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DEERE & CO
Form 13F-HR
May 13, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 13F

FORM 13F COVER PAGE

Report for the Calendar Quarter Ended: 31 March 2004.

Check here if Amendment []; Amendment Number.
This Amendment: [] is a restatement.
[] adds new holdings entries.

Institutional Investment Manager Filing this Report:

Name: Deere & Company
Address: One John Deere Place
Moline, IL 61265

Form 13F File Number: 28-00850

The institutional investment manager filing this report and the person by whom it is signed hereby represent that the person signing the report is authorized to submit it, that all information contained herein is true, correct and complete, and that it is understood that all required items, statements, schedules, lists, and tables are considered integral parts of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name: Dennis R. Schwartz
Title: Vice President, Pension Fund and Investments
Phone: 309-765-4488

Signature, Place, and Date of Signing:

/s/Dennis R. Schwartz	Moline, Illinois	May 13, 2004
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[Signature]	[City, State]	[Date]

Report Type:

[X] 13F HOLDINGS REPORT.
[] 13F NOTICE.
[] 13F COMBINATION REPORT.

FORM 13F SUMMARY PAGE

Report Summary:

Number of Other Included Managers: 0

Form 13F Information Table Entry Total: 782

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Form 13F Information Table Value Total: \$1,275,674
(thousands)

List of Other Included Managers: None

FORM 13F INFORMATION TABLE

NAME OF ISSUER	TITLE OF CLASS	CUSIP NUMBER	FAIR MKT VALUE (000)	SHARES		INVESTMENT	
				PRINCIPAL AMOUNT	SOLE	SHAR	
ACE LTD	ORD	G0070K103	956	22,400	X		
APEX SILVER MINES LTD	ORD	G04074103	205	9,100	X		
ARCH CAP GROUP LTD	ORD	G0450A105	1,751	41,597	X		
BUNGE LIMITED	COM	G16962105	784	19,500	X		
CHINADOTCOM CORP	CL A	G2108N109	88	10,200	X		
EVEREST RE GROUP LTD	COM	G3223R108	1,196	14,000	X		
FRESH DEL MONTE PRODUCE INC	ORD	G36738105	252	9,800	X		
FRONTLINE LTD	ORD	G3682E127	715	24,800	X		
HELEN OF TROY CORP LTD	COM	G4388N106	1,169	37,700	X		
IPC HLDGS LTD	ORD	G4933P101	295	7,500	X		
MAX RE CAPITAL LTD HAMILTON	SHS	G6052F103	269	11,900	X		
MONTPELIER RE HOLDINGS LTD	SHS	G62185106	1,162	31,200	X		
PARTNERRE LTD	COM	G6852T105	1,118	19,800	X		
RENAISSANCE RE HLDGS LTD	COM	G7496G103	2,189	42,100	X		
TSAKOS ENERGY NAVIGATION LTD	SHS	G9108L108	236	7,800	X		
XL CAP LTD	CL A	G98255105	996	13,100	X		
SBS BROADCASTING SA	ORD	L8137F102	272	7,600	X		
GIVEN IMAGING	ORD SHS	M52020100	284	8,300	X		
KERZNER INTERNATIONAL LTD	SHS	P6065Y107	355	8,000	X		
GENERAL MARITIME CORP	SHS	Y2692M103	679	27,000	X		
OMI CORP NEW	COM	Y6476W104	690	60,300	X		
ADE CORP MASS	COM	00089C107	210	10,700	X		
AFLAC INC	COM	001055102	2,224	55,400	X		
AMB PROPERTY CORP	COM	00163T109	1,167	31,400	X		
AMR CORP	COM	001765106	144	11,300	X		
AT&T CORP	COM NEW	001957505	2,636	134,700	X		
A S V INC	COM	001963107	1,456	47,900	X		
AT&T WIRELESS SVCS INC	COM	00209A106	3,299	242,400	X		
AAIPHARMA INC	COM	00252W104	143	21,500	X		
AARON RENTS INC	COM	002535201	261	10,500	X		
ABBOTT LABS	COM	002824100	6,925	168,500	X		
ACCREDITED HOME LENDRS HLDG	COM	00437P107	812	20,600	X		
ACCREDO HEALTH INC	COM	00437V104	1,231	32,300	X		
ADMINISTAFF INC	COM	007094105	258	14,800	X		
ADVANCED DIGITAL INFORMATION	COM	007525108	619	54,400	X		
ADVANCED MARKETING SVCS INC	COM	00753T105	147	14,800	X		
AEROFLEX INC	COM	007768104	392	29,100	X		
AEROPOSTALE	COM	007865108	257	7,100	X		
AEGON N V	ORD AMER REG	007924103	942	73,300	X		
ADVANCED ENERGY INDS	COM	007973100	314	15,400	X		
AFFILIATED COMPUTER SERVICES	CL A	008190100	1,277	24,600	X		
AFFORDABLE RESIDENTIAL CMTYS	COM	008273104	259	14,000	X		
AIR PRODS & CHEMS INC	COM	009158106	1,027	20,500	X		

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AKZO NOBEL NV	SPONSORED ADR	010199305	977	26,400	X
ALARIS MEDICAL SYSTEMS INC	COM	011637105	367	19,700	X
ALBEMARLE CORP	COM	012653101	368	12,700	X
ALCOA INC	COM	013817101	3,164	91,200	X
ALEXANDERS INC	COM	014752109	256	1,600	X
ALEXANDRIA REAL ESTATE EQ IN	COM	015271109	397	6,300	X
ALFA CORP	COM	015385107	152	11,200	X
ALIGN TECHNOLOGY INC	COM	016255101	241	12,700	X
ALLIANCE SEMICONDUCTOR CORP	COM	01877H100	219	28,840	X
ALLIANT TECHSYSTEMS INC	COM	018804104	294	5,400	X
ALLSTATE CORP	COM	020002101	4,832	106,300	X
ALLTEL CORP	COM	020039103	1,676	33,600	X
ALTIRIS INC	COM	02148M100	240	8,600	X
ALTRIA GROUP INC	COM	02209S103	12,845	235,900	X
AMAZON COM INC	COM	023135106	857	19,800	X
AMERICA WEST HLDG CORP	CL B	023657208	191	20,000	X
AMERICAN AXLE & MFG HLDGS IN	COM	024061103	1,293	35,100	X
AMERICAN CAPITAL STRATEGIES	COM	024937104	705	21,200	X
AMERICAN ELEC PWR INC	COM	025537101	1,402	42,600	X
AMERICAN EXPRESS CO	COM	025816109	6,429	124,000	X
AMERICAN FINL GROUP INC OHIO	COM	025932104	307	10,300	X
AMERICAN FINL RLTY TR	COM	02607P305	314	18,500	X
AMERICAN INTL GROUP INC	COM	026874107	18,073	253,300	X
AMERICAN MGMT SYS INC	COM	027352103	376	19,600	X
AMERICAN PHARMACEUTICALS PTN	COM	02886P109	1,337	28,500	X
AMERICREDIT CORP	COM	03060R101	397	23,300	X
AMERISTAR CASINOS INC	COM	03070Q101	987	29,444	X
AMERUS GROUP CO	COM	03072M108	307	7,600	X
AMGEN INC	COM	031162100	8,094	139,200	X
AMSOUTH BANCORPORATION	COM	032165102	922	39,200	X
AMSURG CORP	COM	03232P405	729	32,100	X
ANADARKO PETE CORP	COM	032511107	1,395	26,900	X
ANALOG DEVICES INC	COM	032654105	1,892	39,400	X
ANHEUSER BUSCH COS INC	COM	035229103	4,901	96,100	X
ANTHEM INC	COM	03674B104	1,351	14,900	X
AON CORP	COM	037389103	2,166	77,600	X
APACHE CORP	COM	037411105	1,507	34,900	X
APARTMENT INVT & MGMT CO	CL A	03748R101	1,841	59,228	X
APOLLO GROUP INC	CL A	037604105	1,964	22,800	X
APPLEBEES INTL INC	COM	037899101	764	18,500	X
APPLIED MATLS INC	COM	038222105	3,812	178,700	X
ARCHSTONE SMITH TR	COM	039583109	1,883	63,817	X
ARDEN RLTY INC	COM	039793104	850	26,300	X
ARROW INTL INC	COM	042764100	356	11,900	X
ARTHROCARE CORP	COM	043136100	335	14,400	X
ASK JEEVES INC	COM	045174109	518	14,500	X
ASPECT COMMUNICATIONS CORP	COM	04523Q102	287	18,300	X
ASPEN TECHNOLOGY INC	COM	045327103	222	27,200	X
ASSOCIATED BANC CORP	COM	045487105	1,003	22,400	X
ASTORIA FINL CORP	COM	046265104	456	12,000	X
AT RD INC	COM	04648K105	201	16,400	X
ATMOS ENERGY CORP	COM	049560105	358	14,000	X
ATWOOD OCEANICS INC	COM	050095108	203	5,700	X
AUGUST TECHNOLOGY CORP	COM	05106U105	295	19,600	X
AUTOLIV INC	COM	052800109	1,164	28,400	X
AUTOMATIC DATA PROCESSING IN	COM	053015103	2,709	64,500	X
AVALONBAY CMNTYS INC	COM	053484101	1,246	23,257	X
AVERY DENNISON CORP	COM	053611109	379	6,100	X
AVICI SYS INC	COM NEW	05367L802	229	16,600	X
AVOCENT CORP	COM	053893103	365	9,900	X
AVON PRODS INC	COM	054303102	1,920	25,300	X
BB&T CORP	COM	054937107	2,478	70,200	X

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BCE INC	COM	05534B109	976	46,400	X
BRE PROPERTIES INC	CL A	05564E106	566	16,500	X
BAKER HUGHES INC	COM	057224107	1,120	30,700	X
BANK OF AMERICA CORPORATION	COM	060505104	14,358	177,300	X
BANK OF THE OZARKS INC	COM	063904106	204	7,400	X
BANK NEW YORK INC	COM	064057102	2,627	83,400	X
BANK ONE CORP	COM	06423A103	6,722	123,300	X
BAXTER INTL INC	COM	071813109	1,992	64,500	X
BEAR STEARNS COS INC	COM	073902108	772	8,800	X
BEAZER HOMES USA INC	COM	07556Q105	794	7,500	X
BECTON DICKINSON & CO	COM	075887109	1,333	27,500	X
BED BATH & BEYOND INC	COM	075896100	2,204	52,600	X
BELDEN INC	COM	077459105	406	21,400	X
BELLSOUTH CORP	COM	079860102	6,790	245,200	X
BENCHMARK ELECTRS INC	COM	08160H101	1,141	36,250	X
BEST BUY INC	COM	086516101	1,459	28,200	X
BIG 5 SPORTING GOODS CORP	COM	08915P101	273	10,800	X
BIOSITE INC	COM	090945106	364	11,400	X
BLOCK H & R INC	COM	093671105	434	8,500	X
BOEING CO	COM	097023105	3,245	79,000	X
BOSTON PROPERTIES INC	COM	101121101	1,743	32,100	X
BOSTON SCIENTIFIC CORP	COM	101137107	2,945	69,500	X
BRADLEY PHARMACEUTICALS INC	COM	104576103	257	10,200	X
BRANDYWINE RLTY TR	SH BEN INT NEW	105368203	584	19,100	X
BRIGGS & STRATTON CORP	COM	109043109	418	6,200	X
BRIGHT HORIZON FAMILY SOLUTI	COM	109195107	694	14,720	X
BRISTOL MYERS SQUIBB CO	COM	110122108	5,069	209,200	X
BRITISH AMERN TOB PLC	SPONSORED ADR	110448107	1,022	33,900	X
BROADCOM CORP	CL A	111320107	702	18,000	X
BROCADE COMMUNICATIONS SYS I	COM	111621108	722	108,700	X
BROOKTROUT INC	COM	114580103	264	13,300	X
BUCKEYE TECHNOLOGIES INC	COM	118255108	233	22,500	X
BURLINGTON NORTHN SANTA FE C	COM	12189T104	1,074	34,100	X
BURLINGTON RES INC	COM	122014103	1,381	21,700	X
CBL & ASSOC PPTYS INC	COM	124830100	613	10,000	X
C COR NET CORP	COM	125010108	261	18,600	X
CEC ENTMT INC	COM	125137109	479	13,800	X
CIGNA CORP	COM	125509109	974	16,500	X
CNET NETWORKS INC	COM	12613R104	235	22,700	X
CTS CORP	COM	126501105	336	25,800	X
CVS CORP	COM	126650100	1,500	42,500	X
CABLE DESIGN TECHNOLOGIES CO	COM	126924109	174	18,400	X
CACHE INC	COM NEW	127150308	259	7,900	X
CACI INTL INC	CL A	127190304	1,200	27,900	X
CAL DIVE INTL INC	COM	127914109	372	14,400	X
CAL MAINE FOODS INC	COM NEW	128030202	239	6,700	X
CALLAWAY GOLF CO	COM	131193104	241	12,700	X
CAMBREX CORP	COM	132011107	487	18,100	X
CAMDEN PPTY TR	SH BEN INT	133131102	751	16,700	X
CAMPBELL SOUP CO	COM	134429109	556	20,400	X
CANDELA CORP	COM	136907102	305	22,200	X
CAPITAL AUTOMOTIVE REIT	COM SH BEN INT	139733109	392	11,100	X
CAPITAL ONE FINL CORP	COM	14040H105	2,964	39,300	X
CARBO CERAMICS INC	COM	140781105	271	4,300	X
CARDINAL HEALTH INC	COM	14149Y108	3,721	54,000	X
CARDIODYNAMICS INTL CORP	COM	141597104	269	42,600	X
CAREMARK RX INC	COM	141705103	380	11,417	X
CARRAMERICA RLTY CORP	COM	144418100	763	22,500	X
CARRIER ACCESS CORP	COM	144460102	253	20,600	X
CATELLUS DEV CORP NEW	COM	149113102	877	33,700	X
CATERPILLAR INC DEL	COM	149123101	2,941	37,200	X
CEMEX S A	SPON ADR 5 ORD	151290889	972	32,600	X

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CENDANT CORP	COM	151313103	2,680	109,900	X
CENTENE CORP DEL	COM	15135B101	248	8,100	X
CENTERPOINT PPTYS TR	COM	151895109	619	7,500	X
CENTEX CORP	COM	152312104	703	13,000	X
CENTRAL PKG CORP	COM	154785109	261	13,000	X
CERADYNE INC	COM	156710105	224	6,200	X
CERNER CORP	COM	156782104	203	4,500	X
CHARTERMAC	SH BEN INT	160908109	260	10,500	X
CHARTER COMMUNICATIONS INC D	CL A	16117M107	150	31,700	X
CHELSEA PPTY GROUP INC	COM	163421100	900	14,300	X
CHESAPEAKE CORP	COM	165159104	301	12,600	X
CHESAPEAKE ENERGY CORP	COM	165167107	737	55,000	X
CHEVRONTEXACO CORP	COM	166764100	11,815	134,600	X
CHICOS FAS INC	COM	168615102	1,155	24,900	X
CHILDRENS PL RETAIL STORES I	COM	168905107	269	8,700	X
CHUBB CORP	COM	171232101	3,484	50,100	X
CISCO SYS INC	COM	17275R102	17,857	757,600	X
CIRRUS LOGIC INC	COM	172755100	246	32,500	X
CITIGROUP INC	COM	172967101	28,725	555,600	X
CLAIRES STORES INC	COM	179584107	1,342	64,400	X
CLEAR CHANNEL COMMUNICATIONS	COM	184502102	2,397	56,600	X
CLEVELAND CLIFFS INC	COM	185896107	249	3,800	X
COACHMEN INDS INC	COM	189873102	214	12,800	X
COCA COLA CO	COM	191216100	11,634	231,300	X
COEUR D ALENE MINES CORP IDA	COM	192108108	99	14,100	X
COHERENT INC	COM	192479103	210	8,000	X
COINSTAR INC	COM	19259P300	303	19,200	X
COLDWATER CREEK INC	COM	193068103	260	12,200	X
COLGATE PALMOLIVE CO	COM	194162103	3,201	58,100	X
COLONIAL PPTYS TR	COM SH BEN INT	195872106	351	8,600	X
COLUMBIA BKG SYS INC	COM	197236102	294	10,500	X
COLUMBIA SPORTSWEAR CO	COM	198516106	249	4,500	X
COMCAST CORP NEW	CL A	20030N101	6,638	230,800	X
COMERICA INC	COM	200340107	961	17,700	X
COMMERCIAL FEDERAL CORPORATI	COM	201647104	679	24,600	X
COMMERCIAL METALS CO	COM	201723103	280	8,800	X
COMMERCIAL NET LEASE RLTY IN	COM	202218103	300	15,200	X
COMPANHIA VALE DO RIO DOCE	SPONSORED ADR	204412209	966	17,600	X
COMPASS BANCSHARES INC	COM	20449H109	1,033	24,900	X
COMPUCREDIT CORP	COM	20478N100	1,254	59,300	X
COMPUTER ASSOC INTL INC	COM	204912109	1,131	42,100	X
COMVERSE TECHNOLOGY INC	COM PAR \$0.10	205862402	718	39,600	X
CONAGRA FOODS INC	COM	205887102	2,535	94,100	X
CONCORD COMMUNICATIONS INC	COM	206186108	290	19,800	X
CONOCOPHILLIPS	COM	20825C104	6,932	99,300	X
CONSTELLATION BRANDS INC	CL A	21036P108	809	25,200	X
COOPER COS INC	COM NEW	216648402	281	5,200	X
COPART INC	COM	217204106	278	12,800	X
CORINTHIAN COLLEGES INC	COM	218868107	792	24,000	X
CORN PRODS INTL INC	COM	219023108	280	7,000	X
CORNERSTONE RLTY INCOME TR I	COM	21922V102	178	19,000	X
CORPORATE OFFICE PPTYS TR	SH BEN INT	22002T108	245	9,800	X
COSTCO WHSL CORP NEW	COM	22160K105	1,850	49,200	X
COUNTRYWIDE FINANCIAL CORP	COM	222372104	818	8,534	X
COUSINS PPTYS INC	COM	222795106	649	19,800	X
COVANCE INC	COM	222816100	365	10,600	X
COVENTRY HEALTH CARE INC	COM	222862104	1,598	37,750	X
COX COMMUNICATIONS INC NEW	CL A	224044107	648	20,500	X
CRESCENT REAL ESTATE EQUITIE	COM	225756105	588	32,700	X
D R HORTON INC	COM	23331A109	776	21,900	X
DAKTRONICS INC	COM	234264109	330	14,600	X
DANAHER CORP DEL	COM	235851102	1,158	12,400	X

