by 47 vessels, from June 30, 2014 to June 30, 2018 (from 84 vessels to 37 vessels). Company-owned active vessels decreased in the same period by 58 vessels (from 80 vessels to 22 vessels).

International Labour Organization's Maritime Labour Convention

The International Labour Organization's Maritime Labour Convention, 2006 (the "Convention") mandates globally, among other things, seafarer living and working conditions (accommodations, wages, conditions of employment, health and other benefits) aboard ships that are engaged in commercial activities. Since its initial entry into force on August 20, 2013, 84 countries have now ratified the Convention.

The company continues to prioritize certification of its vessels to Convention requirements based on the dates of enforcement by countries in which the company has operations, performs maintenance and repairs at shipyards, or may make port calls during ocean voyages. Once obtained, vessel certifications are maintained, regardless of the area of operation. Additionally, where possible, the company continues to work with its operationally identified flag states to seek substantial equivalencies to comparable national and industry laws that meet the intent of the Convention and allow the company to standardize operational protocols among its fleet of vessels that work in various areas around the world.

Macroeconomic Environment and Outlook

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

After a significant decrease in the price of oil during calendar years 2014 and 2015 largely due to an increase in global supply without a commensurate increase in worldwide demand, the price of crude oil, though volatile, generally increased during the calendar years 2016 and 2017. Our longer-term utilization and average day rate trends for our vessels will generally correlate with demand for, and the price of, crude oil, which at the end of June 2018 was trading around $74 per barrel for West Texas Intermediate (WTI) crude and $75 per barrel for Intercontinental Exchange (ICE) Brent crude, up from $50 and $52 per barrel for WTI and ICE Brent, respectively, at the end of December 2017. Several analysts expect that oil production will continue to rise (led by North America) and that this should balance the market, if not create a supply surplus over the near to immediate term. A supply surplus would likely exert downward pressure on the recently improved market prices for crude oil.

A recovery in onshore exploration, development and production activity and spending, and in North American onshore activity and spending in particular as noted above, is underway and is expected to continue if oil and gas prices remain at current levels or continue to rise. However, a recovery in offshore activity and spending, much of which takes place in the international markets, is expected to lag increases in onshore exploration, development and production activity and spending. These same analysts also expect that any material improvements in offshore exploration and development activity would likely not occur until calendar year 2019 or calendar year 2020, the timing of which is generally consistent with the trend of the projected global working offshore rig count according to recent IHS-Markit reports, as there are indications that exploration and production companies will remain conservative with their offshore-related capital expenditures in the near future.

The production of unconventional gas resources in North America and the commissioning of a number of Liquefied Natural Gas (LNG) export facilities around the world have contributed to an oversupplied natural gas market. Some analysts have noted that natural gas is being produced at historically high levels while consumption, at least in the United States, has waned somewhat in 2017 primarily as a result of less demand by the electric power sector. At the end of June 2018, natural gas was trading in the U.S. at approximately $3.00 per Mcf, which was comparable to natural gas prices reported by the U.S. Energy Information Administration at the end of December 2017. Generally, high levels of onshore gas production and the prolonged downturn in natural gas prices experienced over the previous several years have had a negative impact on the offshore exploration and development plans of energy companies and the demand for offshore support vessel services.

Deepwater activity is a significant segment of the global offshore crude oil and natural gas markets, and development typically involves significant capital investment and multi-year development plans. Such projects are generally underwritten by the participating exploration, field development and production companies using relatively conservative crude oil and natural gas pricing assumptions. Although these projects are generally less susceptible to short-term fluctuations in the price of crude oil and natural gas, deepwater exploration and development projects can be more costly relative to onshore and non-deepwater offshore exploration and development. As a result, lower and volatile crude oil prices and a relatively greater emphasis on onshore exploration, development and production activity and spending have caused, and may continue to cause, many of our customers and potential customers to reevaluate and further reduce their future capital expenditures in regards to offshore projects, in general, and deepwater projects, in particular.

Data published by IHS-Markit in June of 2018 estimate that the worldwide movable offshore drilling rig count is 850 rigs, of which approximately 435 offshore rigs were working in June of 2018, a slight increase over the approximate 430 working rigs in June of 2017, and a decrease of approximately 9%, or 45 working rigs, from the number of working rigs in June of 2016. While the supply of, and demand for, offshore drilling rigs that meet the technical requirements of end user exploration and development companies may be key drivers of pricing for contract drilling services, the company believes that the number of rigs working offshore (rather than the total population of moveable offshore drilling rigs or the pricing for contract drilling services) is a more reliable indicator of overall offshore activity levels and the demand for offshore support vessel services.

