Bristow Group Inc
Form 10-Q
August 04, 2014

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

Form 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2014

OR

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
o Yes þ No

Indicate the number shares outstanding of each of the issuer's classes of Common Stock, as of July 31, 2014.

35,563,623 shares of Common Stock, $.01 par value

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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 June 30,	
	2014	2013
	(Unaudited) (In thousands, except per share amounts)	
Gross revenue:		
Operating revenue from non-affiliates	$415,905	$336,248
Operating revenue from affiliates	21,430	23,299
Reimbursable revenue from non-affiliates	35,203	39,382
Reimbursable revenue from affiliates	—	65
	472,538	398,994
Operating expense:		
Direct cost	293,863	255,256
Reimbursable expense	32,608	36,743
Depreciation and amortization	25,334	22,819
General and administrative	60,432	40,308
	412,237	355,126
Gain (loss) on disposal of assets	610	(1,721)
Earnings from unconsolidated affiliates, net of losses	4,281	13,972
Operating income	65,192	56,119
Interest expense, net	(7,127)	(20,251)
Other income (expense), net	(1,239)	(1,366)
Income before provision for income taxes	56,826	34,502
Provision for income taxes	(11,823)	(7,590)
Net income	45,003	26,912
Net income attributable to noncontrolling interests	(894)	(26)
Net income attributable to Bristow Group	$44,109	$26,886
Earnings per common share:		
Basic	$1.24	$0.74
Diluted	$1.23	$0.74
Cash dividends declared per common share	$0.32	$0.25

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

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BRISTOW GROUP INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income

	Three Months Ended June 30,	
	2014	2013
	(Unaudited) (In thousands)	
Net income	$45,003	$26,912
Other comprehensive income:		
Currency translation adjustments	8,991	(4,429)
Other comprehensive income	53,994	22,483
Net income attributable to noncontrolling interests	(894)	(26)
Currency translation adjustments attributable to noncontrolling interests	217	(130)
Total comprehensive income attributable to noncontrolling interests	(677)	(156)
Total comprehensive income attributable to Bristow Group	$53,317	$22,327

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

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BRISTOW GROUP INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	June 30, 2014 (Unaudited) (In thousands)	March 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$133,804	$204,341
Accounts receivable from non-affiliates	303,580	292,650
Accounts receivable from affiliates	7,018	4,793
Inventories	150,913	137,463
Assets held for sale	30,293	29,276
Prepaid expenses and other current assets	54,787	53,084
Total current assets	680,395	721,607
Investment in unconsolidated affiliates	265,955	262,615
Property and equipment – at cost:		
Land and buildings	149,829	145,973
Aircraft and equipment	2,828,915	2,646,150
	2,978,744	2,792,123
Less – Accumulated depreciation and amortization	(536,362)	(523,372)
	2,442,382	2,268,751
Goodwill	57,771	56,680
Other assets	94,215	88,604
Total assets	$3,540,718	$3,398,257
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current liabilities:		
Accounts payable	$102,278	$89,818
Accrued wages, benefits and related taxes	68,430	71,192
Income taxes payable	62	13,588
Other accrued taxes	7,681	9,302
Deferred revenue	30,224	31,157
Accrued maintenance and repairs	18,493	17,249
Accrued interest	8,145	16,157
Other accrued liabilities	54,755	45,853
Deferred taxes	14,090	12,372
Short-term borrowings and current maturities of long-term debt	13,851	14,207
Deferred sale leaseback advance	152,347	136,930
Total current liabilities	470,356	457,825
Long-term debt, less current maturities	941,257	827,095
Accrued pension liabilities	82,365	86,823
Other liabilities and deferred credits	59,876	78,126
Deferred taxes	179,232	169,519
Commitments and contingencies (Note 5)		
Temporary equity	24,245	22,283
Stockholders' investment:		
Common stock, $.01 par value, authorized 90,000,000; outstanding: 35,558,273 as of June 30 and 35,708,469 as of March 31 (exclusive of 1,291,441 treasury shares)	374	373

Additional paid-in capital	767,918	762,813
Retained earnings	1,277,976	1,245,220
Accumulated other comprehensive loss	(147,298)	(156,506)
Treasury shares, at cost (1,866,077 and 1,595,479 shares, respectively)	(124,122)	(103,965)
Total Bristow Group stockholders’ investment	1,774,848	1,747,935
Noncontrolling interests	8,539	8,651
Total stockholders’ investment	1,783,387	1,756,586
Total liabilities and stockholders’ investment	$3,540,718	$3,398,257

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

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

	Three Months Ended June 30, 2014	2013
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Net income	$45,003	$26,912
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,334	22,819
Deferred income taxes	8,406	11,768
Write-off of deferred financing fees	164	12,733
Discount amortization on long-term debt	1,055	921
(Gain) loss on disposal of assets	(610)	1,721
Stock-based compensation	4,187	2,869
Equity in earnings from unconsolidated affiliates in excess of dividends received	(4,281)	(4,974)
Tax benefit related to stock-based compensation	(166)	(2,522)
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(972)	(6,949)
Inventories	(11,033)	(4,112)
Prepaid expenses and other assets	(1,850)	(791)
Accounts payable	7,511	4,339
Accrued liabilities	(23,027)	(18,782)
Other liabilities and deferred credits	(12,376)	(9,539)
Net cash provided by operating activities	37,345	36,413
Cash flows from investing activities:		
Capital expenditures	(200,447)	(179,532)
Proceeds from asset dispositions	6,643	1,893
Net cash used in investing activities	(193,804)	(177,639)
Cash flows from financing activities:		
Proceeds from borrowings	148,044	103,357
Debt issuance costs	—	(12,733)
Repayment of debt	(35,848)	(1,733)
Partial prepayment of put/call obligation	(15)	(14)
Repurchase of common stock	(20,157)	—
Common stock dividends paid	(11,353)	(9,045)
Issuance of common stock	975	3,004
Tax benefit related to stock-based compensation	166	2,522
Net cash provided by financing activities	81,812	85,358
Effect of exchange rate changes on cash and cash equivalents	4,110	237
Net decrease in cash and cash equivalents	(70,537)	(55,631)
Cash and cash equivalents at beginning of period	204,341	215,623
Cash and cash equivalents at end of period	$133,804	$159,992
Cash paid during the period for:		
Interest	$14,927	$17,348
Income taxes	$8,767	$10,081

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

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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, 2015 is referred to as “fiscal year 2015.” 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 2014 Annual Report (the “fiscal year 2014 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 June 30, 2014 and the consolidated results of operations and cash flows for the three months ended June 30, 2014 and 2013.

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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 2014 Financial Statements for a discussion of the related accounting policies. During the three months ended June 30, 2014 and 2013, 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 June 30,	
	2014	2013
One British pound sterling into U.S. dollars		
High	1.71	1.57
Average	1.68	1.54
Low	1.66	1.50
At period-end	1.71	1.52
One euro into U.S. dollars		
High	1.39	1.34
Average	1.37	1.31
Low	1.35	1.28
At period-end	1.37	1.30
One Australian dollar into U.S. dollars		
High	0.94	1.07
Average	0.93	1.00
Low	0.92	0.92
At period-end	0.94	0.92
One Nigerian naira into U.S. dollars		
High	0.0063	0.0065
Average	0.0062	0.0064
Low	0.0061	0.0062
At period-end	0.0062	0.0062

Source: Bank of England and Oanda.com

Other income (expense), net, in our condensed consolidated statements of income includes foreign currency transaction losses of $0.4 million and $1.4 million for the three months ended June 30, 2014 and 2013, respectively.

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(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 June 30, 2014 and 2013, earnings from unconsolidated affiliates, net of losses, were increased by $0.4 million and decreased by $0.4 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:

	Three Months Ended June 30,	
	2014	2013
One Brazilian real into U.S. dollars		
High	0.4572	0.5123
Average	0.4493	0.4857
Low	0.4391	0.4434
At period-end	0.4538	0.4492

———
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 June 30, 2014
Revenue	$10,345
Operating expense	(6,082)
Earnings from unconsolidated affiliates, net of losses	722
Non-operating expense	949
Income before provision for income taxes	5,934
Provision for income taxes	(1,365)
Net income	4,569
Cumulative translation adjustment	9,208
Total stockholders’ investment	$13,777

Revenue Recognition

In general, we recognize revenue when it is both realized or realizable and earned. We consider revenue to be realized or realizable and earned when the following conditions exist: there is persuasive evidence of an arrangement, generally a client contract exists; the services or products have been performed or delivered to the client; the sales price is fixed or determinable; and collection is probable. More specifically, revenue from helicopter services is recognized based on contractual rates as the related services are performed. The charges under these contracts are generally based on a two-tier rate structure consisting of a daily or monthly fixed fee plus additional fees for each hour flown. These contracts are for varying periods and generally permit the client to cancel the contract before the end of the term. We also provide services to clients on an “ad hoc” basis, which usually entails a shorter contract notice period and duration. The charges for ad hoc services are based on an hourly rate or a daily or monthly fixed fee plus additional fees for each hour flown. In order to offset potential increases in operating costs, our long-term contracts may provide for periodic increases in the contractual rates charged for our services. We recognize the impact of these rate increases when the criteria outlined above have been met. This generally includes written recognition from the clients that they are in agreement with the amount of the rate escalation. Cost reimbursements from clients are recorded as reimbursable revenue with the related reimbursed costs recorded as reimbursable expense on our condensed consolidated statements of income.

Bristow Academy, our helicopter training business unit, primarily earns revenue from military training, flight training provided to individual students and ground school courses. We recognize revenue from these sources using the same revenue recognition principles described above as services are provided. We consider revenue to be realized or realizable and earned when the following conditions exist: there is persuasive evidence of an arrangement, generally a contract exists; the services have been performed or delivered to the client or student; the sales price is fixed and determinable; and collection has occurred or is probable.

Eastern Airways International Limited ("Eastern Airways") primarily earns revenue through charter and scheduled airline services and provision of airport services. Both chartered and scheduled revenue is recognized net of passenger taxes and discounts. Revenue is recognized at the earlier of the period in which the service is provided or the period in which the right to travel expires, which is determined by the terms and conditions of the ticket. Ticket sales are recorded in a forward sales account within deferred income until recognized as revenue in accordance with the above policy. Airport services revenue is recognized when earned.

Interest Expense, Net

Interest expense, net includes $0.2 million and $0.1 million of interest income and $7.4 million and $20.4 million of interest expense for the three months ended June 30, 2014 and 2013, respectively. Interest expense for the three months ended June 30, 2014 includes the write-off of deferred financing fees of $0.2 million related to the repurchase of $11.3 million of our 6 ¼% Senior Notes due 2022 (the "6 ¼% Senior Notes"). Interest expense for the three months ended June 30, 2013 includes the write-off of $12.7 million of deferred financing fees related to a potential financing that was cancelled in a prior period. For further details on the repurchase of the 6 ¼% Senior Notes, see Note 3.

Other Income (Expense), Net

Other income (expense), net includes $0.9 million in premiums as a result of the repurchase of a portion of the 6 ¼% Senior Notes during the three months ended June 30, 2014.

Accounts Receivable

As of June 30 and March 31, 2014, the allowance for doubtful accounts for non-affiliates was $0.4 million and $5.0 million, respectively. The allowance as of March 31, 2014 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. During the three months ended June 30, 2014, the allowance recorded for ATP was reversed as we settled outstanding matters related to ongoing bankruptcy proceedings, which resulted in a $4.4 million reduction in bad debt expense, included within direct cost. The remaining amount of $0.5 million related to ATP was written off as no further settlement is expected. As of June 30 and March 31, 2014, there were no allowances for doubtful accounts related to accounts receivable due from affiliates.

Inventories

As of June 30 and March 31, 2014, inventories were net of allowances of $47.3 million and $46.0 million, respectively. During the three months ended June 30, 2013, we increased our inventory allowance by $0.8 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. A majority of this allowance recorded during the three months ended June 30, 2013 related to small aircraft types operating primarily in our North America business unit related to a move toward operating a fleet of mostly large and medium aircraft in this market.

Prepaid Expenses and Other Current Assets

As of June 30 and March 31, 2014, prepaid expenses and other current assets included the short-term portion of contract acquisition and pre-operating costs totaling $8.3 million and $5.5 million, respectively, related to the search and rescue (“SAR”) contracts in the U.K. and a client contract in Norway, which are recoverable under the contracts and will be expensed over the terms of the contract.

Other Assets

As of June 30 and March 31, 2014, other assets included the long-term portion of contract acquisition and pre-operating costs totaling $18.4 million and $15.2 million, respectively, related to the SAR contracts in the U.K. and a client contract in Norway and these amounts will be expensed over the term of the contracts.

