GULFMARK OFFSHORE INC
Form 10-Q
July 22, 2011

Table of Contents

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, 2011**
GULFMARK OFFSHORE, INC.
(Exact name of registrant as specified in its charter)
Delaware
(State or other jurisdiction of incorporation)
001-33607
(Commission file number)
76-0526032
(I.R.S. Employer Identification No.)

10111 Richmond Avenue, Suite 340, Houston, Texas	**77042**
(Address of principal executive offices)	(Zip Code)

(713) 963-9522
(Registrant s telephone number, including area code)

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 þ NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES þ NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o NO þ

Number of shares of Class A Common Stock, $0.01 par value, outstanding as of July 21, 2011: 26,539,660

(Exhibit Index Located on Page 26)

GulfMark Offshore, Inc.
Index

Table of Contents

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GULFMARK OFFSHORE, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2011	December 31, 2010
	(In thousands, except par value amount)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 113,943	$ 97,195
Trade accounts receivable, net of allowance for doubtful accounts of $97 and $283, respectively	82,913	66,714
Other accounts receivable	12,510	10,326
Prepaid expenses and other	18,251	16,645
Total current assets	227,617	190,880
Vessels, equipment, and other fixed assets at cost, net of accumulated depreciation of $318,403 and $282,395, respectively	1,187,292	1,191,280
Construction in progress	3,869	2,920
Goodwill	34,495	31,987
Intangibles, net of accumulated amortization of $8,650 and $7,208, respectively	25,949	27,390
Deferred costs and other assets	25,885	19,993
Total assets	$ 1,505,107	$ 1,464,450
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 33,333	$ 33,333
Accounts payable	21,146	15,130
Income and other taxes payable	5,019	4,066
Accrued personnel costs	22,387	23,417
Accrued interest expense	5,769	5,757
Other accrued liabilities	8,225	7,676
Total current liabilities	95,879	89,379
Long-term debt	286,463	293,095
Long-term income taxes:		
Deferred tax liabilities	101,556	102,509
Other income taxes payable	17,233	19,400
Cash flow hedge	5,552	6,807
Other liabilities	11,269	7,303
Stockholders equity:		

Preferred stock, no par value; 2,000 authorized; no shares issued		
Class A Common Stock, $0.01 par value; 60,000 shares authorized; 26,540 and 26,269 shares issued and 26,513 and 26,013 outstanding, respectively; Class B Common Stock $0.01 per value; 60,000 shares authorized; no shares issued	261	259
Additional paid-in capital	374,978	370,218
Retained earnings	548,592	536,468
Accumulated other comprehensive income	64,488	39,137
Treasury stock, at cost	(9,006)	(7,228)
Deferred compensation expense	7,842	7,103
Total stockholders equity	987,155	945,957
Total liabilities and stockholders equity	$ 1,505,107	$ 1,464,450

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

Table of Contents

GULFMARK OFFSHORE, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
	(In thousands except per share amounts)			
Revenue	$ 96,911	$ 92,782	$ 178,200	$ 177,433
Costs and expenses:				
Direct operating expenses	46,908	42,658	91,225	85,727
Drydock expense	3,683	6,159	10,207	13,123
General and administrative expenses	10,910	11,456	22,333	23,187
Depreciation and amortization	14,982	13,977	29,658	27,952
Loss on sale of assets		106	10	106
Impairment charge		97,665		97,665
Total costs and expenses	76,483	172,021	153,433	247,760
Operating income (loss)	20,428	(79,239)	24,767	(70,327)
Other income (expense):				
Interest expense	(5,630)	(5,062)	(11,357)	(10,051)
Interest income	119	37	184	142
Foreign currency gain (loss) and other	73	(1,020)	17	761
Total other expense	(5,438)	(6,045)	(11,156)	(9,148)
Income (loss) before income taxes	14,990	(85,284)	13,611	(79,475)
Income tax (provision) benefit	(1,699)	(5,447)	(1,487)	10,287
Net income (loss)	$ 13,291	$ (90,731)	$ 12,124	$ (69,188)
Earnings (loss) per share:				
Basic	$ 0.51	$ (3.55)	$ 0.47	$ (2.72)
Diluted	$ 0.51	$ (3.55)	$ 0.46	$ (2.72)
Weighted average shares outstanding:				
Basic	25,829	25,546	25,754	25,470
Diluted	25,949	25,546	25,885	25,470

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

Table of Contents

GULFMARK OFFSHORE, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
For the Six Months Ended June 30, 2011

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Treasury Stock Shares	Treasury Stock Share Value	Deferred Compen-sation Expense	Total Stockholders Equity
				(In thousands)				
Balance at December 31, 2010	$ 259	$ 370,218	$ 536,468	$ 39,137	(256)	$ (7,228)	$ 7,103	$ 945,957
Net income			12,124					12,124
Issuance of common stock	1	3,238						3,239
Exercise of stock options	1	1,469						1,470
Deferred compensation plan		53			(39)	(1,778)	739	(986)
Unrealized gain on cash flow hedge				668				668
Translation adjustment				24,683				24,683
Balance at June 30, 2011	$ 261	$ 374,978	$ 548,592	$ 64,488	(295)	$ (9,006)	$ 7,842	$ 987,155

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

Table of Contents

GULFMARK OFFSHORE, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2011	2010
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	$ 12,124	$ (69,188)
Adjustments to reconcile net income (loss) from operations to net cash provided by operations:		
Depreciation and amortization	29,658	27,952
Loss on sale of assets	10	106
Impairment charge		97,665
Stock based compensation	2,908	2,864
Deferred financing costs	834	799
Provision for doubtful accounts receivable, net of write-offs	(192)	939
Deferred income tax benefit	(1,053)	(2,861)
Foreign currency transaction (gain) loss	(314)	675
Change in operating assets and liabilities:		
Accounts receivable	(16,623)	(3,725)
Prepaids and other	(1,866)	(4,541)
Accounts payable	5,665	(807)
Other accrued liabilities and other	(6,109)	(10,495)
Net cash provided by operating activities	25,042	39,383
Cash flows from investing activities:		
Purchases of vessels, equipment and other fixed assets	(4,934)	(63,179)
Proceeds from disposition of vessels and equipment		890
Net cash used in investing activities	(4,934)	(62,289)
Cash flows from financing activities:		
Proceeds from borrowings	10,000	
Repayments of debt	(16,666)	(16,667)
Debt refinancing cost		(2,000)
Proceeds from exercise of stock options	911	1,069
Proceeds from issuance of stock	338	369
Net cash used in financing activities	(5,417)	(17,229)
Effect of exchange rate changes on cash	2,057	(2,150)
Net increase (decrease) in cash and cash equivalents	16,748	(42,285)
Cash and cash equivalents at beginning of the period	97,195	92,079
Cash and cash equivalents at end of the period	$ 113,943	$ 49,794
Supplemental cash flow information:		
Interest paid, net of interest capitalized	$ 9,693	$ 9,069

