

CHC Group Ltd.  
Form 10-Q  
March 17, 2015  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended January 31, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 001-36261

CHC Group Ltd.

(Exact name of registrant as specified in its charter)

Cayman Islands

98-0587405

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

190 Elgin Avenue

George Town

Grand Cayman, KY1-9005

Cayman Islands

(Address of principal executive offices, zip code)

(604) 276-7500

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

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

As of January 31, 2015, there were 80,848,555 ordinary shares issued and outstanding, excluding unvested restricted shares of 744,501.



Table of Contents

CHC GROUP LTD.  
 QUARTERLY REPORT ON FORM 10-Q  
 FOR THE QUARTER ENDED  
 January 31, 2015  
 TABLE OF CONTENTS

	Page Number
<u>PART I—FINANCIAL INFORMATION</u>	
<u>Trademarks</u>	<u>3</u>
<u>Glossary</u>	<u>3</u>
ITEM 1. <u>Financial statements</u>	<u>5</u>
<u>Consolidated balance sheets (unaudited) as of April 30, 2014 and January 31, 2015</u>	<u>5</u>
<u>Consolidated statements of operations (unaudited) for the three and nine months ended January 31, 2014 and 2015</u>	<u>6</u>
<u>Consolidated statements of comprehensive loss (unaudited) for the three and nine months ended January 31, 2014 and 2015</u>	<u>7</u>
<u>Consolidated statements of cash flows (unaudited) for the nine months ended January 31, 2014 and 2015</u>	<u>8</u>
<u>Consolidated statements of shareholders' equity (deficit) (unaudited) for the nine months ended January 31, 2014 and 2015</u>	<u>9</u>
<u>Notes to interim consolidated financial statements (unaudited)</u>	<u>10</u>
ITEM 2. <u>Management's discussion and analysis of financial condition and results of operations</u>	<u>45</u>
ITEM 3. <u>Quantitative and qualitative disclosures about market risk</u>	<u>80</u>
ITEM 4. <u>Controls and procedures</u>	<u>80</u>
<u>PART II—OTHER INFORMATION</u>	
ITEM 1. <u>Legal proceedings</u>	<u>80</u>
ITEM 1A. <u>Risk factors</u>	<u>80</u>
ITEM 2. <u>Unregistered sales of equity securities and use of proceeds</u>	<u>100</u>
ITEM 3. <u>Defaults upon senior securities</u>	<u>100</u>
ITEM 4. <u>Mine safety disclosures</u>	<u>100</u>
ITEM 5. <u>Other information</u>	<u>100</u>
ITEM 6. <u>Exhibits</u>	<u>100</u>

Table of Contents

PART I—FINANCIAL INFORMATION

TRADEMARKS

CHC Helicopter and the CHC Helicopter logo are trademarks of CHC Capital (Barbados) Ltd, a wholly owned subsidiary of CHC Group Ltd. All other trademarks and service marks appearing in this Quarterly Report on Form 10-Q are the property of their respective holders. All rights reserved. The absence of a trademark or service mark or logo from this Quarterly Report on Form 10-Q does not constitute a waiver of trademark or other intellectual property rights of CHC Group Ltd., its subsidiaries, affiliates, licensors or any other persons.

GLOSSARY

Deepwater	Water depths of approximately 4,500 feet to 7,499 feet.
Embedded equity	Embedded equity, an intangible asset, represents the amount by which the estimated market value of a leased helicopter exceeded the leased helicopter purchase option price at September 16, 2008, the acquisition date of the predecessor of our wholly owned subsidiary by First Reserve Management, L.P. (or First Reserve). Embedded equity is assessed on an ongoing basis for impairment. Impairment, if any, is recognized in the consolidated statements of operations.
EMS	Emergency medical services.
Heavy helicopter	A category of twin-engine helicopters that requires two pilots, can accommodate 16 to 26 passengers and can operate under instrument flight rules, which allow daytime and nighttime flying in a variety of weather conditions. The greater passenger capacity, larger cabin, longer flight range, and ability to operate in adverse weather conditions make heavy helicopters more suitable than single engine helicopters for offshore support. Heavy helicopters are generally utilized to support the oil and gas sector, construction and forestry industries and SAR and EMS customer requirements.
Average HE count	Our heavy and medium helicopters, including owned and leased, are weighted at 100% and 50%, respectively, to arrive at a single HE count, excluding helicopters that are expected to be retired from the fleet. The average HE count for a period is calculated using a weighted average of the HE count for the beginning and end of each quarter included in that period.
HE Rate	The Heavy Equivalent Rate, or the HE Rate, is the third-party operating revenue from the Helicopter Services segment (excluding reimbursable revenue) divided by a weighted average factor corresponding to the number of heavy and medium helicopters in our fleet.
Long-term contracts	Contracts of three years or longer in duration.
Medium helicopter	A category of twin-engine helicopters that generally requires two pilots, can accommodate eight to 15 passengers and can operate under instrument flight rules, which allow daytime and nighttime flying in a variety of weather conditions. The greater passenger capacity, longer flight range, and ability to operate in adverse weather conditions make medium helicopters more suitable than single engine helicopters for offshore support. Medium helicopters are generally utilized to support the oil and gas sector, construction and forestry industries and SAR and EMS customer bases in certain jurisdictions. Medium helicopters can also be used to support the utility and mining sectors, as well as certain parts of the construction and forestry industries, where transporting a smaller number of passengers or carrying light loads over shorter distances is required.

MRO	Maintenance, repair and overhaul.
New technology	When used herein to classify our helicopters, a category of higher-value, recently produced, more sophisticated and more comfortable helicopters, including Airbus Helicopters (formerly Eurocopter) EC225, EC135, EC145 and EC155; AgustaWestland's AW139; and Sikorsky's S76C+, S76C++ and S92A.
OEM	Original equipment manufacturer.

3

---

Table of Contents

PBH	Power-by-the-hour. A program where a helicopter operator pays a fee per flight hour to an MRO provider as compensation for repair and overhaul of components required in order for the helicopter to maintain an airworthy condition.
Rotables	Helicopter parts that can be repaired and reused such that they typically have an expected life approximately equal to the helicopters they support.
SAR	Search and rescue.
Ultra-deepwater	Water depths of approximately 7,500 feet or more.

Table of Contents

## ITEM 1. FINANCIAL STATEMENTS

CHC Group Ltd.

Consolidated Balance Sheets

(Expressed in thousands of United States dollars except share and per share information)

(Unaudited)

	April 30, 2014	January 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$302,522	\$217,080
Receivables, net of allowance for doubtful accounts of \$2.3 million and \$1.1 million, respectively	292,339	240,267
Income taxes receivable	28,172	19,168
Deferred income tax assets	60	49
Inventories (note 5)	130,891	119,084
Prepaid expenses	27,683	25,592
Other assets (notes 4 and 6)	49,209	68,760
	830,876	690,000
Property and equipment, net (note 4)	1,050,759	947,544
Investments	31,351	32,227
Intangible assets (note 4)	177,863	172,064
Goodwill (note 4)	432,376	—
Restricted cash	31,566	21,250
Other assets (notes 4 and 6)	519,306	512,050
Deferred income tax assets	3,381	1,675
Assets held for sale (note 4)	26,849	15,049
	\$3,104,327	\$2,391,859
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Payables and accruals	\$355,341	\$311,436
Deferred revenue	30,436	36,024
Income taxes payable	41,975	43,515
Deferred income tax liabilities	98	29
Current facility secured by accounts receivable (note 3(a)(ii))	62,596	33,218
Other liabilities (note 7)	55,170	46,040
Current portion of long-term debt obligations (note 8)	4,107	5,545
	549,723	475,807
Long-term debt obligations (note 8)	1,546,155	1,235,908
Deferred revenue	81,485	65,158
Other liabilities (note 7)	287,385	248,010
Deferred income tax liabilities	10,665	9,005
Total liabilities	2,475,413	2,033,888
Redeemable non-controlling interests (note 3(a)(i))	(22,578	) 16,587
Redeemable convertible preferred shares: Par value \$0.0001 (notes 1, 10 and 12):		
Authorized: 6,000,000; Issued: none and 604,205	—	577,024
Capital stock: Par value \$0.0001 (note 10):		
Authorized: 1,994,000,000; Issued: 80,519,484 and 80,848,555	8	8
Additional paid-in capital (notes 1, 3(a)(i) and 11)	2,039,371	2,024,694

Edgar Filing: CHC Group Ltd. - Form 10-Q

Deficit	(1,265,103	)	(1,962,267	)
Accumulated other comprehensive loss	(122,784	)	(298,075	)
	651,492		(235,640	)
	\$3,104,327		\$2,391,859	

See accompanying notes to interim consolidated financial statements.

See table in Note 3 for certain amounts included in the Consolidated Balance Sheets related to variable interest entities.



Table of Contents

CHC Group Ltd.

Consolidated Statements of Operations

(Expressed in thousands of United States dollars except share and per share information)

(Unaudited)

	Three months ended		Nine months ended	
	January 31,	January 31,	January 31,	January 31,
	2014	2015	2014	2015
Revenue	\$453,894	\$415,066	\$1,312,197	\$1,333,936
Operating expenses:				
Direct costs	(378,013 )	(354,272 )	(1,092,913 )	(1,127,537 )
Earnings from equity accounted investees	2,072	5,858	5,990	9,914
General and administration costs	(39,182 )	(19,878 )	(77,839 )	(64,229 )
Depreciation	(35,407 )	(30,794 )	(106,158 )	(97,672 )
Restructuring expense (note 14)	—	(3,441 )	—	(3,441 )
Asset impairments (note 4)	58	(403,536 )	(22,956 )	(549,942 )
Gain (loss) on disposal of assets	2,478	(3,056 )	(1,943 )	(10,934 )
	(447,994 )	(809,119 )	(1,295,819 )	(1,843,841 )
Operating income (loss)	5,900	(394,053 )	16,378	(509,905 )
Interest on long-term debt	(39,782 )	(29,996 )	(117,636 )	(99,583 )
Foreign exchange loss	(11,573 )	(18,464 )	(24,476 )	(26,835 )
Other financing charges (note 9)	(5,730 )	(12,014 )	(1,615 )	(14,151 )
Loss before income tax	(51,185 )	(454,527 )	(127,349 )	(650,474 )
Income tax expense (note 13)	(6,689 )	(10,189 )	(17,489 )	(25,301 )
Net loss	\$(57,874 )	\$(464,716 )	\$(144,838 )	\$(675,775 )
Net earnings (loss) attributable to:				
Controlling interest	\$(60,003 )	\$(471,482 )	\$(149,324 )	\$(697,164 )
Non-controlling interests	2,129	6,766	4,486	21,389
Net loss	\$(57,874 )	\$(464,716 )	\$(144,838 )	\$(675,775 )
Net loss available to common stockholders (note 10)	\$(60,003 )	\$(470,148 )	\$(149,324 )	\$(727,070 )
Net loss per ordinary share available to common stockholders - basic and diluted (note 10)	\$ (1.16 )	\$ (5.83 )	\$ (3.10 )	\$ (9.02 )
Weighted average number of ordinary shares outstanding - basic and diluted	51,573,832	80,639,313	48,204,267	80,589,721

See accompanying notes to interim consolidated financial statements.

Table of Contents

CHC Group Ltd.

Consolidated Statements of Comprehensive Loss

(Expressed in thousands of United States dollars)

(Unaudited)

	Three months ended		Nine months ended	
	January 31, 2014	January 31, 2015	January 31, 2014	January 31, 2015
Net loss	\$(57,874 )	\$(464,716 )	\$(144,838 )	\$(675,775 )
Other comprehensive income (loss):				
Net foreign currency translation adjustments	(32,628 )	(78,691 )	(52,428 )	(172,695 )
Net change in defined benefit pension plan, net of income tax	348	3,755	1,046	4,489
Comprehensive loss	\$(90,154 )	\$(539,652 )	\$(196,220 )	\$(843,981 )
Comprehensive income (loss) attributable to:				
Controlling interest	\$(91,464 )	\$(552,235 )	\$(197,914 )	\$(872,455 )
Non-controlling interests	1,310	12,583	1,694	28,474
Comprehensive loss	\$(90,154 )	\$(539,652 )	\$(196,220 )	\$(843,981 )

See accompanying notes to interim consolidated financial statements.

Table of Contents

## CHC Group Ltd.

## Consolidated Statements of Cash Flows

(Expressed in thousands of United States dollars)

(Unaudited)

	Nine months ended	
	January 31, 2014	January 31, 2015
Cash provided by (used in):		
Operating activities:		
Net loss	\$(144,838 )	\$(675,775 )
Adjustments to reconcile net loss to cash flows provided by (used in) operating activities:		
Depreciation	106,158	97,672
Loss on disposal of assets	1,943	10,934
Asset impairments (note 4)	22,956	549,942
Earnings from equity accounted investees less dividends received	(3,684 )	(7,040 )
Deferred income taxes	(378 )	4,988
Non-cash stock-based compensation expense	23,148	8,524
Amortization of lease related fixed interest rate obligations	(1,135 )	(274 )
Net loss on debt extinguishment (note 8)	—	17,434
Amortization of long-term debt and lease deferred financing costs	10,246	7,581
Non-cash accrued interest income on funded residual value guarantees	(4,800 )	(3,814 )
Mark to market gain on derivative instruments	(8,231 )	(28,430 )
Non-cash defined benefit pension expense (income) (note 15)	344	(673 )
Defined benefit contributions and benefits paid	(35,559 )	(37,188 )
Decrease (increase) to deferred lease financing costs	(4,228 )	830
Unrealized loss on foreign currency exchange translation	24,843	14,145
Other	4,029	(2,613 )
Increase (decrease) in cash resulting from changes in operating assets and liabilities (note 17)	29,977	(1,158 )
Cash provided by (used in) operating activities	20,791	(44,915 )
Financing activities:		
Sold interest in accounts receivable, net of collections	(5,173 )	(18,666 )
Net proceeds from issuance of redeemable convertible preferred shares (note 1)	—	572,819
Proceeds from issuance of capital stock	291,313	—
Proceeds from issuance of senior unsecured notes	300,000	—
Long-term debt proceeds	760,000	325,000
Long-term debt repayments	(888,656 )	(328,055 )
Repurchases of senior secured notes	—	(158,681 )
Redemption and repurchases of senior unsecured notes	—	(151,683 )
Increase in deferred financing costs	(14,034 )	—
Distribution paid to non-controlling interest (note 3(a)(i))	—	(8,500 )
Related party loans (note 19(b))	(25,148 )	—
Cash provided by financing activities	418,302	232,234
Investing activities:		
Property and equipment additions	(474,158 )	(377,281 )
Proceeds from disposal of property and equipment	444,570	141,651
Helicopter deposits net of lease inception refunds	(102,388 )	(39,122 )
Proceeds from sale of equity accounted investee	—	4,382

Edgar Filing: CHC Group Ltd. - Form 10-Q

Restricted cash	8,184	5,578
Cash used in investing activities	(123,792 )	(264,792 )
Effect of exchange rate changes on cash and cash equivalents	(21,957 )	(7,969 )
Change in cash and cash equivalents during the period	293,344	(85,442 )
Cash and cash equivalents, beginning of period	123,801	302,522
Cash and cash equivalents, end of period	\$417,145	\$217,080

See accompanying notes to interim consolidated financial statements.

8

---

Table of Contents

CHC Group Ltd.  
Consolidated Statements of Shareholders' Equity (Deficit)  
(Expressed in thousands of United States dollars)  
(Unaudited)

Nine months ended January 31, 2014	Capital stock	Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total shareholders' equity	Redeemable non- controlling interests	Redeemable convertible preferred shares
April 30, 2013	\$5	\$1,696,066	\$(1,092,555)	\$(89,835 )	\$513,681	\$(8,262 )	\$—
Issuance of capital stock <sup>3</sup>	—	289,137	—	—	289,140	—	—
Capital contribution by shareholder	—	—	—	—	—	956	—
Foreign currency translation	—	—	—	(49,011 )	(49,011 )	(3,417 )	—
Stock-based compensation expense (note 11)	—	22,242	—	—	22,242	—	—
Defined benefit plan, net of income tax	—	—	—	421	421	625	—
Net earnings (loss)	—	—	(149,324 )	—	(149,324 )	4,486	—
January 31, 2014	\$8	\$2,007,445	\$(1,241,879)	\$(138,425 )	\$627,149	\$(5,612 )	\$—
Nine months ended January 31, 2015	Capital stock	Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total shareholders' equity (deficit)	Redeemable non- controlling interests	Redeemable convertible preferred shares
April 30, 2014	\$8	\$2,039,371	\$(1,265,103)	\$(122,784 )	\$651,492	\$(22,578 )	\$—
Issuance of redeemable convertible preferred shares (notes 1 and 12)	—	—	—	—	—	—	572,819
Capital contribution by shareholder	—	—	—	—	—	195	—
Foreign currency translation	—	—	—	(176,460 )	(176,460 )	3,765	—
Stock-based compensation expense (note 11)	—	8,524	—	—	8,524	—	—
Defined benefit plan, net of income tax	—	—	—	1,169	1,169	3,320	—
Redeemable convertible preferred share dividends (notes 1 and 12)	—	(4,205 )	—	—	(4,205 )	—	4,205
Distribution paid to non-controlling interest (note 3(a)(i))	—	—	—	—	—	(8,500 )	—
Adjustment of redeemable	—	(18,996 )	—	—	(18,996 )	18,996	—

non-controlling interest  
to redemption amount  
(note 3(a)(i))

Net earnings (loss)	—	—	(697,164 )	—	(697,164 )	21,389	—
January 31, 2015	\$8	\$2,024,694	\$(1,962,267)	\$(298,075 )	\$(235,640 )	\$16,587	\$577,024

See accompanying notes to interim consolidated financial statements.

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

1. Preferred Share Financing:

On August 21, 2014, CHC Group Ltd. and its subsidiaries (the "Company", "we", "us" or "our") entered into an investment agreement with funds managed by Clayton, Dubilier & Rice ("CD&R") for an investment of up to \$600.0 million in us by means of a purchase of Redeemable Convertible Preferred Shares, with a par value of \$0.0001, ("preferred shares") in a private placement (the "Private Placement") at a purchase price of \$1,000 per share. The preferred shares to be purchased under the investment agreement consist of (i) upon the first closing, a number of preferred shares, which, if converted to ordinary shares immediately, would constitute 19.9% of our total ordinary shares issued and outstanding immediately prior to the issuance of the preferred shares, less preferred shares issuable in lieu of preferred dividends in cash on the first two preferred dividend payment dates, (ii) upon the second closing, 500,000 preferred shares, less the preferred shares sold upon the first closing, and (iii) upon the third closing, 100,000 preferred shares, less the preferred shares sold in the rights offering to holders of our ordinary shares (discussed below).

On October 30, 2014, upon the first closing, the Company issued and sold to CD&R 116,000 preferred shares, representing approximately 16.0% of our ordinary shares on an as-converted basis as of such date raising \$110.2 million which is net of direct transaction costs of \$5.8 million. Immediately following the first closing, the ownership of our former majority shareholder, 6922767 Holding (Cayman) Inc., an entity controlled by affiliates of First Reserve Corporation, was reduced to 48.1% of our ordinary shares on an as-converted basis as of such date.

On November 7, 2014, at an extraordinary general meeting of our shareholders, the Company's shareholders approved the issuance of the remaining preferred shares under the investment agreement. On November 12, 2014, upon the second closing, the Company issued and sold to CD&R 384,000 preferred shares raising gross proceeds of \$384.0 million.

On November 4, 2014, the Company's Registration Statement on Form S-1 was declared effective for a rights offering of preferred shares pursuant to which the Company's shareholders had the right to purchase up to 100,000 preferred shares. Consummation of the rights offering was conditional upon receiving at least \$50.0 million of aggregate subscriptions from the Company's shareholders. On November 24, 2014, the subscription period for the rights offering closed and with less than \$50.0 million of subscriptions received, the rights offering was canceled.

On December 15, 2014, upon the third closing, the Company issued and sold to CD&R 100,000 preferred shares raising gross proceeds of \$100.0 million. Direct transaction costs of \$21.4 million were incurred for the second and third closings.

On December 15, 2014, we paid CD&R a dividend-in-kind of \$4.2 million through the issuance of 4,205 preferred shares. As at January 31, 2015, CD&R holds 604,205 preferred shares. As at January 31, 2015, CD&R owns approximately 49.6% of our ordinary shares on an as-converted basis.

In connection with the investment agreement our board of directors approved 6,000,000 authorized preferred shares be established out of the authorized preferred shares of capital stock, with a par value of \$0.0001, and the Description of Preferred Shares, which sets forth the rights and restrictions of the preferred shares. Certain terms of the preferred shares are described in Note 12(b).

2. Significant accounting policies:

(a) Basis of presentation:

The unaudited interim consolidated financial statements ("interim financial statements") include the accounts of CHC Group Ltd. and its subsidiaries (the "Company", "we", "us" or "our") after elimination of all significant intercompany accounts and transactions. The interim financial statements are presented in United States dollars and have been prepared in accordance with the United States Generally Accepted Accounting Principles ("US GAAP") for interim financial

information. Accordingly, the interim financial statements do not include all of the information and disclosures for complete financial statements.



Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## 2. Significant accounting policies (continued):

## (a) Basis of presentation (continued):

In the opinion of management, these interim financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Results of operations for the periods presented are not necessarily indicative of results of operations for the entire year.

The financial information as of April 30, 2014 is derived from our annual audited consolidated financial statements and notes for the fiscal year ended April 30, 2014. These interim financial statements should be read in conjunction with our consolidated financial statements and related notes for the fiscal year ended April 30, 2014, which are included in our Annual Report on Form 10-K/A for the fiscal year ended April 30, 2014 which was filed with the Securities and Exchange Commission (“SEC”) on September 15, 2014.

## (b) Foreign currency:

The currencies which most influence our foreign currency translations and the relevant exchange rates were:

	Nine months ended	
	January 31, 2014	January 31, 2015
Average rates:		
£/US \$	1.582385	1.625307
CAD/US \$	0.956297	0.894919
NOK/US \$	0.166683	0.153029
AUD/US \$	0.927513	0.888942
€/US \$	1.337860	1.288597
Period end rates:		
£/US \$	1.644932	1.502634
CAD/US \$	0.899361	0.786349
NOK/US \$	0.159277	0.128961
AUD/US \$	0.874179	0.776126
€/US \$	1.350031	1.128961

## (c) Recent accounting pronouncements adopted:

On May 1, 2014, we adopted the accounting guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss or tax credit carryforward exists. This new guidance did not have an impact on our consolidated financial statements.

## (d) Recent accounting pronouncements not yet adopted:

## Going concern:

In August 2014, the FASB issued a new standard that requires management to evaluate whether there are conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern and to provide disclosures when certain criteria are met. The standard is effective for fiscal periods beginning after December 15, 2016, and interim periods therein and early application is permitted. We will adopt the standard on May 1, 2017. We do not expect the standard to have a material impact on our consolidated financial statements.



Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

2. Significant accounting policies (continued):

(d) Recent accounting pronouncements not yet adopted (continued):

Revenue recognition:

In May 2014, the FASB issued a comprehensive new revenue recognition standard which will supersede previous existing revenue recognition guidance. The standard creates a five-step model for revenue recognition to achieve the objective of recognizing revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The five-step model includes (1) identifying the contract, (2) identifying the separate performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the separate performance obligations and (5) recognizing revenue when each performance obligation has been satisfied. The standard also requires expanded disclosures surrounding revenue recognition. The standard is effective for fiscal periods beginning after December 15, 2016 and early adoption is not permitted. Accordingly, we will adopt the standard on May 1, 2017. Companies are allowed to use either full retrospective or modified retrospective adoption. We are currently evaluating which transition approach to use and the impact of the adoption of this standard on our consolidated financial statements.

Share-based compensation:

In June 2014, the FASB issued guidance for accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The amendment requires that a performance target that affects vesting and that could be achieved after requisite service period be treated as a performance condition. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that such performance condition would be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. The standard is effective for fiscal periods beginning after December 15, 2015, and interim periods therein and early application is permitted. We will adopt the standard on May 1, 2016. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

3. Variable interest entities:

(a) VIEs of which we are the primary beneficiary:

(i) Local ownership VIEs:

Certain areas of operations are subject to local governmental regulations that may limit foreign ownership of aviation companies. Accordingly, operations in certain jurisdictions may require the establishment of local ownership entities that are considered to be VIEs. The nature of our involvement with consolidated local ownership entities is as follows: Note 3 to the consolidated financial statements included in our Annual Report on Form 10-K/A for the fiscal year ended April 30, 2014 contains a description of our principal involvement with VIEs and the accounting policies regarding determination of whether we are deemed to be the primary beneficiary. Other than as described below, as of January 31, 2015, there have been no significant changes in either the nature of our involvement with, or the accounting policies associated with the analysis of VIEs as described in our Annual Report on Form 10-K/A for the fiscal year ended April 30, 2014.

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## 3. Variable interest entities (continued):

(a) VIEs of which we are the primary beneficiary (continued):

(i) Local ownership VIEs (continued):

EEA Helicopters Operations B.V. ("EHOB")

On October 30, 2014, the shareholders of EHOB entered into an amendment of the Shareholders Agreement, originally entered into on September 17, 2008 by and among CHC Helicopter S.A., EHO Holdings S.à.r.l. and EHOB. The amendment amends the terms of the call option held by us over the Class A shareholder's stock in EHOB and the put option held by the Class A shareholder which entitles the Class A shareholder to put its shares back to us. On the signing of the amendment we made a distribution of \$8.5 million to the Class A shareholder which was recognized as a reduction in the redeemable non-controlling interest balance. Under the previous terms both the put and call were exercisable in certain circumstances including: liquidation, events of default, and if First Reserve ceases to hold a 50% interest in the Company.

Under the new terms, the put and call options will not be exercised when First Reserve ceases to hold a 50% interest in the Company but will be exercisable on the earlier of: (a) an exit event, being the entering into an agreement with another investor to acquire the Class A shareholder's interest in EHOB anytime after October 30, 2016, (b) one year after First Reserve and CD&R own less than 5% of our issued shares, and (c) October 30, 2020.

The change in the exercise conditions for the options makes it probable that the non-controlling interest will become redeemable and accordingly it is recorded at its redemption value. We have elected to recognize any changes in the redemption value immediately as they occur and adjust the carrying amount of the redeemable non-controlling interest to equal the redemption value at the end of the reporting period. The change in redemption value is recognized in additional paid-in capital.

The redemption value of the redeemable non-controlling interest is based on a formula of \$14.5 million plus an amount representing compounded interest, commencing October 31, 2014, which increases from 10% for the first year to 20% for the sixth year and thereafter. As of January 31, 2015, the redemption value of the redeemable non-controlling interest is \$14.9 million.

The following table shows the redeemable non-controlling interests relating to the local ownership VIEs that are included in the interim financial statements.

	April 30, 2014	January 31, 2015
EEA Helicopters Operations B.V.	\$(24,100	) \$14,870
Atlantic Aviation Limited and Atlantic Aviation FZE	1,522	1,717
	\$(22,578	) \$16,587

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## 3. Variable interest entities (continued):

(a) VIEs of which we are the primary beneficiary (continued):

(i) Local ownership VIEs (continued):

Financial information of local ownership VIEs

All of the local ownership VIEs and their subsidiaries have the same purpose and are exposed to similar operational risks and are monitored on a similar basis by management. As such, the financial information reflected on the consolidated balance sheets and statements of operations for all local ownership VIEs has been presented in the aggregate below, including intercompany amounts with other consolidated entities:

	April 30, 2014	January 31, 2015		
Cash and cash equivalents	\$61,272	\$28,396		
Receivables, net of allowance	95,899	83,095		
Other current assets	59,883	53,051		
Goodwill	72,899	—		
Other long-term assets	127,637	152,499		
Total assets	\$417,590	\$317,041		
Payables and accruals	\$115,686	\$75,089		
Intercompany payables	305,843	174,084		
Other current liabilities	36,111	26,606		
Accrued pension obligations	67,410	42,782		
Long-term intercompany payables	15,900	149,174		
Other long-term liabilities	51,498	33,062		
Total liabilities	\$592,448	\$500,797		
	Three months ended	Nine months ended		
	January 31, 2014	January 31, 2015	January 31, 2014	January 31, 2015
Revenue	\$278,929	\$256,336	\$807,199	\$841,576
Net earnings (loss)	1,727	(50,423	) (3,251	) (23,728

(ii) Accounts receivable securitization:

As described in Note 3(a)(ii) of the consolidated financial statements included in our Annual Report on Form 10-K/A for the fiscal year ended April 30, 2014, we enter into trade receivables securitization transactions to raise financing, through the sale of pools of receivables, or beneficial interests therein, to a VIE, Finacity Receivables – CHC 2009, LLC (“Finacity”), which we have determined we are required to consolidate as we are the primary beneficiary.

The following table shows the assets and the associated liabilities related to our secured debt arrangements that are included in the consolidated financial statements:

	April 30, 2014	January 31, 2015
Restricted cash	\$7,339	\$4,820
Transferred receivables	83,022	49,045
Current facility secured by accounts receivable	62,596	33,218



Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## 3. Variable interest entities (continued):

(a) VIEs of which we are the primary beneficiary (continued):

(iii) Trinity Helicopters Limited:

As at January 31, 2015, we leased two helicopters from Trinity Helicopters Limited ("Trinity"), an entity considered to be a VIE.

(b) VIEs of which we are not the primary beneficiary:

(i) Local ownership VIEs:

Thai Aviation Services ("TAS")

As described in Note 3(b)(i) of the consolidated financial statements included in our Annual Report on Form 10-K/A for the fiscal year ended April 30, 2014, we have a 29.9% interest in the ordinary shares of TAS, which we have determined to be a VIE that we are not required to consolidate as we are not the primary beneficiary.

The following table summarizes the amounts recorded for TAS in the consolidated balance sheets:

	April 30, 2014		January 31, 2015	
	Carrying amounts	Maximum exposure to loss	Carrying amounts	Maximum exposure to loss
Receivables, net of allowances	\$4,962	\$4,962	\$2,700	\$2,700
Equity method investment	21,548	21,548	23,985	23,985

As of January 31, 2014 and 2015, we leased nine and eight helicopters to TAS, respectively, and provided crew, insurance, maintenance and base services. The total revenue earned from providing these services was \$12.2 million and \$11.7 million for the three months ended January 31, 2014 and 2015, respectively, and \$36.4 million and \$36.1 million for the nine months ended January 31, 2014 and 2015, respectively.

We received dividends of \$1.7 million for the nine months ended January 31, 2014 and 2015.

(ii) Leasing entities

Related party lessors

We have operating lease agreements for the lease of 31 helicopters from individual entities considered to be VIEs ("lessor VIEs").

The lessor VIEs were previously considered to be related parties because they were partially financed through equity contributions from entities that have also invested in us. On December 18, 2014, the controlling interests in the lessor VIEs disposed of their interest in the lessor VIEs to an unrelated third party, which did not have any substantive impact on our existing lease terms. Subsequent to the closing of this transaction the lessor VIEs are no longer related parties.

On the disposition of the interest in the lessor VIEs by the entities that have invested in us we reconsidered whether we are the primary beneficiary. We determined that the activity that most significantly impacts the economic performance of the related party lessor VIEs is the remarketing of the helicopter at the end of the lease term. As we continue not to have the power to make remarketing decisions, we have determined that we are not the primary beneficiary of the lessor VIEs.

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## 3. Variable interest entities (continued):

(b) VIEs of which we are not the primary beneficiary (continued):

(ii) Leasing entities (continued)

Related party lessors (continued)

The following table summarizes the amounts recorded in the consolidated statements of operations until December 18, 2014, the date of the above transaction:

	Three months ended		Nine months ended	
	January 31, 2014	January 31, 2015	January 31, 2014	January 31, 2015
Operating lease expense	\$12,596	\$6,689	\$37,797	\$31,896

The following table summarizes the amounts recorded in the consolidated balance sheets:

	April 30, 2014	January 31, 2015
Payables and accruals	\$3,532	\$—
Accounts receivable	12,610	—
Other VIE lessors		

We have determined that the activity that most significantly impacts the economic performance of the lessor VIEs is the remarketing of the helicopters at the end of the lease term. As we do not have the power to make remarketing decisions, we have determined that we are not the primary beneficiary of the lessor VIEs.

As at January 31, 2014, we leased 47 helicopters from four different entities considered to be VIEs. As at January 31, 2015, we leased 102 helicopters from 32 different entities considered to be VIEs. All 47 and 102 leases were considered to be operating leases as at January 31, 2014 and 2015, respectively.

## 4. Asset impairments:

	Three months ended		Nine months ended	
	January 31, 2014	January 31, 2015	January 31, 2014	January 31, 2015
Impairment of property and equipment	\$23	\$—	\$(2,481)	\$(128,043)
Impairment of assets held for sale	36	—	(18,481)	(5,256)
Impairment of receivables and funded residual value guarantees	—	—	(1,115)	(10,421)
Impairment of intangible assets	(1)	—	(879)	(2,686)
Impairment of goodwill	—	(403,536)	—	(403,536)
	\$58	\$(403,536)	\$(22,956)	\$(549,942)

## Impairment of goodwill

We assess the recoverability of goodwill and indefinite life intangible assets on an annual basis or more frequently if events or circumstances indicate that the carrying value may not be recoverable. In connection with the preparation and review of these interim consolidated financial statements, as a result of deteriorating conditions in the oil and gas and related service markets, as well as a decline in our market capitalization, we performed an interim two-step goodwill impairment test as at January 31, 2015.

Goodwill is assessed for impairment at the reporting unit level by comparing the carrying value of the reporting units with their fair value. We have two reporting units; Helicopter Services and Heli-One. All of our goodwill is



attributable to Helicopter Services.

16

---

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

4. Asset impairments (continued):

In the first step of the impairment test, we concluded that the carrying value of the Helicopter Services segment exceeded its fair value. Therefore, the Company performed the second step to determine the amount of the impairment loss by comparing the carrying value of goodwill against its implied fair value. Based on the preliminary analysis there is no implied fair value of goodwill and goodwill impairment of \$403.5 million was recorded for the three months ended January 31, 2015, which represents the entire goodwill balance. Due to the complexity of the second step the implied fair value of goodwill is provisional and subject to change. The impairment of goodwill will be finalized for the fiscal year ended April 30, 2015.

The fair value of the reporting units were determined based on the present value of estimated future cash flows, discounted at a risk-adjusted rate. Our forecasted future cash flows, which incorporate anticipated future revenue growth and related expenses to support the growth and maintain our assets, were used to calculate fair value. The discount rates used represent our estimate of the weighted average cost of capital for the reporting units considering the risks and uncertainty inherent in the cash flows of the reporting units and in our internally developed forecasts. The implied fair value of the goodwill was determined by allocating the fair value of Helicopter Services to all of its assets and liabilities as if Helicopter Services had been acquired in a business combination and its fair value was the purchase price paid to acquire Helicopter Services. The use of these unobservable inputs results in the fair value estimate being classified as a Level 3 measurement.

Impairment of property and equipment, assets held for sale, funded residual value guarantees and intangible assets During the nine months ended January 31, 2015, we decided to accelerate our exit from certain older technology helicopter types as we continue with our fleet replacement strategy to better meet our customer demands for newer technology helicopters and reduce the number of different helicopter types in our fleet. Impairment charges were recorded to write down the carrying value of held for use helicopters, the major airframe inspections of leased helicopters, related rotatable parts and embedded equity to their fair values and the carrying value of held for sale helicopters to their fair value less costs to sell. The carrying values of funded residual value guarantees were written down where we believe that as a result of the decline in helicopter values the guarantees will not be recoverable. During the nine months ended January 31, 2014 impairment charges were recorded to write down the carrying value of three helicopters held for use, coming off contract and with no plan to redeploy them, to their fair values. During the nine months ended January 31, 2015 impairment charges were recorded to write down the carrying value of 40 helicopters held for use, the major airframe inspections of five leased helicopters and related rotatable parts.

As at April 30, 2014, we have classified 11 helicopters and one building and as at January 31, 2015, six helicopters and two buildings as held for sale as these assets are ready for immediate sale and we expect these assets to be sold within one year. The held for sale assets totaled \$26.8 million and \$15.0 million as at April 30, 2014 and January 31, 2015, respectively.