Property and Equipment and Assets Held for Sale

During the three months ended June 30, 2014 and 2013, we made capital expenditures as follows:

	Three Months Ended June 30,	
	2014	2013
Number of aircraft delivered:		
Medium	3	3
Large	6	3
Total aircraft	9	6
Capital expenditures (in thousands):		
Aircraft and related equipment [(1)]	$172,098	$167,227
Other	28,349	12,305
Total capital expenditures	$200,447	$179,532

(1) During the three months ended June 30, 2014 and 2013, we spent $161.0 million and $161.6 million, respectively, on construction in progress, which primarily represents progress payments on aircraft to be delivered in future periods.

Additionally, the following table presents details on the aircraft sold or disposed of and impairments on assets held for sale during the three months ended June 30, 2014 and 2013:

	Three Months Ended June 30,	
	2014	2013
	(In thousands, except for number of aircraft)	
Number of aircraft sold or disposed of	4	4
Proceeds from sale or disposal of assets	$6,643	$1,893
Gain (loss) from sale or disposal of assets	$3,189	$(491)
Number of aircraft impaired	4	2
Impairment charges on aircraft held for sale	$(2,579)	$(1,230)

Effective April 1, 2014, we changed the useful lives of certain non-aircraft assets. These changes impact our depreciation on the assets and were driven by our annual review of useful lives. During the three months ended June 30, 2014, we recorded a $1.0 million reduction in depreciation expense as a result of this change in useful lives.

Deferred Sale Leaseback Advance

As of June 30 and March 31, 2014, we had a total deferred sale leaseback advance asset of $167.1 million and $166.3 million, respectively, of which the current portion is included in deferred sale leaseback advance ($152.3 million and $136.9 million) and the long-term portion is included in other liabilities and deferred credits ($14.8 million and $29.4 million) on our condensed consolidated balance sheets. During fiscal year 2014, we received payment of approximately $106.1 million for progress payments we had made on seven aircraft under construction, and we assigned any future payments due on these construction agreements to the purchaser. As we have the obligation and intent to lease the aircraft back from the purchaser upon completion, we recorded a liability equal to the cash received and additional payments made by the purchaser thus far totaling $60.2 million, with a corresponding increase to construction in progress. We will continue to increase both construction in progress and deferred sale leaseback advance, current or long-term, until we lease the aircraft, at which time the construction in progress and the liabilities will be removed from our condensed consolidated balance sheet.

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

Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (the “FASB”) issued accounting guidance on revenue recognition for revenue from contracts with customers. This guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers and will replace most existing revenue recognition guidance when it becomes effective. This new standard is effective for annual reporting periods beginning after December 15, 2016. Early application is not permitted and the standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect this standard will have on our financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

Note 2 — VARIABLE INTEREST ENTITIES AND INVESTMENTS IN OTHER 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 June 30, 2014, we had interests in four 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 2014 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 Helicopters 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.

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 ($155.6 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 $1.3 billion as of June 30, 2014.

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, 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.

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

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 June 30, 2014) 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 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):

	June 30, 2014	March 31, 2014
Assets		
Cash and cash equivalents	$103,927	$173,490
Accounts receivable	358,920	311,641
Inventories	105,382	94,288
Prepaid expenses and other current assets	98,992	45,791
Total current assets	667,221	625,210
Investment in unconsolidated affiliates	845	1,414
Property and equipment, net	233,078	217,969
Goodwill	42,288	41,218
Other assets	48,416	45,477
Total assets	$991,848	$931,288
Liabilities		
Accounts payable	$214,142	$182,892
Accrued liabilities	1,468,520	1,405,401
Deferred taxes	2,455	3,588
Current maturities of long-term debt	8,172	9,664
Total current liabilities	1,693,289	1,601,545
Long-term debt, less current maturities	175,346	172,391
Accrued pension liabilities	82,365	86,824
Other liabilities and deferred credits	2,290	2,252
Deferred taxes	13,913	13,062
Temporary equity	24,245	22,283
Total liabilities	$1,991,448	$1,898,357

Three Months Ended June 30,	
2014	2013

Revenue	$383,817	$311,801
Operating income	16,700	9,131
Net loss	(37,581)	(32,350)

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Bristow Helicopters Nigeria Ltd. — Bristow Helicopters Nigeria Ltd. (“BHNL”) is a joint venture in Nigeria in which Bristow Helicopters owned a 40% interest, unrelated local Nigerian partners together owned a 39% interest, a Nigerian company owned 100% by Nigerian employees owned a 19% interest and an employee trust fund owned the remaining 2% interest as of June 30, 2014. BHNL provides helicopter services to clients in Nigeria.

In order to be able to bid competitively for our services 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. The employee-owned Nigerian entity referenced above purchased a 19% interest in BHNL in December 2013 with proceeds from a loan received from BGI Aviation Technical Services Nigeria Limited ("BATS"). Subsequently, in July 2014, the employee-owned Nigerian entity purchased an additional 29% interest with proceeds from a loan received from Bristow Helicopters (International Limited) ("BHIL"). After this transaction, Bristow Helicopters owns a 40% interest, unrelated local Nigerian partners together own a 10% interest, the employee-owned Nigerian entity owns a 48% interest and an employee trust fund owns the remaining 2% interest. Both BATS and BHIL are wholly-owned subsidiaries of Bristow Aviation. The employee-owned Nigerian entity is also a VIE that we consolidate as the primary beneficiary; we eliminate the loans discussed above in consolidation.

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.

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.

Investments in Other Significant Affiliates

Effective May 28, 2014, our ownership interest in Líder in Brazil was reduced from 42.5% to 41.9% as a result of Líder's issuance of additional shares to improve tax and cost-saving efficiencies. This transaction resulted in no material impact to our condensed consolidated financial statements.

Note 3 — DEBT

Debt as of June 30 and March 31, 2014 consisted of the following (in thousands):

	June 30, 2014	March 31, 2014
6¼% Senior Notes due 2022	$438,745	$450,000
Term Loan	225,505	226,604
3% Convertible Senior Notes due 2038, including $4.1 million and $5.1 million of unamortized discount, respectively	110,923	109,904
Revolving Credit Facility	152,000	24,000
Eastern Airways debt	27,271	29,911
Other	664	883
Total debt	955,108	841,302
Less short-term borrowings and current maturities of long-term debt	(13,851)	(14,207)
Total long-term debt	$941,257	$827,095

6 ¼% Senior Notes due 2022 — During the three months ended June 30, 2014, we repurchased $11.3 million principal amount of the 6 ¼% Senior Notes in the open market at 107.75% plus accrued interest for a total of $12.2 million. In connection with this repurchase of our 6 ¼% Senior Notes, we incurred $0.9 million in premium and fees, which is included in other income (expense), net on our condensed consolidated statements of income, and wrote-off $0.2 million of unamortized deferred financing fees, which is included in interest expense, net on our condensed consolidated statements of income.

3% Convertible Senior Notes due 2038 —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):

	June 30, 2014	March 31, 2014
Equity component – net carrying value	$14,905	$14,905
Debt component:		
Face amount due at maturity	$115,000	$115,000
Unamortized discount	(4,077)	(5,096)
Debt component – net carrying value	$110,923	$109,904

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 months ended June 30, 2014 and 2013 was 6.9%. Interest expense related to our 3% Convertible Senior Notes for the three months ended June 30, 2014 and 2013 was as follows (in thousands):

	Three Months Ended June 30,	
	2014	2013
Contractual coupon interest	$863	$863
Amortization of debt discount	1,019	921
Total interest expense	$1,882	$1,784

Term Loan and Revolving Credit Facility — During the three months ended June 30, 2014, we had borrowings of $147.5 million and made payments of $19.5 million under the Revolving Credit Facility. Additionally, we paid $1.1 million to reduce our borrowings under the Term Loan. As of June 30, 2014, we had $0.5 million in letters of credit outstanding under the Revolving Credit Facility.

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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 that reflect quoted prices for identical assets or liabilities in markets which 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.

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 June 30, 2014, 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 June 30, 2014	Total Loss for the Three Months Ended June 30, 2014
Assets held for sale	$ —	$ 6,400	$ —	$ 6,400	$ (2,579)
Total assets	$ —	$ 6,400	$ —	$ 6,400	$ (2,579)

The following table summarizes the assets as of June 30, 2013, 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 June 30, 2013	Total Loss for the Three Months Ended June 30, 2013
Inventories	$ —	$ 1,100	$ —	$ 1,100	$ (825)
Assets held for sale	—	2,300	—	2,300	(1,230)
Total assets	$ —	$ 3,400	$ —	$ 3,400	$ (2,055)

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 months ended June 30, 2014 related to four aircraft held for sale and the loss for the three months ended June 30, 2013 related to two aircraft held for sale.

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Recurring Fair Value Measurements

The following table summarizes the financial instruments we had as of June 30, 2014, 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 June 30, 2014	Balance Sheet Classification
Rabbi Trust investments	$6,491	$—	$—	$6,491	Other assets
Total assets	$6,491	$—	$—	$6,491	
Contingent consideration: [1]					
Current	$—	$—	$7,710	$7,710	Other accrued liabilities
Long-term	—	—	23,805	23,805	Other liabilities and deferred credits
Total liabilities	$—	$—	$31,515	$31,515	

(1) Relates to our investment in Cougar Helicopters Inc. (“Cougar”). For further details on the Cougar investment, see Note 3 to the fiscal year 2014 Financial Statements.

The following table summarizes the financial instruments we had as of March 31, 2014, 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, 2014	Balance Sheet Classification
Rabbi Trust investments	$6,599	$—	$—	$6,599	Other assets
Total assets	$6,599	$—	$—	$6,599	
Contingent consideration: [1]					
Current	$—	$—	$7,652	$7,652	Other accrued liabilities
Long-term	—	—	23,670	23,670	Other liabilities and deferred credits
Total liabilities	$—	$—	$31,322	$31,322	

(1) Relates to our investment in Cougar. For further details on the Cougar investment, see Note 3 to the fiscal year 2014 Financial Statements.

The rabbi trust investments consist of cash and mutual funds whose fair value are 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.

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The following table provides a rollforward of the contingent consideration liability Level 3 fair value measurements during the three months ended June 30, 2014 (in thousands):

	Significant Unobservable Inputs (Level 3)
Balance as of March 31, 2014	$31,322
Change in fair value of contingent consideration	193
Balance as of June 30, 2014	$31,515

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 June 30 and March 31, 2014, 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):

	June 30, 2014		March 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
6¼% Senior Notes	$438,745	$483,750	$450,000	$477,000
Term Loan	225,505	225,505	226,604	226,604
3% Convertible Senior Notes	110,923	145,694	109,904	142,382
Revolving Credit Facility	152,000	152,000	24,000	24,000
Eastern Airways debt	27,271	27,271	29,911	29,911
Other	664	664	883	883
	$955,108	$1,034,884	$841,302	$900,780

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.

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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 June 30, 2014, we had 37 aircraft on order and options to acquire an additional 51 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 2014 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 and other SAR contracts.

	Nine Months Ending March 31, 2015	Fiscal Year Ending March 31,				
		2016	2017	2018	2019 and thereafter	Total
Commitments as of June 30, 2014: (1)						
Number of aircraft:						
Medium	7	—	—	—	—	7
Large (2)	5	7	4	—	—	16
SAR configured	5	9	—	—	—	14
	17	16	4	—	—	37
Related expenditures (in thousands)(3)						
Medium and large	$205,553	$126,293	$49,234	$—	$—	$381,080
SAR configured	167,887	109,050	—	—	—	276,937
	$373,440	$235,343	$49,234	$—	$—	$658,017
Options as of June 30, 2014: (2)						
Number of aircraft:						
Medium	—	6	7	7	—	20
Large (2)	—	4	14	12	1	31
	—	10	21	19	1	51
Related expenditures (in thousands)(3)	$46,014	$263,627	$440,060	$265,346	$12,108	$1,027,155

(1) Signed client contracts are currently in place that will utilize 19 of these aircraft.

(2) Five large aircraft on order and seven large aircraft under options expected to enter service between fiscal years 2016 and 2019 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 the three months ended June 30, 2014:

	Orders	Options
Beginning of period	43	55
Aircraft delivered	(9)	—
Exercised options	3	(3)
Expired options	—	(1)
End of period	37	51

We periodically purchase aircraft for which we have no orders.

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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, except for those with terms of a month or less that were not renewed, was $33.1 million and $23.1 million for the three months ended June 30, 2014 and 2013, respectively, which includes rental expense incurred under operating leases for aircraft of $26.4 million and $18.1 million, respectively.

We did not enter into any sale leasebacks during the three months ended June 30, 2014 and 2013.

