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Bristow Group Inc
Form 10-Q
November 07, 2013

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

Form 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number 001-31617
Bristow Group Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

72-0679819
(IRS Employer
Identification Number)

2103 City West Blvd.,
4th Floor
Houston, Texas
(Address of principal executive offices)

77042
(Zip Code)

Registrant's telephone number, including area code:
(713) 267-7600

None

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

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

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

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

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

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

☐ Yes ☒ No

Indicate the number shares outstanding of each of the issuer's classes of Common Stock, as of November 4, 2013.

36,622,619 shares of Common Stock, \$.01 par value

BRISTOW GROUP INC.
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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

BRISTOW GROUP INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Income

	Three Months Ended September 30, 2013		Six Months Ended September 30, 2013		2012	
	(Unaudited)					
	(In thousands, except per share amounts)					
Gross revenue:						
Operating revenue from non-affiliates	\$353,849		\$319,663		\$690,097	\$634,512
Operating revenue from affiliates	24,781		6,288		48,080	12,093
Reimbursable revenue from non-affiliates	38,698		39,719		78,080	81,673
Reimbursable revenue from affiliates	—		84		65	84
	417,328		365,754		816,322	728,362
Operating expense:						
Direct cost	256,766		224,495		512,022	447,263
Reimbursable expense	36,314		38,634		73,057	78,806
Depreciation and amortization	23,858		23,321		46,677	44,693
General and administrative	46,479		37,708		86,787	72,685
	363,417		324,158		718,543	643,447
Loss on disposal of assets	(3,064	)	(1,262	)	(4,785	(6,577
Earnings from unconsolidated affiliates, net of losses	3,088		6,994		17,060	8,983
Operating income	53,935		47,328		110,054	87,321
Interest income	762		263		881	351
Interest expense	(9,078	)	(8,597	)	(29,448	(17,371
Gain on sale of unconsolidated affiliate	103,924		—		103,924	—
Other income (expense), net	1,487		(218	)	121	(1,149
Income before provision for income taxes	151,030		38,776		185,532	69,152
Provision for income taxes	(41,146	)	(8,342	)	(48,736	(14,522
Net income	109,884		30,434		136,796	54,630
Net (income) loss attributable to noncontrolling interests	722		(766	)	696	(1,300
Net income attributable to Bristow Group	\$110,606		\$29,668		\$137,492	\$53,330
Earnings per common share:						
Basic	\$3.04		\$0.83		\$3.79	\$1.49
Diluted	\$3.01		\$0.82		\$3.75	\$1.46
Cash dividends declared per common share	\$0.25		\$0.20		\$0.50	\$0.40

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

BRISTOW GROUP INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income

	Three Months Ended September 30, 2013 2012		Six Months Ended September 30, 2013 2012	
	(Unaudited)			
	(In thousands)			
Net income	\$109,884	\$30,434	\$136,796	\$54,630
Other comprehensive income (loss):				
Currency translation adjustments	15,874	4,222	11,445	4,728
Other comprehensive income	125,758	34,656	148,241	59,358
Net (income) loss attributable to noncontrolling interests	722	(766)	) 696	(1,300)
Currency translation adjustments attributable to noncontrolling interests	(108)	) 99	(238)	) (102)
Total comprehensive (income) loss attributable to noncontrolling interests	614	(667)	) 458	(1,402)
Total comprehensive income attributable to Bristow Group	\$126,372	\$33,989	\$148,699	\$57,956

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

BRISTOW GROUP INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	September 30, 2013 (Unaudited) (In thousands)	March 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$313,521	\$215,623
Accounts receivable from non-affiliates	232,767	254,520
Accounts receivable from affiliates	8,109	8,261
Inventories	158,622	153,969
Assets held for sale	26,719	8,290
Prepaid expenses and other current assets	30,950	35,095
Total current assets	770,688	675,758
Investment in unconsolidated affiliates	272,345	272,123
Property and equipment – at cost:		
Land and buildings	111,406	108,593
Aircraft and equipment	2,441,399	2,306,054
	2,552,805	2,414,647
Less – Accumulated depreciation and amortization	(518,142)	(493,575)
	2,034,663	1,921,072
Goodwill	29,804	28,897
Other assets	58,492	52,842
Total assets	\$3,165,992	\$2,950,692
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current liabilities:		
Accounts payable	\$70,157	\$69,821
Accrued wages, benefits and related taxes	49,122	56,084
Income taxes payable	32,964	11,659
Other accrued taxes	9,592	7,938
Deferred revenue	21,405	21,646
Accrued maintenance and repairs	17,109	15,391
Accrued interest	15,690	14,249
Other accrued liabilities	23,869	20,714
Deferred taxes	2,394	—
Short-term borrowings and current maturities of long-term debt	6,989	22,323
Total current liabilities	249,291	239,825
Long-term debt, less current maturities	824,094	764,946
Accrued pension liabilities	127,296	126,647
Other liabilities and deferred credits	49,529	57,196
Deferred taxes	155,303	151,121
Commitments and contingencies (Note 5)		
Stockholders' investment:		
Common stock, \$.01 par value, authorized 90,000,000; outstanding: 36,601,812 as of September 30 and 36,150,639 as of March 31 (exclusive of 1,291,741 treasury shares)	372	367
Additional paid-in capital	752,614	731,883

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Retained earnings	1,214,157	1,094,803
Accumulated other comprehensive loss	(188,476)	) (199,683)
Treasury shares, at cost (551,604 shares)	(26,304)	) (26,304)
Total Bristow Group stockholders' investment	1,752,363	1,601,066
Noncontrolling interests	8,116	9,891
Total stockholders' investment	1,760,479	1,610,957
Total liabilities and stockholders' investment	\$3,165,992	\$2,950,692

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

BRISTOW GROUP INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows

	Six Months Ended September 30,	
	2013	2012
	(Unaudited)	
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 136,796	\$ 54,630
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	46,677	44,693
Deferred income taxes	7,352	(4,592)
Write-off of deferred financing fees	12,733	—
Discount amortization on long-term debt	1,722	1,772
Loss on disposal of assets	4,785	6,577
Gain on sale of unconsolidated affiliate	(103,924)	—
Stock-based compensation	6,625	5,523
Equity in earnings from unconsolidated affiliates (in excess of) less than dividends received	(8,061)	(2,866)
Tax benefit related to stock-based compensation	(4,234)	(433)
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	28,508	20,786
Inventories	1,926	(46)
Prepaid expenses and other assets	8,940	729
Accounts payable	(2,577)	(3,426)
Accrued liabilities	5,756	11,777
Other liabilities and deferred credits	(10,548)	(226)
Net cash provided by operating activities	132,476	134,898
Cash flows from investing activities:		
Capital expenditures	(339,559)	(113,405)
Proceeds from asset dispositions	155,603	96,376
Proceeds from sale of unconsolidated affiliate	112,210	—
Investment in unconsolidated affiliate	—	(7,153)
Net cash used in investing activities	(71,746)	(24,182)
Cash flows from financing activities:		
Proceeds from borrowings	160,146	—
Debt issuance costs	(15,152)	—
Repayment of debt	(117,748)	(24,300)
Partial prepayment of put/call obligation	(27)	(33)
Common stock dividends paid	(18,138)	(14,297)
Issuance of common stock	11,550	7,869
Tax benefit related to stock-based compensation	4,234	433
Net cash provided by (used in) financing activities	24,865	(30,328)
Effect of exchange rate changes on cash and cash equivalents	12,303	6,411
Net increase in cash and cash equivalents	97,898	86,799
Cash and cash equivalents at beginning of period	215,623	261,550
Cash and cash equivalents at end of period	\$ 313,521	\$ 348,349
Supplemental disclosure of non-cash investing activities:		

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Cash paid during the period for:

Interest	\$19,236	\$19,729
Income taxes	\$16,092	\$9,872

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

BRISTOW GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 — BASIS OF PRESENTATION, CONSOLIDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements include the accounts of Bristow Group Inc. and its consolidated entities (“Bristow Group,” the “Company,” “we,” “us,” or “our”) after elimination of all significant intercompany accounts and transactions. Our fiscal year ends March 31, and we refer to fiscal years based on the end of such period. Therefore, the fiscal year ending March 31, 2014 is referred to as “fiscal year 2014.” Pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”), the information contained in the following notes to condensed consolidated financial statements is condensed from that which would appear in the annual consolidated financial statements; accordingly, the condensed consolidated financial statements included herein should be read in conjunction with the consolidated financial statements and related notes thereto contained in our fiscal year 2013 Annual Report (the “fiscal year 2013 Financial Statements”). Operating results for the interim period presented are not necessarily indicative of the results that may be expected for the entire fiscal year.

The condensed consolidated financial statements included herein are unaudited; however, they include all adjustments of a normal recurring nature which, in the opinion of management, are necessary for a fair presentation of the consolidated financial position of the Company as of September 30, 2013, the consolidated results of operations for the three and six months ended September 30, 2013 and 2012, and the consolidated cash flows for the six months ended September 30, 2013 and 2012.

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Foreign Currency

See “Foreign Currency” in Note 1 to the fiscal year 2013 Financial Statements for a discussion of the related accounting policies. During the three and six months ended September 30, 2013 and 2012, our primary foreign currency exposure was to the British pound sterling, the euro, the Australian dollar and the Nigerian naira. The value of these currencies has fluctuated relative to the U.S. dollar as indicated in the following table:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2012	2013	2012
One British pound sterling into U.S. dollars				
High	1.62	1.63	1.62	1.63
Average	1.55	1.58	1.54	1.58
Low	1.48	1.54	1.48	1.53
At period-end	1.62	1.61	1.62	1.61
One euro into U.S. dollars				
High	1.35	1.31	1.35	1.33
Average	1.32	1.25	1.32	1.27
Low	1.28	1.21	1.26	1.21
At period-end	1.35	1.29	1.35	1.29
One Australian dollar into U.S. dollars				
High	0.95	1.06	1.07	1.06
Average	0.92	1.04	0.95	1.03
Low	0.89	1.01	0.89	0.97
At period-end	0.94	1.04	0.94	1.04
One Nigerian naira into U.S. dollars				
High	0.0064	0.0065	0.0065	0.0065
Average	0.0063	0.0063	0.0063	0.0063
Low	0.0061	0.0062	0.0061	0.0061
At period-end	0.0063	0.0064	0.0063	0.0064

Source: Bank of England and Oanda.com

Other income (expense), net, in our condensed consolidated statements of income includes foreign currency transaction gain (losses) of \$0.4 million and \$(0.2) million for the three months ended September 30, 2013 and 2012, respectively, and \$(1.0) million and \$(1.1) million for the six months ended September 30, 2013 and 2012, respectively. Other income (expense), net also includes \$1.1 million for the three and six months ended September 30, 2013 for the sale of intellectual property.

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Our earnings from unconsolidated affiliates, net of losses, are also affected by the impact of changes in foreign currency exchange rates on the reported results of our unconsolidated affiliates. During the three months ended September 30, 2013 and 2012, earnings from unconsolidated affiliates, net of losses, were decreased by \$2.1 million and \$0.2 million, respectively, and during the six months ended September 30, 2013 and 2012, earnings from unconsolidated affiliates, net of losses, were decreased by \$2.4 million and \$3.8 million, respectively, as a result of the impact of changes in foreign currency exchange rates on the results of our unconsolidated affiliates, primarily the impact of changes in the Brazilian real and U.S. dollar exchange rate on results for our affiliate in Brazil. The value of the Brazilian real has fluctuated relative to the U.S. dollar as indicated in the following table (in thousands):

	Three Months Ended September 30, 2013 2012		Six Months Ended September 30, 2013 2012	
One Brazilian real into U.S. dollars				
High	0.4568	0.5029	0.5123	0.5488
Average	0.4380	0.4941	0.4617	0.5033
Low	0.4093	0.4879	0.4093	0.4811
At period-end	0.4475	0.4944	0.4475	0.4944

Source: Oanda.com

We estimate that the fluctuation of currencies versus the same period in the prior fiscal year had the following effect on our financial condition and results of operations (in thousands):

	Three Months Ended September 30, 2013		Six Months Ended September 30, 2013	
Revenue	\$(6,874	)	\$(9,862	)
Operating expense	4,858		6,531	
Earnings from unconsolidated affiliates, net of losses	(1,868	)	1,330	
Non-operating expense	615		273	
Income before provision for income taxes	(3,269	)	(1,728	)
Provision for income taxes	719		380	
Net income	(2,550	)	(1,348	)
Cumulative translation adjustment	15,766		11,207	
Total stockholders' investment	\$13,216		\$9,859	

Accounts Receivable

As of September 30 and March 31, 2013, the allowance for doubtful accounts for non-affiliates was \$5.0 million and \$5.1 million, respectively, primarily related to amounts due from ATP Oil and Gas Corporation, a client in the U.S. Gulf of Mexico, as a result of its filing for bankruptcy. As of September 30 and March 31, 2013, there were no allowances for doubtful accounts related to accounts receivable due from affiliates. See "Summary of Significant Accounting Policies" in Note 1 to the fiscal year 2013 Financial Statements for further information related to our accounting policies for accounts receivable.

Inventories

During the six months ended September 30, 2013, we increased our inventory allowance by \$2.4 million as a result of our review of excess inventory on aircraft model types we ceased ownership of or classified all or a significant portion of as held for sale; \$1.5 million of this allowance was recorded during the three months ended September 30, 2013. A majority of this allowance relates to small aircraft types operating primarily in our North

America business unit as we continue to move toward operating a fleet of mostly large and medium aircraft in this market. See “Summary of Significant Accounting Policies” in Note 1 to the fiscal year 2013 Financial Statements for further information related to our accounting policies for inventories.

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Prepaid Expenses and Other Current Assets

As of March 31, 2013, prepaid expenses and other current assets included \$12.7 million in fees related to a potential financing in connection with our bid to provide search and rescue (“SAR”) services in the U.K. During the six months ended September 30, 2013, we increased our borrowing capacity on our revolving credit facility from \$200 million to \$350 million (“Revolving Credit Facility”) and cancelled the potential financing. During the six months ended September 30, 2013, we included the \$12.7 million of unamortized deferred financing fees as interest expense on our condensed consolidated statement of income.

Other Assets

As of September 30 and March 31, 2013, other assets includes contract acquisition costs and pre-operating costs totaling \$15.4 million and \$10.8 million, respectively, related to the SAR contract acquisition costs which are recoverable under the contract and will be expensed over the term of the contract.

Property and Equipment and Assets Held for Sale

During the three and six months ended September 30, 2013 and 2012, we made capital expenditures as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2012	2013	2012
Number of aircraft delivered:				
Medium	3	—	5	—
Large	2	—	5	3
Total aircraft	5	—	10	3
Capital expenditures (in thousands):				
Aircraft and related equipment	\$145,653	\$14,887	\$312,880	\$94,856
Other	14,374	11,963	26,679	18,549
Total capital expenditures	\$160,027	\$26,850	\$339,559	\$113,405

Additionally, the following tables present details on the aircraft sold or disposed of and impairments on assets held for sale during the three and six months ended September 30, 2013 and 2012:

	Three Months Ended September 30, 2013			Three Months Ended September 30, 2012		
	Number of aircraft	Proceeds	Gains (losses)	Number of aircraft	Proceeds	Gains (losses)
	(In thousands, except for number of aircraft)					
Aircraft sold or disposed of ⁽¹⁾	11	\$153,710	\$(2,114)	6	\$76,149	\$738
Impairment of aircraft held for sale	1	\$—	\$(950)	2	\$—	\$(2,000)

	Six Months Ended September 30, 2013			Six Months Ended September 30, 2012		
	Number of aircraft	Proceeds	Gains (losses)	Number of aircraft	Proceeds	Gains (losses)
	(In thousands, except for number of aircraft)					
Aircraft sold or disposed of ⁽¹⁾	15	\$155,603	\$(2,605)	10	\$96,376	\$(2,688)
Impairment of aircraft held for sale	3	\$—	\$(2,180)	9	\$—	\$(3,889)

⁽¹⁾ During the three and six months ended September 30, 2013 and 2012, seven and two of these aircraft were leased back of which \$145.6 million and \$50.4 million, respectively, had been received in proceeds.

See “Summary of Significant Accounting Policies” in Note 1 to the fiscal year 2013 Financial Statements for further information related to our accounting policies for property and equipment and assets held for sale.

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Recent Accounting Pronouncement

In February 2013, the Financial Accounting Standards Board (the “FASB”) issued accounting guidance on the presentation of reclassifications of items out of accumulated other comprehensive income. This guidance amends existing guidance by requiring that additional information be disclosed about items reclassified out of accumulated other comprehensive income. The additional information includes separately stating the total change for each component of other comprehensive income (for example unrealized gains or losses on available-for-sale securities or foreign currency items) and separately disclosing both current-period other comprehensive income and reclassification adjustments. Entities are also required to present, either on the face of the statement of income or in the notes to the financial statements, significant amounts reclassified out of accumulated other comprehensive income as separate line items of net income but only if the entire amount reclassified must be reclassified to net income in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity must cross-reference to other disclosures that provide additional detail about those amounts. This pronouncement was effective for interim and annual periods beginning after December 15, 2012. We adopted this pronouncement for our fiscal year 2014 beginning April 1, 2013, and it did not have an impact on our financial statements.

In July 2013, the FASB issued accounting guidance relating to the presentation of unrecognized tax benefits. The intent is to better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exist. This pronouncement is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. We are evaluating the impact that the adoption of this standard may have on our consolidated financial statements.

Note 2 — VARIABLE INTEREST ENTITIES AND OTHER INVESTMENTS IN SIGNIFICANT AFFILIATES
VIEs

A Variable Interest Entity (“VIE”) is an entity that either (i) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support or (ii) has equity investors who lack the characteristics of a controlling financial interest. A VIE is consolidated by its primary beneficiary. The primary beneficiary has both the power to direct the activities that most significantly impact the entity’s economic performance and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE. If we determine that we have operating power and the obligation to absorb losses or receive benefits, we consolidate the VIE as the primary beneficiary, and if not, we do not consolidate.

As of September 30, 2013, we had interests in three VIEs of which we were the primary beneficiary, which are described below, and had no interests in VIEs of which we were not the primary beneficiary. See Note 3 to the fiscal year 2013 Financial Statements for a description of other investments in significant affiliates.

Bristow Aviation Holdings Limited — We own 49% of Bristow Aviation Holdings Limited’s (“Bristow Aviation”) common stock and a significant amount of its subordinated debt. Bristow Aviation is incorporated in England and holds all of the outstanding shares in Bristow Helicopter Limited (“Bristow Helicopters”). Bristow Aviation’s subsidiaries provide helicopter services to clients primarily in the U.K, Norway, Australia, Nigeria and Trinidad. Bristow Aviation is organized with three different classes of ordinary shares having disproportionate voting rights. The Company, Caledonia Investments plc (“Caledonia”) and a European Union investor (the “E.U. Investor”) own 49%, 46% and 5%, respectively, of Bristow Aviation’s total outstanding ordinary shares, although Caledonia has voting control over the E.U. Investor’s shares.

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

In addition to our ownership of 49% of Bristow Aviation's outstanding ordinary shares, in May 2004, we acquired eight million shares of deferred stock, essentially a subordinated class of stock with no voting rights, from Bristow Aviation for £1 per share (\$14.4 million in total). We also have £91.0 million (\$147.4 million) principal amount of subordinated unsecured loan stock (debt) of Bristow Aviation bearing interest at an annual rate of 13.5% and payable semi-annually. Payment of interest on such debt has been deferred since its incurrence in 1996. Deferred interest accrues at an annual rate of 13.5% and aggregated \$1.2 billion as of September 30, 2013.

The Company, Caledonia, the E.U. Investor and Bristow Aviation have entered into a shareholder agreement respecting, among other things, the composition of the board of directors of Bristow Aviation. On matters coming before Bristow Aviation's board, Caledonia's representatives have a total of three votes and the two other directors have one vote each. In addition, Caledonia has the right to nominate two persons to our board of directors and to replace any such directors so nominated.

Caledonia, the Company and the E.U. Investor also have entered into a put/call agreement under which, upon giving specified prior notice, we have the right to buy all the Bristow Aviation shares held by Caledonia and the E.U. Investor, who, in turn, each have the right to require us to purchase such shares. Under current English law, we would be required, in order for Bristow Aviation to retain its operating license, to find a qualified E.U. investor to own any Bristow Aviation shares we have the right to acquire under the put/call agreement. The only restriction under the put/call agreement limiting our ability to exercise the put/call option is a requirement to consult with the Civil Aviation Authority (the "CAA") in the U.K. regarding the suitability of the new holder of the Bristow Aviation shares. The put/call agreement does not contain any provisions should the CAA not approve the new E.U. investor. However, we would work diligently to find an E.U. investor suitable to the CAA. The amount by which we could purchase the shares of the other investors holding 51% of the equity of Bristow Aviation is fixed under the terms of the call option, and we have reflected this amount on our condensed consolidated balance sheets as noncontrolling interest.

Furthermore, the call option provides a mechanism whereby the economic risk for the other investors is limited should the financial condition of Bristow Aviation deteriorate. The call option price is the nominal value of the ordinary shares held by the noncontrolling shareholders (£1.0 million as of September 30, 2013) plus an annual guaranteed rate of return less any prepayments of such call option price and any dividends paid on the shares concerned. We can elect to pre-pay the guaranteed return element of the call option price wholly or in part without exercising the call option. No dividends have been paid. We have accrued the annual return due to the other shareholders at a rate of sterling LIBOR plus 3% (prior to May 2004, the rate was fixed at 12%) by recognizing noncontrolling interest expense on our condensed consolidated statements of income, with a corresponding increase in noncontrolling interest on our condensed consolidated balance sheets. Prepayments of the guaranteed return element of the call option are reflected as a reduction in noncontrolling interest on our condensed consolidated balance sheets. The other investors have an option to put their shares in Bristow Aviation to us. The put option price is calculated in the same way as the call option price except that the guaranteed rate for the period to April 2004 was 10% per annum. If the put option is exercised, any pre-payments of the call option price are set off against the put option price.