Income taxes paid, net	$ 3,320	$ 3,166

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

Table of Contents

GULFMARK OFFSHORE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(1) GENERAL INFORMATION

The condensed consolidated financial statements of GulfMark Offshore, Inc. and its subsidiaries included herein have been prepared by us without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, or SEC. Unless otherwise indicated, references to we , us , our and the Company refer collectively to GulfMark Offshore, Inc. and its subsidiaries and predecessors. Certain information relating to our organization and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, has been condensed or omitted in this Form 10-Q pursuant to such rules and regulations. However, we believe that the disclosures herein are adequate to make the information presented not misleading. The consolidated balance sheet as of December 31, 2010, has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. It is recommended that these financial statements be read in conjunction with our consolidated financial statements and notes thereto included in our Form 10-K for the year ended December 31, 2010.

In the opinion of management, all adjustments, which include reclassification and normal recurring adjustments necessary to present fairly the unaudited condensed consolidated financial statements for the periods indicated have been made. All significant intercompany accounts have been eliminated. Certain reclassifications of previously reported information may be made to conform with current year presentation.

We provide offshore marine support and transportation services primarily to companies involved in the offshore exploration and production of oil and natural gas. Our vessels transport materials, supplies and personnel to offshore facilities, as well as move and position drilling structures. The majority of our operations are conducted in the North Sea, offshore Southeast Asia and the Americas. We also operate our vessels in other regions to meet our customers requirements.

Earnings Per Share

Basic Earnings Per Share, or EPS, is computed by dividing net income (loss) by the weighted average number of shares of Class A Common Stock outstanding during the period. Diluted EPS is computed using the treasury stock method for Class A Common Stock equivalents. The reconciliation between basic and diluted earnings per share from income or loss attributable to Class A Common Stock stockholders, including allocation to participating securities, is as follows:

Table of Contents

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(In thousands)		(In thousands)	
Income (loss):				
Net income (loss) attributable to common stockholders	$ 13,291	$ (90,731)	$ 12,124	$ (69,188)
Undistributed income allocated to participating securities	(121)		(141)	
Basic	13,170	(90,731)	11,983	(69,188)
Undistributed income allocated to participating securities	121		141	
Undistributed income reallocated to participating securities	(120)		(140)	
Diluted	$ 13,171	$ (90,731)	$ 11,984	$ (69,188)
Shares:				
Basic				
Weighted-average common shares outstanding	25,829	25,546	25,754	25,470
Dilutive effect of stock options and restricted stock awards	120		131	
Diluted	25,949	25,546	25,885	25,470
Income (loss) per common share:				
Basic	$ 0.51	$ (3.55)	$ 0.47	$ (2.72)
Diluted	$ 0.51	$ (3.55)	$ 0.46	$ (2.72)

(2) COMPREHENSIVE INCOME (LOSS)

The components of comprehensive income (loss), net of related tax for the three and six month periods ending June 30, 2011 and 2010 are as follows:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(In thousands)		(In thousands)	
Net income (loss)	$ 13,291	$ (90,731)	$ 12,124	$ (69,188)
Comprehensive income (loss):				
Unrealized gain (loss) on cash flow hedge	161	(464)	668	(1,018)
Foreign currency translation	6,596	(23,811)	24,683	(49,294)
Total comprehensive income (loss)	$ 20,048	$ (115,006)	$ 37,475	$ (119,500)

Our accumulated other comprehensive income (loss) item relates primarily to our cumulative foreign currency translation adjustments and adjustments related to the cash flow hedges.

Table of Contents

(3) IMPAIRMENT CHARGE

Goodwill

Our goodwill consists of $34.5 million related to acquisitions in the North Sea region. The determination of impairment of all long-lived assets, goodwill, and intangibles is conducted when indicators of impairment are present and at least annually for goodwill. Impairment testing for goodwill is performed on a reporting unit basis.

On July 1, 2008, we acquired a 100% ownership interest in a company that operated a large U.S. Gulf of Mexico vessel fleet for $554.7 million, which included $97.7 million of goodwill. We included this acquisition in our Americas segment. In the second quarter of 2010, we assessed our Americas region goodwill for impairment. In our assessment, we evaluated the impact on the segment s fair value of events in the U.S. Gulf of Mexico, which included the April 20, 2010 explosion and fire on a deepwater drilling rig, the resulting oil spill and the U.S. Department of Interior moratorium on deepwater drilling. We determined, based on our evaluations and testing as prescribed under U.S. GAAP, that an impairment of our Americas region goodwill existed. As a result, we recorded a $97.7 million impairment charge as of June 30, 2010, reflecting all of our Americas region goodwill. The non-cash charge did not impact our liquidity or debt covenant compliance.

(4) VESSEL ACQUISITIONS AND DISPOSITIONS

As of July 21, 2011, we have one vessel that is being held for sale that is not included in our fleet numbers and have no vessels under construction.

Interest is capitalized in connection with the construction of vessels. We did not capitalize any interest during the three or six month periods ended June 30, 2011. During the three and six month periods ended June 30, 2010, $0.7 million and $1.3 million of interest, respectively, was capitalized.

(5) INCOME TAXES

Our estimated annual effective tax rate, adjusted for unusual tax items, is applied to interim periods pretax income (loss). Except for a portion of the current year s foreign earnings, which have been remitted to the U.S., we consider earnings of our foreign subsidiaries to be permanently reinvested, and as such, we have not provided for any U.S. federal or state income taxes on these permanently reinvested earnings.

