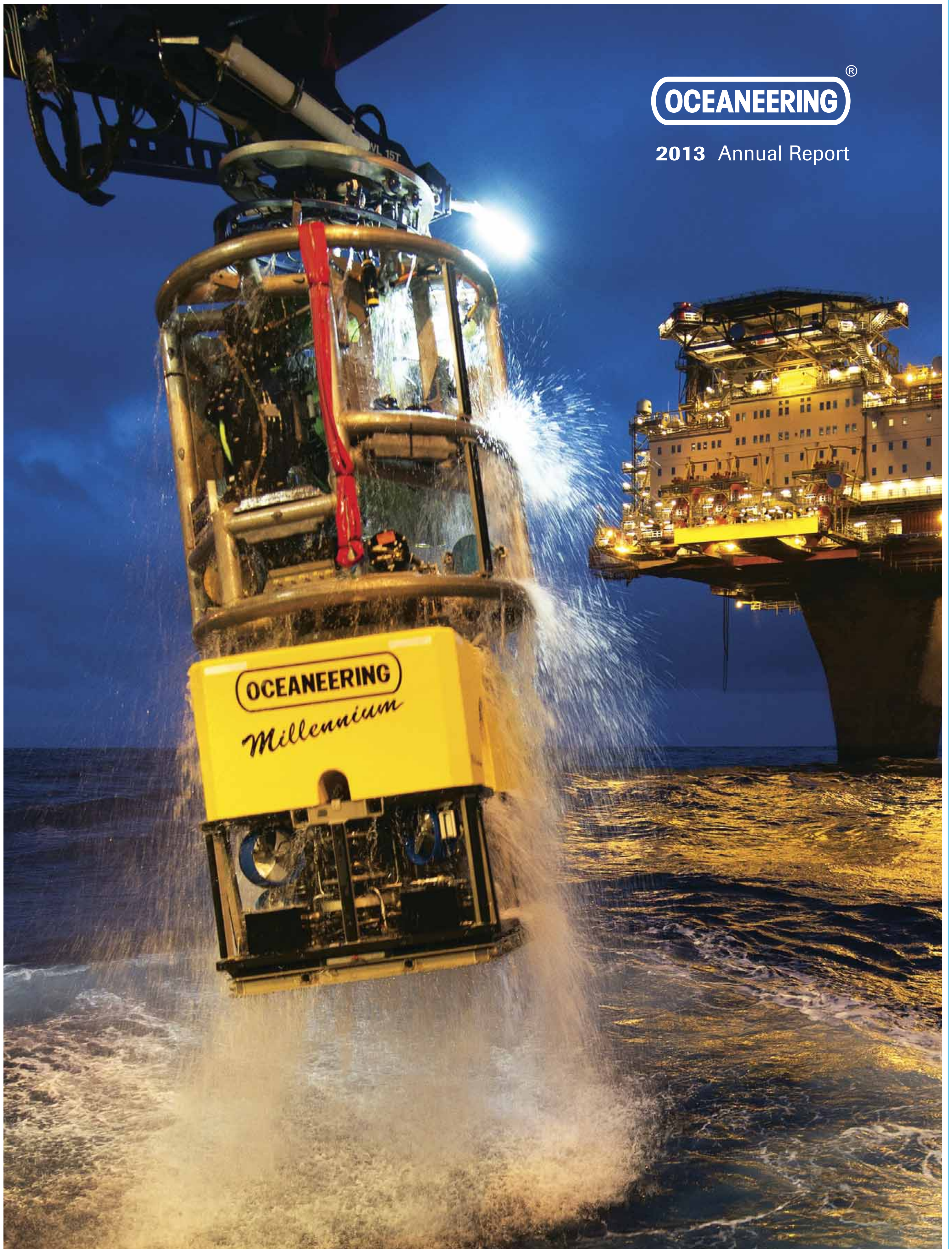

OCEANEERING
2013 Annual Report
OCEANEERING
Millennium

Oceaneering at a Glance

Oceaneering is a global oilfield provider of engineered services and products, primarily to the offshore oil and gas industry, with a focus on deepwater applications. Through the use of its applied technology expertise, Oceaneering also serves the defense, entertainment, and aerospace industries. At year end, Oceaneering employed approximately 12,200 people in 28 countries.

Remotely Operated Vehicles

ROVs are submersible vehicles teleoperated by technicians from a control van, typically onboard a floating drilling rig or vessel. They are piloted by means of a microprocessor-based control system through an armored electrical fiber-optic umbilical. ROVs are the key technology enabling the performance of critical oilfield tasks in deepwater. These tasks include drill support, subsea hardware installation and construction, pipeline inspections and surveys, and subsea production facility operation and maintenance.

We own and operate the largest fleet of oilfield work class ROVs in the world. At the end of 2013, we had 304 ROVs, about 35% of the industry's vehicles. We were the primary provider of these vehicles to perform drill support service, with an estimated market share of 57%, almost three times that of the second largest supplier.

Subsea Products

We manufacture a variety of specialty subsea oilfield products. These encompass production control umbilcals, tooling and subsea work systems, installation and workover control systems (IWOCS), and subsea hardware.

While most of our subsea products are sold, we also rent tooling and provide IWOCS and subsea work systems as a service, including hydrate remediation, well stimulation, dredging, and decommissioning.

Subsea Projects

We perform subsea oilfield hardware installation and inspection, maintenance, and repair services.

We service deepwater projects with dynamically positioned vessels that have our ROVs onboard, principally in the U.S. Gulf of Mexico (GOM) and offshore Angola. We service shallow water projects with our manned diving operation, utilizing dive support vessels and saturation diving systems, primarily in the GOM.

Asset Integrity

We provide asset integrity management, corrosion management, inspection, and non-destructive testing services principally to the oil and gas, power generation, and petrochemical industries. These services are performed on facilities onshore and offshore, both topside and subsea.

Advanced Technologies

We provide engineering services and related manufacturing principally to the U.S. Department of Defense, NASA and its prime contractors, and the commercial theme park industry. The U.S. Navy is our largest non-oilfield customer, for whom we perform work predominantly on surface ships and submarines.

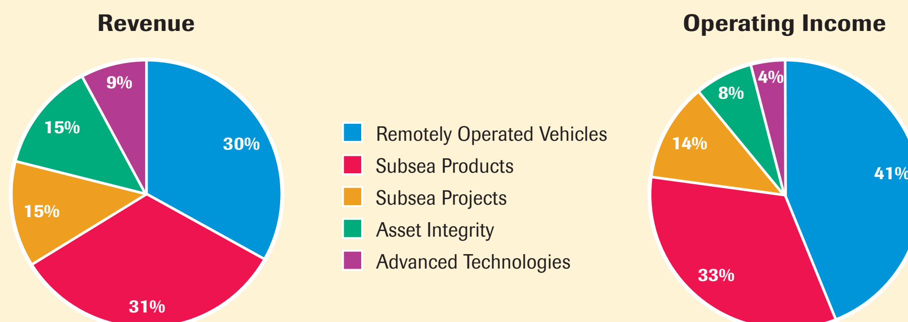
About the Cover

Pictured is one of our Millennium® vehicles being used to assist in North Sea dredging operations. This work was done to level the seabed for installation of hardware to tie back additional subsea wells to the production platform shown in the background.

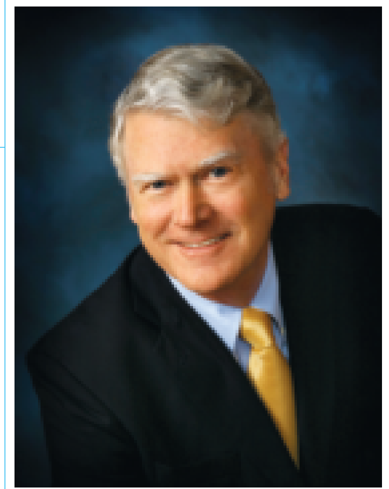
Financial Highlights

($ in thousands, except per share amounts)	**2013**	2012	% Increase
Revenue	**$3,287,019**	$2,782,604	18%
Gross Margin	**765,536**	627,858	22%
Operating Income	**545,116**	428,597	27%
Net Income	**371,500**	289,017	29%
Diluted Earnings Per Share	**$3.42**	$2.66	29%

For 2013 Oceaneering reported record earnings and EPS. These results were achieved due to our global focus on deepwater and subsea completion activity, the business expansion strategy we have in place, and our solid operational execution.



Letter to Shareholders



I am pleased to report that we achieved record EPS for the fourth consecutive year. At $3.42 our EPS for 2013 was up 29% over 2012 and above the guidance range I provided in last year's letter. Each of our five operating business segments attained higher income year over year, and we realized the second highest annual operating income margin in our history.

During 2013 we achieved record operating income from our Remotely Operated Vehicles (ROV), Subsea Products, Asset Integrity, and Advanced Technologies segments. Compared to 2012, ROV results improved on higher demand to provide drill support and vessel-based services, notably offshore Africa and in the U.S. Gulf of Mexico (GOM), and on the expansion of our fleet. Subsea Products growth was attributable to higher demand for each of our major product lines, led by subsea hardware. Asset Integrity operating income was higher on increased service sales in most of the major geographic areas we serve, particularly in Africa and Australia. Advanced Technologies profits were up on vessel maintenance work for the U.S. Navy and theme park project activity. Subsea Projects operating income also grew, primarily on increased deepwater vessel service activity.

A highlight of our 2013 performance was achieving the tenth consecutive year of record operating income by our ROV business. Over this time period we increased this segment's operating income eightfold to $282 million. We are proud of this remarkable accomplishment. During the past ten years we grew our fleet size by over 140%, or 179 ROVs, and increased our leading ownership position from 28% to 35% of the industry's work class vehicles. The future long-term outlook for ROV service demand growth, albeit at a slower pace, is promising and we anticipate being able to continue achieving record results from this business.

Subsea Products backlog at year end was an all-time high of $906 million, up 33% from $681 million at the end of 2012. This backlog growth was primarily attributable to four umbilical contracts, which added about $170 million to our 2013 backlog. These umbilicals are for use in the GOM, West of Shetland, and offshore Egypt. Product manufacturing on these contracts will ramp up during 2014 and we anticipate completion in the third quarter of 2015.

To augment our ability to provide subsea intervention services in ultra-deep water in the GOM, we chartered the *Normand Flower*, a multi-service subsea support vessel, for a three-year term that commenced in December 2013. We also commissioned the construction of a Jones Act compliant subsea support vessel scheduled to be delivered by the end of the first quarter of 2016. This vessel will be outfitted with two of our 13,000 foot-rated ROVs and a 250-ton crane that is capable of handling lifts 100 tons greater than any of the vessels we currently operate. This will increase our capability to meet our customers' demand to safely handle heavier subsea payloads in deeper water depths.

During 2013 our capital expenditures totaled $394 million, of which $226 million was spent on expanding and upgrading our ROV fleet. We placed 26 new vehicles into service during the year. We invested $103 million in our Subsea Products business, mainly to increase the capabilities of our umbilical plants in the U.S. and Scotland and to expand our rental/service tooling hardware offerings.

In addition to our capital expenditures, we paid $91 million of cash dividends. In the second quarter, we increased our regular quarterly cash dividend by more than 20%, to $0.22 per common share. At year end, our balance sheet reflected $91 million of cash, no debt, and $2.0 billion of equity.

Our EPS guidance range for 2014 is $3.90 to $4.10. We anticipate

continued global demand growth for our services and products to support deepwater drilling, field development, and inspection, maintenance, and repair activities. This market outlook is supported by industry observations and assessments that deepwater drilling is increasing, subsea equipment orders are growing, and backlog to perform offshore construction projects is at a historically high level.

We anticipate all of our oilfield business segments will achieve higher income in 2014 compared to 2013: ROV on greater worldwide service demand to support drilling and vessel-based projects; Subsea Products on higher demand for each of our major product lines; Subsea Projects on growth in deepwater service activity; and Asset Integrity on increased demand for our services.

Looking beyond 2014, we remain convinced that our strategy to focus on providing services and products that facilitate deepwater exploration and production remains sound. We believe the oil and gas industry will increase its investment in deepwater, as it remains one of the best frontiers for adding large hydrocarbon reserves with high production flow rates at relatively low finding and development costs. Therefore, we anticipate demand for our deepwater services and products will continue to rise, and believe our business prospects for the next several years are promising.

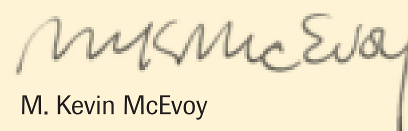
Given our outlook, we plan to expand our ability to participate in the deepwater market by continuing to grow organically and making additional acquisitions. With the cash generated by our expected 2014 earnings and our balance sheet, we anticipate having ample resources to invest in Oceaneering's growth. Our capital expenditure estimate for 2014, excluding acquisitions, is around $450 million. We intend to pursue acquisitions within our market niches and would particularly like to expand our Subsea Products segment offerings, especially where we can add a services component.

In recognition of our financial performance and future business prospects, the price of Oceaneering's stock rose 47% during the year. Our share price percentage increase was greater than the Oil Service Sector Index (OSX), which by comparison rose 28%. At year end Oceaneering's market capitalization exceeded $8 billion.

Our ability to produce exceptional results is largely attributable to our global focus on deepwater and subsea completion activity, and our capability to develop and supply a wide range of the services and products required to safely support the efforts of our customers. We are committed to our customers' success and our results reflect their recognition of our ability to provide value to them.

Oceaneering is flourishing. I recognize and thank our over 12,000 employees worldwide who are making this happen through their commitment to safety, quality, and creativity within the framework of our core values.

2014 will mark our 50th year in business, and I look forward to leading Oceaneering to another record performance.