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Bristow Aviation and its subsidiaries are exposed to similar operational risks and are therefore monitored and evaluated on a similar basis by management. Accordingly, the financial information reflected on our condensed consolidated balance sheets and statements of income for Bristow Aviation and subsidiaries is presented in the aggregate, including intercompany amounts with other consolidated entities, as follows (in thousands):

	September 30, 2013	March 31, 2013		
Assets				
Cash and cash equivalents	\$200,534	\$93,227		
Accounts receivable	317,060	240,861		
Inventories	104,635	100,115		
Prepaid expenses and other current assets	35,791	20,575		
Total current assets	658,020	454,778		
Investment in unconsolidated affiliates	1,499	9,092		
Property and equipment, net	161,969	157,066		
Goodwill	13,720	12,810		
Other assets	31,431	26,575		
Total assets	\$866,639	\$660,321		
Liabilities				
Accounts payable	\$210,817	\$128,591		
Accrued liabilities	1,279,756	1,214,209		
Deferred taxes	6,605	7,907		
Current maturities of long-term debt	70	448		
Total current liabilities	1,497,248	1,351,155		
Long-term debt, less current maturities	138,147	138,147		
Accrued pension liabilities	127,296	126,647		
Other liabilities and deferred credits	1,099	1,755		
Total liabilities	\$1,763,790	\$1,617,704		
	Three Months Ended September 30,	Six Months Ended September 30,		
	2013	2012	2013	2012
Revenue	\$330,006	\$278,956	\$641,807	\$563,736
Operating income	18,536	4,512	27,667	8,391
Net income (loss) ⁽¹⁾	81,236	(35,249)	48,886	(70,742)

⁽¹⁾ During the three and six months ended September 30, 2013, we sold our 50% interest in the FB Entities and recorded a pre-tax gain of \$103.9 million.

Bristow Helicopters Nigeria Ltd. — Bristow Helicopters Nigeria Ltd. (“BHNL”) is a joint venture in Nigeria with local partners, in which we own a 40% interest. BHNL provides helicopter services to clients in Nigeria.

In order to have a presence in the Nigerian market, we were required to identify local citizens to participate in the ownership of entities domiciled in the region. However, these owners do not have extensive knowledge of the aviation industry and have historically deferred to our expertise in the overall management and day-to-day operation of BHNL (including the establishment of operating and capital budgets and strategic decisions regarding the potential expansion of BHNL’s operations). We have also historically provided subordinated financial support to BHNL and will need to continue to do so unless and until BHNL acquires sufficient equity to permit itself to finance its activities without that

additional support from us. As we have the power to direct the most significant activities affecting the economic performance and ongoing success of BHNL and hold a variable interest in the entity in the form of our equity investment and working capital infusions, we consolidate BHNL as the primary beneficiary.

BHNL is an indirect subsidiary of Bristow Aviation; therefore, financial information for this entity is included within the amounts for Bristow Aviation and its subsidiaries presented above.

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Pan African Airlines Nigeria Ltd. — Pan African Airlines Nigeria Ltd. (“PAAN”) is a joint venture in Nigeria with local partners, in which we own a 50.17% interest. PAAN provides helicopter services to clients in Nigeria.

The activities that most significantly impact PAAN’s economic performance relate to the day-to-day operation of PAAN, setting the operating and capital budgets, and strategic decisions regarding the potential expansion of PAAN’s operations. Throughout the history of PAAN, our representation on the board and our secondment to PAAN of its managing director has enabled us to direct the key operational decisions of PAAN (without objection from the other board members). We have also historically provided subordinated financial support to PAAN. As we have the power to direct the most significant activities affecting the economic performance and ongoing success of PAAN and hold a variable interest in the form of our equity investment and working capital infusions, we consolidate PAAN as the primary beneficiary. However, as long as we own a majority interest in PAAN, the separate presentation of financial information in a tabular format for PAAN is not required.

Other Significant Affiliates — Unconsolidated

FB Entities — As of March 31, 2013, we owned a 50% interest in each of FBS Limited, FB Heliservices Limited and FB Leasing Limited, collectively referred to as the FB Entities, U.K. corporations which principally provide pilot training, maintenance and support services to the British military under a contract that runs through March 2016 with two possible one year extensions. The FB Entities own and operate a total of 64 aircraft. The FB Entities were accounted for under the equity method. On July 14, 2013, we sold our 50% interest in the FB Entities for £74 million, or approximately \$112.2 million. We recorded a pre-tax gain on sale of unconsolidated affiliate of \$103.9 million during the three and six months ended September 30, 2013 on our condensed consolidated statements of income.

Note 3 — DEBT

Debt as of September 30 and March 31, 2013 consisted of the following (in thousands):

	September 30, 2013	March 31, 2013
6¼% Senior Notes due 2022	\$450,000	\$450,000
Term Loan	228,107	230,625
3% Convertible Senior Notes due 2038, including \$7.1 million and \$8.8 million of unamortized discount, respectively	107,906	106,196
Revolving Credit Facility	45,000	—
Other	70	448
Total debt	831,083	787,269
Less short-term borrowings and current maturities of long-term debt	(6,989)	(22,323)
Total long-term debt	\$824,094	\$764,946

The balances of the debt and equity components of the 3% Convertible Senior Notes due 2038 (the “3% Convertible Senior Notes”) as of each period presented are as follows (in thousands):

	September 30, 2013	March 31, 2013
Equity component – net carrying value	\$14,905	\$14,905
Debt component:		
Face amount due at maturity	\$115,000	\$115,000
Unamortized discount	(7,094)	(8,804)
Debt component – net carrying value	\$107,906	\$106,196

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

The remaining debt discount is being amortized into interest expense over the expected remaining life of the 3% Convertible Senior Notes to June 2015 (the first put date) using the effective interest rate. The effective interest rate for the three and six months ended September 30, 2013 and 2012 was 6.9%. Interest expense related to our 3% Convertible Senior Notes for the three and six months ended September 30, 2013 and 2012 was as follows (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2012	2013	2012
Contractual coupon interest	\$863	\$863	\$1,726	\$1,726
Amortization of debt discount	789	903	1,710	1,772
Total interest expense	\$1,652	\$1,766	\$3,436	\$3,498

On April 29, 2013, we entered into the third amendment to the revolving credit and term loan agreement (the “Third Amendment”). The Third Amendment (a) increased the commitments under the Revolving Credit Facility from \$200 million to \$350 million and (b) extended the maturity date of the Revolving Credit Facility and the five year, \$250 million term loan (“Term Loan”) from December 2016 to April 2018. For further details on the Revolving Credit Facility and Term Loan, see Note 5 to the fiscal year 2013 Financial Statements. During the six months ended September 30, 2013, we had borrowed \$157.5 million and made payments of \$112.5 million under the Revolving Credit Facility. Additionally, we paid \$2.3 million to reduce our borrowings under the Term Loan. As of September 30, 2013, we had \$0.5 million in letters of credit outstanding under the Revolving Credit Facility.

Note 4 — FAIR VALUE DISCLOSURES

Assets and liabilities subject to fair value measurement are categorized into one of three different levels depending on the observability of the inputs employed in the measurement, as follows:

Level 1 – observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – unobservable inputs reflecting the Company’s own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Non-recurring Fair Value Measurements

The majority of our non-financial assets, which include inventories, property and equipment, assets held for sale, goodwill and other intangible assets, are not required to be carried at fair value on a recurring basis. However, if certain triggering events occur such that a non-financial asset is required to be evaluated for impairment and deemed to be impaired, the impaired non-financial asset is recorded at its fair value.

The following table summarizes the assets as of September 30, 2013, which are valued at fair value on a non-recurring basis (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of September 30, 2013	Total Loss for the Three Months Ended September 30, 2013	Total Loss for the Six Months Ended September 30, 2013
Inventories	\$ —	\$ 18,365	\$ —	\$ 18,365	\$ (1,539)	\$ (2,364)
Assets held for sale	—	3,367	—	3,367	(950)	(2,180)
Total assets	\$ —	\$ 21,732	\$ —	\$ 21,732	\$ (2,489)	\$ (4,544)

The following table summarizes the assets as of September 30, 2012, which are valued at fair value on a non-recurring basis (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of September 30, 2012	Total Loss for the Three Months Ended September 30, 2012	Total Loss for the Six Months Ended September 30, 2012
Assets held for sale	\$ —	\$ 1,961	\$ —	\$ 1,961	\$ (2,000)	(3,889)
Total assets	\$ —	\$ 1,961	\$ —	\$ 1,961	\$ (2,000)	(3,889)

The fair value of inventories using Level 2 inputs is determined by evaluating the current economic conditions for sale and disposal of spare parts, which includes estimates as to the recoverability of the carrying value of the parts based on historical experience with sales and disposal of similar spare parts, the expected timeframe of sales or disposals, the location of the spare parts to be sold and the condition of the spare parts to be sold or otherwise disposed of. The fair value of assets held for sale using Level 2 inputs is determined through evaluation of expected sales proceeds for aircraft. This analysis includes estimates based on historical experience with sales, recent transactions involving similar assets, quoted market prices for similar assets and condition and location of aircraft to be sold or otherwise disposed of. The loss for the three and six months ended September 30, 2013 related to one and three aircraft held for sale, respectively, and the loss for the three and six months ended September 30, 2012 related to two and nine aircraft held for sale, respectively.

Recurring Fair Value Measurements

The following table summarizes the financial instruments we had as of September 30, 2013, which are valued at fair value on a recurring basis (in thousands):

Quoted Prices in Active Markets for	Significant Other Observable	Significant Unobservable Inputs	Balance as of September 30, 2013	Balance Sheet Classification
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	Identical Assets (Level 1)	Inputs (Level 2)	(Level 3)		
Rabbi Trust investments	\$5,235	\$—	\$—	\$5,235	Other assets
Total assets	\$5,235	\$—	\$—	\$5,235	
Contingent consideration:					
Current	\$—	\$—	\$5,933	\$5,933	Other accrued liabilities
Long-term	—	—	30,499	30,499	Other liabilities and deferred credits
Total liabilities	\$—	\$—	\$36,432	\$36,432	

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

The following table summarizes the financial instruments we had as of March 31, 2013, which are valued at fair value on a recurring basis (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of March 31, 2013	Balance Sheet Classification
Rabbi Trust investments	\$4,837	\$—	\$—	\$4,837	Other assets
Total assets	\$4,837	\$—	\$—	\$4,837	
Contingent consideration	\$—	\$—	\$35,625	\$35,625	Other liabilities and deferred credits
Total liabilities	\$—	\$—	\$35,625	\$35,625	

The rabbi trust investments consist of mutual funds whose fair value is based on quoted prices in active markets for identical assets, and are designated as Level 1 within the valuation hierarchy. The rabbi trust holds investments related to our non-qualified deferred compensation plan for our senior executives.

The contingent consideration relates to our acquisition of an investment in Cougar Helicopters Inc. (“Cougar”). The Cougar purchase agreement includes a potential earn-out of \$40 million payable over three years based on Cougar achieving certain agreed performance targets. For further details on the Cougar acquisition, see Note 3 to the fiscal year 2013 Financial Statements.

The following table provides a rollforward of the contingent consideration liability Level 3 fair value measurements during the six months ended September 30, 2013 (in thousands):

Balance as of March 31, 2013	\$35,625
Change in fair value of contingent consideration	807
Balance as of September 30, 2013	\$36,432

We assess the estimated fair value of the contractual obligation to pay the contingent consideration on a quarterly basis and any changes in estimated fair value are recorded as accretion expense included in depreciation and amortization on our condensed consolidated statements of income. Fluctuations in the fair value of contingent consideration are impacted by two unobservable inputs, management's estimate of the probability of Cougar achieving certain agreed performance targets and the estimated discount rate. As of September 30 and March 31, 2013, the discount rate approximated 4%.

Fair Value of Financial Instruments

The fair value of our financial instruments has been estimated in accordance with the accounting standard regarding fair value. The fair value of our fixed rate long-term debt is estimated based on quoted market prices. The carrying and fair value of our long-term debt, including the current portion, are as follows (in thousands):

	September 30, 2013		March 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
6¼% Senior Notes	\$450,000	\$468,000	\$450,000	\$484,875
Term Loan	228,107	228,107	230,625	230,625
3% Convertible Senior Notes	107,906	141,019	106,196	131,819
Revolving Credit Facility	45,000	45,000	—	—
Other	70	70	448	448
	\$831,083	\$882,196	\$787,269	\$847,767
Other				

The fair values of our cash and cash equivalents, accounts receivable and accounts payable approximate their carrying values due to the short-term nature of these items.

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Note 5 — COMMITMENTS AND CONTINGENCIES

Aircraft Purchase Contracts — As shown in the table below, we expect to make additional capital expenditures over the next five fiscal years to purchase additional aircraft. As of September 30, 2013, we had 57 aircraft on order and options to acquire an additional 63 aircraft. Although a similar number of our existing aircraft may be sold during the same period, the additional aircraft on order will provide incremental fleet capacity in terms of revenue and operating income. As discussed in the fiscal year 2013 Financial Statements, we were awarded a contract to provide civilian SAR services for all of the U.K. The SAR configured aircraft on order in the table below are intended to service this contract.

	Six Months Ending March 31, 2014	Fiscal Year Ending March 31,					Total
	2015	2016	2017	2018 and thereafter			
Commitments as of September 30, 2013: ⁽¹⁾							
Number of aircraft:							
Medium	5	10	—	—	—		15
Large ⁽²⁾	8	8	6	2	—		24
SAR configured	—	10	8	—	—		18
	13	28	14	2	—		57
Related expenditures (in thousands) ⁽³⁾							
Medium and large	\$237,696	\$236,116	\$88,112	\$25,769	\$—		\$587,693
SAR configured	86,721	172,496	116,717	—	—		375,934
	\$324,417	\$408,612	\$204,829	\$25,769	\$—		\$963,627
Options as of September 30, 2013: ⁽²⁾							
Number of aircraft:							
Medium	—	5	9	5	3		22
Large ⁽²⁾	—	4	11	15	11		41
	—	9	20	20	14		63
Related expenditures (in thousands) ⁽³⁾	\$47,059	\$257,393	\$419,491	\$391,602	\$196,933		\$1,312,478

⁽¹⁾ Signed client contracts are currently in place that will utilize 11 of these aircraft.

⁽²⁾ Twenty-two aircraft on order and thirteen aircraft under options expected to enter service between fiscal years 2014 and 2018 are subject to the successful development and certification of the aircraft.

⁽³⁾ Includes progress payments on aircraft scheduled to be delivered in future periods.

The following chart presents an analysis of our aircraft orders and options during fiscal year 2014:

	Three Months Ended			
	September 30, 2013		June 30, 2013	
	Orders	Options	Orders	Options
Beginning of period	47	70	45	70
Aircraft delivered	(5	) —	(5	) —
Aircraft ordered	11	—	7	—
Exercised options	4	(4	) —	—

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Expired options	—	(3	)	—	—
End of period	57	63	47	70	
We periodically purchase aircraft for which we have no orders.					

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BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Operating Leases — We have non-cancelable operating leases in connection with the lease of certain equipment, land and facilities, including leases for aircraft. Rental expense incurred under all operating leases was \$23.3 million and \$15.3 million for the three months ended September 30, 2013 and 2012, respectively, and \$46.4 million and \$31.6 million for the six months ended September 30, 2013 and 2012, respectively. Rental expense incurred under operating leases for aircraft was \$18.0 million and \$10.3 million for the three months ended September 30, 2013 and 2012, respectively and \$36.1 million and \$21.5 million for the six months ended September 30, 2013 and 2012, respectively. We are using a financing strategy whereby we utilize operating leases to a larger extent than in the past. As part of this operating lease strategy, during the six months ended September 30, 2013, we sold seven aircraft for \$145.6 million and entered into seven separate agreements to lease back these aircraft.

The aircraft leases range from base terms of 60 to 84 months with renewal options of up to 108 months in some cases, include purchase options upon expiration and some include early purchase options. The leases contain terms customary in transactions of this type, including provisions that allow the lessor to repossess the aircraft and require us to pay a stipulated amount if we default on our obligations under the agreements. The following is a summary of the terms related to aircraft leased under operating leases with original or remaining terms in excess of one year as of September 30, 2013:

End of Lease Term	Number of Aircraft	Monthly Lease Payments (in thousands)
Six months ending March 31, 2014 to fiscal year 2015	2	\$ 192
Fiscal year 2016 to fiscal year 2018	17	3,550
Fiscal year 2019 to fiscal year 2024	23	2,675
	42	\$ 6,417

Employee Agreements — Approximately 51% of our employees are represented by collective bargaining agreements and/or unions. These agreements generally include annual escalations of up to 12%. Periodically, certain groups of our employees who are not covered by a collective bargaining agreement consider entering into such an agreement. During the three and six months ended September 30, 2013, we recognized \$0.3 million in severance expense included in direct costs and general administrative expense as a result of our planned closure of our Alaska operations. During the three and six months ended September 30, 2012, we recognized \$2.2 million in compensation expense included in direct cost related to severance costs as a result of the termination of a contract in the Southern North Sea. Also, during the six months ended September 30, 2012, we recognized approximately \$2.0 million in compensation expense (including expenses recorded for the acceleration of unvested stock options and restricted stock) included in general and administrative expense related to the separation between us and an officer.

Nigerian Litigation — In November 2005, two of our consolidated foreign affiliates were named in a lawsuit filed with the High Court of Lagos State, Nigeria by Mr. Benneth Osita Onwubalili and his affiliated company, Kensit Nigeria Limited, which allegedly acted as agents of our affiliates in Nigeria. The claimants allege that an agreement between the parties was terminated without justification and seek damages of \$16.3 million. We responded to this claim in early 2006. There has been minimal activity on this claim since then.

Environmental Contingencies — The U.S. Environmental Protection Agency, also referred to as the EPA, has in the past notified us that we are a potential responsible party, or PRP, at three former waste disposal facilities that are on the National Priorities List of contaminated sites. Under the federal Comprehensive Environmental Response, Compensation and Liability Act, also known as the Superfund law, persons who are identified as PRPs may be subject to strict, joint and several liability for the costs of cleaning up environmental contamination resulting from releases of hazardous substances at National Priorities List sites. Although we have not yet obtained a formal release of liability from the EPA with respect to any of the sites, we believe that our potential liability in connection with the sites is not likely to have a material adverse effect on our business, financial condition or results of operations.

Other Matters — Although infrequent, aircraft accidents have occurred in the past, and the related losses and liability claims have been covered by insurance subject to deductible, self-insured retention and loss sensitive factors.

On October 5, 2012, a Bell 407 helicopter operated by a U.S. subsidiary of ours was involved in an accident in which the pilot was fatally injured. There were no other passengers onboard. We are currently working with authorities in their investigation.

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

On October 22, 2012, an incident occurred with a Eurocopter EC225 Super Puma helicopter operated by another helicopter company, which resulted in a controlled ditching on the North Sea, south of the Shetland Isles, U.K. Following the ditching, all 19 passengers and crew were recovered safely and without injuries.

Related to this incident, the CAAs in the U.K. and Norway issued safety directives in October 2012, requiring operators to suspend operations of the affected aircraft. As a result, we ceased operating a total of sixteen large Eurocopter aircraft until further notice: twelve in the U.K., three in Australia and one in Norway.

In order to mitigate the impact on our clients, we have increased utilization of other in-region aircraft, returned to service previously idle Eurocopter AS332L helicopters not affected by the CAA safety directives and purchased ten Sikorsky S-92 large aircraft with options for sixteen more.

Eurocopter, the manufacturer of the EC225 Super Puma aircraft, has indicated that they have determined the root causes of the gear shaft failure in the EC225 that occurred in 2012. This determination has been reviewed and verified by airworthiness authorities and independent third parties. The definitive solution to the problem will be a redesign of the gear shaft with earliest possible anticipated availability being in the middle of calendar year 2014. However, in July 2013 the European Aviation Safety Authority (the "EASA") issued an airworthiness directive providing for interim solutions involving minor aircraft modifications and new maintenance/operating procedures for mitigating shaft failure and enhancing early detection.

The CAAs in the U.K. and Norway have issued safety directives, which superseded and revoked the safety directive of October 2012 and now permit a return to service of the EC225 aircraft over harsh environments conditional upon compliance with the EASA airworthiness directive. We have commenced the required modifications and are carrying out the required inspections on our EC225 fleet in the U.K., Norway and Australia.

On August 23, 2013, an AS332L2, operated by another helicopter company in our industry, ditched near Sumburgh Airport in the U.K. resulting in the loss of four lives. To date, the investigation has not found any evidence of a technical fault and the ongoing work by the U.K. Air Accidents Investigation Branch continues to focus on the operational aspects of the flight.

Currently, no client contracts have been cancelled in connection with the suspension in operations of the EC225 aircraft or the AS332L2 ditching and we believe we have the contractual right to continue to receive monthly standing charges billed to our clients. In certain instances we have agreed to reduced monthly standing charge billings for the affected aircraft. We have been able to substantially replace the lost utilization from the EC225 aircraft with other aircraft, mitigating the impact on our results of operations for the three and six months ended September 30, 2013.

The current situation will continue until the necessary modifications are made to the EC225 fleet and we are confident that the interim modifications will allow us to operate the aircraft safely. Some of our EC225 fleet have commenced returning to operational service in September 2013 and the operational modification process is progressing. Until the fleet is again fully operational and under commercial arrangements similar to before the operational suspension, this situation could have a material adverse effect on our future business, financial condition and results of operations.

Following the August 2013 accident and in conjunction with two other helicopter operators in the U.K., we have embarked upon a Joint Operator's Review of Safety to review current processes, procedures and equipment in order to identify best practice in the offshore helicopter industry, with a view to further enhancing safety for our clients and crew. Bristow Group will readily and actively participate in a United Kingdom Parliamentary Inquiry on helicopter safety which commenced November 6, 2013 with written submissions requested by December 20, 2013.

On October 27, 2012, in the course of routine operations, a Bell 206 operated by a subsidiary of ours, performed a controlled sea ditching in Nigeria. All four people on board were uninjured and safe and the aircraft has been recovered. We are currently working with authorities in their investigation.