(6) COMMITMENTS AND CONTINGENCIES

We have contingent liabilities and future claims for which we have made estimates of the amount of the eventual cost to liquidate these liabilities or claims. These liabilities and claims may involve threatened or actual litigation where damages have not been specifically quantified but we have made an assessment of our exposure and recorded a provision in our accounts for the expected loss. Other claims or liabilities, including those related to taxes in foreign jurisdictions, may be estimated based on our experience in these matters and, where appropriate, the advice of outside counsel or other outside experts. Upon the ultimate resolution of the uncertainties surrounding our estimates of contingent liabilities and future claims, our future reported financial results will be impacted by the difference, if any, between our estimates and the actual amounts paid to settle the liabilities. In addition to estimates related to litigation and tax liabilities, other examples of liabilities requiring estimates of future exposure include contingencies arising out of acquisitions and divestitures. Our contingent liabilities are based on the most recent information available to us regarding the nature of the exposure. Such exposures change from period to period based upon updated relevant facts and circumstances, which can cause our estimates to change. In the recent past, our estimates for contingent liabilities have been sufficient to cover the actual amount of our exposure. We do not believe that the outcome of these matters will have a material adverse effect on our business, financial condition, or results of operations.

(7) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are accounted for at fair value. The accounting for changes in the fair value of a derivative depends on the intended use and designation of the derivative instrument. For a derivative instrument designated as a fair value hedge, the gain or loss on the derivative is recognized in earnings in the period of change in fair value together with the offsetting gain or loss on the hedged item. For a derivative instrument designated as a cash flow hedge, the effective portion of the derivative s gain or loss is initially reported as a component of Other Comprehensive Income (OCI) and is subsequently recognized in earnings when the hedged exposure affects earnings. The ineffective portion of the gain or loss is recognized in current period results of operations. Gains and losses from changes in fair values of derivatives that are not designated as hedges for accounting purposes are recognized in current period results of operations.

Using derivative instruments means assuming counterparty credit risk. Counterparty credit risk relates to the loss we could incur if a counterparty were to default on a derivative contract. We deal with investment grade counterparties and monitor the overall credit risk and exposure to individual counterparties. We do not anticipate nonperformance by any counterparties. The amount of counterparty credit exposure is the unrealized gains, if any, on such derivative contracts. We do not require, nor do we post, collateral or security on such contracts.

Hedging Strategy

We are exposed to certain risks relating to our ongoing business operations. As a result, we enter into derivative transactions to manage certain of these exposures that arise in the normal course of business. The primary risks managed by using derivative instruments are foreign currency exchange rate and interest rate risks. Fluctuations in these rates and prices can affect our operating results and financial condition. We manage the exposure to these market risks through operating and financing activities and through the use of derivative financial instruments. We do not enter into derivative financial instruments for trading or speculative purposes.

We periodically enter into foreign currency forward contracts which are designated as fair value hedges and are highly effective, as the terms of the forward contracts are the same as the purchase commitments under the related contract. Any gains or losses resulting from changes in fair value are recognized in income with an offsetting adjustment to income for changes in the fair value of the hedged item such that there is no net impact in the consolidated statements of operations. As of June 30, 2011, we had no open foreign currency forward contracts.

We entered into an interest rate swap with the objective of reducing our exposure to interest rate risk for $100.0 million of our $200.0 million Facility Agreement variable-rate

Table of Contents

debt. At June 30, 2011, our interest rate derivative instrument has an outstanding notional amount of $100.0 million and is designated as a cash flow hedge. The terms of this swap, including reset dates and floating rate indices, match those of our underlying variable-rate debt and no ineffectiveness has been recorded.

Early Hedge Settlement

During December 2009, we cash settled certain interest rate swap contracts prior to their scheduled settlement dates. As a result of these transactions, we paid $6.4 million in cash, which represented the fair value of these contracts at the date of settlement. Unrecognized losses of $1.0 million are recorded as of June 30, 2011 in accumulated OCI related to these interest rate swap contracts. This balance will be amortized into interest expense through December 31, 2012 based on forecasted payments as of the settlement date.

The following table quantifies the fair values, on a gross basis, of all our derivative contracts and identifies the balance sheet location as of June 30, 2011 and December 31, 2010 (dollars in thousands):

	Asset Derivatives				**Liability Derivatives**			
	June 30, 2011		December 31,2010		June 30, 2011		December 31, 2010	
Derivatives designed as hedging instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps					Cash flow hedges	$ 5,552	Cash flow hedges	$ 6,807
		$		$		$ 5,552		$ 6,807

The following tables quantify the amount of gain or loss recognized during the three and six months ended June 30, and identify the consolidated statement of operations location:

Derivatives in cash flow hedging relationships	**Amount of Gain or (Loss) Recognized in OCI on Derivative**		**Location of Gain or (Loss) Reclassified from Accumulated OCI into Income**	**Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income**	
	Six Months Ended June 30,			**Six Months Ended June 30,**	
	2011	2010		2011	2010
	(in thousands)			(in thousands)	
Interest rate contracts	$ (676)	$ (3,202)	Interest expense	$ (1,540)	$ (1,317)
	Three Months Ended June 30,			**Three Months Ended June 30,**	
	2011	2010		2011	2010
	(in thousands)			(in thousands)	
Interest rate contracts	$ (578)	$ (1,552)	Interest expense	$(787)	$(657)

Table of Contents

(8) FAIR VALUE MEASUREMENTS

Each asset and liability required to be carried at fair value is classified under one of the following criteria:
Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

We have a fixed-for-floating interest rate swap agreement that has the effect of fixing the LIBOR interest rate component on $100.0 million of the outstanding balance on our $200.0 million Facility Agreement. The fixed rate component of the swap is set at 4.145% and the swap matures with the Facility Agreement on December 31, 2012. The interest rate swap is accounted for as a cash flow hedge. The consolidated balance sheet discloses the cash flow hedge in the liability section, reflecting the fair value of the interest rate swap which was $5.6 million at June 30, 2011. For the three and six month periods ended June 30, 2011, $0.4 and $0.8 million related to this interest rate swap was reclassified from other comprehensive income to interest expense, respectively. We expect to reclassify $3.4 million of deferred losses related to this interest rate swap and the previously settled interest rate swap to interest expense during the next 12 months. We recognize the fair value of our derivative swaps as a Level 2 valuation. We determined the fair value of our interest rate swap based on the contractual fixed rate in the swap agreement and the forward curve of three month LIBOR supplied by the bank as of June 30, 2011.