The aircraft leases range from base terms of five 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 June 30, 2014:

End of Lease Term	Number of Aircraft	Monthly Lease Payments (in thousands)
Nine months ending March 31, 2015 to fiscal year 2016	6	$ 1,001
Fiscal year 2017 to fiscal year 2019	27	4,297
Fiscal year 2020 to fiscal year 2024	26	2,751
	59	$ 8,049

Employee Agreements — Approximately 48% of our employees are represented by collective bargaining agreements and/or unions. These agreements generally include annual escalations of up to 8%. Periodically, certain groups of our employees who are not covered by a collective bargaining agreement consider entering into such an agreement. During the three months ended June 30, 2014, we recognized $1.0 million in severance expense included in direct costs and general administrative expense in our North America business unit primarily as a result of our planned closure of our Alaska operations. Additionally, we have employee agreements with members of senior management. For further details on the retirement of our President and Chief Executive Officer, see Note 7.

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 Purchase Obligations — As of June 30, 2014, we had $87.7 million of other purchase obligations representing unfilled purchase orders for aircraft parts, commitments associated with upgrading facilities at our bases and non-cancelable power-by-the-hour maintenance commitments.

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 22, 2012, an incident occurred with an Airbus Helicopters 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.

This incident resulted in the CAAs in the U.K. and Norway issuing safety directives in October 2012, requiring operators to suspend operations of the affected aircraft and our cessation of operations a total of 16 large Airbus Helicopters aircraft for a period of time pending determination of the root cause of the gear shaft failure that resulted in the incident. 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 which allows the EC225 to safely fly without the new shaft. We commenced return to operational service of our EC225 fleet in the third quarter of fiscal year 2014. The gear shaft has been redesigned and, in April 2014, Airbus Helicopters advised us that the EASA has certified the new shaft with the expectation that the global oil and gas fleet will have the new shaft installed in the next twelve to twenty four months. All but one of these aircraft are available for revenue service. 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.

On February 20, 2014, the U.K. CAA issued a report detailing the findings and recommendations from its review of helicopter transport operations serving offshore installations in the U.K. The report, commonly referred to as CAP 1145, contains more than 60 safety actions and recommendations to improve the safety of offshore helicopter transport. Ten of the recommendations are designed to improve the survivability of passengers and crew following a ditching or impact in water.

One safety directive, which will go into effect on September 1, 2014, will restrict seating capacity on some aircraft in the North Sea until new passenger emergency breathing systems are available or side floats are installed. Operational restrictions when sea states are above a certain prescribed level were effective on June 1, 2014 and further requirements will be implemented over the next 12 months, including flight prohibition of individuals whose size exceeds the dimensions of emergency egress windows. Training of the North Sea offshore workforce on the new breathing systems has commenced and roll-out of the new passenger life jackets incorporating this system will commence mid-August. We expect most locations to have these in place by the September 1, 2014 deadline, but there is a possibility that some passenger capacity restrictions may be necessary which could lead to additional flights being required by our clients.

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.

Note 6 — TAXES

Our effective income tax rates were 20.8% and 22.0% for the three months ended June 30, 2014 and 2013, respectively. Our effective tax rate was 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 June 30, 2014, there were $4.3 million of unrecognized tax benefits, all of which would have an impact on our effective tax rate, if recognized. The uncertain tax benefits relate to pre-acquisition tax matters for the February 2014 acquisition of a 60% interest in Eastern Airways and are the subject of an indemnity, for which a corresponding indemnity asset has been established in the amount of $4.2 million.

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 June 30,	
	2014	2013
Service cost for benefits earned during the period	$2,246	$2,051
Interest cost on pension benefit obligation	6,929	6,538
Expected return on assets	(8,223)	(7,102)
Amortization of unrecognized losses	1,768	1,877
Net periodic pension cost	$2,720	$3,364

We pre-funded our contributions of £12.5 million ($20.8 million) to our U.K. Staff pension plan for fiscal year 2015 in the last quarter of fiscal year 2014. The current estimates of our cash contributions to our U.K. pension plans and Norwegian pension plan for fiscal year 2015 are $21.2 million and $7.9 million, respectively, of which $5.1 million and $3.2 million, respectively, were paid during the three months ended June 30, 2014.

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 June 30, 2014, 2,395,125 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 2014 Financial Statements.

Total stock-based compensation expense, which includes stock options and restricted stock, totaled $4.2 million and $2.9 million for the three months ended June 30, 2014 and 2013, respectively. Stock-based compensation expense has been allocated to our various business units.

During the three months ended June 30, 2014, we awarded 152,924 shares of restricted stock at an average grant date fair value of $74.48 per share. Also during the three months ended June 30, 2014, 445,453 stock options were granted. The following table shows the assumptions used to compute the stock-based compensation expense for stock options granted during the three months ended June 30, 2014:

Risk free interest rate	1.65	%
Expected life (years)	6	
Volatility	30.1	%
Dividend yield	2.06	%
Weighted average exercise price of options granted	$74.52 per option	
Weighted average grant-date fair value of options granted	$17.21 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 June 30 and March 31, 2014 was $10.8 million and $16.7 million, respectively, and represents an accrual based on the fair value of the awards on those dates. The decrease in the liability during the three months ended June 30, 2014 resulted from the payout in June 2014 of the awards granted in June 2011, partially offset by the value of the new awards granted in June 2014. Any changes in fair value of the awards in future quarters will increase or decrease the liability and impact results in those periods. The effect, 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 June 30, 2014 and 2013 was $2.1 million and $1.8 million, respectively.

Retirement of President and Chief Executive Officer

On February 3, 2014, the Company announced that William E. Chiles would resign as President and Chief Executive Officer of the Company effective upon the conclusion of the 2014 annual meeting of the stockholders of the Company that was held on July 31, 2014. On June 9, 2014, Jonathan E. Baliff began serving as President and on July 31, 2014 assumed the additional role of Chief Executive Officer of the Company. Mr. Baliff also became a member of the Board of Directors of the Company effective July 31, 2014. Mr. Chiles will remain an employee of the Company and will provide consulting services to the Company.

Mr. Chiles and the Company have entered into a Retirement and Consulting Agreement, dated January 30, 2014 (the “Agreement”) to specify the terms of his continued employment with the Company. Upon his resignation as an officer, Mr. Chiles will be entitled to a lump sum cash payment of $3.8 million, which is equivalent to the amount that would be payable as severance under the employment agreement that was in effect prior to the execution of the Agreement. In addition, all outstanding long-term incentive awards other than awards granted in 2014 will fully vest. Under the terms of the Agreement, following his resignation as an officer and ending July 31, 2016, Mr. Chiles will provide consulting services to us relating to the achievement of certain business objectives and matters of strategy. Mr. Chiles is not eligible to receive grants of equity awards following the effective date of his resignation as an officer. The Agreement contains certain restrictive covenants and confidentiality provisions, including non-compete and non-solicitation obligations continuing for 18 months after Mr. Chiles terminates all employment and consulting services with us, and a mutual non-disparagement provision. We recorded compensation expense, included in general and administrative expense, of $3.7 million during the three months ended June 30, 2014 related to the Agreement.

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Note 8 — DIVIDENDS, SHARE REPURCHASES, EARNINGS PER SHARE AND ACCUMULATED OTHER COMPREHENSIVE INCOME

Dividends

On July 31, 2014, our board of directors approved a dividend of $0.32 per share of Common Stock, payable on September 15, 2014 to shareholders of record on August 29, 2014. See discussion of our dividends in Note 11 to our fiscal year 2014 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

During the three months ended June 30, 2014, we spent $20.2 million to repurchase 270,598 shares of our Common Stock. Subsequently, from July 1, 2014 through July 31, 2014, we spent $3.8 million to repurchase 52,428 additional shares of our Common Stock. As of July 31, 2014, we had $31.7 million of repurchase authority remaining from $133.4 million that was authorized for share repurchases between November 5, 2013 and November 5, 2014. For additional information on our repurchases of Common Stock, see “Share Repurchases” in Note 11 to the fiscal year 2014 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.

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 and restricted stock awards, which were outstanding during the period but were anti-dilutive, as follows:

	Three Months Ended June 30,	
	2014	2013
Options:		
Outstanding	302,447	396,801
Weighted average exercise price	$62.17	$47.40
Restricted stock awards:		
Outstanding	43,391	43,077
Weighted average price	$74.46	$62.65

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

	Three Months Ended June 30,	
	2014	2013
Net income available to common stockholders (in thousands):		
Income available to common stockholders – basic	$44,109	$26,886
Interest expense on assumed conversion of 3% Convertible Senior Notes, net of tax (1)	—	—
Income available to common stockholders – diluted	$44,109	$26,886
Shares:		
Weighted average number of common shares outstanding – basic	35,564,328	36,182,708
Assumed conversion of 3% Convertible Senior Notes outstanding during the period (1)	—	—
Net effect of dilutive stock options and restricted stock awards based on the treasury stock method	301,578	393,577
Weighted average number of common shares outstanding – diluted	35,865,906	36,576,285
Basic earnings per common share	$1.24	$0.74
Diluted earnings per common share	$1.23	$0.74

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(1) Diluted earnings per common share for the three months ended June 30, 2014 and 2013 excludes a number of potentially dilutive shares determined pursuant to a specified formula 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 June 30, 2014, the base conversion price of the notes was approximately $74.05, based on the base conversion rate of 13.5048 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 8.7781 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 months ended June 30, 2014 and 2013 as our average stock price during these periods did not meet or exceed the conversion requirements.

Accumulated Other Comprehensive Income

The following table sets forth the changes in the balances of each component of accumulated other comprehensive income:

	Currency Translation Adjustments	Pension Liability Adjustments (1)	Total
Balance as of March 31, 2014	$57,812	$(214,318)	$(156,506)
Other comprehensive income before reclassification	9,208	—	9,208
Reclassified from accumulated other comprehensive income	—	—	—
Net current period other comprehensive income	9,208	—	9,208
Foreign exchange rate impact	5,717	(5,717)	—

Balance at June 30, 2014	$72,737	$(220,035)	$(147,298)

(1) Reclassification of amounts related to pension liability adjustments are included as a component of net periodic pension cost.

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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., which are included in Corporate and other.
The following shows business unit information for the three months ended June 30, 2014 and 2013 and as of June 30 and March 31, 2014, where applicable, reconciled to consolidated totals, and prepared on the same basis as our condensed consolidated financial statements (in thousands):

	Three Months Ended June 30,	
	2014	2013
Business unit gross revenue from external clients:		
Europe	$228,405	$166,709
West Africa	82,856	79,381
North America	57,642	58,582
Australia	51,603	43,998
Other International	35,526	32,975
Corporate and other	16,506	17,349
Total business unit gross revenue	$472,538	$398,994
Intra-business unit gross revenue:		
Europe	$161	$—
West Africa	—	—
North America	—	(16)
Australia	—	—
Other International	8	—
Corporate and other	771	863
Total intra-business unit gross revenue	$940	$847
Consolidated gross revenue reconciliation:		
Europe	$228,566	$166,709
West Africa	82,856	79,381
North America	57,642	58,566
Australia	51,603	43,998
Other International	35,534	32,975
Corporate and other	17,277	18,212
Intra-business unit eliminations	(940)	(847)
Total consolidated gross revenue	$472,538	$398,994

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

	Three Months Ended June 30, 2014	2013
Earnings from unconsolidated affiliates, net of losses – equity method investments:		
Europe	$374	$3,040
North America	(466)	(8)
Other International	4,373	8,940
Total earnings from unconsolidated affiliates, net of losses – equity method investments	$4,281	$11,972
Consolidated operating income (loss) reconciliation:		
Europe	$40,369	$20,021
West Africa	16,662	19,253
North America	12,546	8,123
Australia	2,253	3,280
Other International	10,402	18,442
Corporate and other	(17,650)	(11,279)
Gain (loss) on disposal of assets	610	(1,721)
Total consolidated operating income	$65,192	$56,119
Depreciation and amortization:		
Europe	$9,722	$7,248
West Africa	3,539	3,260
North America	4,776	6,139
Australia	3,609	1,889
Other International	3,404	3,630
Corporate and other	284	653
Total depreciation and amortization	$25,334	$22,819

	June 30, 2014	March 31, 2014
Identifiable assets:		
Europe	$913,427	$932,803
West Africa	444,995	454,161
North America	521,250	487,659
Australia	358,856	260,483
Other International	574,699	579,571
Corporate and other	727,491	683,580
Total identifiable assets [(1)]	$3,540,718	$3,398,257
Investments in unconsolidated affiliates – equity method investments:		
Europe	$710	$1,067
North America	61,104	61,570
Other International	197,855	193,692
Total investments in unconsolidated affiliates – equity method investments	$259,669	$256,329

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(1) Includes $558.7 million and $477.9 million of construction in progress within property and equipment on our condensed consolidated balance sheets as of June 30 and March 31, 2014, respectively, which primarily represents progress payments on aircraft to be delivered in future periods.

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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 6$^{1}/4$% Senior Notes 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.

