# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 10-Q

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

**For the quarterly period ended September 30, 2019**

**OR**

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

**For the transition period from to**

**Commission File Number 001-31617**

# Bristow Group Inc.

*(Exact name of registrant as specified in its charter)*

| **Delaware** | **72-0679819** |
|---|---|
| *(State or other jurisdiction of incorporation or organization)* | *(IRS Employer Identification Number)* |
| **3151 Briarpark Drive, Suite 700 Houston, Texas** | **77042** |
| *(Address of principal executive offices)* | *(Zip Code)* |

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

**None**

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

Securities registered pursuant to Section 12(b) of the Act:

| **Title of each class** | **Trading Symbol(s)** | **Name of each exchange on which registered** |
|---|---|---|
| None | None | None |

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

Large accelerated filer o Accelerated filer ☑ Non-accelerated filer o Smaller reporting company o Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

o Yes ☑ No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

☑ Yes o No

Pursuant to an Amended Joint Plan of Reorganization (as modified, the “Plan”), Bristow Group Inc.’s existing common stock, par value $0.01 (the “Existing Common Stock”) was cancelled as of October 31, 2019. On October 31, 2019, Bristow Group Inc. issued common stock, par value $0.0001 (the “New Common Stock”), and preferred stock, par value $0.0001 (the “New Preferred Stock”), under the Plan pursuant to exemptions from the registration requirements of the Securities Act of 1933, as amended, under Section 1145 of Chapter 11 of Title 11 of the United States Code and Section 4(a)(2) of the Securities Act of 1933, as amended, and/or Regulation D promulgated thereunder. As of November 30, 2019, there were 11,235,535 shares of New Common Stock outstanding and 6,824,582 shares of New Preferred Stock outstanding.

**BRISTOW GROUP INC.**
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## PART I — FINANCIAL INFORMATION

**Item 1.** ***Financial Statements.***

### BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES

### Condensed Consolidated Statements of Operations

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (Unaudited) (In thousands, except per share amounts) | | | |
| Revenue: | | | | |
| Operating revenue from non-affiliates | $ 291,348 | $ 321,580 | $ 595,478 | $ 660,046 |
| Operating revenue from affiliates | 13,336 | 11,817 | 25,782 | 23,112 |
| Reimbursable revenue from non-affiliates | 13,536 | 15,946 | 30,136 | 32,853 |
| | 318,220 | 349,343 | 651,396 | 716,011 |
| Operating expense: | | | | |
| Direct cost | 236,655 | 277,217 | 494,414 | 557,268 |
| Reimbursable expense | 12,840 | 15,194 | 28,974 | 31,098 |
| Prepetition restructuring charges | — | — | 13,476 | — |
| Depreciation and amortization | 31,303 | 30,489 | 62,642 | 61,430 |
| General and administrative | 37,820 | 38,839 | 72,590 | 78,940 |
| | 318,618 | 361,739 | 672,096 | 728,736 |
| Loss on impairment | (62,101) | (117,220) | (62,101) | (117,220) |
| Loss on disposal of assets | (230) | (1,293) | (4,017) | (2,971) |
| Earnings from unconsolidated affiliates, net of losses | 633 | 1,461 | 2,980 | (86) |
| Operating loss | (62,096) | (129,448) | (83,838) | (133,002) |
| Interest expense, net | (22,445) | (26,433) | (48,766) | (53,577) |
| Reorganization items, net | (93,943) | — | (170,299) | — |
| Gain (loss) on sale of subsidiaries | 420 | — | (55,883) | — |
| Other expense, net | (6,637) | (3,204) | (10,510) | (7,154) |
| Loss before benefit for income taxes | (184,701) | (159,085) | (369,296) | (193,733) |
| Benefit for income taxes | 21,782 | 15,655 | 37,289 | 18,506 |
| Net loss | (162,919) | (143,430) | (332,007) | (175,227) |
| Net income attributable to noncontrolling interests | (55) | (517) | (213) | (584) |
| Net loss attributable to Bristow Group | $ (162,974) | $ (143,947) | $ (332,220) | $ (175,811) |
| Loss per common share: | | | | |
| Basic | $ (4.54) | $ (4.02) | $ (9.25) | $ (4.93) |
| Diluted | $ (4.54) | $ (4.02) | $ (9.25) | $ (4.93) |

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

**BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES**

**Condensed Consolidated Statements of Comprehensive Loss**

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (Unaudited) (In thousands) | | | |
| Net loss | $ (162,919) | $ (143,430) | $ (332,007) | $ (175,227) |
| Other comprehensive loss: | | | | |
| Currency translation adjustments | (12,334) | (7,967) | 4,565 | (37,000) |
| Unrealized gain (loss) on cash flow hedges, net of tax benefit of zero, $(0.1) million, zero and $0.2 million, respectively | 1,124 | (98) | 1,598 | 1,250 |
| Total comprehensive loss | (174,129) | (151,495) | (325,844) | (210,977) |
| | | | | |
| Net income attributable to noncontrolling interests | (55) | (517) | (213) | (584) |
| Currency translation adjustments attributable to noncontrolling interests | 35 | (32) | 24 | (171) |
| Total comprehensive income attributable to noncontrolling interests | (20) | (549) | (189) | (755) |
| Total comprehensive loss attributable to Bristow Group | $ (174,149) | $ (152,044) | $ (326,033) | $ (211,732) |

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

## BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES

### Condensed Consolidated Balance Sheets

| | September 30, 2019 | March 31, 2019 |
|---|---|---|
| | (Unaudited) | |
| | (In thousands) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 153,885 | $ 178,055 |
| Restricted cash | 38,910 | — |
| Accounts receivable from non-affiliates | 211,058 | 203,631 |
| Accounts receivable from affiliates | 17,735 | 13,160 |
| Inventories | 113,514 | 121,308 |
| Assets held for sale | — | 5,350 |
| Prepaid expenses and other current assets | 42,545 | 44,009 |
| Total current assets | 577,647 | 565,513 |
| Investment in unconsolidated affiliates | 109,986 | 118,203 |
| Property and equipment – at cost: | | |
| Land and buildings | 238,208 | 244,273 |
| Aircraft and equipment | 2,403,726 | 2,497,622 |
| | 2,641,934 | 2,741,895 |
| Less – Accumulated depreciation and amortization | (963,634) | (907,715) |
| | 1,678,300 | 1,834,180 |
| Right-of-use assets | 331,743 | — |
| Goodwill | — | 18,436 |
| Other assets | 94,899 | 116,267 |
| Total assets | $ 2,792,575 | $ 2,652,599 |
| **LIABILITIES AND STOCKHOLDERS’ INVESTMENT** | | |
| Current liabilities: | | |
| Accounts payable | $ 93,433 | $ 99,573 |
| Accrued wages, benefits and related taxes | 45,774 | 48,151 |
| Income taxes payable | 3,234 | 3,646 |
| Other accrued taxes | 7,775 | 6,729 |
| Deferred revenue | 6,161 | 11,932 |
| Accrued maintenance and repairs | 24,932 | 24,337 |
| Accrued interest | 2,649 | 17,174 |
| Current portion of operating lease liabilities | 83,630 | — |
| Other accrued liabilities | 58,434 | 38,679 |
| Short-term borrowings and current maturities of long-term debt | 947,041 | 1,418,630 |
| Total current liabilities | 1,273,063 | 1,668,851 |
| Long-term debt, less current maturities | 75,611 | 8,223 |
| Accrued pension liabilities | 18,706 | 25,726 |
| Other liabilities and deferred credits | 7,905 | 26,229 |
| Deferred taxes | 59,862 | 111,203 |
| Long-term operating lease liabilities | 251,399 | — |
| Total liabilities not subject to compromise | 1,686,546 | 1,840,232 |
| Liabilities subject to compromise | 624,867 | — |
| Total liabilities | 2,311,413 | 1,840,232 |
| Commitments and contingencies (Note 8) | | |
| Stockholders’ investment: | | |
| Common stock, $.01 par value, authorized 90,000,000; outstanding: 35,918,916 as of September 30 and March 31 (exclusive of 1,291,441 treasury shares) | 386 | 386 |
| Additional paid-in capital | 863,546 | 862,020 |
| Retained earnings | 123,378 | 455,598 |
| Accumulated other comprehensive loss | (321,802) | (327,989) |
| Treasury shares, at cost (2,756,419 shares) | (184,796) | (184,796) |
| Total Bristow Group stockholders’ investment | 480,712 | 805,219 |
| Noncontrolling interests | 450 | 7,148 |
| Total stockholders’ investment | 481,162 | 812,367 |
| Total liabilities and stockholders’ investment | $ 2,792,575 | $ 2,652,599 |