M. Kevin McEvoy
President and Chief Executive Officer

Directors and Officers

Directors

T. Jay Collins
Former Chief Executive Officer of Oceaneering International, Inc. and a Director of: Murphy Oil Corporation; Nautronix Group Limited; Pason Systems Inc.; and Texas Institute of Science, Inc.

Jerold J. DesRoche
An Owner and Former Director of National Power

John R. Huff
Chairman of Oceaneering International, Inc. and a Director of: Hi-Crush GP LLC, the general partner of Hi-Crush Partners LP; KBR, Inc.; and Suncor Energy Inc.

D. Michael Hughes
Owner of The Broken Arrow Ranch and affiliated businesses

M. Kevin McEvoy
President and Chief Executive Officer of Oceaneering International, Inc.

Paul B. Murphy, Jr.
Chief Executive Officer and President of Cadence Bancorp, LLC and a Director of: Cadence Bancorp, LLC; Cadence Bank, N.A.; the Federal Reserve Bank of Dallas-Houston Branch; and Hines Real Estate Investment Trust, Inc.

Harris J. Pappas
President of Pappas Restaurants, Inc. and a Director of Luby's, Inc.

Executive Officers

M. Kevin McEvoy
President and Chief Executive Officer

Marvin J. Migura
Executive Vice President

Roderick A. Larson
Senior Vice President and Chief Operating Officer

W. Cardon Gerner
Senior Vice President and Chief Financial Officer

David K. Lawrence
Senior Vice President, General Counsel, and Secretary

Charles W. Davison, Jr.
Senior Vice President, Subsea Products

Knut Eriksen
Senior Vice President, Business Development

Clyde W. Hewlett
Senior Vice President, Subsea Services

Kevin F. Kerins
Senior Vice President, ROVs

Oceaneering Locations

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Aberdeen AB21 ODP, Scotland
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Oceaneering International Dubai LLC
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Sheikh Zayed Road
Dubai, United Arab Emirates
Telephone: (971-4) 311-7500

Oceaneering Advanced Technologies
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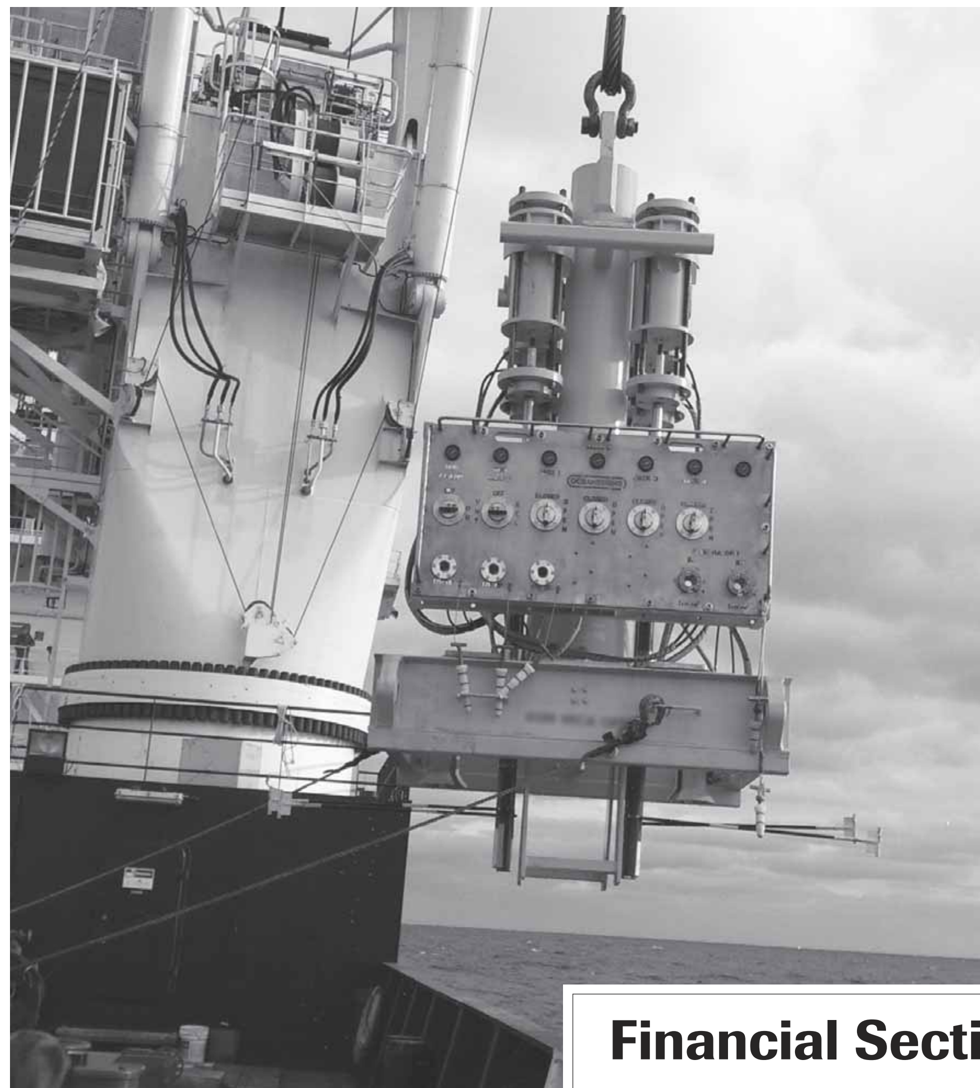
Terra Nova
Luanda
Angola
Telephone: (244) 222 6354000



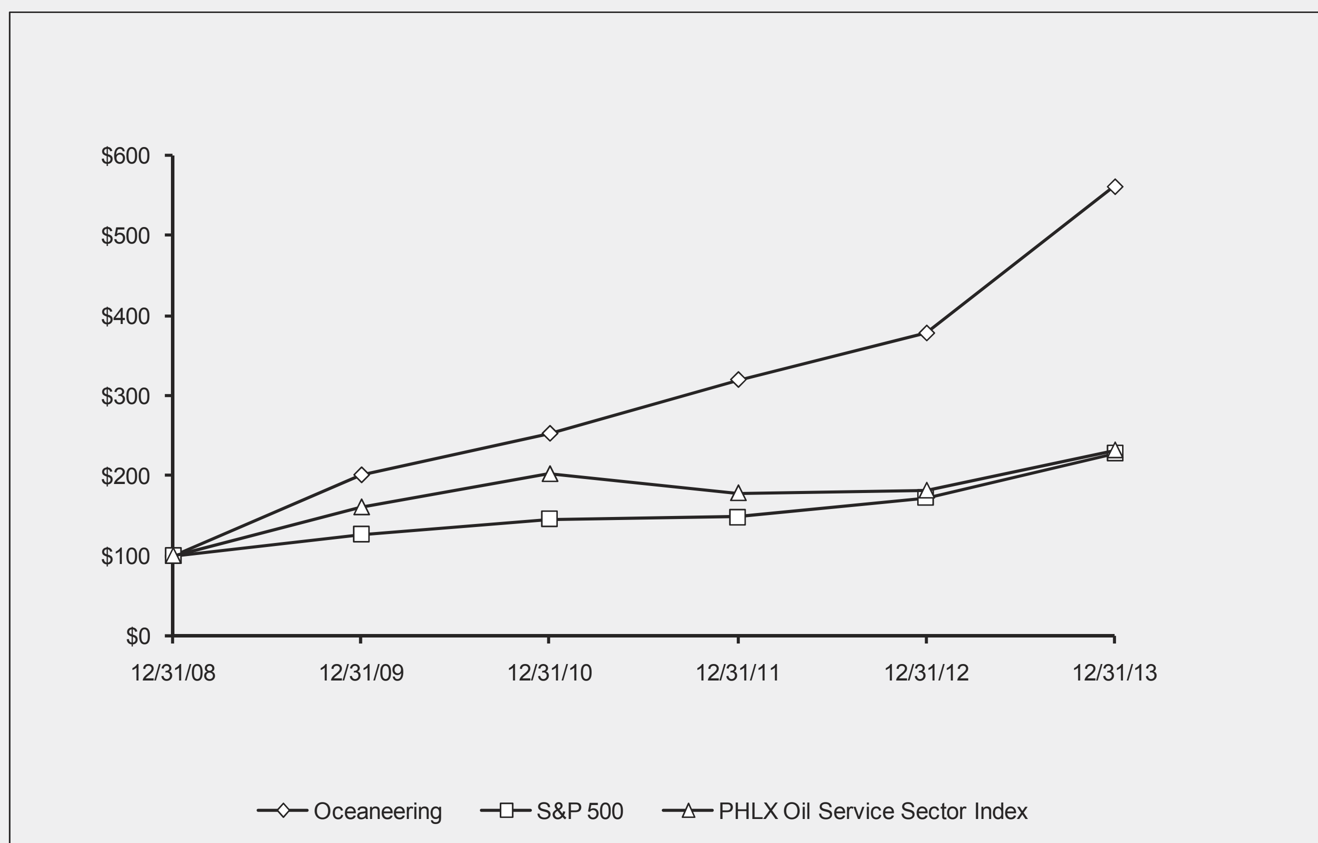
Financial Section 2013

Oceaneering International, Inc.

PERFORMANCE GRAPH

The following graph compares our total shareholder return to the Standard & Poor's 500 Stock Index ("S&P 500") and the PHLX Oil Service Sector Index from December 31, 2008 through December 31, 2013. The PHLX Oil Service Sector Index is designed to track the performance of a set of companies involved in the oil services sector.

It is assumed in the graph that: (1) $100 was invested in Oceaneering Common Stock, the S&P 500 and the PHLX Oil Service Sector Index on December 31, 2008; (2) the peer group investment is weighted based on the market capitalization of each individual company within the peer group at the beginning of each period; and (3) any dividends are reinvested. The shareholder return shown is not necessarily indicative of future performance.



	December 31,					
	2008	2009	2010	2011	2012	2013
Oceaneering	100.00	200.82	252.68	319.90	378.06	560.84
S&P 500	100.00	126.46	145.51	148.59	172.37	228.19
PHLX Oil Service Sector	100.00	160.57	201.93	178.17	181.37	231.51

Oceaneering Common Stock

Our common stock is listed on the New York Stock Exchange under the symbol OII. We submitted to the New York Stock Exchange during 2013 a certification of our Chief Executive Officer regarding compliance with the Exchange's corporate governance listing standards. We also included as exhibits to our annual report on Form 10-K, as filed with the SEC, the certifications of our principal executive officer and principal financial officer required under Section 302 of the Sarbanes-Oxley Act of 2002.

The following table sets out, for the periods indicated, the high and low sales prices for our common stock as reported on the New York Stock Exchange (consolidated transaction reporting system):

	2013		2012	
	High	Low	High	Low
For the quarter ended:				
March 31	$ 67.11	$ 54.27	$ 57.16	$ 46.08
June 30	76.60	58.08	54.94	43.22
September 30	84.64	72.70	58.53	48.15
December 31	87.64	75.60	55.98	50.87

On February 7, 2014, there were 368 holders of record of our common stock. On that date, the closing sales price, as quoted on the New York Stock Exchange, was $69.29. In 2013, we declared quarterly cash dividends of $0.18 per share in the first quarter and $0.22 per share in each of the second, third and fourth quarters and in 2012, we declared quarterly cash dividends of $0.15 per share in the first quarter and $0.18 per share in each of the second, third and fourth quarters. It is our intent to continue to pay a quarterly cash dividend; however, payment of future cash dividends will be at the discretion of our board of directors in accordance with applicable law, after taking into account various factors, including our financial condition, earnings, capital requirements, legal requirements, regulatory constraints, industry practice and any other factors that our board of directors believes are relevant.

In February 2010, our Board of Directors approved a plan to repurchase up to 12,000,000 shares of our common stock. Through December 31, 2013 under this plan, we repurchased 3,100,000 shares of our common stock for $86 million. We did not repurchase any shares in the fourth quarter of 2013.

Selected Financial Data

The following table sets forth certain selected historical consolidated financial data and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operation and our Consolidated Financial Statements and Notes included in this report. The following information may not be indicative of our future operating results.

Results of Operations:

	Year Ended December 31,				
(in thousands, except per share amounts)	2013	2012	2011	2010	2009
Revenue	$ 3,287,019	$ 2,782,604	$ 2,192,663	$ 1,917,045	$ 1,822,081
Cost of services and products	2,521,483	2,154,746	1,683,904	1,450,725	1,384,355
Gross margin	765,536	627,858	508,759	466,320	437,726
Selling, general and administrative expense	220,420	199,261	173,928	156,820	145,610
Income from operations	$ 545,116	$ 428,597	$ 334,831	$ 309,500	$ 292,116
Net income	$ 371,500	$ 289,017	$ 235,658	$ 200,531	$ 188,353
Cash dividends declared per Share	$ 0.84	$ 0.69	$ 0.45	$ —	$ —
Diluted earnings per share	$ 3.42	$ 2.66	$ 2.16	$ 1.82	$ 1.70
Depreciation and amortization	$ 202,228	$ 176,483	$ 151,227	$ 153,651	$ 122,945
Capital expenditures, including business acquisitions	$ 393,590	$ 309,858	$ 526,645	$ 207,180	$ 175,021

Other Financial Data:

	As of December 31,				
(dollars in thousands)	2013	2012	2011	2010	2009
Working capital ratio	1.97	1.95	1.96	2.24	2.25
Working capital	$ 706,187	$ 585,805	$ 482,747	$ 543,646	$ 485,592
Total assets	$ 3,128,500	$ 2,768,118	$ 2,400,544	$ 2,030,506	$ 1,880,287
Long-term debt	$ —	$ 94,000	$ 120,000	$ —	$ 120,000
Shareholders' equity	$ 2,043,440	$ 1,815,460	$ 1,557,962	$ 1,390,215	$ 1,224,323
Goodwill as a percentage of Shareholders' equity	17%	20%	21%	10%	11%

Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements in this annual report, including, without limitation, statements regarding the following matters are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995:

- our business strategy;
- our plans for future operations;
- industry conditions;
- seasonality;
- our expectations about 2014 earnings per share and segment operating results, and the factors underlying those expectations, including our expectations about demand for our deepwater oilfield services and products as a result of the factors we specify in "*Overview*" and "*Results of Operations*" below;
- projections relating to floating rigs to be placed in service and subsea tree orders;
- the adequacy of our liquidity and capital resources to support our operations and internally generated growth initiatives;
- our projected capital expenditures for 2014;
- our plans to add ROVs to our fleet;
- our intentions relating to the subsea support vessel scheduled for delivery in 2016;
- our belief that our goodwill will not be impaired during 2014;
- the adequacy of our accruals for uninsured expected liabilities from workers' compensation, maritime employer's liability and general liability claims;
- our belief that our total unrecognized tax benefits will not significantly increase or decrease in the next 12 months;
- our anticipated tax rates and underlying assumptions;
- our expectations about the cash flows from our investment in Medusa Spar LLC, and the factors underlying those expectations;
- our expectations regarding shares repurchased under our share repurchase plan;
- our backlog; and
- our expectations regarding the effect of inflation in the near future.