The following table presents information about our assets (liabilities) measured at fair value on a recurring basis as of June 30, 2011, and indicates the fair value hierarchy we utilized to determine such fair value (in millions).

	Level 1	Level 2	Level 3	Total
Cash Flow Hedges	$	$ 5.6	$	$ 5.6

The following table presents information about our assets (liabilities) measured at fair value on a recurring basis as of December 31, 2010, and indicates the fair value hierarchy we utilized to determine such fair value (in millions).

	Level 1	Level 2	Level 3	Total
Cash Flow Hedges	$	$ 6.8	$	$ 6.8

(9) NEW ACCOUNTING PRONOUNCEMENTS

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS,* (ASU 2011-04). ASU 2011-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and International Financial Reporting Standards (IFRS). ASU 2011-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively. ASU 2011-04 will be effective for interim and annual periods beginning after Dec. 15, 2011, with early adoption permitted. We believe that the adoption of this standard will not materially expand our consolidated financial statement footnote disclosures.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (ASC Topic 220): Presentation of Comprehensive Income*, (ASU 2011-05) which amends current comprehensive income guidance. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of shareholders equity. Instead, we must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. ASU 2011-05 will be effective for interim and annual periods beginning after Dec. 15, 2011, with early adoption permitted. The adoption of ASU 2011-05 will not have a material impact on our consolidated financial statements.

(10) OPERATING SEGMENT INFORMATION

We operate three segments: the North Sea, Southeast Asia and the Americas, each of which is considered a reportable segment under FASB ASC 280, *Segment Reporting* . Our management evaluates segment performance primarily based on operating income. Cash and debt are managed centrally. Because the regions do not manage those items, the gains and losses on foreign currency remeasurements associated with these items are excluded from operating income. Our management considers segment operating income to be a good indicator of each segment s operating performance from its continuing operations, as it represents the results of the ownership interest in operations without regard to financing methods or capital structures. Each operating segment s operating income (loss) is summarized in the following table, and detailed discussions below.

Table of Contents

Operating Income (Loss) by Operating Segment

	North Sea	Southeast Asia	Americas	Other	Total
			(In thousands)		
Quarter Ended June 30, 2011					
Revenue	$ 43,836	$ 15,678	$ 37,397	$	$ 96,911
Direct operating expenses	20,727	2,887	23,294		46,908
Drydock expense	2,371	1,755	(443)		3,683
General and administrative expenses	2,689	761	1,930	5,530	10,910
Depreciation and amortization expense	4,970	2,431	7,132	449	14,982
Operating income (loss)	$ 13,079	$ 7,844	$ 5,484	$ (5,979)	$ 20,428
Quarter Ended June 30, 2010					
Revenue	$ 37,217	$ 16,841	$ 38,724	$	$ 92,782
Direct operating expenses	19,299	2,385	20,974		42,658
Drydock expense	1,489	1,637	3,033		6,159
General and administrative expenses	2,700	763	2,361	5,632	11,456
Depreciation and amortization expense	4,624	2,036	7,084	233	13,977
(Gain) loss on sale of assets			109	(3)	106
Impairment charge			97,665		97,665
Operating income (loss)	$ 9,105	$ 10,020	$ (92,502)	$ (5,862)	$ (79,239)

	North Sea	Southeast Asia	Americas	Other	Total
			(In thousands)		
Six Months Ended June 30, 2011					
Revenue	$ 79,235	$ 31,213	$ 67,752	$	$ 178,200
Direct operating expenses	41,441	5,749	44,035		91,225
Drydock expense	5,441	1,940	2,826		10,207
General and administrative expenses	5,923	1,435	4,199	10,776	22,333
Depreciation and amortization expense	9,757	4,882	14,238	781	29,658
Loss on sale of assets			10		10
Operating income (loss)	$ 16,673	$ 17,207	$ 2,444	$ (11,557)	$ 24,767
Six Months Ended June 30, 2010					
Revenue	$ 72,492	$ 32,668	$ 72,273	$	$ 177,433
Direct operating expenses	39,465	4,710	41,552		85,727
Drydock expense	3,519	3,583	6,021		13,123
General and administrative expenses	5,521	1,362	4,547	11,757	23,187
Depreciation and amortization expense	9,284	4,001	14,212	455	27,952

(Gain) loss on sale of assets			109	(3)	106
Impairment charge			97,665		97,665
Operating income (loss)	$ 14,703	$ 19,012	$ (91,833)	$ (12,209)	$ (70,327)

Table of Contents

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We provide marine support and transportation services to companies involved in the offshore exploration and production of oil and natural gas. Our vessels transport drilling materials, supplies and personnel to offshore facilities, as well as move and position drilling structures. A substantial portion of our operations are international. Our fleet has grown in both size and capability, from an original 11 vessels in 1990 to our present number of 89 active vessels, through strategic acquisitions and the new construction of technologically advanced vessels, partially offset by dispositions of certain older, less profitable vessels. At July 21, 2011, our active fleet includes 74 owned vessels and 15 managed vessels.

Our results of operations are affected primarily by day rates, fleet utilization and the number and type of vessels in our fleet. Utilization and day rates, in turn, are influenced principally by the demand for vessel services from the exploration and production sectors of the oil and natural gas industry. The supply of vessels to meet this fluctuating demand is related directly to the perception of future activity in both the drilling and production phases of the oil and natural gas industry as well as the availability of capital to build new vessels to meet the changing market requirements. From time to time, we bareboat charter vessels with revenue and operating expenses reported in the same income and expense categories as our owned vessels. The chartered vessels, however, incur bareboat charter fees instead of depreciation expense. Bareboat charter fees are generally higher than the depreciation expense on owned vessels of similar age and specification. The operating income realized from these vessels is therefore adversely affected by the higher costs associated with the bareboat charter fees. These vessels are included in calculating fleet day rates and utilization in the applicable periods.

We also provide management services to other vessel owners for a fee. We do not include charter revenue and vessel expenses of these vessels in our operating results; however, management fees are included in operating revenue. These vessels are excluded for purposes of calculating fleet rates per day worked and utilization in the applicable periods.

The operations of our fleet may be subject to seasonal factors. Operations in the North Sea are often at their highest levels from April to August, and at their lowest levels from November to February. Operations in our other areas, although involving some seasonal factors, tend to remain more consistent throughout the year.