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DATASCOPE CORP	COM	238113104	383	10,900	X
DEAN FOODS CO NEW	COM	242370104	1,136	34,000	X
DELL INC	COM	24702R101	8,267	245,900	X
DELPHI FINL GROUP INC	CL A	247131105	567	13,500	X
DENBURY RES INC	COM NEW	247916208	851	50,500	X
DENTSPLY INTL INC NEW	COM	249030107	1,095	24,700	X
DEVELOPERS DIVERSIFIED RLTY	COM	251591103	1,147	28,400	X
DEVON ENERGY CORP NEW	COM	25179M103	1,448	24,900	X
DICKS SPORTING GOODS INC	COM	253393102	1,064	18,300	X
DISNEY WALT CO	COM DISNEY	254687106	5,510	220,500	X
DITECH COMMUNICATIONS CORP	COM	25500M103	272	16,300	X
DOMINION RES INC VA NEW	COM	25746U109	2,225	34,600	X
DORAL FINL CORP	COM	25811P100	942	26,750	X
DOT HILL SYS CORP	COM	25848T109	163	16,200	X
DOW CHEM CO	COM	260543103	3,980	98,800	X
DRIL-QUIP INC	COM	262037104	192	11,700	X
DU PONT E I DE NEMOURS & CO	COM	263534109	4,539	107,500	X
DUKE ENERGY CORP	COM	264399106	2,199	97,300	X
DUKE REALTY CORP	COM NEW	264411505	1,548	44,594	X
DUPONT PHOTOMASKS INC	COM	26613X101	344	14,800	X
DYNEGY INC NEW	CL A	26816Q101	76	19,200	X
E M C CORP MASS	COM	268648102	3,466	254,700	X
E PIPHANY INC	COM	26881V100	228	31,600	X
EPIQ SYS INC	COM	26882D109	672	41,200	X
ESS TECHNOLOGY INC	COM	269151106	931	63,500	X
EASTGROUP PPTY INC	COM	272726101	245	6,900	X
EASTMAN KODAK CO	COM	277461109	945	36,100	X
EBAY INC	COM	278642103	3,907	56,400	X
ECHOSTAR COMMUNICATIONS NEW	CL A	278762109	806	24,600	X
EDUCATION MGMT CORP	COM	28139T101	236	7,400	X
EDWARDS AG INC	COM	281760108	1,260	32,200	X
EL PASO ELEC CO	COM NEW	283677854	184	13,300	X
ELECTRONIC DATA SYS NEW	COM	285661104	977	50,500	X
ELECTRONICS BOUTIQUE HLDGS C	COM	286045109	513	17,500	X
ELIZABETH ARDEN INC	COM	28660G106	239	11,300	X
ELKCORP	COM	287456107	542	20,000	X
EMBARCADERO TECHNOLOGIES INC	COM	290787100	660	51,700	X
EMERSON ELEC CO	COM	291011104	2,720	45,400	X
EMULEX CORP	COM NEW	292475209	643	30,200	X
ENCYSIVE PHARMACEUTICALS INC	COM	29256X107	483	47,000	X
ENDO PHARMACEUTICALS HLDGS I	COM	29264F205	303	12,400	X
ENERGY PARTNERS LTD	COM	29270U105	335	25,100	X
ENGINEERED SUPPORT SYS INC	COM	292866100	222	4,550	X
ENTEGRIS INC	COM	29362U104	643	50,600	X
ENTERGY CORP NEW	COM	29364G103	1,452	24,400	X
ENTERTAINMENT PPTYS TR	COM SH BEN INT	29380T105	270	6,600	X
EON LABS INC	COM	29412E100	751	11,200	X
EQUITY INNS INC	COM	294703103	129	14,000	X
EQUITY OFFICE PROPERTIES TRU	COM	294741103	5,840	202,136	X
EQUITY ONE	COM	294752100	432	22,500	X
EQUITY RESIDENTIAL	SH BEN INT	29476L107	3,689	123,600	X
ERESEARCHTECHNOLOGY INC	COM	29481V108	499	17,800	X
ERIE INDTY CO	CL A	29530P102	319	6,600	X
ESSEX PPTY TR INC	COM	297178105	491	7,500	X
ETHAN ALLEN INTERIORS INC	COM	297602104	347	8,400	X
EXELON CORP	COM	30161N101	2,410	35,000	X
EXPEDITORS INTL WASH INC	COM	302130109	441	11,200	X
EXPRESSJET HOLDINGS INC	CL A	30218U108	1,250	100,500	X
EXPRESS SCRIPTS INC	COM	302182100	1,200	16,100	X
EXXON MOBIL CORP	COM	30231G102	30,352	729,800	X
FPIC INS GROUP INC	COM	302563101	271	11,800	X
FPL GROUP INC	COM	302571104	1,671	25,000	X

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FALCONSTOR SOFTWARE INC	COM	306137100	118	15,800	X
FEDERAL HOME LN MTG CORP	COM	313400301	6,048	102,400	X
FEDERAL NATL MTG ASSN	COM	313586109	9,316	125,300	X
FEDERAL REALTY INVT TR	SH BEN INT NEW	313747206	910	19,700	X
FEDEX CORP	COM	31428X106	2,420	32,200	X
FELCOR LODGING TR INC	COM	31430F101	203	19,500	X
FIDELITY NATL FINL INC	COM	316326107	2,234	56,412	X
FIFTH THIRD BANCORP	COM	316773100	2,996	54,100	X
FIRST AMERN CORP CALIF	COM	318522307	1,859	61,100	X
FIRST DATA CORP	COM	319963104	4,212	99,900	X
FIRST INDUSTRIAL REALTY TRUS	COM	32054K103	387	9,800	X
FIRST TENN NATL CORP	COM	337162101	1,045	21,900	X
FLAGSTAR BANCORP INC	COM	337930101	880	34,300	X
FIRSTENERGY CORP	COM	337932107	2,278	58,300	X
FLEETBOSTON FINL CORP	COM	339030108	5,096	113,500	X
FORD MTR CO DEL	COM PAR \$0.01	345370860	3,581	263,900	X
FOREST LABS INC	COM	345838106	3,380	47,200	X
FOUNDRY NETWORKS INC	COM	35063R100	261	15,200	X
4 KIDS ENTMT INC	COM	350865101	409	18,300	X
FOX ENTMT GROUP INC	CL A	35138T107	512	18,900	X
FRIEDMAN BILLINGS RAMSEY GRO	CL A	358434108	777	28,800	X
GABELLI ASSET MGMT INC	CL A	36239Y102	238	5,900	X
GABLES RESIDENTIAL TR	SH BEN INT	362418105	341	9,400	X
GALLAGHER ARTHUR J & CO	COM	363576109	453	13,900	X
GANNETT INC	COM	364730101	2,926	33,200	X
GAP INC DEL	COM	364760108	2,823	128,800	X
GENENTECH INC	COM NEW	368710406	2,339	22,100	X
GENERAL DYNAMICS CORP	COM	369550108	2,707	30,300	X
GENERAL ELEC CO	COM	369604103	32,922	1,078,700	X
GENERAL GROWTH PPTYS INC	COM	370021107	3,494	99,400	X
GENERAL MLS INC	COM	370334104	1,863	39,900	X
GENERAL MTRS CORP	COM	370442105	2,350	49,900	X
GENESCO INC	COM	371532102	517	22,300	X
GENOME THERAPEUTICS CORP	COM	372430108	279	49,600	X
GENZYME CORP	COM GENL DIV	372917104	973	20,800	X
GETTY IMAGES INC	COM	374276103	270	5,000	X
GETTY RLTY CORP NEW	COM	374297109	215	8,100	X
GILEAD SCIENCES INC	COM	375558103	1,198	21,600	X
GILLETTE CO	COM	375766102	4,309	110,200	X
GLAXOSMITHKLINE PLC	SPONSORED ADR	37733W105	927	23,200	X
GLENBOROUGH RLTY TR INC	COM	37803P105	206	9,200	X
GLIMCHER RLTY TR	SH BEN INT	379302102	314	11,600	X
GLOBAL IMAGING SYSTEMS	COM	37934A100	1,259	37,900	X
GOLDEN STAR RES LTD CDA	COM	38119T104	116	16,200	X
GOLDEN WEST FINL CORP DEL	COM	381317106	1,511	13,500	X
GOLDMAN SACHS GROUP INC	COM	38141G104	3,903	37,400	X
GREATER BAY BANCORP	COM	391648102	281	9,600	X
GREENPOINT FINL CORP	COM	395384100	439	10,050	X
GUESS INC	COM	401617105	263	14,600	X
GUIDANT CORP	COM	401698105	2,117	33,400	X
GUITAR CTR MGMT INC	COM	402040109	275	7,400	X
HCA INC	COM	404119109	2,153	53,000	X
HCC INS HLDGS INC	COM	404132102	307	9,500	X
HRPT PPTYS TR	COM SH BEN INT	40426W101	814	72,000	X
HAEMONETICS CORP	COM	405024100	223	7,100	X
HAIN CELESTIAL GROUP INC	COM	405217100	391	17,700	X
HALLIBURTON CO	COM	406216101	1,434	47,200	X
HARLEY DAVIDSON INC	COM	412822108	1,739	32,600	X
HARMONIC INC	COM	413160102	201	20,700	X
HARRIS CORP DEL	COM	413875105	339	7,000	X
HARTFORD FINL SVCS GROUP INC	COM	416515104	1,943	30,500	X
HEALTH CARE PTY INVS INC	COM	421915109	1,206	42,600	X

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HEALTHCARE RLTY TR	COM	421946104	602	14,100	X
HEALTH CARE REIT INC	COM	42217K106	658	16,200	X
HEALTHEXTRAS INC	COM	422211102	267	23,300	X
HEINZ H J CO	COM	423074103	1,413	37,900	X
HELIX TECHNOLOGY CORP	COM	423319102	247	10,200	X
HERITAGE PPTY INVT TR INC	COM	42725M107	622	20,000	X
HEWLETT PACKARD CO	COM	428236103	7,526	329,500	X
HI / FN INC	COM	428358105	256	22,193	X
HIBBETT SPORTING GOODS INC	COM	428565105	687	18,000	X
HIBERNIA CORP	CL A	428656102	965	41,100	X
HIGHWOODS PPTYS INC	COM	431284108	459	17,500	X
HILB ROGAL & HAMILTON CO	COM	431294107	472	12,400	X
HILLENBRAND INDS INC	COM	431573104	407	6,000	X
HOLLIS-EDEN PHARMACEUTICALS	COM	435902101	475	49,200	X
HOLOGIC INC	COM	436440101	693	34,200	X
HOME DEPOT INC	COM	437076102	9,482	253,800	X
HOME PROPERTIES INC	COM	437306103	413	10,135	X
HON INDS INC	COM	438092108	446	12,000	X
HONEYWELL INTL INC	COM	438516106	3,033	89,600	X
HOSPITALITY PPTYS TR	COM SH BEN INT	44106M102	1,012	21,800	X
HOST MARRIOTT CORP NEW	COM	44107P104	1,338	104,700	X
HOVNANIAN ENTERPRISES INC	CL A	442487203	949	22,000	X
HUNTINGTON BANCSHARES INC	COM	446150104	956	43,400	X
IDX SYS CORP	COM	449491109	363	10,500	X
IKON OFFICE SOLUTIONS INC	COM	451713101	154	12,000	X
ILLINOIS TOOL WKS INC	COM	452308109	2,203	27,800	X
IMPAC MTG HLDGS INC	COM	45254P102	699	25,700	X
IMPERIAL CHEM INDS PLC	ADR NEW	452704505	994	59,300	X
INFOUSA INC NEW	COM	456818301	124	11,800	X
INGRAM MICRO INC	CL A	457153104	1,133	62,600	X
INNKEEPERS USA TR	COM	4576J0104	113	12,400	X
INSIGHT ENTERPRISES INC	COM	45765U103	237	12,300	X
INSITUFORM TECHNOLOGIES INC	CL A	457667103	266	17,000	X
INSIGHT COMMUNICATIONS INC	CL A	45768V108	189	18,800	X
INTEGRATED SILICON SOLUTION	COM	45812P107	287	16,200	X
INTEL CORP	COM	458140100	19,181	705,200	X
INTERACTIVECORP	COM	45840Q101	1,433	45,300	X
INTERNATIONAL BUSINESS MACHS	COM	459200101	16,403	178,600	X
INTL PAPER CO	COM	460146103	2,185	51,700	X
INVESTORS REAL ESTATE TR	SH BEN INT	461730103	119	12,200	X
ISHARES TR	RUSSELL 2000	464287655	4,128	35,100	X
ISHARES TR	RUSSELL 3000	464287689	11,762	183,300	X
ISHARES TR	S&P SMLCAP 600	464287804	2,677	18,800	X
JLG INDS INC	COM	466210101	400	28,000	X
J P MORGAN CHASE & CO	COM	46625H100	9,388	223,800	X
J2 GLOBAL COMMUNICATIONS INC	COM NEW	46626E205	255	11,300	X
JACK IN THE BOX INC	COM	466367109	232	9,300	X
JEFFERSON PILOT CORP	COM	475070108	1,040	18,900	X
JOHNSON & JOHNSON	COM	478160104	16,251	320,400	X
JOHNSON CTLS INC	COM	478366107	461	7,800	X
KCS ENERGY INC	COM	482434206	701	65,500	X
K-SWISS INC	CL A	482686102	908	37,100	X
KANSAS CITY SOUTHERN	COM NEW	485170302	325	23,400	X
KB HOME	COM	48666K109	1,479	18,300	X
KELLOGG CO	COM	487836108	867	22,100	X
KERR MCGEE CORP	COM	492386107	2,148	41,700	X
KEYCORP NEW	COM	493267108	1,381	45,600	X
KEYSTONE PPTY TR CORP	COM	493596100	243	10,000	X
KILROY RLTY CORP	COM	49427F108	327	9,200	X
KIMBERLY CLARK CORP	COM	494368103	3,464	54,900	X
KIMCO REALTY CORP	COM	49446R109	1,845	36,200	X
KINDER MORGAN INC KANS	COM	49455P101	334	5,300	X