During the period ended January 31, 2015, one helicopter was reclassified to assets held for use from held for sale as we determined that we would obtain a higher value from using this helicopter as parts within the business than selling it in the external market. Impairment charges were recorded during the nine months ended January 31, 2014 for 19 helicopters held for sale and during the nine months ended January 31, 2015 for six helicopters and one building held for sale.

The fair value of the helicopters, related rotatable parts and buildings was determined using a market approach. Inputs were estimated based on discussions with helicopter brokers, historical experience with sales, recent transactions involving similar assets, and internal expertise related to the current marketplace conditions. Unobservable inputs obtained from third parties are adjusted as necessary for the condition and attributes of the specific helicopter type. As

the fair value assessment reflects both observable and unobservable inputs, it was determined to be a non-recurring Level 3 fair value measurement.

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## 5. Inventories:

	April 30, 2014	January 31, 2015
Work-in-progress for long-term maintenance contracts under completed contract accounting	\$3,790	\$7,778
Consumables	136,036	119,229
Provision for obsolescence	(8,935	) (7,923
	\$130,891	\$119,084

## 6. Other assets:

	April 30, 2014	January 31, 2015
Current:		
Helicopter operating lease funded residual value guarantees (note 4)	\$6,845	\$17,855
Deferred financing costs	8,986	8,396
Mobilization costs	8,776	10,770
Residual value guarantee	4,007	3,760
Foreign currency embedded derivatives and forward contracts (a) (note 16)	3,111	15,547
Prepaid helicopter rentals	4,874	5,075
Other receivable	12,610	7,357
	\$49,209	\$68,760
Non-current:		
Helicopter operating lease funded residual value guarantees (note 4)	\$208,870	\$205,005
Helicopter deposits	99,372	72,428
Accrued pension asset	45,816	56,222
Deferred financing costs	57,297	41,049
Mobilization costs	26,238	16,248
Residual value guarantee	15,695	12,578
Security deposits	34,923	38,700
Pension guarantee assets	9,835	8,318
Prepaid helicopter rentals	16,327	17,420
Foreign currency embedded derivatives and forward contracts (a) (note 16)	3,624	28,373
Long-term income tax receivable	—	13,014
Other	1,309	2,695
	\$519,306	\$512,050

(a) The fair value of the foreign currency embedded derivatives and forward contracts is determined to be a recurring Level 2 fair value measurement. Inputs to the valuation methodology for Level 2 measurements include publicly available forward rates, credit spreads and interest rates applicable to the contracts, and inputs are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. There

were no transfers between categories in the fair value hierarchy.

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## 7. Other liabilities:

	April 30, 2014	January 31, 2015
Current:		
Foreign currency embedded derivatives and foreign currency contracts (a) (note 16)	\$16,057	\$28,276
Deferred gains on sale-leasebacks of helicopters	13,284	14,132
Residual value guarantees	524	2,041
Contract inducement	802	735
Deferred helicopter proceeds	23,347	—
Other	1,156	856
	\$55,170	\$46,040
Non-current:		
Accrued pension obligations	\$122,430	\$90,882
Deferred gains on sale-leasebacks of helicopters	93,756	91,524
Residual value guarantees	28,359	27,347
Foreign currency embedded derivatives and foreign currency contracts (a) (note 16)	13,317	16,275
Insurance claims accrual	11,809	8,672
Contract inducement	8,590	7,316
Other	9,124	5,994
	\$287,385	\$248,010

The fair value of the foreign currency embedded derivatives and forward contracts is determined to be a recurring Level 2 fair value measurement. Inputs to the valuation methodology for Level 2 measurements include publicly (a) available forward rates, credit spreads and interest rates applicable to the contracts, and inputs are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. There were no transfers between categories in the fair value hierarchy.

## 8. Long-term debt obligations:

	Principal Repayment terms	Facility maturity dates	April 30, 2014	January 31, 2015
Senior secured notes (a)	At maturity	October 2020	\$1,159,675	\$1,006,119
Senior unsecured notes (b)	At maturity	June 2021	300,000	156,047
Other term loans:				
Airbus Helicopters Loan - 2.50% (Euro)	At maturity	December 2015	2,417	2,006
EDC-B.A. CDOR rate (6 month) plus a 0.8% margin (CAD)	Semi-annually	June 2014	495	—
Capital lease obligations (USD)	Quarterly	October 2017 - September 2025	36,395	34,900
Capital lease obligations (Euro)	Quarterly	September 2025	19,385	15,348
Boundary Bay financing – 6.93% (CAD)	Monthly	April 2035	31,895	27,033
Total long-term debt obligations			1,550,262	1,241,453
Less: current portion			(4,107)	(5,545)
Long-term debt obligations			\$1,546,155	\$1,235,908



Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## 8. Long-term debt obligations (continued):

## (a) Senior secured notes:

During May 2014, one of our subsidiaries repurchased \$65.0 million of the senior secured notes on the open market at premiums ranging from 108.00% to 109.13% of the principal plus accrued and unpaid interest of \$0.6 million. A loss on extinguishment of \$7.4 million related to the repurchase premium, the unamortized net discount on the secured notes and the unamortized deferred financing costs was recognized.

During December 2014 and January 2015, one of our subsidiaries repurchased \$90.7 million of the senior secured notes on the open market at prices ranging from 95.50% to 98.00% of the principal plus accrued and unpaid interest of \$1.7 million. A gain on extinguishment of \$0.3 million related to the repurchase discount, the unamortized net discount on the secured notes and the unamortized deferred financing costs was recognized.

## (b) Senior unsecured notes:

On November 26, 2014, one of our subsidiaries redeemed \$105.0 million of the senior unsecured notes at a redemption price of 109.375% of the principal plus paid accrued and unpaid interest of \$4.8 million. A loss on extinguishment of \$11.7 million related to the redemption premium and the unamortized deferred financing costs was recognized.

During December 2014, one of our subsidiaries repurchased \$39.0 million of the senior unsecured notes on the open market at prices ranging from 92.75% to 95.04% of the principal plus accrued and unpaid interest of \$0.2 million. A gain on extinguishment of \$1.4 million related to the repurchase discount and the unamortized deferred financing costs was recognized.

At January 31, 2015, we were in compliance with all long-term debt obligations covenants.

## 9. Other financing charges:

	Three months ended		Nine months ended	
	January 31, 2014	January 31, 2015	January 31, 2014	January 31, 2015
Amortization of deferred financing costs	\$(4,306)	\$(1,814)	\$(10,155)	\$(5,653)
Net loss on debt extinguishment (note 8)	—	(9,990)	—	(17,434)
Net gain on fair value of derivative financial instruments	410	4,107	9,203	18,523
Amortization of guaranteed residual values	(930)	(2,006)	(2,024)	(3,915)
Interest expense	(3,288)	(3,772)	(15,481)	(14,494)
Interest income	4,233	5,831	13,394	17,913
Fee settlement	—	—	10,000	—
Other	(1,849)	(4,370)	(6,552)	(9,091)
	\$(5,730)	\$(12,014)	\$(1,615)	\$(14,151)

## 10. Capital stock and net loss per ordinary share:

## Capital Stock:

As described in Note 11, 329,071 ordinary shares of capital stock were issued on the exercise and net settlement of time-based restricted share units, performance-based restricted share units, service vesting stock options and service vesting shares during the nine months ended January 31, 2015.





Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## 10. Capital stock and net loss per ordinary share (continued):

Net loss per ordinary share:

The following table sets forth the computation of basic and diluted net loss per ordinary share:

	Three months ended		Nine months ended	
	January 31, 2014	January 31, 2015	January 31, 2014	January 31, 2015
Net loss attributable to controlling interest	\$(60,003)	\$(471,482)	\$(149,324)	\$(697,164)
Redeemable convertible preferred share dividends (a)	—	(10,883)	—	(10,910)
Adjustment of redeemable non-controlling interest to redemption amount (note 3(a)(i))	—	12,217	—	(18,996)
Net loss available to common stockholders	\$(60,003)	\$(470,148)	\$(149,324)	\$(727,070)
Weighted average number of ordinary shares outstanding – basic and diluted	51,573,832	80,639,313	48,204,267	80,589,721

(a) Balance includes \$6.7 million cumulative preferred dividends in arrears.

Details of our stock based compensation plans are presented in Note 11 and of our preferred shares in Note 12 of these interim financial statements. Securities potentially issuable under the compensation plans or on the conversion of the preferred shares were not included in the computation of diluted loss per ordinary share because to do so would have been antidilutive for the periods presented.

## 11. Stock-based compensation:

We maintain three stock-based compensation plans: CHC Group Ltd. 2013 Omnibus Incentive Plan (“2013 Incentive Plan”), 2011 Management Equity Plan (“2011 Plan”), and Share Incentive Plan (“2008 Plan”). Note 17 to the consolidated financial statements included in our Annual Report on Form 10-K/A for the fiscal year ended April 30, 2014 contains descriptions of the plans, the nature and terms of the awards and the methods and assumptions utilized in estimating the fair value of the awards.

As of January 31, 2015, there have been no significant changes to the plans, the nature and terms of the awards or the fair value estimates, as described in our Annual Report on Form 10-K/A for the fiscal year ended April 30, 2014.

During the nine months ended January 31, 2015, there have been no significant activities under the 2011 Plan and 2008 Plan. During the nine months ended January 31, 2015, awards have been granted, exercised and forfeited under the 2013 Incentive Plan, as described below.

The vested options and shares were net share settled. Under net settlement procedures, upon the settlement date, shares were withheld to cover the required withholding tax. The number of shares to be withheld was determined based on the value of the instruments on the settlement date using the closing price of our ordinary shares of capital stock on that day, or the preceding last trading day if the settlement date is a non-trading day. The remaining amounts were delivered to the recipient as ordinary shares of capital stock. These shares withheld by us as a result of the net settlement of service vesting stock options and service vesting shares are no longer considered issued and outstanding, thereby reducing our ordinary shares outstanding used to calculate net loss per ordinary share. These ordinary shares were returned to the reserves and are available for future issuance under the 2013 Incentive Plan.

## (a) 2013 Incentive Plan new awards:

As described in Note 17(a) of the consolidated financial statements included in our Annual Report on Form 10-K/A for the fiscal year ended April 30, 2014, certain eligible employees were granted stock options, time-based restricted share units (“RSUs”) and performance-based restricted share units (“PB RSUs”).



Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## 11. Stock-based compensation (continued):

## (a) 2013 Incentive Plan new awards (continued):

The following table provides information about the 2013 Incentive Plan stock options activity.

	Nine months ended January 31, 2015			
	Outstanding number of instruments	Weighted average exercise price	Weighted remaining contractual life	Weighted average grant date fair value
Outstanding, beginning of period	2,537,522	\$10.00	—	\$—
Granted	56,771	7.47	—	—
Forfeited	(220,144)	10.00	—	—
Outstanding, end of period	2,374,149	\$9.94	9.0 years	\$4.10
Exercisable, end of period	789,621			

The following table provides information about the 2013 Incentive Plan RSUs activity.

	Nine months ended January 31, 2015			
	Outstanding number of instruments	Weighted average exercise price	Weighted remaining contractual life	Weighted average grant date fair value
Outstanding, beginning of period	1,062,668	\$—	—	\$—
Granted	150,154	—	—	—
Exercised	(356,635)	—	—	—
Forfeited	(56,334)	—	—	—
Outstanding, end of period	799,853	\$—	1.9 years	\$9.07
Exercisable, end of period	—			

The following table provides information about the 2013 Incentive Plan PB RSUs activity.

	Nine months ended January 31, 2015			
	Outstanding number of instruments	Weighted average exercise price	Weighted remaining contractual life	Weighted average grant date fair value
Outstanding, beginning of period	403,284	\$—	—	\$—
Exercised	(5,000)	—	—	—
Forfeited	(38,334)	—	—	—
Outstanding, end of period	359,950	\$—	2.0 years	\$12.60
Exercisable, end of period	—			

## (b) 2013 Incentive Plan exchanged awards:

As described in Note 17(a) and 17(b) of the consolidated financial statements included in our Annual Report on Form 10-K/A for the fiscal year ended April 30, 2014, the majority of the members of the 2011 Plan exchanged their performance options under the 2011 Plan for either share price performance options or share price performance shares under the 2013 Incentive Plan and their time and performance options under the 2011 Plan for either service vesting stock options or service vesting shares under the 2013 Incentive Plan.

During the nine months ended January 31, 2015, 26,459 of the service vesting stock options and 97,255 of the service vesting shares vested.



Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## 11. Stock-based compensation (continued):

## (b) 2013 Incentive Plan exchanged awards (continued):

The following table provides information about the 2013 Incentive Plan service vesting stock options activity.

	Nine months ended January 31, 2015			
	Outstanding number of instruments	Weighted average exercise price	Weighted remaining contractual life	Weighted average grant date fair value
Outstanding, beginning of period	46,403	\$0.0001	—	\$—
Exercised	(26,459)	)0.0001	—	—
Outstanding, end of period	19,944	\$0.0001	9.0 years	\$10.00
Exercisable, end of period	—			

The following table provides information about the 2013 Incentive Plan share price performance options activity.

	Nine months ended January 31, 2015			
	Outstanding number of instruments	Weighted average exercise price	Weighted remaining contractual life	Weighted average grant date fair value
Outstanding, beginning of period	178,961	\$10.00	—	\$—
Forfeited	(59,722)	)10.00	—	—
Outstanding, end of period	119,239	\$10.00	9.0 years	\$3.86
Exercisable, end of period	—			

The following table provides information about the 2013 Incentive Plan service vesting shares activity.

	Nine months ended January 31, 2015			
	Outstanding number of instruments	Weighted average exercise price	Weighted remaining contractual life	Weighted average grant date fair value
Outstanding, beginning of period	243,279	\$—	—	\$—
Exercised	(97,255)	)—	—	—
Outstanding, end of period	146,024	\$—	1.5 years	\$10.00
Exercisable, end of period	—			

The following table provides information about the 2013 Incentive Plan share price performance shares activity.

	Nine months ended January 31, 2015			
	Outstanding number of instruments	Weighted average exercise price	Weighted remaining contractual life	Weighted average grant date fair value
Outstanding, beginning of period	649,011	\$—	—	\$—
Forfeited	(50,541)	)—	—	—
Outstanding, end of period	598,470	\$—	9.0 years	\$4.53
Exercisable, end of period	—			

We recorded stock-based compensation expense of \$22.9 million and \$3.2 million for the three months ended January 31, 2014 and 2015, respectively, and \$23.1 million and \$9.1 million for the nine months ended January 31, 2014 and 2015, respectively, in the statements of operations.

As at January 31, 2015, \$15.8 million of unamortized stock-based compensation remains to be recognized.



Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

12. Redeemable convertible preferred shares:

(a) Accounting for Redeemable Convertible Preferred Shares

The Redeemable Convertible Preferred Shares ("preferred shares") are classified as temporary equity and are carried at their initial carrying amount as the preferred shares are contingently redeemable only in the event of a change of control. The possible future redemption of the preferred shares as a result of a change in control has been assessed as not probable.

Direct and incremental costs on issuance of the preferred shares have been netted against the proceeds received.

(b) Certain Terms of the Redeemable Convertible Preferred Shares:

The following are selected material rights and restrictions of the preferred shares.

Rank

The preferred shares, with respect to rights on liquidation, rank senior to the ordinary shares and are entitled to a cumulative dividend. The preferred shares are subordinated in right of payment to all of our indebtedness.

Dividends

The preferred shares will be entitled to receive a dividend or distribution with the result that they will participate equally and ratably with the ordinary shares in all dividends or distributions paid on ordinary shares. In addition, holders of the preferred shares are entitled to cumulative dividends accruing daily on a quarterly compounding basis at a rate of 8.50% per annum. Upon a default (as defined below), the dividend rate will increase to 11.50% per annum and we will be restricted from paying dividends on or redeeming securities junior to the preferred shares. In respect of preferred dividends accruing up to the second anniversary of the second closing, we will issue preferred shares to the holders of preferred shares, and preferred dividends accruing after such anniversary will be either paid in cash or we will issue preferred shares in lieu of cash to holders of preferred shares at our option. The preferred dividends shall be payable in cash or we will issue preferred shares to the holders of preferred shares in lieu of cash quarterly in arrears as authorized by our board of directors.

Conversion and Conversion Price

A holder of the preferred shares may at any time convert such shares into ordinary shares into that number of ordinary shares equal to the quotient of (i) the liquidation value divided by (ii) the then-effective conversion price as defined therein, which will initially be \$7.50 and increase by 0.25% every quarter after the second closing until the eighth anniversary of the second closing. Liquidation value is the sum of \$1,000 per share and accrued dividends as of the date of liquidation.



Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

12. Redeemable convertible preferred shares (continued):

(b) Certain Terms of the Redeemable Convertible Preferred Shares (continued):

Conversion and Conversion Price (continued)

In addition, the preferred shares will be subject to mandatory conversion when (w) following the second anniversary of the second closing, the volume-weighted average sale price per ordinary share (“VWAP”), equals or exceeds 175% of the conversion price for 30 consecutive trading days, (x) following a reorganization event, the daily volume weighted average sale price of the shares of the to-be surviving company equals or exceeds 175% of the adjusted conversion price for 30 consecutive trading days, (y) following the eighth anniversary of the second closing, the average VWAP for the 10 preceding trading days equals or exceeds the conversion price, and (z) the liquidation value of all issued and outstanding preferred shares is less than \$50.0 million. We may, at our option, convert the preferred shares into ordinary shares (a) following the eighth anniversary of the second closing based on a conversion price equal to the lesser of the then-effective conversion price and the average VWAP for the 10 preceding trading days or (b) following the fifteenth anniversary of the second closing based on a conversion price equal to the lesser of (I) the then-effective conversion price and (II) the greater of the average VWAP for the 10 preceding trading days and 50% of the then-effective conversion price; provided, that we may not force such conversion at a time when we are, or were during the preceding 10-trading day period, in possession of material non-public information, that, if publicly disclosed, would be reasonably expected to have a material and adverse effect on the closing price of the ordinary shares. Notwithstanding the foregoing, the aggregate voting ordinary shares issued upon conversion of preferred shares held by any holder and its affiliates may not exceed 49.9% of the total voting ordinary shares issued and outstanding immediately after such conversion and, for each voting ordinary share not issued due to this limitation, the holder will receive a non-voting ordinary share.

Adjustments to Conversion Price

In addition, to the quarterly increase in the conversion price described above, the then-effective conversion will be appropriately adjusted in the event of a subdivision, share split or combination of the ordinary shares.

Change of Control; Merger; Reorganizations

Upon a change of control, holders of our preferred shares may require us to redeem all or a portion of their preferred shares at a price equal to the liquidation value then in effect. Other than in a merger in which the mandatory conversion provisions apply, in connection with mergers and reorganizations, holders of our preferred shares will be permitted to retain a comparable preferred instrument in the surviving entity in the merger or reorganization.

Voting Rights

The preferred shares will vote at all shareholders meetings together with, and as part of one class with, the ordinary shares, provided, however, that the preferred shares of any one holder and its affiliates (together with any votes of such holder and its affiliates in respect of any previously issued ordinary shares upon conversion of preferred shares) will not represent more than 49.9% of the total number of votes. The aggregate voting ordinary shares issued upon conversion of preferred shares held by any holder and its affiliates may not exceed 49.9% of the total voting ordinary shares issued and outstanding immediately after such conversion and, for each voting ordinary share not issued due to this limitation, the holder will receive a non-voting ordinary share. In addition, the prior written consent of the holders of a majority of the preferred shares will be required to, among other things, (i) create, or issue additional, equity or convertible securities other than voting or non-voting ordinary shares or (ii) enter into a debt agreement restricting the payment of dividends or a distribution by the issuance of preferred shares or the conversion of preferred shares into ordinary shares.



Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

12. Redeemable convertible preferred shares (continued):

(b) Certain Terms of the Redeemable Convertible Preferred Shares (continued):

Default

Upon a default, the dividend rate increases from 8.50% to 11.50% and we will be restricted from paying dividends on or redeeming junior securities. Default is defined as: our failure to pay participating dividends with dividends on the ordinary shares; our failure to pay in cash or satisfy through the issuance of preferred shares, as applicable, any accrued preferred dividend as described under "Dividends" above; our failure to pay default interest upon the occurrence of a default; our failure to comply with its obligations to convert preferred shares or to maintain sufficient authorized ordinary shares to effect a conversion of all issued preferred shares; or our failure to comply with our obligation to repurchase any preferred shares upon a change of control.

Rights Upon Liquidation

The holders of the preferred shares will be entitled to receive liquidating distributions out of our assets available for distribution to shareholders in the event of any voluntary or involuntary liquidation, dissolution or winding up equal to the greater of (i) the liquidation value and (ii) the amount that a holder of preferred shares would have received if the preferred shares were converted into ordinary shares immediately prior to the liquidation. Liquidating distributions will be payable to the holders of preferred shares before any distribution of assets is made to holders of ordinary shares or any other class of stock ranking junior to the preferred shares upon liquidation.

13. Income taxes:

During the three months ended January 31, 2014 and 2015, we recorded income tax expense of \$6.7 million and \$10.2 million, respectively, resulting in effective tax rates of (13.1)% and (2.2)%, respectively. During the nine months ended January 31, 2014 and 2015, we recorded income tax expense of \$17.5 million and \$25.3 million, respectively, resulting in effective tax rates of (13.7)% and (3.9)%, respectively.

During the nine months ended January 31, 2015, there was an additional accrual of \$1.3 million for a new uncertain tax position. The remaining income tax expense reflects primarily the current corporate income taxes in taxable jurisdictions and withholding taxes. For most jurisdictions we determined that the deferred tax assets are not more likely than not to be realized and therefore we continue to recognize a valuation allowance in respect of these deferred tax assets.

As of January 31, 2015, there was \$27.4 million in unrecognized tax benefits, of which \$21.6 million would have an impact on the effective tax rate, if recognized.

The total amount of interest and penalties accrued on the consolidated balance sheets at April 30, 2014 and January 31, 2015 was \$7.1 million and \$8.6 million, respectively.

14. Restructuring:

We are undergoing a comprehensive review of our operations and organizational structure with the view of reducing operating costs. In connection with the ongoing review, we have incurred severance costs and other costs that have been expensed as incurred. At January 31, 2015, there is a restructuring liability of \$2.9 million.

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## 15. Employee pension plans:

On January 1, 2015, in accordance with changes in Dutch law, the annual accrual of benefits percentage was reduced from 2.15% to 1.875% for each year of service of the ground crew and the maximum pensionable salary was set at €100,000. The impact on the projected benefit obligation was a reduction of \$3.6 million which is being recognized over the remaining future service period for active employees.

Effective January 1, 2015 the flying crew portion of the Dutch defined benefit plan was curtailed when they moved to a defined contribution plan. As a result, we remeasured the plan and recorded a curtailment gain of \$11.2 million in accumulated other comprehensive loss.

The net defined benefit pension plan expense (income) is as follows:

	Three months ended		Nine months ended	
	January 31, 2014	January 31, 2015	January 31, 2014	January 31, 2015
Current service cost	\$4,917	\$4,479	\$14,929	\$15,015
Interest cost	8,004	7,514	23,938	24,554
Expected return on plan assets	(12,426 )	(11,854 )	(37,381 )	(38,878 )
Amortization of net actuarial and experience losses	453	475	1,329	1,495
Amortization of past service credits	(95 )	(156 )	(275 )	(442 )
Employee contributions	(725 )	(735 )	(2,196 )	(2,417 )
	\$128	\$(277)	\$344	\$(673)

## 16. Derivative financial instruments and fair value measurements:

We are exposed to foreign exchange risk primarily from our subsidiaries which incur revenue and operating expenses in currencies other than US dollars with the most significant being Pound Sterling, Norwegian Kroner, Canadian dollars, Australian dollars and Euros. We monitor these exposures through our cash forecasting process and regularly enter into foreign exchange forward contracts to manage our exposure to fluctuations in expected future cash flows related to transactions in currencies other than the functional currency.

The outstanding foreign exchange forward contracts are as follows:

	Notional	Fair value	Maturity
April 30, 2014			
Purchase contracts to sell US dollars and buy Canadian dollars	CAD235,000	\$(10,925 )	May 2014 to Nov 2016
Purchase contracts to sell US dollars and buy Euros	€ 42,051	2,291	July 2014 to Oct 2014
Purchase contracts to sell Pounds Sterling and buy Euros	€ 54,000	(2,547 )	May 2014 to Dec 2016
January 31, 2015			
Purchase contracts to sell US dollars and buy Canadian dollars	CAD238,000	\$(28,478 )	Feb 2015 to Sept 2017
	€ 42,051	(7,108 )	Sept 2015 to Nov 2015

Purchase contracts to sell US dollars and buy  
Euros  
Purchase contracts to sell Pounds Sterling and  
buy Euros

€ 33,000 (4,865 ) Feb 2015 to Dec 2016

27

---

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## 16. Derivative financial instruments and fair value measurements (continued):

We enter into long-term revenue agreements, which provide for pricing denominated in currencies other than the functional currency of the parties to the contract. This pricing feature was determined to be an embedded derivative which has been bifurcated for valuation and accounting purposes.

The embedded derivative contracts and forward contracts are measured at fair value and included in other assets and/or other liabilities.

The carrying values of the other financial instruments, which are measured at other than fair value, approximate fair value due to the short terms to maturity, except for non-revolving debt obligations, the fair values of which are as follows:

	April 30, 2014		January 31, 2015	
	Fair value	Carrying value	Fair value	Carrying value
Senior secured notes	\$1,254,825	\$1,159,675	\$941,555	\$1,006,119
Senior unsecured notes	311,250	300,000	129,519	156,047

The fair value of the senior secured and unsecured notes are determined based on market information provided by third parties which is considered to be a Level 2 measurement in the fair value hierarchy.

## 17. Supplemental cash flow information:

	Nine months ended	
	January 31, 2014	January 31, 2015
Cash interest paid	\$82,135	\$85,857
Cash taxes paid	22,458	23,974
Assets acquired through non-cash capital leases	56,963	—
Change in cash resulting from changes in operating assets and liabilities:		
	Nine months ended	
	January 31, 2014	January 31, 2015
Receivables, net of allowance	\$41,060	\$14,884
Income taxes receivable and payable	(1,839)	(1,455)
Inventories	(14,654)	(11,159)
Prepaid expenses	(6,540)	228
Payables and accruals	(11,980)	(16,147)
Deferred revenue	24,778	13,289
Other assets and liabilities	(848)	(798)
	\$29,977	\$(1,158)

## 18. Guarantees:

We have provided limited guarantees to third parties under some of our operating leases relating to a portion of the residual helicopter values at the termination of the leases, which have terms expiring between fiscal 2015 and 2024. Our exposure under the asset value guarantees including guarantees in the form of funded and unfunded residual value guarantees, rebateable advance rentals and deferred payments is approximately \$245.2 million and \$248.5 million as at April 30, 2014 and January 31, 2015, respectively.



Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## 19. Related party transactions:

## (a) Balances with one of our shareholders:

As at April 30, 2014, \$2.0 million in payables and accruals was due to one of our shareholders. The balance was paid as at January 31, 2015.

## (b) Repayment of related party loans:

On June 24, 2013, we repaid \$25.1 million of related party loans to companies under common control with one of our shareholders. The loan bore interest at 4.5% per annum.

On July 16, 2013, we borrowed \$25.0 million from companies under common control with one of our shareholders.

On July 19, 2013, the loan was repaid. The loan bore interest at 4.5% per annum.

## 20. Commitments:

We have helicopter operating leases with 21 lessors for 171 helicopters and 18 lessors for 170 helicopters included in our fleet at April 30, 2014 and January 31, 2015, respectively. As at January 31, 2015, these leases had expiry dates ranging from fiscal 2015 to 2025. For those helicopters where we have the option to purchase them for agreed amounts the purchase options do not constitute bargain purchase options and we do not have a commitment to exercise the options. With respect to such leased helicopters, substantially all of the costs of major inspections of airframes and the costs to perform inspections, major repairs and overhauls of major components are at our expense. We either perform this work internally through our own repair and overhaul facilities or have the work performed by an external repair and overhaul service provider.

At January 31, 2015, we have commitments with respect to operating leases for helicopters, buildings, land and equipment. The minimum lease rentals required under operating leases are payable in the following amounts over the following years ended January 31:

	Helicopter operating leases	Building, land and equipment operating leases	Total operating leases
2016	\$ 297,519	\$ 16,926	\$ 314,445
2017	276,099	13,889	289,988
2018	262,177	11,173	273,350
2019	248,690	9,677	258,367
2020	217,459	6,627	224,086
Thereafter	334,761	43,715	378,476
	\$ 1,636,705	\$ 102,007	\$ 1,738,712

As at January 31, 2015, we have committed to purchase 19 new helicopters and the total required additional expenditure for these helicopters is approximately \$457.6 million. These helicopters are expected to be delivered in fiscal 2015 and 2016 (\$170.8 million), 2017 (\$201.3 million) and 2018 (\$85.5 million) and will be deployed in our Helicopter Services segment. We intend to enter into leases for these helicopters or purchase them outright upon delivery from the manufacturer. Additionally, we have committed to purchase \$39.3 million of helicopter parts by October 31, 2015 and \$100.0 million of heavy helicopters from Airbus Helicopters prior to December 31, 2016. The terms of certain of the helicopter lease agreements impose operating and financial limitations on us. Such agreements limit the extent to which we may, among other things, incur indebtedness and fixed charges relative to our level of consolidated adjusted earnings before interest, taxes, depreciation and amortization.



Generally, in the event of a covenant breach, a lessor has the option to terminate the lease and require the return of the helicopter, with the repayment of any arrears of lease payments plus the present value of all future lease payments and certain other amounts which could be material to our financial position. The helicopter would then be sold and the surplus, if any, returned to us. Alternatively we could exercise our option to purchase the helicopter. As at January 31, 2015, we were in compliance with all financial covenants.

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

21. Contingencies:

One or more of our subsidiaries are, from time to time, named as defendants in lawsuits arising in the ordinary course of our business. Such disputes may involve, for example, breach of contract, employment, wrongful termination and tort claims. We maintain adequate insurance coverage to respond to most claims. We cannot predict the outcome of any such lawsuits with certainty, but we do not expect the outcome of pending or threatened legal matters to have a material adverse impact on our financial condition.

In addition, from time to time, we are involved in tax and other disputes with various government agencies. The following summarizes certain of these pending disputes:

In 2006, we voluntarily disclosed to the U.S. Office of Foreign Asset Control, or OFAC, that one or more of our subsidiaries formerly operating as Schreiner Airways may have violated applicable US laws and regulations by re-exporting to Iran, Sudan, and Libya certain helicopters, related parts, map data, operation and maintenance manuals, and helicopter parts for third-party customers. OFAC's investigation is ongoing and we continue to fully cooperate. Should the US government determine that these activities violated applicable laws and regulations, we or our subsidiaries could be subject to civil or criminal penalties, including fines and/or suspension of the privilege to engage in trading activities involving goods, software and technology subject to the US jurisdiction. At January 31, 2015, it is not possible to determine the outcome of this matter, or the significance, if any, to our business, financial condition and results of operations.

On May 2, 2008, Brazilian customs authorities seized one of our helicopters (customs value of \$10.0 million) as a result of allegations that we violated Brazilian customs law by failing to ensure our customs agent and the customs agent's third-party shipping company followed approved routing of the helicopter during transport. We secured release of the helicopter and are disputing through court action any claim for penalties associated with the seizure and the alleged violation. We preserved our rights by filing a civil action against our customs agent for any losses that may result. The trial court in that action has ruled that our agent will be responsible for the value of the helicopter if the government's seizure is upheld. At January 31, 2015, it is not possible to determine the ultimate outcome of this matter, or the significance, if any, to our business, financial condition and results of operations.

Our Brazilian subsidiary is disputing claims from the Brazilian tax authorities that it was not entitled to certain credits in 2004 and 2007. The tax authorities are seeking up to \$4.8 million in additional taxes plus interest and penalties. We believe that based on our interpretation of tax legislation and well established aviation industry practice we are in compliance with all applicable tax legislation and plan to defend this claim vigorously. At January 31, 2015, it is not possible to determine the outcome of this matter or the significance, if any, to our business, financial condition and results of operations.

Our Brazilian subsidiary is also disputing assessments from the municipal governments in Macae and Cabo Frio related to cross-border flights and invoicing. The municipalities are seeking up to \$5.0 million in taxes and penalties. We do not believe the Company is liable for these amounts and will continue to dispute these assessments through administrative and judicial processes. At January 31, 2015, it is not possible to determine the outcome of this matter or the significance, if any, to our business, financial condition and results of operations.

In the United Kingdom, the Ministry for Transport is investigating potential wrongdoing involving two ex-employees in conjunction with the SAR-H bid award processes. This arose from our self-reporting potential improprieties by these individuals upon their discovery in 2010. The SAR-H bid process was subsequently canceled. We will continue to cooperate in all aspects of the investigation. On July 30, 2014, the UK Treasury Solicitors filed a claim for bid recovery costs of £17.8 million (\$26.7 million) against us and other parties involved in our canceled bid. We dispute the bases for the claim and intend to vigorously defend against it. At January 31, 2015, it is not possible to determine

the outcome of this matter, or the significance, if any, to our business, financial condition and results of operations.

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

22. Segment information:

We operate under the following segments:

• Helicopter Services;

• Heli-One;

• Corporate and other.

We have provided information on segment revenues and Adjusted EBITDAR because these are the financial measures used by the Company's chief operating decision maker ("CODM") in making operating decisions and assessing performance. Transactions between operating segments are at standard industry rates.

Subsequent to April 30, 2014, we changed our internal reporting structure to allocate certain direct maintenance and supply chain costs previously reported in the Heli-One segment to the Helicopter Services segment. Under the previous reporting, Heli-One provided maintenance services to the Helicopter Services segment under the terms of a Power by Hour ("PBH") contract. Costs incurred by Heli-One to provide services under the PBH contract were reported in the Heli-One segment, whether they related to maintenance costs performed internally by Heli-One or to services contracted from external third parties. Under the new reporting, all third-party maintenance costs are reflected in the Helicopter Services segment. Maintenance services provided by Heli-One to Helicopter Services are separately reflected for each repair or overhaul of engines and components completed ("MRO contract") as opposed to a PBH contract basis.

The new reporting structure presentation is reflected in the three and nine months ended January 31, 2014 and 2015 segment results. The MRO contract services provided by Heli-One to Helicopter Services are accounted for using a completed contract revenue recognition method in the three and nine months ended January 31, 2015. For the three and nine months ended January 31, 2014, the MRO contract services are accounted for using a percentage completion method, as it was not practical to determine results for this period using the completed contract method of revenue recognition. We are unable to quantify the impact of the difference between percentage completion and completed contract on the three and nine months ended January 31, 2014. Otherwise, the accounting policies of the segments and the basis of accounting for transactions between segments are the same as those described in the summary of significant accounting policies in Note 2 of the consolidated financial statements included in our Annual Report on Form 10-K/A for the fiscal year ended April 30, 2014.

Information on segment assets has not been disclosed as this information is not reviewed by the CODM.

The Helicopter Services segment includes flying operations around the world serving offshore oil and gas, EMS/SAR and other industries and the management of the fleet.

Heli-One, the maintenance, repair and overhaul segment, includes facilities in Norway, Canada, Poland, and the United States that provide helicopter maintenance, repair and overhaul services for our fleet and for an external customer base in Europe, Asia and North America.

Corporate and other includes corporate office costs in various jurisdictions and is not considered a reportable segment.