Our operating costs are primarily a function of fleet configuration. The most significant direct operating cost is wages paid to vessel crews, followed by maintenance and repairs and insurance. Generally, fluctuations in vessel utilization have little effect on direct operating costs in the short term and, as a result, direct operating costs as a percentage of revenue may vary substantially due to changes in day rates and utilization.

In addition to direct operating costs, we incur fixed charges related to (i) the depreciation of our fleet, (ii) costs for routine drydock inspections, (iii) modifications designed to ensure compliance with applicable regulations, and (iv) maintaining certifications for our vessels with various international classification societies. The number of drydockings and other repairs undertaken in a given period generally determines our maintenance and repair expenses. The demands of the market, the expiration of existing contracts, the start of new contracts, seasonal factors and customer preferences influence the timing of drydocks. During the first six months of 2011, we completed 319 drydock days, compared to 337 drydock days completed in the same period last year.

Table of Contents

Critical Accounting Policies

There have been no changes to the critical accounting policies used in our reporting of results of operations and financial position. For a discussion of our critical accounting policies see Management s Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K for the year ended December 31, 2010.

Goodwill

Our goodwill consists of $34.5 million related to acquisitions in the North Sea region. The determination of impairment of all long-lived assets, goodwill, and intangibles is conducted when indicators of impairment are present and at least annually for goodwill. Impairment testing for goodwill is performed on a reporting unit basis.

On July 1, 2008, we acquired a 100% ownership interest in a company that operated a large U.S. Gulf of Mexico vessel fleet for $554.7 million, which included $97.7 million of goodwill. We included this acquisition in our Americas segment. In the second quarter of 2010, we assessed our Americas region goodwill for impairment. In our assessment, we evaluated the impact on the segment s fair value of events in the U.S. Gulf of Mexico, which includes the April 20, 2010 explosion and fire on a deepwater drilling rig, the resulting oil spill and the U.S. Department of Interior moratorium on deepwater drilling. We determined, based on our evaluations and testing as prescribed under U.S. GAAP, that an impairment of our Americas region goodwill existed. As a result, we recorded a $97.7 million impairment charge as of June 30, 2010, reflecting all of our Americas region goodwill. The non-cash charge did not impact our liquidity or debt covenant compliance.

Results of Operations

The table below sets forth, by region, the average day rates and utilization for our vessels and the average number of vessels owned or chartered during the periods indicated. This fleet generates substantially all of our revenues and operating profit. We use the information that follows to evaluate the performance of our business.

Table of Contents

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Revenues by Region (000 s) (a):				
North Sea Based Fleet (c)	$43,836	$37,217	$79,235	$72,492
Southeast Asia Based Fleet	15,678	16,841	31,213	32,668
Americas Based Fleet	37,397	38,724	67,752	72,273
Rates Per Day Worked (a) (b):				
North Sea Based Fleet (c)	$20,014	$16,478	$18,951	$16,621
Southeast Asia Based Fleet	15,228	16,817	15,238	17,387
Americas Based Fleet	14,217	13,486	14,207	13,428
Overall Utilization (a) (b):				
North Sea Based Fleet	94.1%	95.1%	90.6%	94.5%
Southeast Asia Based Fleet	83.0%	92.8%	83.1%	88.0%
Americas Based Fleet	84.3%	91.7%	77.4%	85.7%
Average Owned/Chartered Vessels (a) (d):				
North Sea Based Fleet (c)	25.0	25.2	25.0	24.8
Southeast Asia Based Fleet	14.0	12.1	14.0	12.1
Americas Based Fleet	35.0	35.3	35.0	35.7
Total	74.0	72.6	74.0	72.6

(a) Includes all owned or bareboat chartered vessels.

(b) Rate per day worked is defined as total charter revenues divided by number of days worked. Utilization rate is defined as the total days worked divided by total days of availability in the period.

(c) Revenues for vessels in the North Sea based fleet are primarily earned in Pound Sterling (GBP), Norwegian Kroner (NOK) and Euros, and have been converted to U.S. Dollars (US$) at the average exchange rate for the period. The average equivalent exchange rate per one US$ for the periods indicated is as shown in Management s Discussion and Analysis of Financial Condition and Results of Operations Currency Fluctuations and Inflation on page 21.

(d) Average number of vessels is calculated based on the aggregate number of vessel days available during each period divided by the number of calendar days in such period. Includes owned and bareboat vessels only, and is adjusted for vessel additions and dispositions occurring during each period.

Comparison of the Three Months Ended June 30, 2011 with the Three Months Ended June 30, 2010

For the quarter ended June 30, 2011, net income was $13.3 million, or $0.51 per diluted share on revenues of $96.9 million. For the same 2010 period, we had a net loss of $90.7 million, or $3.55 per diluted share on revenues of $92.8 million. Included in the loss was a $97.7 million, or $3.82 per diluted share, goodwill impairment charge.

Our revenues for the quarter ended June 30, 2011 increased $4.1 million or 4.5% compared to the second quarter of 2010. The increase in revenue was due mainly to a combination of currency effects and an increase in average day rates from $15,101 in the second quarter of 2010 to $16,508 in the current year quarter, which contributed an

$8.2 million increase for the quarter. Increased capacity during the quarter contributed an additional $0.4 million. The increase was partially offset by a decrease in utilization rates during the current quarter compared to the second quarter of 2010. Overall utilization decreased from 93.0% in the prior year quarter to 87.4% in the current year quarter and negatively impacted revenue by $4.5 million.

Operating income for the period was $20.4 million compared to $18.4 million, excluding the impairment charge, for the prior year quarter. The increase is due primarily to the increase in revenue, offset by higher direct operating cost. General and administrative cost was also lower than the 2010 quarter, due mainly to lower professional fees and bad debt expense.

North Sea

Revenues in the North Sea region increased by $6.6 million, or 18%, to $43.8 million in the second quarter of 2011 compared to the same period of 2010. Approximately $7.1 million of the increase was a result of a combination of currency effects and an increase in day rates. Day rates increased from $16,478 in the prior year quarter to $20,014 in the second quarter of 2011. Utilization rates decreased slightly from 95.1% in the second quarter of 2010 to 94.1% in the current year quarter, however the mix of days worked associated with vessels with higher day rates resulted in a $0.3 million increase in revenue. The overall revenue increase was partially offset by decreased capacity as a result of the sale of a vessel during 2010, which negatively impacted revenue by $0.8 million. Operating income increased by $4.0 million compared to the prior year quarter due to the increase in revenue offset partially by increased direct operating expenses and higher depreciation expense due mainly to foreign currency effects. Drydock expense also increased by $1.4 million as we experienced 12 more drydock days. General and administrative expense in the second quarter of 2011 was unchanged from the prior year quarter.