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

**BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES**

**Condensed Consolidated Statements of Cash Flows**

| | Six Months Ended September 30, | |
|---|---|---|
| | 2019 | 2018 |
| | (Unaudited) (In thousands) | |
| Cash flows from operating activities: | | |
| Net loss | $ (332,007) | $ (175,227) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 62,642 | 61,430 |
| Deferred income taxes | (45,252) | (27,651) |
| Write-off of deferred financing fees | 4,038 | — |
| Discount amortization on long-term debt | 1,520 | 3,101 |
| Reorganization items, net | 119,333 | — |
| Loss on disposal of assets | 4,017 | 2,971 |
| Loss on impairment | 62,101 | 117,220 |
| Loss on sale of subsidiaries | 55,883 — | — |
| Deferral of lease payments | 285 | 2,841 |
| Stock-based compensation | 1,526 | 3,714 |
| Equity in earnings from unconsolidated affiliates less than dividends received | 636 | 2,812 |
| Increase (decrease) in cash resulting from changes in: | | |
| Accounts receivable | (20,805) | 6,792 |
| Inventories | (201) | (3,785) |
| Prepaid expenses and other assets | (2,675) | 2,980 |
| Accounts payable | 12,745 | 7,651 |
| Accrued liabilities | 32,890 | (26,703) |
| Other liabilities and deferred credits | (13,841) | (5,048) |
| Net cash used in operating activities | (57,165) | (26,902) |
| Cash flows from investing activities: | | |
| Capital expenditures | (25,950) | (17,302) |
| Proceeds from asset dispositions | 5,003 | 8,462 |
| Cash transferred in sale of subsidiaries, net of cash received | (22,458) | — |
| Net cash used in investing activities | (43,405) | (8,840) |
| Cash flows from financing activities: | | |
| Proceeds from borrowings | 225,585 | 387 |
| Debt issuance costs | (14,130) | (2,554) |
| Repayment of debt | (99,228) | (29,970) |
| Partial prepayment of put/call obligation | (1,323) | (27) |
| Dividends paid to noncontrolling interest | — | (580) |
| Issuance of common stock | — | 2,830 |
| Repurchases for tax withholdings on vesting of equity awards | — | (1,504) |
| Net cash provided by (used in) financing activities | 110,904 | (31,418) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 4,406 | (5,272) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 14,740 | (72,432) |
| Cash and cash equivalents at beginning of period | 178,055 | 380,223 |
| Cash, cash equivalents and restricted cash at end of period | $ 192,795 | $ 307,791 |
| Cash paid during the period for: | | |
| Interest | $ 37,165 | $ 48,555 |
| Income taxes | $ 8,631 | $ 9,919 |

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

**BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES**

**Condensed Consolidated Statements of Changes in Stockholders' Investment**

**(Unaudited)**

**(In thousands, except share amounts)**

| | Total Bristow Group Stockholders' Investment | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common Stock | Common Stock (Shares) | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Noncontrolling Interests | Total Stockholders' Investment |
| March 31, 2019 | $ 386 | 35,918,916 | $ 862,020 | $ 455,598 | $ (327,989) | $ (184,796) | $ 7,148 | $ 812,367 |
| Issuance of common stock | — | — | 824 | — | — | — | — | 824 |
| Sale of subsidiaries | — | — | — | — | — | — | (5,612) | (5,612) |
| Currency translation adjustments | — | — | — | — | — | — | (11) | (11) |
| Net income (loss) | — | — | — | (169,246) | — | — | 158 | (169,088) |
| Other comprehensive income | — | — | — | — | 17,362 | — | — | 17,362 |
| June 30, 2019 | $ 386 | 35,918,916 | $ 862,844 | $ 286,352 | $ (310,627) | $ (184,796) | $ 1,683 | $ 655,842 |
| Issuance of common stock | — | — | 702 | — | — | — | — | 702 |
| Distributions paid to noncontrolling interests | — | — | — | — | — | — | (1,323) | (1,323) |
| Currency translation adjustments | — | — | — | — | — | — | 35 | 35 |
| Net income (loss) | — | — | — | (162,974) | — | — | 55 | (162,919) |
| Other comprehensive income | — | — | — | — | (11,175) | — | — | (11,175) |
| September 30, 2019 | $ 386 | 35,918,916 | $ 863,546 | $ 123,378 | $ (321,802) | $ (184,796) | $ 450 | $ 481,162 |

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

# BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES

## Condensed Consolidated Statements of Changes in Stockholders' Investment

## (Unaudited)

## (In thousands, except share amounts)

| | Total Bristow Group Stockholders' Investment | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common Stock | Common Stock (Shares) | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Noncontrolling Interests | Total Stockholders' Investment |
| March 31, 2018 | $ 382 | 35,526,625 | $ 852,565 | $ 794,191 | $ (286,094) | $ (184,796) | $ 7,253 | $ 1,183,501 |
| Adoption of new accounting guidance [1] | — | — | — | (1,746) | — | — | — | (1,746) |
| Issuance of common stock | 3 | 238,650 | 4,261 | — | — | — | — | 4,264 |
| Distributions paid to noncontrolling interests | — | — | — | — | — | — | (14) | (14) |
| Currency translation adjustments | — | — | — | — | — | — | (139) | (139) |
| Net income (loss) | — | — | — | (31,864) | — | — | 67 | (31,797) |
| Other comprehensive loss | — | — | — | — | (27,824) | — | — | (27,824) |
| June 30, 2018 | 385 | 35,765,275 | 856,826 | 760,581 | (313,918) | (184,796) | 7,167 | 1,126,245 |
| Issuance of common stock | — | 32,910 | 1,983 | — | — | — | — | 1,983 |
| Distributions paid to noncontrolling interests | — | — | — | — | — | — | (13) | (13) |
| Dividends paid to noncontrolling interest | — | — | — | — | — | — | (580) | (580) |
| Currency translation adjustments | — | — | — | — | — | — | (32) | (32) |
| Net income (loss) | — | — | — | (143,947) | — | — | 517 | (143,430) |
| Other comprehensive loss | — | — | — | — | (8,097) | — | — | (8,097) |
| September 30, 2018 | $ 385 | 35,798,185 | $ 858,809 | $ 616,634 | $ (322,015) | $ (184,796) | $ 7,059 | $ 976,076 |

[1] Cumulative-effect adjustment upon the adoption of new accounting guidance related to current and deferred income taxes for intra-entity transfer of assets other than inventory. For further details, see Note 1.

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

BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

The condensed consolidated financial statements include the accounts of Bristow Group Inc. and its consolidated entities ("Bristow Group", the "Company", "we", "us", or "our") after elimination of all significant intercompany accounts and transactions. Our fiscal year ends March 31, and we refer to fiscal years based on the end of such period. Therefore, the fiscal year ending March 31, 2020 is referred to as "fiscal year 2020". Pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"), the information contained in the following notes to condensed consolidated financial statements is condensed from that which would appear in the annual consolidated financial statements; accordingly, the condensed consolidated financial statements included herein should be read in conjunction with the consolidated financial statements and related notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2019 (the "fiscal year 2019 Financial Statements"). Operating results for the interim period presented are not necessarily indicative of the results that may be expected for the entire fiscal year.

The condensed consolidated financial statements included herein are unaudited; however, they include all adjustments of a normal recurring nature which, in the opinion of management, are necessary for a fair presentation of the consolidated balance sheet of the Company as of September 30, 2019, the consolidated statements of operations and comprehensive loss for the three and six months ended September 30, 2019 and 2018, the consolidated cash flows for the six months ended September 30, 2019 and 2018, and the consolidated statements of changes in stockholders' investment for the three and six months ended September 30, 2019 and 2018.

***Bankruptcy and Restructuring Support Agreement***

On May 11, 2019 (the "Petition Date"), Bristow Group Inc. and certain of its subsidiaries: BHNA Holdings Inc., Bristow Alaska Inc., Bristow Helicopters Inc., Bristow U.S. Leasing LLC, Bristow U.S. LLC, BriLog Leasing Ltd. and Bristow Equipment Leasing Ltd. (together, the "Debtors") filed voluntary petitions (the "Chapter 11 Cases") in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court") seeking relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). The Debtors' Chapter 11 Cases were jointly administered under the caption In re: Bristow Group Inc., et al., Main Case No. 19-32713. During the pendency of the Chapter 11 Cases, the Debtors continued to operate their businesses and manage their properties as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

On May 10, 2019, we entered into a restructuring support agreement (the "Initial RSA") with (i) certain holders of the Company's 8.75% Senior Secured Notes due 2023 (the "8.75% Senior Secured Notes") and (ii) the guarantors of the 8.75% Senior Secured Notes (the "Secured Guarantors"), to support a restructuring of the Company (the "Restructuring"). On June 27, 2019, we entered into an amendment and restatement of the Initial RSA and on July 24, 2019, we entered into a second amendment and restatement thereof (as so amended and restated, the "Second Amended RSA"), with a group of holders representing approximately 99.3% of the 8.75% Senior Secured Notes (the "Supporting Secured Noteholders"), the Secured Guarantors and a group of holders representing approximately 73.6% (together with the Supporting Secured Noteholders, the "Supporting Noteholders") of the 6¼% Senior Notes due 2022 (the "6¼% Senior Notes") and the 4½% Convertible Senior Notes due 2023 (the "4½% Convertible Senior Notes") combined (together, the "Unsecured Notes"). The Second Amended RSA contemplated implementation of the Restructuring on the amended terms set forth in the term sheet contained in an exhibit to the Second Amended RSA (the "Restructuring Term Sheet") pursuant to a Chapter 11 plan of reorganization and the various related transactions set forth in or contemplated by the Restructuring Term Sheet, the term sheet for the DIP Credit Agreement (as defined herein) and the other restructuring documents attached to the Second Amended RSA.