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

Supplemental Condensed Consolidating Statement of Income
Three Months Ended June 30, 2014

	Parent Company Only	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(In thousands)				
Revenue:					
Gross revenue	$—	$75,637	$396,901	$—	$472,538
Intercompany revenue	553	24,826	—	(25,379)	—
	553	100,463	396,901	(25,379)	472,538
Operating expense:					
Direct cost and reimbursable expense	—	53,065	273,406	—	326,471
Intercompany expenses	—	—	25,379	(25,379)	—
Depreciation and amortization	(142)	10,215	15,261	—	25,334
General and administrative	18,337	10,099	31,996	—	60,432
	18,195	73,379	346,042	(25,379)	412,237
Gain (loss) on disposal of assets	—	1,338	(728)	—	610
Earnings from unconsolidated affiliates, net of losses	36,992	—	4,281	(36,992)	4,281
Operating income	19,350	28,422	54,412	(36,992)	65,192
Interest expense, net	27,518	(1,006)	(33,639)	—	(7,127)
Other income (expense), net	(928)	(72)	(239)	—	(1,239)
Income before provision for income taxes	45,940	27,344	20,534	(36,992)	56,826
Allocation of consolidated income taxes	(1,813)	233	(10,243)	—	(11,823)
Net income	44,127	27,577	10,291	(36,992)	45,003
Net income attributable to noncontrolling interests	(18)	—	(876)	—	(894)
Net income attributable to Bristow Group	$44,109	$27,577	$9,415	$(36,992)	$44,109

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

Supplemental Condensed Consolidating Statement of Income
Three Months Ended June 30, 2013

	Parent Company Only (In thousands)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue:					
Gross revenue	$—	$76,643	$322,351	$—	$398,994
Intercompany revenue	374	20,366	—	(20,740)	—
	374	97,009	322,351	(20,740)	398,994
Operating expense:					
Direct cost and reimbursable expense	—	57,444	234,555	—	291,999
Intercompany expenses	—	—	20,740	(20,740)	—
Depreciation and amortization	717	10,683	11,419	—	22,819
General and administrative	11,790	7,585	20,933	—	40,308
	12,507	75,712	287,647	(20,740)	355,126
Gain (loss) on disposal of assets	—	1,388	(3,109)	—	(1,721)
Earnings from unconsolidated affiliates, net of losses	31,750	—	13,972	(31,750)	13,972
Operating income	19,617	22,685	45,567	(31,750)	56,119
Interest expense, net	7,601	(31)	(27,821)	—	(20,251)
Other income (expense), net	2	14	(1,382)	—	(1,366)
Income before provision for income taxes	27,220	22,668	16,364	(31,750)	34,502
Allocation of consolidated income taxes	(317)	(525)	(6,748)	—	(7,590)
Net income	26,903	22,143	9,616	(31,750)	26,912
Net income attributable to noncontrolling interests	(17)	—	(9)	—	(26)
Net income attributable to Bristow Group	$26,886	$22,143	$9,607	$(31,750)	$26,886

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

Supplemental Condensed Consolidating Statement of Comprehensive Income
Three Months Ended June 30, 2014

	Parent Company Only	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(In thousands)				
Net income	$44,127	$27,577	$10,291	$(36,992)	$45,003
Other comprehensive income (loss):					
Currency translation adjustments	(7,036)	—	(19,645)	35,672	8,991
Total comprehensive income (loss)	37,091	27,577	(9,354)	(1,320)	53,994
Net income attributable to noncontrolling interests	(18)	—	(876)	—	(894)
Currency translation adjustments attributable to noncontrolling interests	—	—	217	—	217
Total comprehensive income attributable to noncontrolling interests	(18)	—	(659)	—	(677)
Total comprehensive income (loss) attributable to Bristow Group	$37,073	$27,577	$(10,013)	$(1,320)	$53,317

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

Supplemental Condensed Consolidating Statement of Comprehensive Income
Three Months Ended June 30, 2013

	Parent Company Only	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(In thousands)				
Net income	$26,903	$22,143	$9,616	$(31,750)	$26,912
Other comprehensive income:					
Currency translation adjustments	920	—	(6,947)	1,598	(4,429)
Total comprehensive income	27,823	22,143	2,669	(30,152)	22,483
Net income attributable to noncontrolling interests	(17)	—	(9)	—	(26)
Currency translation adjustments attributable to noncontrolling interests	—	—	(130)	—	(130)
Total comprehensive income attributable to noncontrolling interests	(17)	—	(139)	—	(156)
Total comprehensive income attributable to Bristow Group	$27,806	$22,143	$2,530	$(30,152)	$22,327

Supplemental Condensed Consolidating Balance Sheet
As of June 30, 2014

	Parent Company Only (In thousands)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$6,660	$—	$129,008	$(1,864)	$133,804
Accounts receivable	28,717	190,627	337,076	(245,822)	310,598
Inventories	—	42,622	108,291	—	150,913
Assets held for sale	—	10,734	19,559	—	30,293
Prepaid expenses and other current assets	3,017	2,691	49,079	—	54,787
Total current assets	38,394	246,674	643,013	(247,686)	680,395
Intercompany investment	1,274,404	111,435	—	(1,385,839)	—
Investment in unconsolidated affiliates	—	—	265,955	—	265,955
Intercompany notes receivable	1,396,993	—	—	(1,396,993)	—
Property and equipment—at cost:					
Land and buildings	977	48,789	100,063	—	149,829
Aircraft and equipment	75,313	1,356,491	1,397,111	—	2,828,915
	76,290	1,405,280	1,497,174	—	2,978,744
Less: Accumulated depreciation and amortization	(12,897)	(216,061)	(307,404)	—	(536,362)
	63,393	1,189,219	1,189,770	—	2,442,382
Goodwill	—	4,755	53,016	—	57,771
Other assets	200,034	1,363	53,045	(160,227)	94,215
Total assets	$2,973,218	$1,553,446	$2,204,799	$(3,190,745)	$3,540,718
LIABILITIES AND STOCKHOLDERS' INVESTMENT					
Current liabilities:					
Accounts payable	$10,930	$81,352	$173,202	$(163,206)	$102,278
Accrued liabilities	15,991	28,314	150,319	(6,834)	187,790
Current deferred taxes	(4,728)	(1,409)	20,227	—	14,090
Short-term borrowings and current maturities of long-term debt	5,679	—	8,172	—	13,851
Deferred sale leaseback advance	—	152,347	—	—	152,347
Total current liabilities	27,872	260,604	351,920	(170,040)	470,356
Long-term debt, less current maturities	921,494	—	19,763	—	941,257
Intercompany notes payable	—	425,169	1,209,665	(1,634,834)	—
Accrued pension liabilities	—	—	82,365	—	82,365
Other liabilities and deferred credits	11,265	22,539	26,072	—	59,876
Deferred taxes	150,507	9,614	19,111	—	179,232
Temporary equity	—	—	24,245	—	24,245
Stockholders' investment:					

Common stock	374	4,996	22,876	(27,872)	374
Additional paid-in-capital	767,918	9,291	270,905	(280,196)	767,918
Retained earnings	1,277,976	821,233	186,574	(1,007,807)	1,277,976
Accumulated other comprehensive loss	(61,755)	—	(15,547)	(69,996)	(147,298)
Treasury shares	(124,122)	—	—	—	(124,122)
Total Bristow Group stockholders' investment	1,860,391	835,520	464,808	(1,385,871)	1,774,848
Noncontrolling interests	1,689	—	6,850	—	8,539
Total stockholders' investment	1,862,080	835,520	471,658	(1,385,871)	1,783,387
Total liabilities and stockholders' investment	$2,973,218	$1,553,446	$2,204,799	$(3,190,745)	$3,540,718

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

Supplemental Condensed Consolidating Balance Sheet
As of March 31, 2014

	Parent Company Only	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(In thousands)				
ASSETS					
Current assets:					
Cash and cash equivalents	$4,640	$—	$200,147	$(446)	$204,341
Accounts receivable	32,280	104,155	310,288	(149,280)	297,443
Inventories	—	40,864	96,599	—	137,463
Assets held for sale	—	8,505	20,771	—	29,276
Prepaid expenses and other current assets	3,882	3,258	45,944	—	53,084
Total current assets	40,802	156,782	673,749	(149,726)	721,607
Intercompany investment	1,273,337	111,435	—	(1,384,772)	—
Investment in unconsolidated affiliates	—	—	262,615	—	262,615
Intercompany notes receivable	1,286,354	—	—	(1,286,354)	—
Property and equipment—at cost:					
Land and buildings	977	49,499	95,497	—	145,973
Aircraft and equipment	64,094	1,357,126	1,224,930	—	2,646,150
	65,071	1,406,625	1,320,427	—	2,792,123
Less: Accumulated depreciation and amortization	(13,057)	(211,385)	(298,930)	—	(523,372)
	52,014	1,195,240	1,021,497	—	2,268,751
Goodwill	—	4,755	51,925	—	56,680
Other assets	204,679	1,462	50,392	(167,929)	88,604
Total assets	$2,857,186	$1,469,674	$2,060,178	$(2,988,781)	$3,398,257
LIABILITIES AND STOCKHOLDERS' INVESTMENT					
Current liabilities:					
Accounts payable	$8,298	$67,728	$157,297	$(143,505)	$89,818
Accrued liabilities	36,442	32,084	141,423	(5,451)	204,498
Current deferred taxes	(7,640)	(1,342)	21,354	—	12,372
Short-term borrowings and current maturities of long-term debt	4,543	—	9,664	—	14,207
Deferred sale leaseback	—	136,930	—	—	136,930
Total current liabilities	41,643	235,400	329,738	(148,956)	457,825
Long-term debt, less current maturities	805,965	—	21,130	—	827,095
Intercompany notes payable	—	378,983	1,076,292	(1,455,275)	—
Accrued pension liabilities	—	—	86,823	—	86,823
Other liabilities and deferred credits	13,750	37,876	26,500	—	78,126
Deferred taxes	144,461	9,472	15,586	—	169,519
Temporary equity	—	—	22,283	—	22,283

Stockholders' investment:					
Common stock	373	4,996	22,876	(27,872)	373
Additional paid-in-capital	762,813	9,291	270,905	(280,196)	762,813
Retained earnings	1,245,220	793,656	177,159	(970,815)	1,245,220
Accumulated other comprehensive income (loss)	(54,719)	—	3,880	(105,667)	(156,506)
Treasury shares	(103,965)	—	—	—	(103,965)
Total Bristow Group stockholders' investment	1,849,722	807,943	474,820	(1,384,550)	1,747,935
Noncontrolling interests	1,645	—	7,006	—	8,651
Total stockholders' investment	1,851,367	807,943	481,826	(1,384,550)	1,756,586
Total liabilities and stockholders' investment	$2,857,186	$1,469,674	$2,060,178	$(2,988,781)	$3,398,257

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

Supplemental Condensed Consolidating Statement of Cash Flows
Three Months Ended June 30, 2014

	Parent Company Only	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(In thousands)				
Net cash provided by (used in) operating activities	$(22,755)	$54,360	$7,158	$(1,418)	$37,345
Cash flows from investing activities:					
Capital expenditures	(11,219)	(98,694)	(90,534)	—	(200,447)
Proceeds from asset dispositions	—	6,423	220	—	6,643
Net cash used in investing activities	(11,219)	(92,271)	(90,314)	—	(193,804)
Cash flows from financing activities:					
Proceeds from borrowings	147,500	—	544	—	148,044
Debt issuance costs	—	—	—	—	—
Repayment of debt	(31,891)	—	(3,957)	—	(35,848)
Dividends paid	(11,353)	—	—	—	(11,353)
Increases (decreases) in cash related to intercompany advances and debt	(49,231)	37,911	11,320	—	—
Partial prepayment of put/call obligation	(15)	—	—	—	(15)
Acquisition of noncontrolling interest	—	—	—	—	—
Proceeds from assignment of aircraft purchases	—	—	—	—	—
Repurchase of Common Stock	(20,157)	—	—	—	(20,157)
Issuance of Common Stock	975	—	—	—	975
Tax benefit related to stock-based compensation	166	—	—	—	166
Net cash provided by financing activities	35,994	37,911	7,907	—	81,812
Effect of exchange rate changes on cash and cash equivalents	—	—	4,110	—	4,110
Net increase (decrease) in cash and cash equivalents	2,020	—	(71,139)	(1,418)	(70,537)
Cash and cash equivalents at beginning of period	4,640	—	200,147	(446)	204,341
Cash and cash equivalents at end of period	$6,660	$—	$129,008	$(1,864)	$133,804

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

Supplemental Condensed Consolidating Statement of Cash Flows
Three Months Ended June 30, 2013

	Parent Company Only (In thousands)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$(11,746)	$33,434	$14,725	$—	$36,413
Cash flows from investing activities:					
Capital expenditures	(5,283)	(168,239)	(6,010)	—	(179,532)
Proceeds from asset dispositions	—	1,893	—	—	1,893
Net cash used in investing activities	(5,283)	(166,346)	(6,010)	—	(177,639)
Cash flows from financing activities:					
Proceeds from borrowings	102,000	—	1,357	—	103,357
Debt issuance costs	(12,733)	—	—	—	(12,733)
Repayment of debt	(1,153)	—	(580)	—	(1,733)
Dividends paid	(9,045)	—	—	—	(9,045)
Increases (decreases) in cash related to intercompany advances and debt	(98,544)	130,801	(32,257)	—	—
Partial prepayment of put/call obligation	(14)	—	—	—	(14)
Issuance of Common Stock	3,004	—	—	—	3,004
Tax benefit related to stock-based compensation	2,522	—	—	—	2,522
Net cash provided by (used in) financing activities	(13,963)	130,801	(31,480)	—	85,358
Effect of exchange rate changes on cash and cash equivalents	—	—	237	—	237
Net decrease in cash and cash equivalents	(30,992)	(2,111)	(22,528)	—	(55,631)
Cash and cash equivalents at beginning of period	31,853	5,370	178,400	—	215,623
Cash and cash equivalents at end of period	$861	$3,259	$155,872	$—	$159,992

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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 June 30, 2014, and the related condensed consolidated statements of income and comprehensive income and cash flows for the three-month periods ended June 30, 2014 and 2013. 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, 2014, 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 21, 2014 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, 2014 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
August 4, 2014

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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, 2014 (the "fiscal year 2014 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 June 30, 2014 and 2013, 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, 2015 is referred to as "fiscal year 2015."