We are a defendant in certain claims and litigation arising out of operations in the normal course of business. In the opinion of management, uninsured losses, if any, will not be material to our financial position, results of operations or cash flows.

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BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Note 6 — TAXES

Our effective income tax rates were 27.2% and 21.5% for the three months ended September 30, 2013 and 2012, respectively, and 26.3% and 21.0% for the six months ended September 30, 2013 and 2012. Our effective income tax rates for the three and six months ended September 30, 2013 reflect \$36.0 million of tax expense for the sale of the FB Entities, partially offset by a \$2.1 million benefit due to the revaluation of our deferred taxes as a result of the enactment of a tax rate reduction in the U.K. Excluding these items, our effective tax rate decreased to 15.4% and 18.2% for the three and six months ended September 30, 2013, respectively.

Our effective tax rate was also impacted by the permanent reinvestment outside the U.S. of foreign earnings, upon which no U.S. tax has been provided, and by the amount of our foreign source income and our ability to realize foreign tax credits. As of September 30, 2013, there were \$1.6 million of unrecognized tax benefits, all of which would have an impact on our effective tax rate, if recognized.

Note 7 — EMPLOYEE BENEFIT PLANS

Pension Plans

The following table provides a detail of the components of net periodic pension cost (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2012	2013	2012
Service cost for benefits earned during the period	\$2,070	\$2,052	\$4,121	\$4,109
Interest cost on pension benefit obligation	6,602	6,418	13,140	12,851
Expected return on assets	(7,171)	(7,264)	(14,273)	(14,545)
Amortization of unrecognized losses	1,897	1,652	3,774	3,309
Net periodic pension cost	\$3,398	\$2,858	\$6,762	\$5,724

We pre-funded our contributions of £12.5 million (\$19.0 million) to our U.K. Staff pension plan for fiscal year 2014 in the last quarter of fiscal year 2013. The current estimate of our cash contributions to our U.K. pension plans and Norwegian pension plan for fiscal year 2014 are \$15.5 million and \$8.1 million, respectively, of which \$9.4 million and \$5.5 million, respectively, were paid during the six months ended September 30, 2013.

Incentive Compensation

Stock-based awards are currently made under the Bristow Group Inc. 2007 Long-Term Incentive Plan (the “2007 Plan”). A maximum of 5,400,000 shares of common stock, par value \$.01 per share (“Common Stock”), are reserved. Awards granted under the 2007 Plan may be in the form of stock options, stock appreciation rights, shares of restricted stock, other stock-based awards (payable in cash or Common Stock) or performance awards, or any combination thereof, and may be made to outside directors, employees or consultants. As of September 30, 2013, 3,022,768 shares remained available for grant under the 2007 Plan.

We have a number of other incentive and stock option plans which are described in Note 10 to our fiscal year 2013 Financial Statements.

Total stock-based compensation expense, which includes stock options, restricted stock units and restricted stock, totaled \$3.7 million and \$2.7 million for the three months ended September 30, 2013 and 2012, respectively, and \$6.6 million and \$5.5 million for six months ended September 30, 2013 and 2012, respectively. Stock-based compensation expense has been allocated to our various business units.

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

During the six months ended September 30, 2013, we awarded 179,821 shares of restricted stock at an average grant date fair value of \$63.19 per share. Also during the six months ended September 30, 2013, 302,678 stock options were granted. The following table shows the assumptions used to compute the stock-based compensation expense for stock options granted during the six months ended September 30, 2013:

Risk free interest rate	1.01%
Expected life (years)	5
Volatility	48.7%
Dividend yield	1.60%
Weighted average exercise price of options granted	\$62.66 per option
Weighted average grant-date fair value of options granted	\$23.77 per option

Performance cash awards vest and pay out in cash three years after the date of grant at varying levels depending on our performance in Total Shareholder Return against a peer group of companies. These awards were designed to tie a significant portion of total compensation to performance. One of the effects of this type of compensation is that it requires liability accounting which can result in volatility in earnings. The liability recorded for these awards as of September 30 and March 31, 2013 was \$11.8 million and \$13.4 million, respectively, and represents an accrual based on the fair value of the awards on those dates. The decrease in the liability during the six months ended September 30, 2013 resulted from the payout in June 2013 of the awards granted in June 2010, partially offset by the value of the new awards granted in June 2013. Any changes in fair value of the awards in future quarters will increase or decrease the liability and impact results in those periods. The affect, either positive or negative, on future period earnings can vary based on factors including changes in our stock price or the stock prices of the peer group companies, as well as changes in other market and company-specific assumptions that are factored into the calculation of fair value of the performance cash awards.

Compensation expense related to the performance cash awards recorded during the three months ended September 30, 2013 and 2012 was \$1.9 million and \$3.4 million, respectively, and during the six months ended September 30, 2013 and 2012 was \$3.7 million and \$4.1 million, respectively.

Note 8 — DIVIDENDS, SHARE REPURCHASES AND EARNINGS PER SHARE

Dividends

On November 5, 2013, our board of directors approved a dividend of \$0.25 per share of Common Stock, payable on December 13, 2013 to shareholders of record on November 29, 2013. See discussion of our dividends in Note 11 to our fiscal year 2013 Financial Statements. The declaration of future dividends is at the discretion of our board of directors and subject to our results of operations, financial condition, cash requirements and other factors and restrictions under applicable law and our debt instruments.

Share Repurchases

On November 2, 2011, our board of directors authorized the expenditure of up to \$100 million to repurchase shares of our Common Stock within 12 months from that date, of which \$25.1 million was spent. On November 2, 2012, our board of directors extended the date to repurchase shares of our Common Stock by 12 months and increased the remaining repurchase amount to \$100 million of which \$1.2 million was spent. On November 5, 2013, our board of directors extended the date to repurchase up to \$100 million of shares of our Common Stock by another 12 months. For additional information on our repurchases of Common Stock, see “Share Repurchases” in Note 11 to the fiscal year 2013 Financial Statements. The timing and method of any repurchases under the program will depend on a variety of factors, is subject to our results of operations, financial condition, cash requirements, and other factors and restrictions under applicable law and our debt instruments, and may be suspended or discontinued at any time.

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Earnings per Share

Basic earnings per common share is computed by dividing income available to common stockholders by the weighted average number of shares of Common Stock outstanding during the period. Diluted earnings per common share excludes options to purchase shares, restricted stock units and restricted stock awards, which were outstanding during the period but were anti-dilutive, as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2012	2013	2012
Options:				
Outstanding	596,191	552,209	497,041	448,269
Weighted average exercise price	\$53.10	\$43.56	\$50.84	\$43.81
Restricted stock units:				
Outstanding	—	4,040	—	58,016
Weighted average price	\$—	\$53.89	\$—	\$46.97
Restricted stock awards:				
Outstanding	—	—	5,611	—
Weighted average price	\$—	\$—	\$68.31	\$—

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2012	2013	2012
Net income available to common stockholders (in thousands):				
Income available to common stockholders – basic	\$ 110,606	\$ 29,668	\$ 137,492	\$ 53,330
Interest expense on assumed conversion of 3% Convertible Senior Notes, net of tax ⁽¹⁾	—	—	—	—
Income available to common stockholders – diluted	\$ 110,606	\$ 29,668	\$ 137,492	\$ 53,330
Shares:				
Weighted average number of common shares outstanding – basic	36,403,556	35,815,672	36,265,932	35,858,237
Assumed conversion of 3% Convertible Senior Notes outstanding during the period ⁽¹⁾	—	—	—	—
Net effect of dilutive stock options, restricted stock units and restricted stock awards based on the treasury stock method	297,670	526,620	352,492	601,940
Weighted average number of common shares outstanding – diluted	36,701,226	36,342,292	36,618,424	36,460,177
Basic earnings per common share	\$3.04	\$0.83	\$3.79	\$1.49
Diluted earnings per common share	\$3.01	\$0.82	\$3.75	\$1.46

⁽¹⁾ Diluted earnings per common share for the three and six months ended September 30, 2013 and 2012 excludes approximately 1.5 million of potentially dilutive shares initially issuable upon the conversion of our 3% Convertible Senior Notes. The 3% Convertible Senior Notes will be convertible, under certain circumstances, using a net share settlement process, into a combination of cash and our Common Stock. As of September 30, 2013, the base conversion price of the notes was approximately \$74.81, based on the base conversion rate of

13.3666 shares of Common Stock per \$1,000 principal amount of convertible notes (subject to adjustment in certain circumstances, including the payment of dividends). In general, upon conversion of a note, the holder will receive cash equal to the principal amount of the note and Common Stock to the extent of the note's conversion value in excess of such principal amount. In addition, if at the time of conversion the applicable price of our Common Stock exceeds the base conversion price, holders will receive up to an additional 8.6882 shares of our Common Stock per \$1,000 principal amount of notes, as determined pursuant to a specified formula. Such shares did not impact our calculation of diluted earnings per share for the three and six months ended September 30, 2013 and 2012 as our stock price did not meet or exceed the base conversion price as of September 30, 2013.

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Note 9 — SEGMENT INFORMATION

We conduct our business in one segment: Helicopter Services. The Helicopter Services segment operations are conducted primarily through five business units: Europe, West Africa, North America, Australia, and Other International. Additionally, we operate a training business unit, Bristow Academy, and provide technical services to clients in the U.S. and U.K.

The following shows business unit information for the three and six months ended September 30, 2013 and 2012 and as of September 30 and March 31, 2013, where applicable, reconciled to consolidated totals, and prepared on the same basis as our condensed consolidated financial statements (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2012	2013	2012
Business unit gross revenue from external clients:				
Europe	\$185,743	\$154,111	\$352,452	\$308,068
West Africa	79,488	68,217	158,869	138,671
North America	60,718	57,321	119,300	110,031
Australia	40,466	44,839	84,464	89,341
Other International	32,247	32,139	65,222	65,614
Corporate and other	18,666	9,127	36,015	16,637
Total business unit gross revenue	\$417,328	\$365,754	\$816,322	\$728,362
Intra-business unit gross revenue:				
Europe	\$—	\$2	\$—	\$65
West Africa	—	—	—	—
North America	9	54	(7	) 250
Australia	—	—	—	—
Other International	—	—	—	—
Corporate and other	1,210	591	2,073	711
Total intra-business unit gross revenue	\$1,219	\$647	\$2,066	\$1,026
Consolidated gross revenue reconciliation:				
Europe	\$185,743	\$154,113	\$352,452	\$308,133
West Africa	79,488	68,217	158,869	138,671
North America	60,727	57,375	119,293	110,281
Australia	40,466	44,839	84,464	89,341
Other International	32,247	32,139	65,222	65,614
Corporate and other	19,876	9,718	38,088	17,348
Intra-business unit eliminations	(1,219	) (647	) (2,066	) (1,026
Total consolidated gross revenue	\$417,328	\$365,754	\$816,322	\$728,362

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2012	2013	2012
Earnings from unconsolidated affiliates, net of losses – equity method investments:				
Europe ⁽¹⁾	\$873	\$2,368	\$3,913	\$4,374
North America	112	—	104	—
Other International	2,103	4,626	11,043	4,609
Total earnings from unconsolidated affiliates, net of losses – equity method investments	\$3,088	\$6,994	\$15,060	\$8,983
Consolidated operating income (loss) reconciliation:				
Europe	\$32,958	\$27,008	\$52,979	\$48,884
West Africa	18,231	13,430	37,484	29,561
North America	9,164	6,130	17,287	12,605
Australia	2,508	6,829	5,788	13,338
Other International	8,654	10,354	27,096	17,741
Corporate and other	(14,516)	(15,161)	(25,795)	(28,231)
Loss on disposal of assets	(3,064)	(1,262)	(4,785)	(6,577)
Total consolidated operating income	\$53,935	\$47,328	\$110,054	\$87,321
Depreciation and amortization:				
Europe	\$8,206	\$8,444	\$15,454	\$16,008
West Africa	3,435	3,051	6,695	6,193
North America	6,057	3,107	12,196	6,373
Australia	1,908	2,504	3,797	4,987
Other International	3,586	5,300	7,216	9,333
Corporate and other	666	915	1,319	1,799
Total depreciation and amortization	\$23,858	\$23,321	\$46,677	\$44,693
			September 30, 2013	March 31, 2013
Identifiable assets:				
Europe			\$933,274	\$808,568
West Africa			425,553	390,402
North America			513,223	527,710
Australia			214,234	245,757
Other International			581,738	589,361
Corporate and other			497,970	388,894
Total identifiable assets ⁽²⁾			\$3,165,992	\$2,950,692
Investments in unconsolidated affiliates – equity method investments:				
Europe ⁽¹⁾			\$—	\$8,569
North America			60,621	60,517
Other International			204,527	196,751
Total investments in unconsolidated affiliates – equity method investments			\$265,148	\$265,837

⁽¹⁾ On July 14, 2013, we sold our 50% interest in the FB Entities. See Note 2 for further discussion.

Includes \$336.7 million and \$222.8 million, respectively, of construction in progress within property and
⁽²⁾ equipment on our condensed consolidated balance sheets as of September 30 and March 31, 2013, respectively,
which primarily represents progress payments on aircraft to be delivered in future periods.

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Note 10 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

In connection with the issuance of the 7¹/₂% Senior Notes due 2017 (which we redeemed during the fiscal year 2013), the 6¹/₄% Senior Notes due 2022 and the 3% Convertible Senior Notes, the Guarantor Subsidiaries fully, unconditionally, jointly and severally guaranteed the payment obligations under these notes. The following supplemental financial information sets forth, on a consolidating basis, the balance sheet, statement of income, comprehensive income and cash flow information for Bristow Group Inc. (“Parent Company Only”), for the Guarantor Subsidiaries and for our other subsidiaries (the “Non-Guarantor Subsidiaries”). We have not presented separate financial statements and other disclosures concerning the Guarantor Subsidiaries because management has determined that such information is not material to investors.

The supplemental condensed consolidating financial information has been prepared pursuant to the rules and regulations for condensed financial information and does not include all disclosures included in annual financial statements, although we believe that the disclosures made are adequate to make the information presented not misleading. The principal eliminating entries eliminate investments in subsidiaries, intercompany balances and intercompany revenue and expense.

The allocation of the consolidated income tax provision was made using the with and without allocation method.

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Supplemental Condensed Consolidating Statement of Income

Three Months Ended September 30, 2013

	Parent Company Only (In thousands)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenue:					
Gross revenue	\$—	\$78,518	\$338,810	\$—	\$417,328
Intercompany revenue	374	21,506	—	(21,880)	—
	374	100,024	338,810	(21,880)	417,328
Operating expense:					
Direct cost and reimbursable expense	—	57,543	235,537	—	293,080
Intercompany expenses	—	—	21,880	(21,880)	—
Depreciation and amortization	736	11,048	12,074	—	23,858
General and administrative	14,343	8,574	23,562	—	46,479
	15,079	77,165	293,053	(21,880)	363,417
Loss on disposal of assets	—	(2,927)	(137)	—	(3,064)
Earnings from unconsolidated affiliates, net of losses	138,158	—	3,088	(138,158)	3,088
Operating income	123,453	19,932	48,708	(138,158)	53,935
Interest income	31,502	—	762	(31,502)	762
Interest expense	(9,598)	(1,476)	(29,506)	31,502	(9,078)
Gain on sale of unconsolidated affiliate	—	—	103,924	—	103,924
Other income (expense), net	(120)	(174)	1,781	—	1,487
Income before provision for income taxes	145,237	18,282	125,669	(138,158)	151,030
Allocation of consolidated income taxes	(34,617)	(1,843)	(4,686)	—	(41,146)
Net income	110,620	16,439	120,983	(138,158)	109,884
Net (income) loss attributable to noncontrolling interests	(14)	—	736	—	722
Net income attributable to Bristow Group	\$110,606	\$16,439	\$121,719	\$(138,158)	\$110,606

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Supplemental Condensed Consolidating Statement of Income

Six Months Ended September 30, 2013

	Parent Company Only (In thousands)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenue:					
Gross revenue	\$—	\$155,161	\$661,161	\$—	\$816,322
Intercompany revenue	748	41,872	—	(42,620)	) —
	748	197,033	661,161	(42,620)	) 816,322
Operating expense:					
Direct cost and reimbursable expense	—	114,987	470,092	—	585,079
Intercompany expenses	—	—	42,620	(42,620)	) —
Depreciation and amortization	1,453	21,731	23,493	—	46,677
General and administrative	26,133	16,159	44,495	—	86,787
	27,586	152,877	580,700	(42,620)	) 718,543
Loss on disposal of assets	—	(1,539)	) (3,246)	) —	(4,785)
Earnings from unconsolidated affiliates, net of losses	169,908	—	17,060	(169,908)	) 17,060
Operating income	143,070	42,617	94,275	(169,908)	) 110,054
Interest income	59,698	—	878	(59,695)	) 881
Interest expense	(30,193)	) (1,507)	) (57,443)	) 59,695	(29,448)
Gain on sale of unconsolidated affiliate	—	—	103,924	—	103,924
Other income (expense), net	(118)	) (160)	) 399	—	121
Income before provision for income taxes	172,457	40,950	142,033	(169,908)	) 185,532
Allocation of consolidated income taxes	(34,934)	) (2,368)	) (11,434)	) —	(48,736)
Net income	137,523	38,582	130,599	(169,908)	) 136,796
Net (income) loss attributable to noncontrolling interests	(31)	) —	727	—	696
Net income attributable to Bristow Group	\$137,492	\$38,582	\$131,326	\$(169,908)	) \$137,492

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Supplemental Condensed Consolidating Statement of Income

Three Months Ended September 30, 2012

	Parent Company Only (In thousands)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenue:					
Gross revenue	\$—	\$76,217	\$289,537	\$—	\$365,754
Intercompany revenue	578	18,532	—	(19,110)	—
	578	94,749	289,537	(19,110)	365,754
Operating expense:					
Direct cost and reimbursable expense	—	56,342	206,787	—	263,129
Intercompany expenses	—	—	19,110	(19,110)	—
Depreciation and amortization	1,091	9,348	12,882	—	23,321
General and administrative	11,218	7,361	19,129	—	37,708
	12,309	73,051	257,908	(19,110)	324,158
Gain (loss) on disposal of assets	—	421	(1,683)	—	(1,262)
Earnings from unconsolidated affiliates, net of losses	21,076	—	6,994	(21,076)	6,994
Operating income	9,345	22,119	36,940	(21,076)	47,328
Interest income	28,988	8	296	(29,029)	263
Interest expense	(9,171)	—	(28,455)	29,029	(8,597)
Other income (expense), net	(57)	(36)	(125)	—	(218)
Income before provision for income taxes	29,105	22,091	8,656	(21,076)	38,776
Allocation of consolidated income taxes	579	(2,024)	(6,897)	—	(8,342)
Net income	29,684	20,067	1,759	(21,076)	30,434
Net income attributable to noncontrolling interests	(16)	—	(750)	—	(766)
Net income attributable to Bristow Group	\$29,668	\$20,067	\$1,009	\$(21,076)	\$29,668

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Supplemental Condensed Consolidating Statement of Income

Six Months Ended September 30, 2012

	Parent Company Only (In thousands)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenue:					
Gross revenue	\$—	\$145,729	\$582,633	\$—	\$728,362
Intercompany revenue	1,156	35,831	—	(36,987)	) —
	1,156	181,560	582,633	(36,987)	) 728,362
Operating expense:					
Direct cost and reimbursable expense	—	106,114	419,955	—	526,069
Intercompany expenses	—	—	36,987	(36,987)	) —
Depreciation and amortization	2,160	17,423	25,110	—	44,693
General and administrative	20,147	14,212	38,326	—	72,685
	22,307	137,749	520,378	(36,987)	) 643,447
Loss on disposal of assets	—	(998)	) (5,579)	) —	(6,577)
Earnings from unconsolidated affiliates, net of losses	38,815	—	8,983	(38,815)	) 8,983
Operating income	17,664	42,813	65,659	(38,815)	) 87,321
Interest income	56,928	17	296	(56,890)	) 351
Interest expense	(18,021)	) —	(56,240)	) 56,890	(17,371)
Other income (expense), net	(6)	) 21	(1,164)	) —	(1,149)
Income before provision for income taxes	56,565	42,851	8,551	(38,815)	) 69,152
Allocation of consolidated income taxes	(3,200)	) (3,782)	) (7,540)	) —	(14,522)
Net income	53,365	39,069	1,011	(38,815)	) 54,630
Net income attributable to noncontrolling interests	(35)	) —	(1,265)	) —	(1,300)
Net income (loss) attributable to Bristow Group	\$53,330	\$39,069	\$(254)	) \$(38,815)	) \$53,330

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Supplemental Condensed Consolidating Statement of Comprehensive Income

Three Months Ended September 30, 2013

	Parent Company Only (In thousands)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net income	\$110,620	\$16,439	\$120,983	\$(138,158)	\$109,884
Other comprehensive income (loss):					
Currency translation adjustments	3,105	—	(14,710)	27,479	15,874
Total comprehensive income	113,725	16,439	106,273	(110,679)	125,758
Net (income) loss attributable to noncontrolling interests	(14)	—	736	—	722
Currency translation adjustments attributable to noncontrolling interests	—	—	(108)	—	(108)
Total comprehensive (income) loss attributable to noncontrolling interests	(14)	—	628	—	614
Total comprehensive income attributable to Bristow Group	\$113,711	\$16,439	\$106,901	\$(110,679)	\$126,372

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Supplemental Condensed Consolidating Statement of Comprehensive Income

Six Months Ended September 30, 2013

	Parent Company Only (In thousands)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net income	\$ 137,523	\$ 38,582	\$ 130,599	\$ (169,908)	\$ 136,796
Other comprehensive income (loss):					
Currency translation adjustments	4,025	—	(21,657)	29,077	11,445
Total comprehensive income	141,548	38,582	108,942	(140,831)	148,241
Net (income) loss attributable to noncontrolling interests	(31)	—	727	—	696
Currency translation adjustments attributable to noncontrolling interests	—	—	(238)	—	(238)
Total comprehensive (income) loss attributable to noncontrolling interests	(31)	—	489	—	458
Total comprehensive income attributable to Bristow Group	\$ 141,517	\$ 38,582	\$ 109,431	\$ (140,831)	\$ 148,699