Southeast Asia

Revenues for our Southeast Asia based fleet decreased from the prior year quarter by $1.2 million, or 7%, to $15.7 million. The decrease was primarily attributable to a decrease in day rates from $16,817 in the prior year quarter to $15,228 in the current quarter, which reduced revenue by $1.8 million. Utilization for the second quarter of 2011 decreased from 92.8% to 83.0% in the current quarter reducing revenue by $0.8 million. Capacity increased revenue by $1.5 million as a result of the addition of two new vessels during the second and third quarters of 2010. Operating income for Southeast Asia was $7.8 million in the second quarter of 2011 compared to $10.0 million in the prior year quarter. The decrease is due mainly to the decrease in revenue coupled with an increase in direct operating expense and higher depreciation expense due to the addition of the two new vessels. General and administrative expense remained unchanged from the prior year quarter.

Americas

Revenues in the Americas region decreased by $1.3 million, or 3%, to $37.4 million in the second quarter of 2011 compared to the same prior year quarter. Utilization decreased from 91.7% in the second quarter of 2010 to 84.3% in the current year quarter which decreased revenue by $4.0 million. The utilization decrease is a direct result of tightened regulations in the U.S. Gulf of Mexico. In addition, reduced capacity negatively impacted revenue by $0.3 million as a result of the sale of a vessel during the second quarter of 2010. The combination of day rates and currency effects positively impacted revenue by $3.0 million as average day rates increased from $13,486 in the second quarter of 2010 to $14,217 in the current year quarter. Operating income was $5.5 million in the second quarter of 2011 compared to an operating loss of $92.5 million in the prior year quarter. The 2010 operating loss included a $97.7 million charge related to the impairment of goodwill. Absent this charge, the region generated operating income of $5.2 million. The increase in operating income is due mainly to a $3.5 million decrease in drydock costs offset by a $2.3 million increase in direct operating costs coupled with the decrease in revenues of $1.3 million. General and administrative expense was lower than the prior year quarter due mainly to the reduction in bad debt expense.

Other

Other expenses in the second quarter of 2011 decreased by $0.6 million compared to the prior year quarter, resulting primarily from the $1.1 million positive effect of foreign currency offset by higher interest expense due to lower capitalized interest.

Income Taxes

Our effective tax rate for the second quarter of 2011 was 8.4% excluding unusual items. This compares to a 4.7% effective tax rate in the second quarter of 2010, excluding unusual items. The change in the effective tax rate from the prior year was primarily attributable to inclusion of the U.S. tax impact for remitting a portion of our 2011 foreign earnings.

Comparison of the Six Months Ended June 30, 2011 with the Six Months Ended June 30, 2010

For the six months ended June 30, 2011 net income was $12.1 million, or $0.46 per diluted share on revenues of $178.2 million. During the same period in 2010, we had a net loss of $69.2 million or $2.72 per diluted share, on revenues of $177.4 million. The 2010 net loss included a $97.7 million goodwill impairment charge.

Revenue increased $0.8 million period over period due to higher dayrates, positive currency effects, and increased capacity as we benefited from the effect of the prior year vessel deliveries, offset by lower average utilization rates.

Operating income for the six-month period ended June 30, 2011 was $24.8 million compared to $27.3 million in 2010, absent the goodwill impairment charge. The decrease is primarily due to increased direct operating expenses and depreciation expense due primarily to the increase in vessels partially offset by lower drydock expense and slightly higher revenues in 2011. General and administrative expense was also lower than the 2010 period due primarily to lower professional fees.

North Sea

North Sea revenue increased by $6.7 million, or 9%, in the first six months of 2011 compared to 2010. The effect of the weakening U.S. Dollar increased revenue by $4.5 million, coupled with an increase in average day rates from $16,621 in 2010 to $18,951 in 2011, which contributed $5.3 million to the increase in revenue. This was partially offset by a decrease in average utilization rates from 94.5% in 2010 to 90.6% in 2011, and a reduction in capacity, which together decreased revenue by $3.1 million. Operating income increased by $2.0 million resulting primarily from increased revenue, offset by higher direct operating cost and depreciation expense. Drydock expense also increased by $1.9 million from the 2010 period due to an increase in drydock days. General and administrative expense was higher than the 2010 period due mainly to an increase in professional fees.

Table of Contents

Southeast Asia

Revenue for our Southeast Asia based fleet decreased by $1.5 million, or 5%, from $32.7 million in the first six months of 2010 to $31.2 million in the same 2011 period. The decrease was primarily attributable to a decrease in average day rates, offset by an increase in capacity. Day rates decreased from $17,387 in 2010 to $15,238 in 2011, which decreased revenue by $5.3 million. The increase in fleet size as a result of two vessel deliveries in 2010 contributed $2.9 million to revenue. Utilization rates decreased from 88.0% in 2010 to 83.1% in the current year, however the mix of days worked associated with higher day rate vessels resulted in a $1.0 million increase in revenue. Operating income decreased from $19.0 million in 2010 to $17.2 million this year. The decrease resulted mainly from the lower revenues coupled with higher direct operating and depreciation expense due to the additional vessels, offset by lower drydock costs, as a result of lower drydock days. General and administrative expense had no significant change from the 2010 period.

Americas

Our Americas region revenue decreased $4.5 million, or 6%, from $72.3 million in 2010 to $67.8 million in 2011. Utilization decreased from 85.7% to 77.4% resulting in a $9.0 million decrease in revenues. The lower utilization was a direct result of tightened regulations in the U.S. Gulf of Mexico. Capacity contributed $1.4 million to the decrease in revenue as a result of one vessel sale during 2010. An increase in day rates from $13,428 in 2010 to $14,207 in 2011, coupled with the foreign currency impact, increased revenue by $5.9 million. Operating income was $2.4 million during the first six months of 2011 compared to $5.8 million in 2010, absent the impairment charge. The decrease is due primarily to the decrease in revenue coupled with higher direct operating cost. Drydock costs decreased $3.2 million as a result of significantly lower drydock costs per day. General and administrative expense also decreased by $0.3 million due primarily to the decrease in bad debt expense.