On August 1, 2019, the Debtors filed with the Bankruptcy Court the Joint Chapter 11 Plan of Reorganization of Bristow Group Inc. and its Debtor Affiliates and the Disclosure Statement related thereto. On August 20, 2019, the Debtors filed with the Bankruptcy Court the Amended Joint Chapter 11 Plan of Reorganization of Bristow Group Inc. and its Debtor Affiliates (as further modified on August 22, 2019, the "Amended Plan") and the Disclosure Statement related thereto (as further modified on August 22, 2019, the "Amended Disclosure Statement"). On October 4, 2019, the Bankruptcy Court approved the Amended Disclosure Statement and indicated that it would confirm the Amended Plan. On October 8, 2019, the Bankruptcy Court entered an order approving the Amended Disclosure Statement and confirming the Amended Plan.

The effective date of the Amended Plan (the "Effective Date") occurred on October 31, 2019.

***Bankruptcy Accounting***

The condensed consolidated financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities and commitments in the normal course of business and reflect the application of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 852, Reorganizations ("ASC 852"). ASC 852 requires that the financial statements, for periods subsequent to the filing of the Chapter 11 Cases, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain expenses, gains and losses that are realized or incurred in the bankruptcy proceedings are recorded in reorganization items, net on our condensed consolidated statements of operations. In addition, prepetition unsecured and under-secured obligations that may be impacted by the bankruptcy reorganization process have been classified as liabilities subject to compromise on our condensed consolidated balance sheet as of September 30, 2019. As of September 30, 2019, these liabilities were reported at the amounts expected to be allowed as claims by the Bankruptcy Court, although some were subsequently settled for less. Where there was uncertainty about whether a secured claim would be paid or impaired pursuant to the Chapter 11 Cases, we classified the entire amount of the claim as an outstanding liability subject to compromise as of September 30, 2019. For specific discussion on balances of liabilities subject to compromise and reorganization items, net, see Note 2.

The accompanying condensed consolidated financial statements do not purport to reflect or provide for the consequences of the Chapter 11 Cases. In particular, the condensed consolidated financial statements do not purport to show: (i) the realizable value of assets on a liquidation basis or their availability to satisfy liabilities; (ii) the full amount of prepetition liabilities that may be allowed for claims or contingencies, or the status and priority thereof; (iii) the effect on stockholders' investment accounts of any changes that may be made to our capitalization; or (iv) the effect on operations of any changes that may be made to our business.

***Going Concern***

The significant risks and uncertainties related to the Chapter 11 Cases raise substantial doubt about the Company's ability to continue as a going concern. In addition, each of the commencement of the Chapter 11 Cases and the delivery of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2018, as amended by the amendment thereto (the "Amended 10-K"), with a going concern qualification or explanation constituted an event of default under certain of our secured equipment financings, giving those secured equipment lenders the right to accelerate repayment of the applicable debt, subject to Chapter 11 protections, and triggering cross-default and/or cross-acceleration provisions in substantially all of our other debt instruments should that right to accelerate repayment be exercised. The condensed consolidated financial statements included herein have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities and commitments in the normal course of business. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of the going concern uncertainty.

***Loss on Impairment***

Loss on impairment for the three and six months ended September 30, 2019 and 2018 includes the following (in thousands):

| | Three and six months ended September 30, 2019 | Three and six months ended September 30, 2018 |
|---|---|---|
| Impairment of property and equipment [1] | $ 42,022 | $ 104,939 |
| Impairment of goodwill | 17,504 | — |
| Impairment of inventories | — | 9,276 |
| Impairment of investment in unconsolidated affiliates | 2,575 | — |
| Impairment of intangible assets | — | 3,005 |
| | $ 62,101 | $ 117,220 |

(1) Includes impairment of $42.0 million for H225 aircraft for the three and six months ended September 30, 2019. Includes impairment of $87.5 million for H225 aircraft and $17.5 million for Eastern Airways International Limited ("Eastern Airways") aircraft and equipment for the three and six months ended September 30, 2018.

We recorded impairment of goodwill of $17.5 million during the three months ended September 30, 2019 attributable to Capiteq Limited, operating under the name Airnorth (see discussion under "— *Goodwill*" below).

We perform regular reviews of each investee's financial condition, the business outlook for its products and services, and its present and projected results and cash flows. When an investee has experienced consistent declines in financial performance or difficulties raising capital to continue operations, and when we expect the decline to be other-than-temporary, the investment is written down to fair value. Actual results may vary from estimates due to the uncertainty regarding the projected financial performance of investees, the severity and expected duration of declines in value, and the available liquidity in the capital markets to support the continuing operations of the investees in which we have investments.

We own a 17.2% investment in Sky Future Partners Limited ("Sky Future Partners"), a provider of drone-based inspection services to the global industrial markets. Given the negative evolution of Sky Future Partners' liquidity forecast during the three months ended September 30, 2019 and the impact this would have on continued operations and future opportunities, we determined the investment to be other-than-temporarily impaired as of September 30, 2019. During the three months ended September 30, 2019, we recorded a $2.6 million impairment to our investment in Sky Future Partners in our Corporate and other region.

The fair value of investment in unconsolidated affiliates is estimated using the income approach. The estimate of fair value includes unobservable inputs, representative of Level 3 fair value measurement, including assumptions related to future performance, such as projected demand for services.

Prior to the three months ended September 30, 2018, we had been actively marketing our H225 aircraft with the expectation of a substantial return of the aircraft to oil and gas service. However, market conditions and more significantly, the development of alternative opportunities outside of our traditional oil and gas service for our H225 aircraft and our decision to pursue those opportunities during the three months ended September 30, 2018, indicated a substantial return to oil and gas service within our operations was not likely. Therefore, during the three months ended September 30, 2018, we concluded that cash flows associated with our H225 helicopters are largely independent from the cash flows associated with the remainder of our oil and gas related property and equipment (the "oil and gas asset group") and should be tested for impairment as a stand-alone asset group. In accordance with ASC 360-10, we performed an impairment analysis for our stand-alone H225 asset group ("H225 asset group") and determined that the forecasted cash flows over the remaining useful life of the asset group were insufficient to recover the carrying value of the asset group. We determined the fair value of the H225 asset group to be $116.4 million and recorded an impairment charge of $87.5 million. In addition, we performed a review of our H225 aircraft-related inventory and recorded an impairment charge of $8.9 million to record the inventory at the lower of cost or net realizable value. These impairments are included in our Corporate and other region in Note 13. The inputs used in our fair value estimates were from Level 3 of the fair value hierarchy discussed in Note 6.

In September 2019, we identified a potential decline in the fair value of the H225 asset group based on market transactions for the aircraft and as a result, in accordance with ASC 360-10, we performed an impairment analysis for our H225 asset group. We determined that the forecasted cash flows over the remaining useful life of the H225 asset group were insufficient to recover the carrying value of the H225 asset group. We determined the fair value of the H225 asset group to be $61.2 million and recorded an impairment charge of $42.0 million in the three months ended September 30, 2019. The inputs used in our fair value estimates were from Level 2 of the fair value hierarchy discussed in Note 6.

Changes in our forecasted cash flows during the three months ended September 30, 2018 indicated the need for the performance of a recoverability analysis for the airline related assets of Eastern Airways. In accordance with ASC 360-10, we estimate future undiscounted cash flows to test the recoverability of the airline related assets of Eastern Airways for potential impairment. The determination of estimated future undiscounted cash flows required us to use significant unobservable inputs including assumptions related to projected demand for services and rates. We determined that the estimated future undiscounted cash flows were below the carrying value for our airline related assets of Eastern Airways as of September 30, 2018. We determined the fair value of the asset group to be $20.5 million and recorded an impairment charge of $17.5 million. As part of our impairment review of the airline assets of Eastern Airways, we also recorded impairments of $3.0 million related to the remaining intangible assets and $0.3 million related to inventory. These impairments are included in our Europe and Caspian region in Note 13. The inputs used in our fair value estimates were from Level 3 of the fair value hierarchy discussed in Note 6.