These forward-looking statements are subject to various risks, uncertainties and assumptions, including those we refer to under the headings "*CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS*" and "Risk Factors" in Part I of our annual report on Form 10-K as filed with the SEC. 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.

Overview

The table that follows sets out our revenue and operating results for 2013, 2012 and 2011.

(dollars in thousands)	Year Ended December 31,		
	2013	2012	2011
Revenue	$ 3,287,019	$ 2,782,604	$ 2,192,663
Gross Margin	765,536	627,858	508,759
Gross Margin %	23%	23%	23%
Operating Income	545,116	428,597	334,831
Operating Income %	17%	15%	15%
Net Income	371,500	289,017	235,658

During 2013, we generated approximately 91% of our revenue, and 96% of our operating income before Unallocated Expenses, from services and products we provided to the oil and gas industry. In 2013, our revenue increased by 18%, with the largest percentage increase occurring in our Subsea Projects segment, which increased 34%, primarily on increased deepwater vessel service activity.

The $372 million consolidated net income we earned in 2013 was the highest in our history. The $82 million increase from 2012 net income was attributable to higher profit contributions from all of our operating segments:

- our Subsea Products segment, which had $60 million more operating income on $199 million more revenue;
- our ROV segment, which had $33 million more operating income on $128 million more revenue;
- our Subsea Projects segment, which had $30 million more operating income on $130 million more revenue;
- our Asset Integrity segment, which had $10 million more operating income on $47 million more revenue; and
- our Advanced Technologies segment, which had $4 million more operating income on $1 million more revenue.

In 2013, we invested in the following major capital projects:

- additions of and upgrades to our work-class ROVs; and
- expansion in our Subsea Products segment, including the addition of more umbilical plant capabilities and an expansion of our rental and service tooling suite and work packages.

We expect our 2014 diluted earnings per share to be in the range of $3.90 to $4.10, as compared to $3.42 in 2013. We anticipate continued global demand growth to support deepwater drilling, field development, and inspection, maintenance and repair activities. Compared to 2013, in 2014 we are forecasting an increase in all of our oilfield operating business segments, including:

- ROVs on greater service demand to support drilling and vessel-based projects;
- Subsea Products on higher demand for all our major product lines;
- Subsea Projects on a growth in deepwater service activity; and
- Asset Integrity on increased demand for our services.

We use our ROVs to provide drilling support, vessel-based inspection, maintenance and repair, subsea hardware installation, construction, and pipeline inspection services to customers in the oil and gas industry. The largest percentage of our ROVs has historically been used to provide drill support services. Therefore, the number of floating drilling rigs on

hire is a leading market indicator for this business. The following table shows average floating rigs under contract and our ROV utilization.

	2013	2012	2011
Average number of floating rigs under contract	275	268	238
ROV days on hire (in thousands)	92	82	73
ROV utilization	85%	80%	77%

Demand for floating rigs is our primary driver of future growth prospects. According to industry data published by IHS Petrodata, at the end of 2013, there were 314 floating drilling rigs in the world, with 282 of the rigs under contract. Of the 282 rigs under contract, 213 are contracted through 2014. One hundred two additional floating rigs were on order, and 60 of these 102 have been contracted long-term. We estimate approximately 29 floating rigs will be placed in service during 2014, and we have ROV contracts on 16 of those. Competitors have the ROV contracts on three rigs, leaving 10 contract opportunities.

In addition to floating rig demand, subsea tree completions are another leading indicator of the strength of the deepwater market and the primary demand driver for our Subsea Products lines. According to industry data published by Quest Offshore Resources, Inc., the global market for subsea tree orders is expected to increase approximately 65% in the 2013-2017 time period compared to the previous five years. Additionally, Quest projects that subsea tree installations during the same time period will increase approximately 50% compared to the previous five-year period, and the installed subsea completion base will have a net increase of approximately 1,400 trees, or 35%.

Critical Accounting Policies and Estimates

We have based the following discussion and analysis of our financial condition and results of operations on our consolidated financial statements, which we have prepared in conformity with accounting principles generally accepted in the United States. These principles require us to make various estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the periods we present. We base our estimates on historical experience, available information and other assumptions we believe to be reasonable under the circumstances. On an ongoing basis, we evaluate our estimates; however, our actual results may differ from these estimates under different assumptions or conditions. The following discussion summarizes the accounting policies we believe (1) require our management's most difficult, subjective or complex judgments and (2) are the most critical to our reporting of results of operations and financial position.

Revenue Recognition. We recognize our revenue according to the type of contract involved. On a daily basis, we recognize revenue under contracts that provide for specific time, material and equipment charges, which we bill periodically, ranging from weekly to monthly.

We account for significant fixed-price contracts, which we enter into mainly in our Subsea Products segment, and occasionally in our Subsea Projects and Advanced Technologies segments, using the percentage-of-completion method. In 2013, we accounted for 12% of our revenue using the percentage-of-completion method. In determining whether a contract should be accounted for using the percentage-of-completion method, we consider whether:

- the customer provides specifications for the construction of facilities or production of goods or for the provision of related services;
- we can reasonably estimate our progress towards completion and our costs;
- the contract includes provisions as to the enforceable rights regarding the goods or services to be provided, consideration to be received and the manner and terms of payment;
- the customer can be expected to satisfy its obligations under the contract; and
- we can be expected to perform our contractual obligations.

Under the percentage-of-completion method, we generally recognize estimated contract revenue based on costs incurred to date as a percentage of total estimated costs. Changes in the expected cost of materials and labor, productivity, scheduling and other factors affect the total estimated costs. Additionally, external factors, including weather or other factors outside of our control, may also affect the progress and estimated cost of a project's completion and, therefore, the timing of income and revenue recognition. We routinely review estimates related to our contracts and reflect revisions to profitability in earnings immediately. 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. Although we are continually striving to accurately estimate our contract costs and profitability, adjustments to overall contract costs could be significant in future periods.

We recognize the remainder of our revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, price is fixed or determinable and collection is reasonably assured.

Long-lived Assets. We evaluate our property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be appropriate. We base these evaluations on a comparison of the assets' carrying values to forecasts of undiscounted cash flows associated with the assets or quoted market prices. If an impairment has occurred, we recognize a loss for the difference between the carrying amount and the fair value of the asset. Our expectations regarding future sales and undiscounted cash flows are highly subjective, cover extended periods of time and depend on a number of factors outside our control, such as changes in general economic conditions, laws and regulations. Accordingly, these expectations could differ significantly from year to year.

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.

Goodwill. We account for business combinations using the acquisition method of accounting, with the acquisition price being allocated to the assets acquired and liabilities assumed based on their fair market values at the date of acquisition. In September 2011, the Financial Accounting Standards Board ("FASB") issued an update regarding goodwill impairment testing. Under the update, an entity has the option to first assess qualitative factors 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. If, after assessing the totality of events or circumstances, an entity determines it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test. This update was effective for us January 1, 2012, and earlier adoption was permitted. We began applying this update in 2011. The provisions of the update have not had a material effect on our financial position or results of operations. Prior to 2011, we tested the goodwill attributable to each of our reporting units for impairment annually, or more frequently whenever events or changes in circumstances indicated that the carrying amounts may not have been appropriate. We estimated fair value of the reporting units using both an income approach, which considers a discounted cash flow model, and a market approach. For reporting units with significant goodwill, we do not believe our goodwill will be impaired during 2014.

Loss Contingencies. We self-insure for workers' compensation, maritime employer's liability and comprehensive general liability claims to levels we consider financially prudent, and beyond the self-insurance level of exposure we carry insurance, which can be by occurrence or in the aggregate. We determine the level of accruals for claims exposure by reviewing our historical experience and current year claim activity. We do not record accruals on a present-value basis. We review larger claims with insurance adjusters and establish specific reserves for known liabilities. We establish an additional reserve for incidents incurred but not reported to us for each year using our estimates and based on prior experience. We believe we have established adequate accruals for uninsured expected liabilities arising from those

obligations. However, it is possible that future earnings could be affected by changes in our estimates relating to these matters.

We are involved in various claims and actions against us, most of which are covered by insurance. We believe that our ultimate liability, if any, that may result from those claims and actions will not materially affect our financial position, cash flows or results of operations.

Income Taxes. Our tax provisions are based on our expected taxable income, statutory rates and tax-planning opportunities available to us in the various jurisdictions in which we operate. Determination of taxable income in any jurisdiction requires the interpretation of the related tax laws. We are at risk that a taxing authority's final determination of our tax liabilities may differ from our interpretation. Our effective tax rate may fluctuate from year to year as our operations are conducted in different taxing jurisdictions, the amount of pre-tax income fluctuates and our estimates regarding the realizability of items such as foreign tax credits may change. In 2013, 2012 and 2011, we recorded reductions of income tax expense of $0.7 million, $3.0 million and $0.9 million, respectively, resulting from a combination of expiring statutes of limitations and the resolution of uncertain tax positions related to certain tax liabilities we recorded in prior years. Current income tax expense represents either nonresident withholding taxes or the liabilities expected to be reflected on our income tax returns for the current year, while the net deferred income tax expense or benefit represents the change in the balance of deferred tax assets or liabilities as reported on our balance sheet.

We establish valuation allowances to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized in the future. We currently have no valuation allowances. While we have considered estimated future taxable income and ongoing prudent and feasible tax-planning strategies in assessing the need for the valuation allowances, changes in these estimates and assumptions, as well as changes in tax laws, could require us to provide for valuation allowances for our deferred tax assets. These provisions for valuation allowances would impact our income tax provision in the period in which such adjustments are identified and recorded.

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 is greater than 50% likely of being realized upon ultimate settlement.

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. We increased our provision for income taxes in 2013 by $1.7 million for penalties and interest for uncertain tax positions, which brought our total liabilities for penalties and interest on uncertain tax positions to $3.3 million on our balance sheet at December 31, 2013. Including associated foreign tax credits and penalties and interest, we have accrued a net total of $8.6 million in the caption "other long-term liabilities" on our balance sheet at December 31, 2013 for unrecognized tax benefits. All additions or reductions to those liabilities affect our effective income tax rate in the periods of change.

We do not believe that the total of unrecognized tax benefits will significantly increase or decrease in the next 12 months.

For a summary of our major accounting policies and a discussion of recently adopted accounting standards, please see Note 1 to our Consolidated Financial Statements.

Liquidity and Capital Resources

We consider our liquidity and capital resources adequate to support our operations and growth initiatives. At December 31, 2013, we had working capital of $706 million, including cash and cash equivalents of $91 million. Additionally, we had $300 million available through a revolving credit facility under a credit agreement (the "Credit

Agreement"), which is scheduled to expire on January 6, 2017. Our maximum outstanding borrowings under the Credit Agreement during 2013 were $120 million, and our total interest costs, including commitment fees, were $1.3 million.

The Credit Agreement provides for a five-year, $300 million revolving credit facility. Subject to certain conditions, the aggregate commitments under the facility may be increased by up to $200 million by obtaining additional commitments from existing and/or new lenders. Borrowings under the facility may be used for working capital and general corporate purposes. Revolving borrowings under the facility bear interest at an adjusted base rate or the eurodollar Rate (as defined in the agreement), at our option, plus an applicable margin. Depending on our debt to capitalization ratio, the applicable margin varies (1) in the case of adjusted base rate advances, from 0.125% to 0.750% and (2) in the case of eurodollar advances, from 1.125% to 1.750%.

The Credit Agreement contains various covenants that we believe are customary for agreements of this nature, including, but not limited to, restrictions on the ability of each of our restricted subsidiaries to incur unsecured debt, as well as restrictions on our ability and the ability of each of our restricted subsidiaries to incur secured debt, grant liens, make certain investments, make distributions, merge or consolidate, sell assets, enter into transactions with affiliates and enter into certain restrictive agreements. We are also subject to an interest coverage ratio and a debt to capitalization ratio. The Credit Agreement includes customary events and consequences of default.

Our capital expenditures, including business acquisitions, for 2013, 2012 and 2011 were $394 million, $310 million and $527 million, respectively. Our capital expenditures in 2013 included $226 million for upgrading and expanding our ROV fleet and $103 million in our Subsea Products segment, principally to increase the capabilities of our umbilical plants in the U.S. and Scotland and to expand our rental and service tooling hardware offerings. Our capital expenditures in 2012 included $198 million for expanding and upgrading our ROV fleet. In 2012, we also invested $68 million in our Subsea Products business, largely to increase the capabilities of our umbilical plants in Brazil and Scotland and to expand our suite of subsea rental and service tooling. Capital expenditures in 2011 included expenditures for: the acquisition of AGR Field Operations Holdings AS and subsidiaries for $220 million, which are in our Asset Integrity and Subsea Projects segments; Norse Cutting and Abandonment AS for $50 million, which is in our Subsea Products segment; additions and upgrades to our ROV fleet; and conversion of the *Ocean Patriot* to a dynamically positioned saturation diving vessel and completion of its saturation diving system in our Subsea Projects segment.