Other

In the six months ended June 30, 2011, other expenses totaled $11.2 million, an increase of $2.0 million from 2010. The increase was due primarily to higher interest expense due to lower capitalized interest, partially offset by a decrease in foreign currency gains of $0.7 million.

Income Taxes

Our effective tax rate for the first half of 2011 was 8.3% excluding unusual items. This compares to a 0.3% effective tax rate for the first six months of 2010, excluding unusual items. The change in the effective tax rate from the prior year was primarily attributable to inclusion of the U.S. tax impact for remitting a portion of our 2011 foreign earnings.

Liquidity, Capital Resources and Financial Condition

Our ongoing liquidity requirements are generally associated with our need to service debt, fund working capital, maintain our fleet, finance the construction of new vessels and acquire or improve equipment or vessels. We plan to continue to be active in the acquisition of additional vessels through both the resale market and new construction. Bank financing, equity capital and internally generated funds have historically provided funding for these activities. Internally generated funds are directly related to fleet activity and vessel day rates, which are generally dependent upon the demand for our vessels which is ultimately determined by the supply and demand for offshore drilling for crude oil and natural gas.

We completed our most recent vessel construction program in 2010 and have no new vessel construction commitments for 2011 or any future years. Interest expense at current rates under our existing debt arrangements, assuming no additional borrowings, is expected to approximate $23.0 million for 2011. Minimum repayments under our existing debt arrangements will be $33.3 million for 2011. These amounts are anticipated to be paid from a combination of cash on hand and cash from operations.

In addition, we are required to make expenditures for the certification and maintenance of our vessels. We expect our drydocking expenditures to be $16.7 million in 2011.

Net working capital at June 30, 2011, was $131.7 million, including $113.9 million in cash. Net cash provided by operating activities was $20.0 million for the three months ended June 30, 2011. For the quarter ended June 30, 2011, net cash used in investing activities was $3.4 million, and net cash used in financing activities was $8.2 million.

At June 30, 2011, we had approximately $113.9 million of cash on hand and $10.0 million drawn under our $175.0 million Revolving Loan Facility, $150.0 million borrowed under our Facility Agreement, and $160.0 million outstanding under our Senior Notes.

As of June 30, 2011, substantially all of our cash and cash equivalents were held by our foreign subsidiaries. It is our current intention to permanently reinvest all of our earnings generated outside the U.S. prior to December 31, 2010 that through that date had not been remitted (unremitted earnings), and as such we have not provided for U.S. income tax expense on these unremitted earnings. If any portion of these unremitted earnings were ever foreseen to not be permanently reinvested outside the U.S., U.S. income tax expense would be required to be recognized and that expense could be material.

We anticipate that cash on hand and future cash flow from operations for 2011 will be adequate to repay our debts due and payable during such period, to complete scheduled drydockings, to make normal recurring capital additions and improvements and to meet operating and working capital requirements. This expectation, however, is dependent upon the success of our operations.

Currency Fluctuations and Inflation

A majority of our operations are international; therefore we are exposed to currency fluctuations and exchange rate risks. In areas where currency risks are potentially high, we normally accept only a small percentage of charter hire in local currency, with the remainder paid in U.S. Dollars. Operating costs are substantially denominated in the same currency as charter hire in order to reduce the risk of currency fluctuations. Charters for vessels in our North Sea fleet are primarily denominated in Pounds Sterling (GBP), with a portion denominated in Norwegian Kroner (NOK) or Euros. The North Sea fleet generated 45.2% of our total consolidated revenue and $13.1 million in operating income for the three months ended June 30, 2011, and 44.5% of our total consolidated revenue and $16.7 million in operating income for the six months ended June 30, 2011. In the second quarter of 2011, the exchange rates of GBP, NOK and Euros against the U.S. Dollar averaged as follows:

Table of Contents

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	1 US$=		1 US$=	
GBP	0.613	0.670	0.618	0.655
NOK	5.437	6.217	5.577	6.034
Euro	0.695	0.748	0.712	0.753

Our outstanding debt is denominated in U.S. Dollars, but a substantial portion of our revenue is generated in currencies other than the U.S. Dollar. We have evaluated these conditions and have determined that it is not in our best interest to use any financial instruments to hedge this exposure under present conditions. Our strategy is in part based on a number of factors including the following:

- the cost of using hedging instruments in relation to the risks of currency fluctuations;
- the propensity for adjustments in these foreign currency denominated vessel day rates over time to compensate for changes in the purchasing power of these currencies as measured in U.S. Dollars;
- the level of U.S. Dollar-denominated borrowings available to us; and
- the conditions in our U.S. Dollar-generating regional markets.

One or more of these factors may change and, in response, we may begin to use financial instruments to hedge risks of currency fluctuations. We will from time to time hedge known liabilities denominated in foreign currencies to reduce the effects of exchange rate fluctuations on our financial results, such as a fair value hedge associated with the construction of vessels. In this regard, in 2007, we entered into forward currency contracts to specifically hedge the foreign currency exposure related to firm contractual commitments in the form of future vessel payments. As a result, by design, there was exact offset between the gain or loss exposure in the related underlying contractual commitment. These contracts expired in early 2010 and there are no outstanding contracts at June 30, 2011. See Part I, Items 1 and 2 Business and Properties New Vessel Construction, Acquisition and Divestiture Program, and Drydocking Obligations of our Form 10-K for the year ended December 31, 2010 for more details. We do not use foreign currency forward contracts for trading or speculative purposes.

Reflected in the accompanying consolidated balance sheet at June 30, 2011, is $64.5 million in accumulated other comprehensive income primarily relating to the change in exchange rates at June 30, 2011 in comparison with the exchange rates when we invested capital in these markets. Accumulated other comprehensive income related to the changes in foreign currency exchange rates was $67.2 million at June 30, 2011. Also included in accumulated other comprehensive income was a loss of $2.7 million related to our cash flow hedges. Changes in the other comprehensive income are non-cash items that are primarily attributable to investments in vessels and U.S. Dollar based capitalization between our parent company and our foreign subsidiaries. The current year activity reflects the changes in the U.S. Dollar compared to the functional currencies of our major operating subsidiaries, particularly in the U.K. and Norway.

To date, general inflationary trends have not had a material effect on our operating revenues or expenses.