***Foreign Currency***

During the three and six months ended September 30, 2019 and 2018, our primary foreign currency exposure was to the British pound sterling, the euro, the Australian dollar, the Norwegian kroner and the Nigerian naira. The value of these currencies has fluctuated relative to the U.S. dollar as indicated in the following table:

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| One British pound sterling into U.S. dollars | | | | |
| High | 1.27 | 1.33 | 1.32 | 1.43 |
| Average | 1.23 | 1.30 | 1.26 | 1.33 |
| Low | 1.21 | 1.27 | 1.21 | 1.27 |
| At period-end | 1.23 | 1.30 | 1.23 | 1.30 |
| One euro into U.S. dollars | | | | |
| High | 1.13 | 1.18 | 1.14 | 1.24 |
| Average | 1.11 | 1.16 | 1.12 | 1.18 |
| Low | 1.09 | 1.13 | 1.09 | 1.13 |
| At period-end | 1.09 | 1.16 | 1.09 | 1.16 |
| One Australian dollar into U.S. dollars | | | | |
| High | 0.70 | 0.75 | 0.72 | 0.78 |
| Average | 0.69 | 0.73 | 0.69 | 0.74 |
| Low | 0.67 | 0.71 | 0.67 | 0.71 |
| At period-end | 0.67 | 0.72 | 0.67 | 0.72 |
| One Norwegian kroner into U.S. dollars | | | | |
| High | 0.1172 | 0.1249 | 0.1179 | 0.1290 |
| Average | 0.1129 | 0.1214 | 0.1143 | 0.1230 |
| Low | 0.1097 | 0.1179 | 0.1097 | 0.1179 |
| At period-end | 0.1101 | 0.1228 | 0.1101 | 0.1228 |
| One Nigerian naira into U.S. dollars | | | | |
| High | 0.0028 | 0.0028 | 0.0028 | 0.0028 |
| Average | 0.0028 | 0.0028 | 0.0028 | 0.0028 |
| Low | 0.0028 | 0.0027 | 0.0028 | 0.0027 |
| At period-end | 0.0028 | 0.0027 | 0.0028 | 0.0027 |

Source: FactSet

Other income (expense), net, in our condensed consolidated statements of operations includes foreign currency transaction losses of $5.8 million and $2.3 million for the three months ended September 30, 2019 and 2018, respectively, and $8.7 million and $5.3 million for the six months ended September 30, 2019 and 2018, respectively. Transaction gains and losses represent the revaluation of monetary assets and liabilities from the currency that will ultimately be settled into the functional currency of the legal entity holding the asset or liability. The most significant items revalued are denominated in U.S. dollars on entities with British pound sterling and Nigerian naira functional currencies and denominated in British pound sterling on entities with U.S. dollar functional currencies, with transaction gains or losses primarily resulting from the strengthening or weakening of the U.S. dollar versus those other currencies.

Our earnings from unconsolidated affiliates, net of losses, are also affected by the impact of changes in foreign currency exchange rates on the reported results of our unconsolidated affiliates. During the three months ended September 30, 2019 and 2018, earnings (losses) from unconsolidated affiliates, net decreased by $1.6 million and $1.0 million, respectively, and during the six months ended September 30, 2019 and 2018, earnings from unconsolidated affiliates, net of losses, decreased by $1.7 million and $3.6 million, respectively, as a result of the impact of changes in foreign currency exchange rates on the earnings of our unconsolidated affiliates, primarily the impact of changes in the Brazilian real to U.S. dollar exchange rate on earnings for our affiliate in Brazil. The value of the Brazilian real has fluctuated relative to the U.S. dollar as indicated in the following table:

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| One Brazilian real into U.S. dollars | | | | |
| High | 0.2675 | 0.2699 | 0.2675 | 0.3020 |
| Average | 0.2524 | 0.2537 | 0.2538 | 0.2657 |
| Low | 0.2393 | 0.2390 | 0.2393 | 0.2390 |
| At period-end | 0.2401 | 0.2504 | 0.2401 | 0.2504 |

Source: FactSet

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

| | Three Months Ended September 30, 2019 | Six Months Ended September 30, 2019 |
|---|---|---|
| Revenue | $ (11,361) | $ (23,964) |
| Operating expense | 11,025 | 21,855 |
| Earnings from unconsolidated affiliates, net of losses | (576) | 1,888 |
| Other income (expense), net | (3,509) | (3,411) |
| Income before provision for income taxes | (4,421) | (3,632) |
| Provision for income taxes | 1,041 | 415 |
| Net income | (3,380) | (3,217) |
| Cumulative translation adjustment | (12,299) | 4,589 |
| Total stockholders' investment | $ (15,679) | $ 1,372 |

***Interest Expense, Net***

During the three and six months ended September 30, 2019 and 2018, interest expense, net consisted of the following (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Interest income | $ 270 | $ 1,229 | $ 657 | $ 1,408 |
| Interest expense | (22,715) | (27,662) | (49,423) | (54,985) |
| Interest expense, net | $ (22,445) | $ (26,433) | $ (48,766) | $ (53,577) |

***Restricted Cash***

As of September 30, 2019, restricted cash consisted of $37.0 million deposited in a financial institution trust held in escrow to be used in accordance with the DIP Credit Agreement and $1.9 million related to Norway withholding taxes. See Note 5 for further details on the DIP Credit Agreement.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same such amounts shown in the condensed consolidated statements of cash flows.

| | September 30, 2019 | March 31, 2019 |
|---|---|---|
| | (In thousands) | |
| Reconciliation of cash, cash equivalents and restricted cash as shown in the statements of cash flows: | | |
| Cash and cash equivalents | $ 153,885 | $ 178,055 |
| Restricted cash | 38,910 | — |
| Total cash, cash equivalents and restricted cash | $ 192,795 | $ 178,055 |

***Accounts Receivable***

As of September 30 and March 31, 2019, the allowance for doubtful accounts for non-affiliates was $0.8 million and $1.6 million, respectively. There were no allowances for doubtful accounts related to accounts receivable due from affiliates as of September 30 and March 31, 2019. The allowance for doubtful accounts for non-affiliates as of September 30, 2019 and March 31, 2019 primarily relates to amounts due from a customer in Australia.

***Inventories***

As of September 30 and March 31, 2019, inventories were net of allowances of $18.7 million and $19.4 million, respectively. As discussed under "*— Loss on Impairment*", we performed a review of our H225 aircraft related inventory and Eastern Airways inventory and recorded impairment charges of $8.9 million and $0.3 million, respectively, to record the inventories at the lower of cost or net realizable value during the three months ended September 30, 2018.

***Prepaid Expenses and Other Current Assets***

As of September 30 and March 31, 2019, prepaid expenses and other current assets included the short-term portion of contract acquisition and pre-operating costs totaling $9.2 million and $9.8 million, respectively, related to the search and rescue ("SAR") contracts in the U.K. and two customer contracts in Norway, which are recoverable under the contracts and will be expensed over the terms of the contracts. For the three months ended September 30, 2019 and 2018, we expensed $2.6 million and $2.5 million, respectively, and for the six months ended September 30, 2019 and 2018, we expensed $4.7 million and $5.2 million, respectively, related to these contracts.

***Goodwill***

Goodwill is recorded when the cost of acquired businesses exceeds the fair value of the identifiable net assets acquired. Goodwill has an indefinite useful life and is not amortized, but is assessed for impairment annually or when events or changes in circumstances indicate that a potential impairment exists.

Goodwill related to our Asia Pacific reporting unit was as follows (in thousands):

| | |
|---|---|
| March 31, 2019 | $ 18,436 |
| Foreign currency translation | (932) |
| Impairments | (17,504) |
| September 30, 2019 | $ — |

Accumulated goodwill impairment of $68.4 million and $50.9 million as as of September 30 and March 31, 2019, respectively, related to our reporting units as follows (in thousands):

| | Europe Caspian | Africa | Americas | Asia Pacific | Corporate and other | Total |
|---|---|---|---|---|---|---|
| March 31, 2019 | $ (33,883) | $ (6,179) | $ (576) | $ — | $ (10,223) | $ (50,861) |
| Impairments | — | — | — | (17,504) | — | (17,504) |
| September 30, 2019 | $ (33,883) | $ (6,179) | $ (576) | $ (17,504) | $ (10,223) | $ (68,365) |

We test goodwill for impairment on an annual basis as of March 31 or when events or changes in circumstances indicate that a potential impairment exists. For the purposes of performing an analysis of goodwill, we evaluate whether there are reporting units below the reporting segment we disclose for segment reporting purposes by assessing whether our regional management typically reviews results and whether discrete financial information exists at a lower level.