According to IHS-Markit, of the estimated 850 movable offshore rigs worldwide, approximately 30%, or approximately 255 rigs, are designed to operate in deeper waters. Of the approximately 435 working offshore rigs at the end of June 2018, approximately 120 rigs, or 28%, are designed to operate in deeper waters. Utilization of deepwater rigs at the end of June 2018 was approximately 47% (120 working deepwater rigs divided by 255 total deepwater rigs). At the end of June 2018, the approximate 120 working deepwater rigs was comparable to the approximate number of working deepwater rigs at the end of June 2017 and down 20%, or approximately 30 working deepwater rigs, from the number of working deepwater rigs at the end of June 2016. IHS-Markit also estimates that approximately 29% of the approximate 140 total offshore rigs currently under construction, or approximately 40 rigs, are being built to operate in deeper waters, suggesting that new build deepwater rigs represent approximately 33% of the approximately 120 deepwater rigs working at the end of June 2018. There is uncertainty as to whether the deepwater rigs currently under construction will increase the working fleet or merely replace older, less productive drilling units. As a result, it is not clear what impact the delivery of additional rigs (deepwater and otherwise) within the next several years will have on the working rig count, especially in an environment of reduced offshore exploration and development spending.

Also, according to IHS-Markit, of the estimated 850 movable offshore rigs worldwide, approximately 61%, or approximately 515 rigs, are jack-up rigs. Of the approximately 435 working offshore rigs, approximately 290 rigs, or 67%, are jack-up rigs. As of the end of June 2018, the number of working jack-up rigs was nominally higher than the number of jack-up rigs that were working at the end of June 2017, suggesting that worldwide shallow-water exploration and production activity has at least stabilized during the last twelve months, despite a slight decrease of approximately 3%, or 10 working rigs, from the number of working rigs at the end of June 2016. Utilization of jack-up rigs at the end of June 2018 was approximately 56% (290 working jack-up rigs divided by 515 total jack-up rigs). The construction backlog for new jack-up rigs at the end of June 2018 (90 rigs) has been reduced from the jack-up construction backlog at the end of June 2017 by approximately 10 rigs. Nearly all of the jack-up rigs currently under construction are scheduled for delivery in the next 24 months, although the timing of such deliveries as scheduled remains uncertain given the generally depressed offshore rig market that currently exists. As discussed above with regards to the deepwater rig market and recognizing that 90 new build jack-up rigs represent 31% of the approximately 290 jack-up rigs working at the end of June 2018, there is also uncertainty as to how many of the jack-up rigs currently under construction, if delivered, will either increase the working fleet or replace older, less productive jack-up rigs.

The floating production unit market is also a current source of demand for offshore support vessels and also has potential to grow as a source of additional demand for offshore support vessels. Approximately 52 new floating production units are under construction, most of which are scheduled to be delivered over the next eighteen months. If delivered, these new units will supplement the approximately 375 floating production units currently operating worldwide, which is slightly higher than the number of floating production units working in June 2017 and approximately 9% higher than the number of floating production units working in June 2016. While the recent market trend in working floating production units currently appears to be a net positive for the offshore support vessel market, the risk of cancellation of some new build contracts or the stacking of currently operating floating production units remains.

In June 2018, the worldwide fleet of offshore support vessels (deepwater PSVs, deepwater AHTS vessels and towing-supply vessels only) is estimated at approximately 3,520 vessels which includes approximately 550 vessels, or approximately 16%, that are at least 25 years old and exceeding original expectations of their estimated economic lives. An additional 445 vessels, or 13% of the worldwide fleet, are at least 15 years old, but less than 25 years old. Older offshore support vessels, whether such vessels are at least 25 years old or at least 15 years old, could potentially be removed from the market if the cost of extending such vessels' lives is not economical, especially in light of recent market conditions.

Also, according to IHS-Markit, there are approximately 240 new-build offshore support vessels (deepwater PSVs, deepwater AHTS vessels and towing-supply vessels only) either under construction (215 vessels), on order or planned at the end of June 2018. The majority of the vessels under construction are scheduled to be delivered within the next 12 to 24 months; however, the company does not anticipate that all, or even a majority, of these vessels will ultimately be completed based on current and expected future offshore exploration and development activity, in addition to the substantial oversupply that still exists. Further increases in worldwide vessel capacity, due to either newbuild deliveries, or stacked vessel reactivations, would tend to have the effect of lowering charter rates, particularly when there are lower levels of exploration, field development and production activity.

Excluding the 550 vessels that are at least 25 years old from the overall population, the number of offshore support vessels under construction (215 vessels) represents approximately 7% of the remaining worldwide fleet of approximately 2,970 offshore support vessels. Excluding the 995 vessels that are at least 15 years old from the overall population, the number of offshore support vessels under construction (215 vessels) represents approximately 9% of the remaining worldwide fleet of approximately 2,525 offshore support vessels.

Since late 2014, the number of older offshore support vessels that have been removed from market has not been sufficient to counteract the significant reduction in offshore exploration, development and production activity by our customers. As a result, we and other offshore support vessel owners have also selectively stacked more recently constructed vessels. Should market conditions further deteriorate, the stacking or underutilization of additional, more recently constructed vessels by the offshore support vessel industry is likely.