For 2014, we expect our capital expenditures to be approximately $450 million, exclusive of business acquisitions. This estimate includes $225 million in our ROV segment for the addition of new vehicles and vehicle upgrades, $120 million for enhancing our Subsea Products capabilities, and $65 million in our Subsea Projects segment, primarily for construction progress payments on a new subsea support vessel scheduled for delivery in 2016.

Our capital expenditures during 2013, 2012 and 2011 included $226 million, $198 million and $136 million, respectively, in our ROV segment, principally for additions and upgrades to our ROV fleet to expand the fleet and replace units we retired and for facilities infrastructure to support our growing ROV fleet size. We plan to continue adding ROVs at levels we determine appropriate to meet market opportunities as they arise. We added 26, 37 and 24 ROVs to our fleet and retired 10, 15 and 16 units during 2013, 2012 and 2011, respectively, and transferred one to our Advanced Technologies segment in each of 2013 and 2011, resulting in a total of 304 work-class systems in the fleet at December 31, 2013.

In 2012, we rechartered a deepwater vessel, the *Ocean Intervention III*, for two years, with extension options for up to three additional years, and which we have extended to January 2015. We have also chartered an additional larger deepwater vessel, the *Olympic Intervention IV,* for an initial term of five years, which began in the third quarter of 2008, and which we have extended to July 2016. We outfitted each of these larger deepwater vessels with two of our high-specification work-class ROVs, and we have utilized these vessels to perform subsea hardware installation and inspection, maintenance and repair projects, and to conduct well intervention services in the ultra-deep waters of the U.S. Gulf of Mexico. In 2012, we

moved the *Ocean Intervention III* to Angola and chartered the *Bourbon Oceanteam 101* to work on a three-year field support contract. The customer for this contract has the option for us to provide a third vessel and has options to extend the contract for two additional one-year periods. In March 2013, we commenced a five-year charter for a Jones Act-compliant multi-service support vessel, which we have been renamed the *Ocean Alliance,* that we are using in the U.S. Gulf of Mexico. We have outfitted the vessel with two of our high-specification work-class ROVs. In December 2013, we commenced a three-year charter for the *Normand Flower,* a multi-service subsea marine support vessel. We have made modifications to the vessel, including reconfiguration to accommodate two of our high-specification work-class ROVs. We anticipate we will use the vessel in the U.S. Gulf of Mexico to perform inspection, maintenance and repair projects and hardware installations. We have options to extend the charter for up to three additional years.

During the third quarter of 2013, we signed an agreement with a shipyard for the construction of a subsea support vessel. We expect delivery of that vessel by the end of the first quarter of 2016. Our cash payments for the vessel will be spread over the construction period. We intend for the vessel 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 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 personnel. We anticipate the vessel will be used to augment our ability to provide subsea intervention services in the ultra-deep waters of the U.S. Gulf of Mexico. These services are required to perform inspection, maintenance, and repair projects and hardware installations.

Our principal source of cash from operating activities is our net income, adjusted for the non-cash expenses of depreciation and amortization, deferred income taxes and noncash compensation under our restricted stock plans. Our $529 million, $439 million and $289 million of cash provided from operating activities in 2013, 2012 and 2011, respectively, were affected by cash increases/(decreases) of $(102) million, $(94) million and $(100) million, respectively, of changes in accounts receivable, $(111) million, $(76) million and $(11) million , respectively, of changes in inventory and $128 million, $87 million and $9 million, respectively, in changes in accounts payable and accrued liabilities. In 2013, the increases in accounts receivable and accounts payable and accrued liabilities reflect the increase in our revenue in 2013. The increase in inventory in 2013 is consistent with the increase in our backlog over 2012. In 2012, the increase in accounts receivable was largely attributable to increased revenue in the fourth quarter of 2012 compared to the fourth quarter of 2011. The increase in inventory in 2012 was principally in our Subsea Products and ROV segments: Subsea Products in preparation for production related to the higher backlog levels at December 31, 2012 as compared to those at December 31, 2011; and ROV in anticipation of adding additional units. In 2012, the changes in accounts payable and accrued expenses related to higher accruals for payroll and project costs and an increase in progress payments received from customers. In 2011, the increase in accounts receivable was largely attributable to increased revenue in the fourth quarter of 2011 compared to the corresponding quarter of 2010, and the mix of revenue with a higher percentage of our 2011 revenue coming from our international operations.

In 2013, we used a net of $378 million in investing activities, with $394 million used to make the capital expenditures and business acquisitions described above. In 2012, we used $306 million in investing activities, with $310 million used to make the capital expenditures and business acquisitions described above. In 2011, we used $483 million in investing activities, with $527 million used to make the capital expenditures and business acquisitions described above, while we received $44 million from the sales of assets, primarily our offshore production system, the *Ocean Legend*.

In 2013, we used $180 million in financing activities, principally for repayment against our revolving credit facility of $94 million and the payment of cash dividends of $91 million. In 2012, we used $118 million in financing activities, principally for the payment of cash dividends of $75 million, repayment against our revolving credit facility of $26 million and common stock share repurchases of $19 million. In 2011, we generated $55 million in financing activities. We

borrowed $120 million under our revolving credit facility, and we used $49 million for the payment of cash dividends and $17 million for common stock share repurchases.

In February 2010, our Board of Directors approved a plan to repurchase up to 12,000,000 shares of our common stock. The timing and amount of any repurchases will be determined by our management. We expect that any shares repurchased under the plan will be held as treasury stock for future use. The plan does not obligate us to repurchase any particular number of shares. Through December 31, 2013, we repurchased 3,100,000 shares at a cost of $86 million under the plan. As of December 31, 2013, we retained 2,636,644 shares we had repurchased. We expect that shares we reissue will be primarily in connection with our stock-based compensation plans.

Because of our significant foreign operations, we are exposed to currency fluctuations and exchange rate risks. We generally minimize these risks primarily through matching, to the extent possible, revenue and expense in the various currencies in which we operate. Cumulative translation adjustments as of December 31, 2013 relate primarily to our net investments in, including long-term loans to, our foreign subsidiaries. A stronger U.S. dollar against the U.K. pound sterling and the Norwegian kroner would result in lower operating income. See "Quantitative and Qualitative Disclosures About Market Risk" below.

Results of Operations

Additional information on our business segments is shown in Note 7 of the Notes to Consolidated Financial Statements included in this report.

Oilfield. The table that follows sets out revenue and profitability for the business segments within our Oilfield business. In the ROV section of the table that follows, "Days available" includes all days from the first day that an ROV is placed in service until the ROV is retired. All days in 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.

(dollars in thousands)	Year Ended December 31, 2013	2012	2011
Remotely Operated Vehicles			
Revenue	$ 981,728	$ 853,520	$ 755,033
Gross Margin	328,031	289,929	260,287
Gross Margin %	33%	34%	34%
Operating Income	281,973	248,972	224,705
Operating Income %	29%	29%	30%
Days available	108,201	102,225	94,999
Days utilized	91,618	82,126	72,920
Utilization %	85%	80%	77%
Subsea Products			
Revenue	1,027,792	829,034	770,212
Gross Margin	311,206	241,240	207,804
Gross Margin %	30%	29%	27%
Operating Income	231,050	170,959	142,184
Operating Income %	22%	21%	18%
Backlog at end of period	906,000	681,000	382,000
Subsea Projects			
Revenue	509,440	379,571	167,477
Gross Margin	108,758	80,944	42,004
Gross Margin %	21%	21%	25%
Operating Income	93,865	63,461	32,662
Operating Income %	18%	17%	20%
Asset Integrity			
Revenue	481,919	435,381	266,577
Gross Margin	81,856	71,100	46,109
Gross Margin %	17%	16%	17%
Operating Income	55,243	45,196	30,560
Operating Income %	11%	10%	11%
Total Oilfield			
Revenue	$ 3,000,879	$ 2,497,506	$ 1,959,299
Gross Margin	829,851	683,213	556,204
Gross Margin %	28%	27%	28%
Operating Income	662,131	528,588	430,111
Operating Income %	22%	21%	22%

In response to continued increasing demand to support deepwater drilling and vessel-based inspection, maintenance and repair ("IMR") and installation work, we have continued to build new ROVs. These new vehicles are designed for use around the world in water depths of 10,000 feet or more. We added 26, 37 and 24 ROVs in 2013, 2012 and 2011, respectively, while retiring 41 units over the three-year period and transferring two to our Advanced Technologies segment over that period. We have grown our ROV fleet size to 304 at December 31, 2013 from 289 at December 31, 2012 and 267 at December 31, 2011. We plan to continue adding ROVs at levels we determine appropriate to meet market opportunities.

For 2013, our ROV revenue and operating income improved over 2012 from:

- higher demand:
    - in the U.S. Gulf of Mexico;
    - offshore Africa;
    - offshore India;
    - offshore Canada; and
    - offshore Australia; and
- expansion of our fleet to meet the increased demand.

In 2013, our ROV general and administrative expenses included a charge of $3.3 million to record an allowance for doubtful accounts related to a customer in Brazil that filed for restructuring under Brazilian bankruptcy law.

For 2012, our ROV revenue and operating income improved over 2011 from (1) higher demand, particularly offshore Africa and in the U.S. Gulf of Mexico for the provision of drill support and vessel-based services, and (2) the expansion of our fleet to meet the increased demand.

We anticipate ROV operating income to increase in 2014 as a result of an increase in days on hire, with an operating margin in the range of 29% to 30%. We anticipate adding 30 to 35 vehicles in 2014, which should add to our days available and days on hire over 2013. We currently expect to retire, on average, 4% to 5% of our fleet on an annual basis.

Subsea Products revenue, operating income and margin were higher in 2013 than in 2012 from increased demand across our major product lines, principally for subsea hardware used in offshore field developments and for clamp connector systems. Subsea Products revenue and operating income for 2012 increased over 2011 from higher demand for tooling to support deepwater drilling operations and IMR projects. Tooling to support drilling includes ROV accumulator skids to perform tests on blowout preventers ("BOPs"), BOP panels and well-containment spill-response hardware. Tooling to support IMR projects featured use of our flowline remediation system to eliminate hydrates in large diameter or long offset flowlines, and our acid injection system to perform well stimulations. Our margin was higher as umbilical sales, which typically have a lower margin than the rest of our Subsea Products sales, represented a smaller percentage of total segment revenue.

We anticipate our Subsea Products segment operating income in 2014 to be higher than in 2013, as we expect higher demand for all our major product lines. We expect our margin to be in the range of 19% to 21%, which would be lower than that of 2013, due to product mix. Our Subsea Products backlog was $906 million at December 31, 2013, approximately 33% higher than it was at December 31, 2012.

Our 2013 revenue and operating income for Subsea Projects was higher than in 2012 on increased deepwater vessel service activity. Our 2012 revenue and operating income for Subsea Projects was higher than in 2011 on an international expansion of our field service work and higher demand in the U.S. Gulf of Mexico. In 2011, we recorded a gain of $19.6 million on the sale of the *Ocean Legend*, a mobile offshore production system.

We anticipate our 2014 operating income for Subsea Projects to be higher than in 2013 on growth in deepwater service activity. We expect our 2014 Subsea Projects operating margin to improve slightly over 2013.

Our Asset Integrity segment revenue and operating income were higher in 2013 over 2012 due to high demand in most of our geographic areas, particularly Africa and Australia. Our Asset Integrity segment revenue and operating income were higher in 2012 as compared to 2011 on higher service sales in most of the geographic areas we serve, and particularly in Norway due to our acquisition in December 2011. We anticipate our 2014 operating income for Asset Integrity to be higher than in 2013 on increased service sales and a slight improvement in operating margin.

Advanced Technologies. The table that follows sets out revenue and profitability for this segment.

	Year Ended December 31,		
(dollars in thousands)	2013	2012	2011
Revenue	$ 286,140	$ 285,098	$ 233,364
Gross Margin	44,576	38,681	33,774
Gross Margin %	16%	14%	14%
Operating Income	24,954	21,182	16,661
Operating Income %	9%	7%	7%

Our Advanced Technologies operating income in 2013 was higher than that of 2012 due to increases in work and operational efficiency on theme park projects and an increase in vessel maintenance and repair work for the U.S. Navy. Our Advanced Technologies operating income in 2012 was higher than that of 2011 on higher engineering and vessel maintenance work for the U.S. Navy and higher levels of theme park projects. We anticipate our Advanced Technologies 2014 operating income to approximate that of 2013.

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

The table that follows sets out our unallocated expenses.

	Year Ended December 31,		
(dollars in thousands)	2013	2012	2011
Gross margin expenses	$ (108,891)	$ (94,036)	$ (81,219)
% of revenue	3%	3%	4%
Operating expenses	(141,969)	(121,173)	(111,941)
% of revenue	4%	4%	5%

Our unallocated gross margin and operating expenses increased in each of 2013 and 2012, primarily due to higher compensation related to incentive plans.

Other. The table that follows sets forth our significant financial statement items below the operating income line.

(dollars in thousands)	Year Ended December 31, 2013	2012	2011
Interest income	$ 554	$ 1,935	$ 888
Interest expense, net of amounts capitalized	(2,194)	(4,218)	(1,096)
Equity earnings of unconsolidated affiliates	133	1,673	3,801
Other income (expense), net	(1,273)	(6,065)	(539)
Provision for income taxes	170,836	132,905	102,227

Interest expense decreased in 2013 compared to 2012 on decreasing debt levels as we paid down our debt to zero during 2013. Interest expense increased in 2012 compared to 2011 from higher debt levels after we increased our borrowings to fund an acquisition in December 2011. We did not capitalize any interest in 2013, 2012 or 2011.

