KOHLS Corp
Form 424B5
September 06, 2013
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-177252

PROSPECTUS SUPPLEMENT

(To Prospectus dated October 12, 2011)

$300,000,000

Kohl s Corporation

4.750% NOTES DUE 2023

Kohl s Corporation will pay interest on the $300,000,000 4.750% notes due (the notes) on June 15 and December 15 of each year, beginning December 15, 2013. The notes will mature on December 15, 2023. We may redeem the notes in whole or in part at the redemption prices set forth under Description of the Notes Optional Redemption. If we experience a change of control repurchase event, we may be required to offer to repurchase the notes from holders as described under Description of the Notes Repurchase upon Change of Control Repurchase Event.

The notes will be our senior unsecured obligations and will rank equally in right of payment with all of our other senior unsecured indebtedness from time to time outstanding. The notes will be issued only in registered form in denominations of $2,000 and integral multiples of $1,000 above that amount.

Investing in the notes involves risks that are described under Risk Factors beginning on page S-7.

	Per Note	Total
Public offering price (1)	99.750%	$ 299,250,000
Underwriting discount	0.650%	$ 1,950,000
Proceeds, before expenses, to us (1)	99.100%	$ 297,300,000

(1) Plus accrued interest, if any, from September 12, 2013

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form only through The Depository Trust Company for the accounts of its participants, including Clearstream Banking, société anonyme, and Euroclear Bank, S.A./N.V., as operator of the Euroclear System, on or about September 12, 2013.

Joint Book-Running Managers

BofA Merrill Lynch **J.P. Morgan** **Morgan Stanley**

Senior Co-Managers

Goldman, Sachs & Co. **Mitsubishi UFJ Securities** **US Bancorp** **Wells Fargo Securities**

Co-Managers

BMO Capital Markets

BNY Mellon Capital Markets, LLC

Capital One Securities

Comerica Securities

Fifth Third Securities, Inc.

HSBC

PNC Capital Markets LLC

TD Securities

The Williams Capital Group, L.P.

September 5, 2013

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus we file with the SEC. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus is accurate as of any date after the dates on the front of this prospectus supplement, the accompanying prospectus or any free writing prospectus, as applicable, or for information incorporated by reference, as of the dates of that information.

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which contains the terms of this offering of notes. The second part is the prospectus dated October 12, 2011, which is part of our Registration Statement on Form S-3.

This prospectus supplement may add to, update or change the information in the accompanying prospectus. If information in this prospectus supplement is inconsistent with information in the accompanying prospectus, this prospectus supplement will apply and will supersede that information in the accompanying prospectus.

It is important for you to read and consider all information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus we have authorized in making your investment decision. See Where You Can Find More Information About Kohl s in the accompanying prospectus.

No person is authorized to give any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or in any free writing prospectus we have authorized and, if given or made, such information or representations must not be relied upon as having been authorized. This prospectus supplement, the accompanying prospectus and any free writing prospectus we have authorized do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities described in this prospectus supplement or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus supplement, the accompanying prospectus or any free writing prospectus we have authorized, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in our affairs since the date of this prospectus supplement, or that the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or in any free writing prospectus we have authorized is correct as of any time subsequent to the date of such information.

The distribution of this prospectus supplement, the accompanying prospectus and any free writing prospectus we may authorize and the offering of the notes in certain jurisdictions may be restricted by law. This prospectus supplement, the accompanying prospectus and any free writing prospectus we may authorize do not constitute an offer, or an invitation on our behalf or the underwriters or any of them, to subscribe to or purchase any of the notes, and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. See Underwriting.

In this prospectus supplement and the accompanying prospectus, unless otherwise stated, references to Kohl s, we, us and our refer to Kohl s Corporation and its subsidiaries.

CAUTIONARY STATEMENTS RELATING TO FORWARD-LOOKING INFORMATION

This prospectus supplement and the accompanying prospectus, and the documents incorporated herein and therein by reference, may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Additionally, we or our representatives may, from time to time, make other written or verbal forward-looking statements. Those statements relate to developments, results, conditions or other events we expect or anticipate will occur in the future. Words such as believes, anticipates, may, should, could, plans, expects and similar expressions identify forward-looking statements. Those statements may relate to future revenues, earnings, store openings, market conditions, new strategies and the competitive environment. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated by the forward-looking statements. These risks and uncertainties include, but are not limited to those described in Item 1A of our annual report on Form 10-K for the fiscal year ended February 2, 2013, which is expressly incorporated into this prospectus supplement and the accompanying prospectus by reference, and other factors as may periodically be described in our filings with the SEC. Forward-looking statements relate to the date they are made, and we undertake no obligation to update them except as required by law.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information about us and this offering. It may not contain all of the information that is important to you in deciding whether to purchase notes. We encourage you to read the entire prospectus supplement, the accompanying prospectus, any free writing prospectus we have authorized and the documents that we have filed with the Securities and Exchange Commission (the SEC) that are incorporated by reference prior to deciding whether to purchase notes.

Kohl s Corporation

As of August 3, 2013, we operated 1,155 family-oriented department stores and a website (www.Kohls.com) that sell moderately priced apparel, footwear and accessories for women, men and children; soft home products such as sheets and pillows; and housewares. Our product offerings include quality private and exclusive brands which are found Only at Kohl s as well as national brands which appeal to classic, modern classic and contemporary customers. Our stores generally carry a consistent merchandise assortment with some differences attributable to regional preferences. Our website includes merchandise which is available in our stores, as well as merchandise which is available only on-line.

Omni-Channel Shopping Experience

We believe practical, easy shopping is about convenience and about providing customers the options which allow them to shop when they want and from where they want.

At Kohl s, in-store convenience includes a neighborhood location close to home, convenient parking, easily-accessible entry, knowledgeable and friendly associates, wide aisles, a functional store layout, shopping carts/strollers and fast, centralized checkouts. Though our stores have fewer departments than traditional, full-line department stores, the physical layout of the store and our focus on strong in-stock positions in style, color and size is aimed at providing a convenient shopping experience for an increasingly time-starved customer.

On-line convenience begins with an easy-to-navigate, on-line shopping experience for the growing percentage of our customers that prefer shopping on-line. Kohls.com was launched in 2001 and has experienced substantial growth, growing at an annual growth rate of over 40% over the past three years. On-line sales exceeded $1.4 billion and accounted for approximately 7% of our total sales in 2012.

We also are expanding our ability to meet the ever-changing needs of an increasingly technologically-savvy customer. Our in-store kiosks allow customers to order items from our stores and have them shipped to their homes with no shipping charges. All of our stores are equipped with Wi-Fi. We continue to improve our digital and mobile sales platforms. We are also building the infrastructure which will allow us to ship on-line orders from our stores.