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## 22. Segment information (continued):

Three months ended January 31, 2014

	Helicopter Services	Heli-One	Corporate and other	Inter-segment eliminations	Consolidated
Revenue from external customers	\$417,196	\$36,698	\$—	\$—	\$453,894
Add: Inter-segment revenues	—	33,370	—	(33,370 )	—
Total revenue	417,196	70,068	—	(33,370 )	453,894
Direct costs (i)	(291,483 )	(63,683 )	—	33,369	(321,797 )
Earnings from equity accounted investees	2,072	—	—	—	2,072
General and administration costs	—	—	(39,182 )	—	(39,182 )
Adjusted EBITDAR (ii)	127,785	6,385	(39,182 )	(1 )	94,987
Helicopter lease and associated costs	(56,216 )	—	—	—	(56,216 )
Depreciation					(35,407 )
Asset impairments (note 4)					58
Gain on disposal of assets					2,478
Operating income					5,900
Interest on long-term debt					(39,782 )
Foreign exchange loss					(11,573 )
Other financing charges					(5,730 )
Income tax expense					(6,689 )
Net loss					\$(57,874 )

(i) Direct costs in the segment information presented excludes helicopter lease and associated costs. In the consolidated statements of operations these costs are combined.

(ii) Adjusted EBITDAR is defined as earnings before interest, taxes, depreciation, amortization, helicopter lease and associated costs, restructuring expense, asset impairments, gain (loss) on disposal of assets, foreign exchange gain (loss) and other financing income (charges) or total revenue plus earnings from equity accounted investees less direct costs, excluding helicopter lease and associated costs, and general and administration costs.

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## 22. Segment information (continued):

Three months ended January 31, 2015

	Helicopter Services	Heli-One	Corporate and other	Inter-segment eliminations	Consolidated
Revenue from external customers	\$375,241	\$39,825	\$—	\$—	\$415,066
Add: Inter-segment revenues	—	20,017	—	(20,017 )	—
Total revenue	375,241	59,842	—	(20,017 )	415,066
Direct costs (i)	(253,260 )	(54,528 )	—	20,039	(287,749 )
Earnings from equity accounted investees	5,858	—	—	—	5,858
General and administration costs	—	—	(19,878 )	—	(19,878 )
Adjusted EBITDAR (ii)	127,839	5,314	(19,878 )	22	113,297
Helicopter lease and associated costs	(66,523 )	—	—	—	(66,523 )
Depreciation					(30,794 )
Restructuring expense					(3,441 )
Asset impairments (note 4)					(403,536 )
Loss on disposal of assets					(3,056 )
Operating loss					(394,053 )
Interest on long-term debt					(29,996 )
Foreign exchange loss					(18,464 )
Other financing charges					(12,014 )
Income tax expense					(10,189 )
Net loss					\$(464,716 )

(i) Direct costs in the segment information presented excludes helicopter lease and associated costs. In the consolidated statements of operations these costs are combined.

(ii) Adjusted EBITDAR is defined as earnings before interest, taxes, depreciation, amortization, helicopter lease and associated costs, restructuring expense, asset impairments, gain (loss) on disposal of assets, foreign exchange gain (loss) and other financing income (charges) or total revenue plus earnings from equity accounted investees less direct costs, excluding helicopter lease and associated costs, and general and administration costs.

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## 22. Segment information (continued):

Nine months ended January 31, 2014

	Helicopter Services	Heli-One	Corporate and other	Inter-segment eliminations	Consolidated
Revenue from external customers	\$1,212,561	\$99,636	\$—	\$—	\$1,312,197
Add: Inter-segment revenues	—	113,910	—	(113,910 )	—
Total revenue	1,212,561	213,546	—	(113,910 )	1,312,197
Direct costs (i)	(844,204 )	(194,563 )	—	112,515	(926,252 )
Earnings from equity accounted investees	5,990	—	—	—	5,990
General and administration costs	—	—	(77,839 )	—	(77,839 )
Adjusted EBITDAR (ii)	374,347	18,983	(77,839 )	(1,395 )	314,096
Helicopter lease and associated costs	(166,661 )	—	—	—	(166,661 )
Depreciation					(106,158 )
Asset impairments (note 4)					(22,956 )
Loss on disposal of assets					(1,943 )
Operating income					16,378
Interest on long-term debt					(117,636 )
Foreign exchange loss					(24,476 )
Other financing charges					(1,615 )
Income tax expense					(17,489 )
Net loss					\$(144,838 )

(i) Direct costs in the segment information presented excludes helicopter lease and associated costs. In the consolidated statements of operations these costs are combined.

(ii) Adjusted EBITDAR is defined as earnings before interest, taxes, depreciation, amortization, helicopter lease and associated costs, restructuring expense, asset impairments, gain (loss) on disposal of assets, foreign exchange gain (loss) and other financing income (charges) or total revenue plus earnings from equity accounted investees less direct costs, excluding helicopter lease and associated costs, and general and administration costs.

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## 22. Segment information (continued):

Nine months ended January 31, 2015

	Helicopter Services	Heli-One	Corporate and other	Inter-segment eliminations	Consolidated
Revenue from external customers	\$1,216,143	\$117,793	\$—	\$—	\$1,333,936
Add: Inter-segment revenues	—	80,054	—	(80,054 )	—
Total revenue	1,216,143	197,847	—	(80,054 )	1,333,936
Direct costs (i)	(833,391 )	(179,222 )	—	79,417	(933,196 )
Earnings from equity accounted investees	9,914	—	—	—	9,914
General and administration costs	—	—	(64,229 )	—	(64,229 )
Adjusted EBITDAR (ii)	392,666	18,625	(64,229 )	(637 )	346,425
Helicopter lease and associated costs	(194,341 )	—	—	—	(194,341 )
Depreciation					(97,672 )
Restructuring expense					(3,441 )
Asset impairments (note 4)					(549,942 )
Loss on disposal of assets					(10,934 )
Operating loss					(509,905 )
Interest on long-term debt					(99,583 )
Foreign exchange loss					(26,835 )
Other financing charges					(14,151 )
Income tax expense					(25,301 )
Net loss					\$(675,775 )

(i) Direct costs in the segment information presented excludes helicopter lease and associated costs. In the consolidated statements of operations these costs are combined.

(ii) Adjusted EBITDAR is defined as earnings before interest, taxes, depreciation, amortization, helicopter lease and associated costs, restructuring expense, asset impairments, gain (loss) on disposal of assets, foreign exchange gain (loss) and other financing income (charges) or total revenue plus earnings from equity accounted investees less direct costs, excluding helicopter lease and associated costs, and general and administration costs.



Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

23. Supplemental condensed consolidated financial information:

The Company and certain of its direct and indirect wholly owned subsidiaries (the “Guarantor Subsidiaries”) fully and unconditionally guaranteed on a joint and several basis certain outstanding indebtedness of CHC Helicopter S.A., one of our subsidiaries. The following consolidating schedules present financial information as of January 31, 2015 and for the three and nine months ended January 31, 2014 and 2015, based on the guarantor structure that was in place at January 31, 2015.

The Sub-Parent column includes the financial position, results of operations and cash flows of several indirect parent entities of CHC Helicopter S.A. which have not provided guarantees of its debt. The investment in subsidiaries held by these entities is accounted for using the equity method. On October 15, 2014, two of the indirect parent entities were liquidated and on October 20, 2014, the remaining indirect parent entity was liquidated.

The Parent columns in the condensed consolidated financial information are for CHC Group Ltd. on a standalone basis (the “Parent”) and the equity method of accounting is used to reflect ownership interest in its subsidiary.

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

## Balance Sheets as at April 30, 2014

(Expressed in thousands of United States dollars)

	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
<b>Assets</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$90	\$88	\$98,067	\$315,602	\$(13,258)	\$(98,067)	\$302,522
Receivables, net of allowance for doubtful accounts	—	70	113	128,121	164,661	(626)	292,339
Current intercompany receivables	30,720	—	326,687	549,410	306,659	(1,213,476)	—
Income taxes receivable	—	—	—	159	28,013	—	28,172
Deferred income tax assets	—	—	—	—	60	—	60
Inventories	—	—	—	122,705	8,186	—	130,891
Prepaid expenses	1,046	—	30	6,614	20,023	(30)	27,683
Other assets	—	—	5,356	32,330	217,545	(206,022)	49,209
	31,856	158	430,253	1,154,941	731,889	(1,518,221)	830,876
Property and equipment, net	—	—	—	951,025	100,116	(382)	1,050,759
Investments	656,167	627,534	989,722	590,947	21,546	(2,854,565)	31,351
Intangible assets	—	—	—	174,394	3,469	—	177,863
Goodwill	—	—	—	335,438	96,938	—	432,376
Restricted cash	—	—	—	12,719	18,847	—	31,566
Other assets	—	36	33,245	463,071	56,199	(33,245)	519,306
Long-term intercompany receivables	—	29,817	670,470	59,225	466,397	(1,225,909)	—
Deferred income tax assets	—	—	—	576	2,805	—	3,381
Assets held for sale	—	—	—	26,849	—	—	26,849
	\$688,023	\$657,545	\$2,123,690	\$3,769,185	\$1,498,206	\$(5,632,322)	\$3,104,327
<b>Liabilities and Shareholders' Equity</b>							
<b>Current Liabilities</b>							
Payables and accruals	\$1,086	\$98	\$19,345	\$213,967	\$140,186	\$(19,341)	\$355,341
Deferred revenue	—	—	—	21,578	8,858	—	30,436
Income taxes payable	—	58	410	36,963	4,954	(410)	41,975
Current intercompany payables	5,628	1,222	77,289	357,594	522,210	(963,943)	—
Deferred income tax liabilities	—	—	—	16	82	—	98
Current facility secured by accounts receivable	—	—	—	—	62,596	—	62,596
Other liabilities	—	—	200,709	251,377	4,460	(401,376)	55,170
Current portion of long-term debt obligations	—	—	—	4,107	—	—	4,107
	6,714	1,378	297,753	885,602	743,346	(1,385,070)	549,723
Long-term debt obligations	—	—	1,459,675	1,546,155	—	(1,459,675)	1,546,155
Long-term intercompany payables	29,817	—	—	466,394	59,232	(555,443)	—
Deferred revenue	—	—	—	37,846	43,639	—	81,485

Edgar Filing: CHC Group Ltd. - Form 10-Q

Other liabilities	—	—	—	198,995	88,390	—	287,385
Deferred income tax liabilities	—	—	—	6,659	4,006	—	10,665
Total liabilities	36,531	1,378	1,757,428	3,141,651	938,613	(3,400,188 )	2,475,413
Redeemable non-controlling interests	—	—	—	—	(22,578 )	—	(22,578 )
Shareholders' equity	651,492	656,167	366,262	627,534	582,171	(2,232,134 )	651,492
	\$688,023	\$657,545	\$2,123,690	\$3,769,185	\$1,498,206	\$(5,632,322)	\$3,104,327

37

---

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Balance Sheets as at January 31,  
2015(Expressed in thousands of United  
States dollars)

	Parent	Subsidiary	Parent Guarantor	Non-guarantor	Eliminations	Consolidated	
<b>Assets</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$9	\$—	\$141,828	\$293,366	\$(76,295)	\$(141,828)	\$217,080
Receivables, net of allowance for doubtful accounts	49	—	113	110,447	130,591	(933)	240,267
Current intercompany receivables	15,261	—	489,247	532,131	353,976	(1,390,615)	—
Income taxes receivable	—	—	—	2,092	17,076	—	19,168
Deferred income tax assets	—	—	—	—	49	—	49
Inventories	—	—	—	111,562	7,522	—	119,084
Prepaid expenses	1,067	—	—	8,446	16,079	—	25,592
Other assets	—	—	101,316	140,811	43,499	(216,866)	68,760
	16,386	—	732,504	1,198,855	492,497	(1,750,242)	690,000
Property and equipment, net	—	—	—	736,339	211,205	—	947,544
Investments	338,783	—	—	318,092	23,979	(648,627)	32,227
Intangible assets	—	—	—	169,003	3,061	—	172,064
Restricted cash	—	—	—	8,892	12,358	—	21,250
Other assets	36	—	24,398	412,771	99,242	(24,397)	512,050
Long-term intercompany receivables	—	—	269,524	73,497	414,411	(757,432)	—
Deferred income tax assets	—	—	—	489	1,186	—	1,675
Assets held for sale	—	—	—	15,049	—	—	15,049
	\$355,205	\$—	\$1,026,426	\$2,932,987	\$1,257,939	\$(3,180,698)	\$2,391,859
<b>Liabilities and Shareholders' Equity (Deficit)</b>							
<b>Current Liabilities</b>							
Payables and accruals	\$2,811	\$—	\$31,846	\$203,990	\$104,636	\$(31,847)	\$311,436
Deferred revenue	—	—	—	23,767	12,257	—	36,024
Income taxes payable	—	—	407	37,917	5,598	(407)	43,515
Current intercompany payables	11,010	—	59,848	367,773	522,754	(961,385)	—
Deferred income tax liabilities	—	—	—	17	12	—	29
Current facility secured by accounts receivable	—	—	—	—	33,218	—	33,218
Other liabilities	—	—	19,154	64,862	96,728	(134,704)	46,040
Current portion of long-term debt obligations	—	—	—	5,545	—	—	5,545
	13,821	—	111,255	703,871	775,203	(1,128,343)	475,807
Long-term debt obligations	—	—	1,162,166	1,235,908	—	(1,162,166)	1,235,908
Long-term intercompany payables	—	—	—	413,687	74,229	(487,916)	—

Edgar Filing: CHC Group Ltd. - Form 10-Q

Deferred revenue	—	—	—	36,001	29,157	—	65,158
Other liabilities	—	—	—	192,409	55,601	—	248,010
Deferred income tax liabilities	—	—	—	5,958	3,047	—	9,005
Total liabilities	13,821	—	1,273,421	2,587,834	937,237	(2,778,425 )	2,033,888
Redeemable non-controlling interests	—	—	14,870	14,870	6,091	(19,244 )	16,587
Redeemable convertible preferred shares	577,024	—	—	—	—	—	577,024
Shareholders' equity (deficit)	(235,640 )	—	(261,865 )	330,283	314,611	(383,029 )	(235,640 )
	\$355,205	\$—	\$1,026,426	\$2,932,987	\$1,257,939	\$(3,180,698)	\$2,391,859

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Statements of Operations  
and Comprehensive Lossfor the three months  
ended January 31, 2014(Expressed in thousands  
of United States dollars)

	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Revenue	\$—	\$—	\$—	\$296,154	\$ 298,990	\$(141,250 )	\$ 453,894
Operating expenses:							
Direct costs	—	—	(17 )	(219,116 )	(300,141 )	141,261	(378,013 )
Earnings (loss) from equity accounted investees	(55,856 )	(55,801 )	11,686	(3,203 )	1,510	103,736	2,072
General and administration costs	(4,169 )	(59 )	(239 )	(18,538 )	(15,737 )	(440 )	(39,182 )
Depreciation	—	—	—	(30,239 )	(5,168 )	—	(35,407 )
Asset impairments	—	—	—	58	—	—	58
Gain (loss) on disposal of assets	—	—	—	2,654	(176 )	—	2,478
	(60,025 )	(55,860 )	11,430	(268,384 )	(319,712 )	244,557	(447,994 )
Operating income (loss)	(60,025 )	(55,860 )	11,430	27,770	(20,722 )	103,307	5,900
Financing income (charges)	22	4	(63,773 )	(75,144 )	18,032	63,774	(57,085 )
Loss before income tax	(60,003 )	(55,856 )	(52,343 )	(47,374 )	(2,690 )	167,081	(51,185 )
Income tax recovery (expense)	—	—	(701 )	(8,427 )	1,738	701	(6,689 )
Net loss	\$(60,003 )	\$(55,856 )	\$(53,044 )	\$(55,801 )	\$ (952 )	\$ 167,782	\$ (57,874 )
Net earnings (loss) attributable to:							
Controlling interest	\$(60,003 )	\$(55,856 )	\$(53,044 )	\$(55,801 )	\$ (3,081 )	\$ 167,782	\$ (60,003 )
Non-controlling interests	—	—	—	—	2,129	—	2,129
Net loss	\$(60,003 )	\$(55,856 )	\$(53,044 )	\$(55,801 )	\$ (952 )	\$ 167,782	\$ (57,874 )
Comprehensive income (loss)	\$(91,464 )	\$(87,319 )	\$(85,133 )	\$(87,264 )	\$ 12,455	\$ 248,571	\$ (90,154 )

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Statements of Operations and Comprehensive Loss for the nine months ended January 31, 2014 (Expressed in thousands of United States dollars)	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Revenue	\$—	\$—	\$—	\$859,876	\$ 863,027	\$(410,706 )	\$ 1,312,197
Operating expenses:							
Direct costs	—	—	(17 )	(649,852 )	(853,767 )	410,723	(1,092,913 )
Earnings (loss) from equity accounted investees	(142,775 )	(142,421 )	53,512	96,947	4,416	136,311	5,990
General and administration costs	(5,456 )	(276 )	(3,479 )	(51,404 )	(20,238 )	3,014	(77,839 )
Depreciation	—	—	—	(91,034 )	(15,124 )	—	(106,158 )
Asset impairments	(1,115 )	—	—	(21,841 )	—	—	(22,956 )
Loss on disposal of assets	—	—	—	(1,410 )	(533 )	—	(1,943 )
	(149,346 )	(142,697 )	50,016	(718,594 )	(885,246 )	550,048	(1,295,819 )
Operating income (loss)	(149,346 )	(142,697 )	50,016	141,282	(22,219 )	139,342	16,378
Financing income (charges)	22	(77 )	(184,590 )	(255,547 )	111,875	184,590	(143,727 )
Earnings (loss) before income tax	(149,324 )	(142,774 )	(134,574 )	(114,265 )	89,656	323,932	(127,349 )
Income tax recovery (expense)	—	(1 )	(2,125 )	(28,156 )	10,668	2,125	(17,489 )
Net earnings (loss)	\$(149,324)	\$(142,775)	\$(136,699)	\$(142,421 )	\$ 100,324	\$326,057	\$(144,838 )
Net earnings (loss) attributable to:							
Controlling interest	\$(149,324)	\$(142,775)	\$(136,699)	\$(142,421 )	\$ 95,838	\$326,057	\$(149,324 )
Non-controlling interests	—	—	—	—	4,486	—	4,486
Net earnings (loss)	\$(149,324)	\$(142,775)	\$(136,699)	\$(142,421 )	\$ 100,324	\$326,057	\$(144,838 )
Comprehensive income (loss)	\$(197,914)	\$(191,367)	\$(187,339)	\$(191,013 )	\$ 132,799	\$438,614	\$(196,220 )





Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Cash flows for the nine months ended January 31, 2014 (Expressed in thousands of US dollars)	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Cash provided by (used in) operating activities	\$(1,783 )	\$5	\$(137,987)	\$111,900	\$ (88,025 )	\$ 136,681	\$20,791
Financing activities:							
Sold interest in accounts receivable, net of collections	—	—	—	—	(5,173 )	—	(5,173 )
Net proceeds from issuance of capital stock	291,313	254,520	254,520	314,520	—	(823,560 )	291,313
Proceeds from issuance of senior unsecured notes	—	—	300,000	300,000	—	(300,000 )	300,000
Long-term debt proceeds	—	—	710,000	760,000	—	(710,000 )	760,000
Long-term debt repayments	—	—	(760,000 )	(888,656 )	—	760,000	(888,656 )
Increase in deferred financing costs	—	—	(14,034 )	(14,034 )	—	14,034	(14,034 )
Long-term intercompany flow-issuance (repayment) of debt	(35,000 )	—	(144,897 )	12,969	22,031	144,897	—
Dividends paid	—	—	—	(85,148 )	—	85,148	—
Related party loans	—	(25,148 )	—	—	—	—	(25,148 )
Cash provided by financing activities	256,313	229,372	345,589	399,651	16,858	(829,481 )	418,302
Investing activities:							
Property and equipment additions	—	—	—	(439,898 )	(35,566 )	1,306	(474,158 )
Proceeds from disposal of property and equipment	—	—	—	444,398	172	—	444,570
Helicopter deposits net of lease inception refunds	—	—	—	(102,388 )	—	—	(102,388 )
Investment in subsidiaries	(254,520 )	(314,520)	—	—	—	569,040	—
Restricted cash	—	—	—	1,223	6,961	—	8,184
Dividends received	—	85,148	195	—	—	(85,343 )	—
Cash provided by (used in) investing activities	(254,520 )	(229,372)	195	(96,665 )	(28,433 )	485,003	(123,792 )
Cash provided by (used in) operations	10	5	207,797	414,886	(99,600 )	(207,797 )	315,301
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(21,128 )	(829 )	—	(21,957 )

Edgar Filing: CHC Group Ltd. - Form 10-Q

Change in cash and cash equivalents during the period	10	5	207,797	393,758	(100,429 )	(207,797 )	293,344
Cash and cash equivalents, beginning of the period	—	87	3,478	136,835	(13,121 )	(3,478 )	123,801
Cash and cash equivalents, end of the period	\$ 10	\$ 92	\$ 211,275	\$ 530,593	\$ (113,550 )	\$ (211,275 )	\$ 417,145

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Statements of Operations  
and Comprehensive Lossfor the three months  
ended January 31, 2015(Expressed in thousands  
of United States dollars)

	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Revenue	\$—	\$—	\$—	\$263,296	\$ 274,410	\$(122,640 )	\$415,066
Operating expenses:							
Direct costs	—	—	—	(204,539 )	(272,373 )	122,640	(354,272 )
Earnings (loss) from equity accounted investees	(464,596 )	—	(517,004 )	(235,454 )	1,265	1,221,647	5,858
General and administration costs	(5,418 )	—	(378 )	(15,127 )	667	378	(19,878 )
Depreciation	—	—	—	(25,584 )	(5,210 )	—	(30,794 )
Restructuring expense	(1,733 )	—	—	(1,219 )	(489 )	—	(3,441 )
Asset impairments	—	—	—	(309,163 )	(94,373 )	—	(403,536 )
Loss on disposal of assets	—	—	—	(724 )	(2,332 )	—	(3,056 )
	(471,747 )	—	(517,382 )	(791,810 )	(372,845 )	1,344,665	(809,119 )
Operating loss	(471,747 )	—	(517,382 )	(528,514 )	(98,435 )	1,222,025	(394,053 )
Financing income (charges)	265	—	55,777	73,013	(133,752 )	(55,777 )	(60,474 )
Loss before income tax	(471,482 )	—	(461,605 )	(455,501 )	(232,187 )	1,166,248	(454,527 )
Income tax expense	—	—	(647 )	(9,094 )	(1,095 )	647	(10,189 )
Net loss	\$(471,482)	\$—	\$(462,252)	\$(464,595)	\$ (233,282)	\$1,166,895	\$(464,716)
Net earnings (loss) attributable to:							
Controlling interest	\$(471,482)	\$—	\$(462,252)	\$(464,595)	\$ (240,048)	\$1,166,895	\$(471,482)
Non-controlling interests	—	—	—	—	6,766	—	6,766
Net loss	\$(471,482)	\$—	\$(462,252)	\$(464,595)	\$ (233,282)	\$1,166,895	\$(464,716)
Comprehensive loss	\$(552,235)	\$—	\$(538,440)	\$(545,348)	\$ (263,270)	\$1,359,641	\$(539,652)

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Statements of Operations and Comprehensive Loss for the nine months ended January 31, 2015 (Expressed in thousands of United States dollars)	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Revenue	\$—	\$—	\$—	\$854,211	\$ 897,656	\$(417,931 )	\$1,333,936
Operating expenses:							
Direct costs	—	—	—	(654,167 )	(891,301 )	417,931	(1,127,537 )
Earnings (loss) from equity accounted investees	(680,226 )	(65,707 )	(770,778 )	(353,071 )	4,307	1,875,389	9,914
General and administration costs	(15,977 )	(105 )	(1,139 )	(48,149 )	2	1,139	(64,229 )
Depreciation	—	—	—	(82,648 )	(15,024 )	—	(97,672 )
Restructuring expense	(1,733 )	—	—	(1,219 )	(489 )	—	(3,441 )
Asset impairments	—	—	—	(453,294 )	(96,648 )	—	(549,942 )
Loss on disposal of assets	—	—	—	(8,316 )	(2,618 )	—	(10,934 )
	(697,936 )	(65,812 )	(771,917 )	(1,600,864 )	(1,001,771 )	2,294,459	(1,843,841 )
Operating loss	(697,936 )	(65,812 )	(771,917 )	(746,653 )	(104,115 )	1,876,528	(509,905 )
Financing income (charges)	772	72	94,650	88,572	(229,985 )	(94,650 )	(140,569 )
Loss before income tax	(697,164 )	(65,740 )	(677,267 )	(658,081 )	(334,100 )	1,781,878	(650,474 )
Income tax recovery (expense)	—	20	(1,997 )	(22,132 )	(3,189 )	1,997	(25,301 )
Net loss	\$(697,164)	\$(65,720 )	\$(679,264)	\$(680,213 )	\$( 337,289 )	\$1,783,875	\$(675,775 )
Net earnings (loss) attributable to:							
Controlling interest	\$(697,164)	\$(65,720 )	\$(679,264)	\$(680,213 )	\$( 358,678 )	\$1,783,875	\$(697,164 )
Non-controlling interests	—	—	—	—	21,389	—	21,389
Net loss	\$(697,164)	\$(65,720 )	\$(679,264)	\$(680,213 )	\$( 337,289 )	\$1,783,875	\$(675,775 )
Comprehensive loss	\$(872,455)	\$(154,122)	\$(846,617 )	\$(855,504 )	\$( 397,549 )	\$2,282,266	\$(843,981 )

Table of Contents

CHC Group Ltd.

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Cash flows for the nine months ended January 31, 2015 (Expressed in thousands of US dollars)	Parent	Sub-Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Cash provided by (used in) operating activities	\$9,600	\$(88 )	\$(259,790)	\$51,345	\$ (105,902 )	\$ 259,920	\$(44,915 )
Financing activities:							
Sold interest in accounts receivable, net of collections	—	—	—	—	(18,666 )	—	(18,666 )
Net proceeds from issuance of capital stock	—	—	574,000	574,000	160,000	(1,308,000 )	—
Net proceeds from issuance of redeemable convertible preference shares	572,819	—	—	—	—	—	572,819
Long-term debt proceeds	—	—	325,000	325,000	—	(325,000 )	325,000
Long-term debt repayments	—	—	(325,000 )	(328,055 )	—	325,000	(328,055 )
Repurchases of senior secured notes	—	—	(158,681 )	(158,681 )	—	158,681	(158,681 )
Redemption and repurchases of senior unsecured notes	—	—	(151,683 )	(151,683 )	—	151,683	(151,683 )
Distribution paid to non-controlling interest	(8,500 )	—	—	—	—	—	(8,500 )
Long term intercompany flow – issuance of debt	—	—	84,900	—	—	(84,900 )	—
Dividends paid	—	—	—	—	(7,697 )	7,697	—
Cash provided by financing activities	564,319	—	348,536	260,581	133,637	(1,074,839 )	232,234
Investing activities:							
Property and equipment additions	—	—	—	(271,886 )	(105,265 )	(130 )	(377,281 )
Proceeds from disposal of property and equipment	—	—	—	141,515	136	—	141,651
Helicopter deposits net of lease inception refunds	—	—	—	(39,122 )	—	—	(39,122 )
Proceeds from sale of equity accounted investee	—	—	—	4,382	—	—	4,382
Investment in subsidiaries	(574,000)	—	(160,000 )	(160,000 )	—	894,000	—
Restricted cash	—	—	—	2,841	2,737	—	5,578
Dividends received	—	—	115,015	7,697	—	(122,712 )	—
Cash used in investing activities	(574,000)	—	(44,985 )	(314,573 )	(102,392 )	771,158	(264,792 )

Edgar Filing: CHC Group Ltd. - Form 10-Q

Cash provided by (used in) operations	(81	)	(88	)	43,761	(2,647	)	(74,657	)	(43,761	)	(77,473	)
Effect of exchange rate changes on cash and cash equivalents	—		—		—	(19,589	)	11,620		—		(7,969	)
Change in cash and cash equivalents during the period	(81	)	(88	)	43,761	(22,236	)	(63,037	)	(43,761	)	(85,442	)
Cash and cash equivalents, beginning of the period	90		88		98,067	315,602		(13,258	)	(98,067	)	302,522	
Cash and cash equivalents, end of the period	\$9		\$—		\$141,828	\$293,366		\$ (76,295	)	\$ (141,828	)	\$217,080	

Table of Contents

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

This management’s discussion and analysis of our financial condition and results of operations (“MD&A”) is intended to provide an understanding of our results of operations, financial condition and where appropriate, factors that may affect future performance. You should read the following discussion of our financial condition and results of operations in conjunction with the unaudited interim consolidated financial statements and notes thereto included elsewhere in this report and our audited annual consolidated financial statements and notes thereto included in our Annual Report on Form 10-K/A (“Amended 10-K”) for the fiscal year ended April 30, 2014, filed with the Securities and Exchange Commission, or SEC, on September 15, 2014, and the MD&A contained therein. In the discussion that follows, the terms “prior year quarter” and “current year quarter” and “prior year period” and “current year period” refers to the three and nine months ended January 31, 2014 and 2015, respectively. The following discussions include forward-looking statements that involve certain risks and uncertainties, including those identified in the “Risk Factor” section elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K (“Original 10-K”) which was filed with the SEC on July 10, 2014.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements, within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, or Securities Act, about our future expectations, plans or prospects and our business. All statements contained in this Quarterly Report on Form 10-Q, other than statements of historical fact, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management, are forward-looking statements. In some cases you can identify these statements by forward-looking words such as “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “plan,” “expect” or the use of these words or similar expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- continued downward pressure and volatility in the oil and gas sector generally, and the potential impact of such volatility on offshore exploration and production, particularly on demand for offshore transportation services;
- our level of indebtedness and obligations under our operating leases;
- competition in the markets we serve;
- loss of any of our large, long-term support contracts;
- inherent risks in operating helicopters;
- failure to mitigate losses through a robust safety management and insurance coverage program or to maintain standards of acceptable safety performance;
- risks associated with our fixed operating expenses and long-term contracts;
- our reliance on a small number of helicopter manufacturers;
- limited number of suppliers and availability of replacement helicopter parts and subcontracted services;
- inability to fund our working capital requirements;
- reliance on the secondary used helicopter market to dispose of older helicopters;
- extensive regulation;
- potential for conflict with the other owners of non-wholly owned variable interest entities;
- political and economic uncertainty;
  - compliance risks associated with international activities;
- application of tax laws in various jurisdictions;
- foreign currency exposure and related hedging activities;

Table of Contents

- exposure to credit risks;
- allocation of risk between our customers and us;
- dependence on the oil and gas industry, and particular markets within that industry;
- reduction or cancellation of services for government agencies;
- inability to upgrade our technology;
- reliance on information technology;
- assimilation of acquisitions and the impact of any future material acquisitions;
- loss of key personnel;
- labor problems;
- insufficient assets in our defined benefit pension plan;
- adverse results of legal proceedings;
- potential adverse U.S. federal income tax consequences;
- our controlling shareholders' control over us, and their interests that may conflict with ours and may differ from those of our public shareholders;
- future sales of our ordinary shares by current shareholders;
- lack of a prior trading market for our ordinary shares;
- our holding company structure; and
- the costs of being a public company, including Sarbanes-Oxley Act compliance.

We caution you that the above list of cautionary statements is not exhaustive and should be considered with the risks described under "Risk Factors" elsewhere in this Quarterly Report on Form 10-Q and those identified in the "Risk Factors" section of the Original 10-K for the fiscal year ended April 30, 2014. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. We disclaim any intentions or obligations to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

Unless the context otherwise requires, references in this Quarterly Report on Form 10-Q to "Company," "we," and "our" refer to CHC Group Ltd. and its subsidiaries. Our fiscal year ends on April 30, and we refer to fiscal years based on the end of such period (the fiscal year ended April 30, 2014 is referred to as "fiscal 2014"). Certain operational terms used in this Quarterly Report on Form 10-Q are defined under the heading "Glossary."

Overview of Business

We are one of the two largest commercial operators of helicopters in the world based on revenue of \$1.8 billion in fiscal 2014 and based on our fleet of 233 heavy and medium helicopters as of January 31, 2015. With bases on six continents, we are one of only two global commercial helicopter service providers to the offshore oil and gas industry. Our mission is to provide the highest level of service in the industry, which we believe will enable our customers to go further, do more and come home safely. With over 60 years of experience providing helicopter services, we believe our brand and reputation have become associated with safe and reliable transportation and mission-critical logistics solutions.

Our helicopters are primarily used to facilitate large, long-distance crew changes on offshore production facilities and drilling rigs. We also provide search and rescue services, or SAR, and emergency medical services, or EMS, to government agencies. We maintain a presence in most major offshore oil and gas markets through a network of approximately 70 bases with operations in approximately 30 countries. We cover this expansive and diverse geography with a technologically advanced fleet of 233 helicopters and the expertise to serve customers in ultra-deepwater and deepwater locations. To secure and maintain



Table of Contents

operating certificates in the many jurisdictions in which we provide helicopter services, we must meet stringent and diverse regulatory standards across multiple jurisdictions, and have an established track record in obtaining and maintaining certificates as well as working with regulators and local partners.

We generate the majority of our oil and gas customer Helicopter Services revenue from contracts tied to our customers' offshore production operations, which have long-term transportation requirements. A substantial portion of our remaining Helicopter Services oil and gas customer revenue comes from transporting personnel to and from offshore drilling rigs. Approximately 73% to 78% of the flying revenue in our Helicopter Services segment was attributable to fixed monthly charges for the fiscal years ended April 30, 2012, 2013 and 2014.

We also provide maintenance, repair and overhaul, or MRO, services through our Heli-One business to both our own Helicopter Services segment and to third-party customers. Our MRO capabilities enable us to perform heavy structural repairs, and maintain, overhaul and test helicopters and helicopter components globally across various helicopter types. In addition, we are the largest provider of these services (excluding original equipment manufacturers, or OEMs), which allows us to provide our Heli-One customers with comprehensive MRO services across multiple helicopter types and families. Our MRO services include complete maintenance outsourcing solutions, parts sales and distribution, engineering services, design services and logistics support.

**Segments**

We report under two operating segments as well as a Corporate segment that provides general and administration functions. Subsequent to April 30, 2014, we changed our internal reporting structure to allocate certain direct maintenance and supply chain costs previously reported in the Heli-One segment to the Helicopter Services segment. Under the previous reporting, Heli-One provided maintenance services to the Helicopter Services segment under the terms of a Power by Hour ("PBH") contract. Costs incurred by Heli-One to provide services under the PBH contract were reported in the Heli-One segment, whether they related to maintenance costs performed internally by Heli-One or to services contracted from external third parties. Under the new reporting, all third-party maintenance costs are reflected in the Helicopter Services segment. Maintenance services provided by Heli-One to Helicopter Services are separately reflected for each MRO contract as opposed to a PBH contract basis. Information on segment assets is not reviewed by the Company's chief operating decision maker ("CODM") in making operating decisions and assessing performance.

Our two operating segments are as follows:

**Helicopter Services:**

Our Helicopter Services segment consists of flying operations in the Eastern North Sea, the Western North Sea, the Americas, the Asia Pacific region and the Africa-Euro Asia region, primarily serving our offshore oil and gas customers and providing SAR and EMS to government agencies. The Eastern North Sea is comprised mainly of Norway while the Western North Sea includes principally the United Kingdom, Ireland and the Netherlands. The Americas is comprised of Brazil, North American countries and other South American countries. The Asia Pacific region includes Australia and Southeast Asian countries, including East Timor and Malaysia, and the Africa-Euro Asia region includes Nigeria, Equatorial Guinea, Kazakhstan, Mozambique and other African and European countries.

Helicopter Services generated approximately 87% to 90% of its revenue for the three years ended April 30, 2014 from oil and gas customers, and of this amount, the majority is tied to our customers' offshore production operations, which have long-term transportation requirements.

Helicopter Services also provides SAR and EMS to government agencies and to our oil and gas customers. SAR and EMS revenue to non-oil and gas customers has historically contributed approximately 10% to 11% of Helicopter Services revenue for the three years ended April 30, 2014.

**Heli-One:**

Our Heli-One segment includes helicopter maintenance, repair and overhaul facilities in Norway, Poland, Canada and the United States, providing helicopter maintenance, repair and overhaul services for our fleet and for a growing external customer base in Europe, Asia and North America. Although intersegment revenues are eliminated from the presentation of our consolidated financial information, operationally, Heli-One's largest customer is our Helicopter

Services segment.