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 production, 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 and offshore;
- 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 or our suppliers will be unable to deliver new aircraft on time or on budget;
- the possibility that we may be unable to obtain financing or we may be unable to draw on our credit facilities;
- the possibility that we may lack sufficient liquidity to continue to repurchase shares or pay a quarterly dividend;
- 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;
- the possibility that customers may reject our aircraft due to late delivery or unacceptable aircraft design or operability; and
- the possibility that we do not achieve the anticipated benefits 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 2014 Annual 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 private sector SAR services in Australia, Canada, Norway, Russia and Trinidad, and we provide public sector SAR services in North Scotland on behalf of the Maritime & Coastguard Agency. Additionally, in March 2013 we were awarded a contract to provide public sector SAR services for all of the U.K. We are completing construction of certain facilities, ordering of aircraft and training of personnel, and the contract awarded in March 2013 will commence during fiscal year 2016.

We generated 83%, 81% 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 Quarter. 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 primarily 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,

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and provide technical services to clients in the U.S. and U.K. As of June 30, 2014, we operated 363 aircraft (including 257 owned aircraft and 91 leased aircraft; 15 of the owned aircraft are held for sale) and our unconsolidated affiliates operated 131 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 June 30, 2014; (2) the number of helicopters which we had on order or under option as of June 30, 2014; and (3) the percentage of operating revenue which each of our business units provided during the Current Quarter. 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.

		Aircraft in Consolidated Fleet							
		Helicopters							
	Percentage of Current Quarter Operating Revenue	Small	Medium	Large	Training	Fixed Wing	Total [1][2]	Unconsolidated Affiliates [3]	Total
Europe	46 %	—	8	62	—	30	100	—	100
West Africa	18 %	8	29	7	—	3	47	—	47
North America	13 %	33	23	13	—	—	69	—	69
Australia	11 %	2	8	19	—	—	29	—	29
Other International	8 %	2	33	10	—	—	45	131	176
Corporate and other	4 %	—	—	—	73	—	73	—	73
Total	100 %	45	101	111	73	33	363	131	494
Aircraft not currently in fleet: [4]									
On order		—	7	30	—	—	37		
Under option		—	20	31	—	—	51		

[1] Includes 15 aircraft held for sale and 91 leased aircraft as follows:

	Held for Sale Aircraft in Consolidated Fleet					
	Helicopters					
	Small	Medium	Large	Training	Fixed Wing	Total
Europe	—	—	5	—	—	5
West Africa	—	2	—	—	—	2
North America	—	—	—	—	—	—
Australia	—	—	1	—	—	1
Other International	2	4	—	—	—	6
Corporate and other	—	—	—	1	—	1
Total	2	6	6	1	—	15

	Leased Aircraft in Consolidated Fleet					
	Helicopters					
	Small	Medium	Large	Training	Fixed Wing	Total
Europe	—	1	20	—	13	34
West Africa	—	1	1	—	—	2
North America	1	13	4	—	—	18

Australia	2	2	4	—	—	8
Other International	—	—	—	—	—	—
Corporate and other	—	—	—	29	—	29
Total	3	17	29	29	13	91

(2) The average age of our fleet, excluding training aircraft, was ten years as of June 30, 2014.

(3) The 131 aircraft operated by our unconsolidated affiliates do not include those aircraft leased from us. Includes 57 helicopters (primarily medium) and 29 fixed wing aircraft owned and managed by Líder Táxi Aéreo S.A. (“Líder”), our unconsolidated affiliate in Brazil, which is included in our Other International business unit.

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

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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 progress. 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 163 and our historical LACE and LACE rate is as follows:

	Current Quarter	Fiscal Year Ended March 31, 2014	2013	2012	2011	2010
LACE	163	158	158	149	153	159
LACE Rate (in millions)	$9.55	$9.34	$8.35	$7.89	$7.15	$6.49

The following table presents the distribution of LACE aircraft owned and leased, and the percentage of LACE leased as of June 30, 2014. The percentage of LACE leased is calculated by taking the total LACE for leased aircraft divided by the total LACE for all aircraft we operate, including both owned and leased aircraft.

	LACE Owned Aircraft	Leased Aircraft	Percentage of LACE leased	
Europe	41	21	34	%
West Africa	21	2	7	%
North America	22	11	33	%
Australia	17	6	24	%
Other International	25	—	—	%
Total	125	38	23	%

Since February 2012, we have focused on an integrated company-wide project to move towards Operational Excellence through standardization and simplification. Our Operational Excellence effort is an evolution not a revolution, and is in keeping with our promise to clients for continued improvement. These initiatives involve focusing on innovation, simplification and standardization to create a step change in safety and operational performance, while seeking to reduce financial risk and increase performance predictability. Our Operational Excellence initiatives include measured, multi-year changes to many of our assets including information technology infrastructure and overall fleet composition including fleet rationalization and simplification from operating 28 different helicopter types, including sub-types, currently to the expected operation of eight fleet types in approximately five years and five fleet types in approximately ten years. Significant business transformation work is also underway including integrated operations planning and inventory optimization.

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Our Strategy

Our goal is to strengthen our position as the leading helicopter services provider to the offshore energy industry and a leading helicopter services provider 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.” This program is designed to help our clients better achieve their offshore objectives by providing higher hours of zero-accident flight time with on-time and up-time helicopter transportation service. We maintain close relationships with our clients’ field operations, corporate management and contacts at governmental agencies which 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. 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. We also leverage our close relationships with our industry peers to establish mutually beneficial operating practices and safety standards industry-wide.
- Grow our business while managing our assets. We plan 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. Additionally, new opportunities may result in growth through acquisitions, participation with existing unconsolidated affiliates, investing in new companies, or creating partnerships and alliances with existing industry participants. We are also actively managing our aircraft fleet with the expressed goal of continually renewing the fleet with newer technology aircraft, while also reducing the number of fleet types we operate. We expect that a reduction in the number of fleet types we operate will allow us to realize operating, maintenance, inventory and supply chain efficiencies across a more standardized global fleet of aircraft.
- Execute on Operational Excellence Initiatives. We continue to execute on operational excellence initiatives, with the goal of improving our service delivery and overall value to our clients. We define our objective of ongoing improvement as reaching across four strategic areas: clients, execution, people and growth. We strive for the highest standards in safety performance, mission execution, people management and financial discipline. To continue building client confidence, we have created the role of Service Delivery Manager in each of our business units. We have also appointed a number of global account and business development executives to support our drive to deliver operational excellence to our clients. We are also working to improve operational performance by creating global supply chain and fleet management groups. We are in the process of further standardizing, simplifying and integrating our business processes across our global operations so we can better provide more consistent and high quality service delivery. We are investing in two new technology platforms, eFlight and a new Enterprise Resource Planning platform, to support flight operations and activities such as finance, supply chain and maintenance. The expected benefits of these efforts include fewer process steps, decreased cost, better maintenance turnaround, minimization of aircraft downtime, faster billing and collections, reduced inventory levels and lower risk exposure, which should lead to improved margins, asset turnover, cash flow and Bristow Value Added (“BVA”). We expect the technology execution portion of operational excellence to reduce risk and reinforce our long term 10-15% adjusted diluted earnings per share growth through BVA and earnings per share accretion.

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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 June 30, 2014, aircraft under operating leases accounted for 23% of our LACE. Our adjusted debt to total equity ratio and total liquidity were 80.2% and $331.3 million, respectively, as of June 30, 2014 and 76.4% and $529.9 million, respectively, as of March 31, 2014. Adjusted debt includes the net present value of operating leases totaling $391.3 million and $411.6 million, respectively, letters of credit, bank guarantees and financial guarantees totaling $2.2 million and $2.7 million, respectively, and the unfunded pension liability of $82.4 million and $86.8 million, respectively, as of June 30 and March 31, 2014.
- Highest return. Our internal financial management framework, called BVA, focuses on the returns we deliver across our organization. BVA is a financial performance measure customized for the Company to measure gross cash flow less a capital charge, assumed to be 10.5% of the use of gross invested capital employed. Our goal is to achieve strong improvements in BVA over time by (1) improving the cash returns we earn throughout our organization via operational excellence initiatives and capital efficiency improvements as well as through better pricing based on the differentiated value we deliver to clients via the Bristow Client Promise program; (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 and also encourages management actions that increase the long-term value of the Company.

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- 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 matched our capital deployment alternatives for the current business environment to deliver a more balanced return to our shareholders. On July 31, 2014, our board of directors approved a dividend of $0.32 per common share, our fourteenth 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 the board of directors and may not meet this ratio. Also, our board of directors has authorized expenditures to repurchase shares of common stock, par value $.01 per share ("Common Stock") since November 2011. As of July 31, 2014, we had repurchased 1,918,505 shares of our Common Stock for a total of $128.0 million. Additionally, we had $31.7 million of repurchase authority remaining from $133.4 million that was authorized for share repurchases between November 5, 2013 and 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 2014 Annual Report and Note 8 to the condensed consolidated financial statements included elsewhere in this Quarterly 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 2014 has remained positive, despite short-term challenges. We are currently continuing to experience significant demand for medium and large helicopters. Based on our current contract level and discussions with our clients about their needs for aircraft related to their oil and gas production, development and exploration plans, we anticipate the demand for aircraft services will continue at a high level for the near term although in certain markets such as Australia we have seen a technical delay in clients' equipment resulting in a delay for our service start dates. Further, based on the projects already under development by our clients in the markets in which we currently operate, we anticipate global demand for our services will continue to grow.

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 and governmental agencies where our revenue is dependent on a country's desire to privatize SAR and enter into long-term contracts. SAR service opportunities not related to the oil and gas industry include previously awarded work involving seven aircraft for our U.K. Gap SAR contract, 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.

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 strong demand, should lead to expansion of our business in some of our core markets.

Recent Events

Eastern Airways acquisition — On February 6, 2014, Bristow Helicopters acquired a 60% interest in the privately owned Eastern Airways International Limited ("Eastern Airways") for cash of £27 million ($44 million) with possible earn out consideration of up to £6 million ($10 million) to be paid over a three year period based on the achievement of specified financial performance thresholds. In addition, Bristow Helicopters entered into agreements with the other stockholders of Eastern Airways that grant Bristow Helicopters the right to buy all of their Eastern Airways shares (and grant them the right after seven years to require Bristow Helicopters to buy all of their shares) and include transfer restrictions and other customary provisions. Eastern Airways is a regional fixed wing operator based at Humberside Airport located in North Lincolnshire, England with both charter and scheduled services targeting U.K. oil and gas industry transport. We believe this investment will strengthen Bristow Helicopters' ability to provide a complete suite of point to point transportation services for existing European based passengers, expand helicopter

services in certain areas like the Shetland Islands and create a more integrated logistics solution for global clients.
The acquisition of Eastern Airways is accounted for under the purchase method and the results are consolidated from the date of acquisition in the Europe business unit.
We expect this acquisition will contribute approximately $160 million in operating revenue and $25 million of adjusted EBITDAR on an annual basis.

Retirement of President and Chief Executive Officer — On February 3, 2014, the Company announced that William E. Chiles would resign as President and Chief Executive Officer of the Company effective upon the conclusion of the 2014 annual meeting of the stockholders of the Company that was held on July 31, 2014. On June 9, 2014, Jonathan E. Baliff began serving as President and on July 31, 2014 assumed the additional role of Chief Executive Officer of the Company. Mr. Baliff also became a member of the Board of Directors of the Company effective July 31, 2014. Mr. Chiles will remain an employee of the Company and will provide consulting services to the Company. For further details of the terms of Mr. Chiles Retirement and Consulting Agreement, dated January 30, 2014, see Note 10 to our fiscal year 2014 Financial Statements. Compensation to be paid to Mr. Chiles under this agreement impacted our financial results for fiscal year 2014 and will impact our financial results for fiscal years 2015-2017.