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Supplemental Condensed Consolidating Statement of Comprehensive Income

Three Months Ended September 30, 2012

	Parent Company Only (In thousands)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net income	\$29,684	\$20,067	\$1,759	\$ (21,076)	\$ 30,434
Other comprehensive income (loss):					
Currency translation adjustments	1,907	—	(35,328)	37,643	4,222
Total comprehensive income	31,591	20,067	(33,569)	16,567	34,656
Net income attributable to noncontrolling interests	(16)	—	(750)	—	(766)
Currency translation adjustments attributable to noncontrolling interests	—	—	99	—	99
Total comprehensive income attributable to noncontrolling interests	(16)	—	(651)	—	(667)
Total comprehensive income attributable to Bristow Group	\$31,575	\$20,067	\$(34,220)	\$ 16,567	\$ 33,989

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Supplemental Condensed Consolidating Statement of Comprehensive Income

Six Months Ended September 30, 2012

	Parent Company Only (In thousands)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net income	\$53,365	\$39,069	\$1,011	\$(38,815)	\$54,630
Other comprehensive income (loss):					
Currency translation adjustments	4,580	—	(40,372)	40,520	4,728
Total comprehensive income	57,945	39,069	(39,361)	1,705	59,358
Net income attributable to noncontrolling interests	(35)	—	(1,265)	—	(1,300)
Currency translation adjustments attributable to noncontrolling interests	—	—	(102)	—	(102)
Total comprehensive income attributable to noncontrolling interests	(35)	—	(1,367)	—	(1,402)
Total comprehensive income attributable to Bristow Group	\$57,910	\$39,069	\$(40,728)	\$1,705	\$57,956

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Supplemental Condensed Consolidating Balance Sheet

As of September 30, 2013

	Parent Company Only (In thousands)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$3,982	\$4,368	\$305,171	\$—	\$313,521
Accounts receivable	9,631	85,951	221,222	(75,928)	240,876
Inventories	—	51,925	106,697	—	158,622
Assets held for sale	—	19,867	6,852	—	26,719
Prepaid expenses and other current assets	2,899	6,331	21,721	(1)	30,950
Total current assets	16,512	168,442	661,663	(75,929)	770,688
Intercompany investment	1,278,799	111,435	—	(1,390,234)	—
Investment in unconsolidated affiliates	—	150	272,195	—	272,345
Intercompany notes receivable	1,361,139	—	—	(1,361,139)	—
Property and equipment—at cost:					
Land and buildings	982	49,411	61,013	—	111,406
Aircraft and equipment	42,474	1,248,490	1,150,435	—	2,441,399
	43,456	1,297,901	1,211,448	—	2,552,805
Less: Accumulated depreciation and amortization	(12,038)	(206,507)	(299,597)	—	(518,142)
	31,418	1,091,394	911,851	—	2,034,663
Goodwill	—	4,755	25,049	—	29,804
Other assets	220,258	1,219	39,964	(202,949)	58,492
Total assets	\$2,908,126	\$1,377,395	\$1,910,722	\$(3,030,251)	\$3,165,992
LIABILITIES AND STOCKHOLDERS' INVESTMENT					
Current liabilities:					
Accounts payable	\$4,066	\$50,257	\$86,996	\$(71,162)	\$70,157
Accrued liabilities	51,636	24,977	96,608	(3,470)	169,751
Current deferred taxes	(6,000)	(542)	8,936	—	2,394
Short-term borrowings and current maturities of long-term debt	6,919	—	70	—	6,989
Total current liabilities	56,621	74,692	192,610	(74,632)	249,291
Long-term debt, less current maturities	824,094	—	—	—	824,094
Intercompany notes payable	—	510,861	1,054,227	(1,565,088)	—
Accrued pension liabilities	—	—	127,296	—	127,296
Other liabilities and deferred credits	9,203	8,083	32,501	(258)	49,529
Deferred taxes	134,639	8,743	11,921	—	155,303
Stockholders' investment:					
Common stock	372	4,996	22,876	(27,872)	372
Additional paid-in-capital	752,614	9,291	270,905	(280,196)	752,614

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Retained earnings	1,214,157	760,729	193,928	(954,657)	1,214,157
Accumulated other comprehensive income (loss)	(58,867)	—	(2,061)	(127,548)	(188,476)
Treasury shares	(26,304)	—	—	—	(26,304)
Total Bristow Group stockholders' investment	1,881,972	775,016	485,648	(1,390,273)	1,752,363
Noncontrolling interests	1,597	—	6,519	—	8,116
Total stockholders' investment	1,883,569	775,016	492,167	(1,390,273)	1,760,479
Total liabilities and stockholders' investment	\$2,908,126	\$1,377,395	\$1,910,722	\$(3,030,251)	\$3,165,992

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Supplemental Condensed Consolidating Balance Sheet

As of March 31, 2013

	Parent Company Only (In thousands)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$31,853	\$5,370	\$178,400	\$—	\$215,623
Accounts receivable	18,498	80,615	246,612	(82,944)	262,781
Inventories	—	51,970	101,999	—	153,969
Assets held for sale	—	1,268	7,022	—	8,290
Prepaid expenses and other current assets	16,071	12,415	23,263	(16,654)	35,095
Total current assets	66,422	151,638	557,296	(99,598)	675,758
Intercompany investment	1,163,935	111,435	—	(1,275,370)	—
Investment in unconsolidated affiliates	—	150	271,973	—	272,123
Intercompany notes receivable	1,401,680	—	—	(1,401,680)	—
Property and equipment—at cost:					
Land and buildings	939	48,907	58,747	—	108,593
Aircraft and equipment	31,310	1,170,531	1,104,213	—	2,306,054
	32,249	1,219,438	1,162,960	—	2,414,647
Less: Accumulated depreciation and amortization	(10,680)	(205,746)	(277,149)	—	(493,575)
	21,569	1,013,692	885,811	—	1,921,072
Goodwill	—	4,756	24,141	—	28,897
Other assets	40,877	1,341	149,544	(138,920)	52,842
Total assets	\$2,694,483	\$1,283,012	\$1,888,765	\$ (2,915,568)	\$2,950,692
LIABILITIES AND STOCKHOLDERS' INVESTMENT					
Current liabilities:					
Accounts payable	\$4,049	\$44,017	\$101,021	\$ (79,266)	\$69,821
Accrued liabilities	29,534	22,404	115,112	(19,369)	147,681
Current deferred taxes	(4,184)	115	4,069	—	—
Short-term borrowings and current maturities of long-term debt	21,875	—	448	—	22,323
Total current liabilities	51,274	66,536	220,650	(98,635)	239,825
Long-term debt, less current maturities	764,946	—	—	—	764,946
Intercompany notes payable	—	463,184	963,687	(1,426,871)	—
Accrued pension liabilities	—	—	126,647	—	126,647
Other liabilities and deferred credits	10,761	8,530	178,525	(140,620)	57,196
Deferred taxes	128,153	8,328	14,640	—	151,121
Stockholders' investment:					
Common stock	367	4,996	22,876	(27,872)	367

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Additional paid-in-capital	731,883	9,291	270,905	(280,196)	731,883
Retained earnings	1,094,803	722,147	62,602	(784,749)	1,094,803
Accumulated other comprehensive income (loss)	(62,892)	—	19,834	(156,625)	(199,683)
Treasury shares	(26,304)	—	—	—	(26,304)
Total Bristow Group stockholders' investment	1,737,857	736,434	376,217	(1,249,442)	1,601,066
Noncontrolling interests	1,492	—	8,399	—	9,891
Total stockholders' investment	1,739,349	736,434	384,616	(1,249,442)	1,610,957
Total liabilities and stockholders' investment	\$2,694,483	\$1,283,012	\$1,888,765	\$(2,915,568)	\$2,950,692

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Supplemental Condensed Consolidating Statement of Cash Flows

Six Months Ended September 30, 2013

	Parent Company Only (In thousands)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$(20,277)	\$46,258	\$106,495	\$—	\$132,476
Cash flows from investing activities:					
Capital expenditures	(11,206)	(275,801)	(158,415)	105,863	(339,559)
Proceeds from asset dispositions	—	154,689	106,777	(105,863)	155,603
Proceeds from sale of unconsolidated affiliate	—	—	112,210	—	112,210
Net cash provided by (used in) investing activities	(11,206)	(121,112)	60,572	—	(71,746)
Cash flows from financing activities:					
Proceeds from borrowings	157,500	—	2,646	—	160,146
Debt issuance costs	(15,152)	—	—	—	(15,152)
Repayment of debt	(114,806)	—	(2,942)	—	(117,748)
Dividends paid	(15,072)	34	(3,100)	—	(18,138)
Increases (decreases) in cash related to intercompany advances and debt	(24,615)	73,818	(49,203)	—	—
Partial prepayment of put/call obligation	(27)	—	—	—	(27)
Issuance of Common Stock	11,550	—	—	—	11,550
Tax benefit related to stock-based compensation	4,234	—	—	—	4,234
Net cash provided by (used in) financing activities	3,612	73,852	(52,599)	—	24,865
Effect of exchange rate changes on cash and cash equivalents	—	—	12,303	—	12,303
Net increase (decrease) in cash and cash equivalents	(27,871)	(1,002)	126,771	—	97,898
Cash and cash equivalents at beginning of period	31,853	5,370	178,400	—	215,623
Cash and cash equivalents at end of period	\$3,982	\$4,368	\$305,171	\$—	\$313,521

BRISTOW GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Supplemental Condensed Consolidating Statement of Cash Flows

Six Months Ended September 30, 2012

	Parent Company Only (In thousands)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$(20,075)	\$62,030	\$92,943	\$—	\$134,898
Cash flows from investing activities:					
Capital expenditures	(8,353)	(46,389)	(83,252)	24,589	(113,405)
Proceeds from asset dispositions	—	35,185	85,780	(24,589)	96,376
Investment in unconsolidated affiliate	(7,153)	—	—	—	(7,153)
Net cash provided by (used in) investing activities	(15,506)	(11,204)	2,528	—	(24,182)
Cash flows from financing activities:					
Repayment of debt	(24,300)	—	—	—	(24,300)
Dividends paid	(2,742)	(9,755)	(1,800)	—	(14,297)
Increases (decreases) in cash related to intercompany advances and debt	112,427	(40,697)	(71,730)	—	—
Partial prepayment of put/call obligation	(33)	—	—	—	(33)
Issuance of Common Stock	7,869	—	—	—	7,869
Tax benefit related to stock-based compensation	433	—	—	—	433
Net cash provided by (used in) financing activities	93,654	(50,452)	(73,530)	—	(30,328)
Effect of exchange rate changes on cash and cash equivalents	—	—	6,411	—	6,411
Net increase in cash and cash equivalents	58,073	374	28,352	—	86,799
Cash and cash equivalents at beginning of period	76,609	3,155	181,786	—	261,550
Cash and cash equivalents at end of period	\$134,682	\$3,529	\$210,138	\$—	\$348,349

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

Bristow Group Inc.:

We have reviewed the condensed consolidated balance sheet of Bristow Group Inc. and subsidiaries (the Company) as of September 30, 2013, and the related condensed consolidated statements of income and comprehensive income for the three-month and six-month periods ended September 30, 2013 and 2012, and cash flows for the six-month periods ended September 30, 2013 and 2012. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole.

Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of March 31, 2013, and the related consolidated statements of income, comprehensive income, stockholders' investment, and cash flows for the year then ended (not presented herein); and in our report dated May 22, 2013 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of March 31, 2013 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

Houston, Texas

November 7, 2013

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

Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and the notes thereto as well as our Annual Report on Form 10-K for the fiscal year ended March 31, 2013 (the "fiscal year 2013 Annual Report") and the MD&A contained therein. In the discussion that follows, the terms "Current Quarter" and "Comparable Quarter" refer to the three months ended September 30, 2013 and 2012, respectively, and the terms "Current Period" and "Comparable Period" refer to the six months ended September 30, 2013 and 2012, respectively. Our fiscal year ends March 31, and we refer to fiscal years based on the end of such period. Therefore, the fiscal year ending March 31, 2014 is referred to as "fiscal year 2014."

Forward-Looking Statements

This Quarterly Report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Forward-looking statements are statements about our future business, strategy, operations, capabilities and results; financial projections; plans and objectives of our management; expected actions by us and by third parties, including our clients, competitors, vendors and regulators; and other matters. Some of the forward-looking statements can be identified by the use of words such as "believes", "belief", "expects", "plans", "anticipates", "intends", "projects", "estimates", "may", "might", "would", "could" words; however, all statements in this Quarterly Report, other than statements of historical fact or historical financial results, are forward-looking statements.

Our forward-looking statements reflect our views and assumptions on the date we are filing this Quarterly Report regarding future events and operating performance. We believe that they are reasonable, but they involve known and unknown risks, uncertainties and other factors, many of which may be beyond our control, that may cause actual results to differ materially from any future results, performance or achievements expressed or implied by the forward-looking statements. Accordingly, you should not put undue reliance on any forward-looking statements. You should consider the following key factors when evaluating these forward-looking statements:

- the possibility of political instability, war or acts of terrorism in any of the countries where we operate;
- fluctuations in worldwide prices of and demand for oil and natural gas;
- fluctuations in levels of oil and natural gas exploration and development activities;
- fluctuations in the demand for our services;
- the existence of competitors;
- the existence of operating risks inherent in our business, including the possibility of declining safety performance;
- the possibility of changes in tax and other laws and regulations;
- the possibility that the major oil companies do not continue to expand internationally;
- the possibility of significant changes in foreign exchange rates and controls;
- general economic conditions including the capital and credit markets;
- the possibility that we may be unable to acquire additional aircraft due to limited availability or unable to exercise aircraft purchase options;
- the possibility that we may be unable to dispose of older aircraft through sales into the aftermarket;
- the possibility that we may be unable to obtain financing or we may be unable to draw on our credit facilities;
- the possibility that segments of our fleet may be grounded for extended periods of time or indefinitely;
- the possibility that we may be unable to re-deploy our aircraft to regions with greater demand;

the possibility that reductions in spending on helicopter services by governmental agencies could lead to modifications of search and rescue ("SAR") contract terms or delays in receiving payments; and the possibility that we do not achieve the anticipated benefit from the addition of new-technology aircraft to our fleet. The above description of risks and uncertainties is by no means all-inclusive, but is designed to highlight what we believe are important factors to consider. For a more detailed description of risk factors, please see the risks and uncertainties described under Item 1A. "Risk Factors" included in the fiscal year 2013 Annual Report and in this Quarterly Report.

All forward-looking statements in this Quarterly Report are qualified by these cautionary statements and are only made as of the date of this Quarterly Report. We do not undertake any obligation, other than as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Executive Overview

This Executive Overview only includes what management considers to be the most important information and analysis for evaluating our financial condition and operating performance. It provides the context for the discussion and analysis of the financial information that follows and does not disclose every item impacting our financial condition and operating performance.

General

We are the leading provider of helicopter services to the worldwide offshore energy industry based on the number of aircraft operated and one of two helicopter service providers to the offshore energy industry with global operations. We have a long history in the helicopter services industry through Bristow Helicopters Limited ("Bristow Helicopters") and Offshore Logistics, Inc., having been founded in 1955 and 1969, respectively. We have major transportation operations in the North Sea, Nigeria and the U.S. Gulf of Mexico, and in most of the other major offshore energy producing regions of the world, including Australia, Brazil, Canada, Russia and Trinidad. We provide civilian SAR services in Australia, Brazil, Canada, Cyprus, Dutch Antilles, the Netherlands, Norway, Russia and Trinidad, and we started providing SAR services for North Scotland during the Current Period. Additionally, we were recently awarded a new contract to provide civilian SAR services for all of the U.K. We generated 79%, 89% and 84% of our consolidated operating revenue, business unit operating income and business unit adjusted EBITDAR, respectively, from operations outside of the U.S. during the Current Period. Adjusted EBITDAR is calculated by taking our net income and adjusting for interest expense, depreciation and amortization, rent expense (included as components of direct cost and general and administrative expense), provision for income taxes, gain (loss) on disposal of assets and any special items during the reported periods.

We conduct our business in one segment: Helicopter Services. The Helicopter Services segment operations are conducted primarily through five business units:

- Europe,
- West Africa,
- North America,
- Australia, and
- Other International.

We provide helicopter services to a broad base of major integrated, national and independent offshore energy companies. Our clients charter our helicopters primarily to transport personnel between onshore bases and offshore production platforms, drilling rigs and other installations. To a lesser extent, our clients also charter our helicopters to transport time-sensitive equipment to these offshore locations. These clients' operating expenditures in the production sector are the principle source of our revenue, while their exploration and development capital expenditures provide a lesser portion of our revenue. The clients for SAR services include both the oil and gas industry, where our revenue is primarily dependent on our client's operating expenditures, and governmental agencies, where our revenue is dependent on a country's desire to privatize SAR and enter into long-term contracts. In addition to our primary Helicopter Services operations, we also operate a training business unit, Bristow Academy, and provide technical services to clients in the U.S. and U.K. As of September 30, 2013, we operated 350 aircraft (including 274 owned aircraft and 76 leased aircraft; 26 of the owned aircraft are held for sale) and our unconsolidated affiliates operated 127 aircraft in addition to those aircraft leased from us.

The chart below presents (1) the number of helicopters in our fleet and their distribution among the business units of our Helicopter Services segment as of September 30, 2013; (2) the number of helicopters which we had on order or under option as of September 30, 2013; and (3) the percentage of operating revenue which each of our business units provided during the Current Period. For additional information regarding our commitments and options to acquire aircraft, see Note 5 in the “Notes to Condensed Consolidated Financial Statements” included elsewhere in this Quarterly Report.

	Percentage of Current Period Operating Revenue	Aircraft in Consolidated Fleet Helicopters						Unconsolidated Affiliates ⁽³⁾	Total
		Small	Medium	Large	Training	Fixed Wing	Total ⁽¹⁾⁽²⁾		
Europe	40	% —	10	54	—	—	64	—	64
West Africa	21	% 9	26	6	—	3	44	—	44
North America	16	% 60	24	11	—	—	95	—	95
Australia	10	% 2	7	15	—	—	24	—	24
Other International	9	% 2	32	13	—	—	47	127	174
Corporate and other	4	% —	—	—	76	—	76	—	76
Total	100	% 73	99	99	76	3	350	127	477
Aircraft not currently in fleet: ⁽⁴⁾									
On order		—	15	42	—	—	57		
Under option		—	22	41	—	—	63		

⁽¹⁾ Includes 26 aircraft held for sale and 76 leased aircraft as follows:

	Held for Sale Aircraft in Consolidated Fleet Helicopters					
	Small	Medium	Large	Training	Fixed Wing	Total
Europe	—	—	—	—	—	—
West Africa	—	1	—	—	—	1
North America	19	—	—	—	—	19
Australia	—	—	—	—	—	—
Other International	—	4	—	—	—	4
Corporate and other	—	—	—	2	—	2
Total	19	5	—	2	—	26

	Leased Aircraft in Consolidated Fleet Helicopters					
	Small	Medium	Large	Training	Fixed Wing	Total
Europe	—	1	20	—	—	21
West Africa	—	1	—	—	—	1
North America	1	13	3	—	—	17
Australia	2	2	3	—	—	7
Other International	—	—	—	—	—	—
Corporate and other	—	—	—	30	—	30

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Total	3	17	26	30	—	76
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(2) The average age of our fleet, excluding training aircraft, was 11 years as of September 30, 2013.

The 127 aircraft operated by our unconsolidated affiliates do not include those aircraft leased from us. Includes 56 helicopters (primarily medium) and 29 fixed wing aircraft owned and managed by Líder, our unconsolidated

(3) affiliate in Brazil, which is included in our Other International business unit. On July 14, 2013, we sold our interest in an unconsolidated affiliate operating 64 aircraft in Europe. See Note 2 in the "Notes to Condensed Consolidated Financial Statements" included elsewhere in this Quarterly Report.

(4) This table does not reflect aircraft which our unconsolidated affiliates may have on order or under option.

The commercial aircraft in our consolidated fleet represented in the above chart are our primary source of revenue. To normalize the consolidated operating revenue of our fleet for the different revenue productivity and cost of our commercial aircraft, we developed a common weighted factor that combines large, medium and small aircraft into a combined standardized number of revenue producing commercial aircraft assets. We call this measure Large AirCRAFT Equivalent (“LACE”). Our large, medium and small aircraft, including owned and leased, are weighted as 100%, 50%, and 25%, respectively, to arrive at a single LACE number, which excludes training aircraft, fixed wing aircraft, unconsolidated affiliate aircraft, aircraft held for sale and aircraft construction in process. We divide our operating revenue from commercial contracts, which excludes operating revenue from affiliates and reimbursable revenue, by LACE to develop a LACE rate, which is a standardized rate. Our current number of LACE is 160 and our historical LACE and LACE rate is as follows:

	Current Period	Fiscal Year Ended March 31,				
		2013	2012	2011	2010	2009
LACE	160	158	149	153	159	164
LACE Rate (in millions)	\$9.07	\$8.35	\$7.89	\$7.15	\$6.49	\$6.14

The following table presents the percentage of LACE leased as of September 30, 2013:

Europe	35	%
West Africa	2	%
North America	29	%
Australia	24	%
Other International	—	%
Total	22	%

Our Strategy

Our goal is to strengthen our position as a leading helicopter services provider to the offshore energy industry and for civilian SAR. We intend to employ the following well defined business/commercial and capital allocation strategies to achieve this goal:

Business/Commercial Strategy

Be the preferred provider of helicopter services. We position our business to be the preferred provider of helicopter services by maintaining strong relationships with our clients and providing safe and high-quality service. In order to create further differentiation and add value to our clients, we focus on enhancing our value to our clients through key components of our “Operational Excellence” initiative and our “Bristow Client Promise” program, which are the initiatives of “Target Zero Accidents,” “Target Zero Downtime” and “Target Zero Complaints.” These programs are designed to deliver continuous improvement in all these important areas and demonstrate our commitment to providing higher hours of zero-accident flight time with on-time and up-time helicopter transportation service. We maintain relationships with our clients’ field operations, corporate management and contacts at governmental agencies that we believe help us better anticipate client needs and provide our clients with the right aircraft in the right place at the right time, which in turn allows us to better manage our fleet utilization and capital investment program. We also leverage our close relationships with our clients to establish mutually beneficial operating practices and safety standards worldwide. By applying standardized first-rate operating and safety practices across our global operations, we seek to provide our clients with consistent, high-quality service in each of their areas of operation. By better understanding and delivering on our clients’ needs with our global operations and safety standards, we believe we effectively compete against other helicopter service providers based on aircraft availability, client service, safety and reliability, and not just price.