Stores

As of August 3, 2013, we operated 1,155 stores. We have stores in all 48 of the continental United States and Alaska. Our stores are located in every large and intermediate sized market in the United States.

Our new store program targets profitable growth opportunities through fill-in stores in our better performing markets and opportunistic acquisitions, when available.

Remodels are also an important part of our store strategy as we believe it is extremely important to maintain our existing store base. We have temporarily slowed our remodel program as we continue to evaluate and test different categories and space allocations in our stores.

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Low-Cost Operating Structure

An important aspect of our pricing strategy and overall profitability is a culture focused on maintaining a low-cost structure. Critical elements of this low-cost structure are our unique store format, lean staffing levels, sophisticated management information systems and operating efficiencies which are the result of centralized buying, advertising and distribution.

We remain focused on providing the solid infrastructure needed to ensure consistent, low-cost execution. We proactively invest in distribution capacity and regional management to facilitate growth in new and existing markets as well as on-line. Our central merchandising organization tailors merchandise assortments to reflect regional climates and preferences. Technological systems and improvements support our low-cost culture by enhancing productivity and providing the information needed to make key merchandising decisions.

Distribution

We receive substantially all of our store merchandise at our nine retail distribution centers. A small amount of our merchandise is delivered directly to the stores by vendors or their distributors. The retail distribution centers, which are strategically located throughout the United States, ship merchandise to each store by contract carrier several times a week. We also operate four fulfillment centers that service our E-Commerce business.

Corporate Information

Kohl s was organized in 1988 as a Wisconsin corporation. Kohl s principal executive offices are located at N56 W17000 Ridgewood Drive, Menomonee Falls, Wisconsin 53051, and our telephone number is (262) 703-7000. Our website is www.kohls.com. The information on our website is not part of this prospectus supplement.

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The Offering

Issuer	Kohl s Corporation
Securities Offered	$300,000,000 principal amount of 4.750% Notes due 2023
Maturity	The notes will mature on December 15, 2023.
Interest	Interest on the notes will accrue from September 12, 2013. Interest on the notes will be payable semi-annually in arrears at the rate set forth on the cover page of this prospectus supplement on June 15 and December 15 of each year, beginning December 15, 2013.
Optional Redemption	We may redeem the notes at our option, in whole or in part at any time prior to September 15, 2023 (three months prior to the maturity date) at a redemption price equal to the greater of: 100% of the principal amount of the notes being redeemed; and the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in Description of the Notes Optional Redemption), plus 30 basis points, plus accrued and unpaid interest on the notes to the redemption date. We may redeem the notes at our option, in whole or in part at any time on or after September 15, 2023 (three months prior to the maturity date) at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest on the notes to the redemption date.
Repurchase at the Option of Holders Upon a Change of Control Repurchase Event	If we experience a Change of Control Repurchase Event (as defined in Description of the Notes Repurchase upon Change of Control Repurchase

Event), we will be required, unless we have exercised our right to redeem the notes, to offer to repurchase the notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest to the repurchase date.

Ranking	The notes will be our senior unsecured obligations and will rank equally in right of payment to our other senior unsecured debt from time to time outstanding. At August 3, 2013, we had approximately $4,595 million in principal amount of indebtedness outstanding on a consolidated basis, of which $2,095 million of subsidiary indebtedness would be structurally senior to the notes.

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Use of Proceeds	The proceeds from this offering will be used for general corporate purposes, which may include funding our share repurchase program, meeting our working capital requirements, and funding capital expenditures related to our continued store growth and our store remodeling program. See Use of Proceeds.
Further Issues	We may from time to time, without notice to or the consent of the holders of the notes of any series, create and issue additional debt securities having the same terms (except for the issue date, the public offering price and, in some cases, the first interest payment date) and ranking equally and ratably with the notes offered hereby in all respects, as described under Description of the Notes General.
Denomination and Form	We will issue the notes in the form of one or more fully registered global notes registered in the name of the nominee of The Depository Trust Company, or DTC. Beneficial interests in the notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Clearstream Banking, *société anonyme,* Luxembourg and Euroclear Bank, S.A./N.V., as operator of the Euroclear System, will hold interests on behalf of their participants through their respective U.S. depositaries, which in turn will hold such interests in accounts as participants of DTC. Except in the limited circumstances described in this prospectus supplement, owners of beneficial interests in the notes will not be entitled to have notes registered in their names, will not receive or be entitled to receive notes in definitive form and will not be considered holders of notes under the indenture. The notes will be issued only in denominations of $2,000 and integral multiples of $1,000 in excess thereof.
Risk Factors	Investing in the notes involves risks. See Risk Factors for a description of certain risks you should particularly consider before investing in the notes.
Trustee	The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., as successor to The Bank of New York.
Governing Law	New York.

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Summary Financial Information

The following table sets forth our summary consolidated financial information at the dates and for the periods presented. Our fiscal year ends on the Saturday closest to January 31. The 2012 fiscal year presented below was a fifty-three week period and the remaining fiscal years presented below were fifty-two week periods. The six months ended August 3, 2013 and July 28, 2012 were both twenty-six week periods. The fiscal year financial information has been derived from our audited financial statements. The interim financial information has been derived from our unaudited consolidated financial statements and includes, in the opinion of our management, all normal and recurring adjustments necessary for a fair presentation of the financial information. The results for the six-month periods do not necessarily indicate the results to be expected for the full year. You should read the following information in conjunction with our consolidated financial statements and related notes and the other financial and statistical information that we include or incorporate by reference in this prospectus supplement and the accompanying prospectus.

	Six Months Ended		**Fiscal Year**				
	August 3, 2013	**July 28, 2012**	**2012(1)**	**2011**	**2010**	**2009**	**2008**
	(Dollars in Millions, except per square foot data)						
Statement of Operations Data:							
Net sales	$ 8,488	$ 8,447	$ 19,279	$ 18,804	$ 18,391	$ 17,178	$ 16,389
Cost of merchandise sold	5,284	5,281	12,289	11,625	11,359	10,680	10,334
Gross margin	3,204	3,166	6,990	7,179	7,032	6,498	6,055
Selling, general and administrative expenses	1,997	1,977	4,267	4,243	4,190	3,951	3,769
Depreciation and amortization	439	411	833	778	750	688	632
Operating income	768	778	1,890	2,158	2,092	1,859	1,654
Interest expense, net	167	162	329	299	304	301	275
Income before income taxes	601	616	1,561	1,859	1,788	1,558	1,379
Provision for income taxes	223	222	575	692	668	585	522
Net income	$ 378	$ 394	$ 986	$ 1,167	$ 1,120	$ 973	$ 857
Balance Sheet Data (end of period):							
Working capital	$ 2,199	$ 1,840	$ 2,184	$ 2,222	$ 2,888	$ 3,054	$ 1,849
Property and equipment, net	8,891	9,010	8,872	8,905	8,692	8,506	8,402
Total assets	14,097	13,856	13,905	14,148	14,891	14,502	12,620
Long-term debt (including current portion)	2,492	2,141	2,492	2,141	1,894	1,894	1,893