During the three months ended September 30, 2019, we noted an overall reduction in expected operating results for Airnorth from continued cost pressure combined with less than expected passenger and route fulfillment. We concluded the fair value of our goodwill for Airnorth could have fallen below its carrying value and that an interim period analysis of goodwill was required. We performed the interim impairment test of goodwill for Airnorth as of September 30, 2019, concluding the estimated fair value of Airnorth was below its carrying value. We recorded an impairment charge of $17.5 million reflected in loss on impairment on our statements of operations for the three and six months ended September 30, 2019.

We estimated the implied fair value of Airnorth using the income and market approaches. The determination of estimated fair value required us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of the reporting units, such as projected demand for our services and rates.

The income approach was based on a discounted cash flow model, which utilized present values of cash flows to estimate fair value. The future cash flows were projected based on our estimates of future rates for our services, utilization, operating costs, capital requirements, growth rates and terminal values. Forecasted rates and utilization take into account current market conditions and our anticipated business outlook, both of which have been impacted by the adverse changes in the offshore energy and mining business environment from the downturn. Operating costs were forecasted using a combination of our historical average operating costs and expected future costs. Capital requirements in the discounted cash flow model were based on management's estimates of future capital costs driven by expected market demand in future periods. The estimated capital requirements included cash outflows for new aircraft, infrastructure and improvements, if necessary. A terminal period was used to reflect our estimate of stable, perpetual growth. The future cash flows were discounted using a market-participant risk-adjusted weighted average cost of capital for the reporting unit. These assumptions were derived from unobservable inputs and reflect management's judgments and assumptions.

The market approach was based upon the application of price-to-earnings multiples to management's estimates of future earnings adjusted for a control premium. Management's earnings estimates were derived from unobservable inputs that require significant estimates, judgments and assumptions as described in the income approach.

For purposes of the goodwill impairment test, we calculated Airnorth's estimated fair value as a combination of the values calculated under the income approach and the market approach.

***Other Assets***

The long-term portion of intangible assets and intangible assets with indefinite lives are included within other assets. Intangible assets with finite useful lives are amortized over their respective estimated useful lives to their estimated residual values. The Airnorth acquisition included in our Asia Pacific region, resulted in intangible assets for customer relationships and trade name and trademarks. Intangible assets by type not fully amortized were as follows (in thousands):

| | Customer relationships | Trade name and trademarks | Total |
|---|---|---|---|
| | | Gross Carrying Amount | |
| March 31, 2019 | $ 2,143 | $ 331 | $ 2,474 |
| Foreign currency translation | (54) | (16) | (70) |
| September 30, 2019 | $ 2,089 | $ 315 | $ 2,404 |
| | | Accumulated Amortization | |
| March 31, 2019 | $ (1,070) | $ — | $ (1,070) |
| Amortization expense | (75) | — | (75) |
| September 30, 2019 | $ (1,145) | $ — | $ (1,145) |
| Weighted average remaining contractual life, in years | 6.3 | * | 6.3 |

* Trade name and trademarks relating to Airnorth were determined to have indefinite useful lives and therefore were not amortized, but instead are tested for impairment on an annual basis.

Future amortization expense of intangible assets for each of the years ending March 31 is as follows (in thousands):

| | |
|---|---|
| 2020 | $ 75 |
| 2021 | 150 |
| 2022 | 150 |
| 2023 | 150 |
| 2024 | 150 |
| Thereafter | 584 |
| | $ 1,259 |

In addition to the other intangible assets described above, other assets included the long-term portion of contract acquisition and pre-operating costs totaling $30.5 million and $37.1 million, respectively, as of September 30 and March 31, 2019, related to the SAR contracts in the U.K. and two customer contracts in Norway, which are recoverable under the contracts and will be expensed over the terms of the contracts.

***Property and Equipment***

During the three and six months ended September 30, 2019 and 2018, we made capital expenditures as follows:

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Capital expenditures (in thousands): | | | | |
| Aircraft and equipment | $ 16,074 | $ 4,394 | $ 22,762 | $ 12,731 |
| Land and buildings | 2,437 | 4,013 | 3,188 | 4,571 |
| Total capital expenditures | $ 18,511 | $ 8,407 | $ 25,950 | $ 17,302 |

As of December 31, 2018, we revised the salvage values of certain aircraft to reflect our expectation of future sales values given our disposal plans for those aircraft. We recorded additional depreciation expense of $1.4 million and $2.8 million during the three and six months ended September 30, 2019, respectively.

We evaluate our asset groups for impairment whenever facts or circumstances indicate the carrying value of an asset group may not be recoverable.

The removal of the H225 aircraft from our oil and gas asset group and changes in our forecasted cash flows for that asset group during the three months ended September 30, 2018 indicated the need for the performance of a recoverability analysis of our oil and gas asset group. In accordance with ASC 360-10, we estimate future undiscounted cash flows to test the recoverability of our oil and gas asset group, which largely consists of our oil and gas-related held for use aircraft. The determination of estimated future undiscounted cash flows required us to use significant unobservable inputs including assumptions related to projected demand for services, rates and anticipated aircraft disposal values. We determined that the estimated future undiscounted cash flows exceeded the carrying value for our oil and gas asset group as of September 30, 2018, and no impairment was recorded on these assets.

Changes in our forecasted cash flows as a result of actions taken during the Chapter 11 Cases during the three months ended September 30, 2019 triggered a review of our oil and gas asset group for potential impairment. In accordance with ASC 360-10, we estimate future undiscounted cash flows to test the recoverability of our oil and gas asset group, which largely consists of our oil and gas-related held for use aircraft. The determination of estimated future undiscounted cash flows required us to use significant unobservable inputs including assumptions related to projected demand for services, rates and anticipated aircraft disposal values. We determined that the estimated future undiscounted cash flows exceeded the carrying value for our oil and gas asset group as of September 30, 2019, and no impairment was recorded on these assets. Future declines in operating performance, anticipated business outlook and asset disposal values may reduce our estimated future undiscounted cash flows and result in impairment of our oil and gas asset group.

Changes in our forecasted cash flows during the three months ended September 30, 2019 indicated the need for the performance of a recoverability analysis for the airline related assets of Airnorth. In accordance with ASC 360-10, we estimate future undiscounted cash flows to test the recoverability of the airline related assets of Airnorth for potential impairment. The determination of estimated future undiscounted cash flows required us to use significant unobservable inputs including assumptions related to projected demand for services and rates. We determined that the estimated future undiscounted cash flows exceeded the carrying value for our Airnorth asset group as of September 30, 2019 and no impairment was recorded on these assets. Future declines in operating performance, anticipated business outlook and asset disposal values may reduce our estimated future undiscounted cash flows and result in impairment of our Airnorth asset group.

The following table presents details on the property and equipment sold or disposed of and impairments on property and equipment during the three and six months ended September 30, 2019 and 2018:

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In thousands, except for number of aircraft) | | | |
| Number of aircraft sold or disposed of | 1 | — | 3 | 3 |
| Proceeds from sale or disposal of assets [1] | $ 1,799 | $ 688 | $ 5,003 | $ 8,462 |
| Loss from sale or disposal of assets [2] | $ (230) | $ (1,293) | $ (4,017) | $ (2,971) |
| Impairment charges on property and equipment [3] | $ 42,022 | $ 104,939 | $ 42,022 | $ 104,939 |

(1) Includes proceeds received for sale of property and equipment (including aircraft) during each period.

(2) Included in loss on disposal of assets on our condensed consolidated statements of operations. Includes gain (loss), net for sale or disposal of property and equipment (including aircraft) during each period.

(3) Includes $42.0 million impairment related to the H225s for the three and six months ended September 30, 2019. Includes $87.5 million impairment related to H225s and $17.5 million related to Eastern Airways assets for the three and six months ended September 30, 2018, included in loss on impairment on our condensed consolidated statement of operations. See "*—Loss on Impairment*" above for further details.

***OEM Cost Recoveries***

During fiscal year 2018, we reached agreements with original equipment manufacturers ("OEM") to recover approximately $136.0 million related to ongoing aircraft issues, of which $125.0 million was realized during fiscal year 2018 and $11.0 million was recovered during the three months ended June 30, 2018. To reflect the amount realized from these OEM cost recoveries during fiscal year 2018, we recorded a $94.5 million decrease in the carrying value of certain aircraft in our fleet through a decrease in property and equipment – at cost, reduced rent expense by $16.6 million and recorded a deferred liability of $13.9 million, included in other accrued liabilities and other liabilities and deferred credits, related to a reduction in rent expense to be recorded in future periods, of which $2.4 million and $5.9 million was recognized during the three and six months ended September 30, 2018, respectively, and $2.0 million was recognized during the six months ended March 31, 2019. We determined the realized portion of the cost recoveries related to a long-term performance issue with the aircraft, requiring a reduction of carrying value for owned aircraft and a reduction in rent expense for leased aircraft. During the six months ended September 30, 2019, we returned the remaining four leased aircraft and recognized all of the remaining deferred liability related to the leased aircraft of $6.0 million as a reduction in rent expense. For the owned aircraft, we allocated the $94.5 million as a reduction in carrying value by reducing the historical acquisition value of each affected aircraft on a pro-rata basis utilizing the historical acquisition value of the aircraft.