Grow our business while managing our assets. We plan to continue to grow our business globally and increase our revenue and profitability over time, while managing through cyclical downturns in the energy industry or governmental spending reductions or modifications. We conduct flight operations in most major oil and gas producing regions of the world, and through our strong relationships with our existing clients we are aware of future business opportunities in the markets we currently serve that would allow us to grow through new contracts. We anticipate these new opportunities will result in the deployment of new or existing aircraft into markets where we expect they will earn desirable rates of return. Additionally, new opportunities may result in growth through acquisitions and investments in existing or new markets, which may include increasing our role and participation with existing unconsolidated affiliates, investing in new companies, or creating partnerships and alliances with existing industry participants. We believe the combination of growth in existing and new markets will deliver improved shareholder returns.

Capital Allocation Strategy

Our capital allocation strategy is based on three principles as follows:

Prudent balance sheet management. Throughout our corporate and business unit management, we proactively manage our capital allocation plan with a focus on achieving business growth and improving rates of return, within the dictates of prudent balance sheet management. In addition to cash flow generated from operations, we intend to maintain adequate liquidity and manage our capital structure relative to our commitments with external financings when necessary and through the use of operating leases for 30-35% of our LACE. As of September 30, 2013, aircraft under operating leases accounted for 22% of our LACE. Our adjusted debt to total equity ratio and total liquidity were 74.4% and \$618.0 million, respectively, as of September 30, 2013 and 75.6% and \$415.0 million, respectively, as of March 31, 2013. Adjusted debt includes the net present value of operating leases totaling \$348.9 million and \$301.9 million, respectively, letters of credit, bank guarantees and financial guarantees totaling \$2.4 million and \$2.6 million, respectively, and the unfunded pension liability of \$127.3 million and \$126.6 million, respectively, as of September 30 and March 31, 2013.

Highest return. Our internal financial management framework, called Bristow Value Added (“BVA”), focuses on the returns we deliver across our organization. BVA is computed by subtracting a capital charge for the use of gross invested capital from after tax operating cash flow. Our goal is to achieve strong improvements in BVA over time by (1) improving the returns we earn throughout our organization via cost and capital efficiency improvements as well as through better pricing based on the differentiated value we deliver to clients via aircraft safety, availability, client service and reliability; (2) deploying more capital into commercial opportunities where management believes we can deliver strong returns and when we believe it will benefit us and our shareholders, including making strategic acquisitions or strategic equity investments; and (3) withdrawing capital from areas where returns are deemed inadequate and unable to be sufficiently improved. When appropriate, we may divest parts of the Company.

Improvements in BVA are the primary financial measure in our management incentive plan, which is designed to align the interests of management with shareholders.

Balanced shareholder return. We believe our liquidity position and cash flows from operations will be adequate to finance operating and maintenance expenditures, so we have considered our capital deployment alternatives for the future to deliver a more balanced return to our shareholders. On November 5, 2013, our board of directors approved our eleventh consecutive quarterly dividend. On August 1, 2013, our board of directors approved a dividend policy with a goal of an annualized quarterly dividend payout ratio of 20-30% of forward adjusted earnings per share, although actual dividend payments are at the discretion of our board of directors and may not meet this ratio. Also, our board of directors has authorized the expenditure of up to \$100 million to repurchase shares of common stock, par value \$.01 per share ("Common Stock"), through November 5, 2014. For additional information on our repurchases of Common Stock, see "Share Repurchases" in Note 11 to the financial statements in our fiscal year 2013 Annual Report. The timing and method of any repurchases under the program will depend on a variety of factors, is subject to our results of operations, financial condition, cash requirements, and other factors and restrictions under applicable law and our debt instruments, and may be suspended or discontinued at any time.

Market Outlook

Our core business is providing helicopter services to the worldwide oil and gas industry. Our global operations and critical mass of helicopters provide us with geographic and client diversity which helps mitigate risks associated with a single market or client.

The business environment during calendar year 2013 has remained positive, despite short-term operational challenges. The overall contractual environment has been strong and underlying commodity prices have been stable, which has fostered an environment where our clients continue to seek long-term contracts. We are currently experiencing significant demand for our helicopter services. Based on our current contract level and discussions with our clients about their needs for aircraft related to their oil and gas production and exploration plans, we anticipate the demand for aircraft services will continue at a high level for the near term. Further, based on the projects planned by our clients in the markets in which we currently operate, we anticipate global demand for our services will grow in the long-term and exceed the transportation capacity of the aircraft we and our competitors currently have in our fleets and on order. This high level of demand has allowed us to increase the rates we charge for our services over the past several years.

The SAR market is continuing to evolve and we believe further outsourcing of civilian SAR services to the private sector will continue as it is successfully deployed for governments. The clients for SAR services include both the oil and gas industry where our revenue is primarily dependent on our client's operating expenditures as discussed above and governmental agencies where our revenue is dependent on a country's desire to privatize SAR and enter into long-term contracts. Civilian SAR services opportunities not related to the oil and gas industry include: previously awarded work involving seven aircraft for U.K. Gap SAR, five aircraft in Ireland, two aircraft in the Dutch Antilles and 18 additional aircraft for our U.K. SAR contract. We are also aware of other opportunities yet to be awarded in the future for up to 16 aircraft in various countries including Australia, Brazil, the Falklands, Libya, the Netherlands and Nigeria. See discussion of the U.K. Gap SAR and U.K. SAR contracts under "Recent Events" below.

While we are cautiously optimistic that economic conditions will continue to improve throughout the remainder of fiscal year 2014, we continue to seek ways to operate more efficiently and work with our clients to improve the efficiency of their operations within our "Operational Excellence" initiative and "Bristow Client Promise" program. These efficiency gains combined with continued economic recovery should lead to expansion of our business with increased demand in many of our core markets.

Recent Events

On July 14, 2013, we sold our 50% interest in each of FBS Limited, FB Heliservices Limited and FB Leasing Limited, collectively referred to as the FB Entities, for £74 million, or \$112.2 million. The FB Entities are U.K. corporations that own and operate a total of 64 aircraft and principally provide pilot training, maintenance and support services to the British military. We recorded a pre-tax gain on sale of unconsolidated affiliate of \$103.9 million during the Current Quarter on our condensed consolidated statement of income.

On March 26, 2013, Bristow Helicopters was awarded a new contract with the U.K. Department for Transport (“DfT”) to provide civilian SAR services for all of the U.K. (the “U.K. SAR contract”). The U.K. SAR contract has a phased-in transition period beginning in April 2015 and continuing to July 2017 and a contract length of approximately ten years. Under the terms of the U.K. SAR contract, Bristow Helicopters will provide 11 Sikorsky S-92 and 11 AgustaWestland AW189 helicopters that will be located at ten bases across the U.K. Each SAR base will operate either two S-92s or two AW189s. In addition to the ten bases with 20 aircraft, two fully SAR-equipped training aircraft will be available to be deployed to any base as needed. Four of the aircraft that will operate at two bases under the U.K. SAR contract commenced operations under an interim SAR contract with the DfT (“U.K. Gap SAR”) during June and July 2013, and will transition to the U.K. SAR contract in fiscal year 2018. We expect the U.K. SAR contract to generate operating revenue, EBITDAR and BVA of approximately \$2.5 billion, \$1.1 billion and \$300 million, respectively, over the contract term with anticipated capital requirements of approximately \$825 million.

On October 22, 2012, an incident occurred with a Eurocopter EC225 Super Puma helicopter operated by another helicopter company, which resulted in a controlled ditching on the North Sea, south of the Shetland Isles, U.K. Following the ditching, all 19 passengers and crew were recovered safely and without injuries.

Related to this incident, the CAAs in the U.K. and Norway issued safety directives in October 2012, requiring operators to suspend operations of the affected aircraft. As a result, we ceased operating a total of sixteen large Eurocopter aircraft until further notice: twelve in the U.K., three in Australia and one in Norway.

In order to mitigate the impact on our clients, we have increased utilization of other in-region aircraft, returned to service previously idle Eurocopter AS332L helicopters not affected by the CAA safety directives and purchased ten Sikorsky S-92 large aircraft with options for sixteen more.

Eurocopter, the manufacturer of the EC225 Super Puma aircraft, has indicated that they have determined the root causes of the gear shaft failure in the EC225 that occurred in 2012. This determination has been reviewed and verified by airworthiness authorities and independent third parties. The definitive solution to the problem will be a redesign of the gear shaft with earliest possible anticipated availability being in the middle of calendar year 2014. However, in July 2013 the European Aviation Safety Authority (the “EASA”) issued an airworthiness directive providing for interim solutions involving minor aircraft modifications and new maintenance/operating procedures for mitigating shaft failure and enhancing early detection.

The CAAs in the U.K. and Norway have issued safety directives, which superseded and revoked the safety directive of October 2012 and now permit a return to service of the EC225 aircraft over harsh environments conditional upon compliance with the EASA airworthiness directive. We have commenced the required modifications and are carrying out the required inspections on our EC225 fleet in the U.K., Norway and Australia.

On August 23, 2013, an AS332L2, operated by another helicopter company in our industry, ditched near Sumburgh Airport in the U.K. resulting in the loss of four lives. To date, the investigation has not found any evidence of a technical fault and the ongoing work by the U.K. Air Accidents Investigation Branch continues to focus on the operational aspects of the flight.

Currently, no client contracts have been cancelled in connection with the suspension in operations of the EC225 aircraft or the AS332L2 ditching and we believe we have the contractual right to continue to receive monthly standing charges billed to our clients. In certain instances we have agreed to reduced monthly standing charge billings for the affected aircraft. We have been able to substantially replace the lost utilization from the EC225 aircraft with other aircraft, mitigating the impact on our results of operations for the Current Quarter and Current Period.

The current situation will continue until the necessary modifications are made to the EC225 fleet and we are confident that the interim modifications will allow us to operate the aircraft safely. Some of our EC225 fleet have commenced returning to operational service in September 2013 and the operational modification process is progressing. Until the fleet is again fully operational and under commercial arrangements similar to before the operational suspension, this situation could have a material adverse effect on our future business, financial condition and results of operations.

Following the August 2013 accident and in conjunction with two other helicopter operators in the U.K., we have embarked upon a Joint Operator's Review of Safety to review current processes, procedures and equipment in order to identify best practice in the offshore helicopter industry, with a view to further enhancing safety for our clients and crew. Bristow Group will readily and actively participate in a United Kingdom Parliamentary Inquiry on helicopter safety which commenced November 6, 2013 with written submissions requested by December 20, 2013.

The management of our global aircraft fleet involves a careful evaluation of the expected demand for helicopter services across global energy markets, including the type of aircraft needed to meet this demand. As offshore oil and gas drilling and production globally moves to deeper water, more medium and large aircraft and newer technology aircraft may be required. As older aircraft models come off of current contracts and are replaced by new aircraft, our management evaluates our future needs for these aircraft models and ultimately the ability to recover our remaining investments in these aircraft through sales into the aftermarket. We depreciate our aircraft over their expected useful life to the expected salvage value to be received for the aircraft at the end of that life; however, depending on the market for aircraft or changes in the expected future use of aircraft within our fleet, we may record gains or losses on aircraft sales, impairment charges for aircraft operating or held for sale or accelerate depreciation on aircraft used in our operations. In certain instances where a cash return can be made on newer aircraft in excess of the expected return available through the provision of helicopter services, we may sell newer aircraft. The number of aircraft sales and the amount of gains and losses recorded on these sales is unpredictable. While aircraft sales are common in our business and are reflected in our operating results, gains and losses on aircraft sales may result in our operating results not reflecting the ordinary operating performance of our primary business, which is providing helicopter services to our clients. The gains and losses on aircraft sales and impairment charges are not included in the calculation of adjusted earnings per share or gross cash flows for purposes of calculating BVA.

The limited availability of some new aircraft models and the need throughout the industry to retire many of the older aircraft in the worldwide fleet is a driver for our industry. Currently manufacturers have some available aircraft; however, there are also some constraints on supply of new large aircraft. These constraints are further complicated by the October 22, 2012 incident and actions taken related to the EC225 helicopters discussed above.

Selected Regional Perspectives

In September 2013, we announced that we secured several major new multi-year contracts for the provision of a total of twelve large and three medium aircraft that are expected to generate up to \$850 million in revenue in Europe, Australia, the Gulf of Mexico, Nigeria, Tanzania and Mozambique. Six of the twelve aircraft are new Sikorsky S-92s. This contract work, with higher pricing and improved terms, is expected to continue to commence through fiscal year 2015.

In July 2012, we announced that we secured several major new multi-year contracts for the provision of a total of 20 large aircraft that are expected to generate in excess of \$2 billion in revenue in Europe, Australia and Brazil. This contract work, with higher pricing and improved terms, is expected to continue to commence through fiscal year 2015. Included in the July 2012 announcement discussed above is an award by INPEX Corporation ("INPEX") of a ten-year contract for up to six large helicopters to support drilling, development and production operations on the Ichthys Project in Australia. INPEX also has an option to add a long-term SAR aircraft. This new contract is scheduled to begin in the fourth quarter of fiscal year 2014 and reinforces our long term commitment to the Australian market. Brazil continues to represent a significant part of our positive growth outlook. The ongoing growth in the pre-salt deepwater fields in Brazil will necessitate investment in infrastructure and associated services, particularly the addition of more offshore drilling rigs and production platforms. Aircraft being procured in this market tend to be newer and more sophisticated which is aligned with both our "Client Promise" and Líder Aviação Holding S.A.'s ("Líder") "Decolar" service differentiation programs. Continuing the fleet growth plan, Petrobras is expected to release new tenders for multiple medium and large aircraft expected to commence in the second half of calendar year 2014 and early calendar year 2015. In addition, recent new licensing rounds have been very well attended and several international oil companies have gained new blocks which will result in additional aircraft demand beyond the Petrobras requirements. Líder also has significant business in the general aviation sector and recently announced that it has secured a new position as the exclusive dealer for Bombardier jet aircraft sales in Brazil. This is expected to add to Líder's aircraft sales business and supplement Líder's Beechcraft turboprop dealership position.

As expected, Líder performed better during the second half of fiscal year 2013 and in the Current Period as new aircraft began operating, as evidenced by improved earnings from unconsolidated affiliates. However, currency fluctuations continue to make it difficult to predict the earnings from our Líder investment. Earnings from unconsolidated affiliates, net of losses, on our condensed consolidated statements of income, is included in calculating adjusted net income and adjusted EBITDAR.

As discussed in “Item 1A. Risk Factors” in the fiscal year 2013 Annual Report and in this Quarterly Report, we are subject to competition and the political environment in the countries where we operate. In Nigeria, we have seen a recent increase in competitive pressure and new regulation that could impact our ability to win future work at levels previously anticipated. In order to properly and fully embrace new regulations, we have agreed in principle to make a number of key changes to our operating model in Nigeria, while maintaining safety as our number one priority at all times. These changes are still being finalized, with the objectives being (a) allowing each of Bristow Helicopters Nigeria Ltd. (“BHNL”) and Pan African Airlines Nigeria Ltd. (“PAAN”) to operate competitively in the market place, each as a completely separate entity with its own distinct identity, management and workforce, (b) providing technical aviation maintenance services through a wholly-owned Bristow Group entity, BGI Aviation Technical Services (“BATS”), and (c) each of BHNL, PAAN and BATS committing to continue to apply and use all key Bristow Group standards and policies, including without limitation our Target Zero safety program, our Code of Business Integrity and our Operations Manuals. As a result of these changes, our ability to continue to consolidate BHNL and PAAN under the current accounting requirements could change.

We recognize that the current operating environment in the North America business unit is challenging for our fleet mix and we are proactively restructuring our business by exiting the Alaska market and selling smaller aircraft with a long-term strategy of operating larger aircraft to service deepwater client contracts. During the Current Quarter, we recorded \$0.5 million in costs associated with the planned closure of our Alaska operations which related primarily to employee severance and retention costs and we expect our exit from the Alaska market to conclude by August 2014. We expect to incur approximately \$3.5 million in additional costs related mostly to severance and retention through August 2014 as we complete our obligations under current contracts.

We conduct business in various foreign countries, and as such, our cash flows and earnings are subject to fluctuations and related risks from changes in foreign currency exchange rates. During the Current Period, our primary foreign currency exposure was related to the British pound sterling, the euro, the Australian dollar, the Nigerian naira and the Brazilian real. For details on this exposure and the related impact on our results of operations, see “Item 3. Quantitative and Qualitative Disclosures about Market Risk” and Note 1 in the “Notes to Condensed Consolidated Financial Statements” included elsewhere in this Quarterly Report.

Results of Operations

The following table presents our operating results and other statement of income information for the applicable periods:

	Three Months Ended September 30, 20132012		Favorable (Unfavorable)		
	(In thousands, except per share amounts, percentages and flight hours)				
Gross Revenue:					
Operating revenue	\$378,630	\$325,951	\$52,679	16.2	%
Reimbursable revenue	38,698	39,803	(1,105)	(2.8	)%
Total gross revenue	417,328	365,754	51,574	14.1	%
Operating expense:					
Direct cost	256,766	224,495	(32,271)	(14.4	)%
Reimbursable expense	36,314	38,634	2,320	6.0	%
Depreciation and amortization	23,858	23,321	(537)	(2.3	)%
General and administrative	46,479	37,708	(8,771)	(23.3	)%
Total operating expense	363,417	324,158	(39,259)	(12.1	)%
Loss on disposal of assets	(3,064)	(1,262)	(1,802)	(142.8	)%
Earnings from unconsolidated affiliates, net of losses	3,088	6,994	(3,906)	(55.8	)%
Operating income	53,935	47,328	6,607	14.0	%
Interest expense, net	(8,316)	(8,334)	18	0.2	%
Gain on sale of unconsolidated affiliate	103,924	—	103,924	*	
Other income (expense), net	1,487	(218)	1,705	*	
Income before provision for income taxes	151,030	38,776	112,254	289.5	%
Provision for income taxes	(41,146)	(8,342)	(32,804)	*	
Net income	109,884	30,434	79,450	261.1	%
Net (income) loss attributable to noncontrolling interests	722	(766)	1,488	194.3	%
Net income attributable to Bristow Group	\$110,606	\$29,668	\$80,938	272.8	%
Diluted earnings per common share	\$3.01	\$0.82	\$2.19	267.1	%
Operating margin ⁽¹⁾	14.2 %	14.5 %	(0.3)%	(2.1	)%
Flight hours ⁽²⁾	50,582	55,038	(4,456)	(8.1	)%
Non-GAAP financial measures: ⁽³⁾					
Adjusted operating income	\$59,087	\$46,274	\$12,813	27.7	%
Adjusted operating margin ⁽¹⁾	15.6 %	14.2 %	1.4 %	9.9	%
Adjusted EBITDAR	\$108,508	\$84,922	\$23,586	27.8	%
Adjusted EBITDAR margin ⁽¹⁾	28.7 %	26.1 %	2.6 %	10.0	%
Adjusted net income	\$46,504	\$29,153	\$17,351	59.5	%

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Adjusted diluted earnings per share	\$1.27	\$0.80	\$0.47	58.8	%
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	Six Months Ended September 30, 20132012		Favorable (Unfavorable)		
	(In thousands, except per share amounts, percentages and flight hours)				
Gross Revenue:					
Operating revenue	\$738,177	\$646,605	\$91,572	14.2	%
Reimbursable revenue	78,145	81,757	(3,612)	(4.4	)%
Total gross revenue	816,322	728,362	87,960	12.1	%
Operating expense:					
Direct cost	512,022	447,263	(64,759)	(14.5	)%
Reimbursable expense	73,057	78,806	5,749	7.3	%
Depreciation and amortization	46,677	44,693	(1,984)	(4.4	)%
General and administrative	86,787	72,685	(14,102)	(19.4	)%
Total operating expense	718,543	643,447	(75,096)	(11.7	)%
Loss on disposal of assets	(4,785)	(6,577)	1,792	27.2	%
Earnings from unconsolidated affiliates, net of losses	17,060	8,983	8,077	89.9	%
Operating income	110,054	87,321	22,733	26.0	%
Interest expense, net	(28,567)	(17,020)	(11,547)	(67.8	)%
Gain on sale of unconsolidated affiliate	103,924	—	103,924	*	
Other income (expense), net	121	(1,149)	1,270	110.5	%
Income before provision for income taxes	185,532	69,152	116,380	168.3	%
Provision for income taxes	(48,736)	(14,522)	(34,214)	(235.6	)%
Net income	136,796	54,630	82,166	150.4	%
Net (income) loss attributable to noncontrolling interests	696	(1,300)	1,996	153.5	%
Net income attributable to Bristow Group	\$137,492	\$53,330	\$84,162	157.8	%
Diluted earnings per common share	\$3.75	\$1.46	\$2.29	156.8	%
Operating margin ⁽¹⁾	14.9 %	13.5 %	1.4 %	10.4	%
Flight hours ⁽²⁾	100,673	110,166	(9,493)	(8.6	)%
Non-GAAP financial measures: ⁽³⁾					
Adjusted operating income	\$117,752	\$93,276	\$24,476	26.2	%
Adjusted operating margin ⁽¹⁾	16.0 %	14.4 %	1.6 %	11.1	%
Adjusted EBITDAR	\$211,806	\$168,727	\$43,079	25.5	%
Adjusted EBITDAR margin ⁽¹⁾	28.7 %	26.1 %	2.6 %	10.0	%
Adjusted net income	\$83,544	\$58,425	\$25,119	43.0	%
Adjusted diluted earnings per share	\$2.28	\$1.60	\$0.68	42.5	%

* percentage change not meaningful

- Operating margin is calculated as operating income divided by operating revenue. Adjusted operating margin is
- (1) calculated as adjusted operating income divided by operating revenue. Adjusted EBITDAR margin is calculated as adjusted EBITDAR divided by operating revenue.
 - (2) Excludes flight hours from Bristow Academy and unconsolidated affiliates.