Capital lease and financing obligations (including current portion)	2,095	2,091	2,061	2,103	2,104	2,046	1,914
Shareholders equity	6,053	6,188	6,048	6,508	7,850	7,595	6,499
Operating Data:							
Comparable store sales growth (2)	(0.5)%	(1.3)%	0.3%	0.5%	4.4%	0.4%	(6.9)%
Net sales per selling square foot (3)	$ 94	$ 97	$ 213	$ 220	$ 222	$ 217	$ 222
Total square feet of selling space (in thousands; end of period)	83,536	82,549	83,098	82,226	80,139	78,396	74,992
Number of stores open (end of period)	1,155	1,134	1,146	1,127	1,089	1,058	1,004

(1) The retail calendar for fiscal January 2013 included a fifth week, resulting in a 53-week year. During this 53rd week, total sales were $169 million; selling, general and administrative expenses were approximately $30 million; interest was approximately $2 million; net income was approximately $15 million and diluted earnings per share was approximately $0.06.

(2) Comparable store sales growth for each period is based on sales of stores (including relocated or expanded stores) open throughout the full period and throughout the full prior period and E-Commerce. Fiscal 2012 comparable store sales growth compares the 52 weeks ended January 26, 2013 to the 52 weeks ended January 28, 2012.

(3) Net sales per selling square foot is calculated using net sales of stores open for the full current period, excluding E-Commerce, divided by their square footage of selling space. 2012 excludes the impact of the 53rd week.

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RISK FACTORS

You should carefully consider the following risk factors, the risk factors described in Item 1A to our annual report on Form 10-K for the fiscal year ended February 2, 2013 as well as the other information included in or incorporated by reference into this prospectus supplement and the accompanying prospectus, before making an investment decision. The following is not intended as, and should not be construed as, an exhaustive list of relevant risk factors. There may be other risks that a prospective investor should consider that are relevant to its own particular circumstances or generally.

The notes are effectively subordinated to the existing and future liabilities of our subsidiaries.

The notes are our senior unsecured obligations and will rank equally in right of payment to our other senior unsecured debt from time to time outstanding. The notes are not secured by any of our assets. Any future claims of secured lenders with respect to assets securing their loans will be prior to any claim of the holders of the notes with respect to those assets.

Our subsidiaries are separate and distinct legal entities from us. Our subsidiaries have no obligation to holders of the notes to pay any amounts due on the notes or to provide us with funds to meet our payment obligations on the notes. In addition, any payment of dividends, loans or advances by our subsidiaries could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon the subsidiaries earnings and business considerations. Our right to receive any assets of any of our subsidiaries upon their bankruptcy, liquidation or reorganization, and therefore the right of the holders of the notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary s creditors, including trade creditors. In addition, even if we are a creditor of any of our subsidiaries, our right as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us. At August 3, 2013, we had approximately $4,595 million in principal amount of indebtedness outstanding on a consolidated basis, of which $2,095 million of subsidiary indebtedness would be structurally senior to the notes.

The indenture under which the notes will be issued does not restrict the amount of additional debt that we may incur.

The notes and indenture under which the notes will be issued do not place any limitation on the amount of unsecured debt that may be incurred by us. Our incurrence of additional debt may have important consequences for you as a holder of the notes, including making it more difficult for us to satisfy our obligations with respect to the notes, a loss in the trading value of your notes, if any, and a risk that the credit rating of the notes is lowered or withdrawn.

Our credit ratings may not reflect all risks of your investment in the notes.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the notes. These credit ratings may not reflect the potential impact of risks relating to structure or marketing of the notes. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency s rating should be evaluated independently of any other agency s rating.

If an active trading market does not develop for the notes, you may be unable to sell your notes or to sell your notes at a price that you deem sufficient.

The notes are a new issue of securities for which there currently is no established trading market. We do not intend to list the notes on a national securities exchange. While the underwriters of the notes have advised us that

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they intend to make a market in the notes, the underwriters will not be obligated to do so and may stop their market-making at any time. No assurance can be given:

- that a market for the notes will develop or continue;
- as to the liquidity of any market that does develop; or
- as to your ability to sell any notes you may own or the price at which you may be able to sell your notes.

We may not be able to repurchase the notes upon a change of control.

Upon the occurrence of specific kinds of change of control events, unless we have exercised our right to redeem the notes, each holder of notes will have the right to require us to repurchase all or any part of such holder s notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. If we experience a Change of Control Repurchase Event, there can be no assurance that we would have sufficient financial resources available to satisfy our obligations to repurchase the notes. Our failure to repurchase the notes as required under the indenture governing the notes would result in a default under the indenture, which could have material adverse consequences for us and the holders of the notes. See Description of the Notes Repurchase Upon a Change of Control Repurchase Event.

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USE OF PROCEEDS

The net proceeds to us from the sale of the notes will be approximately $297 million (after deducting underwriting discounts and our offering expenses). We intend to use the net proceeds from the sale of the notes for general corporate purposes, which may include funding our share repurchase program, meeting our working capital requirements and funding capital expenditures related to our continued store growth and our store remodeling program. Pending application of the proceeds of the sale of the notes, we intend to invest such proceeds in short-term investments.

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CAPITALIZATION

The following table sets forth, as of August 3, 2013, our consolidated cash and cash equivalents and short-term debt, long-term debt and shareholders equity on an actual basis and as adjusted to give effect to the sale of the notes. You should read this table in conjunction with our consolidated financial statements and related notes thereto which are incorporated by reference in this prospectus supplement and the accompanying prospectus.

	At August 3, 2013	
	Actual	As Adjusted
	Dollars in Millions	
Cash and cash equivalents	$ 592	889
Short-term debt:		
Current portion of capital lease and financing obligations	$ 147	147
Total short-term debt	147	147
Long-term debt:		
7.25% Debentures due 2029	$ 200	200
6% Debentures due 2033	300	300
3.25% Notes due 2023	350	350
6-7/8% Notes due 2037	350	350
6.25% Notes due 2017	650	650
4.00% Notes due 2021	650	650
Notes offered hereby		300
Capital lease and financing obligations	1,948	1,948
Unamortized debt discount	(8)	(9)
Total long-term debt, capital lease and financing obligations	4,440	4,739
Shareholders equity:		
Common stock	4	4
Paid-in capital	2,516	2,516
Treasury stock, at cost	(7,531)	(7,531)
Accumulated other comprehensive loss	(39)	(39)
Retained earnings	11,103	11,103
Total shareholders equity	6,053	6,053
Total capitalization	$ 10,640	10,939

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DESCRIPTION OF THE NOTES

The following description of the particular terms of the notes supplements the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus, to which reference is made. References to we, us and our in this section are only to Kohl s Corporation and not to its subsidiaries.