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KNIGHT TRADING GROUP INC	COM	499063105	258	20,400	X
KOHLS CORP	COM	500255104	1,493	30,900	X
KOPIN CORP	COM	500600101	283	48,900	X
KORN FERRY INTL	COM NEW	500643200	296	18,500	X
KOS PHARMACEUTICALS INC	COM	500648100	314	7,700	X
KRAFT FOODS INC	CL A	50075N104	2,090	65,300	X
KROGER CO	COM	501044101	1,354	81,400	X
KULICKE & SOFFA INDS INC	COM	501242101	212	18,100	X
KYPHON INC	COM	501577100	206	8,600	X
LNR PPTY CORP	COM	501940100	273	5,100	X
LTX CORP	COM	502392103	265	17,600	X
LABRANCHE & CO INC	COM	505447102	120	10,700	X
LANCE INC	COM	514606102	344	21,000	X
LEHMAN BROS HLDGS INC	COM	524908100	2,395	28,900	X
LENNAR CORP	CL A	526057104	1,194	22,100	X
LEXINGTON CORP PPTYS TR	COM	529043101	290	13,300	X
LIBBEY INC	COM	529898108	239	9,200	X
LIBERTY MEDIA CORP NEW	COM SER A	530718105	3,247	296,500	X
LIBERTY PPTY TR	SH BEN INT	531172104	2,219	49,300	X
LILLY ELI & CO	COM	532457108	7,346	109,800	X
LINCOLN NATL CORP IND	COM	534187109	1,008	21,300	X
LINEAR TECHNOLOGY CORP	COM	535678106	1,053	28,400	X
LINENS N THINGS INC	COM	535679104	637	18,000	X
LITHIA MTRS INC	CL A	536797103	243	8,800	X
LOCKHEED MARTIN CORP	COM	539830109	1,812	39,700	X
LOUISIANA PAC CORP	COM	546347105	271	10,500	X
LOWES COS INC	COM	548661107	4,608	82,100	X
M & T BK CORP	COM	55261F104	647	7,200	X
MBNA CORP	COM	55262L100	3,200	115,800	X
M D C HLDGS INC	COM	552676108	382	5,423	X
MEMC ELECTR MATLS INC	COM	552715104	111	12,100	X
MFA MTG INVTS INC	COM	55272X102	234	23,200	X
MGM MIRAGE	COM	552953101	222	4,900	X
MRO SOFTWARE INC	COM	55347W105	249	21,400	X
MRV COMMUNICATIONS INC	COM	553477100	192	57,800	X
MACERICH CO	COM	554382101	1,207	22,400	X
MACK CALI RLTY CORP	COM	554489104	1,235	27,500	X
MAGNUM HUNTER RES INC	COM PAR \$0.002	55972F203	744	73,400	X
MAGUIRE PPTYS INC	COM	559775101	361	14,100	X
MANITOWOC INC	COM	563571108	488	16,500	X
MANTECH INTL CORP	CL A	564563104	680	33,200	X
MANUFACTURED HOME CMNTYS INC	COM	564682102	261	7,400	X
MANULIFE FINL CORP	COM	56501R106	1,022	27,500	X
MANUGISTICS GROUP INC	COM	565011103	228	33,300	X
MAPINFO CORP	COM	565105103	284	22,200	X
MARATHON OIL CORP	COM	565849106	2,397	71,200	X
MARSH & MCLENNAN COS INC	COM	571748102	3,616	78,100	X
MARVEL ENTERPRISES INC	COM	57383M108	233	12,150	X
MASCO CORP	COM	574599106	2,551	83,800	X
MAXIM INTEGRATED PRODS INC	COM	57772K101	1,644	35,000	X
MAXIM PHARMACEUTICALS INC	COM	57772M107	124	14,500	X
MAY DEPT STORES CO	COM	577778103	311	9,000	X
MAXIMUS INC	COM	577933104	420	12,000	X
MCDONALDS CORP	COM	580135101	3,923	137,300	X
MCGRAW HILL COS INC	COM	580645109	1,568	20,600	X
MEDCO HEALTH SOLUTIONS INC	COM	58405U102	836	24,600	X
MEDTRONIC INC	COM	585055106	6,284	131,600	X
MELLON FINL CORP	COM	58551A108	1,458	46,600	X
MENS WEARHOUSE INC	COM	587118100	433	16,300	X
MERCANTILE BANKSHARES CORP	COM	587405101	923	21,500	X
MERCK & CO INC	COM	589331107	11,671	264,100	X
MERCURY GENL CORP NEW	COM	589400100	1,453	29,100	X

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MERIDIAN RESOURCE CORP	COM	58977Q109	259	43,100	X
MERISTAR HOSPITALITY CORP	COM	58984Y103	168	24,145	X
MERRILL LYNCH & CO INC	COM	590188108	5,956	100,000	X
METAL MGMT INC	COM NEW	591097209	1,210	33,000	X
METHODE ELECTRS INC	COM	591520200	227	17,600	X
METLIFE INC	COM	59156R108	1,309	36,700	X
MICROSOFT CORP	COM	594918104	24,065	965,300	X
MICROSEMI CORP	COM	595137100	216	15,800	X
MID-AMER APT CMNTYS INC	COM	59522J103	245	6,600	X
MILLS CORP	COM	601148109	842	15,800	X
MONACO COACH CORP	COM	60886R103	614	22,900	X
MONSANTO CO NEW	COM	61166W101	997	27,200	X
MOOG INC	CL A	615394202	321	9,400	X
MORGAN STANLEY	COM NEW	617446448	7,266	126,800	X
MOTOROLA INC	COM	620076109	4,398	249,900	X
MULTIMEDIA GAMES INC	COM	625453105	735	29,700	X
MYKROLIS CORP	COM	62852P103	251	17,600	X
NCO GROUP INC	COM	628858102	497	21,300	X
NII HLDGS INC	CL B NEW	62913F201	263	7,500	X
NIC INC	COM	62914B100	278	46,000	X
NMS COMMUNICATIONS CORP	COM	629248105	219	30,600	X
NVR INC	COM	62944T105	1,472	3,200	X
NANOMETRICS INC	COM	630077105	210	13,700	X
NATIONAL CITY CORP	COM	635405103	3,060	86,000	X
NATIONWIDE FINL SVCS INC	CL A	638612101	296	8,200	X
NATIONWIDE HEALTH PPTYS INC	COM	638620104	479	21,500	X
NAVIGANT CONSULTING INC	COM	63935N107	538	26,600	X
NDCHEALTH CORP	COM	639480102	432	15,900	X
NETEGRITY INC	COM	64110P107	183	21,500	X
NETWORK EQUIP TECHNOLOGIES	COM	641208103	211	21,100	X
NEW CENTURY FINANCIAL CORP	COM	64352D101	1,180	24,300	X
NEW PLAN EXCEL RLTY TR INC	COM	648053106	1,050	38,400	X
NEW YORK CMNTY BANCORP INC	COM	649445103	809	23,600	X
NEWELL RUBBERMAID INC	COM	651229106	954	41,100	X
NEWFIELD EXPL CO	COM	651290108	1,682	35,100	X
NEWMONT MINING CORP	COM	651639106	1,963	42,100	X
NEXTEL COMMUNICATIONS INC	CL A	65332V103	3,420	138,700	X
NEXTEL PARTNERS INC	CL A	65333F107	979	77,300	X
NIKE INC	CL B	654106103	1,378	17,700	X
NOKIA CORP	SPONSORED ADR	654902204	726	35,800	X
NORTH AMERN PALLADIUM LTD	COM	656912102	178	15,100	X
NORTH FORK BANCORPORATION NY	COM	659424105	956	22,600	X
NORTHROP GRUMMAN CORP	COM	666807102	1,850	18,800	X
NOVASTAR FINL INC	COM	669947400	666	10,100	X
NUANCE COMMUNICATIONS INC	COM	669967101	213	32,400	X
NOVEN PHARMACEUTICALS INC	COM	670009109	275	12,800	X
O CHARLEYS INC	COM	670823103	266	14,600	X
OM GROUP INC	COM	670872100	626	20,600	X
OSI SYSTEMS INC	COM	671044105	490	24,500	X
OCCIDENTAL PETE CORP DEL	COM	674599105	1,883	40,900	X
ODYSSEY RE HLDGS CORP	COM	67612W108	319	11,800	X
OLD NATL BANCORP IND	COM	680033107	293	12,975	X
OLD REP INTL CORP	COM	680223104	1,036	42,200	X
OMNICARE INC	COM	681904108	709	16,000	X
OMNICOM GROUP INC	COM	681919106	1,637	20,400	X
OMEGA HEALTHCARE INVS INC	COM	681936100	133	12,200	X
OMNIVISION TECHNOLOGIES INC	COM	682128103	942	34,500	X
ONEOK INC NEW	COM	682680103	304	13,500	X
ORACLE CORP	COM	68389X105	5,018	418,200	X
ORBITAL SCIENCES CORP	COM	685564106	724	57,800	X
O REILLY AUTOMOTIVE INC	COM	686091109	742	18,519	X
ORIENTAL FINL GROUP INC	COM	68618W100	264	8,300	X

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ORTHODONTIC CTRS AMER INC	COM	68750P103	152	19,200	X
OSHKOSH TRUCK CORP	COM	688239201	941	16,900	X
PDI INC	COM	69329V100	215	8,500	X
PFF BANCORP INC	COM	69331W104	259	6,800	X
PMA CAP CORP	CL A	693419202	144	23,700	X
PNC FINL SVCS GROUP INC	COM	693475105	2,682	48,400	X
PPG INDS INC	COM	693506107	396	6,800	X
PS BUSINESS PKS INC CALIF	COM	69360J107	329	7,088	X
PSS WORLD MED INC	COM	69366A100	219	19,600	X
PTEK HLDGS INC	COM	69366M104	241	26,200	X
PACIFIC SUNWEAR CALIF INC	COM	694873100	626	25,350	X
PAN PACIFIC RETAIL PPTYS INC	COM	69806L104	693	13,300	X
PARAGON REAL EST EQT & INVT	COM	69912Y107	2	10,400	X
PARTNER COMMUNICATIONS CO LT	ADR	70211M109	91	11,400	X
PATHMARK STORES INC NEW	COM	70322A101	178	22,300	X
PATINA OIL & GAS CORP	COM	703224105	1,211	46,150	X
PAYCHEX INC	COM	704326107	1,068	30,000	X
PEGASUS COMMUNICATIONS CORP	CL A NEW	705904605	254	6,621	X
PENN NATL GAMING INC	COM	707569109	1,108	38,500	X
PENNSYLVANIA RL ESTATE INVT	SH BEN INT	709102107	441	11,700	X
PEPCO HOLDINGS INC	COM	713291102	912	44,600	X
PEPSICO INC	COM	713448108	9,984	185,400	X
PERKINELMER INC	COM	714046109	321	15,500	X
PETROLEO BRASILEIRO SA PETRO	SPONSORED ADR	71654V408	948	28,300	X
PFIZER INC	COM	717081103	29,865	852,080	X
PHARMACEUTICAL RES INC	COM	717125108	483	8,500	X
PHILIPPINE LONG DISTANCE TEL	SPONSORED ADR	718252604	258	15,100	X
PHOTRONICS INC	COM	719405102	543	30,700	X
PITNEY BOWES INC	COM	724479100	392	9,200	X
PLEXUS CORP	COM	729132100	653	36,700	X
PLUM CREEK TIMBER CO INC	COM	729251108	1,949	60,000	X
POGO PRODUCING CO	COM	730448107	1,601	34,900	X
POLYONE CORP	COM	73179P106	396	59,500	X
PORTFOLIO RECOVERY ASSOCS IN	COM	73640Q105	253	9,400	X
POST PPTYS INC	COM	737464107	360	12,500	X
POZEN INC	COM	73941U102	457	33,100	X
PREMCO INC	COM	74045Q104	694	22,400	X
PRENTISS PPTYS TR	SH BEN INT	740706106	683	18,500	X
PRICELINE COM INC	COM NEW	741503403	286	10,600	X
PRIMA ENERGY CORP	COM PAR \$0.015	741901201	256	7,400	X
PRINCIPAL FINANCIAL GROUP IN	COM	74251V102	930	26,100	X
PRIORITY HEALTHCARE CORP	CL B	74264T102	334	15,700	X
PROCTER & GAMBLE CO	COM	742718109	15,029	143,300	X
PRIVATEBANCORP INC	COM	742962103	263	5,100	X
PROGRESS ENERGY INC	COM	743263105	913	19,400	X
PROGRESSIVE CORP OHIO	COM	743315103	3,040	34,700	X
PROLOGIS	SH BEN INT	743410102	2,116	58,998	X
PROTECTIVE LIFE CORP	COM	743674103	300	8,000	X
PROVINCE HEALTHCARE CO	COM	743977100	432	27,200	X
PROVIDIAN FINL CORP	COM	74406A102	145	11,100	X
PRUDENTIAL FINL INC	COM	744320102	2,664	59,500	X
PUBLIC STORAGE INC	COM	74460D109	2,983	61,300	X
PULTE HOMES INC	COM	745867101	684	12,300	X
QUALCOMM INC	COM	747525103	6,337	95,600	X
QUEST SOFTWARE INC	COM	74834T103	178	10,900	X
QUOVADX INC	COM	74913K106	65	17,700	X
R & G FINANCIAL CORP	CL B	749136107	568	16,450	X
RC2 CORP	COM	749388104	256	9,300	X
RLI CORP	COM	749607107	270	7,000	X
RSA SEC INC	COM	749719100	325	17,300	X
RADIAN GROUP INC	COM	750236101	493	11,576	X
RADISYS CORP	COM	750459109	236	11,300	X

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RAYONIER INC	COM	754907103	699	16,000	X
RAYOVAC CORP	COM	755081106	1,104	38,600	X
RAYTHEON CO	COM NEW	755111507	1,388	44,300	X
READERS DIGEST ASSN INC	COM	755267101	151	10,700	X
REALTY INCOME CORP	COM	756109104	558	12,500	X
RECKSON ASSOCS RLTY CORP	COM	75621K106	1,024	36,400	X
REDWOOD TR INC	COM	758075402	1,169	18,800	X
REGENCY CTRS CORP	COM	758849103	921	19,700	X
REGIS CORP MINN	COM	758932107	276	6,200	X
REGIONS FINL CORP	COM	758940100	950	26,000	X
RELIANCE STEEL & ALUMINUM CO	COM	759509102	1,167	33,200	X
RENAL CARE GROUP INC	COM	759930100	1,066	23,300	X
RESMED INC	COM	761152107	389	8,600	X
REYNOLDS R J TOB HLDGS INC	COM	76182K105	980	16,200	X
RIGGS NATL CORP WASH DC	COM	766570105	406	23,600	X
RITE AID CORP	COM	767754104	92	16,900	X
ROFIN SINAR TECHNOLOGIES INC	COM	775043102	247	8,300	X
ROLLINS INC	COM	775711104	258	10,000	X
ROPER INDS INC NEW	COM	776696106	410	8,500	X
ROSS STORES INC	COM	778296103	337	11,000	X
ROUSE CO	COM	779273101	1,683	31,400	X
ROYAL BK CDA MONTREAL QUE	COM	780087102	405	8,499	X
RYLAND GROUP INC	COM	783764103	1,022	11,500	X
SBC COMMUNICATIONS INC	COM	78387G103	10,096	411,400	X
SL GREEN RLTY CORP	COM	78440X101	763	16,000	X
SLM CORP	COM	78442P106	1,862	44,500	X
S1 CORPORATION	COM	78463B101	211	27,800	X
SRA INTL INC	CL A	78464R105	233	6,300	X
SWS GROUP INC	COM	78503N107	270	15,089	X
ST JUDE MED INC	COM	790849103	1,399	19,400	X
SANDERSON FARMS INC	COM	800013104	264	7,200	X
SARA LEE CORP	COM	803111103	2,811	128,600	X
SCANSOURCE INC	COM	806037107	657	13,700	X
SCHEIN HENRY INC	COM	806407102	734	10,300	X
SCHERING PLOUGH CORP	COM	806605101	2,764	170,400	X
SCHNITZER STL INDS	CL A	806882106	263	8,250	X
SCHWAB CHARLES CORP NEW	COM	808513105	1,122	96,600	X
SEACHANGE INTL INC	COM	811699107	222	14,500	X
SEARS ROEBUCK & CO	COM	812387108	958	22,300	X
SEEBEYOND TECHNOLOGIES CORP	COM	815704101	217	53,600	X
SELECT COMFORT CORP	COM	81616X103	276	10,000	X
SELECTIVE INS GROUP INC	COM	816300107	796	22,700	X
SEMITOOL INC	COM	816909105	220	17,400	X
SENIOR HSG PPTYS TR	SH BEN INT	81721M109	406	20,800	X
SEROLOGICALS CORP	COM	817523103	255	12,500	X
SHAW GROUP INC	COM	820280105	145	13,400	X
SHERWIN WILLIAMS CO	COM	824348106	1,038	27,000	X
SHURGARD STORAGE CTRS INC	COM	82567D104	599	15,000	X
SIERRA HEALTH SVCS INC	COM	826322109	273	7,500	X
SIGMATEL INC	COM	82661W107	641	28,800	X
SILGAN HOLDINGS INC	COM	827048109	279	6,100	X
SILICON GRAPHICS INC	COM	827056102	191	75,000	X
SIMON PPTY GROUP INC NEW	COM	828806109	3,670	62,796	X
SKYWORKS SOLUTIONS INC	COM	83088M102	399	34,200	X
SOLA INTL INC	COM	834092108	418	18,000	X
SONIC CORP	COM	835451105	743	21,600	X
SONIC SOLUTIONS	COM	835460106	233	12,100	X
SONICWALL INC	COM	835470105	694	76,900	X
SOURCECORP	COM	836167106	488	18,400	X
SOUTHERN CO	COM	842587107	2,376	77,900	X
SOUTHERN UN CO NEW	COM	844030106	374	19,740	X
SOUTHTRUST CORP	COM	844730101	677	20,400	X