These financial measures have not been prepared in accordance with generally accepted accounting principles (“GAAP”) and have not been audited or reviewed by our independent auditor. These financial measures are therefore considered non-GAAP financial measures. Adjusted EBITDAR is calculated by taking our net income and adjusting for interest expense, depreciation and amortization, rent expense (included as a component of direct cost and general and administrative expense), provision for income taxes, loss on disposal of assets and any special items during the reported periods. See further discussion of our use of the adjusted EBITDAR metric below. Adjusted operating income, adjusted net income and adjusted diluted earnings per share are each adjusted for loss on disposal of assets and any special items during the reported periods. As discussed below, management believes these non-GAAP financial measures provide meaningful supplemental information regarding our results of operations. A description of the adjustments to and reconciliations of these non-GAAP financial measures to the most comparable GAAP financial measures is as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2012	2013	2012
	(In thousands, except per share amounts)			
Adjusted operating income	\$59,087	\$46,274	\$117,752	\$93,276
Loss on disposal of assets	(3,064)	(1,262)	(4,785)	(6,577)
Special items ⁽ⁱ⁾	(2,088)	2,316	(2,913)	622
Operating income	\$53,935	\$47,328	\$110,054	\$87,321
Adjusted EBITDAR	\$108,508	\$84,922	\$211,806	\$168,727
Loss on disposal of assets	(3,064)	(1,262)	(4,785)	(6,577)
Special items ⁽ⁱ⁾	101,836	2,316	101,011	622
Depreciation and amortization	(23,858)	(23,321)	(46,677)	(44,693)
Rent expense	(23,314)	(15,282)	(46,375)	(31,556)
Interest expense	(9,078)	(8,597)	(29,448)	(17,371)
Provision for income taxes	(41,146)	(8,342)	(48,736)	(14,522)
Net income	\$109,884	\$30,434	\$136,796	\$54,630
Adjusted net income	\$46,504	\$29,153	\$83,544	\$58,425
Loss on disposal of assets ⁽ⁱⁱ⁾	(2,438)	(990)	(3,780)	(5,196)
Special items ^{(i) (ii)}	66,540	1,505	57,728	101
Net income attributable to Bristow Group	\$110,606	\$29,668	\$137,492	\$53,330
Adjusted diluted earnings per share	\$1.27	\$0.80	\$2.28	\$1.60
Loss on disposal of assets ⁽ⁱⁱ⁾	(0.07)	(0.03)	(0.10)	(0.14)
Special items ^{(i) (ii)}	1.81	0.04	1.58	—
Diluted earnings per share	3.01	0.82	3.75	1.46

See information about special items during the Current Quarter and Comparable Quarter under “Current Quarter

⁽ⁱ⁾ Compared to Comparable Quarter” below and Current Period and Comparable Period under “Current Period Compared to Comparable Period” below.

⁽ⁱⁱ⁾ These amounts are presented after applying the appropriate tax effect to each item and dividing by the weighted average shares outstanding during the related period to calculate the earnings per share impact.

Management believes that adjusted operating income, adjusted EBITDAR, adjusted net income and adjusted diluted earnings per share (collectively, the “Non-GAAP measures”) provide relevant and useful information, which is widely used by analysts, investors and competitors in our industry as well as by our management in assessing both consolidated and business unit performance.

Adjusted operating income provides us with an understanding of the results from the primary operations of our business by excluding asset disposition effects and special items that do not reflect the ordinary earnings of our helicopter services operations. We believe that this measure is a useful supplemental measure because operating income includes asset disposition effects and special items, and inclusion of these items does not reflect the ongoing operational earnings of our business.

Adjusted EBITDAR provides us with an understanding of one aspect of earnings before the impact of investing and financing transactions and income taxes. Additionally, we believe that adjusted EBITDAR provides us with a useful supplemental measure of our operational performance by excluding the financing decisions we make regarding aircraft purchases or leasing. Adjusted EBITDAR should not be considered a measure of discretionary cash available to us for investing in the growth of our business.

Adjusted net income and adjusted diluted earnings per share present our consolidated results excluding asset dispositions and special items that do not reflect the ordinary earnings of our helicopter services operations. We believe that these measures are useful supplemental measures because net income and diluted earnings per share include asset disposition effects and special items, and inclusion of these items does not reflect the predictive ongoing operational earnings of our business.

The Non-GAAP measures are not calculated or presented in accordance with GAAP and other companies in our industry may calculate these measures differently than we do. As a result, these financial measures have limitations as analytical and comparative tools and you should not consider these measures in isolation, or as a substitute for analysis of our results as reported under GAAP. In calculating these financial measures, we make certain adjustments that are based on assumptions and estimates that may prove to be inaccurate. In addition, in evaluating these financial measures, you should be aware that in the future we may incur expenses similar to those eliminated in this presentation. Our presentation of the Non-GAAP measures should not be construed as an inference that our future results will be unaffected by unusual or special items.

Adjusted EBITDAR has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results reported under GAAP. Some of the limitations are:

- Adjusted EBITDAR does not reflect our current or future cash requirements for capital expenditures;
- Adjusted EBITDAR does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDAR does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debts;

Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and adjusted EBITDAR does not reflect any cash requirements for such replacements; and

• Other companies in our industry may calculate adjusted EBITDAR differently than we do, limiting its usefulness as a comparative measure.

The following presents business unit adjusted EBITDAR and adjusted EBITDAR margin discussed in “Business Unit Operating Results,” and consolidated adjusted EBITDAR and adjusted EBITDAR margin for the three and six months ended September 30, 2013 and 2012:

	Three Months Ended September 30,				Six Months Ended September 30,			
	2013		2012		2013		2012	
	(In thousands, except percentages)							
Europe	\$55,190		\$43,245		\$96,682		\$82,909	
West Africa	23,075		17,297		46,795		38,460	
North America	18,692		11,767		35,715		23,967	
Australia	7,413		10,766		14,187		21,091	
Other International	12,648		14,169		34,833		25,715	
Corporate and other	(8,510)		(12,322)		(16,406)		(23,415)	
Consolidated adjusted EBITDAR	\$108,508		\$84,922		\$211,806		\$168,727	
Europe	35.3	%	34.6	%	32.9	%	33.4	%
West Africa	30.4	%	26.5	%	30.9	%	29.2	%
North America	31.0	%	20.7	%	30.1	%	21.9	%
Australia	21.0	%	28.0	%	19.3	%	27.5	%
Other International	39.3	%	44.2	%	53.6	%	39.4	%
Consolidated adjusted EBITDAR margin	28.7	%	26.1	%	28.7	%	26.1	%

Current Quarter Compared to Comparable Quarter

Our results for the Current Quarter included a \$51.6 million, or 14.1%, increase in gross revenue over the Comparable Quarter primarily resulting from:

- Increased operating revenue from the addition of new contracts with improved pricing and improvements in flight activity in our Europe (\$31.4 million) and West Africa (\$10.6 million) business units, and

- The addition of eight aircraft operating in Canada that contributed \$16.9 million (\$8.2 million in North America and \$8.7 million in Corporate and other), which was partially offset by:

- A \$4.9 million decrease in revenue in our U.S. Gulf of Mexico and Alaska operations in our North America business unit due to a decline in activity in small aircraft,

- A \$3.1 million decrease in operating revenue in our Australia business unit due to the end of short-term contracts,

- A \$1.1 million decrease in reimbursable revenue (primarily in Europe and Australia), and

- An unfavorable impact from changes in foreign currency rates that decreased gross revenue by \$6.9 million (primarily in Europe and Australia).

Our results for the Current Quarter also included a \$39.3 million, or 12.1%, increase in operating expense over the Comparable Quarter primarily resulting from:

- A \$25.2 million increase in maintenance expense (including \$1.5 million in inventory allowances in the Current Quarter) and salaries and benefits included in direct costs primarily driven by growth in our business,

- A \$8.8 million increase in general and administrative expense primarily resulting from an increase in compensation, information technology and travel expenses,

- An \$8.0 million increase in rent expense resulting from increased leasing of aircraft under operating leases as

- discussed under “— Executive Overview — Our Strategy — Capital Allocation Strategy” included elsewhere in this Quarterly Report,

- An unfavorable impact from changes in foreign currency exchange rates that increased operating expense by \$4.9 million, and

- A \$0.5 million increase in direct costs and general and administrative expense related to the planned closure of our Alaska operations (primarily severance and retention expense), which was partially offset by:

- A \$2.6 million allowance for doubtful accounts recorded in the Comparable Period for accounts receivable due from ATP, a client in the U.S. Gulf of Mexico that was no longer considered probable of collection due to their filing for bankruptcy,

- A \$2.3 million decrease in reimbursable expense (primarily in Europe and Australia) and

- A \$1.6 million decrease in fuel costs (primarily in Europe).

In addition to the increase in operating expense, the increase in gross revenue was offset by a \$3.9 million decrease in earnings from unconsolidated affiliates, net of losses, a \$1.8 million increase in loss on disposal of assets and \$1.5 million in inventory allowances in the Current Quarter. Operating income increased \$6.6 million, or 14.0%, as a result of the growth in revenue; however, operating margin remained mostly flat at 14.2% in the Current Quarter compared to 14.5% in the Comparable Quarter due to the lower level of earnings from unconsolidated affiliates and increased loss on disposal of assets.

The decrease in earnings from unconsolidated affiliates, net of losses, primarily resulted from a \$2.5 million decrease in earnings from our investment in Líder in Brazil. \$1.9 million of the decrease from Líder resulted from the impact of foreign currency exchange rate changes as the value of the Brazilian real has fluctuated significantly relative to the U.S. dollar. Additionally, in the Comparable Quarter, earnings from unconsolidated affiliates were increased by \$2.3 million as a result of the correction of a calculation error related to foreign currency derivative transactions impacting our earnings from Líder. Partially offsetting the decrease was an improvement in the core operating earnings of Líder primarily due to additional aircraft on contract and better cost management in the Current Quarter.

The loss on disposal of assets in the Current Quarter included a loss of \$2.1 million from the sale of eleven aircraft and other equipment and impairment charges totaling \$1.0 million related to one held for sale aircraft. During the Comparable Quarter, the

loss on disposal of assets included a gain of \$0.7 million from the sale of six aircraft and other equipment and impairment charges totaling \$2.0 million related to two held for sale aircraft.

In addition to the improvement in operating income, results for the Current Quarter were also positively impacted by reduced interest expense. However, the most significant impact on the Current Quarter results related to the sale of our 50% interest in the FB Entities for £74 million, or approximately \$112.2 million, resulting in a pre-tax gain of \$103.9 million included as gain on sale of unconsolidated affiliate. This item drove the significant increase in net income and diluted earnings per share in the Current Quarter of 272.8% and 267.1%, respectively.

The gain on the sale of unconsolidated affiliate, the costs associated with the planned closure of our Alaska operations and the inventory allowances discussed above have been identified as special items for the Current Quarter and the correction of a calculation error related to Líder has been identified as a special item for the Comparable Quarter as they are not considered by management to be part of our ongoing operations when assessing and measuring the operational and financial performance of the organization. The impact of these items on our adjusted operating income, adjusted EBITDAR, adjusted net income and adjusted diluted earnings per share is as follows:

Three Months Ended September 30, 2013				
	Adjusted Operating Income	Adjusted EBITDAR	Adjusted Net Income	Adjusted Diluted Earnings Per Share
(In thousands, except per share amounts)				
Gain on sale of unconsolidated affiliate	\$—	\$103,924	\$67,897	\$1.85
Inventory allowances	(1,539)	(1,539)	(1,000)	(0.03)
Alaska closure	(549)	(549)	(357)	(0.01)
Total special items	\$(2,088)	\$101,836	\$66,540	1.81

Three Months Ended September 30, 2012				
	Adjusted Operating Income	Adjusted EBITDAR	Adjusted Net Income	Adjusted Diluted Earnings Per Share
(In thousands, except per share amounts)				
Líder correction	\$2,316	\$2,316	\$1,505	\$0.04
Total special items	\$2,316	\$2,316	\$1,505	0.04

After adjusting for the loss on disposal of assets and for special items in the Current Quarter and Comparable Quarter, we saw an improvement in the financial measures used by management to assess and measure our financial performance, including a 27.7% improvement in adjusted operating income, an improvement in adjusted operating margin from 14.2% to 15.6%, a 27.8% improvement in adjusted EBITDAR, an improvement in adjusted EBITDAR margin from 26.1% to 28.7%, a 59.5% improvement in adjusted net income and a 58.8% improvement in adjusted diluted earnings per share. This improvement was driven by strong revenue performance, partially offset by the decrease in earnings from unconsolidated affiliates in the Current Quarter and the increases in salaries and benefits, maintenance expense, general and administrative expense and rent expense discussed above.

The significant increase in operating revenue across most of our business units drove much of the adjusted EBITDAR margin improvement on a consolidated basis. However, adjusted EBITDAR margin remained mostly flat in our Europe business unit and decreased compared to the Comparable Quarter in our Australia business unit. These business unit margins were impacted by additional maintenance and labor costs incurred in the Current Quarter and

Current Period in support of the previously idle Eurocopter AS332L aircraft returned to service after we ceased operating Eurocopter EC225 aircraft in October 2012. Included in these support costs were costs incurred for major maintenance activities on certain of the aircraft previously held for sale. Additionally, we are incurring costs in Europe and Australia in anticipation of new contract start-ups in these markets later in fiscal year 2014, including the Gap SAR contract in the U.K. and INPEX contract in Australia. A significant portion of the costs related to the AS332L aircraft and contract additions are non-recurring; therefore, we expect adjusted EBITDAR margin to improve across most of these markets over the remainder of fiscal year 2014.

Current Period Compared to Comparable Period

Our results for the Current Period included an \$88.0 million, or 12.1%, increase in gross revenue over the Comparable Period primarily resulting from:

- Increased operating revenue from the addition of new contracts with improved pricing and improvements in flight activity in our Europe (\$45.3 million) and West Africa (\$20.0 million) business units, and

- The addition of eight aircraft operating in Canada that contributed \$33.0 million (\$16.4 million in North America and \$16.6 million in Corporate and other), which was partially offset by:

- A \$7.4 million decrease in our U.S. Gulf of Mexico and Alaska operations in our North America business unit due to a decline in activity in small aircraft,

- A \$3.6 million decrease in reimbursable revenue (primarily in Europe and Australia),

- A \$3.1 million decrease in revenue in our Australia business unit due to the end of short-term contracts, and

- An unfavorable impact from changes in foreign currency rates that decreased gross revenue by \$9.9 million (primarily in Europe and Australia).

Our results for the Current Period also included a \$75.1 million, or 11.7%, increase in operating expense over the Comparable Period primarily resulting from:

- A \$49.7 million increase in maintenance expense (including \$1.5 million in inventory allowances in the Current Period), salaries and benefits and training costs included in direct costs primarily driven by growth in our business,

- A \$14.8 million increase in rent expense resulting from increased leasing of aircraft under operating leases as

- discussed under “— Executive Overview — Our Strategy — Capital Allocation Strategy” included elsewhere in this Quarterly Report,

- A \$14.1 million increase in general and administrative expense primarily resulting from an increase in compensation, information technology expenses, professional fees, travel, and repairs and maintenance expense,

- An unfavorable impact from changes in foreign currency exchange rates that increased operating expense by \$6.5 million, and

- A \$0.5 million increase in direct costs and general and administrative expense related to the planned closure of our Alaska operations (primarily severance and retention expense), which was partially offset by:

- A \$2.6 million allowance for doubtful accounts recorded during the Comparable Period for accounts receivable due from ATP, a client in the U.S. Gulf of Mexico that was no longer considered probable of collection due to their filing for bankruptcy,

- A \$5.7 million decrease in reimbursable expense (primarily in Europe and Australia), and

- A \$4.7 million decrease in fuel costs (primarily in Europe and North America).

Despite these increases in operating costs, operating income increased \$22.7 million, or 26.0%, driven by strong revenue growth, an \$8.1 million increase in earnings from unconsolidated affiliates, net of losses and a \$1.8 million decrease in loss on disposal of assets, partially offset by \$2.4 million in inventory allowances in the Current Period.

These items resulted in an increase in operating margin from 13.5% in the Comparable Period to 16.0% in the Current Period.

The increase in earnings from unconsolidated affiliates, net of losses, primarily resulted from higher earnings of \$6.2 million from our investment in Líder in Brazil and \$2.0 million of dividends received from our cost method investment in Egypt. \$1.3 million of the improvement from Líder resulted from the impact of foreign currency exchange rate changes as the value of the Brazilian real has fluctuated significantly relative to the U.S. dollar.

Additionally, in the Comparable Period, earnings from unconsolidated affiliates were increased by \$2.8 million as a result of the correction of a calculation error related to foreign currency derivative transactions impacting our earnings from Líder. The remaining increase in earnings from Líder is primarily due to additional aircraft on contract and better cost management in the Current Period.

The loss on disposal of assets in the Current Period included a loss of \$2.6 million from the sale of 15 aircraft and other equipment and impairment charges totaling \$2.2 million related to three held for sale aircraft. During the Comparable Period, the loss on disposal of assets included a loss of \$2.6 million from the sale of ten aircraft and other equipment and impairment charges totaling \$3.9 million related to nine held for sale aircraft.

In addition to the improvement in operating income, our results for the Current Period were impacted by a \$12.1 million increase in interest expense, net resulting from the cancellation of a potential financing and by the sale of our 50% interest in the FB Entities discussed above under "— Current Quarter Compared to Comparable Quarter." The significant impact from this sale and the improvement in operating income resulted in an increase in net income and diluted earnings per share by 157.8% and 156.8%, respectively, during the Current Period.

The cancellation of a potential financing, gain on sale of unconsolidated affiliate, the Alaska closure impact and inventory allowances in the Current Period and the correction of the calculation error related to Líder and severance costs in the Southern North Sea in the Comparable Period have been identified as special items as they are not considered by management to be part of our ongoing operations when assessing and measuring the operational and financial performance of the organization. The impact of these items on our adjusted operating income, adjusted EBITDAR, adjusted net income and adjusted diluted earnings per share is as follows:

Six Months Ended
September 30, 2013

	Adjusted Operating Income	Adjusted EBITDAR	Adjusted Net Income	Adjusted Diluted Earnings Per Share
(In thousands, except per share amounts)				
Gain on sale of unconsolidated affiliate	\$—	\$103,924	\$67,897	\$1.85
Cancellation of potential financing	—	—	(8,276)	(0.23)
Inventory allowances	(2,364)	(2,364)	(1,536)	(0.04)
Alaska closure	(549)	(549)	(357)	(0.01)
Total special items	\$(2,913)	\$101,011	\$57,728	1.58

Six Months Ended
September 30, 2012

	Adjusted Operating Income	Adjusted EBITDAR	Adjusted Net Income	Adjusted Diluted Earnings Per Share
(In thousands, except per share amounts)				
Líder correction	\$2,784	\$2,784	\$1,809	\$0.05
Severance costs for termination of a contract	(2,162)	(2,162)	(1,708)	(0.05)
Total special items	\$622	\$622	\$101	—

After adjusting for the loss on disposal of assets and the special items, we saw improvement in the financial measures used by management to assess and measure the financial performance of the organization, including a 26.2% improvement in adjusted operating income, an improvement in adjusted operating margin from 14.4% to 16.0%, a 25.5% improvement in adjusted EBITDAR, an improvement in adjusted EBITDAR margin from 26.1% to 28.7%, a 43.0% improvement in adjusted net income and a 42.5% improvement in adjusted diluted earnings per share. This improvement was driven by strong revenue performance and the increase in earnings from unconsolidated affiliates (excluding the calculation error) and the allowance for doubtful accounts recorded in the Comparable Period partially offset by the increases in maintenance expense, salaries and benefits, general and administrative expense and rent

expense discussed above.

Business Unit Operating Results

The following tables set forth certain operating information for the business units comprising our Helicopter Services segment. Intercompany lease revenue and expense are eliminated from our segment reporting, and depreciation expense of aircraft is presented in the segment that operates the aircraft.

Current Quarter Compared to Comparable Quarter

Set forth below is a discussion of the operations of our business units. Our consolidated results are discussed under "Results of Operations" above.

Europe

	Three Months Ended September 30,		Favorable (Unfavorable)		
	2013	2012			
	(In thousands, except percentages)				
Operating revenue	\$156,352	\$124,993	\$31,359	25.1	%
Reimbursable revenue	\$29,391	\$29,120	\$271	0.9	%
Earnings from unconsolidated affiliates, net of losses	\$873	\$2,368	\$(1,495)	(63.1)	)%
Operating income	\$32,958	\$27,008	\$5,950	22.0	%
Operating margin	21.1	% 21.6	% (0.5)	(2.3)	)%
Adjusted EBITDAR	\$55,190	\$43,245	\$11,945	27.6	%
Adjusted EBITDAR margin	35.3	% 34.6	% 0.7	% 2.0	%

The operations of our Europe business unit have continued to expand since the Comparable Quarter with the addition of eight new large aircraft. These new aircraft, as well as an overall increase in activity with existing clients and under new contracts primarily in the Northern North Sea in the U.K. resulted in \$24.1 million of increased operating revenue and were the primary contributors to the revenue growth in Europe in the Current Quarter. Additionally, during June and July 2013 we began operating the U.K. Gap SAR contract at two bases resulting in \$11.9 million in operating revenue in the Current Quarter. These increases were partially offset by the loss of a contract in the Southern North Sea during fiscal year 2013 resulting in a \$6.2 million decrease in operating revenue. Additionally, gross revenue was negatively impacted by changes in exchange rates that decreased gross revenue by \$2.4 million.