We record results from our 50% investment in Medusa Spar LLC using the equity method. Medusa Spar LLC owns 75% of a production spar in the U.S. Gulf of Mexico and earns its revenue from fees charged on production processed through the facility. Throughput declined in each of 2013 and 2012 from the immediately preceding year due to normal well production decline.

We expect Medusa Spar LLC revenue and our equity share of its earnings will decline in 2014 due to normal well production decline. Medusa Spar LLC's revenue could be increased if the operator of the producing wells receives regulatory approval to start producing from other zones in the existing wells, which are anticipated to have higher flow rates than the currently-producing zones, or is able to connect more wells to the spar.

Included in other income (expenses), net are foreign currency transaction gains/(losses) of $0.1 million, $(5.4) million and $(0.4) million for 2013, 2012 and 2011, respectively.

Our effective tax rate, including foreign, state and local taxes, was 31.5%, 31.5%, and 30.3% for 2013, 2012 and 2011, respectively, which included a combination of expiring statutes of limitations and the resolution of uncertain tax positions of $0.7 million, $3.0 million and $0.9 million, respectively, related to certain liabilities for uncertain tax positions we recorded in prior years. The primary difference between our 2012 and 2011 effective tax rates and the U.S. federal statutory rate of 35% reflects our intent to indefinitely reinvest in certain of our international operations. Therefore, we are no longer providing for U.S. taxes on a portion of our foreign earnings. The effective tax rate of 30.3% in our financial statements for 2011 is a result of our effective rate of 31.5% adjusted by $4.9 million of additional tax benefits, primarily attributable to amending prior years' U.S. federal income tax returns to reflect a broader interpretation of our pre-tax income eligible for certain deductions allowable for oil and gas construction activities, and tax effecting the $19.6 million gain on the sale of the *Ocean Legend* at the U.S. federal statutory rate of 35%. We anticipate our effective tax rate in 2014 will be approximately 31.3%.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as defined by SEC rules.

Contractual Obligations

At December 31, 2013, we had payments due under contractual obligations as follows:

(dollars in thousands)	Payments due by period				
	Total	2014	2015-2016	2017-2018	After 2018
Long-term Debt	$ —	$ —	$ —	$ —	$ —
Vessel Charters	262,796	83,535	159,598	19,663	—
Other Operating Leases	108,950	22,939	31,631	21,691	32,689
Purchase Obligations	478,872	407,332	71,103	437	—
Other Long-term Obligations reflected on our balance sheet under GAAP	64,765	1,535	3,187	3,406	56,637
TOTAL	$ 915,383	$ 515,341	$ 265,519	$ 45,197	$ 89,326

At December 31, 2013, we had outstanding purchase order commitments totaling $479 million, including approximately $100 million for the construction of a new subsea support vessel scheduled for delivery in 2016, $49 million for ROV launch and recovery system equipment and $29 million for specialized steel tubes to be used in our manufacturing of steel tube umbilicals. We have ordered the specialized steel tubes in advance to meet expected sales commitments. The winches have been ordered for new ROVs and for anticipated replacements due to normal wear and tear. Should we decide not to accept delivery of the steel tubes, we would incur cancellation charges of at least 10% of the amount canceled.

In 2001, we entered into an agreement with our Chairman of the Board of Directors (the "Chairman") who was also then our Chief Executive Officer. That agreement was amended in 2006 and in 2008. Pursuant to the amended agreement, the Chairman relinquished his position as Chief Executive Officer in May 2006 and began his post-employment service period on December 31, 2006, which continued through August 15, 2011, during which service period the Chairman, acting as an independent contractor, agreed to serve as nonexecutive Chairman of our Board of Directors. The agreement provides the Chairman with post-employment benefits for ten years following August 15, 2011. The agreement also provides for medical coverage on an after-tax basis to the Chairman, his spouse and children for their lives. We recognized the net present value of the post-employment benefits over the expected service period. Our total accrued liabilities, current and long-term, under this post-employment benefit were $6.3 million and $6.8 million at December 31, 2013 and 2012, respectively.

Effects of Inflation and Changing Prices

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States, using historical U.S. dollar accounting, or historical cost. Statements based on historical cost, however, do not adequately reflect the cumulative effect of increasing costs and changes in the purchasing power of the dollar, especially during times of significant and continued inflation.

In order to minimize the negative impact of inflation on our operations, we attempt to cover the increased cost of anticipated changes in labor, material and service costs, either through an estimate of those changes, which we reflect in the original price, or through price escalation clauses in our contracts. Inflation has not had a material effect on our revenue or income from operations in the past three years, and no such effect is expected in the near future.

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. We do not believe these risks are material. We have not entered into any market risk sensitive instruments for speculative or trading purposes. We currently have no outstanding hedges or similar instruments. We typically manage our exposure to interest rate changes through the use of a combination of fixed- and floating-rate debt. See Note 5 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 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 and the Norwegian kroner would 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 shareholders' equity section of our Consolidated Balance Sheets. We recorded adjustments of $(71.3) million, $44.8 million and $(18.4) million to our equity accounts in 2013, 2012 and 2011, 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 dollar.

We recorded foreign currency transaction gains (losses) of $0.1 million, $(5.4) million and $(0.4) million that are included in Other income (expense), net in our Consolidated Income Statements in 2013, 2012 and 2011, respectively.

Controls and Procedures

Disclosure 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 December 31, 2013 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.

Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the quarter ended December 31, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. We developed our internal control over financial reporting through a process in which our management applied its judgment in assessing the costs and benefits of various controls and procedures, which, by their nature, can provide only reasonable assurance regarding the control objectives. You should note that the design of any system of controls is based in part on various assumptions about the likelihood of future events, and we cannot assure you that any system of controls will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive, financial and accounting officers, we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control – Integrated Framework (1992)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included a review of the documentation surrounding our financial reporting controls, an evaluation of the design effectiveness of these controls, testing of the operating effectiveness of these controls and an evaluation of our overall control environment. Based on that evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2013.

Ernst & Young LLP, the independent registered public accounting firm that audited our financial statements, has audited our internal control over financial reporting, as stated in their report that follows.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Oceaneering International, Inc.

We have audited the internal control over financial reporting of Oceaneering International, Inc. and Subsidiaries (the "Company") as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the "COSO criteria"). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, cash flows, and shareholders' equity for each of the three years in the period ended December 31, 2013, and our report dated February 20, 2014 expressed an unqualified opinion thereon.

Houston, Texas
February 20, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Oceaneering International, Inc.

We have audited the accompanying consolidated balance sheets of Oceaneering International, Inc. and Subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, cash flows, and shareholders' equity for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 20, 2014 expressed an unqualified opinion thereon.

Houston, Texas
February 20, 2014

OCEANEERING INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)	December 31, 2013	2012
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 91,430**	$ 120,549
Accounts receivable, net of allowances for doubtful accounts of $4,168 and $2,298	**768,842**	666,930
Inventory	**441,789**	331,280
Other current assets	**131,214**	84,231
Total Current Assets	**1,433,275**	1,202,990
Property and Equipment, at cost	**2,380,888**	2,069,119
Less accumulated depreciation	**1,191,789**	1,043,987
Net Property and Equipment	**1,189,099**	1,025,132
Other Assets:		
Goodwill	**344,018**	363,193
Investments in unconsolidated affiliates	**37,462**	42,619
Other non-current assets	**124,646**	134,184
Total Other Assets	**506,126**	539,996
Total Assets	**$ 3,128,500**	$ 2,768,118
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	**$ 129,632**	$ 130,489
Accrued liabilities	**516,628**	408,303
Income taxes payable	**80,828**	78,393
Total Current Liabilities	**727,088**	617,185
Long-term Debt	**—**	94,000
Other Long-term Liabilities	**357,972**	241,473
Commitments and Contingencies		
Shareholders' Equity:		
Common Stock, par value $0.25 per share; 180,000,000 shares authorized; 110,834,088 shares issued	**27,709**	27,709
Additional paid-in capital	**222,402**	212,940
Treasury stock; 2,636,644 and 2,926,514 shares, at cost	**(75,736)**	(84,062)
Retained earnings	**1,921,642**	1,641,027
Accumulated other comprehensive income	**(52,577)**	17,846
Total Shareholders' Equity	**2,043,440**	1,815,460
Total Liabilities and Shareholders' Equity	**$ 3,128,500**	$ 2,768,118

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

OCEANEERING INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)	Year Ended December 31, 2013	2012	2011
Revenue	**$ 3,287,019**	$ 2,782,604	$ 2,192,663
Cost of services and products	**2,521,483**	2,154,746	1,683,904
Gross Margin	**765,536**	627,858	508,759
Selling, general and administrative expense	**220,420**	199,261	173,928
Income from Operations	**545,116**	428,597	334,831
Interest income	**554**	1,935	888
Interest expense, net of amounts capitalized	**(2,194)**	(4,218)	(1,096)
Equity earnings of unconsolidated affiliates	**133**	1,673	3,801
Other income (expense), net	**(1,273)**	(6,065)	(539)
Income before Income Taxes	**542,336**	421,922	337,885
Provision for income taxes	**170,836**	132,905	102,227
Net Income	**$ 371,500**	$ 289,017	$ 235,658
Cash dividends declared per Share	**$ 0.84**	$ 0.69	$ 0.45
Basic Earnings per Share	**$ 3.43**	$ 2.68	$ 2.18
Weighted average basic shares outstanding	**108,158**	108,015	108,308
Diluted Earnings per Share	**$ 3.42**	$ 2.66	$ 2.16
Weighted average diluted shares outstanding	**108,731**	108,617	109,001

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

OCEANEERING INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Year Ended December 31,		
	2013	2012	2011
Net Income	**$ 371,500**	$ 289,017	$ 235,658
Other comprehensive income, net of tax:			
Foreign currency translation	**(71,282)**	44,775	(18,374)
Pension-related adjustments	**859**	262	143
Other comprehensive income	**(70,423)**	45,037	(18,231)
Comprehensive Income	**$ 301,077**	$ 334,054	$ 217,427

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

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

(in thousands)	Year Ended December 31, **2013**	2012	2011
Cash Flows from Operating Activities:			
Net income	**$ 371,500**	$ 289,017	$ 235,658
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**202,228**	176,483	151,227
Deferred income tax provision	**51,800**	20,654	7,502
Noncash compensation	**19,380**	16,442	12,529
Net loss (gain) on sales of property and equipment	**450**	(584)	(24,188)
Distributions from unconsolidated affiliates greater than earnings	**878**	6,988	2,262
Excluding the effects of acquisitions, increase (decrease) in cash from:			
Accounts receivable	**(101,912)**	(94,237)	(99,537)
Inventory	**(110,508)**	(76,186)	(11,492)
Other operating assets	**(22,380)**	(20,278)	(62)
Currency translation effect on working capital	**(14,667)**	11,318	(10,589)
Accounts payable and accrued liabilities	**128,297**	87,453	8,968
Income taxes payable	**2,435**	23,559	14,484
Other operating liabilities	**1,370**	(1,735)	1,810
Total adjustments to net income	**157,371**	149,877	52,914
Net Cash Provided by Operating Activities	**528,871**	438,894	288,572
Cash Flows from Investing Activities:			
Purchases of property and equipment	**(382,531)**	(300,598)	(235,028)
Business acquisitions, net of cash acquired	**(11,059)**	(9,260)	(291,617)
Distributions of capital from unconsolidated affiliates	**4,279**	—	—
Dispositions of property and equipment and equity investment	**11,666**	3,814	43,874
Net Cash Used in Investing Activities	**(377,645)**	(306,044)	(482,771)
Cash Flows from Financing Activities:			
Net proceeds (payments) from revolving credit facility, including new loan costs	**(93,739)**	(27,045)	120,000
Excess tax benefits from employee benefit plans	**4,279**	2,475	1,320
Cash dividends	**(90,885)**	(74,515)	(48,707)
Purchases of treasury stock	**—**	(19,358)	(17,491)
Net Cash Provided by (Used in) Financing Activities	**(180,345)**	(118,443)	55,122
Net Increase (Decrease) in Cash and Cash Equivalents	**(29,119)**	14,407	(139,077)
Cash and Cash Equivalents—Beginning of Period	**120,549**	106,142	245,219
Cash and Cash Equivalents—End of Period	**$ 91,430**	$ 120,549	$ 106,142

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

OCEANEERING INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock Issued					Accumulated Other Comprehensive Income (Loss)		
(in thousands)	Shares	Amount	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Currency Translation Adjustments	Pension	Total
Balance, December 31, 2010	**110,834**	**$ 27,709**	**$ 193,277**	**$ (61,385)**	**$ 1,239,574**	**$ (5,263)**	**$ (3,697)**	**$ 1,390,215**
Net Income	—	—	—	—	235,658	—	—	235,658
Other Comprehensive Income	—	—	—	—	—	(18,374)	143	(18,231)
Restricted stock unit activity	—	—	9,532	5,667	—	—	—	15,199
Restricted stock activity	—	—	(1,509)	1,509	—	—	—	—
Tax benefits from employee benefit plans	—	—	1,319	—	—	—	—	1,319
Cash dividends	—	—	—	—	(48,707)	—	—	(48,707)
Treasury stock purchases, 500,000 shares	—	—	—	(17,491)	—	—	—	(17,491)
Balance, December 31, 2011	110,834	27,709	202,619	(71,700)	1,426,525	(23,637)	(3,554)	1,557,962
Net Income	—	—	—	—	289,017	—	—	289,017
Other Comprehensive Income	—	—	—	—	—	44,775	262	45,037
Restricted stock unit activity	—	—	8,985	5,857	—	—	—	14,842
Restricted stock activity	—	—	(1,139)	1,139	—	—	—	—
Tax benefits from employee benefit plans	—	—	2,475	—	—	—	—	2,475
Cash dividends	—	—	—	—	(74,515)	—	—	(74,515)
Treasury stock purchases, 400,000 shares	—	—	—	(19,358)	—	—	—	(19,358)
Balance, December 31, 2012	110,834	27,709	212,940	(84,062)	1,641,027	21,138	(3,292)	1,815,460
Net Income	—	—	—	—	371,500	—	—	371,500
Other Comprehensive Income	—	—	—	—	—	(71,282)	859	(70,423)
Restricted stock unit activity	—	—	6,447	7,062	—	—	—	13,509
Restricted stock activity	—	—	(1,264)	1,264	—	—	—	—
Tax benefits from employee benefit plans	—	—	4,279	—	—	—	—	4,279
Cash dividends	—	—	—	—	(90,885)	—	—	(90,885)
Balance, December 31, 2013	**110,834**	**$ 27,709**	**$ 222,402**	**$ (75,736)**	**$ 1,921,642**	**$ (50,144)**	**$ (2,433)**	**$ 2,043,440**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF MAJOR ACCOUNTING POLICIES

Principles of Consolidation. The consolidated financial statements include the accounts of Oceaneering International, Inc. 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. All significant intercompany accounts and transactions have been eliminated.