The notes will be issued under an indenture dated as of December 1, 1995, between us and The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., as successor to The Bank of New York, as trustee, as supplemented by the seventh supplemental indenture. The following description of the particular terms of the notes supplements the description of the general terms and provisions of debt securities in the accompanying prospectus.

General

The notes will be our senior unsecured obligations and will rank equally in right of payment to our other senior unsecured debt from time to time outstanding. The notes will be effectively subordinated to all liabilities of our subsidiaries, including trade payables. Since we conduct many of our operations through our subsidiaries, our right to participate in any distribution of the assets of a subsidiary when it winds up its business is subject to the prior claims of the creditors of the subsidiary. This means that your right as a holder of our notes will also be subject to the prior claims of these creditors if a subsidiary liquidates or reorganizes or otherwise winds up its business. Unless we are considered a creditor of the subsidiary, your claims will be recognized behind these creditors. At August 3, 2013 we had approximately $4,595 million in principal amount of indebtedness outstanding on a consolidated basis, of which $2,095 million of subsidiary indebtedness would be structurally senior to the notes. See Risk Factors The notes are effectively subordinated to the existing and future liabilities of our subsidiaries.

The indenture does not limit the amount of notes, debentures or other evidences of indebtedness that we may issue under the indenture and provides that notes, debentures or other evidences of indebtedness may be issued from time to time in one or more series. We may from time to time, without giving notice to or seeking the consent of the holders of the notes, issue notes having the same terms (except for the issue date, the public offering price and, in some cases, the first interest payment date) and ranking equally and ratably wi------------- $41,277 28,690 66,022
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F-10 The reversal in fiscal year 2000 of taxes overaccrued in prior years is the result of settlements of open income tax audits with the Internal Revenue Service for fiscal years 1993 through 1997. During the fourth quarter of the year ended March 31, 1999 approximately $28 million of foreign tax credits not previously recognized were realized as the result of a tax planning strategy of selling certain vessels from one taxing jurisdiction to another through intercompany sales. The result of such sales was to pay foreign taxes which are fully creditable on a current basis against U.S. income taxes and to accelerate the release of previously accrued deferred foreign tax credits. The significant components of deferred income tax expense for the years ended March 31 are as follows: (in thousands) 2001 2000 1999 -- Deferred income tax expense (benefit) (exclusive of the effects of other components listed below) $17,308 15,434 12,719 Investment, foreign and minimum tax credits (3,275) (4,916) (5,009) Foreign tax credits not previously recognized (5,099) (3,550) (35,620) Effect of United Kingdom tax rate charges --- --- (2,000) -- $ 8,934 6,968 (29,910)
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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2001 and 2000 are as follows: (in thousands) 2001 2000 --- Deferred tax assets: Financial provisions not deducted for tax purposes $ 16,406 16,346 Foreign net operating loss carryforwards 14,283 7,924 Tax credit carryforwards 10,502 13,776 Other 2,040 3,451 -- Gross deferred tax assets 43,231 41,497 Less valuation allowance (14,283) (14,283) -- Net deferred tax assets 28,948 27,214 -- Deferred tax liabilities: Depreciation and amortization (137,582) (130,814) Other (18,162) (14,262) -- Gross deferred tax liabilities (155,744) (145,076) -- Net deferred tax liabilities $(126,796) (117,862) == The valuation allowance is primarily the result of a doubt over the ultimate realization of benefits from certain foreign net operating losses. The remaining balance of the deferred tax assets is expected to be realized through future operating results and the reversal of taxable temporary differences. The company has not recognized a deferred tax liability of approximately $31.5 million for the undistributed earnings of certain non-U.S. subsidiaries that arose in prior years because the company currently does not expect those unremitted earnings to reverse and become taxable to the company in the foreseeable future. A deferred tax liability will be recognized when the company expects that it will realize those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of investments. As of March 31, 2001, the undistributed earnings of these subsidiaries were approximately $90 million. The company receives a tax benefit that is generated by certain employee stock benefit plan transactions. This benefit is recorded directly to additional paid-in-capital and does not reduce the company's effective income tax rate. The tax benefit for the years ended March 31, 2001, 2000 and 1999 totaled approximately $2.3 million, $30,000 and $146,000, respectively. F-11 (4) LONG-TERM DEBT At March 31, 2001 the company had a $200 million revolving credit facility with a group of banks and at that date there were no borrowings outstanding under the facility. On April 20, 2001 the company signed a new $200 million revolving credit and term loan agreement which became effective April 26, 2001. Under the new agreement, borrowings bear interest, at the company's option, at prime or Federal Funds rates plus .5% or Eurodollar rates plus margins from .5% to .75% based on the company's funded debt to total capitalization ratio. The new revolving credit commitment will expire on April 30, 2004, at which time the then outstanding balance will convert to a term loan payable in eight quarterly installments beginning July 31, 2004. All of the borrowings under the agreement are unsecured and the company pays an annual fee of .225% on the unused portion of the facility. Under the terms of the agreement, the company has agreed to limitations on future levels of investments and aggregate indebtedness, and maintenance of certain debt to capitalization ratios and also debt to earnings ratios. The agreement also limits the company's ability to encumber its assets for the benefit of others. (5) BENEFIT PLANS Upon meeting various citizenship, age and service requirements, employees are eligible to participate in a defined contribution savings plan and can contribute from 2% to 15% of their base salary to an employee benefit trust. The company matches with company common stock 50% of the employee's contribution to the plan up to a maximum of 6% of the employee's base salary. The plan held 434,746 shares and 424,503 shares of the company's common stock at March 31, 2001 and 2000, respectively. Amounts charged to expense for the plan for 2001, 2000 and 1999 were $1.8 million, $1.7 million and $1.8 million, respectively. A defined benefits pension plan covers certain U.S. citizen employees and employees who are permanent residents of the United States. Benefits are based on years of service and employee compensation. The company's policy is to fund the plan based upon minimum funding requirements of the Employee Retirement Income Security Act of 1974. The company also has a supplemental retirement plan (supplemental plan) that provides pension benefits to certain employees in excess of those allowed under the company's tax-qualified pension plan. Certain benefits programs are maintained in several other countries which provide retirement income for covered employees. Qualified retired employees currently are covered by a program which provides limited health care and life insurance benefits. Costs of the program are based on actuarially determined amounts and are accrued over the period from the date of hire to the full eligibility date of employees who are expected to qualify for these benefits. This plan is not funded. Changes in plan assets and obligations during the years ended March 31, 2001 and 2000 and the funded status of the U.S. defined benefits pension plan and the supplemental plan (referred to collectively as F-12 "Pension Benefits") and the postretirement health care and life insurance plan (referred to as "Other Benefits") at March 31, 2001 and 2000 were as follows: (in thousands) Pension Benefits Other Benefits -- 2001 2000 2001 2000 -- CHANGE IN BENEFIT OBLIGATION Benefit obligation at beginning of year $34,684 34,798 13,336 15,526 Service cost 890 1,014 848 900 Interest cost