47

---

Table of Contents

We have historically generated the majority of our third-party Heli-One revenue by providing maintenance, repair and overhaul services to other helicopter operators. Approximately 28%, 34% and 38% of our third-party Heli-One revenue in the 2012, 2013 and 2014 fiscal years, respectively, was derived from PBH contracts, where the customer pays a ratable monthly charge, typically based on the number of hours flown, for all scheduled and un-scheduled maintenance.

**Key Financial and Operating Metrics**

We use a number of key financial and operating metrics to measure the performance of our business, including Adjusted EBITDAR, Adjusted EBITDAR excluding special items, Adjusted EBITDAR margin, Adjusted EBITDAR margin excluding special items, Adjusted net loss, and our Heavy Equivalent Rate (HE Rate). None of Adjusted EBITDAR, Adjusted EBITDAR excluding special items, Adjusted EBITDAR margin, Adjusted EBITDAR margin excluding special items, Adjusted net loss or HE Rate is required by, or presented in accordance with United States Generally Accepted Accounting Principles (“GAAP”). These non-GAAP measures are not performance measures under GAAP and should not be considered as alternatives to net earnings (loss) or any other performance or liquidity measures derived in accordance with GAAP. In addition, these measures may not be comparable to similarly titled measures of other companies.

The following table shows our external revenue generated by segment, our Adjusted net loss, our Adjusted EBITDAR excluding special items, our Adjusted EBITDAR margin excluding special items, operating income (loss), operating margin and our HE Rate, for the nine month periods ended January 31, 2014 and 2015:

	Nine Months Ended January 31,		Favorable (Unfavorable)		
	2014	2015	\$ Change	% Change	
Helicopter Services operating revenue	\$1,088,681	\$1,099,799	\$11,118	1.0	%
Reimbursable revenue	123,880	116,344	(7,536)	(6.1)	)%
Helicopter Services total revenue	1,212,561	1,216,143	3,582	0.3	%
Heli-One external revenue	99,636	117,793	18,157	18.2	%
Total revenue	\$1,312,197	\$1,333,936	\$21,739	1.7	%
Adjusted net loss	\$(83,099)	\$(91,536)	\$(8,437)	(10.2)	)%
Adjusted EBITDAR excluding special items	339,177	351,539	12,362	3.6	%
Adjusted EBITDAR margin, excluding special items <sup>1</sup>	28.5	% 28.9	% 0.4	% 1.4	%
Operating income (loss)	\$16,378	\$(509,905)	\$(526,283)	n/a	
Operating margin <sup>2</sup>	1.2	% (38.2)	)% (39.4)	n/a	
HE Rate <sup>3</sup>	\$6,582	\$6,831	\$249	3.8	%

Adjusted EBITDAR margin excluding special items is calculated as Adjusted EBITDAR excluding special items (1)divided by total revenue less reimbursable revenue. Cost reimbursements from customers are recorded as reimbursable revenue with the related reimbursement expense in direct costs.

(2)Operating margin is calculated as operating income (loss) divided by total revenue.

HE Rate is the third-party operating revenue from our Helicopter Services segment excluding reimbursable revenue divided by a weighted average factor corresponding to the number of heavy and medium helicopters in our (3) fleet. Our heavy and medium helicopters, including owned and leased, are weighted at 100% and 50%, respectively, to arrive at a single HE count, excluding helicopters expected to be retired from our fleet.

Table of Contents

Adjusted EBITDAR, Adjusted EBITDAR excluding special items, Adjusted EBITDAR margin, Adjusted EBITDAR margin excluding special items, Adjusted net loss and HE Rate are non-GAAP financial measures. We have chosen to include Adjusted EBITDAR, and Adjusted EBITDAR excluding special items, as we consider these measures to be significant indicators of our financial performance and we use these measures to assist us in allocating available capital resources. Adjusted EBITDAR is defined as earnings before interest, taxes, depreciation, amortization, helicopter lease and associated costs, restructuring expense, asset impairments, gain (loss) on disposal of assets, foreign exchange gain (loss) and other financing income (charges) or total revenue plus earnings from equity accounted investees, less direct costs, excluding helicopter lease and associated costs, and general and administration costs. Adjusted EBITDAR excluding special items excludes corporate transaction costs, which includes costs related to senior executive turnover, potential financing, expenses related to our initial public offering or IPO, including costs related to restructuring our compensation plan, and other transactions. For additional information about our segment revenue and Adjusted EBITDAR, including a reconciliation of these measures to our consolidated financial statements, see Note 22 of our unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015 included elsewhere in this Quarterly Report on Form 10-Q.

We have chosen to include Adjusted net loss as it provides us with an understanding of the results from the primary activities of our business by excluding corporate transaction costs, which includes costs related to senior executive turnover, potential financing, expenses related to our IPO, including costs related to restructuring our compensation plan, and other transactions, restructuring expense, gain (loss) on disposal of assets, asset impairments, net loss on debt extinguishment, the unrealized gain (loss) on the revaluation of our derivatives and foreign exchange gain (loss), which is primarily driven by the translation of U.S. dollar balances in entities with a non-U.S. dollar functional currency. This measure excludes the net earnings or loss attributable to non-controlling interests. We believe that this measure is a useful supplemental measure as net loss includes these items, and the inclusion of these items are not meaningful indicators of our ongoing performance. For additional information about our Adjusted net loss, including reconciliation to our unaudited interim consolidated financial statements, see “Summary of the Results of Operations.” We have chosen to include the HE Rate, which is the third-party operating revenue from the Helicopter Services segment excluding reimbursable revenue divided by a weighted average factor corresponding to the number of heavy and medium helicopters in our fleet. Our heavy and medium helicopters, including owned and leased, are weighted at 100% and 50%, respectively, to arrive at a single HE count, excluding helicopters expected to be retired from the fleet. We believe this measure is useful as it provides a standardized measure of our operating revenue per helicopter taking into account the different revenue productivity and related costs of operating our fleet mix of heavy and medium helicopters.

Key Drivers Affecting our Results of Operations

Our results of operations and financial condition are affected by numerous factors, including those described under Part I, Item 1A “Risk Factors,” elsewhere in this Quarterly Report on Form 10-Q and those described below:

General level of offshore production and drilling activity. Demand for our services depends primarily upon ongoing offshore hydrocarbon production and the capital spending of oil and gas companies and the level of offshore drilling activity. Higher activity levels can lead to greater utilization of our helicopters by our customers. Because a large portion of our costs are fixed, our Adjusted EBITDAR margins typically improve when more of our helicopters are deployed.

Impact of fleet mix. Generally, contracts for our helicopter services requiring heavier and newer helicopters provide an opportunity to generate greater profit than lighter and older helicopters. Consequently, our revenue and profit opportunity improves as we upgrade our fleet and enter into new contracts.

Timing of new contracts and our commencement of service under new contracts. Our results of operations in a particular period can be impacted by the timing of the execution of new contracts and our ability to provide services under new contracts.

Outlook

We generate the majority of our Helicopter Services revenue from contracts tied to our oil and gas customers' offshore production operations, which have long-term transportation requirements. A substantial portion of our Helicopter Services oil and gas customer revenue comes from transporting personnel to and from offshore drilling rigs. Approximately 73% to 78% of the flying revenue in our Helicopter Services segment was attributable to fixed monthly charges for the fiscal years ended April 30, 2012, 2013 and 2014. The production business is typically less cyclical than the exploration and development business because production platforms remain in place over the long-term as the marginal cost of lifting a barrel of oil once a

Table of Contents

platform is in position is low. Since mid-2014, there has been a significant decline in Brent crude oil prices due to a combination of sustained high supply from the Organization of the Petroleum Exporting Countries and from North America, coupled with weaker than expected demand due to economic uncertainty in Europe and other regions. Due to this significant and rapid downturn in market conditions, we are seeing reassessment by customers of exploration projects and reductions in their capital expenditure plans. In this environment, our customers are also actively managing their costs which may translate into increased pricing pressure. The continued downward pressure and volatility in the oil and gas sector generally, and the potential impact of such volatility on offshore exploration and production, may impact the future demand for offshore helicopter transportation services. We have however seen an increase in ultra-deepwater and deepwater spending by our customers over the past few years. Despite the recent volatility in the price of oil and gas, we remain optimistic that growth will continue in the long-term.

New technology has allowed oil and gas companies to continue exploration and drilling farther offshore. To remain competitive and to service existing and new contracts in this industry, we have in recent years been pursuing a program of augmenting our fleet by switching to technologically advanced helicopters to meet customers' changing demands. During the current year period, we decided to accelerate our exit from five older technology helicopter types. This is part of our continued fleet replacement strategy to better meet our customer demands for newer technology helicopters and reduce the number of different helicopter types in our fleet. The exit will take place over multiple years as helicopters complete their current flying obligations. During the nine months ended January 31, 2015, we took delivery of thirteen new technology helicopters. At January 31, 2015, we have commitments to purchase 19 new technology helicopters, with the delivery of these helicopters beginning in fiscal 2015 and continuing through to fiscal 2018. These helicopters will be purchased outright or financed through leases. In addition, we have committed to \$100.0 million of additional heavy helicopter purchases with Airbus Helicopters prior to December 31, 2016.

The North Sea continues to be our core operating area, with approximately half of Helicopter Services' revenue being derived from this region. In May 2014, we won a new contract to provide helicopter flying services to an exploration rig in the Atlantic Ocean, off the coast of Newfoundland, Canada. In June 2014, we won a new multi-year oil and gas contract in the U.K. to provide flying services to the Mariner field off the coast of Scotland. In October 2014, we formally agreed to a contract to provide Total with helicopter flying services for four heavy helicopters over a seven year term to support their operations along the U.K. continental shelf. We have also made continued contract wins and renewals for the year to date with other new contracts in the U.K., Kazakhstan, Norway, Equatorial Guinea and Brazil. Our MRO services, operated through our Heli-One business, are dependent on helicopter maintenance demand. This is generally highest during periods of high helicopter service demand where high flying hours result in more frequent maintenance, most of which is required by regulation. Heli-One continues to develop its third-party business for both PBH and non-PBH revenue streams, with recent contract wins for helicopter upgrade and modification contracts with major leasing customers as well as engine overhaul and medium helicopter PBH agreements, which includes new business with customers in Japan and Malaysia. We continue to review and improve our global inventory management processes through a number of lean process techniques to support efficiencies in our workshops and our supply chain for our business operations, including developing our inventory management methodology, continuing the roll-out of our global MRO and planning software, reducing the turnaround time on rotatable maintenance and improving parts reliability, which is designed to both reduce our capital investment outlay and improve rotatable part availability. We have also been working to expand sales volumes through our global agent and channel partner network, where we have signed new agents and channel partners in numerous key regions during preceding periods.

On October 21, 2014, CHC and other major operators officially launched the new industry association, HeliOffshore. HeliOffshore will use cross-industry cooperation as a platform for enhancing the industry's overall strong safety record by sharing best practices, developing and applying advanced technology, and encouraging common global flight standards. HeliOffshore is a joint initiative with other helicopter operators to further enhance offshore flight safety. We conduct our business in various foreign jurisdictions, and as such, our cash flows and earnings are subject to fluctuations and related risks from changes in foreign currency exchange rates. There has been a significant strengthening of the U.S. dollar during the current fiscal year. As a result of the strengthening of the U.S. dollar, our

reported results have deteriorated in the current year period compared to the prior year period. Throughout the nine months ended January 31, 2015, our primary foreign currency exposures were related to the Norwegian Kroner, the Euro, the British pound sterling, the Canadian dollar and the Australian dollar. For details on this exposure and the related impact on our results of operations, see Part I, Item 3 “Quantitative and Qualitative Disclosures About Market Risk” included elsewhere in this Quarterly Report on Form 10-Q.

Table of Contents

Recent Developments

On August 23, 2013, one of our Airbus Helicopters AS332L2 helicopters was involved in an accident near Sumburgh in the Shetland Isles, United Kingdom. Authorities subsequently confirmed four fatalities and multiple injuries among the 16 passengers and two crew members on board. The cause of the accident is not yet known and full investigations are being carried out in conjunction with the UK Air Accident Investigation Branch (AAIB), and Police Scotland.

On October 18, 2013, the UK AAIB issued a special bulletin about its investigation on the possible causes of the AS332L2 accident. A full copy of the special bulletin is available at [http://www.aaib.gov.uk/publications/special\\_bulletins/s1\\_2014\\_\\_\\_as332\\_l2\\_super\\_puma\\_\\_g\\_wnsb.cfm](http://www.aaib.gov.uk/publications/special_bulletins/s1_2014___as332_l2_super_puma__g_wnsb.cfm). Neither the foregoing website nor the information contained on the website nor the report accessible through such website shall be deemed incorporated into, and neither shall be a part of, this Quarterly Report on Form 10-Q. In the special bulletin, the UK AAIB confirmed that, to date, the wreckage examination and analysis of recorded data as well as information from interviews of people involved in the accident have not found any evidence of a technical fault that could have been causal to the accident. The investigations by the UK AAIB and Police Scotland are ongoing. It is too early to determine the extent of the impact of the accident on our results of operations or financial condition based on information currently available.

On January 23, 2014, the UK AAIB issued a further special bulletin (S1/2014) on the accident which contained enhanced pre-flight safety briefing recommendations relating to the use of the passenger re-breather; these industry-wide recommendations were implemented by CHC in all regions where this equipment is in use.

Financing Transactions

On August 21, 2014, we announced the entry into definitive agreements with funds managed by Clayton, Dubilier & Rice ("CD&R") for an aggregate investment of up to \$600.0 million in us through a private placement issuance of our preferred shares (the "Private Placement"). The Private Placement involved three closings: (a) 116,000 preferred shares purchased upon the first closing, (b) 384,000 preferred shares purchased upon the second closing, and (c) 100,000 preferred shares purchased upon the third closing.

On October 30, 2014, we completed the sale and issuance of 116,000 preferred shares to affiliates of CD&R upon the first closing of the Private Placement. We raised \$110.2 million in net proceeds from the first closing after deducting direct transaction costs of \$5.8 million. Upon the first closing Mr. John Krenicki, Jr. and Mr. Nathan K. Sleeper joined our board of directors, and Mr. William Macaulay resigned. Mr. Krenicki was appointed to serve as chairman of our board of directors.

Following approval at a shareholders' extraordinary general meeting on November 7, 2014, we completed the sale and issuance of 384,000 preferred shares to affiliates of CD&R upon the second closing of the Private Placement on November 12, 2014 for gross proceeds of \$384.0 million. Upon the second closing, Mr. Robert C. Volpe joined our board of directors.

On November 4, 2014, our Registration Statements on Form S-1 (File No. 333-198876) became effective for our rights offering of preferred shares pursuant to which we would sell up to 100,000 preferred shares. The subscription period for our rights offering began on November 7, 2014 and expired on November 24, 2014. Consummation of the rights offering was conditional upon receiving at least \$50.0 million in aggregate subscriptions from the Company's shareholders. As the total commitments received in the rights offering as of the expiration date were less than \$50.0 million, the rights offering was canceled per the terms of the Private Placement. We completed the sale and issuance of 100,000 preferred shares to affiliates of CD&R upon the third closing of the Private Placement on December 15, 2014 for gross proceeds of \$100.0 million. Direct transaction costs of \$21.4 million were incurred for the second and third closings. The total net proceeds from the Private Placement after deducting direct transaction costs of \$27.2 million was \$572.8 million.

The preferred shares offered to CD&R in the Private Placement will not be or have not been registered under the United States Securities Act of 1933, as amended, or the Securities Act, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. No assurance can be given that we will be able to derive the benefits contemplated by the Private Placement.



Appointment of President and Chief Executive Officer

On February 6, 2015, Mr. Karl Fessenden was named our President and Chief Executive Officer. Mr. Fessenden replaces Mr. William Amelio, who has left the Company. Mr. Fessenden came to CHC from GE, where over 20 years he amassed a track record of strong leadership in building industrial-services businesses, as well as process discipline around resource and capital allocation. Mr. Fessenden successfully led multiple global-service business units at GE Energy and GE Aviation. Most recently he directed GE's integration of the Alstom power-generation business, the largest acquisition in GE's

Table of Contents

history. Prior to that, Mr. Fessenden managed GE's Power Generation Services unit. His background includes 15 years in the aviation sector with GE and Pratt & Whitney.

## Fleet

As of January 31, 2015, our fleet was comprised of the following helicopters:

Helicopter Type	Total	Cruise Speed (kts)	Approximate Range (nmi)	Passenger Capacity	Maximum Weight (lbs)
Helicopter Type					
Heavy:					
Sikorsky S92A	45	145	400	19	26,500
Airbus Helicopters EC225	40	145	400	19	24,250
Airbus Helicopters (AS332 L, L1, and L2)	36	130-140	250-350	17-19	18,000-20,500
Total Heavy	121				
Medium:					
AgustaWestland AW139	41	145	280	12-15	15,000
Sikorsky S76C++	23	145	220	12	11,700
Sikorsky S76C+	20	145	175	12	11,700
Sikorsky S76A++	10	135	110-130	12	10,800-11,700
Bell 412	7	125	135	13	11,900
Airbus Helicopters AS365 Series	6	120-145	80	11	9,500
Airbus Helicopters EC135/145/155	5	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>
Total Medium	112				
Total Helicopters	233				
(1)EMS only					

As of January 31, 2015, we have committed to purchase 19 new technology helicopters and the total required additional expenditure for these helicopters is approximately \$457.6 million. These helicopters are expected to be delivered in fiscal 2015 and 2016 (\$170.8 million), 2017 (\$201.3 million) and 2018 (\$85.5 million) and will be deployed in our Helicopter Services segment. We intend to enter into leases for these helicopters or purchase them outright upon delivery from the manufacturer. Additionally, we have committed to purchase \$39.3 million of helicopter parts by October 31, 2015 and \$100.0 million of heavy helicopters from Airbus Helicopters prior to December 31, 2016.

The following table shows the expected delivery dates of the helicopter purchase commitments referred above:

	Number of helicopters purchase commitments (i)
2015	1
2016	7
2017	8
2018	3
	19

(i) Does not include helicopters related to our commitment to purchase \$100.0 million of heavy helicopters from Airbus Helicopters or our intention to lease helicopters from an independent lessor with one remaining planned delivery in fiscal 2015.



Table of Contents

Three Months Ended January 31, 2014 and 2015

Summary Results of Operations

(In thousands of U.S. dollars)

	Three Months Ended January 31,		
	2014	2015	
Operating revenue	\$412,041	\$382,118	
Reimbursable revenue	41,853	32,948	
Total revenue	453,894	415,066	
Operating Expenses			
Direct costs (i)	(321,797 )	(287,749 )	
Earnings from equity accounted investees	2,072	5,858	
General and administration costs	(39,182 )	(19,878 )	
Adjusted EBITDAR (ii)	94,987	113,297	
Helicopter lease and associated costs	(56,216 )	(66,523 )	
Depreciation	(35,407 )	(30,794 )	
Restructuring expense	—	(3,441 )	
Asset impairments	58	(403,536 )	
Gain (loss) on disposal of assets	2,478	(3,056 )	
Operating income (loss)	5,900	(394,053 )	
Interest on long-term debt	(39,782 )	(29,996 )	
Foreign exchange loss	(11,573 )	(18,464 )	
Other financing charges	(5,730 )	(12,014 )	
Loss before income tax	(51,185 )	(454,527 )	
Income tax expense	(6,689 )	(10,189 )	
Net loss	\$(57,874 )	\$(464,716 )	
Net earnings (loss) attributable to:			
Controlling interest	\$(60,003 )	\$(471,482 )	
Non-controlling interests	2,129	6,766	
Net loss	\$(57,874 )	\$(464,716 )	
Non-GAAP Financial Measures:			
Adjusted net loss (iii)	\$(25,088 )	\$(29,796 )	
Adjusted EBITDAR excluding special items (ii)	118,756	114,887	
Adjusted EBITDAR margin (ii)	23.1	% 29.6	%
Adjusted EBITDAR margin, excluding special items (ii)	28.8	% 30.1	%
HE Rate (iv)	\$2,310	\$2,146	

Direct costs in the information above excludes helicopter lease and associated costs. These costs are combined in (i) the consolidated statements of operations, which are included in the unaudited interim consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

See “—Key Financial and Operating Metrics” for the definition and discussion of these non-GAAP measures. Additional information about our Adjusted EBITDAR, including a reconciliation of this measure to our consolidated financial statements is also provided in Note 22 of our unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015, included elsewhere in this Quarterly Report on Form 10-Q. See below for our reconciliation of Adjusted EBITDAR excluding special items, Adjusted EBITDAR margin and Adjusted EBITDAR margin excluding special items, which we have included because we consider these measures to be significant indicators of our financial performance and management use these measures to assist us in allocating available capital resources.



Table of Contents

	Three Months Ended January 31,	
	2014	2015
Numerators:		
Adjusted EBITDAR	\$94,987	\$113,297
Adjusted EBITDAR excluding special items	118,756	114,887
Denominator:		
Total revenues less reimbursable revenue	\$412,041	\$382,118
Adjusted EBITDAR margin	23.1	% 29.6 %
Adjusted EBITDAR margin, excluding special items	28.8	% 30.1 %

Adjusted EBITDAR excluding special items excludes corporate transaction costs, which includes costs related to senior executive turnover, potential financing, expenses related to our IPO, including costs related to restructuring our compensation plan, and other transactions. This is reconciled to Adjusted EBITDAR as follows:

	Three Months Ended January 31,	
	2014	2015
Adjusted EBITDAR excluding special items	\$118,756	\$114,887
Corporate transaction costs	(23,769	) (1,590
Adjusted EBITDAR	\$94,987	\$113,297

Adjusted net loss is a non-GAAP measure. See “—Key Financial and Operating Metrics” for the definition and (iii) discussion of this non-GAAP measure. A description of the adjustments to and reconciliations of this non-GAAP financial measure to the most comparable GAAP financial measure is as follows:

	Three Months Ended January 31,	
	2014	2015
Adjusted net loss	\$(25,088	) \$(29,796
Corporate transaction costs	(23,769	) (1,590
Restructuring expense	—	(3,441
Asset impairments	58	(403,536
Gain (loss) on disposal of assets	2,478	(3,056
Foreign exchange loss	(11,573	) (18,464
Net loss on debt extinguishment	—	(9,990
Unrealized loss on derivatives	(2,109	) (1,609
Net loss attributable to controlling interest	\$(60,003	) \$(471,482

(iv) HE Rate is a non-GAAP measure. See “—Key Financial and Operating Metrics” for discussion of this non-GAAP financial measure. See below for the reconciliation of HE Rate.

	Three Months Ended January 31,	
	2014	2015
Helicopter Services total external revenue	\$417,196	\$375,241
Less: Reimbursable revenue	(41,853	) (32,948
Helicopter Services operating revenue	\$375,343	\$342,293
Average HE count	162.5	159.5
HE Rate	\$2,310	\$2,146

Table of Contents

## Consolidated Results Summary

For the three months ended January 31,

(In thousands of U.S. dollars)

	2014	2015	Favorable (Unfavorable)		
			\$ Change	% Change	
Helicopter Services (i)	\$417,196	\$375,241	\$(41,955)	(10.1)	)%
Heli-One	36,698	39,825	3,127	8.5	%
Total revenue	453,894	415,066	(38,828)	(8.6)	)%
Direct costs (ii)	(321,797)	(287,749)	34,048	10.6	%
Helicopter lease and associated costs	(56,216)	(66,523)	(10,307)	(18.3)	)%
Total direct costs	\$(378,013)	\$(354,272)	\$23,741	6.3	%
Flying hours	38,362	33,700	(4,662)	(12.2)	)%
# of helicopters	236	233	(3)	(1.3)	)%
Average HE count	162.5	159.5	(3.0)	(1.8)	)%
HE Rate (iii)	\$2,310	\$2,146	\$(164)	(7.1)	)%

(i) Includes revenue from customer reimbursement of fuel costs of \$25.6 million for the three months ended January 31, 2014 and \$16.8 million for the three months ended January 31, 2015.

(ii) Includes \$25.0 million in fuel costs for the three months ended January 31, 2014 and \$16.5 million for the three months ended January 31, 2015.

(iii) HE Rate is the third-party operating revenue from the Helicopter Services segment excluding reimbursable revenue divided by a weighted average factor corresponding to the number of heavy and medium helicopters in our fleet. Our heavy and medium helicopters, including owned and leased, are weighted at 100% and 50%, respectively, to arrive at a single HE count, excluding helicopters expected to be retired from our fleet. An average of this figure is used to calculate our HE Rate.

## Consolidated Results of Operations

## Revenue

Consolidated revenue decreased by \$38.8 million to \$415.1 million compared to the prior year quarter, a decrease of 8.6%. Revenue decreased in our Helicopter Services segment which was partly offset by an increase in our Heli-One segment. The changes in external revenue in our two segments are explained below.

## Helicopter Services

For the three months ended January 31,

(In thousands of U.S. dollars)

	2014	2015	Favorable (Unfavorable)		
			\$ Change	% Change	
Eastern North Sea	\$94,656	\$75,813	\$(18,843)	(19.9)	)%
Western North Sea	107,525	99,393	(8,132)	(7.6)	)%
Americas	76,458	75,717	(741)	(1.0)	)%
Asia Pacific	89,553	83,790	(5,763)	(6.4)	)%
Africa-Euro Asia	48,031	39,557	(8,474)	(17.6)	)%
Other	973	971	(2)	(0.2)	)%
	\$417,196	\$375,241	\$(41,955)	(10.1)	)%

Table of Contents

The total external revenue for Helicopter Services decreased by \$42.0 million, or 10.1%, compared to the prior year quarter. The U.S. dollar strengthened significantly in the current year quarter, which has resulted in a decrease in the reported U.S. dollar revenue amounts, primarily in the North Sea, where revenue was transacted primarily in the local currency of our operations. The Norwegian Kroner, the British pound sterling and the Euro have all weakened against the U.S. dollar by approximately 15.4%, 4.8% and 10.7% respectively, comparing average rates in the current year quarter to the prior year quarter. In addition, there was a decrease in reimbursable revenues of \$8.9 million compared to the prior year quarter, which was partly due to the decline in fuel prices. The key variances by region were as follows:

**Eastern North Sea.** Revenues in the Eastern North Sea decreased by \$18.8 million, or 19.9%, compared to the prior year quarter. This was primarily due to the impact of the strengthening U.S. dollar on reported results in this region, which resulted in decreased revenue of \$11.9 million compared to the prior year quarter. The remaining \$6.9 million decrease was as a result of a net reduction in activity levels with existing customers, contract wins and completions, and lower levels of reimbursable revenue, the latter of which was partly driven by the decline in fuel prices.

**Western North Sea.** Revenues in the Western North Sea decreased by \$8.1 million, or 7.6%, compared to the prior year quarter. This was primarily due to the impact of the strengthening U.S. dollar on reported results in this region, which has resulted in a decrease in revenue of \$7.9 million compared to the prior year quarter. The remaining \$0.2 million decrease was a result of a net reduction in activity levels due to both short-term and long-term oil and gas contract expirations in the prior fiscal year, contract modifications with continuing customers due to changes in customers' helicopter requirements partly offset by additional contract wins with oil and gas customers for heavy helicopters.

**Americas.** Revenues in the Americas decreased by \$0.7 million, or 1.0%, compared to the prior year quarter, primarily due to a contract completion in Nicaragua, which ended in January 2014, and a contract completion in Brazil for a medium helicopter contract, which ended in April 2014, which decreased revenue by \$11.8 million. This reduction was offset by new contract wins in Brazil and Canada of \$8.5 million and increased revenue in Brazil under existing contracts of \$2.6 million, partly driven by the EC225 return to service.

**Asia Pacific.** Revenues in Asia Pacific decreased by \$5.8 million, or 6.4%, compared to the prior year quarter due to contract completions offsetting additional revenues from new contract wins. Revenue increased by \$8.1 million compared to the prior year quarter due to new contract wins and modifications for oil and gas customers in East Timor, Australia and other South East Asia countries. These increases were offset by the expiry of contracts, primarily in Australia with oil and gas customers, approximating \$13.9 million.

**Africa-Euro Asia.** Revenues in Africa-Euro Asia decreased by \$8.5 million, or 17.6%, compared to the prior year quarter due to contract expirations of \$9.9 million in Kazakhstan and in Kenya, which both completed in the prior year quarter, and in Azerbaijan and Tanzania, which both completed in December 2013. In addition, there was a decrease in revenue of approximately \$7.9 million due to changing customer requirements, primarily in Kazakhstan and Mozambique, compared to the prior year quarter. These decreases were partly offset by new contract wins and changes in contract activity in Equatorial Guinea, Eastern Europe and in other African countries, which resulted in additional revenue of \$5.4 million. We have also generated additional revenue of \$3.9 million in Nigeria compared to the prior year quarter.

**Heli-One**

Heli-One's external revenue increased by \$3.1 million, with increased PBH revenue of \$2.3 million and increased non-PBH project revenue, which includes airframe, engine and component work, of \$0.8 million. The higher levels of PBH revenue compared to the prior year quarter were due in part to the resumption of normal commercial operations by third-party customers of EC225 helicopters, in addition to new contract wins offset by a lower level of exchange activity compared to the prior year quarter. Higher non-PBH project revenue increased primarily due to higher levels of airframe and component work partially offset by lower levels of engine repair work compared to the prior year quarter.





Table of Contents

## Direct Costs

For the three months ended January 31,  
(In thousands of U.S. dollars)

	2014	2015	Favorable (Unfavorable)		
			\$ Change	% Change	
Crew costs	\$(112,373 )	\$(100,477 )	\$ 11,896	10.6	%
Base operations and other costs	(84,316 )	(70,782 )	13,534	16.1	%
Maintenance costs	(81,754 )	(81,216 )	538	0.7	%
Support costs	(43,354 )	(35,274 )	8,080	18.6	%
	\$(321,797 )	\$(287,749 )	\$ 34,048	10.6	%

Direct costs decreased by \$34.0 million to \$287.7 million compared to the prior year quarter. Direct costs decreased in all cost categories in the current year quarter compared to the prior year quarter.

Crew costs, which include salaries, benefits, training and recruitment costs, decreased by \$11.9 million to \$100.5 million compared to the prior year quarter. Crew costs were incurred only by our Helicopter Services segment. Crew costs decreased by \$9.5 million, primarily in the North Sea region, which was primarily driven by the strengthening of the U.S. dollar against the Norwegian Kroner, the British pound sterling and the Euro, and also by lower pension-related costs incurred in the Western North Sea, compared to the prior year quarter. Crew costs also decreased in other regions by \$2.4 million, driven by changes in contract activity. These changes were primarily in Australia and Nicaragua, due to the expiry of contracts with certain oil and gas customers; in Kazakhstan, due to contract modifications for services provided to customers; in Brazil, due to a reduction in headcount, offset by cost increases for new contract work in Nigeria, Eastern Europe, Equatorial Guinea, Canada and South East Asia.

Base operations and other costs, which include our base operations, reimbursable costs, insurance costs and other external expenses, decreased by \$13.5 million to \$70.8 million compared to the prior year quarter. Base operations and other costs were incurred only by our Helicopter Services segment. Costs decreased by \$11.8 million due to lower rechargeable costs to customers, in part due to an \$8.5 million decrease in rechargeable fuel costs. The reduction in the level of rechargeable fuel was primarily as a result of decreases in fuel prices and lower flying hours compared to the prior year quarter. The balance of the change in base operations and other costs relates to changes in customer activity, primarily in Tanzania, due to a contract completion and in Kazakhstan, due to a change in customer requirements as a result of a customer moving to the production phase of operations.

Maintenance costs decreased by \$0.5 million to \$81.2 million compared to the prior year quarter. Approximately two-thirds of these costs were related to Helicopter Services activities, with the balance related to Heli-One for costs incurred for revenue activities related to external customers. Maintenance cost decreased in the current year quarter primarily due to our global inventory and supply chain optimization initiatives, which included improvements to our rotatable and fleet maintenance planning, inventory management and the implementation of lean process techniques to support efficiencies in our workshops. The reduction in maintenance costs was partly offset by an increase of \$1.1 million due to the timing of externally subcontracted maintenance costs, primarily on our EC225 fleet.

Support costs decreased by \$8.1 million to \$35.3 million compared to the prior year quarter, with lower levels of support costs incurred due to cost reductions relating to consulting, travel, finance and executive support costs. The majority of support costs are incurred by our Helicopter Services segment, with \$3.8 million related to our Heli-One segment.

## Helicopter Lease and Associated Costs

Helicopter lease and associated costs increased by \$10.3 million to \$66.5 million, due primarily to an increase in operating leases of new technology helicopters over the prior year quarter. The increase was in response to customer preference for newer technology helicopters, for production, exploration and development activities into deeper water.

## General and Administration Costs

General and administration costs decreased by \$19.3 million to \$19.9 million compared to the prior year quarter, primarily due to a decrease in stock-based compensation expense of \$19.7 million. The decrease was a result of the



Table of Contents

performance conditions under our 2011 Management Equity Plan being met at the time of our IPO in the prior year quarter. For more information, see Note 11 of our unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015 included elsewhere in this Quarterly Report on Form 10-Q.

**Depreciation**

Depreciation expense decreased by \$4.6 million to \$30.8 million compared to the prior year quarter. During the three month period ended October 31, 2014, we decided to accelerate our exit from five older technology helicopter types as we continued with our fleet replacement strategy to better meet our customer demands for newer technology helicopters and reduce the number of different helicopter types in our fleet. In addition, we impaired the parts related to one helicopter type based on the expectation of third-party maintenance work. As a result of this, an impairment charge was recorded in the three month period ended October 31, 2014, which has reduced the depreciation expense in the current year quarter compared to the prior year quarter.

As a result of the change in our internal reporting structure, we no longer report segment assets to our CODM. Accordingly, depreciation expense is not allocated to our segments. See "—Segments" included elsewhere in this Quarterly Report on Form 10-Q for further information.

**Restructuring expense**

We are undergoing a comprehensive review of our operations and organizational structure with the view of reducing operating costs. In connection with this review, we have incurred severance and other costs of \$3.4 million in the current year quarter. No restructuring costs were incurred in the prior year quarter. We will likely incur additional restructuring costs in subsequent periods.

**Asset Impairments**

(In thousands of U.S. dollars)	Three Months Ended January		Favorable (Unfavorable)	
	31, 2014	2015	\$ Change	% Change
Impairment of property and equipment	\$23	\$—	\$(23)	) n/a
Impairment of assets held for sale	36	—	(36)	) n/a
Impairment of intangible assets	(1	) —	1	n/a
Impairment of goodwill	—	(403,536	) (403,536	) n/a
	\$58	\$(403,536	) \$(403,594	) n/a

Asset impairments increased by \$403.6 million to \$403.5 million compared to the prior year quarter. As a result of deteriorating conditions in the oil and gas markets and related service sectors and a decline in our market capitalization, we performed an interim two-step goodwill impairment test as at January 31, 2015 and determined that there was no implied fair value of goodwill. Therefore, a goodwill impairment of \$403.5 million was recorded in the current year quarter which represents the entire goodwill balance. Prior to impairment, all of our goodwill was attributable to our Helicopter Services segment. Due to the complexity of the second step, the impairment amount recorded is provisional and subject to change. See Note 4 of our unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015 included elsewhere in this Quarterly Report on Form 10-Q for additional information.

**Interest on Long-Term Debt**

Interest on long-term debt decreased by \$9.8 million to \$30.0 million compared to the prior year quarter, primarily due to lower interest costs on both the senior secured notes and the senior unsecured notes due to redemptions and open market repurchases of these notes. See "—Sources of Liquidity" included elsewhere in this Quarterly Report on Form 10-Q for further information. In addition, lower interest costs were incurred on our revolving credit facility of \$2.3 million, due to lower usage of this facility in the current year quarter compared to the prior year quarter.

**Foreign Exchange Loss**

Foreign exchange loss increased by \$6.9 million to \$18.5 million in the current year quarter, primarily due to the strengthening of the U.S. dollar against other currency groups, which caused a loss in both U.S. functional currency entities with foreign denominated net monetary assets positions and in Norwegian functional currency entities with net liability



Table of Contents

positions denominated in U.S. dollars. These losses were partially offset by the impact of the revaluation of net asset positions denominated in U.S. dollars in Euro functional currency entities.