Repurchase Plan. In February 2010, our Board of Directors approved a plan to repurchase up to 12,000,000 shares of our common stock. Through December 31, 2013 under this plan, we repurchased 3,100,000 shares of our common stock for $86 million.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Reclassifications. Certain amounts from prior periods have been reclassified to conform with the current year presentation.

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 the investment.

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

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

Property and Equipment. We provide for depreciation of property and equipment on the straight-line method over estimated useful lives of eight years for ROVs, three to 20 years for marine services equipment (such as vessels and diving equipment), and three to 25 years for buildings, improvements and other equipment.

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.

We capitalize interest on assets where the construction period is anticipated to be more than three months. We did not capitalize any interest in 2013, 2012 or 2011. We do not allocate general administrative costs to capital projects. 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.

Our management periodically, and upon the occurrence of a triggering event, reviews the realizability of long-lived assets, excluding goodwill, which are held and used by us, to determine whether any events or changes in circumstances indicate that the carrying amount of the asset 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 benefit 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 the 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 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 cost 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, with the acquisition price being allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition.

The following table presents the cost (net of cash acquired) and the amounts of associated goodwill, other intangible assets, and other assets net of liabilities assumed for the business acquisitions we made in 2011:

(in thousands)	Cost	Goodwill	Other Intangible Assets	Other, net
Norse Cutting and Abandonment AS	$ 50,296	$ 20,283	$ 13,802	$ 16,211
AGR Field Operations Holdings AS	220,011	165,218	41,387	13,406
Other	21,310	10,836	5,360	5,114
Total Business Acquisitions	$ 291,617	$ 196,337	$ 60,549	$ 34,731

In March 2011, we purchased Norse Cutting and Abandonment AS ("NCA"), a Norwegian oilfield technology company that specializes in providing subsea tooling services used in the plugging, abandonment and decommissioning of offshore oil and gas production platforms and subsea wellheads. In addition, NCA performs specialized maintenance and repair services on production platforms in the North Sea. NCA's business is split approximately evenly between the North Sea and the U.S. Gulf of Mexico, and the business is in our Subsea Products segment. The acquisition included a small, non-strategic business operation we intended to sell when we purchased NCA. During 2011, we sold that operation, making the net acquisition price of the retained NCA operations $50 million. We have accounted for this net acquisition by allocating the purchase price to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Our goodwill, all nondeductible for income tax purposes, associated with the acquisition was $20 million, and other intangible assets were $14 million. The results of operations of NCA are included in our consolidated statements of income from the date of acquisition.

In December 2011, we purchased AGR Field Operations Holdings AS and subsidiaries (collectively, "AGR FO"), which we believe is Norway's largest asset integrity management service provider on offshore production platforms, onshore facilities, and pipelines. AGR FO employs subsea technology to perform internal and external inspections of subsea hardware. AGR FO also has a substantial operating presence in Australia, where it operates and maintains offshore and onshore oil and gas production facilities for customers and provides subsea engineering services and operates an offshore logistics supply base. We incurred, and charged to expense, approximately $2 million of transaction costs associated with this acquisition.

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. Our goodwill, all nondeductible for income tax purposes, associated with the acquisition was $165 million, and other intangible assets were $41 million. The results of operations of AGR FO are included in our consolidated statements of income from the date of acquisition. Generally, AGR FO's Norwegian assets and operations are in our Asset Integrity segment and its Australian assets and operations are in our Subsea Projects segment.

We also made several smaller acquisitions during the periods presented, none of which were material.

Goodwill and Intangible Assets. In September 2011, the Financial Accounting Standards Board ("FASB") issued an update regarding goodwill impairment testing. Under the update, an entity has the option to first assess qualitative factors 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. If, after assessing the totality of events or circumstances, an entity determines it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test. We began applying this update in 2011. We qualitatively tested the goodwill attributable to each of our reporting units for impairment as of December 31, 2013 and 2012 and concluded that there was no impairment. The only changes in our reporting units' goodwill during the periods presented are from business acquisitions, as discussed above, and currency exchange rate changes. For more information regarding goodwill by business segment, see Note 7.

Intangible assets, primarily acquired in connection with business combinations, include trade names, intellectual property and customer relationships and are being amortized with a weighted average remaining life of approximately 12 years.

Revenue Recognition. We recognize our revenue according to the type of contract involved. On a daily basis, we recognize revenue under contracts that provide for specific time, material and equipment charges, which we bill periodically, ranging from weekly to monthly.

We account for significant fixed-price contracts, which we enter into mainly in our Subsea Products segment, and to a lesser extent in our Subsea Projects and Advanced Technologies segments, using the percentage-of-completion method. In 2013, we accounted for 12% of our revenue using the percentage-of-completion method. In determining whether a contract should be accounted for using the percentage-of-completion method, we consider whether:

- the customer provides specifications for the construction of facilities or production of goods or for the provision of related services;
- we can reasonably estimate our progress towards completion and our costs;
- the contract includes provisions as to the enforceable rights regarding the goods or services to be provided, consideration to be received and the manner and terms of payment;
- the customer can be expected to satisfy its obligations under the contract; and
- we can be expected to perform our contractual obligations.

Under the percentage-of-completion method, we generally recognize estimated contract revenue based on costs incurred to date as a percentage of total estimated costs. Changes in the expected cost of materials and labor, productivity, scheduling and other factors affect the total estimated costs. Additionally, external factors, including weather or other factors outside of our control, also affect the progress and estimated cost of a project's completion and, therefore, the timing of income and revenue recognition. We routinely review estimates related to our contracts and reflect revisions to profitability in earnings immediately. 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. Although we are continually striving to accurately estimate our contract costs and profitability, adjustments to overall contract costs could be significant in future periods.

We recognize the remainder of our revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, price is fixed or determinable and collection is reasonably assured.

Revenue in Excess of Amounts Billed is classified as accounts receivable and relates to recoverable costs and accrued profits on contracts in progress. Billings in Excess of Revenue Recognized on uncompleted contracts are classified in accrued liabilities.

Revenue in Excess of Amounts Billed on uncompleted fixed-price contracts accounted for using the percentage-of-completion method is summarized as follows:

(in thousands)	December 31, 2013	December 31, 2012
Revenue recognized	$ 199,654	$ 181,286
Less: Billings to customers	(168,215)	(156,852)
Revenue in excess of amounts billed	$ 31,439	$ 24,434

Billings in Excess of Revenue Recognized on uncompleted fixed-price contracts accounted for using the percentage-of-completion method are summarized as follows:

(in thousands)	December 31, 2013	December 31, 2012
Amounts billed to customers	$ 200,909	$ 108,244
Less: Revenue recognized	(86,264)	(55,803)
Billings in excess of revenue recognized	$ 114,645	$ 52,441

Stock-Based Compensation. We recognize all share-based payments to directors, officers and employees over their vesting periods in the income statement based on their estimated fair values. For more information on our employee benefit plans, see Note 8.

Income Taxes. We provide income taxes at appropriate tax rates in accordance with our interpretation of the respective tax laws and regulations after review and consultation with our internal tax department, tax advisors and, in some cases, legal counsel in various jurisdictions. We provide for deferred income taxes for differences between carrying amounts of assets and liabilities for financial and tax reporting purposes. We provide for deferred U.S. income taxes on foreign income only to the extent such income is not to be indefinitely reinvested in foreign entities. We provide a valuation allowance against deferred tax assets when it is more likely than not that the asset will not be realized.

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 percent likely of being realized upon ultimate settlement. 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.

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 Income. We recorded $0.1 million, $(5.4) million and $(0.4) million of foreign currency transaction gains (losses) in 2013, 2012 and 2011, respectively, and those amounts are included as a component of Other income (expense), net.

Earnings Per Share. For each of the years 2013, 2012 and 2011, the only difference between our annual calculated weighted average basic and diluted number of shares outstanding is the effect of outstanding restricted stock units.

Financial Instruments. We recognize all derivative instruments as either assets or liabilities in the balance sheet and measure those instruments at fair value. Subsequent changes in fair value are reflected in current earnings or other comprehensive income, depending on whether a derivative instrument is designated as part of a hedge relationship and, if it is, the type of hedge relationship. During the three-year period ended December 31, 2013, we had no derivative instruments in effect.

New Accounting Standard. In February 2013, the Financial Accounting Standards Board (FASB) issued an update to improve the reporting of amounts reclassified out of accumulated other comprehensive income. The update amends the presentation of changes in accumulated other comprehensive income and requires an entity to report the change of each component of other comprehensive income, including amounts reclassified out of accumulated comprehensive income into operating income, either on the face of the income statement or as a separate disclosure in the notes. We adopted this update on January 1, 2013, as required. The provisions of this update have not had a material effect on our financial position or results of operations.

2. SELECTED BALANCE SHEET INFORMATION

The following is information regarding selected balance sheet accounts:

(in thousands)	December 31, 2013	December 31, 2012
Inventory:		
Remotely operated vehicle parts and components	$ 190,403	$ 174,612
Other inventory, primarily raw materials	251,386	156,668
Total	$ 441,789	$ 331,280
Other Current Assets:		
Deferred income taxes	$ 61,589	$ 22,604
Prepaid expenses	69,625	61,627
Total	$ 131,214	$ 84,231
Other Non-Current Assets:		
Intangible assets, net	$ 68,522	$ 78,252
Cash surrender value of life insurance policies	52,862	42,841
Other	3,262	13,091
Total	$ 124,646	$ 134,184
Investments in unconsolidated affiliates:		
Medusa Spar LLC	$ 37,376	$ 42,540
Other	86	79
	$ 37,462	$ 42,619
Accrued Liabilities:		
Payroll and related costs	$ 218,766	$ 218,609
Accrued job costs	72,117	75,037
Deferred revenue, including billings in excess of revenue recognized	150,246	73,465
Other	75,499	41,192
Total	$ 516,628	$ 408,303
Other Long-Term Liabilities:		
Deferred income taxes	$ 260,807	$ 178,100
Supplemental Executive Retirement Plan	45,144	35,772
Accrued post-employment benefit obligations	10,528	12,942
Other	41,493	14,659
Total	$ 357,972	$ 241,473

In 2003, we purchased a 50% equity interest in Medusa Spar LLC for $43.7 million. Medusa Spar LLC owns a 75% interest in a production spar platform in the U.S. Gulf of Mexico. Medusa Spar LLC's revenue is derived from processing oil and gas production for a fee based on the volumes processed through the platform (throughput). We account for our investment in Medusa Spar LLC under the equity method of accounting. Our 50% share of the underlying equity of the net assets of Medusa Spar LLC is approximately equal to its carrying value.

3. INCOME TAXES

Our provisions for income taxes and our cash taxes paid are as follows:

	Year Ended December 31,		
(in thousands)	2013	2012	2011
Current:			
Domestic	$ 45,468	$ 4,039	$ 13,169
Foreign	73,568	108,212	81,556
Total current	119,036	112,251	94,725
Deferred:			
Domestic	56,115	26,170	12,144
Foreign	(4,315)	(5,516)	(4,642)
Total deferred	51,800	20,654	7,502
Total provision for income taxes	$ 170,836	$ 132,905	$ 102,227
Cash taxes paid	$ 113,760	$ 92,422	$ 72,825

The components of income before income taxes are as follows:

	Year Ended December 31,		
(in thousands)	2013	2012	2011
Domestic	$ 68,066	$ 53,240	$ 41,831
Foreign	474,270	368,682	296,054
Income before income taxes	$ 542,336	$ 421,922	$ 337,885

As of December 31, 2013 and 2012, our worldwide deferred tax assets, liabilities and net deferred tax liabilities were as follows:

(in thousands)	December 31, 2013	December 31, 2012
Deferred tax assets:		
Deferred compensation	$ 48,401	$ 42,296
Deferred income	30,101	10,251
Accrued expenses	8,441	7,676
Other	11,921	12,613
Gross deferred tax assets	98,864	72,836
Valuation allowance	—	—
Total deferred tax assets	$ 98,864	$ 72,836
Deferred tax liabilities:		
Property and equipment	$ 129,441	$ 106,237
Unremitted foreign earnings	157,091	91,164
Basis difference in equity investments	10,843	13,860
Other	707	17,071
Total deferred tax liabilities	$ 298,082	$ 228,332
Net deferred income tax liability	$ 199,218	$ 155,496

Our net deferred tax liability is reflected within our balance sheet as follows:

(in thousands)	December 31, 2013	December 31, 2012
Deferred tax liabilities	$ 260,807	$ 178,100
Current deferred tax assets	(61,589)	(22,604)
Net deferred income tax liability	$ 199,218	$ 155,496

We believe it is more likely than not that all our deferred tax assets are realizable. Reconciliations between the actual provision for income taxes on continuing operations and that computed by applying the United States statutory rate to income before income taxes were as follows:

	Year Ended December 31, 2013	2012	2011
United States statutory rate	35.0%	35.0%	35.0%
State and local taxes	0.2	0.1	0.2
Foreign tax rate differential	(3.7)	(2.9)	(3.3)
Amended returns filed	—	—	(1.4)
Other items, net	—	(0.7)	(0.2)
Total effective tax rate	31.5%	31.5%	30.3%

We consider $431 million of unremitted earnings of our foreign subsidiaries to be indefinitely reinvested. It is not practical for us to compute the amount of additional U.S. tax that would be due on this amount. We have provided deferred income taxes on the foreign earnings we expect to repatriate.