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

Alternatively, the cancellation or deferral of delivery of some portion of the offshore support vessels that are under construction could mitigate the potential negative effects on vessel utilization and vessel pricing of reduced offshore exploration, development and production spending by our customers. To the extent the significant increase in crude oil prices that began in early 2016 ultimately leads to an increase both in offshore spending by our customers and additional vessel demand, additional vessel demand could also mitigate the possible negative effects of the new-build vessels being added to the global offshore support vessel fleet. In addition, the need to incur and fund recertification and other maintenance costs, particularly for vessels that have been stacked, may have an impact on the availability of vessels to support customers' future offshore exploration, development and production activity, and could have a positive impact on the charter rates that vessel owners are able to secure for those vessels that have current certifications with the relevant classification societies and are otherwise available to work.

The company believes that a material improvement in vessel utilization and vessel pricing will require a combination of increased vessel demand and a reduction in vessel supply, including the retirement of a majority of the vessels that are older than 15 years. Absent a significant and unexpected increase in vessel demand, we believe that low vessel utilization and average day rates will likely persist across the offshore support vessel industry, at least in the near to intermediate term, due to the current overcapacity in the worldwide offshore support vessel fleet. It is also possible that overcapacity and excess financial leverage will lead to industry consolidation and/or business failures within the global offshore support vessel industry.

Results of Operations

During the quarter ended March 31, 2018 the company's Africa/Europe segment was split as a result of management realignment such that the company's operations in Europe and Mediterranean Sea regions and the company's West African regions are now separately reported segments. As such, the company now discloses these new segments as Europe/Mediterranean Sea and West Africa, respectively. The company's Americas and Middle East/Asia Pacific segments are not affected by this change. This new segment alignment is consistent with how the company's chief operating decision maker reviews operating results for the purposes of allocating resources and assessing performance. Prior year amounts have been recast to conform to the new segment alignment.

The following table compares vessel revenues and vessel operating costs (excluding general and administrative expenses, depreciation and amortization expense, vessel operating leases and gains on asset dispositions, net) for the company's owned and operated vessel fleet and the related percentage of vessel revenue for the quarters and six month periods ended June 30, 2018 and 2017:

(In thousands)	Successor Quarter Ended June 30, 2018	%	Predecessor Quarter Ended June 30, 2017	%	Successor Six Months Ended June 30, 2018	%	Predecessor Six Months Ended June 30, 2017	%
Vessel revenues:								
Americas (A)	$32,601	31 %	31,887	28 %	58,682	31 %	112,420	42 %
Middle East/Asia Pacific	22,406	21 %	27,766	25 %	40,794	21 %	54,444	20 %
Europe/Mediterranean Sea	13,357	13 %	11,031	10 %	22,980	12 %	21,197	8 %
West Africa	35,810	35 %	41,573	37 %	69,212	36 %	81,101	30 %
Total vessel revenues	$104,174	100%	112,257	100%	191,668	100%	269,162	100%
Vessel operating costs:								
Crew costs	$36,368	35 %	42,210	38 %	70,592	37 %	84,039	31 %
Repair and maintenance	7,978	8 %	13,844	12 %	15,682	8 %	30,918	11 %
Insurance and loss reserves	2,191	2 %	3,124	3 %	1,120	2 %	1,357	1 %
Fuel, lube and supplies	8,181	8 %	9,428	8 %	17,193	9 %	18,707	7 %
Other	13,294	13 %	15,167	14 %	24,789	13 %	29,597	11 %
Total vessel operating costs	$68,012	65 %	83,773	75 %	129,376	69 %	164,618	61 %

(A) Included in Americas vessel revenue for the six months ended June 30, 2017 is $39.1 million of revenue related to the early cancellation of a long-term vessel charter contract.

The following table compares other operating revenues and costs related to brokered vessels, ROVs and other miscellaneous marine-related activities for the quarters and six month periods ended June 30, 2018 and 2017:

(In thousands)	Successor Quarter Ended June 30, 2018	Predecessor Quarter Ended June 30, 2017	Successor Six Months Ended June 30, 2018	Predecessor Six Months Ended June 30, 2017
Other operating revenues	$ 1,427	2,849	5,426	6,693
Costs of other operating revenues	642	1,585	3,116	4,274

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The following table presents vessel operating costs by our four geographic segments, the related segment vessel operating costs as a percentage of segment vessel revenues, total vessel operating costs and the related total vessel operating costs as a percentage of total vessel revenues for the quarters and six month periods ended June 30, 2018 and 2017:

	Successor Quarter Ended June 30, 2018		Predecessor Quarter Ended June 30, 2017		Successor Six Months Ended June 30, 2018		Predecessor Six Months Ended June 30, 2017	
(In thousands)		%		%		%		%
Vessel operating costs:								
Americas:								
Crew costs	$11,158	34%	14,457	45%	20,251	34%	30,218	27%
Repair and maintenance	1,529	5 %	3,841	12%	3,259	6 %	6,727	6 %
Insurance and loss reserves	1,031	3 %	933	3 %	480	1 %	414	1 %
Fuel, lube and supplies	1,792	5 %	3,394					