**Other Financing Charges**

Other financing charges includes the amortization of deferred financing costs, interest income and expense on cash balances and bank indebtedness and the net gain or loss on the fair value of derivative financial instruments. Other financing charges increased by \$6.3 million to \$12.0 million due to a \$10.0 million net loss on debt extinguishment recognized in the current year quarter. See "—Sources of Liquidity" included elsewhere in this Quarterly Report on Form 10-Q for further information. Offsetting the net loss on debt extinguishment was a \$3.7 million increase, compared to the prior year quarter, in the gain on the valuation of derivatives and embedded derivatives due to foreign currency movements, primarily due to the weakening of the Norwegian Kroner.

**Income Tax Expense**

Income tax expense increased by \$3.5 million to \$10.2 million compared to the prior year quarter. The increase in the income tax expense was primarily due to a higher tax expense in various jurisdictions, offset by lower branch taxes, primarily in the Africa-Euro Asia jurisdictions, which were impacted by the profitability of customer contracts held in those jurisdictions. There was no tax benefit recognized on taxable losses in most jurisdictions as we recognize valuation allowances against net deferred tax assets in those jurisdictions.

The effective tax rate is the ratio of income tax expense to loss before income tax. Our future effective income tax rate depends on various factors, such as the amount of income (loss) in each tax jurisdiction, tax regulations governing each jurisdiction, non-tax deductible expenses incurred as a percentage of pre-tax income, valuation allowances taken on losses in certain jurisdictions and the effectiveness of our tax planning strategies. Movements in our loss from operations including the impact of this reduction in certain expenses may occur in jurisdictions where we are not recognizing the benefit of deferred tax assets, which could result in no corresponding movement in our income tax expense. In addition, a significant component of income tax expense for the prior year quarter and current year quarter is represented by income taxes in certain jurisdictions, such as withholding taxes, which are not directly correlated to movements in the net loss before income tax.

**Non-Controlling Interests**

Net earnings allocated to non-controlling interests increased by \$4.6 million to \$6.8 million, due to an increase in the net earnings in EEA Helicopters Operations B.V. ("EHOB"), driven primarily by an increase in the net gain on the fair value of embedded derivative financial instruments primarily due to the weakening of the Norwegian Kroner. These increases were offset by a goodwill impairment charge of \$3.2 million allocated to a non-controlling interest. For further details on EHOB and goodwill impairment, see Note 3(a)(i) and Note 4, respectively, of our unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015 included elsewhere in this Quarterly Report on Form 10-Q.

Table of Contents

## Segmented Results of Operations

Subsequent to April 30, 2014, we changed our internal reporting structure to allocate certain direct maintenance and supply chain costs previously reported in the Heli-One segment to the Helicopter Services segment. Under the previous reporting, Heli-One provided maintenance services to the Helicopter Services segment under the terms of a PBH contract. Costs incurred by Heli-One to provide services under the PBH contract were reported in the Heli-One segment, whether they related to maintenance costs performed internally by Heli-One or to services contracted from external third parties. Under the new reporting, all third-party maintenance costs are reflected in the Helicopter Services segment. Maintenance services provided by Heli-One to Helicopter Services are separately reflected for each MRO contract as opposed to a PBH contract basis.

The new reporting structure presentation is reflected in the three months ended January 31, 2014 and January 31, 2015 segment results. The MRO contract services provided by Heli-One to Helicopter Services are accounted for using a completed contract revenue recognition method in the quarter ended January 31, 2015. For the quarter ended January 31, 2014, the MRO contract services are accounted for using a percentage completion method, as it was not practical to determine results for this quarter using the completed contract method of revenue recognition. We are unable to quantify the impact of the difference between percentage completion and completed contract on the quarter ended January 31, 2014. Otherwise, the accounting policies of the segments and the basis of accounting for transactions between segments are the same as those described in the summary of significant accounting policies.

For the three months ended January 31,  
(In thousands of U.S. dollars)

	2014	2015	Favorable (Unfavorable)		
			\$ Change	% Change	
Operating revenue	\$375,343	\$342,293	\$(33,050)	(8.8)	)%
Reimbursable revenue	41,853	32,948	(8,905)	(21.3)	)%
Total revenue	\$417,196	\$375,241	\$(41,955)	(10.1)	)%
Direct costs (i)	(291,483)	(253,260)	38,223	13.1	)%
Earnings from equity accounted investees	2,072	5,858	3,786	182.7	)%
Adjusted EBITDAR	\$127,785	\$127,839	\$54	0.0	)%
Adjusted EBITDAR margin (ii)	34.0	% 37.3	% 3.3	% 9.7	)%
Flight Hours	38,362	33,700	(4,662)	(12.2)	)%
# of Helicopters	236	233	(3)	(1.3)	)%
Helicopter lease and associated costs	\$(56,216)	\$(66,523)	\$(10,307)	(18.3)	)%
Average HE count (iii)	162.5	159.5	(3.0)	(1.8)	)%
HE Rate (iii)	\$2,310	\$2,146	\$(164)	(7.1)	)%

In the prior year quarter, direct costs were comprised of crew costs of \$112.4 million, base operations and other costs of \$90.0 million and maintenance and support costs of \$89.1 million. In the current year quarter, direct costs were comprised of crew costs of \$100.5 million, base operations and other costs of \$76.5 million and maintenance and support costs of \$76.3 million.

Adjusted EBITDAR margin is calculated as Adjusted EBITDAR divided by total revenue less reimbursable revenue. Cost reimbursements from customers are recorded as reimbursable revenue with the related reimbursement expense in direct costs.

HE Rate is the third-party operating revenue from the Helicopter Services segment excluding reimbursable revenue divided by a weighted average factor corresponding to the number of heavy and medium helicopters in our fleet. Our heavy and medium helicopters, including owned and leased, are weighted at 100% and 50% respectively to arrive at a single HE count, excluding helicopters expected to be retired from our fleet. An average of this figure is used to calculate our HE Rate.

Helicopter Services Adjusted EBITDAR increased by \$0.1 million to \$127.8 million and Adjusted EBITDAR margin increased by 3.3% compared to the prior year quarter. The primary changes which positively impacted Adjusted EBITDAR and Adjusted EBITDAR margin for Helicopter Services as compared to the prior year quarter were as follows:

60

---



Table of Contents

Adjusted EBITDAR and Adjusted EBITDAR margin increased by \$3.3 million and 0.4%, respectively, due to new oil and gas contract wins in the Eastern North Sea, which include the provision of SAR services to an oil and gas customer;

Adjusted EBITDAR and Adjusted EBITDAR margin increased in the Western North Sea by \$8.0 million and 1.6%, respectively. The increase in margin was driven by new oil and gas sector contracts, which included the supply of additional heavy helicopters, including EC225 helicopters, to both new and existing customers, together with reductions in crew and support costs;

Contract wins in Africa-Euro Asia increased Adjusted EBITDAR and Adjusted EBITDAR margin by \$6.4 million and 0.8%, respectively, for short and long-term contracts in the oil and gas sector in Eastern Europe, Equatorial Guinea and other countries, with \$2.0 million of the increase to Adjusted EBITDAR being for new contract work in Nigeria;

- Contract wins in the oil and gas industry in the Americas, including new contract work for heavy helicopters in Canada, together with favorable changes in existing oil and gas contract activity in Brazil, increased Adjusted EBITDAR and Adjusted EBITDAR margin by \$14.0 million and 2.9%, respectively; and

- New contracts and contract modifications for services provided to existing customers in South East Asia, primarily in Australia, increased Adjusted EBITDAR by \$5.6 million and Adjusted EBITDAR margin by 0.7%.

These improvements to Adjusted EBITDAR and Adjusted EBITDAR margin were partially offset by the following factors which decreased Adjusted EBITDAR and Adjusted EBITDAR margin compared to the prior year quarter:

- Adjusted EBITDAR and Adjusted EBITDAR margin decreased by \$11.5 million and 1.0%, respectively, in the Eastern North Sea due to contract completions and decreased customer activity with oil and gas customers in addition to the effect of the weakening Norwegian Kroner relative to the U.S. dollar;

- The expiration of a heavy helicopter contract in the Western North Sea for an oil and gas customer decreased Adjusted EBITDAR and Adjusted EBITDAR margin by \$3.9 million and 0.5%, respectively;

- The completion and modification of oil and gas customers contracts in Azerbaijan, Kazakhstan, Kenya and Tanzania and other Africa-Euro Asia countries decreased Adjusted EBITDAR and Adjusted EBITDAR margin by \$9.8 million and 1.0%, respectively;

- Adjusted EBITDAR and Adjusted EBITDAR margin decreased in the Americas by \$11.0 million and 2.0%, respectively, due to contract completions in Nicaragua and Brazil; and

- Contract completions and modifications in Asia Pacific, primarily in Australia, East Timor and the Philippines, for both oil and gas services and SAR work, decreased Adjusted EBITDAR and Adjusted EBITDAR margin by \$11.0 million and 1.7%, respectively.

Lower maintenance costs increased Adjusted EBITDAR and Adjusted EBITDAR margin by \$6.0 million and 1.6%, respectively. Lower maintenance costs were the result of our global inventory and supply chain optimization initiatives, which included improvements to our rotatable and fleet maintenance planning, inventory management and the implementation of lean process techniques to support efficiencies in our workshops. This included lower costs incurred with our Heli-One segment. These cost efficiencies were partially offset by higher levels of externally subcontracted maintenance costs in the current year quarter compared to the prior year quarter.

The balance of the change in Adjusted EBITDAR related to changes to centralized support costs and earnings from equity accounted investees compared to the prior year quarter. In the current year quarter, earnings from equity accounted investees increased by \$3.8 million over the prior year quarter, which included the sale of our 50% interest in our equity-accounted investment in Helideck Certification Agency.

Table of Contents

## Heli-One

For the three months ended January 31,  
(In thousands of U.S. dollars)

	2014	2015	Favorable (Unfavorable)		
			\$ Change	% Change	
Third-party revenue	\$36,698	\$39,825	\$3,127	8.5	%
Internal revenue	33,370	20,017	(13,353 )	(40.0	)%
Total revenue	\$70,068	\$59,842	\$(10,226 )	(14.6	)%
Direct costs (i)	(63,683 )	(54,528 )	9,155	14.4	%
Adjusted EBITDAR	\$6,385	\$5,314	\$(1,071 )	(16.8	)%
Adjusted EBITDAR Margin (ii)	9.1	% 8.9	% (0.2	)%	(2.2 )%

In the prior year quarter, direct costs were comprised of maintenance costs of \$58.6 million and support costs of (i) \$5.1 million. In the current year quarter, direct costs were comprised of maintenance costs of \$50.7 million and support costs of \$3.8 million.

(ii) Adjusted EBITDAR margin is calculated as Adjusted EBITDAR divided by total revenue less reimbursable revenue, of which there was none in the Heli-One segment in the prior and current year quarters.

Heli-One's Adjusted EBITDAR decreased by \$1.1 million to \$5.3 million and Adjusted EBITDAR margin decreased by 0.2% compared to the prior year quarter, primarily driven by the mix of external and internal revenue. The primary changes compared to the prior year quarter were as follows:

Lower levels of MRO revenue with our Helicopter Services segment, due in part to supply chain optimization and fleet maintenance planning initiatives, compared to the prior year quarter decreased Adjusted EBITDAR by approximately \$3.4 million; offset by

Higher external third-party PBH revenue, partially driven by third-party customers' resumption of EC225 operations, was offset by a lower level of exchange activity, which increased Adjusted EBITDAR by \$0.5 million;

Adjusted EBITDAR increased by \$0.3 million due to higher margin helicopter modification work for external customers, which was partially offset by decreased levels of engine work both in Canada and Norway; and

- Lower support and executive costs compared to the prior year quarter resulted in a favorable impact to Adjusted EBITDAR of \$1.5 million.

Table of Contents

Nine Months Ended January 31, 2014 and 2015  
 Summary Results of Operations  
 (In thousands of U.S. dollars)

	Nine Months Ended January 31,		
	2014	2015	
Operating revenue	\$1,188,317	\$1,217,592	
Reimbursable revenue	123,880	116,344	
Total revenue	1,312,197	1,333,936	
Operating Expenses			
Direct costs (i)	(926,252 )	(933,196 )	
Earnings from equity accounted investees	5,990	9,914	
General and administration costs	(77,839 )	(64,229 )	
Adjusted EBITDAR (ii)	314,096	346,425	
Helicopter lease and associated costs	(166,661 )	(194,341 )	
Depreciation	(106,158 )	(97,672 )	
Restructuring expense	—	(3,441 )	
Asset impairments	(22,956 )	(549,942 )	
Loss on disposal of assets	(1,943 )	(10,934 )	
Operating income (loss)	16,378	(509,905 )	
Interest on long-term debt	(117,636 )	(99,583 )	
Foreign exchange loss	(24,476 )	(26,835 )	
Other financing charges	(1,615 )	(14,151 )	
Loss before income tax	(127,349 )	(650,474 )	
Income tax expense	(17,489 )	(25,301 )	
Net loss	\$(144,838 )	\$(675,775 )	
Net earnings (loss) attributable to:			
Controlling interest	\$(149,324 )	\$(697,164 )	
Non-controlling interests	4,486	21,389	
Net loss	\$(144,838 )	\$(675,775 )	
Non-GAAP Financial Measures:			
Adjusted net loss (iii)	\$(83,099 )	\$(91,536 )	
Adjusted EBITDAR excluding special items (ii)	339,177	351,539	
Adjusted EBITDAR margin (ii)	26.4	% 28.5	%
Adjusted EBITDAR margin, excluding special items (ii)	28.5	% 28.9	%
HE Rate (iv)	\$6,582	\$6,831	

Direct costs in the information above excludes helicopter lease and associated costs. These costs are combined in (i) the consolidated statements of operations, which are included in the unaudited interim consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

See “—Key Financial and Operating Metrics” for the definition and discussion of these non-GAAP measures. Additional information about our Adjusted EBITDAR, including a reconciliation of this measure to our consolidated financial statements is also provided in Note 22 of our unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015, included elsewhere in this Quarterly Report on Form 10-Q. See below for our reconciliation of Adjusted EBITDAR excluding special items, Adjusted EBITDAR margin and Adjusted EBITDAR margin excluding special items, which we have included because we consider these measures to be significant indicators of our financial performance and management use these measures to assist us in allocating available capital resources.



Table of Contents

	Nine Months Ended January 31,	
	2014	2015
Numerators:		
Adjusted EBITDAR	\$314,096	\$346,425
Adjusted EBITDAR excluding special items	339,177	351,539
Denominator:		
Total revenues less reimbursable revenue	\$1,188,317	\$1,217,592
Adjusted EBITDAR margin	26.4	% 28.5
Adjusted EBITDAR margin, excluding special items	28.5	% 28.9

Adjusted EBITDAR excluding special items excludes corporate transaction costs, which includes costs related to senior executive turnover, potential financing, expenses related to our IPO, including costs related to restructuring our compensation plan, and other transactions. This is reconciled to Adjusted EBITDAR as follows:

	Nine Months Ended January 31,	
	2014	2015
Adjusted EBITDAR excluding special items	\$339,177	\$351,539
Corporate transaction costs	(25,081	) (5,114
Adjusted EBITDAR	\$314,096	\$346,425

Adjusted net loss is a non-GAAP measure. See “—Key Financial and Operating Metrics” for the definition and (iii) discussion of this non-GAAP measure. A description of the adjustments to and reconciliations of this non-GAAP financial measure to the most comparable GAAP financial measure is as follows:

	Nine Months Ended January 31,	
	2014	2015
Adjusted net loss	\$(83,099	) \$(91,536
Corporate transaction costs	(25,081	) (5,114
Restructuring expense	—	(3,441
Asset impairments	(22,956	) (549,942
Loss on disposal of assets	(1,943	) (10,934
Foreign exchange loss	(24,476	) (26,835
Net loss on debt extinguishment	—	(17,434
Unrealized gain on derivatives	8,231	8,072
Net loss attributable to controlling interest	\$(149,324	) \$(697,164

(iv) HE Rate is a non-GAAP measure. See “—Key Financial and Operating Metrics” for discussion of this non-GAAP financial measure. See below for the reconciliation of HE Rate.

	Nine Months Ended January 31,	
	2014	2015
Helicopter Services total external revenue	\$1,212,561	\$1,216,143
Less: Reimbursable revenue	(123,880	) (116,344
Helicopter Services operating revenue	\$1,088,681	\$1,099,799
Average HE count	165.4	161.0
HE Rate	\$6,582	\$6,831

Table of Contents

## Consolidated Results Summary

For the nine months ended January 31,

(In thousands of U.S. dollars)

	2014	2015	Favorable (Unfavorable)		
			\$ Change	% Change	
Helicopter Services (i)	\$1,212,561	\$1,216,143	\$3,582	0.3	%
Heli-One	99,636	117,793	18,157	18.2	%
Total revenue	1,312,197	1,333,936	21,739	1.7	%
Direct costs (ii)	(926,252 )	(933,196 )	(6,944 )	(0.7 )	)%
Helicopter lease and associated costs	(166,661 )	(194,341 )	(27,680 )	(16.6 )	)%
Total direct costs	\$(1,092,913 )	\$(1,127,537 )	\$(34,624 )	(3.2 )	)%
Flying hours	116,286	106,154	(10,132 )	(8.7 )	)%
# of helicopters	236	233	(3 )	(1.3 )	)%
Average HE count	165.4	161.0	(4.4 )	(2.7 )	)%
HE Rate (iii)	\$6,582	\$6,831	\$249	3.8	%

(i) Includes revenue from customer reimbursement of fuel costs of \$73.2 million for the nine months ended January 31, 2014 and \$59.9 million for the nine months ended January 31, 2015.

(ii) Includes \$75.3 million in fuel costs for the nine months ended January 31, 2014 and \$59.8 million for the nine months ended January 31, 2015.

(iii) HE Rate is the third-party operating revenue from the Helicopter Services segment excluding reimbursable revenue divided by a weighted average factor corresponding to the number of heavy and medium helicopters in our fleet. Our heavy and medium helicopters, including owned and leased, are weighted at 100% and 50%, respectively, to arrive at a single HE count, excluding helicopters expected to be retired from our fleet. An average of this figure is used to calculate our HE Rate.

## Consolidated Results of Operations

## Revenue

Consolidated revenue increased by \$21.7 million to \$1,333.9 million compared to the prior year period, an increase of 1.7%. Revenue increased in both our Helicopter Services and Heli-One segments. The changes in external revenue in our two segments are explained below.

## Helicopter Services

For the nine months ended January 31,

(In thousands of U.S. dollars)

	2014	2015	Favorable (Unfavorable)		
			\$ Change	% Change	
Eastern North Sea	\$286,262	\$269,895	\$(16,367 )	(5.7 )	)%
Western North Sea	311,299	329,050	17,751	5.7	%
Americas	207,732	223,915	16,183	7.8	%
Asia Pacific	261,849	247,516	(14,333 )	(5.5 )	)%
Africa-Euro Asia	142,627	141,882	(745 )	(0.5 )	)%
Other	2,792	3,885	1,093	39.1	%
	\$1,212,561	\$1,216,143	\$3,582	0.3	%

Table of Contents

The total external revenue for Helicopter Services increased by \$3.6 million, or 0.3%, compared to the prior year period. The U.S. dollar strengthened significantly in the current year period, which has resulted in a decrease in the reported U.S. dollar revenue amounts, primarily in the Eastern North Sea due to the weakening of the Norwegian Kroner, whose average rate for the period has declined by approximately 8.2% against the U.S. dollar. In addition, there was a decrease in reimbursable revenues of \$7.5 million compared to the prior year period, which was partly due to the decline in fuel prices. The key variances by region were as follows:

**Eastern North Sea.** Revenues in the Eastern North Sea decreased by \$16.4 million, or 5.7%, compared to the prior year period. This was primarily due to the impact of the strengthening U.S. dollar on reported results in this region, which has resulted in an estimated reduction in revenue of \$18.8 million compared to the prior year period. This was partly offset by a net \$2.4 million increase in revenue activity in the oil and gas sector, which benefited from the resumption of normal commercial operations of our EC225 fleet in the current year period.

**Western North Sea.** Revenues in the Western North Sea increased by \$17.8 million, or 5.7%, compared to the prior year period, due to additional services and new contracts with oil and gas customers, which generated additional revenue of \$28.2 million. Revenue increased in Ireland for a SAR contract, which was fully implemented by December 2013, partially offset by the expiration of a SAR contract in the UK, resulting in a net increase to revenue of \$9.7 million over the prior year period. In addition, ad-hoc revenue and other revenue was \$5.5 million higher than the prior year period, primarily due to the EC225 return to service. These increases were offset by both short-term and long-term oil and gas contract modifications and expirations compared to the prior year period of \$25.6 million.

**Americas.** Revenues in the Americas increased by \$16.2 million, or 7.8%, compared to the prior year period, primarily due to new contract wins in Brazil and Canada, which resulted in additional revenue of \$17.2 million, and increased revenue in Brazil under existing contracts of \$31.9 million, primarily driven by the EC225 return to service. The increase was offset by a \$32.9 million reduction in revenue due to a contract completion in Nicaragua, which ended in January 2014, and by a contract completion for a medium helicopter contract in Brazil in April 2014.

**Asia Pacific.** Revenues in Asia Pacific decreased by \$14.3 million, or 5.5%, compared to the prior year period due to contract completions offsetting additional revenues from new contract wins. Revenue decreased due to the expiry of contracts, primarily in Australia and the Philippines, which related to both oil and gas production and exploration contracts, which ended in December 2013 and June and July 2014, which approximated \$55.4 million. The decrease was offset by increased revenue due to new contract wins and modifications for oil and gas customers in East Timor, Australia and other South East Asia countries, which increased revenue by \$41.1 million compared to the prior year period.

**Africa-Euro Asia.** Revenues in Africa-Euro Asia decreased by \$0.7 million, or 0.5%, compared to the prior year period due to contract expirations of \$28.7 million in Kazakhstan and in Kenya, which both completed at the end of the prior year period, and in Azerbaijan and Tanzania, which both completed in December 2013. In addition, there was a decrease in revenue of approximately \$10.2 million due to contract modifications with continuing customers, due to changes in customer requirements, primarily in Kazakhstan and Mozambique, compared to the prior year period. These decreases were partly offset by new contract wins and changes in contract activity in Equatorial Guinea, Eastern Europe and in other African countries, which resulted in additional revenue of \$22.2 million. We have also generated additional revenue of \$16.0 million in Nigeria compared to the prior year period.

**Heli-One**

Heli-One's external revenue increased by \$18.2 million, with increased PBH revenue of \$12.1 million and increased non-PBH project revenue, which includes airframe, engine and component work, of \$6.1 million. The higher levels of PBH revenue compared to the prior year period were due in part to the resumption of normal commercial operations by third-party customers of EC225 helicopters, in addition to new contract wins. Higher non-PBH project revenue increased primarily due to higher levels of airframe and component work partially offset by lower levels of engine repair work compared to the prior year period.





Table of Contents

## Direct Costs

For the nine months ended January 31,  
(In thousands of U.S. dollars)

	2014	2015	Favorable (Unfavorable)	
			\$ Change	% Change
Crew costs	\$ (330,078 )	\$ (326,937 )	\$ 3,141	1.0 %
Base operations and other costs	(251,523 )	(236,617 )	14,906	5.9 %
Maintenance costs	(213,987 )	(245,370 )	(31,383 )	(14.7 )%
Support costs	(130,664 )	(124,272 )	6,392	4.9 %
	\$ (926,252 )	\$ (933,196 )	\$ (6,944 )	(0.7 )%

Direct costs increased by \$6.9 million to \$933.2 million compared to the prior year period. The increase was due to an increase in maintenance costs partially offset by a reduction in crew costs, base operations and other costs and support costs in the current year period compared to the prior year period.

Crew costs, which include salaries, benefits, training and recruitment costs, decreased by \$3.1 million to \$326.9 million compared to the prior year period. Crew costs were incurred only by our Helicopter Services segment. Crew costs have decreased in the North Sea region by \$10.4 million, which was primarily driven by the strengthening of the U.S. dollar against the Norwegian Kroner, and lower pension-related costs incurred in Western North Sea compared to the prior year period. In addition, crew costs decreased in certain other regions by \$11.6 million, including Australia, Kazakhstan, Brazil and Nicaragua primarily due to changes in the level of customer activity and completed contracts. This was partly offset by increased costs of \$18.9 million, primarily as a result of new contract work in Nigeria, Eastern Europe, Equatorial Guinea, Canada and South East Asia.

Base operations and other costs, which include our base operations, reimbursable costs, insurance costs and other external expenses, decreased by \$14.9 million to \$236.6 million compared to the prior year period. Base operations and other costs were incurred only by our Helicopter Services segment. Base operations and other costs increased compared to the prior year period by \$20.0 million, primarily driven by new customer contracts in Eastern Europe, Nigeria, Australia and Equatorial Guinea and the receipt of insurance proceeds in the prior year period. These were offset by a \$20.0 million decrease in rechargeable costs to customers, of which \$15.5 million was due to lower levels of rechargeable fuel costs. The reduction in the level of rechargeable fuel was primarily as a result of the decreases in fuel prices and lower flying hours compared to the prior year period. In addition, base operations and other costs decreased by \$14.9 million compared to the prior year period, primarily in Kazakhstan, due to changes in customer requirements; in the Americas, due to lower costs associated with travel and accommodation in Brazil; and in Nicaragua, Tanzania and Azerbaijan, due to the completion of customer contracts.

Maintenance costs increased by \$31.4 million to \$245.4 million compared to the prior year period. Approximately two-thirds of these costs were related to Helicopter Services, with the balance related to Heli-One for costs incurred for revenue activities related to external customers. Maintenance costs increased in part because we received in the prior year period cash and immediately available credits, in light of the EC225 suspension, which were booked as reductions to maintenance costs as they related to short-term performance issues. Maintenance costs also increased by \$11.2 million due to the timing of externally subcontracted maintenance costs, primarily on our EC225 fleet. Our Helicopter Services segment incurred an additional \$2.6 million of costs compared to the prior year period related to ongoing inspection costs on the EC225 fleet. We will incur these additional inspection costs until the completion of retrofit of the redesigned gear shaft, which is expected to be complete by approximately the end of fiscal 2015. These increases were partially offset by a decrease in costs in the current year period due to our global inventory and supply chain optimization initiatives, which include improvements to our rotatable and fleet maintenance planning inventory management and the implementation of lean process techniques to support efficiencies in our workshops. In addition, \$10.1 million of costs were incurred in the prior year period in preparing the EC225 helicopters for return to service, which were not incurred in the current year period.

Support costs decreased by \$6.4 million to \$124.3 million compared to the prior year period, due to costs reductions relating to consulting, travel, finance and executive support costs. The majority of support costs are incurred by our Helicopter Services segment, with \$14.9 million related to our Heli-One segment.

Table of Contents

## Helicopter Lease and Associated Costs

Helicopter lease and associated costs increased by \$27.7 million to \$194.3 million, due primarily to an increase in operating leases of new technology helicopters over the prior year period. The increase was in response to customer demand for newer technology helicopters, for production, exploration and development activities into deeper water.

## General and Administration Costs

General and administration costs decreased by \$13.6 million to \$64.2 million compared to the prior year period, primarily due to a decrease in the stock-based compensation expense of \$13.8 million. The decrease was a result of the performance conditions under our 2011 Management Equity Plan being met at the time of our IPO in the prior year period. This has been partly offset by increased stock-based compensation expense in the current year period, primarily as a result of new grants made under the 2013 Omnibus Incentive Plan, also made at the time of our IPO. For more information, see Note 11 of our unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015 included elsewhere in this Quarterly Report on Form 10-Q.

## Depreciation

Depreciation expense decreased by \$8.5 million to \$97.7 million compared to the prior year period primarily as a result of the decrease in the number of owned helicopters within our fleet. In addition, during the three month period ended October 31, 2014, we decided to accelerate our exit from five older technology helicopter types as we continued with our fleet replacement strategy to better meet our customer demands for newer technology helicopters and reduce the number of different helicopter types in our fleet. In addition, we impaired the parts related to one helicopter type based on the expectation of third-party maintenance work. As a result, an impairment charge was recorded in the three month period ended October 31, 2014, which has reduced depreciation expense in the current year period compared to the prior year period. These decreases were partially offset by higher depreciation charges on new facilities, which include our new hangar in Cabo Frio, Brazil and our new MRO facility in Rzeszow, Poland.

As a result of the change in our internal reporting structure, we no longer report segment assets to our CODM.

Accordingly, depreciation expense is not allocated to our segments. See "—Segments" included elsewhere in this Quarterly Report on Form 10-Q for further information.

## Restructuring expense

We are undergoing a comprehensive review of our operations and organizational structure with the view of reducing operating costs. In connection with this review, we have incurred severance and other costs of \$3.4 million in the current year period. No restructuring costs were incurred in the prior year period. We will likely incur additional restructuring costs in subsequent periods.

## Asset Impairments

(In thousands of U.S. dollars)	Nine Months Ended January 31,		Favorable (Unfavorable)		
	2014	2015	\$ Change	% Change	
Impairment of property and equipment	\$(2,481)	\$(128,043)	\$(125,562)	n/a	
Impairment of assets held for sale	(18,481)	(5,256)	13,225	71.6	%
Impairment of receivables and funded residual value guarantees	(1,115)	(10,421)	(9,306)	(834.6)	%
Impairment of intangible assets	(879)	(2,686)	(1,807)	(205.6)	%
Impairment of goodwill	—	(403,536)	(403,536)	n/a	
	\$(22,956)	\$(549,942)	\$(526,986)	n/a	

Asset impairments increased by \$527.0 million to \$549.9 million compared to the prior year period. Asset impairments include the impairment of property and equipment held for use, receivables and funded residual value guarantees, assets held for sale, intangible assets and goodwill. During the current year period, we decided to accelerate our exit from five older technology helicopter types as we continue with our fleet replacement strategy to better meet our customer demands for newer technology helicopters and reduce the number of different helicopter types in our fleet. The exit will take place over multiple years as helicopters complete their current flying obligations. In addition, we have impaired the parts related to one helicopter type we no longer have in our fleet as future third

party maintenance work related to this aircraft type is expected to

68

---

Table of Contents

be limited. The impairment has increased compared to the prior year period due to the decision to exit a larger number of helicopters in the current year period and continued softness in the resale market for older technology helicopters. In addition, as a result of deteriorating conditions in the oil and gas markets and related service sectors and a decline in our market capitalization, we performed an interim two-step goodwill impairment test as at January 31, 2015 and determined that there was no implied fair value of goodwill. Therefore, a goodwill impairment of \$403.5 million was recorded in the current year period which represents the entire goodwill balance. Prior to impairment, all of our goodwill was attributable to our Helicopter Services segment. Due to the complexity of the second step, the impairment amount recorded is provisional and subject to change. See Note 4 of our unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015 included elsewhere in this Quarterly Report on Form 10-Q for additional information.

**Interest on Long-Term Debt**

Interest on long-term debt decreased by \$18.1 million to \$99.6 million compared to the prior year period, primarily due to lower interest costs on both the senior secured notes and the senior unsecured notes due to redemptions and open market repurchases of these notes. See "—Sources of Liquidity" included elsewhere in this Quarterly Report on Form 10-Q for further information. In addition, lower interest costs were incurred on our revolving credit facility of \$3.7 million, due to lower usage of this facility in the current year period compared to the prior year period.

**Foreign Exchange Loss**

Foreign exchange loss increased by \$2.4 million compared to the prior year period to a \$26.8 million loss in the current year period, primarily due to the strengthening of the U.S. dollar against other currency groups, which caused a loss in both U.S. functional currency entities with foreign denominated net monetary asset positions and in Norwegian functional currency entities with net liability positions denominated in U.S. dollars. These losses were partially offset by the impact of the revaluation of net asset positions denominated in U.S. dollars in Euro functional currency entities.

**Other Financing Charges**

Other financing charges includes the amortization of deferred financing costs, interest income and expense on cash balances and bank indebtedness and the net gain or loss on the fair value of derivative financial instruments. Other financing charges increased by \$12.5 million compared to the prior year period to \$14.2 million. This was primarily due to a net loss on debt extinguishment of \$17.4 million incurred in the current year period. See "—Sources of Liquidity" included elsewhere in this Quarterly Report on Form 10-Q for further information. In addition, there was a comparative increase in finance charges due to a \$10.0 million fee settlement received in the prior year period. This was partially offset by a \$9.3 million increase compared to the prior year period in the gain on the valuation of derivatives and embedded derivatives due to foreign currency movements, primarily the weakening of the Norwegian Kroner, and by \$4.5 million decrease in deferred financing cost amortization, due to the aforementioned senior secured and senior unsecured note repurchase and redemption activity during the current year period.

**Income Tax Expense**

Income tax expense increased by \$7.8 million to \$25.3 million compared to the prior year period. The increase was primarily due to the change in our uncertain tax positions of \$3.4 million, which was primarily the result of a favorable audit finding with respect to an uncertain tax position recognized in the prior year period and an additional accrual of \$1.3 million recognized in the current year period for a new uncertain tax position. In addition, current income tax expense increased due to higher levels of branch taxes in foreign jurisdictions, which were impacted by the profitability of customer contracts held in those jurisdictions. There was no tax benefit recognized on taxable losses in most jurisdictions as we recognize valuation allowances against net deferred tax assets in those jurisdictions. The effective tax rate is the ratio of income tax expense to loss before income tax. Our future effective income tax rate depends on various factors, such as the amount of income (loss) in each tax jurisdiction, tax regulations governing each jurisdiction, non-tax deductible expenses incurred as a percentage of pre-tax income, valuation allowances taken on losses in certain jurisdictions and the effectiveness of our tax planning strategies. Movements in our loss from operations including the impact of this reduction in certain expenses may occur in jurisdictions where we are not recognizing the benefit of deferred tax assets, which could result in no corresponding movement in our income tax

expense. In addition, a significant component of income tax expense for the prior year period and current year period is represented by income taxes in certain jurisdictions, such as withholding taxes, which are not directly correlated to movements in the net loss before income tax.

Table of Contents

## Non-Controlling Interests

Net earnings allocated to non-controlling interests increased by \$16.9 million to \$21.4 million, due to an increase in the net earnings in EHOB, driven primarily by an increase in the net gain on the fair value of embedded derivative financial instruments. This increase was offset by a goodwill impairment charge of \$3.2 million allocated to a non-controlling interest. For further details on EHOB and goodwill impairment, see Note 3(a)(i) and Note 4, respectively, of our unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015 included elsewhere in this Quarterly Report on Form 10-Q.

## Segmented Results of Operations

Subsequent to April 30, 2014, we changed our internal reporting structure to allocate certain direct maintenance and supply chain costs previously reported in the Heli-One segment to the Helicopter Services segment. Under the previous reporting, Heli-One provided maintenance services to the Helicopter Services segment under the terms of a PBH contract. Costs incurred by Heli-One to provide services under the PBH contract were reported in the Heli-One segment, whether they related to maintenance costs performed internally by Heli-One or to services contracted from external third parties. Under the new reporting, all third-party maintenance costs are reflected in the Helicopter Services segment. Maintenance services provided by Heli-One to Helicopter Services are separately reflected for each MRO contract as opposed to a PBH contract basis.

The new reporting structure presentation is reflected in the nine months ended January 31, 2014 and January 31, 2015 segment results. The MRO contract services provided by Heli-One to Helicopter Services are accounted for using a completed contract revenue recognition method in the nine months ended January 31, 2015. For the nine months ended January 31, 2014, the MRO contract services are accounted for using a percentage completion method, as it was not practical to determine results for this period using the completed contract method of revenue recognition. We are unable to quantify the impact of the difference between percentage completion and completed contract on the nine months ended January 31, 2014. Otherwise, the accounting policies of the segments and the basis of accounting for transactions between segments are the same as those described in the summary of significant accounting policies.