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 is greater than 50% likely of being realized upon ultimate settlement.

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. We increased/(decreased) income tax expense by $1.7 million, $(2.7) million and $0.4 million in 2013, 2012 and 2011, respectively, for penalties and interest on uncertain tax positions, which brought our total liabilities for penalties and interest on uncertain tax positions to $3.3 million and $1.7 million on our balance sheets at December 31, 2013 and 2012, respectively. Including associated foreign tax credits and penalties and interest, we have accrued a net total of $8.6 million in the caption "other long-term liabilities" on our balance sheet for unrecognized tax benefits at December 31, 2013. All additions or reductions to those liabilities affect our effective income tax rate in the periods of change.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits, not including associated foreign tax credits and penalties and interest, is as follows:

	Year Ended December 31,		
(in thousands)	2013	2012	2011
Beginning of year	$ 5,140	$ 10,104	$ 9,991
Additions based on tax positions related to the current year	100	244	947
Reductions for expiration of statutes of limitations	(1,225)	(225)	(834)
Additions based on tax positions related to prior years	3,490	3,335	—
Reductions based on tax positions related to prior years	(337)	(8,193)	—
Settlements	—	(125)	—
Balance at end of year	$ 7,168	$ 5,140	$ 10,104

We do not believe that the total of unrecognized tax benefits will significantly increase or decrease in the next 12 months.

We file a consolidated U.S. federal income tax return for Oceaneering International, Inc. and our domestic subsidiaries. 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. Our management believes that adequate provisions have been made for all taxes that will ultimately be payable, although final determination of tax liabilities may differ from our estimates.

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	2010
United Kingdom	2010
Norway	2003
Angola	2008
Nigeria	2007
Brazil	2008
Australia	2009
Canada	2009

4. SELECTED INCOME STATEMENT INFORMATION

The following schedule shows our revenue, costs and gross margins by services and products:

(in thousands)	Year Ended December 31, 2013	2012	2011
Revenue:			
Services	$ 2,174,739	$ 1,887,957	$ 1,369,614
Products	1,112,280	894,647	823,049
Total revenue	3,287,019	2,782,604	2,192,663
Cost of Services and Products:			
Services	1,624,483	1,418,511	999,396
Products	788,109	642,199	603,289
Unallocated expenses	108,891	94,036	81,219
Total cost of services and products	2,521,483	2,154,746	1,683,904
Gross margin:			
Services	550,256	469,446	370,218
Products	324,171	252,448	219,760
Unallocated expenses	(108,891)	(94,036)	(81,219)
Total gross margin	$ 765,536	$ 627,858	$ 508,759

5. DEBT

Long-term Debt consisted of the following:

(in thousands)	December 31, 2013	2012
Revolving credit facility	$ —	$ 94,000
Long-term Debt	$ —	$ 94,000

As of December 31, 2013, we had a $300 million revolving credit facility with a group of banks under an agreement (the "Credit Agreement") that is scheduled to expire on January 6, 2017. Subject to certain conditions, the aggregate commitments under the facility may be increased by up to $200 million by obtaining additional commitments from existing and/or new lenders. Borrowings under the facility may be used for working capital and general corporate purposes. We pay a commitment fee ranging from 0.175% to 0.35% on the unused portion of the facility, depending on our debt-to-capitalization ratio. The commitment fees are included as interest expense in our consolidated financial statements. Revolving borrowings under the facility bear interest at an adjusted base rate or the Eurodollar Rate (as defined in the agreement), at our option, plus an applicable margin. Depending on our debt to capitalization ratio, the applicable margin varies (1) in the case of adjusted base rate advances, from 0.125% to 0.750% and (2) in the case of eurodollar advances, from 1.125% to 1.750%. The adjusted base rate is the greater 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 one-month Eurodollar Rate plus 1%. At December 31, 2013, we had no borrowings outstanding under the Credit Agreement and $300 million available for borrowing.

The Credit Agreement contains various covenants that we believe are customary for agreements of this nature, including, but not limited to, restrictions on the ability of each of our restricted subsidiaries to incur unsecured debt, as well as restrictions on our ability and the ability of each of our restricted subsidiaries to incur secured debt, grant liens, make certain investments, make distributions, merge or consolidate, sell assets, enter into transactions with affiliates and enter into certain restrictive agreements. We are also subject to an interest coverage ratio and a debt to capitalization ratio. The Credit Agreement includes customary events and consequences of default.

We made cash interest payments of $2.1 million, $4.3 million and $1.1 million in 2013, 2012 and 2011, respectively.

6. COMMITMENTS AND CONTINGENCIES

Lease Commitments

At December 31, 2013, we occupied several facilities under noncancellable operating leases expiring at various dates through 2025. Future minimum rentals under all of our operating leases, including vessel rentals, are as follows:

(in thousands)	
2014	$ 106,474
2015	101,543
2016	89,686
2017	29,255
2018	12,099
Thereafter	32,689
Total Lease Commitments	$ 371,746

Rental expense, which includes hire of vessels, specialized equipment and real estate rental, was approximately $191 million, $107 million and $73 million in 2013, 2012 and 2011, respectively.

Insurance

We self-insure for workers' compensation, maritime employer's liability and comprehensive general liability claims to levels we consider financially prudent, and beyond the self-insurance level of exposure, we carry insurance, which can be by occurrence or in the aggregate. We determine the level of accruals for claims exposure by reviewing our historical experience and current year claim activity. We do not record accruals on a present-value basis. We review larger claims with insurance adjusters and establish specific reserves for known liabilities. We establish an additional reserve for incidents incurred but not reported to us for each year using our estimates and based on prior experience. We believe we have established adequate accruals for uninsured expected liabilities arising from those obligations. However, it is possible that future earnings could be affected by changes in our estimates relating to these matters.

Litigation

Various 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 the ultimate liability, if any, that may result from these actions and claims will not materially affect our results of operations, cash flow or financial position.

Letters of Credit

We had $45 million and $42 million in letters of credit outstanding as of December 31, 2013 and 2012, respectively, as guarantees in force for self-insurance requirements and various performance and bid bonds, which are usually for the duration of the applicable contract.

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 there is 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 value of cash and cash equivalents approximates its fair value due to the short maturity of those 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 value. The carrying values of borrowings under the Credit Agreement approximate their fair value because the short-term durations of the associated interest rate periods reflect market changes to interest rates. Our borrowings under the Credit Agreement are classified as Level 2 in the fair value hierarchy (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 term for the assets or liabilities).

In 2013, we experienced delays in payment from OGX Petróleo e Gás S.A. ("OGX"), which is a customer in Brazil. The parent company of OGX missed making an interest payment on its bonds and, on October 30, 2013, OGX and its parent filed for a restructuring process under Brazilian bankruptcy law, which grants the filer judicial protection from creditors while a restructuring plan is developed for approval. As of December 31, 2013, we had accounts receivable due from OGX of approximately $4.1 million, and in the fourth quarter of 2013 we recorded an allowance for doubtful accounts of $3.3 million, which was charged as a selling, general and administrative expense in our ROV segment. At this time, we cannot predict the ultimate outcome of this situation and whether or to what extent we will collect our accounts receivable from OGX.

7. OPERATIONS BY BUSINESS SEGMENT AND GEOGRAPHIC AREA

Business Segment Information

We are a global oilfield provider of engineered services and products, primarily to the offshore oil and gas industry, with a focus on deepwater applications. Through the use of our applied technology expertise, we also serve the defense and aerospace industries. Our Oilfield 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 oil and gas exploration, development and production activities. Our Subsea Products segment supplies a variety of specialty subsea hardware. Our Subsea Projects segment provides multiservice vessels, oilfield diving and support vessel operations, which are used principally in inspection, maintenance and repair and installation activities, and a mobile offshore production system, through a 50% interest in an entity that holds a 75% interest in the system. With the acquisition we made in December 2011, we also operate and maintain offshore and onshore oil and gas production facilities, provide subsea engineering services, and operate an offshore logistics supply base in Australia. Our Asset Integrity segment provides asset integrity management and assessment services and nondestructive testing and inspection. Our Advanced Technologies business provides project management, engineering services and equipment for applications in non-oilfield 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 in the year ended December 31, 2013 from those used in our consolidated financial statements for the years ended December 31, 2012 and 2011.

The table that follows presents Revenue, Income from Operations, Depreciation and Amortization Expense and Equity Earnings of Unconsolidated Affiliates by business segment:

	Year Ended December 31,		
(in thousands)	2013	2012	2011
Revenue			
Oilfield			
Remotely Operated Vehicles	$ 981,728	$ 853,520	$ 755,033
Subsea Products	1,027,792	829,034	770,212
Subsea Projects	509,440	379,571	167,477
Asset Integrity	481,919	435,381	266,577
Total Oilfield	3,000,879	2,497,506	1,959,299
Advanced Technologies	286,140	285,098	233,364
Total	$ 3,287,019	$ 2,782,604	$ 2,192,663
Income from Operations			
Oilfield			
Remotely Operated Vehicles	$ 281,973	$ 248,972	$ 224,705
Subsea Products	231,050	170,959	142,184
Subsea Projects	93,865	63,461	32,662
Asset Integrity	55,243	45,196	30,560
Total Oilfield	662,131	528,588	430,111
Advanced Technologies	24,954	21,182	16,661
Unallocated Expenses	(141,969)	(121,173)	(111,941)
Total	$ 545,116	$ 428,597	$ 334,831
Depreciation and Amortization Expense			
Oilfield			
Remotely Operated Vehicles	$ 128,310	$ 108,933	$ 100,089
Subsea Products	39,964	36,638	31,299
Subsea Projects	15,331	13,340	8,024
Asset Integrity	12,401	11,808	5,689
Total Oilfield	196,006	170,719	145,101
Advanced Technologies	2,682	2,677	3,134
Unallocated Expenses	3,540	3,087	2,992
Total	$ 202,228	$ 176,483	$ 151,227
Equity Earnings of Unconsolidated Affiliates			
Subsea Projects	$ 133	$ 1,673	$ 3,801
Total	$ 133	$ 1,673	$ 3,801

We determine income 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.

During 2011, we sold the *Ocean Legend*, a mobile offshore production system. The sale resulted in a gain of $19.6 million, which we recognized as a reduction of the costs of services and products in our Subsea Projects segment.

During 2013 and 2012, revenue from one customer, BP plc and subsidiaries in our oilfield business segments, accounted for 18% and 13% of our total consolidated revenue, respectively. No individual customer accounted for more than 10% of our consolidated revenue during 2011.

The following table presents Assets, Property and Equipment and Goodwill by business segment as of the dates indicated:

	December 31,	
(in thousands)	2013	2012
Assets		
Oilfield		
Remotely Operated Vehicles	$ 1,117,920	$ 1,017,772
Subsea Products	942,607	727,703
Subsea Projects	382,782	316,353
Asset Integrity	381,392	404,137
Total Oilfield	2,824,701	2,465,965
Advanced Technologies	67,328	73,908
Corporate and Other	236,471	228,245
Total	$ 3,128,500	$ 2,768,118
Property and Equipment, net		
Oilfield		
Remotely Operated Vehicles	$ 681,027	$ 597,770
Subsea Products	289,015	213,536
Subsea Projects	163,210	157,755
Asset Integrity	34,223	33,503
Total Oilfield	1,167,475	1,002,564
Advanced Technologies	12,332	9,194
Corporate and Other	9,292	13,374
Total	$ 1,189,099	$ 1,025,132
Goodwill		
Oilfield		
Remotely Operated Vehicles	$ 26,761	$ 27,428
Subsea Products	113,066	120,332
Asset Integrity	183,777	204,979
Total Oilfield	323,604	352,739
Advanced Technologies	20,414	10,454
Total	$ 344,018	$ 363,193

All assets specifically identified with a particular business segment have been segregated. Cash and cash equivalents, certain other current assets, certain investments and other assets have not been allocated to particular business segments and are included in Corporate and Other.