During the six months ended September 30, 2018, we recovered the remaining $11.0 million in OEM cost recoveries by agreeing to net certain amounts previously accrued for aircraft leases and capital expenditures against those recoveries. During the six months ended September 30, 2018, we recorded a $7.6 million increase in revenue and a $2.1 million decrease in direct cost. We realized the remaining $1.3 million recovery during fiscal year 2019. The increase in revenue relates to compensation for lost revenue in prior periods from the late delivery of aircraft and the decreases in direct cost over fiscal year 2019 relate to costs we have incurred.

***Other Accrued Liabilities***

Other accrued liabilities of $58.4 million and $38.7 million as of September 30 and March 31, 2019, respectively, includes the following:

| | September 30, 2019 | March 31, 2019 |
|---|---|---|
| | (In thousands) | |
| Accrued lease costs | $ 1,291 | $ 6,017 |
| Deferred OEM cost recovery | — | 3,997 |
| Backstop Commitment Agreement [1] | 19,250 | — |
| Accrued legal and professional fees | 17,446 | 3,070 |
| Accrued property and equipment | 860 | 997 |
| Deferred gain on sale leasebacks | 789 | 1,305 |
| Other operating accruals | 18,798 | 14,437 |
| Eastern Airways other accrued liabilities[2] | — | 8,856 |
| | $ 58,434 | $ 38,679 |

[1] Estimated fees related to the Backstop Commitment Agreement (the "Backstop Commitment Agreement"). See Note 5 for further details.

[2] Eastern Airways was sold on May 10, 2019.

***Gain (Loss) on Sale of Subsidiaries***

Gain (loss) on sale of subsidiaries includes the following:

| | Three Months Ended September 30, 2019 | Six Months Ended September 30, 2019 |
|---|---|---|
| | (in thousands) | |
| Sale of Eastern Airways | $ — | $ (46,852) |
| Sale of Aviashelf and Bristow Helicopters Leasing Limited | 420 | (9,031) |
| | $ 420 | $ (55,883) |

*Eastern Airways*

Bristow Helicopters Limited ("Bristow Helicopters"), a subsidiary of Bristow Group, together with its legal and financial advisors, pursued various transactions to exit the Eastern Airways business, which made negative contributions to our operating income in each of the last three fiscal years, including pursuing a sales process with several third parties over an extended period. On May 10, 2019, Bristow Helicopters completed the sale of all of the shares of Eastern Airways to Orient Industrial Holdings Limited ("OIHL"), an entity affiliated with Mr. Richard Lake, a director of Bristow Helicopters, pursuant to a Sale and Purchase Agreement (the "EAIL Purchase Agreement"). Pursuant to the EAIL Purchase Agreement and related agreements, Bristow Helicopters contributed approximately £17.1 million to Eastern Airways as working capital, OIHL acquired Eastern Airways. Bristow Helicopters retained its controlling ownership of the shares in Humberside International Airport Limited that it previously held through Eastern Airways. Certain intercompany balances between Bristow Helicopters and Eastern Airways were also written off. As a result of the transaction, OIHL now owns and operates Eastern Airways, which had previously operated as a separate unit within Bristow Group, and Bristow Helicopters maintains its controlling interest in Humberside Airport, from which Bristow Helicopters provides U.K. SAR services.

The EAIL Purchase Agreement contained customary representations and warranties. OIHL agreed to certain covenants with respect to non-solicitation of directors, officers or employees of Bristow Helicopters for a period of 12 months. Pursuant to the terms of the EAIL Purchase Agreement, Bristow Helicopters has the right to appoint an observer to the board of directors of Eastern Airways for an initial period of 12 months following the sale. Eastern Airways also agreed to provide certain transition services for a minimum of 12 months from the date of the completion of the transaction.

The loss on the sale of Eastern Airways for the six months ended September 30, 2019 of $46.9 million includes the write-off of net assets of $35.0 million and write-off of cumulative translation adjustment of $11.9 million.

*Aviashelf and Bristow Helicopters Leasing Limited*

As of March 31, 2019, Bristow Aviation Holdings Limited ("Bristow Aviation") had an indirect 48.5% interest in Aviashelf Aviation Co. ("Aviashelf"), a Russian helicopter company. Additionally, we owned 60% of two U.K. joint venture companies, Bristow Helicopters Leasing Limited ("BHLL") and Sakhalin Bristow Air Services Ltd. These two U.K. companies lease aircraft to Aviashelf which held the client contracts for our Russian operations. Aviashelf was consolidated based on the ability of certain consolidated subsidiaries of Bristow Aviation to control the vote on a majority of the shares of Aviashelf, rights to manage the day-to-day operations of the company which were granted under a shareholders' agreement, and our ability to acquire an additional 8.5% interest in Aviashelf under a put/call option agreement. In April 2019, we sold our 60% ownership interest in BHLL for $1.4 million. In June 2019, we sold our 48.5% ownership interest in Aviashelf for $2.6 million. In August 2019, we exercised our call option to acquire an 8.5% interest in Aviashelf and subsequently sold that interest for $0.4 million.

The loss on the sale of Aviashelf and BHLL for the six months ended September 30, 2019 of $9.0 million includes the loss on sale of net assets of $1.8 million and write-off of cumulative translation adjustment of $7.2 million.

***Recent Accounting Pronouncements***

We consider the applicability and impact of all accounting standard updates (“ASUs”). ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position or results of operations.

*Adopted*

In February 2016, the FASB issued accounting guidance Accounting Standard Codification (“ASC”) 842 which amends ASC 840 the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. Additionally, ASC 842 requires a modified retrospective transition approach for all leases existing at, or entered into after the date of initial application, with an option to use certain transition relief. The guidance was updated in March 2018 to include an amendment that would allow us to consider the beginning of the period of adoption as the effective date of initial application of the standard. We implemented this accounting standard with an effective date of April 1, 2019. Based on the FASB transition guidance, we do not have to apply the disclosure requirement to periods prior to adoption. We elected the package of practical expedients to not re-evaluate existing lease contracts or lease classifications and therefore will not make changes to those leases already recognized on the consolidated balance sheet under ASC 840 until the leases are fully amortized, amended, or modified. In addition, we did not reassess initial direct costs for any existing leases and elected the short-term lease exception provided for in the standard and therefore will only recognize right-of-use assets and lease liabilities for leases with a term greater than one year. We elected the practical expedient to not separate lease and non-lease components for all asset classes.

We completed a system implementation and have updated our accounting policies to meet the standard’s requirements. On April 1, 2019, our adoption of this accounting standard resulted in recording on our condensed consolidated balance sheet right-of-use assets of $281.0 million and an increase in lease liabilities of $285.3 million with no material impact on our consolidated statements of operations and consolidated statements of cash flows. For further information on leases, see Note 9.

In February 2018, the FASB issued new accounting guidance on income statement reporting of comprehensive income, specifically pertaining to reclassification of certain tax effects from accumulated other comprehensive income to retained earnings. This pronouncement is effective for fiscal years, and for interim periods within those years, beginning after December 15, 2018, with early adoption permitted. We adopted this accounting guidance on April 1, 2019. We did not elect to reclassify certain tax effects from accumulated other comprehensive income to retained earnings.

In June 2018, the FASB issued an amendment to the accounting guidance related to accounting for employee share-based payments which clarifies that an entity should recognize excess tax benefits in the period in which the amount of the deduction is determined. This amendment is effective for annual periods beginning after December 15, 2018, and is applied prospectively to changes in terms or conditions of awards occurring on or after the adoption date. We adopted this accounting guidance on April 1, 2019 with no impact to our financial statements.

*Not Yet Adopted*

In August 2018, the FASB modified the disclosure requirements on fair value measurements. The amendment modifies, removes, and adds several disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. The amendment is effective for fiscal years ending after December 15, 2021 for public business entities and early adoption is permitted. We have not yet adopted this accounting guidance and are currently evaluating the effect this accounting guidance will have on our disclosure requirements.

In August 2018, the FASB modified disclosure requirements for employers that sponsor defined benefit pension plans. Certain disclosure requirements were removed and certain disclosure requirements were added. The amendment also clarifies disclosure requirements for projected benefit obligation and accumulated benefit obligation in excess of respective plan assets. The amendment is effective beginning in our fiscal year 2021 financial statements and early adoption is permitted. We have not yet adopted this accounting guidance and are currently evaluating the effect this accounting guidance will have on our disclosure requirements.