Award of U.K SAR contract — On March 26, 2013, Bristow Helicopters was awarded the U.K. SAR contract with the U.K. Department for Transport ("DfT") to provide SAR services for all of the U.K. 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. We expect the U.K. SAR contract to generate operating revenue, adjusted 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. For further details, see the fiscal year 2014 Annual Report.

Aircraft incidents and fleet changes — On October 22, 2012, an incident occurred with an Airbus Helicopters EC225 Super Puma helicopter operated by another helicopter company, which resulted in a controlled ditching of the aircraft 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.

This incident resulted in the CAAs in the U.K. and Norway issuing safety directives in October 2012, requiring operators to suspend operations of the affected aircraft and our cessation of operations a total of 16 large Airbus Helicopters aircraft for a period of time pending determination of the root cause of the gear shaft failure that resulted in the incident. 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 which allows the EC225 to safely fly without the new shaft. We commenced return to operational service of our EC225 fleet in the third quarter of fiscal year 2014. The gear shaft has been redesigned and, in April 2014, Airbus Helicopters advised us that the EASA has certified the new shaft with the expectation that the global oil and gas fleet will have the new shaft installed in the next twelve to twenty four months. We currently operate 22 of these aircraft including 16 owned and six leased. All but one of these aircraft are available for revenue service. 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.

On February 20, 2014, the U.K. Civil Aviation Authority issued a report detailing the findings and recommendations from its review of helicopter transport operations serving offshore installations in the U.K. The report, commonly referred to as CAP 1145, contains more than 60 safety actions and recommendations to improve the safety of offshore helicopter transport. Ten of the recommendations are designed to improve the survivability of passengers and crew following a ditching or impact in water.

One safety directive, which is scheduled to go into effect on September 1, 2014, will restrict seating capacity on some aircraft in the North Sea until new passenger emergency breathing systems are available or side floats are installed. Operational restrictions when sea states are above a certain prescribed level were effective on June 1, 2014 and further requirements will be implemented over the next 12 months, including the flight prohibition of individuals whose size exceeds the dimensions of emergency egress windows. Training of the North Sea offshore workforce on the new breathing systems has commenced and roll-out of the new passenger life jackets incorporating this system will commence mid-August. We expect most locations to have these in place by the September 1, 2014 deadline, but there is a possibility that some passenger capacity restrictions may be necessary which could lead to additional flights being required by our clients.

We believe CAP 1145 will make our industry safer. We are cooperating with the CAA, the Joint Operator's Review of Safety, and our clients in the North Sea to evaluate and deploy technologies that meet these new safety standards. We remain committed to ensuring that any impact to our operations is managed through our existing safety policies and programs and does not result in an elevated safety risk in the near term. The requirements could present North Sea operators, including us, with significant operational challenges.

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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 EBITDAR, adjusted earnings per share or gross cash flows for purposes of calculating BVA.

As part of an ongoing process to rationalize and simplify our global fleet of helicopters, we plan to reduce our current fleet, consisting of 28 different fleet and sub-fleet types, to eight fleet types in approximately five years and five fleet types in approximately ten years. During fiscal year 2014, we completed our exit from five fleet types and expect to exit from an additional eight fleet types over the next two fiscal years. As we modernize our fleet, we have recently added two new fleet types, the AgustaWestland AW189 large and Sikorsky S-76D medium aircraft; the first AW189 was delivered in April 2014 and is currently operating on revenue service in the U.K. and the first three S-76Ds were delivered in the last two quarters of fiscal year 2014 but are not yet operating on revenue service. This is the first time in five years that we have introduced a new aircraft fleet type into our fleet. These aircraft and other new technology models will comprise our service offering as we reduce the overall number of aircraft in our fleet in the upcoming years.

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 fiscal year 2014, we announced that we won a number of significant long term client contracts, including a new contract in Tanzania which represents our first significant entry into East Africa. This contract is for a minimum of 27 months with two one-year extension options. In Norway, a contract with a major client was renewed starting January 2014 through December 2018, with an option for seven years. This follows four other contracts with three different clients in Europe, each with more than five years' duration. In the U.S. Gulf of Mexico, we were awarded one of our longest contracts, starting in April 2014 for a minimum of three years with two one-year extension options. Additionally, in early fiscal year 2015 we announced that we had won a contract in Australia for three large aircraft operating out of Ceduna in South Australia over 24 months beginning in January 2016. These contracts will utilize a total of twelve large and three medium aircraft and are expected to generate up to $850 million in revenue. 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 began in the fourth quarter of fiscal year 2014 and reinforces our long term commitment to the Australian market.

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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 procured for this market tend to be newer and more sophisticated which is aligned with both our “Client Promise” and Líder's “Decolar” service differentiation programs. Continuing the fleet growth plan, Petrobras has released new tenders for multiple medium and large aircraft expected to commence starting in the middle of calendar year 2015 through calendar year 2016. 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 previously announced that it had 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's operations performed better during fiscal year 2014 as new aircraft began operating, as evidenced by improved earnings from unconsolidated affiliates when excluding certain tax charges discussed in our fiscal year 2014 financial statements. 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 consolidated statements of income, is included in calculating adjusted EBITDAR and adjusted net income.

As discussed in “Item 1A. Risk Factors” in the fiscal year 2014 Annual 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 the application of existing local content regulations that could impact our ability to win future work at levels previously anticipated. In order to properly and fully embrace new regulations, we have made a number of key changes to our operating model in Nigeria, while maintaining safety as our number one priority at all times. The objectives of these changes being (a) enhancing the level of continued compliance by each of Bristow Helicopters Nigeria Ltd. (“BHNL”) and Pan African Airlines Nigeria Ltd. (“PAAN”) with local content regulations, (b) providing technical aviation maintenance services through a wholly-owned Bristow Group entity, BGI Aviation Technical Services Nigeria Limited (“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 aircraft market with a long-term strategy of operating larger aircraft to service Gulf of Mexico deepwater client contracts. During the Current Quarter, we recorded $1.0 million in costs associated with the restructuring of our North America business unit which related primarily to employee severance and retention costs. We expect our exit from the Alaska market to conclude by August 2014 and we expect to incur approximately $0.6 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 Quarter, 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.

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Results of Operations

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

	Three Months Ended June 30, 2014	2013	Favorable (Unfavorable)	
	(In thousands, except per share amounts, percentages and flight hours)			
Gross Revenue:				
Operating revenue	$437,335	$359,547	$77,788	21.6 %
Reimbursable revenue	35,203	39,447	(4,244)	(10.8)%
Total gross revenue	472,538	398,994	73,544	18.4 %
Operating expense:				
Direct cost	293,863	255,256	(38,607)	(15.1)%
Reimbursable expense	32,608	36,743	4,135	11.3 %
Depreciation and amortization	25,334	22,819	(2,515)	(11.0)%
General and administrative	60,432	40,308	(20,124)	(49.9)%
Total operating expense	412,237	355,126	(57,111)	(16.1)%
Gain (loss) on disposal of assets	610	(1,721)	2,331	135.4 %
Earnings from unconsolidated affiliates, net of losses	4,281	13,972	(9,691)	(69.4)%
Operating income	65,192	56,119	9,073	16.2 %
Interest expense, net	(7,127)	(20,251)	13,124	64.8 %
Other income (expense), net	(1,239)	(1,366)	127	9.3 %
Income before provision for income taxes	56,826	34,502	22,324	64.7 %
Provision for income taxes	(11,823)	(7,590)	(4,233)	(55.8)%
Net income	45,003	26,912	18,091	67.2 %
Net income attributable to noncontrolling interests	(894)	(26)	(868)	*
Net income attributable to Bristow Group	$44,109	$26,886	$17,223	64.1 %
Diluted earnings per common share	$1.23	$0.74	$0.49	66.2 %
Operating margin (1)	14.9 %	15.6 %	(0.7)%	(4.5)%
Flight hours (2)	53,178	50,091	3,087	6.2 %
Non-GAAP financial measures: (3)				
Adjusted operating income	$69,304	$57,840	$11,464	19.8 %
Adjusted operating margin (1)	15.8 %	16.1 %	(0.3)%	(1.9)%
Adjusted EBITDAR	$127,623	$102,473	$25,150	24.5 %
Adjusted EBITDAR margin (1)	29.2 %	28.5 %	0.7 %	2.5 %
Adjusted net income	$47,369	$36,504	$10,865	29.8 %
Adjusted diluted earnings per share	$1.32	$1.00	$0.32	32.0 %

* percentage change not meaningful

(1) Operating margin is calculated as operating income divided by operating revenue. Adjusted operating margin is 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.

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(3) 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, gain (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 June 30,	
	2014	2013
	(In thousands, except per share amounts)	
Adjusted operating income	$69,304	$57,840
Gain (loss) on disposal of assets	610	(1,721)
Special items [(i)]	(4,722)	—
Operating income	$65,192	$56,119
Adjusted EBITDAR	$127,623	$102,473
Gain (loss) on disposal of assets	610	(1,721)
Special items [(i)]	(5,594)	—
Depreciation and amortization	(25,334)	(22,819)
Rent expense	(33,116)	(23,061)
Interest expense	(7,363)	(20,370)
Provision for income taxes	(11,823)	(7,590)
Net income	$45,003	$26,912
Adjusted net income	$47,369	$36,504
Gain (loss) on disposal of assets [(ii)]	483	(1,342)
Special items [(i)] [(ii)]	(3,743)	(8,276)
Net income attributable to Bristow Group	$44,109	$26,886
Adjusted diluted earnings per share	$1.32	$1.00
Gain (loss) on disposal of assets [(ii)]	0.01	(0.04)
Special items [(i)] [(ii)]	(0.10)	(0.23)
Diluted earnings per share	1.23	0.74

(i) See information about special items during the Current Quarter and Comparable Quarter under "Current Quarter Compared to Comparable Quarter" 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 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.

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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 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 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 months ended June 30, 2014 and 2013:

	Three Months Ended June 30,			
	2014		2013	
	(In thousands, except percentages)			
Europe	$68,677		$41,492	
West Africa	20,443		23,720	
North America	22,860		17,023	
Australia	11,008		6,774	
Other International	14,708		22,185	
Corporate and other	(10,073	)	(8,721	)
Consolidated adjusted EBITDAR	$127,623		$102,473	
Europe	34.1	%	30.3	%
West Africa	25.6	%	31.3	%
North America	39.7	%	29.2	%
Australia	23.7	%	17.7	%
Other International	41.4	%	67.4	%
Consolidated adjusted EBITDAR margin	29.2	%	28.5	%

Current Quarter Compared to Comparable Quarter

For the Current Quarter, we reported operating income of $65.2 million, net income of $44.1 million and diluted earnings per share of $1.23 compared to operating income of $56.1 million, net income of $26.9 million and diluted earnings per share of $0.74 for the Comparable Quarter. The results for the Current Quarter included $1.0 million in costs related to the restructuring of our North America business unit, $3.7 million in expense related to CEO succession and $0.9 million in premium and fees associated with a repurchase of a portion of our 6 ¼% Senior Notes due 2022 ("6 ¼% Senior Notes"), which had a combined negative impact of $0.10 on diluted earnings per share. Excluding these special items and gains on disposal of assets, adjusted operating income, adjusted net income and adjusted diluted earnings per share were $69.3 million, $47.4 million and $1.32, respectively, for the Current Quarter. Excluding the special item described below and losses on disposal of assets, adjusted operating income, adjusted net income and adjusted diluted earnings per share were $57.8 million, $36.5 million and $1.00, respectively, for the Comparable Quarter.

Adjusted EBITDAR, which excludes the same special items and gain (losses) on disposal of assets, was $127.6 million in the Current Quarter compared to $102.5 million in the Comparable Quarter. Adjusted EBITDAR margin increased from 28.5% in the Comparable Quarter to 29.2% in the Current Quarter, with increases for all business units except West Africa and Other International.

The increase in adjusted EBITDAR, adjusted net income and adjusted diluted earnings per share for the Current Quarter was primarily driven by:

- Increase in activity in our Europe business unit, including the commencement of SAR work under the U.K. Gap SAR contract and addition of Eastern Airways,
- The startup of new contracts in Australia,
- A favorable shift in the mix to larger aircraft under contract that benefited our operations in North America,
- The recovery of $6.8 million from our original equipment manufacturer provided in the form of maintenance credits resulting from a settlement for aircraft performance issues and transportation costs and benefited our Europe and Australia business unit,
- The reversal of $4.4 million in bad debt expense in our North America business unit related to a client that had previously filed for bankruptcy for which we have subsequently settled and collected funds, and
- A favorable impact from changes in foreign currency exchange rates, which resulted in an increase to adjusted EBITDAR of $5.9 million.