## Helicopter Services

For the nine months ended January 31,  
(In thousands of U.S. dollars)

	2014	2015	Favorable (Unfavorable)		
			\$ Change	% Change	
Operating revenue	\$1,088,681	\$1,099,799	\$11,118	1.0	%
Reimbursable revenue	123,880	116,344	(7,536)	(6.1)	)%
Total revenue	\$1,212,561	\$1,216,143	\$3,582	0.3	%
Direct costs (i)	(844,204)	(833,391)	10,813	1.3	)%
Earnings from equity accounted investees	5,990	9,914	3,924	65.5	%
Adjusted EBITDAR	\$374,347	\$392,666	\$18,319	4.9	%
Adjusted EBITDAR margin (ii)	34.4	% 35.7	% 1.3	% 3.8	%
Flight Hours	116,286	106,154	(10,132)	(8.7)	)%
# of Helicopters	236	233	(3)	(1.3)	)%
Helicopter lease and associated costs	\$(166,661)	\$(194,341)	\$(27,680)	(16.6)	)%
Average HE count (iii)	165.4	161.0	(4.4)	(2.7)	)%
HE Rate (iii)	\$6,582	\$6,831	\$249	3.8	%

Table of Contents

(i) In the prior year period, direct costs were comprised of crew costs of \$330.1 million, base operations and other costs of \$251.6 million and maintenance and support costs of \$262.5 million. In the current year period, direct costs were comprised of crew costs of \$326.9 million, base operations and other costs of \$236.7 million and maintenance and support costs of \$269.8 million.

Adjusted EBITDAR margin is calculated as Adjusted EBITDAR divided by total revenue less reimbursable (ii) revenue. Cost reimbursements from customers are recorded as reimbursable revenue with the related reimbursement expense in direct costs.

HE Rate is the third-party operating revenue from the Helicopter Services segment excluding reimbursable revenue divided by a weighted average factor corresponding to the number of heavy and medium helicopters in (iii) our fleet. Our heavy and medium helicopters, including owned and leased, are weighted at 100% and 50% respectively to arrive at a single HE count, excluding helicopters expected to be retired from our fleet. An average of this figure is used to calculate our HE Rate.

Helicopter Services Adjusted EBITDAR increased by \$18.3 million to \$392.7 million compared to the prior year period. Adjusted EBITDAR margin increased by 1.3% compared to the prior year period. The primary changes which positively impacted Adjusted EBITDAR and Adjusted EBITDAR margin for Helicopter Services compared to the prior year period were as follows:

Adjusted EBITDAR and Adjusted EBITDAR margin increased by \$9.1 million and 0.5%, respectively, due to contract wins and other ad-hoc increases with customers in the oil and gas sector in the Eastern North Sea; Adjusted EBITDAR and Adjusted EBITDAR margin increased in the Western North Sea by \$37.5 million and 2.4%, respectively. The increase in margin was driven by new oil and gas sector contracts and SAR work based in Ireland, for a contract which was partially implemented during the prior year period. Oil and gas contract wins included the supply of additional heavy helicopters, including EC225 helicopters, to both new and existing customers; Contract wins in Africa-Euro Asia increased Adjusted EBITDAR and Adjusted EBITDAR margin favorably by \$20.7 million and 0.7%, respectively for short and long-term contracts wins and contract modifications in the oil and gas industry in Eastern Europe, Equatorial Guinea and other countries. This increase includes \$9.3 million for new contract work in Nigeria;

- Contract wins in the oil and gas industry in the Americas, including new contract work for heavy helicopters in Canada, together with favorable changes in existing oil and gas contract activity in Brazil, increased Adjusted EBITDAR and Adjusted EBITDAR margin by \$27.0 million and 1.5%, respectively; and

New contracts and contract modifications for services provided to oil and gas customers in South East Asia, primarily in East Timor and Australia, increased Adjusted EBITDAR by \$9.4 million with a flat impact to Adjusted EBITDAR margin.

These improvements to Adjusted EBITDAR and Adjusted EBITDAR margin were offset primarily by the following factors which decreased Adjusted EBITDAR and Adjusted EBITDAR margin compared to the prior year period:

Adjusted EBITDAR and Adjusted EBITDAR margin decreased by \$21.7 million and 1.0% over the prior year period respectively, due primarily to contract completions, decreased customer activity with oil and gas customers and the impact of the weakening of the Norwegian Kroner relative to the U.S. dollar in the Eastern North Sea;

The expiration of contracts in the Western North Sea for the supply of heavy and medium helicopters to oil and gas customers and other contract modifications, decreased Adjusted EBITDAR and Adjusted EBITDAR margin by \$16.4 million and 0.7%, respectively;

The completion of contracts in Azerbaijan, Kazakhstan, Kenya and Tanzania for oil and gas customers decreased Adjusted EBITDAR and Adjusted EBITDAR margin by \$13.4 million and 0.4%, respectively;

Adjusted EBITDAR and Adjusted EBITDAR margin decreased in the Americas by \$20.4 million and 1.2%, respectively, due to contract completions;

Completion of oil and gas customer contracts in Australia decreased Adjusted EBITDAR by \$11.6 million, with a flat impact to Adjusted EBITDAR margin; and





Table of Contents

An additional \$2.6 million of costs related to ongoing inspection costs on the EC225 fleet were incurred in the current year period compared to the prior year period. We will incur these additional inspection costs until the completion of retrofit of the redesigned gear shaft, which is expected to be complete in fiscal 2015.

The balance of the change in Adjusted EBITDAR related to the results of our fleet operations, including the impact on maintenance costs due to cash and immediately available credits received in the prior year period in light of the EC225 suspension, which were booked as reductions to maintenance costs, in addition to changes in centralized support costs and earnings from equity accounted investees compared to the prior year period. In the current year period, earnings from equity accounted investees increased by \$3.9 million over the prior year period which included the sale of our 50% interest in our equity-accounted investment in Helideck Certification Agency.

Heli-One

For the nine months ended January 31,

(In thousands of U.S. dollars)

	2014	2015	Favorable (Unfavorable)		
			\$ Change	% Change	
Third-party revenue	\$99,636	\$117,793	\$18,157	18.2	%
Internal revenue	113,910	80,054	(33,856)	(29.7)	)%
Total revenue	\$213,546	\$197,847	\$(15,699)	(7.4)	)%
Direct costs (i)	(194,563)	(179,222)	15,341	7.9	%
Adjusted EBITDAR	\$18,983	\$18,625	\$(358)	(1.9)	)%
Adjusted EBITDAR Margin (ii)	8.9	% 9.4	% 0.5	% 5.6	%

In the prior year period, direct costs were comprised of maintenance costs of \$178.8 million and support costs of (i) \$15.8 million. In the current year period, direct costs were comprised of maintenance costs of \$164.3 million and support costs of \$14.9 million.

(ii) Adjusted EBITDAR margin is calculated as Adjusted EBITDAR divided by total revenue less reimbursable revenue, of which there was none in the Heli-One segment in the prior and current year periods.

Heli-One's Adjusted EBITDAR decreased by \$0.4 million to \$18.6 million and Adjusted EBITDAR margin increased by 0.5% compared to the prior year period, primarily driven by the mix of external and internal revenue. The primary changes compared to the prior year period were as follows:

Lower levels of MRO revenue with our Helicopter Services segment, due in part to supply chain optimization and fleet maintenance planning initiatives, compared to the prior year period decreased Adjusted EBITDAR by approximately \$6.4 million; offset by

Higher external third-party PBH revenue, due to increased flight hours, which were partially driven by third-party customers' resumption of EC225 operations, in addition to new customer contracts, increased Adjusted EBITDAR by \$2.7 million;

Adjusted EBITDAR increased due to higher margin helicopter modification work, which was partially offset by decreased levels of engine work both in Canada and Norway, with a favorable net impact of \$3.2 million; and Other costs changes, which include higher facilities costs, lower support and executive costs, and changes in the allowance for doubtful accounts, resulted in a favorable impact to Adjusted EBITDAR of \$0.1 million compared to the prior year period.

Table of Contents

## Financial Condition and Sources of Liquidity

## Analysis of Historical Cash Flows

For the nine months ended January 31,

(In thousands of U.S. dollars)

	2014	2015	Favorable (Unfavorable)		
			\$ Change	% Change	
Cash provided by (used in) operating activities	\$20,791	\$ (44,915)	) \$ (65,706	) (316.0	)%
Cash provided by financing activities	418,302	232,234	(186,068	) (44.5	)%
Cash used in investing activities	(123,792)	) (264,792	) (141,000	) (113.9	)%
Effect of exchange rate changes on cash and cash equivalents	(21,957	) (7,969	) 13,988	63.7	%
Change in cash and cash equivalents during the period	\$293,344	\$ (85,442	) \$ (378,786	) (129.1	)%

## Cash Flows Provided by (Used In) Operating Activities

Cash flows used in operating activities increased by \$65.7 million compared to the prior year period, due to a decrease in cash flow results from operations, adjusted for non-cash items and working capital movements, of \$69.1 million.

This was driven in part by an increase in helicopter lease and associated costs over the prior year period. In addition, there was an unfavorable movement in working capital of \$31.1 million compared to the prior year period, which was primarily driven by a \$26.2 million unfavorable change in receivables compared to the prior year period. These increases in the use of cash were partially offset by a net reduction in interest on long-term debt and other financing costs, as a result of lower interest costs due to repurchases of senior secured notes by one of our subsidiaries, CHC Helicopter S.A., in February, May and December 2014 and January 2015 and also due to redemptions and repurchases by CHC Helicopter S.A. of our senior unsecured notes, during November and December 2014. See "—Sources of Liquidity" included elsewhere in this Quarterly Report on Form 10-Q for further information. The reduction in interest expense was offset by a \$10.9 million increase in realized foreign exchange losses on derivative contracts in the current year period and due to a \$10.0 million bank fee settlement received during the prior year period.

One of our continued areas of focus is the improvement of our cash flows through operational growth. We have implemented a number of initiatives, but have not consistently decreased our use of cash in operations. No assurance can be given that our efforts to reduce operational cash requirements, including continued efforts to achieve greater cost efficiencies and reductions in our debt obligations to reduce interest costs, will be effective. The business may not generate sufficient net cash from operating activities and future borrowings may not be available in amounts sufficient to enable us to service our debt or to fund our other liquidity needs. On August 21, 2014, we entered into definitive agreements with funds managed by CD&R for the investment of \$600.0 million in CHC Group Ltd. through the issuance of redeemable convertible preferred shares in the Private Placement. See "—Financing Transactions" included elsewhere in this Quarterly Report on Form 10-Q for further information. It is currently expected that the net cash from operating activities, together with CD&R's investment in redeemable convertible preferred shares and our ability to access financing through our senior secured revolving credit facility, other financing markets, new operating leases and proceeds from the sale of helicopters and other assets, will be sufficient to meet the on-going cash flow requirements. If we are unable to meet our debt obligations or fund other liquidity needs, alternative financing plans may need to be undertaken, such as refinancing or restructuring debt, selling assets, reducing or delaying capital investments or raising additional capital. See "Risk Factors – Risks Related to Our Net Losses and Our Indebtedness—Our level of indebtedness could affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in our business or our industry and place us at a competitive disadvantage" in Part II, Item 1A "Risk Factors" elsewhere in this Quarterly Report on Form 10-Q.

## Cash Flows Provided By Financing Activities

Cash flows provided by financing activities decreased by \$186.1 million to \$232.2 million compared to the prior year period. This was due to proceeds from the issuance of \$300.0 million aggregate principal amount of senior unsecured

notes on May 13, 2013 by CHC Helicopter S.A., our wholly owned subsidiary. In addition, in the prior year period, we issued ordinary shares for net proceeds of \$291.3 million as part of our IPO on the New York Stock Exchange in January 2014. During the current year period, CHC Helicopter S.A. repurchased on the open market \$65.0 million of our senior secured notes at premiums ranging from 108.00% to 109.13% in May 2014 and \$90.7 million of our senior secured notes at prices ranging from 95.50% to 98.00% of the principal amount in December 2014 and January 2015. The total cash payments for the senior secured

Table of Contents

note repurchases in the current year period were \$158.7 million. In November 2014, CHC Helicopter S.A. redeemed \$105.0 million of the senior unsecured notes at a premium of 109.375% and repurchased \$39.0 million of the senior unsecured notes on the open market at prices ranging from 92.75% to 95.04% of the principal. The total cash payments on the senior unsecured note redemptions and repurchases in the current year period were \$151.7 million. There was also a net reduction of \$13.5 million in our current facility secured by accounts receivable, due to the timing of transactions in our trade receivables securitization program.

In the current year period a distribution of \$8.5 million was paid to the minority shareholder of EHOB due to an amendment of the shareholders' agreement on October 30, 2014. For more information, see Note 3(a)(i) of our unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015 included elsewhere in this Quarterly Report on Form 10-Q.

The decrease in cash provided by financing activities was partially offset by \$572.8 million of net proceeds on the issuance of the redeemable convertible preferred shares in connection with the closing of the Private Placement with CD&R. See "—Financing Transactions" included elsewhere in this Quarterly Report on Form 10-Q for further information. In addition, there was a decrease in net repayments on our senior secured revolving credit facility of \$125.6 million, part of which were repaid from proceeds from our IPO, and lower deferred financing costs of \$14.0 million, which were incurred due to the issuance of \$300.0 million aggregate principal amount of senior unsecured notes issued on May 13, 2013. In the prior year period we also repaid a related party loan of \$25.1 million which did not recur in the current year period.

**Cash Flows Used In Investing Activities**

Cash flows used in investing activities increased by \$141.0 million to \$264.8 million, due primarily to a decrease on proceeds received from the disposal of property and equipment of \$302.9 million offset by a decrease in cash outflows due to lower property and equipment additions of \$96.9 million and a decrease in cash outflows of \$63.3 million due to a lower net amount of helicopter deposits, compared to the prior year period. Proceeds from the disposal of property and equipment primarily decreased in the current year period due to a lower level of sale and leaseback activity. Property and equipment additions decreased due to a lower level of helicopter purchase activity compared to the prior year period. There was also a \$2.6 million decrease in cash inflows due to a change in restricted cash, primarily related to the timing of receivables collection as part of our accounts receivable securitization program, in the current year period compared to the prior year period. In the current year period, \$4.4 million of cash proceeds were received on the disposal of our 50% interest in our equity-accounted investment in Helideck Certification Agency.

**Liquidity and Sources of Liquidity**

As of April 30, 2014 and January 31, 2015, our liquidity totaled \$650.7 million and \$580.1 million, respectively, and was comprised as follows:

(In millions of U.S. dollars)	April 30, 2014	January 31, 2015
Cash and cash equivalents	\$302.5	\$217.1
Senior secured revolving credit facility:		
Facility credit limit	375.0	375.0
Outstanding letters of credit	(54.9	) (35.6
Available senior secured revolving credit facility	320.1	339.4
Available overdraft facilities	28.1	23.6
	\$650.7	\$580.1

Our cash requirements include our normal operations as well as our debt and other contractual obligations as discussed under the caption "Future Cash Requirements" below. We have completed several debt redemption and repurchase transactions during the current year period. These will reduce our annual cash requirements by approximately \$27.9 million. See "—Sources of Liquidity" included elsewhere in this Quarterly Report on Form 10-Q for further information. From time to time, depending on market conditions and other factors, we may seek to repay, redeem, repurchase or otherwise acquire or refinance a portion or all of our debt. We may make such repurchases in privately negotiated transactions or otherwise.



Table of Contents

The ability to satisfy long-term debt obligations, including repayment of principal and interest will depend on future performance, which is subject to general economic conditions and other factors, some of which are beyond our control. Our earnings and cash flow may vary significantly from year to year. As a result, the amount of debt that can be managed in some periods may not be appropriate in other periods. In addition, future cash flows may be insufficient to meet debt obligations and commitments, including our senior secured and unsecured notes, and our senior secured revolving credit facility. Any insufficiency could negatively impact the business. In addition, each of the indentures governing our senior unsecured notes and senior secured notes allows us to incur additional indebtedness. The incurrence of additional indebtedness could negatively affect the repayment of principal and interest on the debt, including the senior unsecured notes and senior secured notes. We may face delays in obtaining cash from our subsidiaries in certain jurisdictions to fund future cash requirements due to central banking legislation or other regulations in these jurisdictions. These restrictions have not and are not expected to have an impact on our ability to meet our obligations. We believe that our existing and future cash flows, CD&R's investment in redeemable convertible preferred shares, as well as our ability to access financing through our senior secured revolving credit facility, other financing markets, new operating leases and proceeds from the sale of helicopters and other assets are sufficient to meet our on-going cash flow requirements. However, we are continuously exploring, monitoring and evaluating our debt and equity financing alternatives as well as acquisition, disposition, merger and other transactional opportunities. In addition, our net earnings have been insufficient to cover our fixed charges since 2008. If cash flow from operations is insufficient to satisfy the debt obligations, alternative financing plans may need to be undertaken, such as refinancing or restructuring the debt, selling assets, reducing or delaying capital investments or raising additional capital or indebtedness. Any alternative financing plans that may be undertaken by us, including the Private Placement described below in "Sources of Liquidity", may not be sufficient to meet our debt obligations. Our inability to generate sufficient cash flow to satisfy our debt obligations, including obligations under the notes, or to obtain alternative financing, could materially and adversely affect our business, financial condition, results of operations and prospects. See Part II, Item 1A "Risk Factors – Risks Related to Our Net Losses and Our Indebtedness– Our level of indebtedness could affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in our business or our industry and place us at a competitive disadvantage" included elsewhere in this Quarterly Report on Form 10-Q.

Sources of Liquidity

On October 5, 2012, we issued an additional \$200.0 million of senior secured notes. The additional senior secured notes were issued under the same indenture that governs the \$1.1 billion of senior secured notes which were previously issued in October 2010. The additional senior secured notes with an aggregate principal value of \$200.0 million were issued at 101.0% of par value, bear interest at an annual rate of 9.25%, with semi-annual interest payments on April 15 and October 15, and mature on October 15, 2020. The gross proceeds from the senior secured notes of \$202.0 million were used to repay a portion of the outstanding borrowings under our senior secured revolving credit facility. We also incurred financing fees of \$3.8 million to be amortized over the term of the senior secured notes. On February 7, 2014, CHC Helicopter S.A. redeemed \$130.0 million of the \$1.3 billion of our senior secured notes at a redemption price of 103% of the principal and accrued and unpaid interest of \$3.7 million. During May 2014, CHC Helicopter S.A. repurchased \$65.0 million of the senior secured notes on the open market at premiums ranging from 108.00% to 109.13% of the principal plus accrued and unpaid interest of \$0.6 million for a loss on debt extinguishment of \$7.4 million. During December 2014 and January 2015, CHC Helicopter S.A., repurchased \$90.7 million of our senior secured notes on the open market at prices ranging from 95.50% to 98.00% of the principal amount plus accrued and unpaid interest of \$1.7 million for a gain on debt extinguishment of \$0.3 million.

On May 13, 2013, CHC Helicopter S.A. issued an aggregate principal amount of \$300.0 million of senior unsecured notes at par value, bearing interest at an annual rate of 9.375% with semi-annual interest payments due on June 1 and December 1 and mature on June 1, 2021. The senior unsecured notes are guaranteed by us and certain direct and indirect wholly owned subsidiaries on a joint and several basis. The net proceeds from the notes were used to repay the borrowings under our senior secured revolving credit facility. We also incurred financing fees of approximately \$6.0 million, which will be amortized over the term of the senior unsecured notes. On November 26, 2014, CHC

Helicopter S.A. redeemed \$105.0 million of the senior unsecured notes at a redemption price of 109.375% of the principal and unpaid interest of \$4.8 million for a loss on debt extinguishment of \$11.7 million. In December 2014, CHC Helicopter S.A. repurchased \$39.0 million of the senior unsecured notes on the open market at prices ranging from 92.75% to 95.04% of the principal plus accrued and unpaid interest of \$0.2 million for a gain on debt extinguishment of \$1.4 million.

We completed our IPO on the New York Stock Exchange in January 2014. On our IPO, we sold 31,000,000 ordinary shares to the public at an offer price of \$10.00 per share which raised approximately \$289.4 million, net of underwriting costs and other directly related costs of \$20.6 million. On February 20, 2014, the underwriters in our IPO exercised an option to purchase 3,000,000 ordinary shares at a price of \$10.00 per share, which raised approximately \$28.4 million, net of underwriting costs of \$1.6 million.



## Table of Contents

On January 23, 2014, we entered into a senior secured revolving credit facility for \$375.0 million held by a syndicate of financial institutions for a term of five years and bearing interest at the Alternate Base Rate, LIBOR, Canadian Prime Rate, CDOR or EURIBOR, plus an applicable margin that ranges from 3.50% to 4.50%, subject to a leverage-based step-down of 0.75%. The senior secured revolving credit facility is secured on a priority basis and ranks equally with the senior secured note holders except for payments upon enforcement and insolvency, where the revolving credit facility will rank before the senior secured note holders. The senior secured notes and senior secured revolving credit facility are guaranteed on a first-priority lien basis by most of our subsidiaries on a joint and several basis. For information about the financial position and results of operations of our non-guarantor subsidiaries, see Note 23 of our unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015 included elsewhere in this Quarterly Report on Form 10-Q.

On August 21, 2014, we entered into definitive agreements with funds managed by CD&R for the investment of \$600.0 million in CHC Group Ltd. through the issuance of redeemable convertible preferred shares in the Private Placement, which is described above in “– Financing Transactions.” The total net proceeds from the Private Placement after deducting direct transaction costs was \$572.8 million.

### Future Cash Requirements

#### Operating Lease Commitments

We are party to helicopter operating leases with 18 lessors in respect of 170 helicopters included in our fleet as of January 31, 2015. As of January 31, 2015, these leases had expiry dates ranging from fiscal 2015 to 2025. For those helicopters where we have the option to purchase them for agreed amounts the purchase options do not constitute bargain purchase options and we do not have a commitment to exercise the options. With respect to such leased helicopters, substantially all of the costs of major inspections of airframes and the costs to perform inspections, major repairs and overhauls of major components are at our expense. We will either perform this work internally through our Heli-One business or have the work performed by an external repair and overhaul service provider. For more information, see Note 20 of our unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015 included elsewhere in this Quarterly Report on Form 10-Q.

At January 31, 2015, we had commitments with respect to operating leases for helicopters, buildings, land and equipment. The net present value of our operating lease commitments at January 31, 2015 was \$1,273.4 million. We have calculated the net present value based on our minimum lease payments, excluding any contingent rentals, using a 9.0% discount rate. See Note 20 of our unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015 included elsewhere in this Quarterly Report on Form 10-Q for our minimum lease payments as at January 31, 2015. For helicopter leases expiring in the next twelve months, we have the option to refinance these leases, purchase the helicopters or return the helicopters under the agreement terms.

The terms of certain of our helicopter lease agreements impose operating and financial limitations on us. Such agreements limit the extent to which we may, among other things, incur indebtedness and fixed charges relative to our level of consolidated adjusted earnings before interest, taxes, depreciation and amortization.

Generally, in the event of a covenant breach by us under our leases, the lessor has the option to terminate the lease and require the return of the helicopter that is subject of the leases, with the repayment of any arrears of related lease payments plus the present value of all future related lease payments and certain other amounts, which could be material to our financial position. The helicopters would then be sold and the surplus, if any, returned to us.

Alternatively, we could exercise our option to purchase the helicopters.

#### Other Commitments

As at January 31, 2015, we have committed to purchase 19 new technology helicopters and the total required additional expenditures for these helicopters is approximately \$457.6 million. These helicopters are expected to be delivered in fiscal 2015 and 2016 (\$170.8 million), 2017 (\$201.3 million) and 2018 (\$85.5 million) and will be deployed in our Helicopter Services segment. We intend to enter into leases for these helicopters or purchase them outright upon delivery from the manufacturer. We have also committed to purchase \$39.3 million of helicopter parts

by October 31, 2015 and \$100.0 million of heavy helicopters from Airbus Helicopters prior to December 31, 2016.

76

---

Table of Contents

Variable Interest Entities

At January 31, 2015, we had operating leases for 102 helicopters with variable interest entities, or VIEs, that were not consolidated and two leases with a variable interest entity which we consolidate. See Note 3(a)(iii) and Note 3(b)(ii) of the unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015 included elsewhere in this Quarterly Report on Form 10-Q.

Guarantees

We have provided limited guarantees to third parties under some of our operating leases relating to a portion of the residual values of the helicopters at the termination of the leases. The leases have terms expiring between fiscal 2015 and 2024. At January 31, 2015, our exposure under the asset value guarantees, including guarantees in the form of funded and unfunded residual value guarantees, rebateable advance rentals and deferred payments was approximately \$248.5 million.

Contingencies

We have exposure for certain legal matters as disclosed in Note 21 to the unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015 included elsewhere in this Quarterly Report on Form 10-Q. There have been no material changes in our exposure to contingencies since January 31, 2015.

Covenants and Contractual Adjusted EBITDA

Our senior secured notes, senior unsecured notes, senior secured revolving credit facility, other long-term debt obligations and certain helicopter lease agreements impose operating and financial limitations on us through financial covenants, which among other things, limit the ability to incur additional indebtedness, create liens, sell or sublease assets, engage in mergers or acquisitions and make dividend and other payments.

Contractual Adjusted EBITDA is a non-GAAP financial measure which is calculated based on the consolidated results of CHC Group Ltd. and on the consolidated results our subsidiary 6922767 Holding S.à.r.l. in order to satisfy the requirements of our obligations under the above noted arrangements. Contractual Adjusted EBITDA is calculated by adding to or subtracting from the consolidated net earnings (loss) of CHC Group Ltd and our subsidiary 6922767 Holding S.à.r.l., certain of the adjustment items permitted in calculating covenant compliance under the applicable indenture governing our senior secured notes, our senior unsecured notes and our existing senior secured revolving credit facility. We describe these adjustments to net earnings (loss) in the table below. Contractual Adjusted EBITDA is a supplemental measure of our ability to service indebtedness that is not required by, or presented in accordance with, GAAP.

Contractual Adjusted EBITDA is not a measurement of our financial performance under GAAP and should not be considered as an alternative to net earnings (loss) or other performance measures derived in accordance with GAAP, or as an alternative to cash flow from operating activities as a measure of our liquidity. In addition, Contractual Adjusted EBITDA as presented herein may not be comparable to similarly titled measures of other companies. We use Contractual Adjusted EBITDA as a measure to calculate certain financial covenants related to our senior secured revolving credit facility, the senior secured notes indenture and the senior unsecured notes indenture. Under the senior secured revolving credit facility agreement, we must maintain a ratio of 2.5 to 1 or less of first priority net debt as defined in the senior secured revolving credit facility agreement to Contractual Adjusted EBITDA. If the financial covenant is not maintained, repayment of the senior secured revolving credit facility can be accelerated. Under the senior secured revolving credit facility agreement, senior secured notes indenture and senior unsecured notes indenture, we must meet certain Contractual Adjusted EBITDA ratios to incur additional indebtedness above the permitted indebtedness as defined in the senior secured revolving credit facility agreement, senior secured notes indenture and senior unsecured notes indenture. To incur additional indebtedness which is not otherwise permitted, we must have a Contractual Adjusted EBITDA to fixed charges ratio as defined in the senior secured revolving credit facility agreement, senior secured notes indenture and senior unsecured notes indenture that is equal to or greater than 2.0 to 1.0. However, if the indebtedness is secured by a lien then we must also have a total secured indebtedness, net of cash, to Contractual Adjusted EBITDA ratio as defined in the senior secured revolving credit facility agreement and notes indenture that is less than or equal to 5.0 to 1.0.

Contractual Adjusted EBITDA has limitations as an analytical tool, and you should not consider such measure either in isolation or as a substitute for net earnings (loss), cash flow or other methods of analyzing our results as reported under GAAP. Some of these limitations are:

Contractual Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

Table of Contents

Contractual Adjusted EBITDA does not reflect the cash requirements necessary to service principal payments on our indebtedness;

Contractual Adjusted EBITDA does not reflect the cash requirements to pay our taxes;

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

- Contractual Adjusted EBITDA is not adjusted for all cash and non-cash income or expense items that are reflected in our statements of cash flow.

Because of these limitations, Contractual Adjusted EBITDA should not be considered as discretionary cash available to us to reinvest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. Set forth below is a reconciliation of net loss to Contractual Adjusted EBITDA derived from the consolidated financial statements of CHC Group Ltd. and from the consolidated financial statements of our subsidiary 6922767 Holding S.à.r.l. for the last twelve months ended January 31, 2015. As of January 31, 2015, we were in compliance with all financial covenants contained in the agreements governing our outstanding indebtedness.

	6922767 Holding S.à.r.l For the last twelve months ended January 31, 2015	CHC Group Ltd. For the last twelve months ended January 31, 2015
(In thousands of U.S. dollars)		
Net loss	\$(667,152 )	\$(701,856 )
Earnings from equity accounted investees, net of cash distributions received	(2,904 )	(2,904 )
Fixed charges (a)	111,467	111,467
Other financing charges	68,698	67,878
Income tax expense	36,198	36,186
Depreciation	136,087	136,087
Asset impairment charge (b)	552,919	552,919
Loss on disposal of assets	15,622	15,622
Restructuring expense	5,864	7,597
Business optimization costs	2,680	2,680
Stock-based compensation expense	(6,658 )	12,383
Amortization of deferred charges (c)	3,687	3,687
Amortization of advanced helicopter rental payments	4,874	4,874
Unusual/non-recurring costs (d)	7,037	7,618
Investment/acquisition/permitted disposal (e)	332	2,991
Pension adjustment (f)	(18,624 )	(18,624 )
Pro-forma capital lease adjustment (g)	—	—
Contractual Adjusted EBITDA (h)	\$250,127	\$238,605

Fixed charges include interest expense, the interest component of payments associated with capital lease obligations, net of interest income, and pro-forma adjustments as per the applicable indenture governing the senior (a) secured notes and the senior unsecured notes. The amortization of debt issuance costs and financing fees are excluded from fixed charges.

Asset impairment charge includes impairment (recovery) of funded residual value guarantees and receivables, (b) impairment of assets held for sale, impairment of assets held for use, impairment of intangible assets and impairment of goodwill.

(c) Amortization of initial costs on leased helicopters.

(d) Unusual or non-recurring costs that include professional fees.

(e) Costs incurred related to potential investment, acquisitions and divestures.



## Table of Contents

(f) This is an adjustment to arrive at the current service cost of the pension.

(g) This is a pro-forma adjustment resulting from the capitalization of certain operating leases.

Contractual Adjusted EBITDA for the periods presented does not include the pro forma effect of helicopter acquisitions or disposals. However, the senior secured revolving credit facility and the applicable indenture

(h) governing the senior secured notes and the senior unsecured notes permit us to calculate Contractual Adjusted EBITDA for purposes of the applicable covenants contained therein, giving pro forma effect to helicopter acquisitions, net of disposals.

### Critical Accounting Policies and Estimates

See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates" in the Original 10-K for the fiscal year ended April 30, 2014. We have updated our critical accounting policies related to the issuance of redeemable convertible preferred shares, as discussed in Item 2, "Management's discussion and analysis of financial condition and results of operations - Financing Transactions," in Note 12(a) of the unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015 included elsewhere in this Quarterly Report on Form 10-Q as follows.

"The Redeemable Convertible Preferred Shares ("preferred shares") are classified as temporary equity and are carried at their initial carrying amount as the preferred shares are contingently redeemable only in the event of a change of control. The possible future redemption of the preferred shares as a result of a change in control has been assessed as not probable.

Direct and incremental costs on issuance of the preferred shares have been netted against the proceeds received."

We updated our accounting policy related to the recognition of the redemption value of the redeemable non-controlling interest related to our investment in EEA Helicopters Operations B.V. as described in Note 3(a)(i) of the unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015 included elsewhere in this Quarterly Report on Form 10-Q as follows:

"The change in the exercise conditions for the options makes it probable that the non-controlling interest will become redeemable and accordingly it is recorded at its redemption value. We have elected to recognize any changes in the redemption value immediately as they occur and adjust the carrying amount of the redeemable non-controlling interest to equal the redemption value at the end of the reporting period. The change in redemption value is recognized in additional paid-in capital."

In addition, we adopted on May 1, 2014, the accounting guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss or tax credit carryforward exists.

This new guidance did not have an impact on the unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015.

### Goodwill impairment

As a result of deteriorating conditions in the oil and gas markets and related service sectors and a decline in our market capitalization, in connection with the preparation and review of these unaudited interim consolidated financial statements, we performed an interim two-step goodwill impairment test as at January 31, 2015.

In the first step of the impairment test, we concluded that the carrying value of the Helicopter Services segment exceeded its fair value. Therefore, we performed the second step to determine the amount of the impairment loss by comparing the carrying value of goodwill against its implied fair value. Based on the preliminary analysis, there was no implied fair value of goodwill and goodwill impairment of \$403.5 million was recorded for the three months ended January 31, 2015, which represented the entire goodwill balance. Due to the complexity of the second step the implied fair value of goodwill is provisional and subject to change. The impairment of goodwill will be finalized for the fiscal year ended April 30, 2015.

### Recent Accounting Pronouncements

See Note 2 in the unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015, contained elsewhere in this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements.





Table of Contents

**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 rate risk as discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Quantitative and Qualitative Disclosures about Market Risk” in our Original 10-K for the fiscal year ended April 30, 2014 and Note 2 of our unaudited interim consolidated financial statements for the three and nine months ended January 31, 2014 and 2015 included elsewhere in this Quarterly Report on Form 10-Q. There have been no material changes to our quantitative and qualitative disclosures about market risk.

**ITEM 4. CONTROLS AND PROCEDURES**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of January 31, 2015. Based upon this evaluation and subject to the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of January 31, 2015, the end of the period covered by this Quarterly Report on Form 10-Q.

Our Chief Executive Officer and Chief Financial Officer do not expect that our disclosure controls or our internal controls will prevent all error and all fraud. The design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be considered relative to their cost. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that we have detected all of our control issues and all instances of fraud, if any. The design of any system of controls also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the three months ended January 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II—OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

In the ordinary course of business, we may be involved in various legal proceedings and claims. The outcome of any litigation, regardless of its merits, is inherently uncertain. Any claims and other lawsuits, and the disposition of such claims and lawsuits, could be time-consuming and expensive to resolve, divert management attention from executing our business plan, lead to attempts on the part of other parties to seek similar claims.

In general, the resolution of a legal matter could prevent us from offering our service to others, could be material to our financial condition or cash flows, or both, or could otherwise adversely affect our operating results.

**ITEM 1A. RISK FACTORS**

The risks described below could have a material adverse impact on our financial position, results of operations, liquidity and cash flows. Although it is not possible to predict or identify all such risks and uncertainties, they may include, but are not limited to, the factors discussed below. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider not to be material to our operations. You should not consider this list to be a complete statement of all risks and uncertainties. In assessing these risks, you should also refer to the other information contained in this Quarterly Report on Form 10-Q, including our consolidated financial statements and accompanying notes.

We have marked with an asterisk (\*) those risks described below that reflect substantive changes from, or additions to, the risks described in our Original 10-K for the fiscal year ended April 30, 2014.

Table of Contents

Risks Related to Our Net Losses and Indebtedness

We have a history of net losses.\*

We have incurred net losses since our acquisition on September 16, 2008 of the entity formerly known as CHC Helicopter Corporation, including approximately \$96.2 million, \$116.5 million, \$170.9 million and \$675.8 million in the last three fiscal years ended April 30, 2012, 2013 and 2014 and the nine months ended January 31, 2015, respectively. Our net losses from the period September 16, 2008 through January 31, 2015 have resulted from a number of factors, including non-cash impairments of goodwill and other assets totaling \$1,471.9 million and interest charges related to substantial leverage incurred to acquire additional helicopters and grow our business. We may continue to incur net losses in the future and our net losses may increase in the future, including as a result of our planned helicopter acquisitions, and we cannot assure you that we will achieve or sustain profitability, or that we will continue to generate sufficient cash flow and liquidity through access to the capital markets to meet our debt and interest obligations as and when they become due.