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SOUTHWEST AIRLS CO	COM	844741108	986	69,400	X
SOUTHWEST GAS CORP	COM	844895102	232	9,900	X
SPRINT CORP	COM FON GROUP	852061100	2,822	153,100	X
STANDARD MICROSYSTEMS CORP	COM	853626109	227	8,500	X
STANDARD PAC CORP NEW	COM	85375C101	756	12,600	X
STANLEY WKS	COM	854616109	1,016	23,800	X
STATE STR CORP	COM	857477103	2,565	49,200	X
STERICYCLE INC	COM	858912108	508	10,600	X
STERLING FINL CORP WASH	COM	859319105	254	6,900	X
STEWART & STEVENSON SVCS INC	COM	860342104	183	12,500	X
STEWART ENTERPRISES INC	CL A	860370105	448	61,600	X
STEWART INFORMATION SVCS COR	COM	860372101	1,372	34,900	X
STONE ENERGY CORP	COM	861642106	430	8,700	X
STRAYER ED INC	COM	863236105	281	2,400	X
STRYKER CORP	COM	863667101	1,319	14,900	X
SUMMIT PPTYS INC	COM	866239106	246	10,300	X
SUN COMMUNITIES INC	COM	866674104	265	6,200	X
SUN MICROSYSTEMS INC	COM	866810104	1,454	348,600	X
SUNRISE SENIOR LIVING INC	COM	86768K106	326	9,100	X
SUNTRUST BKS INC	COM	867914103	1,854	26,600	X
SUPERVALU INC	COM	868536103	336	11,000	X
SURMODICS INC	COM	868873100	342	17,200	X
SWIFT ENERGY CO	COM	870738101	296	15,700	X
SYSCO CORP	COM	871829107	2,737	70,100	X
TCF FINL CORP	COM	872275102	991	19,400	X
THQ INC	COM NEW	872443403	380	18,800	X
TALK AMERICA HLDGS INC	COM NEW	87426R202	136	16,200	X
TARGET CORP	COM	87612E106	4,427	98,300	X
TASER INTL INC	COM	87651B104	321	4,100	X
TAUBMAN CTRS INC	COM	876664103	413	16,400	X
TECH DATA CORP	COM	878237106	700	17,100	X
TELEDYNE TECHNOLOGIES INC	COM	879360105	342	18,300	X
TELEFONOS DE MEXICO S A	SPON ADR ORD L	879403780	967	27,700	X
TELESYSTEM INTL WIRELESS INC	COM NEW	879946606	199	17,500	X
TENNECO AUTOMOTIVE INC	COM	880349105	261	20,600	X
TEXAS INDS INC	COM	882491103	430	11,900	X
TEXAS INSTRS INC	COM	882508104	5,774	197,600	X
TEXTRON INC	COM	883203101	973	18,300	X
THERMA-WAVE INC	COM	88343A108	211	54,200	X
THORNBURG MTG INC	COM	885218107	921	29,600	X
3M CO	COM	88579Y101	6,910	84,400	X
TIMBERLAND CO	CL A	887100105	1,225	20,600	X
TIME WARNER INC	COM	887317105	7,872	466,900	X
TOLL BROTHERS INC	COM	889478103	250	5,500	X
TOO INC	COM	890333107	371	17,700	X
TRACTOR SUPPLY CO	COM	892356106	256	6,600	X
TRANSCANADA CORP	COM	89353D107	995	46,300	X
TRAVELERS PPTY CAS CORP NEW	CL B	89420G406	1,572	91,000	X
TREDEGAR CORP	COM	894650100	335	22,900	X
TRIBUNE CO NEW	COM	896047107	1,110	22,000	X
TRIMBLE NAVIGATION LTD	COM	896239100	293	12,750	X
TRIQUINT SEMICONDUCTOR INC	COM	89674K103	698	95,600	X
TRIZEC PROPERTIES INC	COM	89687P107	852	49,700	X
TYLER TECHNOLOGIES INC	COM	902252105	254	26,200	X
TYSON FOODS INC	CL A	902494103	1,235	68,400	X
UICI	COM	902737105	372	25,200	X
US BANCORP DEL	COM NEW	902973304	6,675	241,400	X
UMPQUA HLDGS CORP	COM	904214103	335	16,600	X
UNION PAC CORP	COM	907818108	1,639	27,400	X
UNION PLANTERS CORP	COM	908068109	931	31,200	X
UNIT CORP	COM	909218109	740	27,000	X
UNITED DEFENSE INDS INC	COM	91018B104	1,281	40,300	X

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UNITED DOMINION REALTY TR IN	COM	910197102	983	50,100	X
UNITED ONLINE INC	COM	911268100	1,690	100,500	X
UNITED PARCEL SERVICE INC	CL B	911312106	3,869	55,400	X
UNITED STATIONERS INC	COM	913004107	375	8,900	X
UNITED SURGICAL PARTNERS INT	COM	913016309	709	20,900	X
UNITED TECHNOLOGIES CORP	COM	913017109	4,798	55,600	X
UNITEDHEALTH GROUP INC	COM	91324P102	4,131	64,100	X
UNITEDGLOBALCOM	CL A	913247508	99	11,700	X
UNITRIN INC	COM	913275103	275	6,400	X
UNIVERSAL AMERN FINL CORP	COM	913377107	247	20,600	X
UNIVERSAL DISPLAY CORP	COM	91347P105	248	19,343	X
UNUMPROVIDENT CORP	COM	91529Y106	983	67,200	X
VALERO ENERGY CORP NEW	COM	91913Y100	773	12,900	X
VANS INC	COM	921930103	250	16,900	X
VARIAN SEMICONDUCTOR EQUIPMN	COM	922207105	734	17,500	X
VEECO INSTRS INC DEL	COM	922417100	1,016	36,200	X
VENTAS INC	COM	92276F100	904	32,900	X
VENTANA MED SYS INC	COM	92276H106	527	12,861	X
VERITY INC	COM	92343C106	573	41,900	X
VERITAS DGC INC	COM	92343P107	900	43,500	X
VERIZON COMMUNICATIONS	COM	92343V104	11,780	322,400	X
VERITAS SOFTWARE CO	COM	923436109	1,625	60,400	X
VIASAT INC	COM	92552V100	557	22,400	X
VIACOM INC	CL B	925524308	6,556	167,200	X
VINTAGE PETE INC	COM	927460105	384	26,200	X
VORNADO RLTY TR	SH BEN INT	929042109	3,260	53,900	X
WACHOVIA CORP 2ND NEW	COM	929903102	7,431	158,100	X
WAL MART STORES INC	COM	931142103	17,125	286,900	X
WALGREEN CO	COM	931422109	3,644	110,600	X
WASHINGTON MUT INC	COM	939322103	5,659	132,500	X
WASHINGTON REAL ESTATE INVT	SH BEN INT	939653101	445	13,700	X
WASTE CONNECTIONS INC	COM	941053100	681	17,100	X
WASTE MGMT INC DEL	COM	94106L109	1,925	63,800	X
WEBSense INC	COM	947684106	1,184	40,000	X
WEINGARTEN RLTY INVS	SH BEN INT	948741103	929	26,850	X
WELLMAN INC	COM	949702104	186	22,300	X
WELLPOINT HEALTH NETWORK NEW	COM	94973H108	1,820	16,000	X
WELLS FARGO & CO NEW	COM	949746101	11,266	198,800	X
WENDYS INTL INC	COM	950590109	464	11,400	X
WESTAR ENERGY INC	COM	95709T100	275	13,100	X
WESTERN DIGITAL CORP	COM	958102105	146	13,000	X
WESTERN GAS RES INC	COM	958259103	254	5,000	X
WEYERHAEUSER CO	COM	962166104	1,546	23,600	X
WHIRLPOOL CORP	COM	963320106	1,398	20,300	X
WHOLE FOODS MKT INC	COM	966837106	1,147	15,300	X
WILMINGTON TRUST CORP	COM	971807102	291	7,800	X
WINN DIXIE STORES INC	COM	974280109	212	27,900	X
WINTRUST FINANCIAL CORP	COM	97650W108	263	5,400	X
WITNESS SYS INC	COM	977424100	686	53,100	X
WRIGHT MED GROUP INC	COM	98235T107	368	12,000	X
WRIGLEY WM JR CO	COM	982526105	1,035	17,500	X
WYETH	COM	983024100	5,381	143,300	X
XILINX INC	COM	983919101	1,374	36,400	X
YAHOO INC	COM	984332106	2,811	58,000	X
ZENITH NATL INS CORP	COM	989390109	439	11,200	X
ZIONS BANCORPORATION	COM	989701107	965	16,900	X
ZIX CORP	COM	98974P100	159	10,900	X

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\$
446,176

Cost of services and products

397,585

401,321

Gross Margin

18,828

44,855

Selling, general and administrative expense

45,977

45,005

Income (Loss) from Operations

(27,149
)

(150
)

Interest income

2,592

1,337

Interest expense, net of amounts capitalized

(9,371
)

(6,268
)

Equity in income (losses) of unconsolidated affiliates

(843
)

(980
)

Other income (expense), net

(8,474
)

(2,556
)

Income (Loss) Before Income Taxes

(43,245
)

(8,617
)

Provision (benefit) for income taxes

5,888

(1,083
)

Net Income (Loss)

\$
(49,133
)

(7,534
)

Weighted average shares outstanding

Basic

98,383

98,138

Diluted

98,383

98,138

Earnings (loss) per share

Basic

\$
(0.50
)

\$
(0.08
)

Diluted

\$
(0.50
)

\$
(0.08
)

Cash dividends declared per share

\$
—

\$
0.15

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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OCEANEERING INTERNATIONAL, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (unaudited)

(in thousands)	Three Months	
	Ended March 31,	
	2018	2017
Net Income (Loss)	\$(49,133)	\$(7,534)
Other comprehensive income (loss):		
Foreign Currency Translation Adjustments	22,176	(7,061)
Total other comprehensive income (loss)	22,176	(7,061)
Comprehensive Income (Loss)	(26,957)	(14,595)

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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OCEANEERING INTERNATIONAL, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 (unaudited)

(in thousands)	Three Months Ended	
	March 31, 2018	2017
Cash Flows from Operating Activities:		
Net income (loss)	\$(49,133)	\$(7,534)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	54,128	53,663
Deferred income tax provision (benefit)	2,819	(19,943)
Net loss on sales of property and equipment	37	551
Noncash compensation	2,812	3,718
Excluding the effects of acquisitions, increase (decrease) in cash from:		
Accounts receivable	20,815	59,997
Inventory	(2,985)	(17,515)
Other operating assets	6,535	(6,372)
Currency translation effect on working capital, excluding cash	5,559	1,472
Current liabilities	(41,194)	(30,636)
Other operating liabilities	6,225	21,604
Total adjustments to net income	54,751	66,539
Net Cash Provided by Operating Activities	5,618	59,005
Cash Flows from Investing Activities:		
Purchases of property and equipment	(25,732)	(17,807)
Business acquisitions, net of cash acquired	(68,398)	—
Other investing activities	202	(14,993)
Distributions of capital from unconsolidated affiliates	1,579	707
Dispositions of property and equipment and life insurance proceeds	—	1,357
Net Cash Used in Investing Activities	(92,349)	(30,736)
Cash Flows from Financing Activities:		
Net proceeds from issuance of 6.000% Senior Notes, net of issuance costs	295,879	—
Repayment of term loan facility	(300,000)	—
Cash dividends	—	(14,739)
Other financing activities	(1,635)	(1,894)
Net Cash Used in Financing Activities	(5,756)	(16,633)
Effect of exchange rates on cash	(2,919)	687
Net Increase in Cash and Cash Equivalents	(95,406)	12,323
Cash and Cash Equivalents—Beginning of Period	430,316	450,193
Cash and Cash Equivalents—End of Period	\$334,910	\$462,516

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF MAJOR ACCOUNTING POLICIES

Basis of Presentation. Oceaneering International, Inc. ("Oceaneering", "we" or "us") has prepared these unaudited consolidated financial statements pursuant to instructions for quarterly reports on Form 10-Q, which we are required to file with the U.S. Securities and Exchange Commission (the "SEC"). These financial statements do not include all information and footnotes normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). These financial statements reflect all adjustments that we believe are necessary to present fairly our financial position as of March 31, 2018 and our results of operations and cash flows for the periods presented. Except as otherwise disclosed herein, all such adjustments are of a normal and recurring nature. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in our annual report on Form 10-K for the year ended December 31, 2017. The results for interim periods are not necessarily indicative of annual results.

Principles of Consolidation. The consolidated financial statements include the accounts of Oceaneering and our 50% or more owned and controlled subsidiaries. We also consolidate entities that are determined to be variable interest entities if we determine that we are the primary beneficiary; otherwise, we account for those entities using the equity method of accounting. We use the equity method to account for our investments in unconsolidated affiliated companies of which we own an equity interest of between 20% and 50% and as to which we have significant influence, but not control, over operations. We use the cost method for all other long-term investments. Investments in entities that we do not consolidate are reflected on our balance sheet in Other non-current assets. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates. The preparation of financial statements in conformity with U.S. GAAP requires that our management make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents. Cash and cash equivalents include demand deposits and highly liquid investments with original maturities of three months or less from the date of investment.

Accounts Receivable – Allowances for Doubtful Accounts. We determine the need for allowances for doubtful accounts using the specific identification method. We generally do not require collateral from our customers.

Inventory. Inventory is valued at the lower of cost or net realizable value. We determine cost using the weighted-average method.

Property and Equipment and Long-Lived Intangible Assets. We provide for depreciation of property and equipment on the straight-line method over their estimated useful lives. We charge the costs of repair and maintenance of property and equipment to operations as incurred, while we capitalize the costs of improvements that extend asset lives or functionality. Upon the disposition of property and equipment, the related cost and accumulated depreciation accounts are relieved and any resulting gain or loss is included as an adjustment to cost of services and products. Intangible assets, primarily acquired in connection with business combinations, include trade names, intellectual property and customer relationships and are being amortized over their estimated useful lives.

We capitalize interest on assets where the construction period is anticipated to be more than three months. We capitalized \$1.6 million and \$1.0 million of interest in the three-month periods ended March 31, 2018 and 2017, respectively. We do not allocate general administrative costs to capital projects.

Our management periodically, and upon the occurrence of a triggering event, reviews the realizability of our property and equipment and long-lived intangible assets to determine whether any events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. For long-lived assets to be held and used, we base our evaluation on impairment indicators, such as the nature of the assets, the future economic benefits of the assets, any historical or future profitability measurements and other external market conditions or factors that may be present. If such impairment indicators are present or other factors exist that indicate that the carrying amount of an asset may not be recoverable, we determine whether an impairment has occurred through the use of an undiscounted cash flows

analysis of the asset at the lowest level for which identifiable cash flows exist. If an impairment has occurred, we recognize a loss for the difference between the

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carrying amount and the fair value of the asset. For assets held for sale or disposal, the fair value of the asset is measured using fair market value less estimated costs to sell. Assets are classified as held-for-sale when we have a plan for disposal of certain assets and those assets meet the held for sale criteria.