Table of Contents

Off-Balance Sheet Arrangements

We have evaluated our off-balance sheet arrangements, and have concluded that we do not have any material relationships with unconsolidated entities or financial partnerships that have been established for the purpose of facilitating off-balance sheet arrangements (as that term is defined in Item 303(a)(4)(ii) of Regulation S-K). Based on this evaluation, we believe that no disclosures relating to off-balance sheet arrangements are required.

Forward-Looking Statements

This Form 10-Q contains certain forward-looking statements and other statements that are not historical facts concerning, among other things, market conditions, the demand for marine and transportation support services and future capital expenditures. These statements are subject to certain risks, uncertainties and assumptions, including, without limitation:

- operational risk,
- catastrophic or adverse sea or weather conditions,
- dependence on the oil and natural gas industry,
- volatility in oil and natural gas prices,
- delay or cost overruns on construction projects or insolvency of the shipbuilders,
- lack of shipyard or equipment availability,
- ongoing capital expenditure requirements,
- uncertainties surrounding environmental and government regulation,
- uncertainties surrounding deep water permitting and exploration and development activities,
- risks relating to compliance with the Jones Act,
- risks relating to leverage,
- risks of foreign operations,
- risk of war, sabotage, piracy or terrorism,
- assumptions concerning competition,
- risks of currency fluctuations, and
- other matters.

These statements are based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. Such statements are subject to risks and uncertainties, including the risk factors discussed above and those discussed in our Form 10-K for the year ended December 31, 2010, filed with the SEC, general economic and business conditions, the business opportunities that may be presented to and pursued by us, changes in law or regulations and other factors, many of which are beyond our control.

We cannot assure you that we have accurately identified and properly weighed all of the factors which affect market conditions and demand for our vessels, that the information upon which we have relied is accurate or complete, that our analysis of the market and demand for our vessels is correct, or that the strategy based on that analysis will be successful.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Sensitivity

Our financial instruments that are potentially sensitive to changes in interest rates include our 7.75% Senior Notes. As of June 30, 2011, the fair value of these notes, based on quoted market prices, was approximately $162.7 million compared to a carrying amount of $159.8 million.

Exchange Rate Sensitivity

We operate in a number of international areas and are involved in transactions denominated in currencies other than U.S. Dollars, which exposes us to foreign currency exchange risk. At various times we may utilize forward exchange contracts, local currency borrowings and the payment structure of customer contracts to selectively hedge exposure to exchange rate fluctuations in connection with monetary assets, liabilities and cash flows denominated in certain foreign currency. We do not hold or issue forward exchange contracts or other derivative financial instruments for speculative purposes.

Other information required under Item 3 has been incorporated into Management s Discussion and Analysis of Financial Condition and Results of Operations and is incorporated herein.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Based on their evaluation of our disclosure controls and procedures as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures are effective for the period covered by the report ensuring that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms.

(b) Evaluation of internal controls and procedures.

As of December 31, 2010, our management determined that our internal controls over financial reporting were effective. Our assessment of the effectiveness of our internal controls over financial reporting as of December 31, 2010, has been audited by UHY LLP, an independent public accounting firm, as stated in our Form 10-K for the year ended December 31, 2010 filed with the SEC.

There were no changes in our internal controls over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

Exhibits

See Exhibit Index for list of Exhibits filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GulfMark Offshore, Inc.
(Registrant)

By: /s/ Quintin V. Kneen
Quintin V. Kneen
Executive Vice President
and Chief Financial Officer

Date: July 22, 2011

Table of Contents

INDEX TO EXHIBITS

Exhibits	Description	Filed Herewith or Incorporated by Reference from the Following Documents
3.1	Certificate of Incorporation, as amended	Exhibit 3.1 to our current report on Form 8-K filed on February 24, 2010
3.2	Bylaws, as amended	Exhibit 3.2 to our current report on Form 8-K filed on February 24, 2010
4.1	Description of GulfMark Offshore, Inc. Common Stock	Exhibit 4.1 to our current report on Form 8-K filed on February 24, 2010
4.2	Form of U.S. Citizen Stock Certificates	Exhibit 4.2 to our current report on Form 8-K filed on February 24, 2010
4.3	Form of Non-U.S. Citizen Stock Certificates	Exhibit 4.3 to our current report on Form 8-K filed on February 24, 2010
4.4	Indenture, dated as of July 21, 2004, between GulfMark Offshore, Inc., as the Company, and U.S. Bank National Association, as Trustee, including a form of the Company s 7.75% Senior Notes due 2014	Exhibit 4.4 to our quarterly report on Form 10-Q for the quarter ended September 30, 2004
4.5	First Supplemental Indenture, dated as of February 24, 2010, between GulfMark Offshore, Inc. (f/k/a New GulfMark Offshore, Inc.), as the Company and U.S. Bank Association, as Trustee, for the Company s 7.75% Senior Notes due 2014	Exhibit 10.1 to our current report on Form 8-K filed on February 24, 2010
4.6	Form of Debt Securities Indenture (Including Form of Note for Debt Securities)	Exhibit 4.7 to our Post-Effective Amendment No. 2/A to our Registration Statement on Form S-3 filed on May 14, 2010.
4.7	See Exhibit No. 3.1 for provisions of the Certificate of Incorporation and Exhibit 3.2 for provisions of the Bylaws defining the rights of the holders of Common Stock	Exhibits 3.1 and 3.2 to our current report on Form 8-K filed on February 24, 2010
31.1	Section 302 Certification for B.A. Streeter	Filed herewith
31.2	Section 302 Certification for Q.V. Kneen	Filed herewith
32.1		Filed herewith

	Section 906 Certification furnished for B.A. Streeter	
32.2	Section 906 Certification furnished for Q.V. Kneen	Filed herewith

Table of Contents

Exhibits	Description	Filed Herewith or Incorporated by Reference from the Following Documents
101	The following materials from GulfMark Offshore, Inc. s Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) Unaudited Condensed Consolidated Balance Sheets, (ii) Unaudited Condensed Consolidated Statements of Operations, (iii) Unaudited Condensed Consolidated Statements of Stockholders Equity, (iv) Unaudited Condensed Consolidated Statements of Cash Flows and (v) Notes to Unaudited Consolidated Condensed Financial Statements, tagged as blocks of text.	Filed herewith