In August 2018, the FASB issued new accounting guidance that addresses the accounting for implementation costs associated with a hosted service. The guidance provides that implementation costs be evaluated for capitalization using the same criteria as that used for internal-use software development costs, with amortization expense being recorded in the same income statement expense line as the hosted service costs and over the expected term of the hosting arrangement. The amendment is effective beginning in our fiscal year 2021 financial statements and early adoption is permitted. The guidance will be applied either

retrospectively or prospectively to all implementation costs incurred after the date of adoption. We have not yet adopted this accounting guidance and are currently evaluating the effect this accounting guidance will have on our financial statements.

In October 2018, the FASB amended the guidance for determining whether a decision-making fee is a variable interest. The amendments require organizations to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety (as currently required in generally accepted accounting principles). Therefore, these amendments likely will result in more decision makers not consolidating VIEs. This amendment is effective beginning in our fiscal year 2021 financial statements and early adoption is permitted. We have not yet adopted this accounting guidance and are currently evaluating the effect this accounting guidance will have on our disclosure requirements.

**Note 2 — BANKRUPTCY AND RELATED MATTERS**

***Fiscal Year 2020 Incentive Plans***

*Key Employee Incentive Plans*

In connection with the Chapter 11 Cases, the Compensation Committee of the Board of Directors of the Company ("Board") adopted on behalf of the Company an Executive Key Employee Incentive Plan (the "Executive KEIP") and a Non-Executive Key Employee Incentive Plan ("Non-Executive KEIP"), each approved by the Bankruptcy Court on August 22, 2019. The Executive KEIP is designed to incentivize ten of the Company's senior executives by providing a total potential cash award pool of approximately $3.1 million at threshold, $6.1 million at target and up to $12.3 million for exceeding target, and is contingent upon achievement of certain financial targets and safety metrics, and the timing of confirmation of the Amended Plan by the Bankruptcy Court. The Non-Executive KEIP is designed to enhance retention of up to 183 other non-insider employees and provides a total potential cash award pool of approximately $7.7 million at threshold, $10.3 million at target and up to $15.4 million for exceeding target, with 50 percent of the payment contingent upon achievement of certain financial targets and safety metrics, and 50 percent of the payment being based on continued employment with the Company. The payments for the Executive KEIP will be made quarterly with the first payment made in October 2019. The payments for the Non-Executive KEIP will be made quarterly with the first payment made in October 2019.

*Management Incentive Plan*

Effective as of the Effective Date, the Compensation Committee of the Board adopted the 2019 Management Incentive Plan (the "MIP"). The MIP is an equity-based compensation plan for directors, officers and participating employees and other service providers of the Company and its affiliates, pursuant to which the Company may issue awards covering shares of the new common stock, par value $0.0001 (the "New Common Stock"), and new preferred stock, par value $0.0001 (the "New Preferred Stock" and, together with the New Common Stock, the "New Stock"), of the Company, as reorganized pursuant to the Amended Plan (the "Reorganized Company"). As adopted, the share reserve of the MIP was initially comprised of 473,218 shares of New Common Stock and 284,358 shares of New Preferred Stock, representing in the aggregate 4.0% of our outstanding New Stock on a fully diluted basis. On December 6, 2019, the Board approved an increase to the share reserve of the MIP, bringing the total share reserve to 699,890 shares of New Common Stock and 323,664 shares of New Preferred Stock, which represents in the aggregate 5.0% of our outstanding New Stock on a fully diluted basis.

*Severance Plan and Participation Agreements*

Effective as of the Effective Date, the Company adopted the Amended and Restated 2019 Management Severance Benefits Plan for U.S. Employees (the "Severance Plan"), which provides severance benefits to certain key employees, which are categorized into five "tiers" based on job title or job grade level, including L. Don Miller (President and Chief Executive Officer), who is a Tier 1 participant, and each of Brian J. Allman (Senior Vice President and Chief Financial Officer), Robert Phillips (Senior Vice President, Americas), Alan Corbett (Senior Vice President, EAMEA) and Victoria Lazar (Senior Vice President, General Counsel and Corporate Secretary), all of whom are Tier 2 participants (collectively, the "Specified Officers") and those with a title of Vice President being Tier 3 participants. Each of the Tier 1, Tier 2 and Tier 3 participants will also be required to enter into a separate participation agreement to the Severance Plan (a "Participation Agreement"), which provides for certain enhanced benefits and imposes additional requirements in addition to the terms of the Severance Plan.

The Severance Plan provides participants with severance benefits in the event of a termination by the Company without Cause (as defined therein) or, in the case of Tier 1 through 3 participants, by the participant for Good Reason (as defined therein) (each, a "Qualifying Termination"), with such severance benefits consisting of the following for the Specified Officers: (i) cash severance in the form of continued base salary payments for 24 months (Tier 1 participant) or 12 months (Tier 2 participant) post-termination; (ii) subsidized COBRA coverage for 18 months post-termination (both Tier 1 and 2 participants); (iii) outplacement services for 12 months post-termination (both Tier 1 and 2 participants); and (iv) if the Qualifying Termination occurs after fiscal year 2020, a pro-rata annual bonus for the year of termination based on actual performance (both Tier 1 and 2 participants).

For Tier 1 and 2 participants (i.e., all of the Specified Officers), the Severance Plan and Participation Agreements provide for enhanced severance benefits in the event that the Qualifying Termination occurs within the two-year period following a Change in Control (as defined therein), with such enhanced severance benefits consisting of the same severance benefits as described in the preceding paragraph, subject to the following enhancements: (i) the cash severance consists of an amount equal to 2.0x (Tier 1 participant) or 1.5x (Tier 2 participants) the sum of the participant's (x) base salary and (y) target bonus (initially 110% of base salary (Tier 1 participant) and 65% of base salary (Tier 2 participants, other than Mr. Allman, whose target bonus is initially 75%

of base salary)), payable in installments over the 24-month (Tier 1 participant) or 18-month (Tier 2 participants) post-termination period; and (ii) the pro-rata annual bonus is based on target (as opposed to actual) performance. If the Qualifying Termination occurs after the date that the Compensation Committee of the Board determines annual compensation for fiscal year 2021, then the amount in clause (i)(y) above will equal to the greatest of (x) the Specified Officer's initial target bonus amount described above, (y) 100% of the Specified Officer's target bonus for the fiscal year in which the Qualifying Termination occurs and (z) 100% of the Specified Officer's target bonus for the prior fiscal year (excluding fiscal year 2020 and all prior years).

The Participation Agreements also subject Tier 1 through Tier 3 participants, including the Specified Officers, to restrictive covenants as a condition of participating therein, with such covenants consisting of the following: (i) 12-month (or, if longer, the length of the base salary continuation period) post-termination non-compete; (ii) 24-month post-termination non-solicitation/non-hire; (iii) assignment of inventions; and (iv) perpetual confidentiality and non-disparagement. The Participation Agreements also provide that the Severance Plan may not be amended in an adverse manner to the Tier 1 through Tier 3 participants during the three-year period following the Effective Date.

***Liabilities Subject to Compromise***

As a result of the Chapter 11 Cases, the payment of prepetition indebtedness was subject to compromise or other treatment under the Amended Plan. Generally, actions to enforce or otherwise effect payment of prebankruptcy filing liabilities are stayed. Although payment of prepetition claims is generally not permitted, the Bankruptcy Court granted the Debtors authority to pay certain prepetition claims in designated categories and subject to certain terms and conditions. This relief generally was designed to preserve the value of the Debtor's businesses and assets. Among other things, the Bankruptcy Court authorized the Debtors to pay certain prepetition claims relating to employee wages and benefits, customers, vendors, and suppliers in the ordinary course of business as well as certain principal and interest payments.

The Debtors have been paying and intend to continue to pay undisputed post-petition claims in the ordinary course of business. With respect to prepetition claims, the Debtors notified all known claimants of the deadline to file a proof of claim with the Bankruptcy Court. The Debtors' liabilities subject to compromise represent the estimate as of September 30, 2019 of claims expected to be allowed under the Amended Plan. Prepetition liabilities that are subject to compromise were required to be reported at the amounts expected to be allowed, even if they may be settled for lesser amounts.

Liabilities subject to compromise included in our condensed consolidated balance sheet includes the following as of September 30, 2019 (in thousands):

| | |
|---|---|
| 6¼% Senior Notes due 2022 principal and accrued interest [1] | $ 415,894 |
| 4½% Convertible Senior Notes due 2023 principal and accrued interest [2] | 146,627 |
| Accrued lease termination costs [3] | 35,000 |
| Milestone Omnibus Agreement [4] | 20,063 |
| Corporate lease termination [5] | 5,300 |
| Deferred compensation plan | 1,983 |
| | $ 624,867 |

(1) Includes $401.5 million of principal and $14.4 million of interest accrued through May 11, 2019. See Note 5 for further details.

(2) Includes $143.8 million of principal and $2.9 million of interest accrued through May 11, 2019. See Note 5 for further details.

(3) Relates to ten aircraft leases rejected in June 2019, including nine S-76C+s and one S-76D. See Note 9 for further details.