Business Acquisitions. We account for business combinations using the acquisition method of accounting, and, in each case, we allocate the acquisition price to the assets acquired and liabilities assumed based on their fair market values at the date of acquisition.

In March, 2018, we acquired Ecosse Subsea Limited (“Ecosse”) for \$68 million in cash. Headquartered in Aberdeen, Scotland, Ecosse builds and operates seabed preparation, route clearance and trenching tools for submarine cables and pipelines on an integrated basis that includes vessels, ROVs and survey services. We have accounted for this acquisition by allocating the purchase price to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. This purchase price allocation is preliminary and is subject to change upon completion of our valuation procedures. We have included Ecosse’s operations in our consolidated financial statements starting from the date of closing and its operating results are reflected in our Subsea Projects segment.

Goodwill. Annually, we are required to evaluate our goodwill by performing a qualitative or quantitative impairment test. However, under the qualitative approach and after assessing the totality of events or circumstances, we determine that it is more likely than not the fair value of a reporting unit is less than its carrying amount, we are required to perform the quantitative analysis to determine the fair value. We tested the goodwill attributable to each of our reporting units for impairment as of December 31, 2017 and concluded that there was no impairment.

In addition to our annual evaluation of goodwill for impairment, upon the occurrence of a triggering event, we review our goodwill to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

Foreign Currency Translation. The functional currency for several of our foreign subsidiaries is the applicable local currency. Results of operations for foreign subsidiaries with functional currencies other than the U.S. dollar are translated into U.S. dollars using average exchange rates during the period. Assets and liabilities of these foreign subsidiaries are translated into U.S. dollars using the exchange rates in effect at the balance sheet date, and the resulting translation adjustments are recognized, in accumulated other comprehensive income as a component of shareholders' equity. All foreign currency transaction gains and losses are recognized currently in the Consolidated Statements of Operations.

Revenue Recognition. On January 1, 2018, we adopted Accounting Standard Update (“ASU”) 2014-09, “Revenue from Contracts with Customers,” which implemented Accounting Standards Codification Topic 606 (“ASC 606”). We have used the modified retrospective method applied to those contracts which were not completed as of January 1, 2018, and the practical expedient to reflect the effect on contract modifications in the aggregate. In addition, we have recognized the cumulative effect of applying ASC 606 as an adjustment to retained earnings on January 1, 2018. The comparative information with respect to prior periods has not been retrospectively restated and continues to be reported under the accounting standards in effect for those periods.

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The cumulative effect of the changes made to our Consolidated Balance Sheet as of January 1, 2018 for the adoption of ASC 606 was as follows:

(in thousands)	Dec 31, 2017	Adjustments Due to ASC 606	Jan 1, 2018 Under ASC 606
Assets			
Accounts receivable	\$476,903	\$(163,963)	\$312,940
Contract assets	—	171,956	171,956
Total accounts receivable	476,903	7,993	484,896
Inventory	215,282	(34,187)	181,095
Liabilities			
Accrued liabilities	350,258	(63,045)	287,213
Contract liabilities	—	37,590	37,590
Total accrued liabilities	350,258	(25,455)	324,803
Other long-term liabilities	131,323	(202)	131,121
Equity			
Retained earnings	2,417,412	(537)	2,416,875

In accordance with the ASC 606 requirements, the impact of adoption on carryover contracts on our Consolidated Statement of Operations and Consolidated Balance Sheet was as follows:

Consolidated Statement of Operations
Three Months Ended Mar 31,
2018

As (in thousands)	Effect of Change of ASC 606	Balances Without Adoption of ASC 606	
Revenue	\$416,413	\$6,064	\$422,477
Cost of services and products	397,585	9,112	406,697
Provision (benefit) for income taxes	5,888	(654)	5,234
Net income (loss)	(49,133)	(2,394)	(51,527)

Consolidated Balance Sheet

(in thousands)	Mar 31, 2018 As Reported	Effect of	Balances Without
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	Under ASC 606	Change	Adoption of ASC 606
Assets			
Accounts receivable	\$300,976	\$ —	\$300,976
Contract assets	170,369	(8,996)	161,373
Total accounts receivable	471,345	(8,996)	462,349
Inventory	185,009	24,767	209,776
Liabilities			
Accrued liabilities	258,975	(172)	258,803
Contract liabilities	30,552	18,252	48,804
Total accrued liabilities	289,527	18,080	307,607
Other long-term liabilities	132,888	(452)	132,436
Equity			
Retained earnings	2,367,742	(1,857)	2,365,885

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All of our revenue is realized through contracts with customers. We recognize our revenue according to the contract type. On a daily basis, we recognize service revenue over time for contracts that provide for specific time, material and equipment charges, which we bill periodically, ranging from weekly to monthly. We use the input method to faithfully depict revenue recognition, because each day of service provided represents value to the customer. The performance obligations in these contracts are satisfied, and revenue is recognized, as the work is performed. We have used the expedient available to recognize revenue when the billing corresponds to the value realized by the customer where appropriate.

We account for significant fixed-price contracts, mainly relating to our Subsea Products segment, and to a lesser extent in our Subsea Projects and Advanced Technologies segments, by recognizing revenue over time using an input, cost-to-cost measurement percentage-of-completion method. We use the input cost-to-cost method to faithfully depict revenue recognition. This commonly used method allows appropriate calculation of progress on our contracts. A performance obligation is satisfied as we create a product on behalf of the customer over the life of the contract. The remainder of our revenue is recognized at the point in time when control transfers to the customer, thus satisfying the performance obligation.

We have elected to recognize the cost for freight and shipping as an expense when incurred. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by us from a customer, are excluded from revenue.

In our service-based business lines, which principally charge on a day rate basis for services provided, there is no significant impact in the pattern of revenue and profit recognition as a result of implementation of ASC 606. In our product-based business lines, we expect impacts on the pattern of our revenue and profit recognition in our contracts using the percentage-of-completion method, as a result of the requirement to exclude uninstalled materials and significant inefficiencies from the measure of progress. This is most likely to occur in our Subsea Products segment.

We apply judgment in the determination and allocation of transaction price to performance obligations, and the subsequent recognition of revenue, based on the facts and circumstances of each contract. We routinely review estimates related to our contracts and, where required, reflect revisions to profitability in earnings immediately. If an element of variable consideration has the potential for a significant future reversal of revenue, we will constrain that variable consideration to a level intended to remove the potential future reversal. If a current estimate of total contract cost indicates an ultimate loss on a contract, we recognize the projected loss in full when we determine it. In prior years, we have recorded adjustments to earnings as a result of revisions to contract estimates. We always strive to estimate our contract costs and profitability accurately. However, there could be significant adjustments to overall contract costs in the future, due to changes in facts and circumstances.

In general, our payment terms consist of those services billed regularly as provided and those products delivered at a point in time, which are invoiced after the performance obligation is satisfied. Our product and service contracts with milestone payments due at agreed progress points during the contract are invoiced when those milestones are reached, which may differ from the timing of revenue recognition. Our payment terms generally do not provide financing of contracts to customers, nor do we receive financing from customers as a result of these terms.

Please see Note 2 — "Revenue" — for more information on our revenue from contracts with customers.

New Accounting Standards. In January 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-01, "Financial Instruments — Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities." This update:

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requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value, with changes in fair value recognized in net income; and provides an expedient for the valuation and impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify value and impairment — when a qualitative assessment indicates that an impairment exists, an entity is required to measure the investment at fair value.

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ASU No. 2016-01 was effective for us beginning on January 1, 2018, and we have utilized the expedient for valuing equity investments without readily determinable fair values. This update has not had a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases." This update requires reporting entities to separate the lease components from the non-lease components in a contract and recognize lease assets and lease liabilities on the balance sheet for substantially all lease arrangements. ASU No. 2016-02 will become effective for us beginning January 1, 2019. We have formed a project team to implement ASU 2016-02. We are currently evaluating the requirements of ASU 2016-02 and have not yet determined its impact on our consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740) – Intra-Entity Transfers of Assets Other than Inventory." Previously, U.S. GAAP generally prohibited the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset was sold to an outside party. The amendments in this update eliminate the exception for an intra-entity transfer of an asset other than inventory. Two common examples of assets included within the scope of this update are intellectual property and property, plant and equipment. The exception for an intra-entity transfer of inventory will remain in place. The amendments in this update were effective for us beginning January 1, 2018. This update has not had a material effect on our consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, "Income Statement – Reporting Comprehensive Income (Topic 220) Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The amendments in this update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the December 2017 enactment of U.S. tax reform legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). However, because the amendments only relate to the reclassification of the income tax effects of the Tax Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The amendments in this update also require certain disclosures about stranded tax effects. The amendments in this update will become effective for us beginning January 1, 2019, and early adoption is permitted. We do not anticipate that this update will have a material effect on our consolidated financial statements.

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2. Revenue

Revenue By Category

The following table presents Revenue disaggregated by business segment, geographical region, and timing of transfer of goods or services.

(in thousands)	Three Months Ended		
	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Business Segment:			
Energy Services and Products			
Remotely Operated Vehicles	\$85,594	\$94,022	\$91,584
Subsea Products	126,688	150,639	156,398
Subsea Projects	56,860	62,956	73,376
Asset Integrity	61,288	52,658	64,830
Total Energy Services and Products	330,430	360,275	386,188
Advanced Technologies	85,983	85,901	97,987
Total	\$416,413	\$446,176	\$484,175
Geographic			
Operating Areas:			
Foreign:			
Africa	\$55,087	\$80,512	\$43,026
United Kingdom	45,319	66,746	46,643
Norway	39,042	29,800	49,747
Asia and Australia	38,946	45,867	46,310
Brazil	18,828	10,692	16,801
Other	19,639	14,604	26,823
Total Foreign	216,861	248,221	229,350
United States	199,552	197,955	254,825
Total	\$416,413	\$446,176	\$484,175
Timing of			
Transfer of			
Goods or			
Services:			
Revenue			
recognized over time	\$374,667		
Revenue			
recognized at a point in time	41,746		
Total	\$416,413		

Contract Balances

Our contracts with milestone payments have, in the aggregate, a significant impact on the contract asset and the contract liability balances. Milestones are contractually agreed with customers and relate to significant events across the contract lives. Some milestones are achieved before revenue is recognized, resulting in a contract liability, other

milestones are achieved after revenue is recognized resulting in a contract asset.

The following table provides information about contract assets, and contract liabilities from contracts with customers.

	Mar 31, 2018	Jan 1, 2018
Contract assets	\$170,369	\$171,956
Contract liabilities	30,552	37,590

Our payment terms consist of those services billed regularly as provided and those products delivered at a point in time, which are invoiced after the performance obligation is satisfied. Our product and service contracts with

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milestone payments due at agreed progress points during the contract are invoiced when those milestones are reached, which may differ from the timing of revenue recognition.

During the three months ended March 31, 2018, Contract assets decreased by \$1.6 million from its opening balance due to billings of \$406 million, which exceeded accrued revenue of \$404 million. Contract liabilities decreased \$7 million from its opening balance, due to revenue recognition of \$12 million (from the opening balance) less deferrals of milestone payments that totaled \$5 million. There were no cancellations, impairments or other significant impacts in the period that relate to other categories of explanation.

The revenue recognized for the three months ended March 31, 2018 that was included in the Contract liabilities balance at the beginning of the period was \$12.5 million.

Performance Obligations

As of March 31, 2018, the aggregate amount of the transaction price allocated to remaining performance obligations was \$295 million. We expect to recognize revenue for the remaining performance obligations of \$221 million over the next twelve months.

The aggregate amount of transaction price allocated to remaining performance obligations that were unsatisfied (or partially unsatisfied) as of March 31, 2018 are noted above. In arriving at this value, we have used two expedients available to us and are not disclosing amounts in relation to performance obligations: (1) that are part of contracts with an original expected duration of one year or less; or (2) on contracts where we recognize revenue in line with the billing.

Due to the nature of our service contracts in our Remotely Operated Vehicle, Subsea Projects, Asset Integrity and Advanced Technologies segments, the majority of our contracts either have initial contract terms of one year or less or have customer option cancellation clauses that lead us to consider the original expected duration of one year or less.

In our Subsea Products and Advanced Technologies segments, we have long-term contracts that extend beyond one year, and these make up the majority of the balance reported. We also have shorter-term product contracts with an expected original duration of one year or less that have been excluded.

Where appropriate, we have made estimates within the transaction price of elements of variable consideration within the contracts and constrained those amounts to a level where we consider that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The amount of revenue recognized in the three months ended March 31, 2018, which was associated with performance obligations completed or partially completed in prior periods was not significant.

As of March 31, 2018, there was no outstanding liability balance for refunds or returns due to the nature of our contracts and the goods and services we provide. Our warranties are limited to assurance warranties that are of a standard length and are not considered to be a material right. The majority of our contracts consist of a single performance obligation. When there are multiple obligations, we look for observable evidence of stand-alone selling prices on which to base the allocation. This involves judgment as to the appropriateness of the observable evidence relating to the facts and circumstances of the contract. If we do not have observable evidence, we estimate stand-alone selling prices by taking a cost plus margin approach, using typical margins from the type of product or service, customer and regional geography involved.

Costs to Obtain or Fulfill a Contract

In line with the available expedient, we capitalize costs to obtain a contract when those amounts are significant and the contract is expected at inception to exceed one year in duration; otherwise, the costs are expensed in the period when incurred. Costs to obtain a contract primarily consist of bid and proposal costs, which are incremental to our fixed costs. Costs to fulfill a contract primarily consist of certain mobilization costs incurred to provide products or services to our customers. These costs are deferred and amortized over the period of contract performance.

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There was no balance or amortization of Costs to obtain a contract in the current reporting period. The closing balance of Costs to fulfill a contract as of March 31, 2018 was \$13.6 million and a total of \$1.3 million of amortization, and no impairment costs, were recognized.

3. INVENTORY

The following is information regarding our inventory:

(in thousands)	Mar 31, 2018	Dec 31, 2017
Inventory, net:		
Remotely operated vehicle parts and components	\$100,931	\$97,313
Other inventory, primarily raw materials	84,078	117,969
Total	\$185,009	\$215,282

4. DEBT

Long-term Debt consisted of the following:

(in thousands)	Mar 31, 2018	Dec 31, 2017
4.650% Senior		
Notes due 2024	\$500,000	\$500,000
6.000% Senior		
Notes due 2028	300,000	—
Term Loan Facility	—	300,000
Fair value of interest rate swaps on \$200 million of principal	(6,353)	(2,990)
Unamortized debt issuance costs	(8,579)	(4,698)
Revolving Credit Facility	—	—
Long-term Debt	\$785,068	\$792,312

In November 2014, we completed the public offering of \$500 million aggregate principal amount of 4.650% Senior Notes due 2024 (the "2024 Senior Notes"). We pay interest on the 2024 Senior Notes on May 15 and November 15 of each year. The 2024 Senior Notes are scheduled to mature on November 15, 2024.

In February 2018, we completed the public offering of \$300 million aggregate principal amount of 6.000% Senior Notes due 2028 (the "2028 Senior Notes"). We will pay interest on the 2028 Senior Notes on February 1 and August 1 of each year, beginning on August 1, 2018. The 2028 Senior Notes are scheduled to mature on February 1, 2028.

We may redeem some or all of the 2024 and the 2028 Senior Notes (collectively, the "Senior Notes") at specified redemption prices. We used the net proceeds from the 2028 Senior Notes to repay our term loan indebtedness described further below.

In October 2014, we entered into a credit agreement (as amended, the "Credit Agreement") with a group of banks. In February 2018, we entered into Agreement and Amendment No. 4 to Credit Agreement ("Amendment No. 4"). The Credit Agreement provides for a \$500 million revolving credit facility (the "Revolving Credit Facility"). The Credit Agreement previously provided for a \$300 million term loan (the "Term Loan Facility"), which we repaid in full in February 2018, using net proceeds from the issuance of our 2028 Senior Notes referred to above, and cash on hand.

Subject to certain conditions, the aggregate commitments under the Revolving Credit Facility may be increased by up to \$300 million at any time upon agreement between us and existing or additional lenders. Amendment No. 4 amended the Credit Agreement to, among other things, extend the maturity of the Revolving Credit Facility to January 25, 2023 with the extending Lenders, which represent 90% of the existing commitments of the Lenders, such that the total commitments for the Revolving Credit Facility will be \$500 million until October 25, 2021, and thereafter \$450 million until January 25, 2023.