Additionally, operating income, net income and diluted earnings per share, on an unadjusted and adjusted basis, were impacted by a $10.1 million increase in rent expense over the Comparable Quarter as we increased the number of leased aircraft.

Gross revenue increased 18.4% to $472.5 million for the Current Quarter from $399.0 million for the Comparable Quarter driven primarily by the addition of new contracts with improved pricing and improvements in flight activity in our Europe ($24.7 million), Australia ($8.3 million) and West Africa ($4.2 million) business units and the acquisition of Eastern Airways in February 2014, which contributed $39.8 million of operating revenue during the Current Quarter. Additionally, a favorable impact from changes in foreign currency rates increased gross revenue by $10.3 million.

Direct costs increased 15.1%, or $38.6 million, to $293.9 million for the Current Quarter from $255.3 million for the Comparable Quarter driven primarily by a $24.5 million increase in salaries and benefits due to increased activity and the acquisition of Eastern Airways in February 2014 and a $9.2 million increase in rent expense primarily due to an increase in the number of leased aircraft.

Reimbursable expense decreased 11.3%, or $4.1 million, to $32.6 million in the Current Quarter from $36.7 million in the Comparable Quarter primarily due to a decrease in our Europe business unit.

Depreciation and amortization increased 11.0%, or $2.5 million, to $25.3 million for the Current Quarter from $22.8 million for the Comparable Quarter. Although we have added aircraft to our fleet, we also increased the number of leased aircraft during fiscal year 2014.

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General and administrative expense increased 49.9%, or $20.1 million, to $60.4 million for the Current Quarter from $40.3 million for the Comparable Quarter primarily due to an overall increase in compensation, professional fees, information technology and training and recruitment expenses. Additionally, during the Current Quarter we recorded $3.7 million in expense related to CEO succession.

Gain (loss) on disposal of assets increased 135.4%, or $2.3 million, to a gain of $0.6 million for the Current Quarter from a loss of $1.7 million for the Comparable Quarter. The gain on disposal of assets in the Current Quarter included a gain of $3.2 million from the sale or disposal of four aircraft and other equipment partially offset by impairment charges totaling $2.6 million related to four held for sale aircraft. During the Comparable Quarter, the loss on disposal of assets included a loss of $0.5 million from the sale or disposal of four aircraft and other equipment and impairment charges totaling $1.2 million related to two held for sale aircraft.

Earnings from unconsolidated affiliates, net of losses, decreased $9.7 million to $4.3 million for the Current Quarter from $14.0 million in the Comparable Quarter. The decrease in earnings from unconsolidated affiliates, net of losses, primarily resulted from a $4.2 million decrease from Líder primarily resulting from a reduction in aircraft sales and higher income taxes, a decrease of $2.9 million as we sold our investment in the FB Entities in July 2013 and a decrease of $2.0 million as we received $2.0 million in dividends from our cost method investment in Egypt during the Comparable Quarter.

Interest expense, net, decreased 64.8%, or $13.1 million, to $7.1 million in the Current Quarter from $20.3 million in the Comparable Quarter primarily due to the write-off of deferred financing fees related a potential financing of $12.7 million in the Comparable Quarter and an increase in capitalized interest due to an increase in construction in progress during the Current Quarter. During the Current Quarter, we incurred $0.9 million in premium and fees for the repurchase of a portion of our 6 ¼% Senior Notes, which is included in other income (expense), net on our condensed consolidated statements of income. Additionally, we wrote-off $0.2 million of unamortized deferred financing fees related to the 6 ¼% Senior Notes, which was included in interest expense on our condensed consolidated statements of income.

Other income (expense), net decreased $0.1 million to a loss of $1.2 million in the Current Quarter from a loss of $1.3 million in the Comparable Quarter primarily due to favorable changes in foreign currency exchange rates.

As discussed above, the impact of the costs associated with the North America business unit restructuring, CEO succession costs and the repurchase of a portion of our 6 ¼% Senior Notes (the repurchase premium and write-off of deferred financing fees) have been identified as special items for the Current Quarter. In the Comparable Quarter, one special item related to the cancellation of a potential financing impacted our results. These items in the Current Quarter and Comparable Quarter 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:

	Three Months Ended June 30, 2014			
	Adjusted Operating Income	Adjusted EBITDAR	Adjusted Net Income	Adjusted Diluted Earnings Per Share
	(In thousands, except per share amounts)			
North America restructuring	$(1,033)	$(1,033)	$(671)	$(0.02)
CEO succession	(3,689)	(3,689)	(2,398)	(0.07)
Repurchase of 6 ¼% Senior Notes	—	(872)	(674)	(0.02)
Total special items	$(4,722)	$(5,594)	$(3,743)	(0.10)

Three Months Ended
June 30, 2013

	Adjusted Operating Income	Adjusted EBITDAR	Adjusted Net Income	Adjusted Diluted Earnings Per Share
	(In thousands, except per share amounts)			
Cancellation of potential financing	$—	$—	$(8,276)	$(0.23)
Total special items	$—	$—	$(8,276)	(0.23)

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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 June 30, 2014	2013	Favorable (Unfavorable)	
	(In thousands, except percentages)			
Operating revenue	$201,681	$137,159	$64,522	47.0 %
Reimbursable revenue	$26,885	$29,550	$(2,665)	(9.0)%
Earnings from unconsolidated affiliates, net of losses	$374	$3,040	$(2,666)	(87.7)%
Operating income	$40,369	$20,021	$20,348	101.6 %
Operating margin	20.0 %	14.6 %	5.4 %	37.0 %
Adjusted EBITDAR	$68,677	$41,492	$27,185	65.5 %
Adjusted EBITDAR margin	34.1 %	30.3 %	3.8 %	12.5 %

The operations of our Europe business unit have continued to expand since the Comparable Quarter with the net addition of five large aircraft. These additional 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 $12.8 million of increased operating revenue. Additionally, during June and July 2013 we began operating the U.K. Gap SAR contract at two bases resulting in an increase of $12.0 million in operating revenue for the Current Quarter. Also, Bristow Helicopters acquired a 60% interest in Eastern Airways in February 2014, which contributed $39.8 million to the increase in operating revenue and contributed $9.3 million in adjusted EBITDAR for the Current Quarter. Additionally, gross revenue was impacted by changes in exchange rates that increased gross revenue by $13.3 million. The increases in operating income, operating margin, adjusted EBITDAR and adjusted EBITDAR margin were driven by the revenue growth. Other expenses also increased as a result of the acquisition of Eastern Airways and the increase in activity levels, such as salaries and benefits of $17.9 million, fuel expense of $6.6 million and rent expense of $4.2 million. Additionally, operating income, operating margin, adjusted EBITDAR and adjusted EBITDAR margin benefited from the recovery of $4.8 million in credits for maintenance expense from our original equipment manufacturer during the Current Quarter resulting from settlement for aircraft performance and transportation costs. This benefit was partially offset by the decrease in earnings from unconsolidated affiliates, net of losses, of $2.7 million due to the sale of the FB Entities in July 2013. Before the benefit of the maintenance credits utilized during the Current Quarter, adjusted EBITDAR margin was 31.7%.

We expect our results in Europe to continue to be strong in future periods 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 new rules proposed by the U.K. CAA as discussed under "Executive Overview – Market Outlook" discussed elsewhere in this Quarterly Report. Our second and third fiscal quarters ended September 30 and December 31, 2014 should also be impacted by maintenance credits received from an original equipment manufacturer.

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West Africa

	Three Months Ended June 30, 2014	2013	Favorable (Unfavorable)	
	(In thousands, except percentages)			
Operating revenue	$79,958	$75,779	$4,179	5.5 %
Reimbursable revenue	$2,898	$3,602	$(704)	(19.5)%
Operating income	$16,662	$19,253	$(2,591)	(13.5)%
Operating margin	20.8 %	25.4 %	(4.6)%	(18.1)%
Adjusted EBITDAR	$20,443	$23,720	$(3,277)	(13.8)%
Adjusted EBITDAR margin	25.6 %	31.3 %	(5.7)%	(18.2)%

Operating revenue for West Africa in the Current Quarter increased primarily due to $5.3 million from improved pricing and $6.0 million from increased activity from certain contracts, partially offset by a $6.7 million decline in activity in other contracts.

Operating income, operating margin, adjusted EBITDAR and adjusted EBITDAR margin decreased in the Current Quarter primarily due to an increase in salaries and benefits of $2.9 million resulting from annual salary increases and training costs associated with the introduction of a new aircraft type into this market, an increase in value-added taxes of $1.7 million and unplanned aircraft maintenance.

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 June 30, 2014	2013	Favorable (Unfavorable)	
	(In thousands, except percentages)			
Operating revenue	$57,515	$58,235	$(720)	(1.2)%
Reimbursable revenue	$127	$331	$(204)	(61.6)%
Earnings from unconsolidated affiliates, net of losses	$(466)	$(8)	$(458)	*
Operating income	$12,546	$8,123	$4,423	54.5 %
Operating margin	21.8 %	13.9 %	7.9 %	56.8 %
Adjusted EBITDAR	$22,860	$17,023	$5,837	34.3 %
Adjusted EBITDAR margin	39.7 %	29.2 %	10.5 %	36.0 %

* percentage change not meaningful

Operating revenue decreased primarily due to our planned closure of operations in Alaska, which reduced operating revenue by $2.9 million in the Current Quarter and a decline in the number of small aircraft on contract in the U.S. Gulf of Mexico, which reduced operating revenue by $4.6 million in the Current Quarter, partially offset by an increase in the number of medium and large aircraft on contract in the U.S. Gulf of Mexico which increased operating revenue by $6.8 million in the Current Quarter.

During the Current Quarter, we reversed $4.4 million of bad debt expense in our North America business unit related to a client that had previously filed for bankruptcy for which we have subsequently settled and collected funds. Also, during the Current Quarter, we recorded $1.0 million in costs associated with the restructuring of this business unit and planned closure of our Alaska operations, which related primarily to employee severance and retention costs. We expect our exit from the Alaska market to conclude by August 2014 and we expect to incur approximately $0.6 million in additional costs related mostly to severance and retention through August 2014 as we complete our obligations under current contracts. Adjusted EBITDAR and adjusted EBITDAR margin for the Current Quarter excludes the $1.0 million in costs incurred with the restructuring of this business unit. The increase in operating income, operating margin, adjusted EBITDAR and adjusted EBITDAR margin are driven by a change in mix of fleet on contract in the U.S. Gulf of Mexico to more medium and large aircraft. The reversal of the bad debt expense of $4.4 million also added to adjusted EBITDAR. These increases were partially offset by a decrease in earnings from unconsolidated affiliates, net of losses, related to Cougar. Before the benefit of the reversal of the bad debt expense of $4.4 million, adjusted EBITDAR margin was 32.2% for the Current Quarter.

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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 with a long-term strategy of operating larger aircraft to service Gulf of Mexico deepwater client contracts. During the Current Quarter, we sold two small aircraft and spare parts inventory that had previously been operating in this business unit.

Australia

	Three Months Ended June 30, 2014	2013	Favorable (Unfavorable)	
	(In thousands, except percentages)			
Operating revenue	$46,516	$38,213	$8,303	21.7 %
Reimbursable revenue	$5,087	$5,785	$(698)	(12.1)%
Operating income	$2,253	$3,280	$(1,027)	(31.3)%
Operating margin	4.8 %	8.6 %	(3.8)%	(44.2)%
Adjusted EBITDAR	$11,008	$6,774	$4,234	62.5 %
Adjusted EBITDAR margin	23.7 %	17.7 %	6.0 %	33.9 %

Operating revenue for Australia increased due to an increase in revenue of $20.9 million due to the start of new contracts, including the INPEX contract, partially offset by the ending of short-term contracts of $10.4 million and an unfavorable impact of foreign currency exchange rates of $2.2 million. Additionally, reimbursable revenue decreased $0.7 million in the Current Quarter.

Operating income and operating margin declined primarily due to an increase in salaries and benefits of $3.3 million and rent expense of $2.9 million. During the Current Quarter, results in Australia were impacted by incurring costs, including salaries and benefits, depreciation, insurance, training and lease costs, in anticipation of certain contracts that were delayed in starting. Adjusted EBITDAR and adjusted EBITDAR margin exclude 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 and utilization. Also, during the Current Quarter we were able to recover $2.0 million in credits for maintenance expense from our original equipment manufacturer as settlements for aircraft performance and transportation costs. For further details about the INPEX contract award, see “Executive Overview - Market Outlook” included elsewhere in this Quarterly Report. Before the benefit of the maintenance credits utilized during the Current Quarter, adjusted EBITDAR margin was 19.3%.