Despite the revenue growth in the Current Quarter driving an increase in operating income and adjusted EBITDAR, operating margin decreased primarily due to an increase in rental expense of \$5.6 million. Other expenses also increased as a result of activity levels and maintenance activities, including maintenance expense (\$9.1 million) and salaries and benefits (\$3.5 million). See discussion of the impact of costs incurred to return idle AS332L aircraft to service under "– Current Quarter Compared to Comparable Quarter" discussed elsewhere in this Quarterly Report. We expect our results in Europe to continue to be strong in future periods and for operating margins and adjusted EBITDAR margins to improve as a result of additional new contracts commencing and possible major contract awards. However, we are currently unable to determine the impact that could result from the restrictions on the EC225 Super Puma helicopters. For further discussion of the EC225 Super Puma helicopters, see "Executive Overview – Market Outlook" discussed elsewhere in this Quarterly Report.

Adjusted EBITDAR improved by 27.6% while adjusted EBITDAR margin increased to 35.3% in the Current Quarter compared to 34.6% in the Comparable Quarter. Adjusted EBITDAR excludes the impact of the increase in the number of aircraft on lease in the Current Quarter and reflects the overall growth in this business unit in terms of new contracts, increased pricing and utilization. Adjusted EBITDAR margin was impacted by higher maintenance and salary costs discussed above.

On July 14, 2013, we sold our 50% interest in the FB Entities which were accounted for under the equity method and included in our Europe business unit operating results. The FB Entities generated \$0.9 million and \$2.4 million of operating income and adjusted EBITDAR for the Current Quarter and Comparable Quarter, respectively. For further discussion, see "Executive Overview – Market Outlook" discussed elsewhere in this Quarterly Report.

West Africa

	Three Months Ended September 30,		Favorable (Unfavorable)		
	2013	2012			
	(In thousands, except percentages)				
Operating revenue	\$75,875	\$65,273	\$10,602	16.2	%
Reimbursable revenue	\$3,613	\$2,944	\$669	22.7	%
Operating income	\$18,231	\$13,430	\$4,801	35.7	%
Operating margin	24.0	% 20.6	% 3.4	% 16.5	%
Adjusted EBITDAR	\$23,075	\$17,297	\$5,778	33.4	%
Adjusted EBITDAR margin	30.4	% 26.5	% 3.9	% 14.7	%

Operating revenue for West Africa in the Current Quarter increased primarily due to \$3.4 million from improved pricing and \$16.8 million from increased ad hoc flying and increased activity, partially offset by a \$9.9 million decline in other activity.

Operating income, operating margin, adjusted EBITDAR and adjusted EBITDAR margin increased in the Current Quarter due to the increase in revenue and a decrease in import duties of \$1.7 million, partially offset by an increase in base repairs and maintenance expense of \$1.2 million and aircraft maintenance expense of \$1.1 million.

As previously discussed, we have seen recent changes in the West Africa market as a result of new competitors entering this market. Additionally, increasingly active trade unions, changing regulations and the changing political environment have made and are expected to continue to make our operating results from Nigeria unpredictable.

North America

	Three Months Ended September 30,		Favorable (Unfavorable)		
	2013	2012			
	(In thousands, except percentages)				
Operating revenue	\$60,353	\$56,982	\$3,371	5.9	%
Reimbursable revenue	\$374	\$393	\$(19)	(4.8)	)%
Earnings from unconsolidated affiliates, net of losses	\$112	\$—	\$112	*	
Operating income	\$9,164	\$6,130	\$3,034	49.5	%
Operating margin	15.2	% 10.8	% 4.4	% 40.7	%
Adjusted EBITDAR	\$18,692	\$11,767	\$6,925	58.9	%
Adjusted EBITDAR margin	31.0	% 20.7	% 10.3	% 49.8	%

* percentage change not meaningful

In early October 2012, we acquired eight large aircraft that are operated by Cougar in Canada, which resulted in an \$8.2 million increase in operating revenue in the Current Quarter. This increase was partially offset by a decline in the number of small aircraft on contract in the U.S Gulf of Mexico which reduced operating revenue by \$3.7 million in the Current Quarter and decrease in revenue in Alaska of \$1.2 million.

During the Current Quarter, we recorded \$0.5 million in costs associated with the planned closure of our Alaska operations which related primarily to employee severance and retention costs. We expect to incur approximately \$3.5 million in additional costs related mostly to severance and retention through August 2014 to close our Alaska operations. During the Comparable Quarter, we recorded a bad debt allowance of \$2.6 million for accounts receivable from ATP that were no longer considered probable of collection due to their filing for bankruptcy. Excluding this allowance, operating margin and adjusted EBITDAR margin for the Comparable Quarter would have been 15.4% and 25.3%, respectively. The increase in adjusted EBITDAR and adjusted EBITDAR margin are driven by the revenue generated from new aircraft operating in Canada and the lower level of bad debt expense partially offset by the decline in revenue in the U.S. Gulf of Mexico and Alaska.

We recognize that the current operating environment in the North America business unit is challenging for our fleet mix and we are proactively restructuring our business by exiting the Alaska market and selling smaller aircraft with a long-term strategy of operating larger aircraft to service deepwater client contracts. During the Current Quarter, we sold two small aircraft that had been operating in this business unit and classified 12 small aircraft to held for sale, increasing the total number of small aircraft held for sale in North America to 19. We plan to continue to market for sale small aircraft operating in this business unit over the upcoming quarters.

For further discussion of our investment in Cougar, see “Executive Overview – Market Outlook” discussed in our fiscal year 2013 Annual Report.

Australia

	Three Months Ended September 30,		Favorable (Unfavorable)		
	2013	2012			
	(In thousands, except percentages)				
Operating revenue	\$35,326	\$38,448	\$(3,122)	) (8.1	)%
Reimbursable revenue	\$5,140	\$6,391	\$(1,251)	) (19.6	)%
Operating income	\$2,508	\$6,829	\$(4,321)	) (63.3	)%
Operating margin	7.1	% 17.8	% (10.7	)%	(60.1) %
Adjusted EBITDAR	\$7,413	\$10,766	\$(3,353)	) (31.1	)%
Adjusted EBITDAR margin	21.0	% 28.0	% (7.0	)%	(25.0) %

Operating revenue for Australia declined due to a decrease in revenue of \$11.2 million from the ending of short-term contracts and an unfavorable impact of foreign currency exchange rates of \$4.3 million, partially offset by a \$9.5 million increase in revenue from new contracts and a \$3.4 million increase in revenue from other activity.

Additionally, reimbursable revenue decreased \$1.3 million in the Current Quarter.

Operating income, operating margin, adjusted EBITDAR and adjusted EBITDAR margin declined primarily due to the ending of certain short-term contracts discussed above and an increase in salaries of \$0.9 million. During the Current Quarter, we incurred costs, including salaries and benefits, depreciation, insurance, training and lease costs in anticipation of contracts that start during the fourth quarter of fiscal year 2014, including the INPEX contract. For further details about the INPEX contract award, see “Executive Overview – Market Outlook” included elsewhere in this Quarterly Report.

We have EC225 Super Puma helicopters operating in Australia affected by the restrictions discussed under “Executive Overview – Market Outlook” included elsewhere in this Quarterly Report.

Other International

	Three Months Ended September 30,		Favorable (Unfavorable)		
	2013	2012			
	(In thousands, except percentages)				
Operating revenue	\$32,150	\$32,085	\$65	0.2	%
Reimbursable revenue	\$97	\$54	\$43	79.6	%
Earnings from unconsolidated affiliates, net of losses	\$2,103	\$4,626	\$(2,523)	) (54.5	)%
Operating income	\$8,654	\$10,354	\$(1,700)	) (16.4	)%
Operating margin	26.9	% 32.3	% (5.4	)%	(16.7) %
Adjusted EBITDAR	\$12,648	\$14,169	\$(1,521)	) (10.7	)%
Adjusted EBITDAR margin	39.3	% 44.2	% (4.9	)%	(11.1) %

Operating revenue for Other International increased slightly in the Current Quarter primarily due to increased activity in Trinidad (\$3.8 million) and Brazil (\$1.4 million), partially offset by a decline in revenue resulting from the end of a short-term contract in Guyana (\$0.6 million), a decline in aircraft on contract in Mexico (\$0.5 million) and Malaysia (\$3.4 million) and a decline in activity in Russia (\$0.7 million).

Operating income and operating margin decreased primarily due to a decrease of \$2.5 million in earnings from unconsolidated affiliates, net of losses, and a decline in activity in Malaysia, partially offset by increased activity in Trinidad and Brazil. Adjusted EBITDAR and adjusted EBITDAR margin decreased primarily due to a decline in aircraft on contract in Malaysia and a decline in activity and higher maintenance expense in Russia, partially offset by higher activity in Trinidad.

Earnings from unconsolidated affiliates, net of losses, decreased primarily due to lower earnings from our investment in Líder of \$2.1 million in the Current Quarter compared to \$4.6 million in the Comparable Quarter which included a

\$2.3 million correction of a calculation error related to foreign currency derivative transactions in the Comparable Quarter. See further discussion about our investment in Líder and the Brazil market in “Executive Overview – Market Outlook” and “– Current Quarter Compared to Comparable Quarter” included elsewhere in this Quarterly Report.

Corporate and Other

	Three Months Ended September 30,		Favorable (Unfavorable)		
	2013	2012			
	(In thousands, except percentages)				
Operating revenue	\$19,793	\$8,817	\$10,976	124.5	%
Reimbursable revenue	\$83	\$901	\$(818)	(90.8)	)%
Operating loss	\$(14,516)	\$(15,161)	\$645	4.3	%
Adjusted EBITDAR	\$(8,510)	\$(12,322)	\$3,812	30.9	%

Corporate and other includes our Bristow Academy business unit, technical services business and corporate costs that have not been allocated out to other business units.

Operating revenue increased primarily due to the addition of support fees for new helicopters operating in Canada of \$8.7 million and an increase in revenue at Bristow Academy of \$2.7 million resulting from an increase in military training.

Corporate operating expense primarily represents costs of our corporate office and other general and administrative costs not allocated to our business units. Operating loss decreased primarily due to the increase in operating revenue partially offset by an increase in compensation, professional fees, information technology expense, travel expense and rent expense during the Current Quarter.

Interest Expense, Net

	Three Months Ended September 30,		Favorable (Unfavorable)		
	2013	2012			
	(In thousands, except percentages)				
Interest income	\$762	\$263	\$499	189.7	%
Interest expense	(11,382)	(8,872)	(2,510)	(28.3)	)%
Amortization of debt discount	(790)	(902)	112	12.4	%
Amortization of debt fees	(656)	(440)	(216)	(49.1)	)%
Capitalized interest	3,750	1,617	2,133	131.9	%
Interest expense, net	\$(8,316)	\$(8,334)	\$18	0.2	%

Interest expense, net remained flat primarily due an increase in capitalized interest due to an increase in construction in progress offset by an increase in interest expense.

Gain on Sale of Unconsolidated Affiliate

Gain on sale of unconsolidated affiliate includes \$103.9 million in pre-tax gains related to the sale of the FB Entities during the Current Quarter. See discussion of the FB Entities sale under "– Current Quarter Compared to Comparable Quarter" discussed elsewhere in this Quarterly Report.

Other Income (Expense), Net

	Three Months Ended September 30,		Favorable (Unfavorable)		
	2013	2012			
	(In thousands, except percentages)				
Foreign currency losses	\$374	\$(218)	\$592	271.6	%
Other	1,113	—	1,113	*	
Other income (expense), net	\$1,487	\$(218)	\$1,705	782.1	%

* percentage change not meaningful

Other income (expense), net increased primarily due to the sale of intellectual property during the Current Quarter.

Taxes

	Three Months Ended September 30,		Favorable (Unfavorable)		
	2013	2012			
	(In thousands, except percentages)				
Effective tax rate	27.2	% 21.5	% (5.7)	)% (26.5	)%
Net foreign tax on non-U.S. earnings	\$5,086	\$4,094	\$(992)	) (24.2	)%
Benefit of foreign earnings indefinitely reinvested abroad	\$(16,175)	) \$(9,590)	) \$6,585	68.7	%
Change in valuation allowance for contingency	\$(149)	) \$31	\$180	580.6	%
Utilization of foreign tax credits	\$2,655	\$1,840	\$(815)	) (44.3	)%

Our effective income tax rate for the Current Quarter reflects \$36.0 million of tax expense for the sale of the FB entities, partially offset by a \$2.1 million benefit due to the revaluation of our deferred taxes as a result of the enactment of a tax rate reduction in the U.K. Excluding these items, our effective tax rate decreased to 15.4% for the Current Quarter.

Also, our effective tax rate for the Current Quarter and Comparable Quarter were reduced by the permanent investment outside the U.S. of foreign earnings, upon which no U.S. tax has been provided, and by the amount of our foreign source income and our ability to realize foreign tax credits.

Current Period Compared to Comparable Period

Set forth below is a discussion of the operations of our business units. Our consolidated results are discussed under “Results of Operations” above.

Europe

	Six Months Ended September 30,		Favorable (Unfavorable)		
	2013	2012			
	(In thousands, except percentages)				
Operating revenue	\$293,511	\$248,228	\$45,283	18.2	%
Reimbursable revenue	\$58,941	\$59,905	\$(964)	) (1.6	)%
Earnings from unconsolidated affiliates, net of losses	\$3,913	\$4,374	\$(461)	) (10.5	)%
Operating income	\$52,979	\$48,884	\$4,095	8.4	%
Operating margin	18.1	% 19.7	% (1.6)	)% (8.1	)%
Adjusted EBITDAR	\$96,682	\$82,909	\$13,773	16.6	%
Adjusted EBITDAR margin	32.9	% 33.4	% (0.5)	)% (1.5	)%

The operations of our Europe business unit have continued to expand since the Comparable Period with the addition of eight new large aircraft. These new aircraft, as well as an overall increase in activity with existing clients and under new contracts primarily in the Northern North Sea in the U.K. and Norway resulted in \$48.6 million of increased operating revenue and were the primary contributors to the revenue growth in Europe in the Current Period.

Additionally, during June and July 2013 we began operating the U.K. Gap SAR contract at two bases resulting in \$13.1 million of operating revenue in the Current Period. These increases were partially offset by the loss of a contract in the Southern North Sea during fiscal year 2013 resulting in a \$16.4 million decrease in operating revenue.

Additionally, gross revenue was negatively impacted by changes in exchange rates that decreased gross revenue by \$4.6 million.

Despite the revenue growth in the Current Period driving an increase in operating income and adjusted EBITDAR, operating income margin decreased primarily due to an increase in rental expense of \$11.5 million. Other expenses also increased as a result of activity levels and timing of maintenance activities, including maintenance expense (\$15.1 million) and salaries (\$5.5 million). During the Comparable Period, we incurred \$2.2 million in severance costs related to the termination of a contract in the Southern North Sea. See discussion of the impact of costs incurred to

return idle AS332L aircraft to service under “– Current Quarter Compared to Comparable Quarter” discussed elsewhere in this Quarterly Report. We expect our results in Europe to continue to be strong in future periods and for operating margins adjusted EBITDAR margins to improve as a result of additional new contracts commencing and possible major contract awards. However, we are currently unable to determine the impact that could result from the restrictions on the EC225 Super Puma helicopters. For further discussion of the EC225 Super Puma helicopters, see "Executive Overview – Market Outlook" discussed elsewhere in this Quarterly Report.

Adjusted EBITDAR improved by 16.6% and adjusted EBITDAR margin decreased from 33.4% in the Comparable Period to 32.9% in the Current Period. Adjusted EBITDAR excludes the impact of the increase in the number of aircraft on lease in the Current Quarter and reflects the overall growth in this business unit in terms of new contracts, increased pricing and utilization. The decrease in adjusted EBITDAR margin was driven primarily by higher maintenance and salary costs discussed above.

On July 14, 2013, we sold our 50% interest in the FB Entities which were accounted for under the equity method and included in our Europe business unit operating results. The FB Entities generated \$3.9 million and \$4.4 million of operating income and adjusted EBITDAR for the Current Period and Comparable Period, respectively.

For further discussion of additional matters related to operations in Europe, see “– Current Quarter Compared to Comparable Quarter – Europe” included elsewhere in this Quarterly Report.

West Africa

	Six Months Ended September 30,		Favorable (Unfavorable)		
	2013	2012			
(In thousands, except percentages)					
Operating revenue	\$151,654	\$131,628	\$20,026	15.2	%
Reimbursable revenue	\$7,215	\$7,043	\$172	2.4	%
Operating income	\$37,484	\$29,561	\$7,923	26.8	%
Operating margin	24.7	% 22.5	% 2.2	% 9.8	%
Adjusted EBITDAR	\$46,795	\$38,460	\$8,335	21.7	%
Adjusted EBITDAR margin	30.9	% 29.2	% 1.7	% 5.8	%

Operating revenue for West Africa in the Current Period increased primarily due to \$8.6 million from improved pricing and \$22.8 million from increased ad hoc flying and increased activity, partially offset by a decline of \$12.2 million in activity in certain contracts.

Operating income, operating margin, adjusted EBITDAR and adjusted EBITDAR margin increased in the Current Period due to the increase in revenue and a decrease in import duties of \$1.3 million, partially offset by an increase in salaries and benefits of \$3.0 million and maintenance expense of \$4.2 million.

For further discussion of additional matters related to operations in West Africa, see “– Current Quarter Compared to Comparable Quarter – West Africa” included elsewhere in this Quarterly Report.

North America

	Six Months Ended September 30,		Favorable (Unfavorable)		
	2013	2012			
(In thousands, except percentages)					
Operating revenue	\$118,588	\$109,607	\$8,981	8.2	%
Reimbursable revenue	\$705	\$674	\$31	4.6	%
Earnings from unconsolidated affiliates, net of losses	\$104	\$—	\$104	*	
Operating income	\$17,287	\$12,605	\$4,682	37.1	%
Operating margin	14.6	% 11.5	% 3.1	% 27.0	%
Adjusted EBITDAR	\$35,715	\$23,967	\$11,748	49.0	%
Adjusted EBITDAR margin	30.1	% 21.9	% 8.2	% 37.4	%

* percentage change not meaningful

In early October 2012, we acquired eight large aircraft that are operated by Cougar in Canada, which resulted in a \$16.4 million increase in operating revenue in the Current Period. Also, an increase medium and large aircraft on contract resulted in an increase of \$1.7 million of operating revenue in the Current Period. These increases were

partially offset by a decline in the number of small aircraft on contract in the U.S Gulf of Mexico which reduced operating revenue by \$6.7 million and a decrease in revenue in Alaska of \$1.5 million in the Current Period. During the Current Period, we recorded \$0.5 million in costs associated with the planned closure of our Alaska operations which related primarily to employee severance costs. During the Comparable Period, we recorded a bad debt allowance of \$2.6 million for accounts receivable from ATP that were no longer considered probable of collection due to their filing for bankruptcy.

Excluding this allowance, operating margin and adjusted EBITDAR margin for the Comparable Period would have been 13.9% and 24.0%, respectively. The increase in operating income, operating margin, adjusted EBITDAR and adjusted EBITDAR margin is due to the addition of aircraft operating in Canada beginning in October 2012 and the lower level of bad debt expense, partially offset by decline in the number of small aircraft on contract in the U.S. Gulf of Mexico and Alaska in the Current Period.

For further discussion of additional matters related to operations in North America, see “– Current Quarter Compared to Comparable Quarter – North America” included elsewhere in this Quarterly Report.

Australia

	Six Months Ended September 30,		Favorable (Unfavorable)		
	2013	2012			
	(In thousands, except percentages)				
Operating revenue	\$73,539	\$76,619	\$(3,080)	)	(4.0) %
Reimbursable revenue	\$10,925	\$12,722	\$(1,797)	)	(14.1) %
Operating income	\$5,788	\$13,338	\$(7,550)	)	(56.6) %
Operating margin	7.9	% 17.4	% (9.5)	)%	(54.6) %
Adjusted EBITDAR	\$14,187	\$21,091	\$(6,904)	)	(32.7) %
Adjusted EBITDAR margin	19.3	% 27.5	% (8.2)	)%	(29.8) %

Operating revenue for Australia declined due to the ending of certain short-term contracts of \$23.3 million and the negative impact of foreign currency exchange rate changes of \$5.0 million, partially offset by an increase of \$24.3 million from new contracts and ad hoc work. Additionally, reimbursable revenue decreased \$1.8 million in the Current Period.

Operating income, operating margin, adjusted EBITDAR and adjusted EBITDAR margin declined primarily due to the ending of certain short-term contracts discussed above and an increase in salaries of \$3.1 million. During the Current Period, we incurred costs, including salaries and benefits, depreciation, insurance, training and lease costs in anticipation of contracts that start during the fourth quarter of fiscal year 2014, including the INPEX contract. For further details about the INPEX contract award, see “Executive Overview – Market Outlook” included elsewhere in this Quarterly Report.

For further discussion of additional matters related to operations in Australia, see “– Current Quarter Compared to Comparable Quarter – Australia” included elsewhere in this Quarterly Report.

Other International

	Six Months Ended September 30,		Favorable (Unfavorable)		
	2013	2012			
	(In thousands, except percentages)				
Operating revenue	\$65,043	\$65,312	\$(269)	)	(0.4) %
Reimbursable revenue	\$179	\$302	\$(123)	)	(40.7) %
Earnings from unconsolidated affiliates, net of losses	\$13,043	\$4,609	\$8,434		183.0 %
Operating income	\$27,096	\$17,741	\$9,355		52.7 %
Operating margin	41.7	% 27.2	% 14.5	%	53.3 %
Adjusted EBITDAR	\$34,833	\$25,715	\$9,118		35.5 %
Adjusted EBITDAR margin	53.6	% 39.4	% 14.2	%	36.0 %

Operating revenue for Other International decreased slightly in the Current Period due to the end of short-term contracts in Guyana (\$2.7 million) and the Baltic Sea (\$0.4 million) and a decline in aircraft on contract in Mexico (\$1.1 million) and Malaysia (\$3.4 million), partially offset by increased activity in Trinidad (\$3.7 million), Brazil (\$2.7 million) and Russia (\$0.8 million)

Operating income, operating margin, adjusted EBITDAR and adjusted EBITDAR margin increased primarily due to an increase of \$8.4 million in earnings from unconsolidated affiliates, net of losses, partially offset by a decline in aircraft on contract in Malaysia, an increase in salaries and maintenance expense in Russia and an increase in salaries, training and travel expense in Trinidad.