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Borrowings under the Revolving Credit Facility bear interest at an Adjusted Base Rate or the Eurodollar Rate (both as defined in the Credit Agreement), at our option, plus an applicable margin based on our Leverage Ratio (as defined in the Credit Agreement) and, at our election, based on the ratings of our senior unsecured debt by designated ratings services, thereafter to be based on such debt ratings. The applicable margin varies: (1) in the case of advances bearing interest at the Adjusted Base Rate, from 0.125% to 0.750% for borrowings under the Revolving Credit Facility; and (2) in the case of advances bearing interest at the Eurodollar Rate, from 1.125% to 1.750%. The Adjusted Base Rate is the highest of (1) the per annum rate established by the administrative agent as its prime rate, (2) the federal funds rate plus 0.50% and (3) the daily one-month LIBOR plus 1%. We pay a commitment fee ranging from 0.125% to 0.300% on the unused portion of the Revolving Credit Facility, depending on our Leverage Ratio. The commitment fees are included as interest expense in our consolidated financial statements.

The Credit Agreement contains various covenants that we believe are customary for agreements of this nature, including, but not limited to, restrictions on our ability and the ability of each of our subsidiaries to incur debt, grant liens, make certain investments, make distributions, merge or consolidate, sell assets and enter into certain restrictive agreements. We are also subject to a maximum adjusted total capitalization ratio (as defined in the Credit Agreement) of 55%. The Credit Agreement includes customary events of default and associated remedies. As of March 31, 2018, we were in compliance with all the covenants set forth in the Credit Agreement.

We have two interest rate swaps in place on a total of \$200 million of the 2024 Senior Notes for the period to November 2024. Please refer to Note 5 — "Commitments and Contingencies" — for more information on our interest rate swaps.

We incurred \$6.9 million and \$4.1 million of issuance costs related to the 2024 Senior Notes and the 2028 Senior Notes, respectively, and \$2.6 million of loan costs, including costs of the amendments prior to Amendment No. 4, related to the Credit Agreement. The costs, net of accumulated amortization, are included as a reduction of Long-term Debt in our Consolidated Balance Sheet, as it pertains to the Senior Notes, and in Other non-current assets, as it pertains to the Credit Agreement. We are amortizing these costs to Interest expense through the maturity date for the Senior Notes and to January 2023 for the Credit Agreement.

5. COMMITMENTS AND CONTINGENCIES

Litigation. In the ordinary course of business, we are subject to actions for damages alleging personal injury under the general maritime laws of the United States, including the Jones Act, for alleged negligence. We report actions for personal injury to our insurance carriers and believe that the settlement or disposition of those claims will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Various other actions and claims are pending against us, most of which are covered by insurance. Although we cannot predict the ultimate outcome of these matters, we believe that our ultimate liability, if any, that may result from these other actions and claims will not materially affect our results of operations, cash flows or financial position.

Financial Instruments and Risk Concentration. In the normal course of business, we manage risks associated with foreign exchange rates and interest rates through a variety of strategies, including the use of hedging transactions. As a matter of policy, we do not use derivative instruments unless we have an underlying exposure. Other financial instruments that potentially subject us to concentrations of credit risk are principally cash and cash equivalents and accounts receivable.

The carrying values of cash and cash equivalents approximate their fair values due to the short-term maturity of the underlying instruments. Accounts receivable are generated from a broad group of customers, primarily from within

the energy industry, which is our major source of revenue. Due to their short-term nature, carrying values of our accounts receivable and accounts payable approximate fair market values.

We estimated the aggregate fair market value of the Senior Notes to be \$791 million as of March 31, 2018, based on quoted prices. Since the market for the Senior Notes is not an active market, the fair value of the Senior Notes is classified within Level 2 in the fair value hierarchy under U.S. GAAP (inputs other than quoted prices in active markets for similar assets and liabilities that are observable or can be corroborated by observable market data for substantially the full terms for the assets or liabilities).

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We have two interest rate swaps in place on a total of \$200 million of the 2024 Senior Notes for the period to November 2024. The agreements swap the fixed interest rate of 4.650% on \$100 million of the 2024 Senior Notes to the floating rate of one month LIBOR plus 2.426% and on another \$100 million to one month LIBOR plus 2.823%. We estimate the combined fair value of the interest rate swaps to be a net liability of \$6.4 million as of March 31, 2018, which is included on our balance sheet in our Other Long-term Liabilities. These values were arrived at based on a discounted cash flow model using Level 2 inputs.

Since the second quarter of 2015, the exchange rate for the Angolan kwanza relative to the U.S. dollar generally has been declining, although the exchange rate was relatively stable during 2017. As our functional currency in Angola is the U.S. dollar, we recorded foreign currency transaction losses related to the kwanza of \$7.7 million and \$0.5 million in the three-month periods ended March 31, 2018 and 2017, respectively, as a component of Other income (expense), net in our Consolidated Statements of Operations for those respective periods. Our foreign currency transaction gains or losses related primarily to the remeasurement of our Angolan kwanza cash balances to U.S. dollars. Conversion of cash balances from kwanza to U.S. dollars is controlled by the central bank in Angola, and the central bank has slowed this process since mid-2015, causing our kwanza cash balances to subsequently increase. As of March 31, 2018, we had the equivalent of approximately \$22 million of kwanza cash balances in Angola reflected on our balance sheet.

To mitigate our currency exposure risk in Angola, through March 31, 2018, we used kwanza to purchase \$68 million equivalent Angolan central bank (Banco Nacional de Angola) bonds, with maturities of \$58 million in 2018 and \$10 million in 2020. The bonds are denominated as U.S. dollar equivalents, so that, upon payment of semi-annual interest and principal upon maturity, payment is made in kwanza, equivalent to the respective U.S. dollars at the then-current exchange rate. The entire \$68 million was classified as Other non-current assets on our Consolidated Balance Sheet as of December 31, 2017, as our intention was to reinvest funds from maturing bonds in similar long-term assets. However, the market to purchase similar long-term bonds is limited. As a result, we have classified the \$58 million bonds due to mature in 2018 as Other current assets in our Consolidated Balance Sheet as of March 31, 2018. We estimated the fair market value of the Angolan bonds to be \$68 million as of March 31, 2018 using quoted prices. Since the market for the Angolan bonds is not an active market, the fair value of the Angolan bonds is classified within Level 2 in the fair value hierarchy under U.S. GAAP.

6. EARNINGS PER SHARE, SHARE-BASED COMPENSATION AND SHARE REPURCHASE PLAN

Earnings per Share. For each period presented, the only difference between our calculated weighted average basic and diluted number of shares outstanding is the effect of outstanding restricted stock units. In periods where we have a net loss, the effect of our outstanding restricted stock units is anti-dilutive, and therefore does not increase our diluted shares outstanding.

For each period presented, our net income (loss) allocable to both common shareholders and diluted common shareholders is the same as our net income (loss) in our consolidated statements of operations.

Dividends. From the second quarter of 2014 through the third quarter of 2016, we paid a quarterly dividend to our common shareholders of \$0.27 per share. Starting in the fourth quarter of 2016 through the third quarter 2017, we paid a dividend of \$0.15 per share. Our last quarterly dividend was \$0.15 per share and was declared in July 2017 and was paid in September 2017.

Share-Based Compensation. We have no outstanding stock options and, therefore, no share-based compensation to be recognized pursuant to stock option grants.

During 2017, 2016 and 2015, we granted restricted units of our common stock to certain of our key executives and employees. During 2017 and 2016, our Board of Directors granted restricted common stock to our nonemployee directors. During 2015, our Board of Directors granted restricted units of our common stock to our Chairman and restricted common stock to our other nonemployee directors. The restricted units granted to our key executives and key employees generally vest in full on the third anniversary of the award date, conditional on continued employment.

The restricted stock unit grants, including those granted to our Chairman, can vest pro rata over three years, provided the individual meets certain age and years-of-service requirements. The shares of restricted common stock we grant to our non-employee directors vest in full on the first anniversary of the award date, conditional upon continued service as a director. Each grantee of shares of restricted stock is deemed to be the

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record owner of those shares during the restriction period, with the right to vote and receive any dividends on those shares. The restricted stock units outstanding have no voting or dividend rights.

For each of the restricted stock units granted in 2015 through 2017, at the earlier of three years after grant or at termination of employment or service, the grantee will be issued one share of our common stock for each unit vested. As of March 31, 2018 and December 31, 2017, respective totals of 1,501,578 and 1,181,805 shares of restricted stock or restricted stock units were outstanding.

We estimate that share-based compensation cost not yet recognized related to shares of restricted stock or restricted stock units, based on their grant-date fair values, was \$19 million as of March 31, 2018. This expense is being recognized on a staged-vesting basis over three years for awards attributable to individuals meeting certain age and years-of-service requirements, and on a straight-line basis over the applicable vesting period of one or three years for the other awards.

Share Repurchase Plan. In December 2014, our Board of Directors approved a plan to repurchase up to 10 million shares of our common stock. Under this plan, we had repurchased 2.0 million shares of our common stock for \$100 million through December 31, 2017. We did not repurchase any shares under the plan during the three-month period ended March 31, 2018. We account for the shares we hold in treasury under the cost method, at average cost.

7. INCOME TAXES

In December 2017, the United States enacted the Tax Act, which included a number of changes to existing U.S. tax laws that have an impact on our income tax provision, most notably a reduction of the U.S. corporate income tax rate from 35 percent to 21 percent for tax years beginning after December 31, 2017, and the creation of a territorial tax system with a one-time mandatory tax on applicable previously deferred earnings of foreign subsidiaries. We recognized the income tax effects of the Tax Act in our financial statements for the year ended December 31, 2017 in accordance with Staff Accounting Bulletin No. 118 (“SAB 118”), which provided SEC staff guidance for the application of accounting standards for income taxes in the reporting period in which the Tax Act was enacted. As such, our financial results reflected provisional amounts for those specific income tax effects of the Tax Act for which the accounting was incomplete but a reasonable estimate could be determined. The final determination is expected to be completed and reflected in our financial statements issued for subsequent reporting periods that fall within the measurement period contemplated by SAB 118.

In April 2018, the United States Internal Revenue Service issued Notice 2018-26, announcing its intent to issue regulations related to the application of the one-time mandatory tax on applicable previously deferred earnings of foreign subsidiaries and potential anti-avoidance measures. Although the notice is not legally binding, we are currently reviewing whether the regulations contemplated by the notice could have any effect on the provisional amounts recorded as of December 31, 2017.

During interim periods, we provide for income taxes based on our current estimated annual effective tax rate using assumptions as to (1) earnings and other factors that would affect the tax provision for the remainder of the year and (2) the operations of foreign branches and subsidiaries that are subject to local income and withholding taxes. In the three-month period ended March 31, 2018, we recognized additional tax expense of \$2.4 million from discrete items, primarily related to a \$1.8 million of excess tax deficiencies on share-based compensation awards.

The effective tax rate for the three months ended March 31, 2018 was different than the federal statutory rate of 21.0%, primarily due to the geographic mix of operating revenue and results that generated taxes in certain jurisdictions that exceeded the tax benefit from losses and credits in other jurisdictions, which could not be realized in the quarter due to valuation allowances being provided, and discrete items primarily associated with the share-based compensation awards discussed above. It is our intention to continue to indefinitely reinvest in certain of our international operations, therefore, we do not provide withholding taxes on the possible distribution of these earnings. We do not believe the effective tax rate before discrete items is meaningful due to the short-term nature of much of our work and a continuous shifting of geographic mix of our operating revenue and results. The effective tax rate for the three months ended March 31, 2017 was lower than the federal statutory rate of 35.0%, primarily due to our

intention to indefinitely reinvest in certain of our international operations, partially offset by additional discrete tax item associated with share-based compensation. In 2017, we did not provide for U.S. taxes on the portion of our foreign earnings that we deemed indefinitely reinvested.

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We conduct our international operations in a number of locations that have varying laws and regulations with regard to income and other taxes, some of which are subject to interpretation. We recognize the benefit for a tax position if the benefit is more likely than not to be sustainable upon audit by the applicable taxing authority. If this threshold is met, the tax benefit is then measured and recognized at the largest amount that we believe is greater than 50% likely of being realized upon ultimate settlement. We do not believe that the total of unrecognized tax benefits will increase or decrease significantly in the next twelve months.

We account for any applicable interest and penalties on uncertain tax positions as a component of our provision for income taxes on our financial statements. Including associated foreign tax credits and penalties and interest, we have accrued a net total of \$5.5 million in Other Long-term Liabilities on our balance sheet for unrecognized tax benefits as of March 31, 2018. All additions or reductions to those liabilities would affect our effective income tax rate in the periods of change.

Our tax returns are subject to audit by taxing authorities in multiple jurisdictions. These audits often take years to complete and settle. The following lists the earliest tax years open to examination by tax authorities where we have significant operations:

Jurisdiction	Periods
United States	2014
United Kingdom	2015
Norway	2015
Angola	2013
Brazil	2013
Australia	2013

8. BUSINESS SEGMENT INFORMATION

We are a global provider of engineered services and products, primarily to the offshore energy industry. Through the use of our applied technology expertise, we also serve the defense, aerospace and commercial theme park industries. Our Energy Services and Products business consists of Remotely Operated Vehicles ("ROVs"), Subsea Products, Subsea Projects and Asset Integrity. Our ROV segment provides submersible vehicles operated from the surface to support offshore energy exploration, development and production activities. Our Subsea Products segment supplies a variety of specialty subsea hardware and related services. Our Subsea Projects segment provides multiservice subsea support vessels and offshore diving and support vessel operations, primarily for inspection, maintenance and repair and installation activities. We have also provided survey, autonomous underwater vehicle and satellite-positioning services. Our Asset Integrity segment provides asset integrity management and assessment services, nondestructive testing and inspection. Our Advanced Technologies business provides project management, engineering services and equipment for applications in non-energy markets. Unallocated Expenses are those not associated with a specific business segment. These consist of expenses related to our incentive and deferred compensation plans, including restricted stock and bonuses, as well as other general expenses, including corporate administrative expenses. There are no differences in the basis of segmentation or in the basis of measurement of segment profit or loss from those used in our consolidated financial statements for the year ended December 31, 2017.

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The table that follows presents Revenue, Income (Loss) from Operations and Depreciation and Amortization by business segment for each of the periods indicated.

(in thousands)	Three Months Ended		
	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Revenue			
Energy Services and Products			
Remotely Operated Vehicles	\$85,594	\$94,022	\$91,584
Subsea Products	126,688	150,639	156,398
Subsea Projects	56,860	62,956	73,376
Asset Integrity	61,288	52,658	64,830
Total Energy Services and Products	330,430	360,275	386,188
Advanced Technologies	85,983	85,901	97,987
Total	\$416,413	\$446,176	\$484,175
Income (Loss) from Operations			
Energy Services and Products			
Remotely Operated Vehicles	\$(2,398)	\$5,925	\$1,056
Subsea Products	1,755	11,483	11,121
Subsea Projects	(2,359)	187	580
Asset Integrity	1,679	2,267	2,159
Total Energy Services and Products	(1,323)	19,862	14,916
Advanced Technologies	1,668	5,026	2,779
Unallocated Expenses	(27,494)	(25,038)	(26,810)
Total	\$(27,149)	\$(150)	\$(9,115)
Depreciation and Amortization			
Energy Services and Products			
Remotely Operated Vehicles	\$27,642	\$29,229	\$27,445
Subsea Products	14,025	12,999	13,437
Subsea Projects	8,313	8,080	8,127
Asset Integrity	1,848	1,460	2,336
Total Energy Services and Products	51,828	51,768	51,345
Advanced Technologies	766	797	794
Unallocated Expenses	1,534	1,098	900
Total	\$54,128	\$53,663	\$53,039

We determine Income (Loss) from Operations for each business segment before interest income or expense, Other income (expense) and Provision for income taxes. We do not consider an allocation of these items to be practical. Our Equity in earnings (losses) of unconsolidated affiliates is part of our Subsea Projects segment.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Certain statements we make in this quarterly report on Form 10-Q are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include, without limitation, statements regarding our expectations about:

- second quarter and the full year of 2018 operating results and the contributions from our segments to those results (including the expected benefits from a recent business acquisition, anticipated revenue, operating income or loss, and utilization information), as well as the items below the operating income (loss) line;
- our cash flows and earnings before interest, taxes and depreciation and amortization (EBITDA) in 2018;
- future demand and business activity levels;
- our plans for future operations (including planned additions to and retirements from our remotely operated vehicle ("ROV") fleet, our intent regarding the new multiservice subsea support vessel scheduled for delivery and placed into service in the latter part of the second quarter of 2018, and other capital expenditures);
- our future dividends;
- the adequacy of our liquidity, cash flows and capital resources;
- our expectations regarding shares to be repurchased under our share repurchase plan;
- our assumptions that could affect our estimated tax rate;
- the implementation of new accounting standards and related policies, procedures and controls;
- seasonality; and
- industry conditions;
- increase in offshore activities and contract awards during second half of 2018.