We expect the results for this business unit to continue to improve over the remainder of fiscal year 2015 as the new contracts begin. Our second and third fiscal quarters ended September 30 and December 31, 2014 should also be impacted by maintenance credits received from an original equipment manufacturer.

Other International

	Three Months Ended June 30, 2014	2013	Favorable (Unfavorable)	
	(In thousands, except percentages)			
Operating revenue	$35,533	$32,893	$2,640	8.0 %
Reimbursable revenue	$1	$82	$(81)	(98.8)%
Earnings from unconsolidated affiliates, net of losses	$4,373	$10,940	$(6,567)	(60.0)%
Operating income	$10,402	$18,442	$(8,040)	(43.6)%
Operating margin	29.3 %	56.1 %	(26.8)%	(47.8)%
Adjusted EBITDAR	$14,708	$22,185	$(7,477)	(33.7)%
Adjusted EBITDAR margin	41.4 %	67.4 %	(26.0)%	(38.6)%

Operating revenue for Other International increased in the Current Quarter primarily due to increased activity in Trinidad ($4.5 million) and the contract in Tanzania that started in the fourth quarter of fiscal year 2014 ($4.6 million), partially offset by a decline in revenue resulting from a decline in aircraft on contract in Malaysia ($4.2 million), Russia ($1.3 million) and Mexico ($1.0 million).

Operating income, operating margin, adjusted EBITDAR and adjusted EBITDAR margin decreased primarily due to a decrease of $6.6 million in earnings from unconsolidated affiliates, net of losses, and the decline in activity in Malaysia, partially offset by increased activity in Trinidad and the contract in Tanzania.

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Earnings from unconsolidated affiliates, net of losses, decreased primarily due to a decrease in earnings from our investment in Líder in Brazil of $4.2 million in the Current Quarter resulting from a reduction in contribution from the aircraft sales division and higher income taxes. 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 June 30, 2014	2013	Favorable (Unfavorable)	
	(In thousands, except percentages)			
Operating revenue	$17,072	$18,115	$(1,043)	(5.8)%
Reimbursable revenue	$205	$97	$108	111.3 %
Operating loss	$(17,650)	$(11,279)	$(6,371)	(56.5)%
Adjusted EBITDAR	$(10,073)	$(8,721)	$(1,352)	(15.5)%

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 decreased primarily due to a decrease of support fees for helicopters operating in Canada of $1.7 million, partially offset by an increase in revenue at Bristow Academy of $1.0 million primarily 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 increased and adjusted EBITDAR decreased primarily due to an increase in compensation of $6.1 million, professional fees of $3.2 million and information technology expense of $1.2 million during the Current Quarter. Additionally, during the Current Quarter we recorded $3.7 million of expense related to CEO succession which is excluded from adjusted EBITDAR.

Interest Expense, Net

	Three Months Ended June 30, 2014	2013	Favorable (Unfavorable)	
	(In thousands, except percentages)			
Interest income	$236	$119	$117	98.3 %
Interest expense	(9,887)	(9,360)	(527)	(5.6)%
Amortization of debt discount	(1,019)	(921)	(98)	(10.6)%
Amortization of debt fees	(673)	(13,336)	12,663	95.0 %
Capitalized interest	4,216	3,247	969	29.8 %
Interest expense, net	$(7,127)	$(20,251)	$13,124	64.8 %

The decrease in interest expense, net in the Current Quarter is primarily due to the write-off of $12.7 million of deferred financing fees related to a potential financing in the Comparable Quarter and an increase in capitalized interest due to an increase in construction in progress during the Current Quarter, partially offset by write-off of deferred financing fees of $0.2 million related to the repurchase of $11.3 million of our 6 ¼% Senior Notes in the Current Quarter.

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Other Income (Expense), Net

	Three Months Ended June 30, 2014	2013	Favorable (Unfavorable)	
	(In thousands, except percentages)			
Foreign currency losses	$(396)	$(1,366)	$970	71.0 %
Other	(843)	—	(843)	*
Other income (expense), net	$(1,239)	$(1,366)	$127	9.3 %

* percentage change not meaningful

Other income (expense), net increased primarily due to $0.9 million in premium and fees as a result of the repurchase of $11.3 million of our 6 ¼% Senior Notes, partially offset by the impact of changes in foreign currency exchange rates during the Current Quarter.

Taxes

	Three Months Ended June 30, 2014	2013	Favorable (Unfavorable)	
	(In thousands, except percentages)			
Effective tax rate	20.8 %	22.0 %	1.2 %	5.5 %
Net foreign tax on non-U.S. earnings	$7,189	$5,332	$(1,857)	(34.8)%
Benefit of foreign earnings indefinitely reinvested abroad	$(14,000)	$(10,573)	$3,427	32.4 %
Change in valuation allowance for contingency	$(35)	$30	$65	216.7 %
Utilization of foreign tax credits	$(3,059)	$(1,908)	$1,151	60.3 %
Change in valuation allowance	$227	$—	$(227)	*

* percentage change not meaningful

Our effective income 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.

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Liquidity and Capital Resources

Cash Flows

Operating Activities

Net cash flows provided by operating activities totaled $37.3 million during the Current Quarter compared to $36.4 million during the Comparable Quarter. Changes in non-cash working capital generated $29.4 million and used $26.3 million in cash flows from operating activities for the Current Quarter and Comparable Quarter, respectively. The increase in net cash flows provided by operating activities is primarily due to the growth in revenue during the Current Quarter.

Investing Activities

Cash flows used in investing activities were $193.8 million and $177.6 million for the Current Quarter and Comparable Quarter, respectively. Cash was used for capital expenditures as follows:

	Three Months Ended June 30,	
	2014	2013
Number of aircraft delivered:		
Medium	3	3
Large	6	3
Total aircraft	9	6
Capital expenditures (in thousands):		
Aircraft and related equipment	$172,098	$167,227
Other	28,349	12,305
Total capital expenditures	$200,447	$179,532

In addition to these capital expenditures, investing cash flows were impacted by aircraft sales. During the Current Quarter, we received proceeds of $6.6 million primarily from the sale or disposal of four aircraft and certain other equipment. During the Comparable Quarter, we received $1.9 million in proceeds from the sale or disposal of four aircraft and certain other equipment.

Financing Activities

Cash flows generated from financing activities were $81.8 million and $85.4 million during the Current Quarter and Comparable Quarter, respectively. During the Current Quarter, we received $147.5 million from borrowings on our Revolving Credit Facility and $1.0 million in proceeds from the issuance of Common Stock upon exercise of stock options. During the Current Quarter, cash was used for the repayment of debt totaling $35.8 million, payment of dividends on our Common Stock totaling $11.4 million and repurchase of our Common Stock totaling $20.2 million. During the Comparable Quarter, we received $102.0 million from borrowings on our Revolving Credit Facility and cash was used for the repayment of debt totaling $1.7 million, payment of deferred financing fees of $12.7 million for a potential financing and payment of a dividend on our Common Stock totaling $9.0 million. See further discussion of the potential financing in "– Current Quarter Compared to Comparable Quarter" included elsewhere in this Quarterly Report.

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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 June 30, 2014 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 June 30, 2014. Additional details regarding these obligations are provided in Note 8 in the "Notes to Consolidated Financial Statements" included in the fiscal year 2014 Annual Report and in Note 5 in the "Notes to Condensed Consolidated Financial Statements" included elsewhere in this Quarterly Report.

	Payments Due by Period				
		Nine Months Ending March 31, 2015	Fiscal Year Ending March 31, 2016—2017	2018—2019	2020 and beyond
	Total				
	(In thousands)				
Contractual obligations:					
Long-term debt and short-term borrowings:					
Principal [1]	$959,710	$9,854	$42,212	$56,837	$850,807
Interest [2]	406,314	22,552	78,775	134,876	170,111
Aircraft operating leases [3]	397,259	70,832	171,830	110,221	44,376
Other operating leases [4]	71,973	7,020	14,196	10,680	40,077
Pension obligations [5]	172,798	20,752	59,250	39,780	53,016
Aircraft purchase obligations [6]	658,017	373,440	284,577	—	—
Other purchase obligations [7]	87,711	37,682	7,763	9,554	32,712
Total contractual cash obligations	$2,753,782	$542,132	$658,603	$361,948	$1,191,099
Other commercial commitments:					
Letters of credit	$2,225	$817	$1,408	$—	$—
Contingent consideration [8]	44,258	8,000	32,839	3,419	—
Other commitments [9]	—	—	—	—	—
Total commercial commitments	$46,483	$8,817	$34,247	$3,419	$—

(1) Excludes unamortized discount of $4.1 million and $0.5 million on the 3% Convertible Senior Notes and Term Loan, respectively.

(2) Interest payments for variable interest debt are based on interest rates as of June 30, 2014.

(3) Represents separate operating leases for aircraft. 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 non-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. As of June 30, 2014, we had recorded on our balance sheet an $82.4 million pension liability associated with these obligations. The timing of the funding is dependent on actuarial valuations and resulting negotiations with the plan trustees.

(6)

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.

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(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.

(8) The Cougar purchase agreement includes a potential earn-out of $40 million payable over three years based on Cougar achieving certain agreed performance targets. During fiscal year 2014, the first year earn-out payment of $6.0 million was paid as Cougar achieved agreed performance targets. The fair value of the earn-out is $31.5 million as of June 30, 2014 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 2014 Annual Report. The Eastern Airways purchase agreement includes a potential earn-out of £6 million ($10 million) over a three year period. The earn-out consideration will be included as general and administrative expense in our condensed consolidated statements of income as earned.

(9) In connection with the Bristow Norway acquisition in fiscal year 2011, we granted the former partner in this joint venture an option that if 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, two of the options expired and the remaining aircraft options were exercised in June 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 June 30, 2014. During fiscal year 2015, we expect to invest approximately $190 million in various infrastructure enhancements, including aircraft facilities, training centers and technology. Through June 30, 2014, we had incurred approximately $32 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 and 6 ¼% Senior Notes or for any acquisition opportunities we believe are aligned with our long-term strategy.

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 June 30, 2014 of $133.8 million, cash flow from operations, proceeds from aircraft sales and proceeds from the sale leaseback of existing owned aircraft, 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 remaining anticipated capital requirements in connection with our U.K. SAR contract of approximately $900 million as of June 30, 2014. The available borrowing capacity under our Revolving Credit Facility was $197.5 million as of June 30, 2014. 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.

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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 2014 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 2014 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 2014 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 Jonathan E. Baliff, our President and Chief Executive Officer ("CEO") and John H. Briscoe, our Senior Vice President and 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 June 30, 2014. 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 June 30, 2014 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

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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 2014 Annual Report. Developments in these previously reported matters, if any, are described in Note 5 in the “Notes to Condensed Consolidated Financial Statements” included elsewhere in this Quarterly Report.

Item 1A. Risk Factors.

There have been no material changes during the three months ended June 30, 2014 in our “Risk Factors” as discussed in the fiscal year 2014 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Repurchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program [1]	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs [1]
April 1, 2014 - April 30, 2014	100,472	$74.17	100,472	$48,379,179
May 1, 2014 - May 31, 2014	133,476	$74.05	133,476	$38,494,822
June 1, 2014 - June 30, 2014	36,650	$76.96	36,650	$35,674,316

(1) During the three months ended June 30, 2014, we repurchased 270,598 shares for $20.2 million. Subsequently, from July 1, 2014 through July 31, 2014, we spent $3.8 million to repurchase 52,428 additional shares of our Common Stock. As of July 31, 2014, we had $31.7 million of repurchase authority remaining from $133.4 million that was authorized for share repurchases between November 5, 2013 and November 5, 2014. 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.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

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

Exhibit Number	Description of Exhibit
10.1†	Compensation Package dated June 4, 2014 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 6, 2014).
10.2+	Summary of Terms and Conditions of Nonqualified Stock Option Award (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 10, 2014).
10.3+	Summary of Terms and Conditions of Officer Restricted Stock Unit Award (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 10, 2014).
10.4+	Summary of Terms and Conditions of Officer Performance Cash Award (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 10, 2014).
10.5+	Bristow Group Inc. Fiscal Year 2015 Annual Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 10, 2014).
10.6+	Supplement to Bristow Group Inc. Fiscal Year 2015 Annual Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 10, 2014).
10.7+	Bristow Group Inc. Management Severance Benefits Plan for U.S. Employees (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 10, 2014).
10.8+	Bristow Group Inc. Management Severance Benefits Plan for Non-U.S. Employees (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 10, 2014).
15.1*	Letter from KPMG LLP dated August 4, 2014, 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.
†	Compensatory Plan or Arrangement.

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SIGNATURES

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

BRISTOW GROUP INC.

By: /s/ John H. Briscoe
John H. Briscoe
Senior Vice President and
Chief Financial Officer

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

August 4, 2014

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Index to Exhibits.

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