2,616 2,432 979 942 Participant contributions --- --- 286 265 Plan amendments --- --- --- (976) Benefits paid (1,158) (1,073) (860) (829) Actuarial (gain) loss 2,405 (2,487) 1,186 (2,492) --- Benefit obligation at end of year $39,437 34,684 15,775 13,336 --- CHANGE IN PLAN ASSETS Fair value of plan assets at beginning of year $31,073 29,102 --- --- Actual return 2,627 2,961 --- --- Employer contributions 184 83 574 564 Participant contributions --- --- 286 265 Benefits paid (1,158) (1,073) (860) (829) --- Fair value of plan assets at end of year $32,726 31,073 --- --- --- Funded (unfunded) status (6,710) (3,611) (15,775) (13,336) Unrecognized actuarial (gain) loss 1,202 (1,169) (4,037) (5,570) Unrecognized prior service cost 555 687 (67) (129) --- Net accrued benefit cost $(4,953) (4,093) (19,879) (19,035) === NET ACCRUED BENEFIT COST CONSISTS OF: Prepaid benefit cost $ 1,783 1,869 --- --- Accrued benefit liability (8,085) (5,962) (19,879) (19,035) Accumulated other comprehensive income 1,349 --- --- --- --- Net accrued benefit cost $(4,953) (4,093) (19,879) (19,035) === For pension plans with benefit obligations in excess of plan assets, the projected benefit obligation at March 31, 2001 and 2000 was $9.0 million and $6.6 million, respectively. The accumulated benefit obligation for pension plans with benefit obligations in excess of plan assets was $8.1 million and $5.4 million at March 31, 2001 and 2000, respectively. Net periodic pension cost for the U.S. defined benefit pension plan and the supplemental plan for 2001, 2000 and 1999 include the following components: (in thousands) 2001 2000 1999 --- Service cost $ 890 1,014 848 Interest cost 2,616 2,432 2,189 Expected return on plan assets (2,900) (2,718) (2,693) Amortization of prior service cost 126 204 269 Recognized actuarial (gain) loss 312 538 (29) --- Net periodic pension cost $ 1,044 1,470 584 === Net periodic postretirement health care and life insurance costs for 2001, 2000 and 1999 include the following components: (in thousands) 2001 2000 1999 ------ ----- ----- Service cost $ 848 900 1,068 Interest cost 979 942 961 Other amortization and deferral (409) (284) (205) --- Net periodic postretirement benefit cost $1,418 1,558 1,824 === F-13 Assumptions used in actuarial calculations were as follows: 2001 2000 1999 --- Discount rate 7.5% 7.5% 7.0% Expected long-term rate of return on assets 8.3% 9.5% 9.5% Rates of annual increase in compensation levels 4.0% 4.0% 4.0% === The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation will be 7% in 2002, gradually declining to 5% in the year 2006 and thereafter. A 1% increase in the assumed health care cost trend rates for each year would increase the accumulated postretirement benefit obligation by approximately $2.3 million at March 31, 2001 and increase the cost for the year ended March 31, 2001 by $.3 million. A 1% decrease in the assumed health care cost trend rates for each year would decrease the accumulated postretirement benefit obligation by approximately $1.9 million at March 31, 2001 and decrease the cost for the year ended March 31, 2001 by $.2 million. A defined contribution retirement plan covers all eligible U.S. fleet personnel, along with all new eligible employees of the company hired after December 31, 1995. This plan is noncontributory by the employee, but the company has contributed in cash 3% of an eligible employee's compensation to an employee benefit trust. The cost of the plan for fiscal 2001, 2000 and 1999 was $2.3 million, $2.2 million and $1.7 million, respectively. Fiscal 1999 cost of the plan has been reduced by $.9 million of forfeitures due to employee severances. (6) OTHER ASSETS, OTHER LIABILITIES AND DEFERRED CREDITS AND ACCUMULATED OTHER COMPREHENSIVE INCOME A summary of other assets at March 31 follows: (in thousands) 2001 2000 -- Recoverable insurance losses $38,907 49,549 Assets held for sale 19,299 23,545 Deferred income tax assets 28,948 27,214 Other 12,695 11,023 -- $99,849 111,331 ==

A summary of other liabilities and deferred credits at March 31 follows: (in thousands) 2001 2000 -- Postretirement benefits liability $19,879 19,035 Pension liability 4,953 4,093 Minority interests in net assets of subsidiaries 3,460 3,782 Deferred vessel revenues 7,628 11,692 Other 13,219 10,071 -- $49,139 48,673 ==

A summary of accumulated other comprehensive income at March 31 follows: (in thousands) 2001 2000 -- Currency translation adjustments $10,580 10,580 Unrealized gains on available-for-sale securities (529) (676) Supplemental Executive Retirement Plan minimum liability 877 --- -- $10,928 9,904 ==