Our level of indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in our business or our industry and place us at a competitive disadvantage.\*

We are highly leveraged. As of January 31, 2015, our total indebtedness was \$1,249.6 million. Our level of indebtedness could have important consequences to you. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to fund future capital expenditures and working capital, to engage in future acquisitions or development activities, or to otherwise realize the value of our assets and opportunities fully because of the need to
- dedicate a substantial portion of our cash flow from operations to payments of interest and principal on our debt or to comply with any restrictive terms of our debt;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- impair our ability to obtain additional financing in the future; and
- place us at a competitive disadvantage compared to our competitors that have less debt.

If we fail to comply with the covenants or other terms of any agreements governing our indebtedness, our creditors may have the right to accelerate the maturity of that debt and, in the case of our secured debt, foreclose upon the collateral securing that debt. Realization of any of these factors could adversely affect our financial condition.

In addition, if we do not generate sufficient cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans, such as:

- refinancing or restructuring our debt;
- selling assets;
- reducing or delaying capital investments; or
- seeking to raise additional capital.

However, any alternative financing plans that we undertake, if necessary, might not allow us to meet our debt obligations. Our inability to generate sufficient cash flow to satisfy our debt obligations, including our obligations under our outstanding senior notes, or to obtain alternative financing, could materially and adversely affect our business, financial condition, results of operations or prospects.

## Table of Contents

Failure to comply with covenants contained in certain of our lease agreements could limit our ability to maintain our leased helicopter fleet and could adversely affect our business.

The terms of our helicopter lease agreements contain covenants that impose operating and financial limitations on us. Such lease agreements limit, among other things, our ability to utilize helicopters in certain jurisdictions and/or sublease helicopters, and may contain restrictions upon a change of control. A breach of lease covenants could result in an obligation to repay amounts outstanding under the lease. If such an event occurs, we may not be able to pay all amounts due under the leases or refinance such leases on terms satisfactory to us or at all, which could have a material adverse effect on our business, financial condition and results of operations. We have in prior periods entered into discussions with specific lessors for covenant resets, amendments and waivers when we have been anticipated to fail covenant obligations, and in other instances received financial support from our shareholders to avoid covenant breaches. While we do not currently anticipate any breaches, no assurance can be made that we will not in the future, or that we will be successful in negotiating covenant resets, amendments or waivers, as necessary, or that financial support will be available.

### Risks Related to Our Business and Industry

Our operations are largely dependent upon the level of activity in the oil and gas industry.\*

To varying degrees, activity levels in the oil and gas industry are affected by long-term trends in oil and gas prices. Historically, the prices for oil and gas have been volatile and subject to wide fluctuations in response to changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond our control, such as:

- actions of the Organization of Petroleum Exporting Countries and other oil producing countries to control prices or change production levels;
- general economic and political conditions, both worldwide and in the regions in which we operate;
- governmental regulation and policy;
- the price and availability of alternative fuels;
- advances in exploration, development and production technology; and
- the effects of hostilities or instability in oil-producing countries or the regions in which they are located.

The extreme volatility in market prices for oil and gas in recent months has adversely effected our business and operations. We cannot predict future oil and gas price movements. Any prolonged reduction in oil and gas prices could depress the level of helicopter activity in support of exploration and, to a lesser extent, production activity and, therefore have a material adverse effect on our business, financial condition and results of operations. For the fiscal year ended April 30, 2014, revenue generated by helicopter transportation services for the oil and gas industry was approximately 83% of our total revenues. No assurance can be given that the recent volatility of oil and gas prices will not continue to be adversely affect offshore exploration or production operations, or that our operations will not continue to be adversely effected.

Additionally, an increase in onshore fracking, which generally does not require use of our helicopter services, could have an adverse effect on our operations. If onshore fracking were to meaningfully increase in the international markets in which we operate, and if it were to drive a meaningful increase in the supply of hydrocarbons available to the markets we serve, it could potentially adversely impact the level of activity in our offshore oil and gas markets and the demand for our helicopter services.

Many of the markets in which we operate are highly competitive, which may result in a loss of market share or a decrease in revenue or profit margins.

Many of the markets in which we operate are highly competitive, which could result in a loss of market share or a decrease in revenue or profit margins. Contracting for helicopter services is usually done through a competitive bidding process among those having the necessary equipment and resources. Factors that affect competition in our industry include price, reliability, safety, professional reputation, helicopter availability, equipment and quality of service. We compete against a number of helicopter operators including the other major global commercial helicopter operator, and other local and regional operators. There can be no assurance that our competitors will not be successful in capturing a share of our present or potential customer base. In addition, many oil and gas companies and

government agencies to which we provide services have the financial ability to perform their own helicopter flying operations in-house should they elect to do so.

82

---

Table of Contents

The main MRO competitors to our Heli-One business are the OEMs of helicopters and helicopter components. As such, our main competitors in this industry are also our main parts suppliers and MRO license providers. A conflict with the OEMs could result in our inability to obtain parts and licenses in a timely manner in required quantities and at competitive prices. In addition, the OEMs hold greater inventory of helicopter components, have more extensive operational experience and significantly greater capital resources. These, in turn, could have a material adverse effect on our business, financial condition or results of operations.

We rely on a limited number of large offshore helicopter support contracts with a limited number of customers. If any of these are terminated early or not renewed, our revenues could decline.

We rely on a limited number of large offshore helicopter support contracts with a limited number of customers. For the fiscal year ended April 30, 2014, revenue from Statoil ASA totaling \$245.6 million and Petrobras totaling \$238.1 million were approximately 14% and 13% of our total revenues respectively. For the fiscal year ended April 30, 2014, our top ten customers accounted for approximately 67% of our total revenues. Many of our contracts contain clauses that allow for early termination by the customer for convenience, which, if exercised, could have a material adverse effect on our business, financial condition or results of operations.

Operating helicopters involves a degree of inherent risk and we are exposed to the risk of losses from safety incidents. Hazards, such as adverse weather conditions, darkness, collisions and fire are inherent in the provision of helicopter services and can result in personal injury and loss of life, accidents, reduced number of flight hours, severe damage to and destruction of property and equipment and suspension of operations or grounding of helicopters. For example, on October 22, 2012, one of our EC225 helicopters made a controlled water landing in the North Sea with no injuries to crew or passengers. Given that this was the second such event, the first having occurred to another operator in May 2012, all flights of almost all commercial operators worldwide using the same type of helicopter were subsequently suspended for the duration of a lengthy investigation and subsequent corrective action from the manufacturer. In addition, on August 23, 2013, one of our AS332L2 helicopters was involved in a tragic accident in the North Sea, resulting in four fatalities among the 16 passengers and two crew members on board. The cause of the accident is not yet known and full investigations are ongoing. We voluntarily restricted the use of this model of helicopter worldwide for a limited period. As of April 30, 2014, our global fleet of AS332L2 helicopters had returned to commercial operations. In addition to any loss of property or liability associated with helicopter crashes, our revenue, profitability and margins would decline to the extent any of our helicopters were voluntarily or mandatorily grounded. While we seek to mitigate the financial impact of such risks and preserve our rights through commercial and other arrangements with all those involved, when available, these mitigation efforts may not be successful or available for all incidents. Our performance, profitability and margins may fluctuate from period to period as a result of such incidents and our mitigation efforts.

If we are unable to mitigate potential losses through a robust safety management and insurance coverage program, our financial condition would be jeopardized in the event of a safety or other hazardous incident.

We attempt to protect ourselves against potential losses through our safety management system and insurance coverage. However, portions of our insurance coverage are subject to deductibles and maximum coverage amounts, and we do not carry insurance against all types of losses. We cannot ensure that our existing coverage will be sufficient to protect against all losses, that we will be able to maintain our existing coverage in the future or that the premiums will not increase substantially, including potentially, in connection with the AS332L2 accident that occurred in August 2013. See “Management's Discussion and Analysis of Financial Condition and Results of Operation—Recent Developments.” Our safety management system may not be effective. In addition, terrorist activity, risk of war, accidents or other events could increase our insurance premiums. Our inability to renew our aviation insurance coverage or the loss, expropriation or confiscation of, or severe damage to, a large number of our helicopters could adversely affect our operations and possibly our financial condition and results of operations. Furthermore, we are not insured for loss of profit, loss of use of our helicopters, business interruption or loss of flight hours. The loss of, or limited availability of, our liability insurance coverage, inadequate coverage from our liability insurance or substantial increases in future premiums could have a material adverse effect on our business, financial condition and results of operations.



Table of Contents

Failure to maintain standards of acceptable safety performance could have an adverse impact on our ability to attract and retain customers and could adversely impact our reputation, operations and financial performance.

Our customers consider safety and reliability as the two primary attributes when selecting a provider of helicopter transportation services. If we fail to maintain standards of safety and reliability that are satisfactory to our customers, our ability to retain current customers and attract new customers may be adversely affected. Moreover, helicopter crashes or similar disasters of another helicopter operator could impact customer confidence and lead to a reduction in customer contracts or result in the grounding of our helicopters, particularly if such helicopter crash or disaster were due to a safety fault in a type of helicopter used in our fleet. In addition, the loss of any helicopter as a result of an accident could cause significant adverse publicity and the interruption of air services to our customers, which could adversely impact our reputation, operations and financial results. Our helicopters have been involved in accidents in the past, some of which have included loss of life and property damage.

Negative publicity may adversely impact us.

Media coverage and public statements that insinuate improper actions by us, regardless of their factual accuracy or truthfulness, may result in negative publicity, litigation or governmental investigations by regulators.

Addressing negative publicity and any resulting litigation or investigations may distract management, increase costs and divert resources. Negative publicity may have an adverse impact on our reputation and the morale of our employees, which could adversely affect our business, financial condition or results of operations.

Our fixed operating expenses and long-term contracts with customers could adversely affect our business under certain circumstances.

Our profitability is directly related to demand for our helicopter services. Because of the significant expenses related to helicopter financing, crew wages and benefits, lease costs, insurance and maintenance programs, a substantial portion of our operating expenses are fixed and must be paid even when certain helicopters are not actively servicing customers and thereby generating income. A decrease in our revenues could therefore result in a disproportionate decrease in our earnings, as a substantial portion of our operating expenses would remain unchanged. Similarly, the discontinuation of any rebates, discounts or preferential financing terms offered to us by helicopter manufacturers would have the effect of increasing our fixed expenses, and without a corresponding increase in our revenues, would negatively impact our results of operations. We expect our maintenance costs to increase to a level comparative to normal activity as the EC225 has returned to commercial operations. Nonetheless, no assurance can be given that our costs will be comparable on a period to period basis, particularly when incidents may impact our helicopters.

Our long-term helicopter services and Heli-One contracts contain pre-determined price escalation terms and conditions. Although supplier costs and other cost increases are passed through to our customers through rate increases where possible, these escalations may not be sufficient to enable us to recoup increased costs in full. In addition, because many of our contracts are long-term in nature, cost increases may not be adjusted in our contract rates until the contracts are up for renewal. In particular, in our Heli-One business, approximately 28%, 34% and 38% of our third-party Heli-One revenue in the 2012, 2013 and 2014 fiscal years, respectively, was derived from PBH contracts, where the customer pays a ratable monthly charge, typically based on the number of hours flown, for all scheduled and un-scheduled maintenance. It can be difficult to correctly estimate the cost of providing maintenance on a PBH basis. There can be no assurance that we will be able to estimate costs accurately or recover increased costs by passing these costs on to our customers. In the event that we are unable to do so, the profitability of our customer contracts and our business, financial condition and results of operations could be materially and adversely affected. If we are forced to suspend operations of any of our helicopter models, our business, financial condition and results of operations during any period in which flight operations are suspended could be affected.

We depend on a small number of helicopter manufacturers.\*

We contract with only four manufacturers of heavy and medium helicopters: Airbus Helicopters (formerly Eurocopter), Sikorsky, AgustaWestland and Bell. These manufacturers have limited availability of helicopters, particularly heavy helicopters, and we have limited alternative sources of new helicopters. If we are unable to acquire new helicopters, continue operating helicopters already in our fleet, or purchase helicopters in the secondary markets, our business would be harmed.





Table of Contents

Lead times for delivery of new heavy and medium helicopters are long (currently at least one year and historically as long as two years), and annual production of new heavy and medium helicopters is limited. If any of these helicopter manufacturers faced production delays due to, for example, natural disasters, labor strikes, unavailability of skilled labor or safety issues, we may experience a significant delay in the delivery of previously ordered helicopters. During these periods, we may not be able to obtain additional helicopters with acceptable pricing, delivery dates or other terms. Delivery delays or our inability to obtain acceptable helicopter orders would adversely affect our revenue and profitability and could jeopardize our ability to meet the demands of our customers and execute our growth strategy. Although we have been able to acquire sufficient helicopters to date, a lack of available helicopters or the failure of our suppliers to deliver helicopters we have ordered on a timely basis could limit our ability to take advantage of growth opportunities or jeopardize our ability to meet the demands of our customers. Additionally, lack of availability of new helicopters could result in an increase in prices for certain types of used helicopters.

If any of the helicopter manufacturers we contract with, or the government bodies that regulate them, identify safety issues with helicopter models we currently operate or that we intend to acquire, we may be unable to operate a portion of our fleet or could experience a delay in acquiring new helicopters, both of which would negatively affect our business. For example, in October 2012, one of our EC225 helicopters made a controlled water landing in the North Sea with no injuries to crew or passengers. All flights of all operators using the same type of helicopter were subsequently suspended for the duration of a lengthy investigation and corrective action from the manufacturer. In August 2013, one of our AS332L2 helicopters was involved in an accident in the North Sea, resulting in four fatalities, see “Risks Related to Our Business and Industry—Operating helicopters involves a degree of inherent risk and we are exposed to the risk of losses from safety incidents.” The cause of the August 2013 accident is not yet known. Regulatory investigations and political debate are currently in process or planned in the United Kingdom. The AS332L2 and the EC225 are produced by the same manufacturer, and we operate other helicopter types by this manufacturer (as of January 31, 2015, 87 helicopters in total, which total represents approximately 37% of our entire fleet). If it is ever determined that a safety issue exists across one or more model types by the same manufacturer, we may be required to suspend flight operations of a significant and material portion of our fleet.

We depend on a limited number of third-party suppliers for helicopter parts and subcontract services.

We rely on a few key vendors for the supply of parts and subcontract services required to maintain our helicopters. Due to high demand, these vendors could experience backlogs in their manufacturing schedules and some parts may be in limited supply from time to time, which could have an adverse impact upon our ability to maintain and repair our helicopters.

We currently obtain a substantial portion of our helicopter spare parts and components from helicopter manufacturers and maintain supply arrangements with other key suppliers. To the extent that these suppliers also supply parts for helicopters used by the military or other government organizations, parts delivery for our helicopters may be delayed during periods in which there are high levels of military or government operations. Our inability to perform timely maintenance and repairs can result in our helicopters being underutilized which could have an adverse impact on our business, financial condition and results of operations. Furthermore, our operations in remote locations, where delivery of these components and parts could take a significant period of time, could experience delays in our ability to maintain and repair our helicopters. While every effort is made to mitigate the impact of any such delays, this may pose a risk to our results of operations. We do not have an alternative source of supply for parts and components supplied by the main helicopter manufacturers. Failure or significant delay by these vendors in providing necessary parts could, in the absence of alternative sources of supply, have a material adverse effect on our business, including the withholding of payments by customers in certain cases. Due to our dependence on helicopter manufacturers for helicopter parts and components, we may also be subject to adverse impacts from unusually high price increases that are greater than overall inflationary trends. We might not be able to increase our contract rates. An unusually high increase in the price of parts or components that cannot be fully passed on to our customers could have a material adverse effect on our business, financial condition or results of operations.



Table of Contents

Our business requires substantial capital expenditures, lease and working capital financing. Any deterioration of current industry or business conditions or the capital markets generally could adversely impact our business, financial condition and results of operations.\*

Our business requires substantial capital expenditures including significant ongoing investment to purchase or lease new helicopters, refinance existing leases and maintain our existing fleet. To the extent that we do not generate sufficient cash from our operations, we may need to raise additional funds through operating lease financing, debt or other financing to execute our growth strategy and make the capital expenditures required to operate our business successfully. In the event of adverse conditions in our industry, our business or the capital markets generally, we could face difficulties in securing the amounts required, on commercially favorable terms or in a timely manner. In addition, any such additional capital raised may be significantly dilutive to our existing shareholders and may result in the issuance of securities that have rights, preferences and privileges that are senior to our ordinary shares.

Concerns about a systemic impact of a potential long-term and wide-spread economic recession, increased energy costs, the availability and cost of credit, diminished business and consumer confidence and increased unemployment rates contribute to increased market volatility and diminish expectations for western and emerging economies, including the jurisdictions in which we operate. In particular, the cost of raising money in the credit markets could increase substantially as many lenders and institutional investors, concerned about the stability of the financial markets generally and about the solvency of counterparties, could increase interest rates, enact tighter lending standards and reduce and, in some cases, cease to provide funding, to borrowers. In addition, financial market instability could leave our creditors unable to meet their obligations to us.

Our ability to access capital and bank markets or the availability of lease or other financings may be restricted at a time when we would like to, or need to access capital. Such inability could have an impact on our growth plans or on our flexibility to react to changing economic and business conditions. In addition, our credit facilities and helicopter leases will have maintenance covenants which may need to be renegotiated from time to time, and the financial market instability could have an impact on the lenders' or lessors' willingness to renegotiate these covenants on reasonable terms.

We rely on the secondary used helicopter market to dispose of our older helicopters and parts due to our ongoing fleet modernization efforts.

We are dependent upon the secondary used helicopters and parts market to dispose of older models of helicopters as part of our ongoing fleet modernization efforts and any spare helicopter capacity associated with the termination or non-renewal of existing contracts. If we are unable to dispose of our older helicopters and parts due to a lack of demand in the secondary market, our helicopters and parts carrying costs may increase above requirements for our current operations, or we may accept lower selling prices, resulting in losses on disposition. A failure to dispose of helicopters and parts in the secondary market could impair our ability to operate our fleet efficiently and service existing contracts or win new mandates and could have a material adverse effect on our business, financial condition or results of operations.

Our operations are subject to extensive regulations which could increase our costs and adversely affect us.\*

The helicopter industry is regulated by various laws and regulations in the jurisdictions in which we operate. The scope of such regulation includes infrastructure and operational issues relating to helicopters, maintenance, spare parts and route flying rights as well as safety and security requirements. We cannot fully anticipate all changes that might be made to the laws and regulations to which we are subject nor the possible impact of such changes. These changes could subject us to additional costs and restrictions.

We are subject to governmental regulation that limits foreign ownership of aircraft companies. Based on regulations in various jurisdictions in which we operate, our authorizations, licenses and certificates may be suspended or revoked and we may lose our ability to operate within these regions if certain levels of local ownership are not maintained.

Our ability to conduct our business is dependent on our ability to maintain authorizations, licenses and certificates, which in many jurisdictions require us to subcontract with third-parties to obtain required helicopter operating leases.

We are routinely audited to ensure compliance with all flight operation and helicopter maintenance requirements.

There can be no assurance that we will pass all such audits. Our failure to pass such audits or any breach of

regulations applicable to us could result in fines, adverse publicity or suspension of our helicopters, all of which could have a material adverse effect on our business, financial condition and results of operations, especially if a regulatory breach were to lead to a helicopter crash or accident. Changes in laws or regulations could have a material adverse impact on our cost of operations or revenues from operations.

Table of Contents

If we are unable to maintain required government-issued licenses for our operations or if our ownership in our foreign partners exceeds permitted levels, we will be unable to conduct helicopter operations in the applicable jurisdiction, as outlined below.

Europe

Approximately 46% of our revenue for the fiscal year ended April 30, 2014 originated from helicopter flying services provided by subsidiaries of EEA Helicopter Operations B.V., or the EHOB, a Dutch Company 49.9% owned by us. These subsidiaries operate primarily in the United Kingdom, the Netherlands and Ireland (member states of the European Union, or the EU, and Norway (member state of the EEA). To operate helicopters in the EU and EEA, an operator must be licensed by the applicable national Civil Aviation Authority. Under applicable European law, an operator must be “effectively controlled” and “majority owned” by nationals of member states of the EU or the EEA to maintain its license. We believe that the majority shareholder in EHOB is an EU national and therefore these subsidiaries are currently “majority owned” and “effectively controlled” within the meaning of European Union and European Economic Area licensing requirements. Any change in the national status of the majority shareholder in EHOB could affect the licenses of these subsidiaries.

Canada

Our helicopter operations in Canada are conducted through CHC Helicopters Canada Inc., a company in which we hold a minority interest. Our flying operations are regulated by Transport Canada and are conducted under that company’s air operator's certificate, or AOC. Our ability to conduct our helicopter operating business in Canada is dependent on our ability to maintain our relationship with CHC Helicopters Canada Inc. Our helicopter operations in certain other countries are conducted pursuant to an AOC issued by the Minister of Transport (Canada) under the provisions of the Aeronautics Act (Canada) for approximately 20 helicopters which our wholly owned subsidiary holds pursuant to an exemption until 2015. If we are unable to extend the ministerial exemption pursuant to which this certificate is issued, we will need to obtain licenses and certificates issued by the countries in which we conduct such operations or reach an agreement with CHC Helicopters Canada Inc. and/or customers in such countries to transfer the operations there to CHC Helicopters Canada Inc. We cannot give any assurance that we will be able to extend the ministerial exemption, obtain local licenses and certificates or transfer such operations to CHC Helicopters Canada Inc., either at all or on acceptable terms.

Australia

Civil aviation in Australia is governed by the Civil Aviation Act 1988 (Cwlth) of Australia, and regulations made thereunder. To operate a helicopter in Australia, it must be registered with the Australian Civil Aviation Safety Authority (“CASA”) and a Certificate of Airworthiness must be obtained, be valid and be in effect. The operation of a helicopter for a commercial purpose into, out of, or within Australian territory can only be undertaken as authorized by an AOC. Our ability to offer our helicopter transportation services in Australia is dependent on maintaining this certificate.

Brazil

Approximately 15% of our revenue for the fiscal year ended April 30, 2014 originated from helicopter flying services provided by a subsidiary of Brazilian Helicopter Holdings S.A., or BHH, a Brazilian Company 60% owned by us. This subsidiary operates in Brazil. To operate helicopters in Brazil, an operator must be licensed by the applicable national Civil Aviation Authority. Under applicable Brazilian law, in order to maintain its license, an operator must be “controlled” by nationals of Brazil and its officers must be Brazilian as well. By “control”, Brazilian aviation legislation refers to holding of at least 80% of operator’s voting shares. We believe that the majority holder of voting shares in BHH is a Brazilian national and therefore this subsidiary is currently “controlled” within the meaning of Brazil licensing requirements. Any change in the national status of the majority shareholder in BHH and/or in the nationality of the officers of this subsidiary could affect the licenses of BHH.

Our helicopter operations in Brazil are conducted through BHS - Brazilian Helicopter Services Táxi Aéreo S.A., the above-mentioned subsidiary of BHH. Our flying operations are regulated by the National Agency for Civil Aviation and are conducted under that company’s AOC. Our ability to conduct our helicopter operating business in Brazil is dependent on our ability to maintain such AOC. If we are unable to keep such AOC, we will be prevented from

performing flying operations in Brazil.

87

---

Table of Contents

Other Countries and Regulations

Our operations in other jurisdictions are regulated to various degrees by the governments of such jurisdictions and must be conducted in compliance with those regulations and, where applicable, in accordance with our air service licenses and AOC. These regulations may require us to obtain a license to operate in that country, may favor local companies or require operating permits that can only be obtained by locally registered companies and may impose other nationality requirements. In such cases, we partner with local persons, but there is no assurance regarding which foreign governmental regulations may be applicable in the future to our helicopter operations and whether we would be able to comply with them.

The revocation of any of the licenses discussed above or the termination of any of the relationships with local parties discussed above could have a material adverse effect on our business, financial condition and results of operations. Our MRO business, Heli-One, could suffer if licenses issued by the OEMs and/or governmental authorities are not renewed or we cannot obtain additional licenses.

Our MRO business, Heli-One, receives a significant portion of its third-party revenue from activities that require licenses from the OEMs and governmental authorities. The Heli-One business may require additional licenses to grow. We cannot provide any assurance that we will be able to obtain or maintain such licenses from the OEMs and/or governmental authorities on acceptable terms or at all. Furthermore, our MRO business could decline if existing licenses are revoked or cannot be renewed upon the expiration of existing terms.

We derive significant revenue from non-wholly owned variable interest entities. If we are unable to maintain good relations with the other owners of such non-wholly owned entities, our business, financial condition or results of operations could be adversely affected.

Local aviation regulations require us to operate through non-wholly owned entities with local shareholders. We conduct many of our international operations through entities in which we have a minority investment or through strategic alliances with foreign partners. We derive significant amounts of revenue from these entities. For the fiscal year ended April 30, 2014 we derived \$1,088.0 million of revenue, representing 61.6% of our total revenue from variable interest entities owned in part by local shareholders. We depend to some extent upon good relations with our local shareholders to ensure profitable operations. These shareholders may have interests that are not always aligned with ours. These shareholders are not required to provide any funding that these entities may require. Furthermore, certain shareholders' agreements with local shareholders contain call arrangements which allow the local shareholder to elect to purchase our shares and/or require us to bear all of the losses of these entities. The calls are exercisable in certain circumstances, including liquidation and events of default. In the event shareholder disputes arise or we lose our interest in these entities and/or find other local partners, this could negatively impact our revenues and profit sharing from these entities, and could have a material adverse effect on our business, financial condition or results of operations.

Our operations may suffer due to political and economic uncertainty.

Risks associated with some of our operations include political, social and economic instability, war, terrorism, civil disturbances, pandemic health issues or other events that may limit or disrupt markets, expropriation without fair compensation, requirements to award contracts, concessions or licenses to nationals, international exchange restrictions and currency fluctuations, changing political conditions and monetary policies of foreign governments. Any of these events could materially adversely affect our ability to provide services to our customers. Certain of our helicopter leases and loan agreements impose limitations on our ability, including requiring the prior approval of the lessor or the lender, to locate particular helicopters in certain countries. We cannot provide assurance that these limitations will not affect our ability to allocate resources in the future to meet our operational needs.

Our business in countries with a history of corruption and transactions with foreign governments increases the compliance risks associated with our international activities.

Our international operations could expose us to trade and economic sanctions or other restrictions imposed by the United States or other governments or organizations. The U.S. Department of Justice, or the DOJ, and other federal agencies and authorities have a broad range of civil and criminal penalties at their disposal to impose against corporations and individuals for violations of trading sanctions laws, the Foreign Corrupt Practices Act, or the FCPA,

and other federal statutes. Under trading sanctions laws, the government may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries, and modifications to compliance programs, which may increase compliance costs,

88

---



Table of Contents

and could subject us to fines, penalties and other sanctions. If any of the risks described above were to materialize, they could adversely impact our financial condition or results of operations.

These laws also prohibit improper payments or offers of payments to foreign governments and their officials and political parties for the purpose of obtaining or retaining business. We have operations, deal with government entities and have contracts in countries known to experience corruption. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees, consultants, sales agents or associates that could be in violation of various laws including the FCPA, even though these parties are not always subject to our control. Our existing safeguards and procedures might prove to be less than fully effective, and our employees, consultants, sales agents or associates might engage in conduct for which we could be held responsible. Violations of the FCPA could result in severe criminal or civil sanctions, and we could be subject to other liabilities that could negatively affect our business, financial condition or results of operations.

In addition, from time to time, we and our subsidiaries are subject to investigation by various government agencies in the jurisdictions in which we operate. In 2006, we voluntarily disclosed to the U.S. Office of Foreign Asset Control, or the OFAC, that one or more of our subsidiaries, formerly operating as Schreiner Airways might have violated applicable U.S. laws and regulations by re-exporting to Iran, Sudan, and Libya certain helicopters, related parts, map data, operation and maintenance manuals, and helicopter parts for third-party customers. OFAC's investigation is ongoing and we continue to fully cooperate. Should the U.S. government determine that these activities violated applicable laws and regulations, we or our subsidiaries could be subject to civil or criminal penalties, including fines and/or suspension of the privilege to engage in trading activities involving goods, software and technology subject to U.S. jurisdiction. At January 31, 2015, it is not possible to determine the outcome of this matter, or the significance, if any, to our business, financial condition or results of operations.

We are subject to extensive environmental, health and safety laws, rules, regulations and ordinances that could have an adverse impact on our business.

We are subject to extensive laws, rules, regulations and ordinances in the various jurisdictions in which we operate relating to pollution and protection of the environment and to human health and safety, including those relating to discharge of noise, emissions to the air, releases or discharges to soil or water, the use, storage and disposal of petroleum and other regulated materials and the remediation of contaminated sites.

Our operations, including helicopter maintenance and helicopter fueling, involve the use, handling, storage and disposal of materials that may be classified as hazardous to human health and safety and to the environment. Laws protecting the environment have become more stringent in recent years and may, in certain circumstances, impose liability for the investigation and cleanup of releases of regulated materials and related environmental damage without regard to negligence or fault. These laws also might expose us to liability for the conduct of, or conditions caused by, others such as historic spills of regulated materials at our facilities, for acts that were in compliance with all applicable laws at the time such acts were performed, and for contamination at third-party sites where substances were sent for off-site treatment or disposal. Additionally, any failure by us to comply with applicable environmental, health and safety or planning laws and regulations could result in governmental authorities or other third parties taking action against our business that could adversely impact our operations and financial condition, including the:

- issuance of administrative, civil and criminal penalties;
- denial or revocation of permits or other authorizations;
- imposition of limitations on our operations; and
- performance of site investigatory, remedial or other corrective actions.

In addition, changes in laws or regulations protecting the environment may result in changes in the regulation of the offshore oil and gas industry, which in turn could adversely affect us. We cannot predict the likelihood of change to any of these laws or in their enforcement or the impact that any such change, or any discovery of previously unknown conditions, could have on our costs and financial position.

We are subject to many different forms of taxation in various jurisdictions throughout the world, which could lead to disagreements with tax authorities regarding the application of tax laws.

We are subject to many different forms of taxation including, but not limited to, income tax, withholding tax, commodity tax and payroll-related taxes. Tax law and administration is extremely complex and often requires us to make subjective determinations. The tax authorities in the various jurisdictions where we conduct business might not agree with the determinations that are made by us with respect to the application of tax law. Such disagreements could result in lengthy legal

Table of Contents

disputes and, ultimately, in the payment of substantial funds to the government authorities of foreign and local jurisdictions where we carry on business or provide goods or services, which could have a material adverse effect on our business, financial condition or results of operations.

Our estimate of tax related assets, liabilities, recoveries and expenses incorporates significant assumptions. These assumptions include, but are not limited to, the tax laws in various jurisdictions, the effect of tax treaties between jurisdictions, taxable income projections, and the benefits of various restructuring plans. To the extent that such assumptions differ from actual results, we may have to record additional income tax expenses and liabilities.

We are exposed to foreign currency risks.\*

Our consolidated financial statements are presented in U.S. dollars. However, a significant portion of our revenue and operating expenses are denominated in currencies consisting primarily of British pound sterling, Canadian Dollars, Norwegian Kroner, Australian Dollars and the Euro, which have experienced significant volatility and change in recent quarters. The functional currencies of many of our subsidiaries are non-U.S. currencies. There can be no assurances that our foreign currency risk management strategies will be effective and that continued foreign currency fluctuations will not adversely affect our results of operations and financial condition.

Our failure to hedge exposure to fluctuations in foreign currency exchange rates effectively could unfavorably affect our financial performance.

We currently utilize derivative instruments to hedge our exposure to fluctuations in certain foreign currency exchange rates. These instruments may involve elements of market risk in excess of the amounts recognized in our consolidated financial statements. Further, our financial results from operations of our subsidiaries which incur revenue and operating expenses in currencies other than U.S. dollars may be negatively affected if we fail to execute or if we improperly hedge our exposure to currency fluctuations.

We are exposed to credit risks.

We are exposed to credit risk on our financial investments which depends on the ability of our counterparties to fulfill their obligations to us. We manage credit risk by entering into arrangements with established counterparties and through the establishment of credit policies and limits, which are applied in the selection of counterparties.

Credit risk on financial instruments arises from the potential for counterparties to default on their contractual obligations and is limited to those contracts on which we would incur a loss in replacing the instrument. We limit our credit risk by dealing only with counterparties that possess investment grade credit ratings and monitor our concentration risk with counterparties on an ongoing basis. The carrying amount of financial assets represents the maximum credit exposure for financial assets.

Credit risk arises on our trade receivables from the unexpected loss in cash and earnings when a customer cannot meet its obligation to us or when the value of security provided declines. To mitigate trade credit risk, we have developed credit policies that include the review, approval and monitoring of new customers, annual credit evaluations and credit limits. There can be no assurance that our risk mitigation strategies will be effective and that credit risk will not adversely affect our financial condition and results of operations.

Our customers may seek to shift risk to us.

We give to and receive from our customers indemnities relating to damages caused or sustained by us in connection with our operations. Our customers' changing views on risk allocation could cause us to accept greater risk to win new business or could result in us losing business if we are not prepared to take such risks. To the extent that we accept such additional risk, and seek to insure against it, our insurance premiums could rise.

Our customers are primarily in the oil and gas industry and, as a result, changes in economic and industry conditions could expose us to additional credit risk.

The majority of our customers are engaged in oil and gas production, exploration and development. For the fiscal year ended April 30, 2014, revenue generated by helicopter transportation services from oil and gas customers represented approximately 83% of our total revenues. This concentration could impact the overall exposure to credit risk because changes in economic and industry conditions that adversely affect the oil and gas industry could affect the majority of our customers.



Table of Contents

We generally do not require letters of credit or other collateral to support our trade receivables. Accordingly, a sudden or protracted downturn in the economic condition of the oil and gas industry could adversely impact our ability to collect our receivables and thus impact our business, financial condition or results of operations.

We are highly dependent upon the level of activity in the North Sea, which is a mature exploration and production region.

For the fiscal year ended April 30, 2014, approximately 54% of our gross revenue was derived from services provided to customers operating in the North Sea. The North Sea is a mature exploration and production region that has undergone substantial seismic survey and exploration activity for many years. Because a large number of oil and gas properties in this region have already been drilled, additional prospects of sufficient size and quality could be more difficult to identify. Generally, the production from these drilled oil and gas properties is declining. In the future, production could decline to the point that such properties are no longer economical to operate, in which case, our services with respect to such properties will no longer be needed. Oil and gas companies might not identify sufficient additional drilling sites to replace those that become depleted or cease to be economically viable. If activity in oil and gas exploration, development and production in the North Sea materially declines, our business, financial condition and results of operations could be materially and adversely affected. We cannot predict the levels of activity in this or any other geographic area.

If oil and gas companies undertake cost reduction methods, there may be an adverse effect on our business.

Oil and gas companies engaged in the production, exploration and development sector continually seek to implement measures aimed at reducing costs, including the cost of helicopter support operations. For example, oil and gas companies in some circumstances have reduced manning levels on both old and new platforms, rigs and other installations by using new technology to permit unmanned operations, which could increase the length of offshore shifts and reduce the frequency of transportation of employees. The implementation of such measures could reduce the demand for helicopter transportation services and have a material adverse effect on our business, financial condition and results of operations.

Reductions in spending on helicopter services by government agencies could lead to modifications of SAR and EMS contract terms or delays in receiving payments, which could adversely impact our business, financial condition and results of operations.

We receive significant revenue from government agencies in Ireland, the United Kingdom and Australia. Any reductions in the budgets of government agencies for spending on helicopter services, implementations of cost savings measures by government agencies, imposed modifications of contract term or delays in collecting receivables owed to us by our government agency customers or loss of contracts could have an adverse effect on our business, financial condition and results of operations.

In addition, there are inherent risks in contracting with government agencies. Applicable laws and regulations in the countries in which we operate may enable our government agency customers to (i) terminate contracts for convenience, (ii) reduce, modify or cancel contracts or subcontracts if requirements or budgetary constraints change and/or (iii) terminate contracts or adjust their terms.