The following table presents Capital Expenditures, including business acquisitions, by business segment for the periods indicated:

(in thousands)	Year Ended December 31, 2013	2012	2011
Capital Expenditures			
Oilfield			
Remotely Operated Vehicles	$ 225,885	$ 198,323	$ 135,770
Subsea Products	102,653	68,052	100,824
Subsea Projects	40,833	15,890	64,803
Asset Integrity	8,327	18,560	212,951
Total Oilfield	377,698	300,825	514,348
Advanced Technologies	13,175	2,953	5,757
Corporate and Other	2,717	6,080	6,540
Total	$ 393,590	$ 309,858	$ 526,645

Geographic Operating Areas

The following table summarizes certain financial data by geographic area:

(in thousands)	Year Ended December 31, 2013	2012	2011
Revenue			
Foreign:			
Africa	$ 696,202	$ 505,541	$ 316,051
Norway	461,915	461,863	310,891
United Kingdom	383,397	334,319	256,565
Asia and Australia	335,129	290,821	217,094
Brazil	213,282	164,660	155,532
Other	90,456	70,172	61,916
Total Foreign	2,180,381	1,827,376	1,318,049
United States	1,106,638	955,228	874,614
Total	$ 3,287,019	$ 2,782,604	$ 2,192,663
Long-Lived Assets			
Foreign:			
Norway	$ 429,603	$ 474,408	$ 436,043
Africa	186,865	141,927	120,732
United Kingdom	99,250	85,434	65,830
Asia and Australia	83,885	65,012	72,518
Brazil	112,840	113,829	99,709
Other	38,516	34,105	30,633
Total Foreign	950,959	914,715	825,465
United States	691,404	607,572	552,639
Total	$ 1,642,363	$ 1,522,287	$ 1,378,104

Revenue is based on location where services are performed and products are manufactured.

8. EMPLOYEE BENEFIT PLANS

Retirement Investment Plans

We have several employee retirement investment plans that, taken together, cover most of our full time employees. The Oceaneering Retirement Investment Plan is a 401(k) plan in which U.S. employees may participate by deferring a portion of their gross monthly salary and directing us to contribute the deferred amount to the plan. We match a portion of the employees' deferred compensation. Our contributions to the 401(k) plan were $18.4 million, $16.0 million and $14.5 million for the plan years ended December 31, 2013, 2012 and 2011, respectively. In 2013, we amended the plan to give plan participants the option to be paid directly, or through the plan within 90 days of the close of the plan year, for dividends of Oceaneering International, Inc. stock that the plan participants held within the plan. This change allowed us to realize a tax benefit from tax deductions in excess of financial statement expense of $0.9 million in 2013.

We also make matching contributions to other foreign employee savings plans similar in nature to a 401(k) plan. In 2013, 2012 and 2011, these contributions, principally related to plans associated with U.K. and Norwegian subsidiaries, were $17.4 million, $11.6 million and $9.6 million, respectively.

The Oceaneering International, Inc. Supplemental Executive Retirement Plan covers selected key management employees and executives, as approved by the Compensation Committee of our Board of Directors (the "Compensation Committee"). Under this plan, we accrue an amount determined as a percentage of the participant's gross monthly salary and the amounts accrued are treated as if they are invested in one or more investment vehicles pursuant to this plan. Expenses related to this plan during 2013, 2012 and 2011 were $3.4 million, $2.8 million and $3.4 million, respectively.

We have defined benefit plans covering some of our employees in the U.K. and Norway. There are no further benefits accruing under the U.K. plan, and the Norway plan is closed to new participants. The projected benefit obligations for both plans were $30 million and $29 million, at December 31, 2013 and 2012, respectively, and the fair values of the plan assets (using Level 2 inputs) for both plans were $26 million and $24 million at December 31, 2013 and 2012, respectively.

Incentive Plans

Under our 2010 Incentive Plan (the "Incentive Plan"), shares of our common stock are made available for awards to employees and nonemployee members of our Board of Directors.

The Incentive Plan is administered by the Compensation Committee; however, the full Board of Directors makes determinations regarding awards to nonemployee directors under the Incentive Plan. The Compensation Committee or our Board of Directors, as applicable, determines the type or types of award(s) to be made to each participant and sets forth in the related award agreement the terms, conditions and limitations applicable to each award. Stock options, stock appreciation rights and stock and cash awards may be made under the Incentive Plan. There are no options outstanding under the Incentive Plan. We have not granted any stock options since 2005 and the Compensation Committee has expressed its intention to refrain from using stock options as a component of employee compensation for our executive officers and other employees for the foreseeable future. Additionally, the Board of Directors has expressed its intention to refrain from using stock options as a component of nonemployee director compensation for the foreseeable future.

In 2013, 2012 and 2011, the Compensation Committee granted awards of performance units under the Incentive Plan and a prior plan to certain of our key executives and employees, and our Board of Directors granted performance units under the Incentive Plan and a prior plan to our Chairman of the Board of Directors. The performance units awarded are scheduled to vest in full on the third anniversary of the award date, or pro rata over three years if the participant meets certain age and years of service requirements. The Compensation Committee and the Board of Directors have approved specific financial goals and measures (as defined in the Performance Award Goals and Measures), based on our cumulative cash flow from operations and a comparison of return on invested capital and cost of capital for each of the three-year periods ending December 31, 2015, 2014 and 2013 to be used as the basis for the final value of the performance units. The final value of

each performance unit granted in 2013, 2012 and 2011 may range from $0 to $150. Upon vesting and determination of value, the value of the performance units will be payable in cash. Compensation expense related to the performance units was $22.9 million, $19.9 million and $18.8 million in 2013, 2012 and 2010, respectively. As of December 31, 2013, there were 434,375 performance units outstanding.

There has been no stock option activity after December 31, 2010.

During 2013, 2012 and 2011, the Compensation Committee granted restricted units of our common stock to certain of our key executives and employees. During 2013, 2012 and 2011, our Board of Directors granted restricted units of our common stock to our Chairman of the Board of Directors (our "Chairman") and restricted common stock to our other nonemployee directors. Over 60%, 50% and 50% of the grants made to our employees in 2013, 2012 and 2011, respectively, vest in full on the third anniversary of the award date, conditional upon continued employment. The remainder of the grants made to employees and all the grants made to our Chairman vest pro rata over three years, as these participants meet certain age and years-of-service requirements. For the grants to each of the participant employees and the Chairman, the participant will be issued a share of our common stock for the participant's vested restricted stock units at the earlier of three years or, if the participant vested earlier after meeting the age and service requirements, at termination of employment or service. The grants to our nonemployee directors vest in full on the first anniversary of the award date conditional upon continued service as a director, with one exception. In February 2013, we granted shares of restricted common stock to a director who had given written notice of his intention to retire from our board of directors. Those shares were to vest if his service continued until the election of directors at our annual meeting of shareholders in April 2013. The director fulfilled that requirement by resigning concurrent with that election and the shares of restricted stock became vested. In April 2009, the Compensation Committee adopted a policy that Oceaneering will not provide U.S. federal income tax gross-up payments to any of its directors or executive officers in connection with future awards of restricted stock or stock units. This policy had no effect on existing change-in-control agreements with two of our executive officers or the existing service agreement with our Chairman, which provide for tax gross-up payments that could become applicable to such future awards in limited circumstances, such as following a change in control of Oceaneering. Since August 2010, there have been no outstanding awards that provide for tax gross-up payments. The tax benefit realized from tax deductions in excess of the financial statement expense of our restricted stock grants was $3.4 million, $2.5 million and $1.3 million in 2013, 2012 and 2011, respectively.

The following is a summary of our restricted stock and restricted stock unit activity for 2013, 2012 and 2011:

	Number	Weighted Average Fair Value	Aggregate Intrinsic Value
Balance at December 31, 2010	1,044,150	25.74	
Granted	463,400	41.26	
Issued	(379,952)	30.81	$ 15,563,000
Forfeited	(36,748)	27.77	
Balance at December 31, 2011	1,090,850	30.49	
Granted	337,575	55.98	
Issued	(369,050)	20.03	$ 20,325,000
Forfeited	(27,803)	42.02	
Balance at December 31, 2012	1,031,572	42.27	
Granted	330,705	62.55	
Issued	(376,078)	33.18	$ 23,904,000
Forfeited	(25,909)	52.72	
Balance at December 31, 2013	960,290	$ 52.53	

The restricted stock units granted in 2013, 2012 and 2011 carry no voting rights and no dividend rights. Each grantee of shares of restricted common stock is deemed to be the record owner of those shares during the restriction period, with the right to vote and receive any dividends on those shares.

Effective January 1, 2006, the unvested portions of our grants of restricted stock units were valued at their estimated fair values as of their respective grant dates. The grants in 2013, 2012 and 2011 were subject only to vesting conditioned on continued employment or service as a nonemployee director; therefore, these grants were valued at the grant date fair market value using the closing price of our stock on the New York Stock Exchange.

Compensation expense under the restricted stock plans was $16.7 million, $14.6 million and $11.1 million for 2013, 2012 and 2011, respectively. As of December 31, 2013, we had $14.4 million of future expense to be recognized related to our restricted stock unit plans over a weighted average remaining life of 1.7 years.

Post-Employment Benefit

In 2001, we entered into an agreement with our Chairman who was also then our Chief Executive Officer. That agreement was amended in 2006 and in 2008. Pursuant to the amended agreement, the Chairman relinquished his position as Chief Executive Officer in May 2006 and began his post-employment service period on December 31, 2006, which continued through August 15, 2011, during which service period the Chairman, acting as an independent contractor, agreed to serve as nonexecutive Chairman of our Board of Directors. The agreement provides the Chairman with post-employment benefits for ten years following August 15, 2011. The agreement also provides for medical coverage on an after-tax basis to the Chairman, his spouse and children for their lives. We recognized the net present value of the post-employment benefits over the expected service period. Our total accrued liabilities, current and long-term, under this post-employment benefit were $6.3 million and $6.8 million at December 31, 2013 and 2012, respectively.

As part of the arrangements relating to the Chairman's post-employment benefits, we established an irrevocable grantor trust, commonly known as a "rabbi trust," to provide the Chairman greater assurance that we will set aside an adequate source of funds to fund payment of the post-retirement benefits under this agreement, including the medical coverage benefits payable to the Chairman, his spouse and their children for their lives. In connection with establishment of the rabbi

trust, we contributed to the trust a life insurance policy on the life of the Chairman, which we had previously obtained, and we agreed to continue to pay the premiums due on that policy. When the life insurance policy matures, the proceeds of the policy will become assets of the trust. If the value of the trust exceeds $4 million, as adjusted by the consumer price index, at any time after January 1, 2012, the excess may be paid to us. However, because the trust is irrevocable, the assets of the trust are generally not available to fund our future operations until the trust terminates, which is not expected to be during the lives of the Chairman, his spouse or their children. Furthermore, no tax deduction will be available for our contributions to the trust; however, we may benefit from future tax deductions for benefits actually paid from the trust (although benefit payments from the trust are not expected to occur in the near term, because we expect to make direct payments of those benefits for the foreseeable future).

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(in thousands, except per share data)

	Year Ended December 31, 2013				
Quarter Ended	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
Revenue	$ 718,552	$ 820,372	$ 853,297	$ 894,798	$ 3,287,019
Gross profit	160,375	201,864	205,492	197,805	765,536
Income from operations	108,290	146,337	153,736	136,753	545,116
Net income	74,849	98,811	104,407	93,433	371,500
Diluted earnings per share	$ 0.69	$ 0.91	$ 0.96	$ 0.86	$ 3.42
Weighted average number of diluted shares outstanding	108,612	108,713	108,783	108,840	108,731

	Year Ended December 31, 2012				
Quarter Ended	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
Revenue	$ 594,893	$ 672,545	$ 734,217	$ 780,949	$ 2,782,604
Gross profit	123,303	161,158	170,869	172,528	627,858
Income from operations	75,987	110,047	123,813	118,750	428,597
Net income	51,455	72,554	84,406	80,602	289,017
Diluted earnings per share	$ 0.47	$ 0.67	$ 0.78	$ 0.74	$ 2.66
Weighted average number of diluted shares outstanding	108,761	108,663	108,500	108,558	108,617

Form 10-K

The entire Form 10-K, as filed with the Securities and Exchange Commission, is incorporated herein by reference and may be accessed through the Oceaneering website, www.oceaneering.com, by selecting "Investor Relations," then "SEC Financial Reports," then selecting the desired report, or may be obtained by writing to:

David K. Lawrence
Secretary
Oceaneering International, Inc.
11911 FM 529
Houston, TX 77041-3000

Forward-Looking Statements

All statements in this report that express a belief, expectation, or intention are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current information at the time this report was written and expectations that involve a number of risks, uncertainties, and assumptions. Among the factors that could cause the actual results to differ materially from those indicated in the forward-looking statements are: industry conditions; prices of crude oil and natural gas; Oceaneering's ability to obtain and the timing of new projects; operating risks; changes in government regulations; technological changes; and changes in competitive factors. Should one or more of these risks or uncertainties materialize, or should the assumptions underlying the forward-looking statements prove incorrect, actual outcomes could vary materially from those indicated. These and other risks are fully described in Oceaneering's annual report on Form 10-K for the year ended December 31, 2013 and other periodic filings with the Securities and Exchange Commission.

The use in this report of such terms as Oceaneering, company, group, organization, we, us, our, and its, or references to specific entities, is not intended to be a precise description of corporate relationships.

General Information

Corporate Office

Oceaneering International, Inc.
11911 FM 529
Houston, TX 77041-3000
Telephone: (713) 329-4500
www.oceaneering.com

Stock Symbol: OII

Stock traded on NYSE
CUSIP Number: 675232102
Please direct communications concerning stock transfer requirements or lost certificates to our transfer agent.

Transfer Agent and Registrar

Computershare Trust Company, N.A.
P.O. Box 30170
College Station, TX 77842-3170

Overnight Deliveries:
211 Quality Circle
Suite 210
College Station, TX 77845

OII Account Information

www.computershare.com/investor
Telephone: (781) 575-2879
Fax: (781) 575-3605
Hearing Impaired/TDD: (800) 952-9245

Annual Shareholders' Meeting

Date: May 16, 2014
Time: 8:30 a.m. CDT
Location: Oceaneering International, Inc.
11911 FM 529
Houston, TX 77041

Independent Public Accountants

Ernst & Young LLP
5 Houston Center
1401 McKinney
Houston, TX 77010-4034

Counsel

Baker Botts L.L.P.
One Shell Plaza
910 Louisiana Street
Houston, TX 77002-4995

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