Earnings from unconsolidated affiliates, net of losses, increased primarily due to an increase in earnings from our investment in Líder of \$10.8 million in the Current Period compared to \$4.6 million in the Comparable Period. Additionally, we received \$2.0 million in dividends from our cost method investment in Egypt during the Current Period. See further discussion about our

investment in Líder and the Brazil market in “Executive Overview – Market Outlook” and “– Current Period Compared to Comparable Period” included elsewhere in this Quarterly Report.

Corporate and Other

	Six Months Ended September 30,		Favorable (Unfavorable)		
	2013	2012			
	(In thousands, except percentages)				
Operating revenue	\$37,908	\$16,237	\$21,671	133.5	%
Reimbursable revenue	\$180	\$1,111	\$(931)	(83.8)	%
Operating loss	\$(25,795)	\$(28,231)	\$2,436	8.6	%
Adjusted EBITDAR	\$(16,406)	\$(23,415)	\$7,009	29.9	%

Corporate and other includes our Bristow Academy business unit, technical services business and corporate costs that have not been allocated to other business units.

Operating revenue increased primarily due to the addition of support fees for new helicopters operating in Canada of \$16.6 million and an increase in operating revenue at Bristow Academy of \$4.1 million resulting from an increase in military training.

Corporate operating expense primarily represents costs of our corporate office and other general and administrative costs not allocated to our business units. Operating loss decreased primarily due to the increase in operating revenue partially offset by an increase in information technology expense, rent and office expenses and travel expense during the Current Period.

Interest Expense, Net

	Six Months Ended September 30,		Favorable (Unfavorable)		
	2013	2012			
	(In thousands, except percentages)				
Interest income	\$881	\$351	\$530	151.0	%
Interest expense	(20,742)	(17,927)	(2,815)	(15.7)	%
Amortization of debt discount	(1,711)	(1,772)	61	3.4	%
Amortization of debt fees	(13,992)	(877)	(13,115)	*	
Capitalized interest	6,997	3,205	3,792	118.3	%
Interest expense, net	\$(28,567)	\$(17,020)	\$(11,547)	(67.8)	%

* percentage change not meaningful

The increase in interest expense, net in the Current Period is primarily due to the write-off of \$12.7 million of deferred financing fees related to a potential financing in connection with our bid to provide SAR services in the U.K. During the Current Period, we increased our borrowing capacity on our Revolving Credit Facility from \$200 million to \$350 million and cancelled the potential financing. Additionally, capitalized interest increased due to an increase in construction in progress in the Current Period.

Gain on Sale of Unconsolidated Affiliate

Gain on sale of unconsolidated affiliate includes \$103.9 million in pre-tax gains related to the sale of the FB Entities during the Current Period. See discussion of the FB Entities sale under “– Current Quarter Compared to Comparable Quarter” discussed elsewhere in this Quarterly Report.

Other Income (Expense), Net

	Six Months Ended September 30,		Favorable (Unfavorable)		
	2013	2012			
	(In thousands, except percentages)				
Foreign currency losses	\$ (992)	\$ (1,149)	\$ 157	13.7	%
Other	1,113	—	1,113	*	
Other income (expense), net	\$ 121	\$ (1,149)	\$ 1,270	110.5	%

* percentage change not meaningful

Other income (expense), net increased primarily due to the sale of intellectual property during the Current Period.
Taxes

	Six Months Ended September 30,		Favorable (Unfavorable)		
	2013	2012			
	(In thousands, except percentages)				
Effective tax rate	26.3 %	21.0 %	(5.3)%	(25.2)%	
Net foreign tax on non-U.S. earnings	\$ 10,418	\$ 10,808	\$ 390	3.6	%
Benefit of foreign earnings indefinitely reinvested abroad	\$ (26,748)	\$ (16,640)	\$ 10,108	60.7	%
Change in valuation allowance for contingency	\$ (119)	\$ (91)	\$ 28	30.8	%
Utilization of foreign tax credits	\$ 4,563	\$ 3,474	\$ (1,089)	(31.3)%	

Our effective income tax rate for the Current Period reflects \$36.0 million of tax expense for the sale of the FB entities, partially offset by a \$2.1 million benefit due to the revaluation of our deferred taxes as a result of the enactment of a tax rate reduction in the U.K. Excluding these items, our effective tax rate decreased to 18.2% for the Current Period.

Our effective tax rate for the Current Period and Comparable Period were reduced by the permanent investment outside the U.S. of foreign earnings, upon which no U.S. tax has been provided, and by the amount of our foreign source income and our ability to realize foreign tax credits.

Liquidity and Capital Resources

Cash Flows

Operating Activities

Net cash flows provided by operating activities totaled \$132.5 million during the Current Period compared to \$134.9 million during the Comparable Period. Changes in non-cash working capital generated \$42.6 million and \$29.8 million in cash flows from operating activities for the Current Period and Comparable Period, respectively. The increase in changes from non-cash working capital is primarily due to an increase in income tax payable of \$30 million in the Current Period due to the sale of the FB Entities.

Investing Activities

Cash flows used in investing activities were \$71.7 million and \$24.2 million for the Current Period and Comparable Period, respectively. Cash was used for capital expenditures as follows:

	Six Months Ended September 30,	
	2013	2012
Number of aircraft delivered:		
Medium	5	—
Large	5	3
Total aircraft	10	3
Capital expenditures (in thousands):		
Aircraft and related equipment	\$312,880	\$94,856
Other	26,679	18,549
Total capital expenditures	\$339,559	\$113,405

In addition to these capital expenditures, investing cash flows were impacted by aircraft sales. During the Current Period, we received proceeds of \$10.0 million primarily from the sale or disposal of eight aircraft and certain other equipment and received \$145.6 million for the sale of seven aircraft which we subsequently leased back. During the Comparable Period, we received \$46.0 million in proceeds from the sale of ten aircraft and certain other equipment and received \$50.4 million for the sale of two aircraft which we subsequently leased back.

Financing Activities

Cash flows generated from financing activities were \$24.9 million during the Current Period and cash flows used in financing activities were \$30.3 million during the Comparable Period. During the Current Period, we received \$157.5 million from borrowings on our Revolving Credit Facility and cash was used for the repayment of debt totaling \$117.7 million, payment of deferred financing fees of \$15.2 million, of which \$12.7 million related to a potential financing, and payment of dividends on our Common Stock totaling \$18.1 million. See further discussion of the potential financing in “– Current Period Compared to Comparable Period” included elsewhere in this Quarterly Report. During the Comparable Period, we used \$24.3 million for the repayment of debt and \$14.3 million for payment of dividends on our Common Stock.

Future Cash Requirements

Contractual Obligations, Commercial Commitments and Off Balance Sheet Arrangements

We have various contractual obligations that are recorded as liabilities on our condensed consolidated financial statements. Other items, such as certain purchase commitments, interest payments and other executory contracts are not recognized as liabilities on our condensed consolidated financial statements but are included in the table below. For example, we are contractually committed to make certain minimum lease payments for the use of property and equipment under operating lease agreements.

The following tables summarize our significant contractual obligations and other commercial commitments on an undiscounted basis as of September 30, 2013 and the future periods in which such obligations are expected to be settled in cash. In addition, the table reflects the timing of principal and interest payments on outstanding borrowings as of September 30, 2013. Additional details regarding these obligations are provided in Note 8 in the “Notes to Consolidated Financial Statements” included in the fiscal year 2013 Annual Report and in Note 5 in the “Notes to Condensed Consolidated Financial Statements” included elsewhere in this Quarterly Report.

	Payments Due by Period				
		Six Months Ending March 31, 2014	Fiscal Year Ending March 31,		
Total			2015— 2016	2017— 2018	2019 and beyond
(In thousands)					
Contractual obligations:					
Long-term debt and short-term borrowings:					
Principal ⁽¹⁾	\$838,389	\$2,376	\$27,675	\$96,891	\$711,447
Interest ⁽²⁾	364,738	4,858	75,052	73,209	211,619
Aircraft operating leases ⁽³⁾	387,420	39,578	154,140	122,463	71,239
Other operating leases ⁽⁴⁾	70,823	4,841	14,698	10,504	40,780
Pension obligations ⁽⁵⁾	133,589	8,663	48,605	20,086	56,235
Aircraft purchase obligations ⁽⁶⁾	963,627	324,417	613,441	25,769	—
Other purchase obligations ⁽⁷⁾	42,827	42,827	—	—	—
Total contractual cash obligations	\$2,801,413	\$427,560	\$933,611	\$348,922	\$1,091,320
Other commercial commitments:					
Letters of credit	\$2,405	\$997	\$1,408	\$—	\$—
Contingent consideration ⁽⁸⁾	40,000	6,000	34,000	—	—
Other commitments ⁽⁹⁾	46,000	—	46,000	—	—
Total commercial commitments	\$88,405	\$6,997	\$81,408	\$—	\$—

⁽¹⁾ Excludes unamortized discount on the 3% Convertible Senior Notes of \$7.1 million.

⁽²⁾ Interest payments for variable interest debt are based on interest rates as of September 30, 2013.

⁽³⁾ Represents separate operating leases for aircraft. During the six months ended September 30, 2013, we entered into nine new aircraft operating leases. For further details, see Note 5 in the “Notes to Condensed Consolidated Financial Statements” included elsewhere in this Quarterly Report.

⁽⁴⁾ Represents minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year.

⁽⁵⁾ Represents expected funding for pension benefits in future periods. These amounts are undiscounted and are based on the expectation that the U.K. and Norway pensions will be fully funded in approximately four and three years, respectively.

⁽⁶⁾ As of September 30, 2013, we had recorded on our balance sheet a \$127.3 million pension liability associated with these obligations. The timing of the funding is dependent on actuarial valuations and resulting negotiations with the plan trustees.

For further details on our aircraft purchase obligations, see Note 5 in the “Notes to Condensed Consolidated Financial Statements” included elsewhere in this Quarterly Report.

- (7) Other purchase obligations primarily represent unfilled purchase orders for aircraft parts, commitments associated with upgrading facilities at our bases and non-cancelable power-by-the-hour maintenance commitments.

The Cougar purchase agreement includes a potential earn-out of \$40 million payable over three years based on Cougar achieving certain agreed performance targets. The fair value of the earn-out is \$36.4 million as

- (8) of September 30, 2013 and is included in other accrued liabilities and other liabilities and deferred credits on our condensed consolidated balance sheet. See Note 3 in the “Notes to Condensed Consolidated Financial Statements” included in the fiscal year 2013 Annual Report.

In connection with the Bristow Norway acquisition in fiscal year 2009 (see “Part 1. Item I. Business — Overview” included in the fiscal year 2013 Annual Report), we granted the former partner in this joint venture an option that if

- (9) exercised would require us to acquire up to five aircraft at fair value upon the expiration of the lease terms for such aircraft. One of the options was exercised in December 2009 and two of the options expired. The remaining aircraft leases expire in June and August 2014.

Capital Commitments and Other Uses of Cash

We have commitments and options to make capital expenditures over the next five fiscal years to purchase additional aircraft, including aircraft associated with the commitments reflected in the table above. Although a similar number of our existing aircraft may be sold during the same period, the additional aircraft on order are expected to provide incremental fleet capacity in terms of revenue, operating margin and adjusted EBITDAR margin. See Note 5 in the “Notes to Condensed Consolidated Financial Statements” included elsewhere in this Quarterly Report for a detail of the number of aircraft under commitments and options expected to be delivered in the current and subsequent five fiscal years by aircraft size along with the related expenditures, and for a rollforward of aircraft commitments and options through September 30, 2013. During fiscal year 2014, we expect to invest approximately \$90 million in various infrastructure enhancements, including aircraft facilities, training centers and technology. Through September 30, 2013, we had incurred approximately \$27 million towards these projects.

As discussed under “— Executive Overview — Our Strategy — Capital Allocation Strategy”, cash may also be used for dividend payments and repurchases of Common Stock. Additionally, cash may be used in future periods to repurchase or otherwise retire debt, including our 3% Convertible Senior Notes.

Financial Condition and Sources of Liquidity

We actively manage our liquidity through generation of cash from operations while assessing our funding needs on an ongoing basis. While we have generated significant cash from operations, our principal source of liquidity over the past several years has been financing cash flows. The significant factors that affect our overall liquidity include capital expenditure commitments, pension funding, operating leases, adequacy of bank lines of credit and our ability to attract long-term capital on satisfactory terms.

We expect that our cash on deposit as of September 30, 2013 of \$313.5 million, cash flow from operations and proceeds from aircraft sales, as well as available borrowing capacity under our Revolving Credit Facility will be sufficient to satisfy our capital commitments, including our aircraft purchase commitments to service our oil and gas clients and anticipated capital requirements in connection with our U.K. SAR contract of \$1.4 billion as of September 30, 2013. The available borrowing capacity under our Revolving Credit Facility was \$304.5 million as of September 30, 2013. While we plan to continue to be disciplined concerning future capital commitments, we also intend to continue managing our capital structure and liquidity position with external financings as needed. Our strategy will involve funding our short-term liquidity requirements with borrowings under our Revolving Credit Facility and funding our long-term financing needs, while maintaining a prudent capital structure, among the following alternatives: operating leases, bank debt, private and public debt and/or equity offerings and export credit agency-supported financings.

Critical Accounting Policies and Estimates

See Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates” in the fiscal year 2013 Annual Report for a discussion of our critical accounting policies. There have been no material changes to our critical accounting policies and estimates provided in the fiscal year 2013 Annual Report.

Recent Accounting Pronouncements

See Note 1 in the “Notes to Condensed Consolidated Financial Statements” included elsewhere in this Quarterly Report for a discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are subject to certain market risks arising from the use of financial instruments in the ordinary course of business. This risk arises primarily as a result of potential changes in the fair market value of financial instruments that would result from adverse fluctuations in foreign currency exchange rates, credit risk, and interest rates as discussed in “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in the fiscal year 2013 Annual Report and Note 1 in the “Notes to Condensed Consolidated Financial Statements” included elsewhere in this Quarterly Report.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision of and with the participation of our management, including William E. Chiles, our Chief Executive Officer (“CEO”) and Jonathan E. Baliff, our Chief Financial Officer (“CFO”), of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of September 30, 2013. Based on that evaluation, our CEO and CFO concluded that such disclosure controls and procedures were effective to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission’s rules and forms and such information is accumulated and communicated to our management as appropriate to allow for timely decisions regarding required disclosure under the Exchange Act.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2013 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

We have certain actions or claims pending that have been discussed and previously reported in Part I. Item 3. “Legal Proceedings” in the fiscal year 2013 Annual Report. Developments in these previously reported matters are described in Note 5 in the “Notes to Condensed Consolidated Financial Statements” included elsewhere in this Quarterly Report. Our unconsolidated affiliate in Brazil, Líder, along with its direct and indirect subsidiaries, are parties to tax litigation where the outcome is uncertain at this time. The main lawsuits refer to a tax assessment for taxes calculated in 2005, 2006 and 2007, related to taxes levied on the profits of foreign subsidiaries. Additionally, Líder’s management expects to receive tax assessments for the period from 2008 through 2012 related to the same tax issue. In total, the estimated liability calculated by Líder for the full period from 2005 through 2012 is in the range of 90 million to 110 million Brazilian reais for the income taxes, not taking into consideration penalties and interest. Líder’s management considers the likelihood of loss to be possible, but believes the likelihood of sustaining their tax position is more likely than not. Therefore, no related tax reserve was recorded in Líder’s financial statements, resulting in no impact on our earnings from this unconsolidated affiliate. On October 10, 2013, a new law went into effect in Brazil, establishing amnesty conditions targeting companies that have tax liability under the tax laws in question similar to Líder, whereby companies can settle any tax liability related to the profits of foreign subsidiaries incurred through December 31, 2012 by making payment in full for amounts levied or entering into an installment payment plan. Acceptance of this amnesty offer would result in the complete forgiveness of any late payment and other fines, interest and legal charges in the case of full payment up to November 29, 2013 and a partial reduction in outstanding taxes levied that may be paid in an installment plan. This offer is currently available through November 29, 2013. As a condition to accepting the amnesty offer, companies must withdraw from all administrative and judicial cases filed challenging the levying of the above-mentioned taxes. Líder’s management has not yet determined whether they will accept this amnesty offer or decline the amnesty offer and challenge these taxes. Acceptance of the amnesty offer and any related settlement or subsequent failure to successfully challenge these taxes could have a negative impact on Líder’s earnings, our effective tax rate and our earnings from Líder in future periods, although the ultimate impact on Bristow Group will be partially affected by contractual indemnification provided by the other Líder shareholder under existing agreements.

Item 1A. Risk Factors.

Except as discussed below, there have been no material changes during the three and six months ended September 30, 2013 in our “Risk Factors” as discussed in the fiscal year 2013 Annual Report.

The recent shutdown of the United States government and potential shutdown of governmental agencies could result in the delay of operations, loss of business and other adverse effects on our company.

On October 1, 2013, the United States federal government entered a shutdown after Congress failed to enact regular appropriations or a continuing resolution for the federal government's 2014 fiscal year. On October 17, 2013, legislation was enacted ending the shutdown until January 15, 2014. Our operations are regulated by governmental agencies in various jurisdictions in which we operate. These agencies have jurisdiction over many aspects of our business, including personnel, aircraft and ground facilities. Statutes and regulations in these jurisdictions also subject us to various certification and reporting requirements and inspections regarding safety, training and general regulatory compliance. The suspension or substantial closure of the governmental agencies such as the Federal Aviation Administration could result in the delay of our operations, loss of business and other adverse effects on our company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Repurchases of Equity Securities
None.

Item 3. Defaults Upon Senior Securities
Not applicable.

Item 4. Mine Safety Disclosures
Not applicable.

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Item 5. Other Information

On November 4, 2013, the compensation committee of our board of directors authorized an amendment to all outstanding awards under the Bristow Group Inc. 2007 Long-Term Incentive Plan, the 2004 Stock Incentive Plan and the 1994 Long-Term Management Incentive Plan (as amended and restated, collectively, the “Plans”). The amendment modified the provisions of the awards with respect to vesting and exercise of such awards upon the involuntary termination by the Company of the recipient’s employment other than for “Cause” as defined in the recipient’s employment agreement, if any, or as defined in the amendment.

Pursuant to the amendment, following such an involuntary termination, any of the recipient’s unvested stock options and unvested time-based restricted stock or restricted stock units granted at least 12 months prior to the involuntary termination date will fully vest. Any of the recipient’s unvested stock options and unvested time-based restricted stock or restricted stock units granted more than six months but less than 12 months prior to the involuntary termination date will vest pro rata based on the number of months worked from the date of grant to the termination date, divided by 12. All vested options will remain exercisable until the earlier of the one-year anniversary of the recipient’s termination or the original expiration of the term of the option. Unvested performance-based restricted stock or restricted stock units granted at least 12 months prior to the involuntary termination date will fully vest upon the later of such involuntary termination date or the date the applicable performance goal has been attained. Unvested performance-based restricted stock or restricted stock units granted more than six months but less than 12 months prior to the involuntary termination date will become vested once the applicable performance goal has been attained in a pro rata amount based upon the number of months worked from the date of grant to such termination date, divided by 12.

Performance-based cash awards will continue to vest on the original time and performance schedule, except that the amount payable under the cash awards upon the attainment of the applicable performance goals will be prorated by the number of months of continuous service from the beginning of the performance period to the termination date, divided by 36. The application of the foregoing provisions to the recipient’s awards is conditioned upon the recipient’s execution of a nondisclosure agreement and a waiver and release of claims against the Company within 60 days of the involuntary termination date. Any awards granted six months or less before the involuntary termination date will be forfeited, along with any award or portion of an award granted more than six months before such termination date that does not vest in accordance with the foregoing provisions.

The amendment is effective with respect to outstanding awards held by employees who are employed on or after November 4, 2013. The compensation committee retains the discretion to modify or revoke the amendment prospectively and retroactively to the extent such revocation or modification does not have a detrimental impact on an award granted prior to the date of such modification or revocation. If the terms of the amendment conflict with the provisions of an award recipient’s employment agreement, the provisions that are more favorable to the recipient apply.

The treatment of awards under the Plans pursuant to the amendment is similar to the treatment of awards pursuant to the Company’s policy for the treatment of awards upon retirement, which is defined as termination (i) at or after age 62 with five continuous years of service or (ii) after accumulating a combined total of age and years of service of 80.

Upon retirement, however, vested stock options will be exercisable for the remainder of their original term, and performance-based restricted stock units will continue to vest on the original time and performance schedule.

The foregoing description of the amendment is qualified in its entirety by the terms of the amendment, a copy of which is filed as Exhibit 10.1 to this Quarterly Report and is incorporated herein by reference.

Item 6. Exhibits

The following exhibits are filed as part of this Quarterly Report:

Exhibit Number	Description of Exhibit
10.1*	Letter regarding treatment of unvested long-term incentive plan awards in the event of termination not for cause.
15.1*	Letter from KPMG LLP dated November 7, 2013, regarding unaudited interim information.
31.1**	Rule 13a-14(a) Certification by Chief Executive Officer of Registrant.
31.2**	Rule 13a-14(a) Certification by Chief Financial Officer of Registrant
32.1**	Certification of Chief Executive Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
*	Filed herewith.
**	Furnished herewith.

SIGNATURES

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

BRISTOW GROUP INC.

By: /s/ Jonathan E. Baliff
Jonathan E. Baliff
Senior Vice President and
Chief Financial Officer

By: /s/ Brian J. Allman
Brian J. Allman
Vice President, Chief Accounting Officer

November 7, 2013

Index to Exhibits.

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10.1*	Letter regarding treatment of unvested long-term incentive plan awards in the event of termination not for cause.
15.1*	Letter from KPMG LLP dated November 7, 2013, regarding unaudited interim information.
31.1**	Rule 13a-14(a) Certification by Chief Executive Officer of Registrant.
31.2**	Rule 13a-14(a) Certification by Chief Financial Officer of Registrant
32.1**	Certification of Chief Executive Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
*	Filed herewith.
**	Furnished herewith.