(7) CAPITAL STOCK The company has 125 million shares of $.10 par value common stock authorized. At March 31, 2001 and 2000, 60,543,181 shares and 60,561,892 shares, respectively, were issued. At March 31, 2001 and 2000, 4,506,962 and 4,911,445 shares, respectively, were held by the Grantor Trust Stock Ownership F-14 Program, which are not included in common shares outstanding for earnings per share calculations. At March 31, 2001 and 2000, three million shares of no par value preferred stock were authorized and unissued. Under the company's stock option and restricted stock plans, the Compensation Committee of the Board of Directors has authority to grant stock options and restricted shares of the company's stock to officers and other key employees. At March 31, 2001, 3,844,211 shares of common stock are reserved for issuance under the plans of which 286,744 shares are available for future grants. Stock options are granted with an exercise price equal to the stock's fair market value at the date of grant. All outstanding stock options have ten-year terms and most of the outstanding options vest and become exercisable in equal installments over a three-year period from the grant date. The per share weighted-average fair values of stock options granted during fiscal years 2001, 2000 and 1999 were $18.60, $13.28 and $8.37, respectively, on the dates of grant using the Black Scholes option-pricing model with the following weighted-average assumptions: 2001 2000 1999 --- Risk-free interest rate 4.70% 6.50% 5.15% Expected dividend yield 1.20% 2.00% 2.50% Expected stock price volatility 48.43% 45.71% 42.79% Expected stock option life 5 years 5 years 5 years === The company applies APB Opinion No. 25 in accounting for its plans and, accordingly, no compensation cost has been recognized for its stock options in the consolidated financial statements. Had the company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the company's net earnings would have been reduced to the pro forma amounts as follows: 2001 2000 1999 --- Net earnings (in thousands): As reported $86,143 76,590 210,719 Pro forma $78,232 69,434 204,778 Earnings per common share: As reported $ 1.55 1.38 3.68 Pro forma $ 1.40 1.25 3.58 Diluted earnings per common share: As reported $ 1.53 1.37 3.68 Pro forma $ 1.39 1.24 3.58 === Stock option activity during 2001, 2000 and 1999 was as follows: Weighted-average Number Exercise Price of Shares --- Balance at March 31, 1998 $38.89 1,960,065 Granted 23.18 1,121,000 Exercised 19.78 (33,061) Expired or cancelled 42.04 (38,998) --- Balance at March 31, 1999 33.21 3,009,006 Granted 32.02 609,000 Exercised 15.64 (33,699) Expired or cancelled 33.77 (24,000) --- Balance at March 31, 2000 33.17 3,560,307 Granted 42.68 616,000 Exercised 22.79 (358,397) Expired or cancelled 35.00 (264,169) --- Balance at March 31, 2001 $35.73 3,553,741 === F-15 The 3,553,741 options outstanding at March 31, 2001 fall into three general exercise-price ranges as follows: Exercise Price Range -- $12.13 -

$22.75 $23.38 - $35.75 $39.00-$59.00
--- Options outstanding at March 31, 2001 883,547 881,000 1,789,194 Weighted average exercise price $ 22.42 $ 29.62 $ 45.30 Weighted average remaining contractual life 7.4 years 7.4 years 7.5 years Options exercisable at March 31, 2001 578,870 536,652 1,295,694 Weighted average exercise price of options exercisable at March 31, 2001 $ 22.24 $ 27.93 $ 46.20
===

At March 31, 2001, 2000, and 1999, the number of options exercisable under the stock option plans was 2,411,216, 2,049,618, and 1,302,653, respectively; and the weighted average exercise price of those options was $36.38, $35.02, and $34.47, respectively. A total of 38,900 shares of restricted common stock of the company were granted to certain key employees during fiscal years 1998 through 2000. These restricted shares vest and become freely transferable over a four-year period provided the employee remains employed by the company during the vesting period. During the restricted period, the restricted shares may not be transferred or encumbered, but the recipient has the right to vote and receive dividends on the restricted shares. The fair market value of the stock at the time of the grants totaled approximately $1.7 million and was classified in stockholders' equity as deferred compensation - restricted stock. The deferred amount is being amortized by equal monthly charges to earnings over the four-year vesting period. In accordance with an employment agreement with the company's chairman of the board entered into on September 25, 1997, 50,000 shares of restricted common stock were granted on that date. These restricted shares vest at varying intervals when the average market price of the common stock reaches certain predetermined levels. The fair market value of the stock at the time of grant totaling approximately $3 million was deferred and is being amortized by equal monthly charges to earnings over five years. From time to time the company's Board of Directors has authorized share repurchase programs whereby the company could purchase shares of company common stock in the open market or through privately negotiated transactions. There were no stock repurchases during fiscal years 2001 or 2000 and all previously authorized programs had expired by March 31, 2000. During fiscal year 1999 the company repurchased 3,950,000 shares of company common stock at a total cost of $109.3 million, or $27.67 per share. On January 29, 1999 the company established a Grantor Trust Stock Ownership Program in connection with which the company entered into a trust agreement with a bank providing for the establishment of the related trust (the "trust"). The trust is designed to acquire, hold and distribute shares of the common stock of the company to provide for the payment of benefits and compensation under the company's employee benefit plans, including its stock option plans and 401(k) plan. The trust will not increase or alter the amount of benefits or compensation that will be paid under these plans. On January 29, 1999 the company sold at market value 5,000,000 shares (the "acquired shares") of common stock to the trust for $107,187,500, or $21.4375 per share. In payment for the acquired shares, the trust paid $500,000 in cash and issued a promissory note payable to the company for the remaining balance. Acquired shares will be released to satisfy the company's obligations to pay benefits under company benefit plans as the promissory note is paid down or forgiven. For financial reporting purposes the trust is consolidated with the company. Any dividend transactions between the company and the trust are eliminated. Acquired shares held by the trust remain valued at the market price at the date of purchase and are shown as a reduction to stockholders' equity in the company's F-16 consolidated balance sheet. The difference between the trust share value and the fair market value on the date shares are released from the trust is included in additional paid-in capital. Common stock held in the trust is not considered outstanding in the computation of earnings per share. The trust held 4,506,962 and 4,911,445 shares of common stock at March 31, 2001 and 2000, respectively. The trustee will vote or tender shares held by the trust in accordance with the confidential instructions of participants in the company's stock option plans and 401(k) plan. Under a Shareholder Rights Plan, one preferred stock purchase right has been distributed as a dividend for each outstanding common share. Each right entitles the holder to purchase, under certain conditions, one one-hundredth of a share of Series A Participating Preferred Stock at an exercise price of $160, subject to adjustment. The rights will not be exercisable unless a person (as defined in the plan) acquires beneficial ownership of 15% or more of the outstanding common shares, or a person commences a tender offer or exchange offer, which upon its consummation such person would beneficially own 15% or more of the outstanding common shares. The Board of Directors is authorized in certain circumstances to lower the beneficial ownership percentage to not less than 10%. If after the rights become exercisable a person becomes the beneficial owner of 15% or more of the outstanding common shares (except pursuant to an offer for all shares approved by the Board of Directors), each holder (other than the acquirer) will be entitled to receive, upon exercise, common shares having a market value of twice the exercise price. In addition, if the company is involved in a merger (other than a merger which follows an offer for all shares approved by the Board of Directors), major sale of assets or other business combination after a person becomes the beneficial owner of 15% or more of the outstanding common shares, each holder of a right (other than the acquirer) will be entitled to receive, upon exercise, common stock of the acquiring company having a market value of twice the exercise price. The rights may be redeemed for $.01 per right at any time prior to ten days following the acquisition by a person of 15% or more of the outstanding common shares. The rights expire on November 1, 2006. (8) COMMITMENTS AND CONTINGENCIES An employment agreement exists with the company's chairman of the board whereby he will serve in such capacity as well as president and chief executive officer through March 28, 2002. The terms of the employment agreement provide for an annual base salary and certain other benefits. Compensation continuation agreements exist with all other officers of Tidewater Inc. whereby each receives compensation and benefits in the event that their employment is terminated following certain events relating to a change in control of the company. The maximum amount of cash compensation that could be paid under the agreements, based on present salary levels, is approximately $16.4 million. On January 10, 2001, the company entered into agreements with three shipyards for the construction of 12 vessels for a total estimated cost of approximately $305 million. Seven of the vessels to be constructed are large platform supply vessels and five are large anchor-handling towing supply vessels capable of working in most deepwater markets of the world. Four of the platform supply vessels will be constructed at the company's shipyard, Quality Shipyards LLC, while the remaining eight vessels will be built at two Far East shipyards. As of March 31, 2001, $43.3 million has been expended on these 12 vessels of the estimated $305 million total commitment. Scheduled delivery of the vessels will commence in December 2001 with final delivery of the last vessel expected in January 2003. The company has also committed to the construction of five additional vessels for a total of approximately $52.9 million. These vessels consist of three large platform supply vessels under construction in Norway with scheduled completion dates in April, May and September 2001 and two large crewboats being built at U.S. shipyards to be delivered in April 2001 and January 2002. As of March 31, 2001, $11.3 million has been expended on these vessels. F-17 In February 2001 the company committed to a $48 million cash purchase, subject to final inspection and various other closing matters, of two anchor- handling towing supply vessels specifically designed and equipped for deepwater work. The purchase of the vessels was finalized on April 11, 2001. Various legal proceedings and claims are outstanding which arose in the ordinary course of business. In the opinion of management, the amount of ultimate liability, if any, with respect to these actions will not have a materially adverse effect on the company's financial position or results of its ongoing operations. (9) FINANCIAL INSTRUMENTS The company's financial instruments consist primarily of cash and cash equivalents, trade receivables and trade payables whose book values are considered to be representative of their respective fair values. The company also periodically enters into spot and forward currency derivative financial instruments as a hedge against foreign currency denominated assets and liabilities and currency commitments. Spot contracts are short-term in nature and settle within two business days. The fair value approximates the carrying value due to the short-term nature of this instrument, and as a result, no gains or losses are recognized. At March 31, 2001, 2000 and 1999 the company had no spot contracts outstanding. Forward currency contracts are generally longer-term in nature but generally do not exceed one year. Any gains or losses on forward contracts are deferred if the transaction qualifies as a hedge. At March 31, 2001 the company had one forward contract outstanding totaling $11 million that qualified as a hedge instrument. The forward contract was purchased to hedge against any possible foreign exchange exposure the company may experience with its commitment to a Norwegian shipyard that is currently constructing one platform supply vessel for delivery in September 2001 as disclosed in Note 8 above. The company had no outstanding derivative financial instruments at March 31, 2000 or 1999. F-18 (10) SEGMENT AND GEOGRAPHIC DISTRIBUTION OF OPERATIONS The company follows SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" but operates in only one business segment. The following table provides a comparison of revenues, operating profit, identifiable assets, and depreciation and amortization and additions to properties and equipment for the years ended March 31. Vessel revenues and operating costs relate to vessels owned and operated by the company while other marine services relate to the activities of the company's shipyards, brokered vessels and other miscellaneous marine-related businesses. (in thousands) 2001 2000 1999 -- Marine revenues (A): Vessel revenues: United States $ 197,660 140,090 296,161 International (B) 386,271 398,427 614,887 -- 583,931 538,517 911,048 Other marine services 32,748 36,298 57,944