Failure to develop or implement new technologies and disruption to our systems could affect our results of operations. Many of the helicopters we operate are characterized by changing technology, introductions and enhancements of models of helicopters and services and shifting customer demands, including technology preferences. Our future growth and financial performance will depend in part upon our ability to develop market and integrate new services and to accommodate the latest technological advances and customer preferences. In addition, the introduction of new technologies or services that compete with our services could result in our revenues decreasing over time. If we are unable to upgrade our operations or fleet with the latest technological advances in a timely manner, or at all, our business, financial condition and results of operations could suffer. Any disruption to computers, communication systems or other technical equipment used by us and our fleet could significantly impair our ability to operate our business efficiently and could have a material adverse effect on our business, financial condition or results of operations.

We rely on information technology, and if we are unable to protect against service interruptions, data corruption, cyber-based attacks or network security breaches, our operations could be disrupted and our business could be negatively affected.

We rely on information technology networks and systems to process, transmit and store electronic and financial information; to coordinate our business across our global operation bases; and to communicate within our company and with customers, suppliers, partners and other third-parties. These information technology systems, including the system at our global

Table of Contents

operations center in Irving, Texas may be susceptible to damage, disruptions or shutdowns, hardware or software failures, power outages, computer viruses, cyber attacks, telecommunication failures, user errors or catastrophic events. If our information technology systems suffer severe damage, disruption or shutdown, and our business continuity plans do not effectively resolve the issues in a timely manner, our operations could be disrupted and our business could be negatively affected. In addition, cyber attacks could lead to potential unauthorized access and disclosure of confidential information, and data loss and corruption. There is no assurance that we will not experience these service interruptions or cyber attacks in the future.

Assimilating any future material acquisitions into our company may strain our resources and have an adverse effect on our business.

The assimilation of any future material acquisitions we may make will require substantial time, effort, attention and dedication of management resources and may distract management from ordinary operations. The transition process could create a number of potential challenges and adverse consequences, including the possible unexpected loss of key employees, customers or suppliers, a possible loss of revenues or an increase in operating or other costs.

Inefficiencies and difficulties may arise because of unfamiliarity with new assets and the business associated with them, new geographic areas and new regulatory systems. These types of challenges and uncertainties could have a material adverse effect on our business, financial condition and results of operations. We may not be able to effectively manage the combined operations and assets or realize any of the anticipated benefits of future material acquisitions.

The loss of key personnel could affect our growth and future success.

Loss of the services of key management personnel at our corporate and regional headquarters without being able to attract personnel of equal ability could have a material adverse effect upon us.

Our ability to attract and retain qualified pilots, mechanics, technicians and other highly-trained personnel is an important factor in determining our future success. The market for these experienced and highly trained personnel is competitive and may become more competitive. Accordingly, we cannot be assured that we will be successful in our efforts to attract and retain such personnel in the future. A limited supply of qualified applicants may contribute to wage increases that increase the related costs to us. Our failure to attract and retain qualified personnel could have a material adverse effect on our business, financial condition or results of operations.

Labor problems could adversely affect us.

Certain of our employees in the United Kingdom, Ireland, the Netherlands, Norway, Brazil, Canada and Australia (collectively, approximately 70% of our employees as of April 30, 2014) are represented under collective bargaining or union agreements. Any disputes over the terms of these agreements or our potential inability to negotiate acceptable contracts with the unions that represent our employees could result in strikes, work stoppages or other slowdowns by the affected workers. Periodically, certain groups of our employees who are not covered under a collective bargaining agreement consider entering into such an agreement.

If our unionized workers engage in a strike, work stoppage or other slowdown, other employees elect to become unionized, existing labor agreements are renegotiated, or future labor agreements contain terms that are unfavorable to us, we could experience a disruption of our operations or higher ongoing labor costs, which could adversely affect our business, financial condition or results of operations.

If the assets in our defined benefit pension plans are not sufficient to meet the plans' obligations, we could be required to make substantial cash contributions and our liquidity could be adversely affected.

We sponsor funded and unfunded defined benefit pension plans for our employees principally in Canada, the United Kingdom, the Netherlands and Norway. As of April 30, 2014, there was a \$76.6 million funding deficit related to our various defined benefit pension plans which require ongoing funding by us.

Our estimate of liabilities and expenses for pensions incorporates significant assumptions, including the interest rate used to discount future liabilities and expected long-term rates of return on plan assets. Our pension contributions and expenses, results of operations, liquidity or shareholders' equity in a particular period could be materially adversely affected by market returns that are less than the plans' expected long-term rates of return, a decline in the rate used to discount future liabilities and changes in the currency exchange rates. If the assets of our pension plans do not achieve

expected investment returns for a fiscal year, such deficiency may result in increases in pension expense. Changing economic conditions, poor pension



Table of Contents

investment returns or other factors may require us to make substantial cash contributions to the pension plans in the future, preventing the use of such cash for other purposes and adversely affecting our liquidity.

Adverse results of legal proceedings could materially and adversely affect our business, financial condition or results of operations.

We are subject to and may in the future be subject to a variety of legal proceedings and claims that arise out of the ordinary conduct of our business.

Results of legal proceedings cannot be predicted with certainty. Irrespective of its merits, litigation may be both lengthy and disruptive to our operations and could cause significant expenditure and diversion of management attention. We may be faced with significant monetary damages or injunctive relief against us that could materially adversely affect a portion of our business operations or materially and adversely affect our business, financial condition or results of operations should we fail to prevail in certain matters.

On August 11, 2014, CASA gave notice that it was canceling the exemption for our Fatigue Risk Management System (“FRMS”). Although this is not a challenge to our AOC, if the cancellation were allowed to go into effect, it would reduce the number of hours our pilots could be rostered for duty in Australia. We believe that CASA's action is unwarranted and does not comply with law. On August 18, 2014, we filed a judicial action seeking to enjoin CASA from canceling our exemption. At a hearing on the merits on November 10, 2014, CASA conceded to our requested relief. We continue to work with CASA to ensure our operations remain compliant with all safety regulations.

In the event we are or become treated as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes, our U.S. shareholders could be subject to adverse U.S. federal income tax consequences.\*

In the event we are or become a PFIC, U.S. Holders (as defined below) of our shares could be subject to adverse U.S. federal income tax consequences. These consequences include the following: (i) if our shares are “marketable stock” for purposes of the PFIC rules and a U.S. Holder makes a mark-to-market election with respect to its shares, the U.S. Holder will be required to include annually in its U.S. federal taxable income an amount reflecting any year-end increase in the value of its shares, (ii) if a U.S. Holder does not make a mark-to-market election, it may incur significant additional U.S. federal income taxes on income resulting from certain distributions on, or any gain from the disposition of, our shares, as such income generally would be allocated over the U.S. Holder’s holding period for its shares and subject to tax at the highest rates of U.S. federal income taxation in effect for such years, with an interest charge then imposed on the deferral of the resulting taxes with respect to such income, and (iii) dividends paid by us would not be eligible for reduced individual rates of U.S. federal income taxation in any year in which we are treated as a PFIC and in any year immediately following a year in which we are treated as a PFIC. In addition, U.S. Holders that own an interest in a PFIC are required to file additional U.S. federal tax information returns under guidance that has yet to be finalized. A U.S. Holder may not make a mark-to-market election with respect to any of our subsidiaries that are PFICs to mitigate the adverse tax consequences applicable under the PFIC rules attributable to any such subsidiary.

The classification of our gross operating income as income from services, which should not be considered passive income for purposes of the PFIC income test, or rents, which could be passive income for that purpose, is a facts and circumstances determination that takes into consideration many factors and the weight that should be given to each factor and is currently subject to significant uncertainty under the U.S. federal income tax law. We believe that our gross operating income should be classified principally as income from services and not from rents, and that, accordingly, we should not be a PFIC under the PFIC income test. Nevertheless, there can be no assurance that the Internal Revenue Service, or IRS, will agree with our conclusion and that the IRS would not successfully challenge our position. Accordingly, there can be no assurance that we are not currently a PFIC and that we will not be a PFIC in the future under the PFIC income test.

The term “U.S. Holder” means a beneficial owner of shares that is, for U.S. federal income tax purposes, (1) an individual who is a citizen or resident of the United States, (2) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (3) an estate the income of which is subject to U.S. federal income tax regardless of its source or (4) a trust (x) with respect to which a court within the United States is able to exercise primary supervision over its

administration and one or more United States persons have the authority to control all of its substantial decisions or (y) that has elected under applicable U.S. Treasury regulations to be treated as a domestic trust for U.S. federal income tax purposes.

## Table of Contents

### Risks Related to Our Ownership Structure

We are controlled by a shareholder group, which might have interests that conflict with ours or the interests of our other shareholders.\*

As of January 31, 2015, CD&R and First Reserve (the "Major Investors") hold securities representing approximately 49.6% (without taking into account any preferred shares issued or to be issued in respect of amounts accrued as preferred dividends) and 28.3%, respectively, of the voting power of all of our shareholders (subject to certain adjustments, if any). CD&R and First Reserve also have the ability to appoint a majority of our directors and have entered into a voting agreement relating to the election of directors. As a result, the Major Investors (and their assignees) have the ability to determine matters requiring shareholder approval, including without limitation, the election and removal of directors, and business combinations, changes of control and sales of all or substantially all of our assets.

Circumstances may occur in which the interests of the Investors could be in conflict with our interests or the interests of our other shareholders. For example, First Reserve and CD&R are both in the business of making investments in companies and might from time to time in the future acquire interests in businesses that directly or indirectly compete with certain portions of our business or that are suppliers or customers of ours. Further, if First Reserve or CD&R pursue such acquisitions or make further investments in our industry, those acquisitions and investment opportunities might not be available to us. So long as the Major Investors continue to directly or indirectly own a significant amount of our equity, even if such amount is less than 50%, the Major Investors, as a group, will continue to be able to influence our decisions. In addition, this concentration of ownership could have the effect of delaying, preventing or deterring a change of control of our company, could deprive shareholders of an opportunity to receive a premium for their ordinary shares as part of a sale of our company and might ultimately affect the market price of our ordinary shares.

We are a "controlled company" within the meaning of the NYSE rules and, as a result, qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You do not have the same protections afforded to shareholders of companies that are subject to such requirements.\*

Funds affiliated with the Major Investors, as a group, beneficially own a majority of the voting power of our ordinary shares eligible to vote in the election of our directors. As a result, we are a "controlled company" within the meaning of the corporate governance standards of the NYSE. Under these rules, a company of which more than 50% of the voting power in the election of directors is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including the requirements that, within one year of the date of the listing of our ordinary shares:

- we have a board of directors that is comprised of a majority of "independent directors," as defined under the rules of the NYSE;

- we have a compensation committee that is comprised entirely of independent directors; and

- we have a nominating and corporate governance committee that is comprised entirely of independent directors.

A majority of the directors on our board of directors are not independent. In addition, the compensation committee and the corporate governance committee of our board of directors do not consist entirely of independent directors or are subject to annual performance evaluations. Accordingly, you will not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of the NYSE. Finally, we have a classified board with terms of three years.

### Risks Related to the Ownership of Our Shares

The market for our ordinary shares historically has experienced significant price and volume fluctuations.\*

The market for our ordinary shares historically has experienced and may continue to experience significant price and volume fluctuations similar to those experienced by the broader stock market in recent years. Generally, the fluctuations experienced by the broader stock market have affected the market prices of securities issued by many companies for reasons unrelated to their operating performance and may adversely affect the price of our ordinary shares. In addition, our announcements of our quarterly operating results, changes in general conditions in the economy or the financial markets and other developments affecting us, our affiliates or our competitors could cause

the market price of our ordinary shares to fluctuate substantially.

94

---

Table of Contents

We have not paid dividends on our ordinary shares historically and may not pay any cash dividends on our ordinary shares for the foreseeable future.\*

We have not paid cash dividends historically, nor do we expect to pay cash dividends on our ordinary shares in the foreseeable future. Our preferred shares are entitled to receive cumulative dividends and are also entitled to participate equally and ratably in all dividends on our ordinary shares.

Pursuant to the terms of the preferred shares issued in the Private Placement, which rank senior to our ordinary shares, we are required to pay regular cash dividends or issue shares in respect of amounts accrued as dividends on the preferred shares, and we may be required under certain circumstances to repurchase the preferred shares; such obligations could adversely affect our liquidity and financial condition.\*

The preferred shares issued in the Private Placement have different dividend rights than our ordinary shares. Holders of preferred shares are entitled to participate ratably in all dividends paid on ordinary shares and, in addition, receive cumulative dividends payable quarterly at a rate of 8.5% per annum. The preferred dividends are payable in cash or satisfied by the issuance of preferred shares to the holders of preferred shares in lieu of cash quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, commencing on the first such quarterly date following the issuance of the preferred shares. We will issue preferred shares in respect of amounts of preferred dividends accruing up to November 12, 2016, the second anniversary of the second closing, and amounts of preferred dividends accruing after such anniversary will be either paid in cash or we will issue preferred shares in lieu of cash to the holders of preferred shares at our option, subject to certain conditions. If we fail to make timely dividends or in certain other circumstances, the dividend rate will increase to 11.5% per annum until such time as all accrued but unpaid dividends have been paid in full. In addition, the holders of our preferred shares have certain redemption rights, including upon certain change in control events involving us, which, if exercised, could require us to repurchase all of the outstanding preferred shares at the original purchase price of the preferred shares plus all accrued but unpaid dividends. Our obligations to pay regular dividends to the holders of preferred shares or any required repurchase of the outstanding preferred shares could impact our liquidity and reduce the amount of cash flows available for working capital, capital expenditures, growth opportunities, acquisitions, and other general corporate purposes. Our obligations to the holders of preferred shares could also limit our ability to obtain additional financing or increase our borrowing costs, which could have an adverse effect on our financial condition.

We may pursue additional capital in the future, which could dilute the holders of our outstanding ordinary shares and may adversely affect the market price of our ordinary shares.\*

Although we have just recently completed the Private Placement to raise a significant amount of capital, in the current economic environment we believe it is prudent to consider alternatives for raising capital when opportunities to raise capital at attractive prices present themselves, in order to further strengthen our capital and better position ourselves to take advantage of opportunities that may arise in the future. Such alternatives may include issuance and sale of ordinary shares or preferred shares. Any such capital raising alternatives could dilute the holders of our outstanding ordinary shares and may adversely affect the market price of our ordinary shares.

The issuance of preferred shares in the Private Placement and the issuance of additional preferred shares in lieu of preferred dividends in cash will reduce the relative voting power of holders of our ordinary shares, will dilute the ownership of such holders, and may adversely affect the market price of our ordinary shares.\*

As of January 31, 2015, we had 81,593,056 ordinary shares outstanding and obligations to issue an additional 3,673,128 ordinary shares upon the exercise of outstanding options and other securities exercisable or convertible into our ordinary shares. As of January 31, 2015, CD&R holds shares representing approximately 49.6% of our ordinary shares on an as-converted basis without taking into account any preferred shares to be issued in respect of amounts accrued as preferred dividends. CD&R and our other holders of preferred shares also have priority over the holders of our ordinary shares with respect to the distribution of our assets in the event of our liquidation, dissolution or winding up, and will receive consideration per share potentially in excess of that received by holders of our ordinary shares in the event of a change of control.

In addition, conversion of the preferred shares to our ordinary shares will dilute the ownership interest of existing holders of our ordinary shares, and any sales in the public market of the ordinary shares issuable upon conversion of

the preferred shares could adversely affect prevailing market prices of our ordinary shares.

95

---

Table of Contents

The dividends on the preferred shares will diminish the net loss available to holders of our ordinary shares and increase net loss per ordinary share.\*

We have issued \$600.0 million of preferred shares. The dividends accrued on the preferred shares will reduce the net loss available to common stockholders and increase our net loss per ordinary share.

Our preferred shares have rights, preferences and privileges that are not held by, and are preferential to the rights of, holders of our ordinary shares. Such preferential rights could adversely affect our liquidity and financial condition, and may result in the interests of the holders of our preferred shares differing from those of the holders of our ordinary shares.\*

Holders of preferred shares have the right to receive a liquidation preference entitling them to be paid out of our assets available for distribution to shareholders, before any payment may be made to holders of ordinary shares, an amount equal to the greater of (a) the liquidation value and (b) the amount that such holder would have been entitled to receive upon our liquidation, dissolution and winding up if all outstanding preferred shares had been converted into ordinary shares immediately prior to such liquidation, dissolution or winding up.

In addition, dividends on the preferred shares accrue and are cumulative, whether or not declared by our board of directors, at the rate of 8.5% per annum on the sum of the original issue price plus all unpaid accrued and accumulated dividends thereon. These preferred dividends are payable in cash or we will issue preferred shares to the holders of preferred shares in lieu of cash quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, commencing on the first such quarterly date following the issuance of the preferred shares. With respect to the preferred dividends accruing up to November 12, 2016, the second anniversary of the second closing, we will issue preferred shares in lieu of paying a dividend in cash, and amounts of preferred dividends accruing after such anniversary will be either paid in cash or we will issue preferred shares in lieu of cash to the holders of preferred shares at our option, subject to certain conditions. If we fail to make timely dividends or in certain other circumstances, the dividend rate will increase to 11.5% per annum until such time as all accrued but unpaid dividends have been paid in full or preferred shares have been issued in lieu thereof. Moreover, if we declare or pay a cash dividend on our ordinary shares, we will be required to declare and pay a dividend on the outstanding preferred shares on a pro rata basis with the ordinary shares determined on an as-converted basis. The holders of our preferred shares are also able to require the redemption of all or any of their preferred shares upon our change of control at a purchase price equal to the liquidation value of such preferred shares.

Holders of preferred shares have the right to vote at all shareholders meetings together with, and as part of one class with, the ordinary shares (on an as-converted basis), provided, however, that the preferred shares of any one holder and its affiliates (together with any votes of such holder and its affiliates in respect of any previously issued ordinary shares upon conversion of preferred shares) do not represent more than 49.9% of the total number of votes. In addition, the prior written consent of the holders of a majority of the preferred shares is required to, among other things, (i) create, or issue additional, equity or convertible securities other than voting or non-voting ordinary shares or (ii) enter into a debt agreement restricting the payment of dividends or a distribution by the issuance of preferred shares or the conversion of preferred shares into ordinary shares.

Our obligations to pay the preferred dividends and other dividends to the holders of our preferred shares on a pro-rata basis with the ordinary shares, and to repurchase any and all of the outstanding preferred shares under certain circumstances, could impact our liquidity and reduce the amount of cash flows available for working capital, capital expenditures, growth opportunities, acquisitions, and other general corporate purposes. Our obligations to the holders of preferred shares could also limit our ability to obtain additional financing or increase our borrowing costs, which could have an adverse effect on our financial condition. The preferential rights could also result in divergent interests between the holders of our preferred shares and those of our ordinary shares.

There may be sales of a substantial amount of our ordinary shares, and these sales could cause the price of our ordinary shares to fall.\*

Sales of substantial amounts of our ordinary shares in the public market, including by us, First Reserve, CD&R or other shareholders, or the perception that such sales will occur, could adversely affect the market price of our ordinary shares and make it difficult for us to raise funds through securities offerings in the future.

Pursuant to the terms of the Private Placement, we have issued to CD&R preferred shares convertible into a large number of ordinary shares and CD&R has certain registration rights with respect to the ordinary shares issuable upon conversion of the preferred shares and certain preferred shares held by it. The registration rights for CD&R would allow CD&R



Table of Contents

to sell its shares without compliance with the volume and manner of sale limitations under Rule 144 promulgated under the Securities Act.

We are a holding company and, accordingly, are dependent upon distributions from our subsidiaries to generate the funds necessary to meet our financial obligations and pay dividends.

We are a holding company and have no business operations of our own. We have no independent means of generating revenue. As a result, we are dependent on loans, dividends and other payments from our subsidiaries to generate the funds necessary to pay our expenses and to pay any cash dividends. There can be no assurance that our subsidiaries will generate sufficient cash flow to dividend or distribute funds to us or that applicable laws, their operating documents and contractual restrictions, including negative covenants in our or their debt instruments, will permit such dividends or distributions. Our debt instruments currently restrict the ability of our subsidiaries to pay dividends or make distributions to us.

The requirements of being a public company may strain our resources and distract our management.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and requirements of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. To maintain and improve the effectiveness of our disclosure controls and procedures and internal controls, we will need to commit significant resources, hire additional staff and provide additional management oversight. We will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. These activities may divert management's attention from other business concerns, which could have a material adverse effect on our business, financial condition and results of operations. We have incurred and expect to incur significant additional annual expenses related to these steps and, among other things, additional directors' and officers' liability insurance, director fees, reporting requirements, transfer agent fees, hiring additional accounting, legal and administrative personnel, increased auditing and legal fees and similar expenses.

Our internal controls may not meet all of the standards contemplated by Section 404 of the Sarbanes-Oxley Act. Failure to achieve and maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and ordinary share price.

Our internal control over financial reporting currently may not meet the standards contemplated by Section 404 of the Sarbanes-Oxley Act that we will eventually be required to meet. If we are not able to complete our assessment of internal controls over financial reporting accordance with the requirements of Section 404 in a timely manner or with adequate compliance, our independent registered public accounting firm might not be able to certify as to their adequacy.

Matters affecting our internal control might cause us to be unable to report our financial information on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC or violations of applicable stock exchange listing rules, which could result in a breach of the covenants under our financing arrangements. There also could be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements also could suffer if we or our independent registered public accounting firm were to report a material weakness in our internal control over financial reporting. This could materially adversely affect us and lead to a decline in the price of our ordinary shares.

If securities analysts or industry analysts downgrade our ordinary shares, publish negative research or reports or fail to publish reports about our business, our share price and trading volume could decline.

The trading market for our ordinary shares will be influenced by the research and reports that industry or securities analysts publish about us, our business and our market. If one or more analysts adversely change their recommendation regarding our stock or our competitors' stock, our share price would likely decline. If one or more analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets which in turn could cause our share price or trading volume to decline.

Our actual operating results may differ significantly from our guidance and investor expectations, which would likely cause our share price to decline.

From time to time, we may release guidance in our earnings releases, earnings conference calls or otherwise, regarding our future performance that represent our management's estimates as of the date of release. If given, this guidance, which will

Table of Contents

include forward-looking statements, will be based on projections prepared by our management. Projections are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. The principal reason that we expect to release guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. With or without our guidance, analysts and other investors may publish expectations regarding our business, financial performance and results of operations. We do not accept any responsibility for any projections or reports published by any such third persons.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results. If our actual performance does not meet or exceed our guidance or investor expectations, the trading price of our ordinary shares is likely to decline.

Provisions of our articles of association and Cayman Islands corporate law may discourage or prevent an acquisition of us which could adversely affect the value of our ordinary shares.

Provisions of our memorandum and articles of association, as amended (or our articles of association), and Cayman Islands law may have the effect of delaying or preventing a change of control or changes in our management. Our articles of association contain provisions that:

permit our board of directors to issue, without any further vote or action by our shareholders, preferred shares in one or more series and, with respect to each series, to fix the number of shares constituting the series and the designation of the series, the voting powers (if any) of the shares of such series, and the preferences and other special rights, if any, and any qualifications, limitations or restrictions, of the shares of the series; and

provide for our board of directors to be a classified board.

The foregoing provisions may impose various impediments to the ability of a third party to acquire control of us, even if a change of control would be beneficial to our existing shareholders.

Our organizational documents contain a variety of anti-takeover provisions that could delay, deter or prevent a change in control.\*

Various provisions of our organizational documents and Cayman Islands law may delay, deter or prevent a change in control of us that is not approved by our board of directors. These provisions include:

a classified board of directors;

a requirement that annual general meetings of shareholders be called by only a majority of the board of directors or by the Chairman of the board of directors or in the case of extraordinary general meetings, by a majority of the board of directors, by the Chairman of the board of directors or by shareholders holding not less than a majority of our shares then outstanding;

a requirement that shareholder proposals and nominations will be considered only at an extraordinary general meeting convened for such purpose; and

the authority of the board of directors to issue preferred shares with such terms as the board of directors may determine.

Shareholder rights under Cayman Islands law may differ materially from shareholder rights in the United States, which could adversely affect the ability of us and our shareholders to protect our and their interests.\*

We are a company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our articles of association, as amended and restated from time to time, by the Companies Law (as revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands, as well as from English common law, the decisions of whose courts are of persuasive authority but are not binding on a court in the Cayman Islands. In particular, some jurisdictions, such as the state of Delaware, have more fully developed and judicially interpreted bodies of corporate laws. Moreover, there are certain types of corporate transactions which may be carried out under the laws of the Cayman Islands pursuant to which dissenting shareholders would not have automatic statutory rights

comparable to appraisal rights that might otherwise ordinarily be available to dissenting

98

---

Table of Contents

shareholders of certain U.S. corporations. Historically, there have not been any reported instances of class actions having been successfully brought before the Cayman Islands courts. Such actions are ordinarily available in respect of U.S. corporations in U.S. courts. Finally, Cayman Islands companies might not have standing to initiate shareholder derivative actions before the federal courts of the United States. As a result, our public shareholders could face different considerations in protecting their interests in actions against our management, directors or controlling shareholder than would shareholders of a corporation incorporated in a jurisdiction in the United States, and our ability to protect our interests may be limited if we are harmed in a manner that would otherwise enable us to sue in a United States federal court.

As a shareholder, you might have difficulty obtaining or enforcing a judgment against us because we are incorporated under the laws of the Cayman Islands.

Because we are a Cayman Islands company, there is uncertainty as to whether the Grand Court of the Cayman Islands would recognize or enforce judgments of United States courts obtained against us predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or be competent to hear original actions brought in the Cayman Islands against us predicated upon the securities laws of the United States or any state thereof. The Major Investors may compete with us, and our articles of association contain a provision that expressly permits our non-employee directors to compete with us.\*

First Reserve and/or CD&R may compete with us for investments in our business. There is no assurance that any conflicts of interest created by such competition will be resolved in our favor. Moreover, First Reserve and CD&R are both in the business of making investments in companies and might acquire or hold interests in businesses that compete directly or indirectly with us. Our articles of association provide that, to the maximum extent permitted from time to time by Cayman Islands law, we renounce any interest or expectancy that we have in, or any right to be offered an opportunity to participate in, any business opportunities that are from time to time presented to our directors or their affiliates, other than to those directors who are employed by us or our subsidiaries, unless the business opportunity is expressly offered to such person in his or her capacity as a director of the Company, and none of First Reserve or its affiliates, or any director who is not employed by us or any of his or her affiliates, will have any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we or our affiliates engage or propose to engage or to refrain from otherwise competing with us or our affiliates. First Reserve and/or CD&R also may pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities might not be available to us.

Our articles of association also provide that any director, officer, committee member or agent of both the Company and a member of First Reserve and its affiliates (or an Identified Person), First Reserve or any non-employee director taking, developing, offering or transferring to another person or entity, any potential transaction, business or investment opportunity that has been renounced by the Company shall not constitute an act or omission committed in bad faith or as the result of active or deliberate dishonesty, and any benefit received, directly or indirectly, by First Reserve, an Identified Person or any non-employee director as the result of any such potential transaction, business or investment opportunity shall not constitute receipt of an improper benefit, or an improper personal benefit, in money, property, services or otherwise.

Our articles of association provide that, to the maximum extent permitted from time to time by Cayman Islands law, each of our non-employee directors (including those designated by First Reserve and CD&R) may:

• acquire, hold and dispose of ordinary shares for his or her own account or for the account of others, and exercise all of the rights of a shareholder to the same extent and in the same manner as if he or she were not our director; and in his or her personal capacity or in his or her capacity as a director, officer, trustee, shareholder, partner, member, equity owner, manager, advisor or employee of any other person, have business interests and engage in business activities that are similar to ours, compete with us or involve a business opportunity that we could seize and develop. Our articles of association also provide that, to the maximum extent permitted from time to time by Cayman Islands law, in the event that First Reserve or any non-employee director acquires knowledge of a potential transaction or other business opportunity, such person will have no duty to communicate or offer such transaction or business opportunity to us or any of our affiliates and may take any such opportunity for itself, himself or herself or offer it to

another person or entity unless the business opportunity is expressly offered to such person in his or her capacity as our director. These provisions may limit our ability to pursue business or investment opportunities that we might otherwise have had the opportunity to pursue, which could have an adverse effect on our financial condition, our results of operations, our cash flow, the per share trading price of our ordinary shares and our ability to satisfy our debt service obligations.

Table of Contents

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

**Use of Proceeds from Initial Public Offering of Ordinary Shares**

On January 16, 2014, our Registration Statements on Form S-1 (File No. 333-191268) and Form S-1MEF (File No. 333-193399) became effective for our IPO of ordinary shares pursuant to which we sold an aggregate of 34,000,000 ordinary shares, including 3,000,000 ordinary shares pursuant to the underwriters' over-allotment option in February 2014, at a public offering price of \$10.00 per share for aggregate gross proceeds of \$340.0 million.

We raised approximately \$289.4 million in net proceeds from the offering, after deducting underwriter discounts and commissions of approximately \$16.3 million and other offering expenses of approximately \$4.3 million. On February 20, 2014, the underwriters in the IPO exercised an option to purchase 3,000,000 ordinary shares of capital stock at a price of \$10.00 per share, which raised approximately \$28.4 million, net of underwriting costs of \$1.6 million.

There has been no material change in the planned use of proceeds from our IPO as described in our final prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act on January 21, 2014. As of January 31, 2015, we have used all of the proceeds from our IPO for working capital, general corporate purposes, to redeem a portion of our senior secured notes and to repay borrowings under our senior secured revolving credit facility. On February 7, 2014, one of our subsidiaries redeemed \$130.0 million of the senior secured notes at a redemption price of 103% of the principal and accrued and unpaid interest of \$3.7 million. In addition, a portion of the net proceeds from the offering were used to repay the borrowings under our senior secured revolving credit facility on January 23, 2014.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

The documents listed in the Exhibit Index of this Quarterly Report on Form 10-Q are herein incorporated by reference.

Table of Contents

SIGNATURE

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.

CHC Group Ltd.

/s/ Joan Schweikart Hooper

By: Joan Schweikart Hooper

Senior Vice President and Chief Financial Officer

Date: March 17, 2015

101

---



Table of Contents

## EXHIBIT INDEX

Exhibit No.	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	SEC File No.	Exhibit	Filing Date	
3.1	Amended and Restated Memorandum and Articles of Association	10-Q	001-36261	3.1	12/12/2014	
4.1	Indenture, dated as of May 13, 2013, among CHC Helicopter S.A., the Guarantors named therein, and The Bank of New York Mellon, as Trustee, governing the 9.375% Senior Notes due 2021.	8-K	333-179072	4.1	5/14/2013	
4.2	First Supplemental Indenture, dated as of January 31, 2014, among CHC Group Ltd., CHC Helicopter S.A., each other existing Guarantor referred to therein, and The Bank of New York Mellon, as trustee, governing the 9.375% senior unsecured notes due 2021.	8-K	001-36261	4.2	2/5/2014	
4.3	Second Supplemental Indenture, dated as of October 15, 2014, among CHC Helicopters (Barbados) SRL, CHC Helicopter S.A., each other existing Guarantor referred to therein, and The Bank of New York Mellon, as trustee, governing the 9.375% senior unsecured notes due 2021.	10-Q	001-36261	4.3	12/12/2014	
4.4	Third Supplemental Indenture, dated as of October 24, 2014, among CHC Helicopters (Barbados) SRL, CHC Helicopter S.A., each other existing Guarantor referred to therein, and The Bank of New York Mellon, as trustee, governing the 9.375% senior unsecured notes due 2021.	10-Q	001-36261	4.4	12/12/2014	
4.5	Form of 9.375% Senior Notes due 2021 (included in Exhibit 4.1).	8-K	333-179072	4.1	5/14/2013	
4.6	Indenture, dated as of October 4, 2010, among CHC Helicopter S.A., the Guarantors named therein, HSBC Corporate Trustee Company (UK) Limited, as Collateral Agent, and The Bank of New York Mellon, as Trustee, governing the 9.250% Senior Secured Notes due 2020.	S-4	333-179072	4.1	1/18/2012	
4.7	First Supplemental Indenture, dated as of February 20, 2012, among CHC Global Operations Canada (2008) Inc.,	S-4/A	333-179072	4.5	3/28/2012	

4.8	<p>CHC Helicopter S.A., the Guarantors named therein, HSBC Corporate Trustee Company (UK) Limited, as Collateral Agent, and The Bank of New York Mellon, as Trustee, governing the 9.250% Senior Secured Notes due 2020. Second Supplemental Indenture, dated as of January 31, 2014, among CHC Group Ltd., CHC Helicopter S.A., each other existing Guarantor referred to therein, HSBC Corporate Trustee Company (UK) Limited, as collateral agent, and The Bank of New York Mellon, as trustee, governing the 9.250% Senior Secured Notes due 2020.</p>	8-K	001-36261	4.1	2/5/2014
-----	--	-----	-----------	-----	----------

Table of Contents

4.9	Third Supplemental Indenture, dated as of October 15, 2014, among CHC Helicopters (Barbados) SRL, CHC Helicopter S.A., each other existing Guarantor referred to therein, HSBC Corporate Trustee Company (UK) Limited, as collateral agent, and The Bank of New York Mellon, as trustee, governing the 9.250% Senior Secured Notes due 2020.	10-Q	001-36261	4.9	12/12/2014
4.10	Fourth Supplemental Indenture, dated as of October 24, 2014, among CHC Helicopters (Barbados) SRL, CHC Helicopter S.A., each other existing Guarantor referred to therein, HSBC Corporate Trustee Company (UK) Limited, as collateral agent, and The Bank of New York Mellon, as trustee, governing the 9.250% Senior Secured Notes due 2020.	10-Q	001-36261	4.10	12/12/2014
4.11	Form of 9.250% Senior Secured Notes due 2020 (included in Exhibit 4.6) Collateral Agent and Administrative Agent Appointment Deed, dated October 4, 2010, among HSBC Bank plc, as Administrative Agent, The Bank of New York Mellon, as Notes Trustee, the Grantors identified therein, the Lenders identified therein, the Arrangers identified therein, and HSBC Corporate Trust Company (UK) Limited, as Collateral Agent.	S-4	333-179072	4.1	1/18/2012
4.12	Intercreditor Agreement, dated as of October 4, 2010, among CHC Helicopter S.A., the other Grantors party thereto, HSBC Corporate Trustee Company (UK) Limited, as Initial Collateral Agent, HSBC Bank plc, as Administrative Agent, The Bank of New York Mellon, as Indenture Trustee, and each Additional Collateral Agent from time to time party thereto.	S-4	333-179072	4.4	1/18/2012
4.13	Form of Shareholders' Agreement.	S-4/A	333-179072	4.6	5/9/2012
4.14	Form of Registration Rights Agreement.	S-1/A	333-191268	10.26	12/19/2013
4.15	Shareholders' Agreement, dated as of October 30, 2014, by and among CHC Group Ltd., CD&R CHC Holdings, L.P, Clayton, Dubilier & Rice Fund IX, L.P,	S-1/A	333-191268	10.27	12/19/2013
4.16		8-K	001-36261	10.1	10/30/2014

Edgar Filing: CHC Group Ltd. - Form 10-Q

	and the other parties thereto				
4.17	Registration Rights Agreement, dated as of October 30, 2014, by and between CHC Group Ltd., and CD&R CHC Holdings, L.P.	8-K	001-36261	10.2	10/30/2014
4.18	Pre-Closing Voting Agreement, dated as of August 21, 2014, by and between 6922767 Holding (Cayman) Inc. and Clayton, Dubilier & Rice Fund IX, L.P.	8-K	001-36261	10.4	8/27/2014
4.19	Post-Closing Voting Agreement, dated as of October 30, 2014, by and between 6922767 Holding (Cayman) Inc. and CD&R CHC Holdings, L.P.	10-Q	001-36261	4.19	12/12/2014
4.20	Amendment No. 1 to Shareholders' Agreement, dated August 21, 2014, by and among CHC Group Ltd., 6922767 Holding (Cayman) Inc. and the other parties thereto	8-K	001-36261	10.6	8/27/2014

103

---

Table of Contents

4.21	Amended and Restated Registration Rights Agreement, dated August 21, 2014, by and among CHC Group Ltd., 6922767 Holding (Cayman) Inc. and the other parties thereto	8-K	001-36261	10.5	8/27/2014	
4.22	Description of Preferred Shares	8-K	001-36261	3.1	8/27/2014	
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2	Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Presentation Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X