These forward-looking statements are subject to various risks, uncertainties and assumptions, including those we have referred to under the headings "Risk Factors" and "Cautionary Statement Concerning Forward-Looking Statements" in Part I of our annual report on Form 10-K for the year ended December 31, 2017. Although we believe that the expectations reflected in such forward-looking statements are reasonable, because of the inherent limitations in the forecasting process, as well as the relatively volatile nature of the industries in which we operate, we can give no assurance that those expectations will prove to have been correct. Accordingly, evaluation of our future prospects must be made with caution when relying on forward-looking information.

The following discussion should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our annual report on Form 10-K for the year ended December 31, 2017.

Executive Overview

Our diluted earnings (loss) per share for the three months ended March 31, 2018 was \$(0.50), as compared to \$(0.08) for the corresponding period of the prior year. Our operating results met our expectations and reflected the seasonality and timing of projects within our energy-related businesses.

For the second quarter of 2018, compared to the first quarter, we anticipate quarterly operating profitability and improvements from all of our business segments, with the exception of our Subsea Products segment, due to reduced backlog and the timing of awards. Unallocated Expenses are expected to be in the upper-\$20 million range.

We project an increase in offshore activities and contract awards during the second half of 2018, along with an improvement in Advanced Technologies commercial businesses. We also expect our recent acquisition of Ecosse Subsea Limited ("Ecosse") to be accretive to cash flow and earnings. However, we do not expect this shift in momentum to be adequate to offset the near-term market weakness. Taking into account our results through March 31,

2018 and our outlook for the remainder of 2018, we expect to incur an operating loss and a net loss for the full year of 2018.

Below the operating income (loss) line, we expect:

- increased interest expense from higher interest rates, which affect our floating rate debt and our swaps to floating rates on \$200 million of fixed-rate debt; and

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a loss on our equity investment in Medusa Spar LLC, as volume continues to be low in current producing zones.

We are no longer providing guidance as to our 2018 annual effective tax rate due to the short-term nature of much of our work and a continuous shifting of geographic mix of our operating revenue and results, and uncertainties in the interpretation and application of the December 2017 enactment of U.S. tax reform legislation commonly referred to as the 2017 Tax Act. These conditions do not allow for a meaningful tax rate forecast.

During 2018, we expect each of our operating segments will contribute positive EBITDA and on a consolidated basis, we will generate more than sufficient cash flows to service our debt and fund our anticipated maintenance and organic growth capital expenditures.

While the offshore energy industry remains at challenged activity levels, our focus is to manage our resources on growing and positioning our company for the future. As part of this strategy, our Board of Directors suspended the payment of our quarterly dividend in the fourth quarter of 2017. Although we will continue to review our dividend position periodically, we do not anticipate our Board to consider reinstating a quarterly cash dividend until we see a significant improvement in our market outlook and projected free cash flow.

Critical Accounting Policies and Estimates

For information about our Critical Accounting Policies and Estimates, please refer to the discussion in our annual report on Form 10-K for the year ended December 31, 2017 under the heading "Critical Accounting Policies and Estimates" in Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Effective January 1, 2018, we adopted Accounting Standards Codification Topic 606, "Revenue from Contracts with Customers." See Notes 1 and 2 of Notes to Consolidated Financial Statements included in this report for further details, including our accounting policy for the Revenue Recognition under this newly adopted accounting standard.

Liquidity and Capital Resources

As of March 31, 2018, we had working capital of \$733 million, including \$335 million of cash and cash equivalents. Additionally, Amendment No. 4 to the Credit Agreement (as defined below) provides for a \$500 million revolving credit facility until October 25, 2021 and thereafter \$450 million until January 25, 2023 with a group of banks. We consider our liquidity, cash flows and capital resources to be adequate to support our existing operations and capital commitments.

Our capital expenditures were \$26 million during the first three months of 2018, excluding the \$68 million purchase price for the Ecosse acquisition, as compared to \$18 million in the first three months of 2017. We acquired Ecosse in March 2018, reflecting our commitment to expand our service line capabilities, grow our market position within the offshore renewable energy market, and provide our customers with proven tools to optimize installation projects. Ecosse builds and operates seabed preparation, route clearance and trenching tools for submarine cables and pipelines on an integrated basis that includes vessels, ROVs and survey services.

We currently estimate our capital expenditures for 2018, excluding business acquisitions, will be in the range of \$80 million to \$120 million, including \$20 million in our Subsea Projects segment to complete the new-build multiservice subsea support vessel Ocean Evolution, scheduled for delivery in the latter part of the second quarter of 2018.

The Ocean Evolution is intended to be U.S.-flagged and documented with a coastwise endorsement by the U.S. Coast Guard. It is expected to have an overall length of 353 feet, a Class 2 dynamic positioning system, accommodations for 110 personnel, a helideck, a 250-ton active heave-compensated crane, and a working moonpool. We expect to outfit

the vessel with two of our high specification 4,000 meter work-class ROVs. The vessel will also be equipped with a satellite communications system capable of transmitting streaming video for real-time work observation by shore-based personnel. We anticipate the vessel will be used to augment our ability to provide subsea intervention services in the U.S. Gulf of Mexico. These services are required to perform inspection, maintenance and repair projects and hardware installations.

We previously had several deepwater vessels under long-term charter. The last of our long-term deepwater vessel charters expired in March 2018. With the current market conditions, we attempt to charter vessels for specific

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projects on a back-to-back basis with the vessel owners. We also charter vessels on a short-term basis as necessary to augment our fleet.

As of March 31, 2018, we had long-term debt in the principal amount of \$800 million outstanding and \$500 million available under our revolving credit facility provided under the Credit Agreement.

In October 2014, we entered into a credit agreement (as amended, the "Credit Agreement") with a group of banks. In February 2018, we entered into Agreement and Amendment No. 4 to the Credit Agreement ("Amendment No. 4"). The Credit Agreement provides for a \$500 million revolving credit facility (the "Revolving Credit Facility"). The Credit Agreement previously provided for a \$300 million term loan, which we repaid in full in February 2018, using net proceeds from the issuance of our 6.000% Senior Notes due 2028 (the "2028 Senior Notes") described further below, and cash on hand.

Subject to certain conditions, the aggregate commitments under the Revolving Credit Facility may be increased by up to \$300 million at any time upon agreement between us and existing or additional lenders. Borrowings under the Revolving Credit Facility may be used for general corporate purposes. Amendment No. 4 amended the Credit Agreement to, among other things, extend the maturity of the Revolving Credit Facility to January 25, 2023 with the extending Lenders, which represent 90% of the existing commitments of the Lenders, such that the total commitments for the Revolving Credit Facility will be \$500 million until October 25, 2021, and thereafter \$450 million until January 25, 2023.

Borrowings under the Credit Agreement bear interest at an Adjusted Base Rate or the Eurodollar Rate (both as defined in the Credit Agreement), at our option, plus an applicable margin based on our Leverage Ratio (as defined in the Credit Agreement) and, at our election, based on the ratings of our senior unsecured debt by designated ratings services, thereafter to be based on such debt ratings. The applicable margin varies: (1) in the case of advances bearing interest at the Adjusted Base Rate, from 0.125% to 0.750%; and (2) in the case of advances bearing interest at the Eurodollar Rate, from 1.125% to 1.750%. The Adjusted Base Rate is the highest of (1) the per annum rate established by the administrative agent as its prime rate, (2) the federal funds rate plus 0.50% and (3) the daily one-month LIBOR plus 1%. We pay a commitment fee ranging from 0.125% to 0.300% on the unused portion of the Revolving Credit Facility, depending on our Leverage Ratio. The commitment fees are included as interest expense in our consolidated financial statements.

The Credit Agreement contains various covenants that we believe are customary for agreements of this nature, including, but not limited to, restrictions on our ability and the ability of each of our subsidiaries to incur debt, grant liens, make certain investments, make distributions, merge or consolidate, sell assets and enter into certain restrictive agreements. We are also subject to a maximum adjusted total capitalization ratio (as defined in the Credit Agreement) of 55%. The Credit Agreement includes customary events of default and associated remedies. As of March 31, 2018, we were in compliance with all the covenants set forth in the Credit Agreement.

In November 2014, we completed the public offering of \$500 million aggregate principal amount of 4.650% due 2024 (the "2024 Senior Notes"). We pay interest on the 2024 Senior Notes on May 15 and November 15 of each year. The 2024 Senior Notes are scheduled to mature on November 15, 2024.

In February 2018, we completed the public offering of the 2028 Senior Notes. We pay interest on the 2028 Senior Notes on February 1 and August 1 of each year, beginning on August 1, 2018. The 2028 Senior Notes are scheduled to mature on February 1, 2028. We may redeem some or all of the 2024 and 2028 Senior Notes at specified redemption prices.

Our principal source of cash from operating activities is our net income (loss), adjusted for the non-cash effects of, among other things, depreciation and amortization, deferred income taxes and noncash compensation under our share-based compensation plans. Our \$6 million and \$59 million of cash provided from operating activities in the three-month periods ended March 31, 2018 and 2017, respectively, were principally affected by operating results and cash increases (decreases) of:

\$21 million and \$60 million, respectively, from changes in accounts receivable;
\$(3) million and \$(18) million, respectively, from changes in inventory; and
\$(41) million and \$(31) million, respectively, from changes in current liabilities.

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We had an increase in cash related to accounts receivable in both the 2018 and 2017 first quarters, as we had lower revenue in each of quarters as compared to the fourth quarter of the respective prior years. As a result, combined with our cash collections in the first quarter of each of 2018 and 2017, our overall accounts receivable balances decreased. The decrease in inventory levels as of March 31, 2017 reflected usage on a large umbilical project and our lower Subsea Products backlog. Each of the first quarters 2018 and 2017 decreases in cash related to current liabilities reflected generally lower business levels, and the 2017 period also reflected decreased accruals for incentive compensation.

In the three months ended March 31, 2018, we used \$92 million of cash in investing activities, mostly related to capital expenditures of \$26 million and \$68 million paid in the Ecosse acquisition. We also used \$6 million in financing activities, as a result of the repayment of the Term Loan Facility of \$300 million, substantially offset by the net proceeds from the issuance of the 2028 Senior Notes, net of issuance costs, of \$296 million. In the three months ended March 31, 2017, we used \$31 million of cash in investing activities. The cash used in investing activities related to capital expenditures of \$18 million and other investments of \$15 million. The other investments were primarily for the purchase of bonds in Angola for the purpose of mitigating our Angolan currency risk. We also used \$17 million in financing activities, primarily for the payment of cash dividends of \$15 million.

We have not guaranteed any debt not reflected on our consolidated balance sheet as of March 31, 2018, and we do not have any off-balance sheet arrangements, as defined by SEC rules.

In December 2014, our Board of Directors approved a plan to repurchase up to 10 million shares of our common stock. Through March 31, 2018, we had repurchased 2.0 million shares of our common stock for \$100 million, all during 2015, under this plan. We account for the shares we hold in treasury under the cost method, at average cost. The timing and amount of any future repurchases will be determined by our management. We expect that any additional shares repurchased under the plan will be held as treasury stock for possible future use. The plan does not obligate us to repurchase any particular number of shares.

From the second quarter of 2014 through the third quarter of 2016, we paid a quarterly dividend to our common shareholders of \$0.27 per share. Starting in the fourth quarter of 2016 through the third quarter of 2017, we paid a dividend of \$0.15 per share. Our last quarterly dividend was declared in July 2017 at \$0.15 per share and paid in September 2017. Subsequently, the Board suspended the payment of a quarterly dividend. Although we will continue to review our dividend position periodically, we do not anticipate our Board to consider reinstating a quarterly cash dividend until we see a significant improvement in our market outlook and projected free cash flow.

Results of Operations

We operate in five business segments. The segments are contained within two businesses — services and products provided primarily to the offshore energy industry ("Energy Services and Products") and services and products provided to non-energy industries ("Advanced Technologies"). Our Unallocated Expenses are those not associated with a specific business segment.

Consolidated revenue and profitability information is as follows:

Three Months Ended			
(dollars in thousands)	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Revenue	\$446,176	\$446,176	\$484,175
Gross Margin	44,855	44,855	41,299
Gross Margin	% 10	% 10	% 9

%
 Operating
 Income (27,149) (150) (9,115)
 (Loss)
 Operating
 Income)% — % (2)%

In our Subsea Projects segment, we generate a material amount of our consolidated revenue from contracts for services in the U.S. Gulf of Mexico, which has historically been more active from April through October, as compared to the rest of the year. The European operations of our Asset Integrity segment have historically been more active in the second and third quarters. However, the reduced customer spending levels in the current commodity price environment have substantially obscured this seasonality since mid-2014. Revenue in our ROV segment is generally subject to seasonal variations in demand, with our first quarter typically being the low quarter

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of the year. The level of our ROV seasonality primarily depends on the number of ROVs we have engaged in vessel-based subsea infrastructure inspection, maintenance and repair and installation, which is more seasonal than drilling support. Periods since mid-2014 reflect an exception, as there has been a general decline in offshore activity, which caused a decrease in our ROV days on hire and utilization. Revenue in our Subsea Products and Advanced Technologies segments generally has not been seasonal.

Energy Services and Products

The primary focus of our Energy Services and Products business over the last several years has been toward increasing our asset base and capabilities for providing services and products for offshore energy operations and subsea completions. In recent years, we have focused on increasing our service and product offerings toward our energy customers' operating expenses and the offshore renewable energy market.

The following table sets forth the Revenue, Margin and Operating Income for our Energy Services and Products business segments for the periods indicated. In the ROV section of the table that follows, "Days available" includes all days from the first day that an ROV is placed into service until the ROV is retired. All days during this period are considered available days, including periods when an ROV is undergoing maintenance or repairs. Our ROVs do not have scheduled maintenance or repair that requires significant time when the ROVs are not available for utilization.

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	Three Months Ended			
(dollars in thousands)	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017	
Remotely Operated Vehicles				
Revenue	\$85,594	\$94,022	\$91,584	
Gross Margin	4,955	13,022	9,154	
Operating Income (Loss)	(2,398)	5,925	1,056	
Operating Income (Loss) %	(3)	% 6	% 1	%
Days available	25,138	25,219	25,737	
Days utilized	11,034	11,488	10,785	
Utilization	44	% 46	% 42	%
Subsea Products				
Revenue	126,688	150,639	156,398	
Gross Margin	15,005	24,991	24,384	
Operating Income	1,755	11,483	11,121	
Operating Income %	1	% 8	% 7	%
Backlog at end of period	240,000	407,000	276,000	
Subsea Projects				
Revenue	56,860	62,956	73,376	
Gross Margin	1,117	4,024	4,348	
Operating Income (Loss)	(2,359)	187	580	
Operating Income (Loss) %	(4)	% —	% 1	%
Asset Integrity				
Revenue	61,288	52,658	64,830	
Gross Margin	8,018	8,381	9,243	
Operating Income	1,679	2,267	2,159	
Operating Income %	3	% 4	% 3	%
Total Energy Services and Products				
Revenue	\$330,430	\$360,275	\$386,188	
Gross Margin	29,095	50,418	47,129	
Operating Income (Loss)	(1,323)	19,862	14,916	
Operating Income (Loss) %	—	% 6	% 4	%

In general, our energy related business focuses on supplying services and products to the offshore energy market. During the 2014 to 2016 downturn in oil prices, we experienced lower activity levels and reduced pricing. Recently, with oil prices stabilizing and activity in some areas improving, a foundation for a turnaround in the offshore energy industry appears to be building.

We project an increase in offshore activities and contract awards during the second half of 2018, along with an improvement in Advanced Technologies commercial businesses. We also expect our recent acquisition of Ecosse to

be accretive to cash flow and earnings. However, we do not expect this shift in momentum to be adequate to offset the near-term market weakness. Taking into account our results through March 31, 2018 and our outlook for the remainder of 2018, we expect to incur an operating loss and a net loss for the full year of 2018.