-- $ 616,679 574,815 968,992
==
Marine operating profit: Vessel activity: United States $ 26,812 (4,694) 96,376 International 65,241 78,888 171,213
-- 92,053 74,194 267,589 Gains on sales of assets 22,750 19,441 2,949 Other marine services 7,137 6,254 12,526
-- 121,940 99,889 283,064 Other income 19,701 17,117 8,439 Corporate expenses (13,026) (11,012) (12,317) Interest and other debt costs (1,195) (714) (2,445) --
Earnings before income taxes $ 127,420 105,280 276,741
==
Identifiable assets: Marine: United States $ 292,952 268,234 317,411 International (B) 1,047,283 857,705 970,853
-- 1,340,235 1,125,939 1,288,264 Investments in and advances to unconsolidated Marine companies 16,544 23,275 17,307
-- 1,356,779 1,149,214 1,305,571 General corporate 148,713 283,122 88,887
-- $1,505,492 1,432,336 1,394,458
==
Depreciation and amortization: Marine equipment depreciation $ 69,596 72,662 84,823 General corporate depreciation 761 670 790 Goodwill amortization 9,170 9,170 9,170
-- $ 79,527 82,502 94,783
==
Additions to properties and equipment: Marine equipment operations $ 302,706 56,476 40,959 General corporate 87 886 7,324 -- $ 302,793 57,362 48,283
==
(A) One customer accounted for 11% and 12% of revenues for the fiscal year ended March 31, 2001 and 2000, respectively. In fiscal 1999 a different customer accounted for 8% of revenues. (B) Marine support services are conducted worldwide with assets that are highly mobile. Revenues are principally derived from offshore service vessels, which regularly and routinely move from one operating area to another, often to and from offshore operating areas in different continents. Because of this asset mobility, revenues and long-lived assets attributable to the company's international marine operations in any one country are not "material" as that term is defined by SFAS No. 131. Equity in net assets of non-U.S. subsidiaries is $798.5 million, $581.9 million and $674.5 million at March 31, 2001, 2000, and 1999, respectively. Other international identifiable assets include accounts receivable and other balances denominated in currencies other than the U.S. dollar which aggregate approximately $5.5 million, $5.0 million, and $12.9 million at March 31, 2001, 2000, and 1999, respectively. These amounts are subject to the usual risks of fluctuating exchange rates and government-imposed exchange controls. F-19 (11) SUPPLEMENTARY INFORMATION--QUARTERLY FINANCIAL DATA (UNAUDITED) Years Ended March 31, 2001 and 2000 (in thousands, except per share data) 2001 First Second Third Fourth
-- Marine revenues $136,884 146,137 159,127 174,531
== Marine operating profit $ 9,935 36,645 31,586 43,774
== Net earnings $ 8,158 26,297 22,339 29,349
== Earnings per share $ .15 .47 .40 .53 ==
Diluted earnings per share $ .15 .47 .40 .52
== 2000 First Second Third Fourth -- Marine revenues $154,530 138,946 141,770 139,569 == Marine operating profit $ 24,671 27,291 22,232 25,695

== Net earnings $ 16,462 18,885 22,233 19,010 == Earnings per share $ .30 .34 .40 .34 == Diluted earnings per share $ .30 .34 .40 .34 == Operating profit consists of revenues less operating costs and expenses, depreciation, general and administrative expenses and other income and expenses of the Marine division. See Notes 2 and 3 for detailed information regarding transactions which affect fiscal 2001 and 2000 quarterly amounts. A discussion of current market conditions appears in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." F-20 SCHEDULE II TIDEWATER INC. AND SUBSIDIARIES VALUATION AND QUALIFYING ACCOUNTS YEARS ENDED MARCH 31, 2001, 2000 AND 1999 (IN THOUSANDS) Column A Column B Column C Column D Column E ---------- --------- -------- ---------- -------- Balance Balance at at Beginning Additions End of Description of period at Cost Deductions Period ------------- ----------- --------- ---------- -------- 2001 Deducted in balance sheet from trade accounts receivable: Allowance for doubtful accounts $12,331 664 5,014(A) 7,981 ======= ====== ===== ====== Deducted in balance sheet from other assets: Amortization of goodwill $28,058 9,170 --- 37,228 ======= ====== ===== ====== Amortization of prepaid rent and debt issuance costs $ 3,666 146 --- 3,812 ======= ====== ===== ====== 2000 Deducted in balance sheet from trade accounts receivables: Allowance for doubtful accounts $11,125 1,800 594(A) 12,331 ======= ====== ===== ====== Deducted in balance sheet from other assets: Amortization of goodwill $18,888 9,170 --- 28,058 ======= ====== ===== ====== Amortization of prepaid rent and debt issuance costs $ 3,423 243 --- 3,666 ======= ====== ===== ====== 1999 Deducted in balance sheet from trade accounts receivables: Allowance for doubtful accounts $14,078 685 3,638(A) 11,125 ======= ====== ===== ====== Deducted in balance sheet from other assets: Amortization of goodwill $ 9,718 9,170 --- 18,888 ======= ====== ===== ====== Amortization of prepaid rent and debt issuance costs $ 2,501 922 --- 3,423 ======= ====== ===== ====== (A) Accounts receivable amounts considered uncollectible and removed from accounts receivable by reducing allowance for doubtful accounts. F-21 TIDEWATER INC EXHIBITS FOR THE ANNUAL REPORT ON FORM 10-K FISCAL YEAR ENDED MARCH 31, 2001 EXHIBIT INDEX The index below describes each exhibit filed as a part of this report. Exhibits not incorporated by reference to a prior filing are designated by an asterisk; all exhibits not so designated are incorporated herein by reference to a prior filing as indicated. 3(a) - Restated Certificate of Incorporation of Tidewater Inc. (filed with the Commission as Exhibit 3(a) to the company's quarterly report on Form 10-Q for the quarter ended September 30, 1993). 3(b) - Tidewater Inc. Bylaws (filed with the Commission as Exhibit 3(b) to the company's quarterly report on Form 10-Q for the quarter ended June 30, 1999). 4(a) - Restated Rights Agreement dated as of September 19, 1996 between Tidewater Inc. and The First National Bank of Boston (filed with the Commission as Exhibit 1 to Form 8-A on September 30, 1996). *10(a) - $200,000,000 Revolving Credit and Term Loan Agreement dated April 26, 2001. 10(b) - Tidewater Inc. 1975 Incentive Program Stock Option Plan, as amended in 1990 (filed with the Commission as Exhibit 10(c) to the company's annual report on Form 10-K for the fiscal year ended March 31, 1991). *10(c) - Tidewater Inc. Amended and Restated 1992 Stock Option and Restricted Stock Plan dated July 27, 2000. 10(d) - Tidewater Inc. Second Amended and Restated Supplemental Executive Retirement Plan dated October 1, 1999 (filed with the Commission as Exhibit 10(f) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999). 10(e) - Second Amended and Restated Employees' Supplemental Savings Plan of Tidewater Inc. dated October 1, 1999 (filed with the Commission as Exhibit 10(d) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999). 10(f) - Supplemental Health Plan for Executive Officers of Tidewater Inc. (filed with the Commission as Exhibit 10(i) to a Registration Statement on September 12, 1989, Registration No. 33-31016). 10(g) - Amended and Restated Deferred Compensation Plan for Outside Directors of Tidewater Inc., effective October 1, 1999 (filed with the Commission as Exhibit 10(I) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999). 10(h) - Restated Non-Qualified Pension Plan for Outside Directors of Tidewater Inc., effective October 1, 1999 (filed with the Commission as Exhibit 10(h) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999). 10(i) - Amended and Restated Change of Control Agreement dated October 1, 1999 between Tidewater and William C. O'Malley (filed with the Commission as Exhibit 10(b) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999). 10(j) - Form of Amended and

Restated Change of Control Agreement dated October 1, 1999 with three executive officers of Tidewater Inc. (filed with the Commission as Exhibit 10(c) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999). 10(k) - Tidewater Inc. 1996 Annual Incentive Plan (filed with the Commission as Exhibit 10(m) to the company's annual report on Form 10-K for the fiscal year ended March 31, 1997). 10(l) - Employment Agreement dated September 25, 1997 between Tidewater Inc. and William C. O'Malley (filed with the Commission as Exhibit 10 to the company's report on Form 10-Q for the quarter ended September 30, 1997). 10(m) - Amendment No. 1 to Employment Agreement dated October 1, 1999 between Tidewater Inc. and William C. O'Malley (filed with the Commission as Exhibit 10(a) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999). *10(n) - Restated Tidewater Inc. 1997 Stock Incentive Plan dated June 9, 2000. 10(o) - Restated Non-Qualified Deferred Compensation Plan and Trust Agreement as Restated October 1, 1999 between Tidewater Inc. and Merrill Lynch Trust Company of America (filed with the Commission as Exhibit 10(e) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999). 10(p) - Second Restated Executives Supplemental Retirement Trust as Restated October 1, 1999 between Tidewater Inc. and Hibernia National Bank (filed with the Commission as Exhibit 10(j) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999). *10(q) - Continuing Employment and Separation Agreement ("Agreement") between the Company and Richard M. Currence dated December 31, 2000. *10(r) - Amendment To Restated Tidewater Inc. 1997 Stock Incentive Plan dated June 9, 2000. *21 - Subsidiaries of the company. *23 - Consents of Independent Auditors.