We believe we are the world's largest provider of ROV services, and this business segment historically, but not currently, has been the largest contributor to our Energy Services and Products business operating income. Our

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ROV segment revenue reflects the utilization percentages, fleet sizes and average pricing of the respective periods. Our ROV operating margins have declined as depreciation has become a higher percentage of revenue, and we have experienced lower utilization and pricing in recent years. In the full year of 2015, 2016 and 2017, ROV depreciation and amortization was 18%, 27% and 29% of ROV revenue, respectively; and in the three-month period ended March 31, 2018, it was 32% of ROV revenue. Our ROV operating income decreased in the three months ended March 31, 2018 compared to the corresponding period of the prior year, mainly due to lower utilization and lower average revenue per day on hire in 2018, as a result of a shift in geographic mix and market conditions. During the first quarter of 2018, ROV operating income decreased compared to the immediately preceding quarter. Excluding the impact of the fourth quarter 2017 equipment sale, average revenue per day on hire decreased, primarily due to a shift in geographic mix. Our average daily cost increased due to additional costs associated with reactivating and mobilizing ROVs. Days on hire increased 2% sequentially during the first quarter of 2018 as our fleet utilization improved to 44% from 42%, as a result of increased international drill support activity. We added two new ROVs to our fleet during the three months ended March 31, 2018 and retired two, resulting in a total of 279 ROVs in our ROV fleet. We expect our second quarter 2018 ROV operating results to improve from the first quarter results, due to a seasonal increase in days on hire. For the full year 2018, we continue to project increased days on hire, as we maintain or slightly shift our 2018 fleet mix towards drill-support utilization. Although we endeavor to maintain and increase our drill support market share and place more ROVs on vessels, we need a sizable increase in our customers' offshore activity and spending levels for there to be a discernible increase in ROV fleet utilization and profitability.

Our Subsea Products segment consists of two business units : (1) manufactured products; and (2) service and rental. Manufactured products includes production control umbilicals and specialty subsea hardware, while service and rental includes tooling, subsea work systems and installation and workover control systems. The following table presents revenue from manufactured products and service and rental, as their respective percentages of total Subsea Products revenue:

	Three Months Ended		
	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Manufactured products	59%	71%	54%
Service and rental	41%	29%	46%

Our Subsea Products operating income decreased in the three-month period ended March 31, 2018 compared to the corresponding period of the prior year, mainly due to lower demand in manufactured products. Subsea Products operating income in the first quarter of 2018 was lower than that of the immediately preceding quarter due to the effect of a 19% reduction in revenue, largely attributable to our service and rental business as a result of the completion of major work in fourth quarter 2017, and reduced manufactured products revenue based on lower backlog at the beginning of the period.

Our Subsea Products backlog was \$240 million as of March 31, 2018, compared to \$276 million as of December 31, 2017. The backlog decline was largely attributable to manufactured products' low umbilical order intake. We expect Subsea Products operating results to decline in the second quarter of 2018 compared to the first quarter, primarily attributable to manufactured products as a result of reduced backlog and the timing of awards. During the second half of 2018, we still expect an increase in offshore activities and contract awards, which should result in a Subsea Products book-to-bill ratio exceeding 1.0 for the full year.

Our Subsea Projects operating results declined in the three-month period ended March 31, 2018 compared to the corresponding period of the prior year, due to lower pricing, and lower vessel demand as a result of the completion of the Island Pride vessel working offshore India in the fourth quarter of 2017 and reduced diving work in Angola. Our Subsea Projects operating results decreased in the three-month period ended March 31, 2018 compared to the immediately preceding quarter, principally driven by timing of projects and lower seasonal U.S. Gulf of Mexico demand for vessels, slightly offset by increased vessel activity offshore Angola. In the second quarter of 2018, we expect Subsea Projects operating results to improve compared to the first quarter, mainly driven by an increase in utilization in the U.S. Gulf of Mexico deepwater vessel and diving services, partially offset by lower projected vessel related activity in Angola. For the full year of 2018 compared to 2017, we expect lower Subsea Projects operating results due to decreased global demand.

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For the three-month period ended March 31, 2018, compared to the corresponding period of the prior year, Asset Integrity's operating income did not change significantly. Asset Integrity's operating income in the three-month period ended March 31, 2018 compared to the immediately preceding quarter decreased on slightly lower revenue due to seasonality. For the second quarter of 2018, we expect Asset Integrity's operating income to be higher compared to the first quarter, driven by an increase in seasonal activity levels. For the full year of 2018, we project Asset Integrity operating results to be relatively flat and margins to be in the low- to mid- single digit range.

Advanced Technologies

Revenue, Margin and Operating Income information was as follows:

Three Months Ended			
(dollars, in 2018 thousands)	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Revenue	\$85,083	\$85,901	\$97,987
Gross Margin	\$7,822	\$10,072	\$8,383
Operating Income	1,668	5,026	2,779
Operating Income %	% 6	% 3	%

Advanced Technologies operating income for three-month period ended March 31, 2018 was lower than that of the corresponding period of the prior year, due to execution issues in our Automated Guided Vehicles ("AGV") business, partially offset by increased activity in the theme park business. Operating income in the first quarter of 2018 was lower than that of the immediately preceding quarter, due to reduced government-related work, as expected, as well as unanticipated costs in our AGV business. We expect an increase in our Advanced Technologies operating income in the second quarter of 2018 compared to the first quarter, as a result of continued increased activity in our entertainment business, execution improvements within our AGV business and additional work for the U.S. Navy. For the full year of 2018, we continue to anticipate Advanced Technologies operating income to be higher due to increased activity within our entertainment group, supporting the theme park business, and a stable level of activity for our government businesses.

Unallocated Expenses

Our Unallocated Expenses, (i.e., those not associated with a specific business segment), within gross profit consist of expenses related to our incentive and deferred compensation plans, including restricted stock units, performance units and bonuses, as well as other general expenses. Our Unallocated Expenses within operating income consist of those expenses within gross profit plus general and administrative expenses related to corporate functions.

The following table sets forth our Unallocated Expenses for the periods indicated.

Three Months Ended			
(dollars, in 2018 thousands)	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Gross margin	\$18,089	\$15,635	\$14,213
	27,494	25,038	26,810

Operating
income
Operating
income
% 7
of
revenue

% 6 % 6 %

Our Unallocated Expenses for the three-month period ended March 31, 2018 increased compared to the corresponding period of the prior year, primarily due to higher 2018 estimated expenses related to incentive compensation from our performance units and bonuses. Our Unallocated Expenses for the three months ended March 31, 2018 were slightly higher compared to the immediately preceding quarter, due to higher estimated incentive plan compensation. For the remainder of 2018, we expect our quarterly Unallocated Expenses to be in the upper-\$20 million range.

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Other

The following table sets forth our significant financial statement items below the Income (Loss) from Operations line.

Three Months Ended			
(in thousands)	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Interest income	\$2,592	\$1,337	\$1,976
Interest expense, net of amounts capitalized in income (loss) of unconsolidated affiliates	(9,371)	(6,268)	(5,300)
Other income (expense), net	(8,474)	(2,556)	(2,154)
Provision (benefit) for income taxes	5,888	(1,083)	(188,346)

In addition to interest on borrowings, interest expense includes amortization of loan costs, fees for lender commitments under our revolving credit agreement and fees for standby letters of credit and bank guarantees that banks issue on our behalf for performance bonds, bid bonds and self-insurance requirements.

Foreign currency transaction gains and losses are the principal component of Other income (expense), net. In the three-month periods ended March 31, 2018 and 2017, we incurred foreign currency transaction losses of \$8.3 million and \$2.2 million, respectively. The currency losses in 2018 primarily related to the Angolan kwanza and its declining exchange rate relative to the U.S. dollar, and related primarily to our cash balances in Angola. Conversion of cash balances from Angolan kwanza to U.S. dollars is controlled by the central bank in Angola, and the central bank slowed this process starting in mid-2015, causing our cash balances in kwanza to increase.

The provisions for income taxes were related to our current estimated annual effective tax rate using assumptions as to (1) earnings and other factors that would affect the tax provision for the remainder of the year and (2) the operations of foreign branches and subsidiaries that are subject to local income and withholding taxes. Factors that could affect our estimated tax rate include our profitability levels in general and the geographic mix in the sources of our results. The effective tax rate for the three months ended March 31, 2018 was different than the federal statutory rate of 21%

primarily due to the geographic mix of operating revenue and results that generated taxes in certain jurisdictions that exceeded the tax benefit from losses and credits in other jurisdictions, which could not be realized in the quarter due to valuation allowances being provided, and discrete items primarily related to the accounting for share-based compensation. It is our intention to continue to indefinitely reinvest in certain of our international operations, therefore, we do not provide withholding taxes on the possible distribution of these earnings. We do not believe the tax rate before discrete items is meaningful due to the short-term nature of much of our work and a continuous shifting of geographic mix of our operating revenue and results. The effective tax rate for the three months ended March 31, 2017 was lower than the statutory rate of 35%, primarily due to our intention to indefinitely reinvest in certain of our international operations and discrete items related to the accounting for share-based compensation. In 2017, we did not provide for U.S. taxes on the portion of our foreign earnings that we deemed indefinitely reinvested.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are currently exposed to certain market risks arising from transactions we have entered into in the normal course of business. These risks relate to interest rate changes and fluctuations in foreign exchange rates. Except for our exposure in Angola, we do not believe these risks are material. We have not entered into any market risk sensitive instruments for speculative or trading purposes. When we have a significant amount of borrowings, we typically manage our exposure to interest rate changes through the use of a combination of fixed- and floating-rate debt. See Note 4 of Notes to Consolidated Financial Statements included in this report for a description of our revolving credit facility and interest rates on our borrowings. We have two interest rate swaps in place on a total of \$200 million of the 2024 Senior Notes. The agreements swap the fixed interest rate of 4.650% on \$100 million of the 2024 Senior Notes to the floating rate of one month LIBOR plus 2.426% and on another \$100 million to one month LIBOR plus 2.823%. We believe significant interest rate changes would not have a material near-term impact on our future earnings or cash flows.

Because we operate in various oil and gas exploration and production regions in the world, we conduct a portion of our business in currencies other than the U.S. dollar. The functional currency for several of our international operations is the applicable local currency. A stronger U.S. dollar against the U.K. pound sterling, the Norwegian kroner and the Brazilian real may result in lower operating income. We manage our exposure to changes in foreign exchange rates principally through arranging compensation in U.S. dollars or freely convertible currency and, to the extent possible, by limiting compensation received in other currencies to amounts necessary to meet obligations denominated in those currencies. We use the exchange rates in effect as of the balance sheet date to translate assets and liabilities as to which the functional currency is the local currency, resulting in translation adjustments that we reflect as accumulated other comprehensive income or loss in the equity section of our Consolidated Balance Sheets. We recorded net adjustments to our equity accounts of \$22.2 million and \$(7.1) million in the three-month periods ended March 31, 2018 and 2017, respectively. Negative adjustments reflect the net impact of the strengthening of the U.S. dollar against various foreign currencies for locations where the functional currency is not the U.S. dollar. Conversely, positive adjustments reflect the effect of a weakening U.S. dollar.

We recorded foreign currency transaction losses of \$8.3 million and \$2.2 million in the three-month periods ended March 31, 2018 and 2017, respectively. Those losses are included in Other income (expense), net in our Consolidated Statements of Operations in those respective periods. Since the second quarter of 2015, the exchange rate for the Angolan kwanza relative to the U.S. dollar generally has been declining, although the exchange rate was relatively stable during 2017. As our functional currency in Angola is the U.S. dollar, we recorded foreign currency transaction losses related to the kwanza of \$7.7 million and \$0.5 million in the three-month periods ended March 31, 2018 and 2017, as a component of Other income (expense), net in our Consolidated Statements of Operations for those respective periods. Our foreign currency transaction losses related primarily to the remeasurement of our Angolan kwanza cash balances to U.S. dollars. Conversion of cash balances from kwanza to U.S. dollars is controlled by the central bank in Angola, and the central bank has slowed this process since mid-2015, causing our kwanza cash balances to subsequently increase. As of March 31, 2018, we had the equivalent of approximately \$22 million of cash balances in Angola reflected on our Consolidated Balance Sheet. Since December 31, 2017, Angola has devalued its currency by almost 30%. We will incur further foreign currency exchange losses in Angola if further currency devaluations occur.

To mitigate our currency exposure risk in Angola, through March 31, 2018, we have used kwanza to purchase \$68 million equivalent Angolan central bank (Banco Nacional de Angola) bonds with maturities of \$58 million in 2018 and \$10 million in 2020. These bonds are denominated as U.S. dollar equivalents, so that, upon payment of semi-annual interest and principal upon maturity, payment is made in kwanza, equivalent to the respective U.S. dollars at the then-current exchange rate. The entire \$68 million was classified as Other non-current assets on our Consolidated Balance Sheet as of December 31, 2017, as our intention is to reinvest funds from maturing bonds in similar long-term assets. However, the market to purchase similar long-term bonds is currently very limited. As a

result, we have classified the \$58 million bonds due to mature in 2018 as Other current assets in our Consolidated Balance Sheet as of March 31, 2018.

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Item 4. Controls and Procedures.

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2018 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in our internal control over financial reporting that occurred during the three months ended March 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

In the ordinary course of business, we are subject to actions for damages alleging personal injury under the general maritime laws of the United States, including the Jones Act, for alleged negligence. We report actions for personal injury to our insurance carriers and believe that the settlement or disposition of those claims will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Various other actions and claims are pending against us, most of which are covered by insurance. Although we cannot predict the ultimate outcome of these matters, we believe that our ultimate liability, if any, that may result from these other actions and claims will not materially affect our results of operations, cash flows or financial position.

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Item 6. Exhibits.

Index to Exhibits

		Registration or File Number	Form of Report	Report Date	Exhibit Number
* 3.01	<u>Restated Certificate of Incorporation</u>	1-10945	10-K	Dec. 2000	3.01
* 3.02	<u>Certificate of Amendment to Restated Certificate of Incorporation</u>	1-10945	8-K	May 2008	3.1
* 3.03	<u>Certificate of Amendment to Restated Certificate of Incorporation</u>	1-10945	8-K	May 2014	3.1
* 3.04	<u>Amended and Restated Bylaws</u>	1-10945	8-K	Aug. 2015	3.1
* 4.01	<u>Agreement and Amendment No. 4 Credit Agreement, dated as of February 16, 2018, by and among Oceaneering International, Inc. ("Oceaneering"), Wells Fargo Bank, National association, as administrative agent and swing the lender, and the lenders party thereto</u>	1-10945	8-K	Feb. 2018	4.1
* 4.02	<u>Second Supplemental Indenture, dated February 6, 2018, between Oceaneering and Wells Fargo Bank, National Association, as Trustee, providing for the issuance of Oceaneering's 6.000% Senior Notes due 2028 (including Form of Notes)</u>	1-10945	8-K	Feb. 2018	4.2
* 10.1+	<u>Form of 2018 Performance Unit Agreement, including 2018 Performance Award: Goals and Measures</u>	1-10945	8-K	Mar. 2018	10.1
* 10.2+	<u>Form of 2018 Restricted Stock Unit Agreement</u>	1-10945	8-K	Mar. 2018	10.2
* 10.3+	<u>Form of 2018 Nonemployee Director Restricted Stock Agreement</u>	1-10945	8-K	Mar. 2018	10.3
* 10.4+	<u>2018 annual Cash Bonus Award Program Summary</u>	1-10945	8-K	Mar. 2018	10.4
12.01	<u>Computation of Ratio of Earnings to Fixed Charges</u>				
31.01	<u>Rule 13a – 14(a)/15d – 14(a) certification of principal executive officer</u>				
31.02	<u>Rule 13a – 14(a)/15d – 14(a) certification of principal financial officer</u>				
32.01	<u>Section 1350 certification of principal executive officer</u>				
32.02	<u>Section 1350 certification of principal financial officer</u>				
101.INS	XBRL Instance Document				
101.SCH	XBRL Taxonomy Extension Schema Document				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				

+ Management contract or compensatory plan or arrangement.

* Exhibit previously filed with the Securities and Exchange Commission, as indicated, and incorporated herein by reference.

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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.

May 3, 2018 /S/ RODERICK A. LARSON

Date Roderick A. Larson
President and Chief Executive Officer
(Principal Executive Officer)

May 3, 2018 /S/ ALAN R. CURTIS

Date Alan R. Curtis
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

May 3, 2018 /S/ W. CARDON GERNER

Date W. Cardon Gerner
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)