(4) Includes costs related to the return of four leased H225s on May 6, 2019 and includes lease termination costs, deferred lease costs previously included as short-term debt on our condensed consolidated balance sheet and additional lease return costs. See Note 9 for further details.

(5) See Note 9 for further details.

***Prepetition Restructuring Charges***

Prepetition restructuring charges totaling $13.5 million for the six months ended September 30, 2019 include professional fees incurred prior to May 11, 2019 related to our Chapter 11 Cases.

***Reorganization Items, Net***

Reorganization items, net included in our condensed consolidated statement of operations represent amounts incurred after May 11, 2019 or expected to be incurred directly resulting from the Chapter 11 Cases and consist of the following items for the three and six months ended September 30, 2019 (in thousands):

| | Three Months Ended September 30, 2019 | Six Months Ended September 30, 2019 |
|---|---|---|
| Professional fees | $ 35,462 | $ 50,965 |
| H175 settlement agreement [1] | 31,830 | 31,830 |
| Lease termination costs [2] | 4,170 | 30,221 |
| Write-off of discount on 4½% Convertible Senior Notes due 2023 | — | 30,158 |
| Backstop Commitment Agreement [3] | 19,250 | 19,250 |
| Write-off of deferred financing fees [4] | 4,114 | 8,758 |
| Corporate lease termination cost | 1,063 | 1,063 |
| Milestone Omnibus Agreement allowed claim adjustment [5] | (1,946) | (1,946) |
| | $ 93,943 | $ 170,299 |

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(1) During the three and six months ended September 30, 2019, we rejected our aircraft purchase agreement with Airbus Helicopters S.A.S. for the 22 H175 helicopters.

(2) Relates to ten aircraft leases rejected in June 2019, including nine S-76C+s and one S-76D.

(3) The three and six months ended September 30, 2019 includes $19.3 million of estimated fees related to the Backstop Commitment Agreement. See Note 5 for further details.

(4) The three months ended September 30, 2019 includes $4.1 million incurred for fees related to the DIP Credit Agreement. The six months ended September 30, 2019 includes $2.4 million related to the 6¼% Senior Notes due 2022 ("6¼% Senior Notes"), $2.3 million related to deferred financing fees related to the 4½% Convertible Senior Notes due 2023 ("4½% Convertible Senior Notes") and $4.1 million incurred for fees related to the DIP Credit Agreement.

(5) During the three months ended September 30, 2019, the allowed claim for the Milestone Omnibus Agreement was adjusted lower by $1.9 million.

Cash paid for reorganization items during the three and six months ended September 30, 2019 was $14.3 million and $15.7 million, respectively, and related to professional fees and debt financing fees.

**BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

***Financial Statements of the Debtors***

The financial statements below represent condensed combined financial statements of the Debtors, which excludes non-debtor entities. Intercompany transactions among the Debtors have been eliminated in the financial statements contained below. Intercompany transactions among the Debtors and the non-debtor subsidiaries have not been eliminated in the Debtors' financial statements below.

**BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION)**

**Condensed Combined Statements of Operations**

| | Three Months Ended September 30, 2019 | Six Months Ended September 30, 2019 |
|---|---|---|
| | (Unaudited) (In thousands) | |
| Revenue | $ 90,918 | $ 180,630 |
| Operating expense: | | |
| Direct cost and reimbursable expense | 62,397 | 134,741 |
| Prepetition restructuring charges | — | 12,449 |
| Depreciation and amortization | 31,319 | 62,608 |
| General and administrative | 19,999 | 33,760 |
| | 113,715 | 243,558 |
| Loss on impairment | (42,022) | (42,022) |
| Gain (loss) on disposal of assets | (375) | 4,200 |
| Operating loss | (65,194) | (100,750) |
| Interest expense, net | (18,364) | (39,817) |
| Reorganization items, net | (83,392) | (159,289) |
| Other income, net | 1,000 | 1,679 |
| Loss before benefit for income taxes | (165,950) | (298,177) |
| Benefit for income taxes | 25,291 | 44,350 |
| Net loss | (140,659) | (253,827) |
| Net income attributable to noncontrolling interests | (10) | (24) |
| Net loss attributable to Bristow Group | $ (140,669) | $ (253,851) |

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**BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION)**

**Condensed Combined Balance Sheet**

| | September 30, 2019 |
|---|---|
| | (Unaudited) |
| | (In thousands) |
| **ASSETS** | |
| Current assets: | |
| Cash and cash equivalents | $ 39,093 |
| Restricted cash | 34 |
| Accounts receivable | 43,395 |
| Intercompany accounts receivable | 458,008 |
| Inventories | 35,658 |
| Prepaid expenses and other current assets | 11,250 |
| Total current assets | 587,438 |
| Intercompany investment | 633,197 |
| Intercompany notes receivable | 377,069 |
| Property and equipment, net | 1,323,267 |
| Right-of-use assets | 298,860 |
| Other assets | 7,998 |
| Total assets | $ 3,227,829 |
| **LIABILITIES AND STOCKHOLDERS' INVESTMENT** | |
| Current liabilities: | |
| Accounts payable | $ 37,586 |
| Intercompany accounts payable | 109,756 |
| Accrued liabilities | 56,618 |
| Accrued interest | 2,418 |
| Intercompany accrued interest | 4,365 |
| Current portion of operating lease liabilities | 84,927 |
| Short-term borrowings and current maturities of long-term debt | 831,778 |
| Total current liabilities | 1,127,448 |
| Long-term debt, less current maturities | 34,161 |
| Intercompany notes payable | 77,422 |
| Other liabilities and deferred credits | 4,599 |
| Deferred taxes | 40,287 |
| Long-term operating lease liabilities | 217,421 |
| Total liabilities not subject to compromise | 1,501,338 |
| Liabilities subject to compromise | 624,867 |
| Total liabilities | 2,126,205 |
| Stockholders' investment: | |
| Total Bristow Group stockholders' investment | 1,100,351 |
| Noncontrolling interests | 1,273 |
| Total stockholders' investment | 1,101,624 |
| Total liabilities and stockholders' investment | $ 3,227,829 |

BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

**BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION)**

**Condensed Combined Statement of Cash Flows**

| | Six Months Ended September 30, 2019 |
|---|---|
| | (Unaudited) |
| | (In thousands) |
| Cash flows from operating activities: | |
| Net loss | $ (253,827) |
| Adjustments to reconcile net loss to net cash used in operating activities: | |
| Depreciation and amortization | 62,608 |
| Deferred income taxes | (45,283) |
| Loss on impairment | 42,022 |
| Discount amortization on long-term debt | 1,520 |
| Write-off of deferred financing fees | 2,726 |
| Reorganization items, net | 109,259 |
| Gain on disposal of assets | (4,200) |
| Deferral of lease payments | 285 |
| Stock-based compensation | 1,159 |
| Increase (decrease) in cash resulting from changes in: | |
| Accounts receivable | 2,156 |
| Inventories | (328) |
| Prepaid expenses and other assets | (4,507) |
| Accounts payable | 24,130 |
| Accrued liabilities | 39,415 |
| Other liabilities and deferred credits, including intercompany activity | (80,800) |
| Net cash used in operating activities | (103,665) |
| Cash flows from investing activities: | |
| Capital expenditures | (4,472) |
| Proceeds from asset dispositions | 4,935 |
| Net cash provided by investing activities | 463 |
| Cash flows from financing activities: | |
| Proceeds from borrowings | 150,000 |
| Debt issuance costs | (6,696) |
| Repayment of debt | (94,573) |
| Partial prepayment of put/call obligation | (37) |
| Net cash provided by financing activities | 48,694 |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (549) |
| Net decrease in cash, cash equivalents and restricted cash | (55,057) |
| Cash and cash equivalents at beginning of period | 94,184 |
| Cash, cash equivalents and restricted cash at end of period | $ 39,127 |

## Note 3 — REVENUE RECOGNITION

***Revenue Recognition***

In general, we recognize revenue when a service is provided or a good is sold to a customer and there is a contract. At contract inception, we assess the goods and services promised in our contracts with customers and identify all performance obligations for each distinct promise that transfers a good or service (or bundle of goods or services) to the customer. To identify the performance obligations, we consider all goods or services promised in the contract, whether explicitly stated or implied based on customary business practices. Revenue is recognized when control of the identified distinct goods or services have been transferred to the customer, the transaction price is determined and allocated to the performed performance obligations and we have determined that collection has occurred or is probable of occurring.

A majority of our revenue from contracts with customers is currently generated through two types of contracts: helicopter services and fixed wing services. Each contract type has a single distinct performance obligation as described below.

*Helicopter services* — Our customers — major integrated, national and independent offshore energy companies — charter our helicopters primarily to transport personnel between onshore bases and offshore production platforms, drilling rigs and other installations. To a lesser extent, our customers also charter our helicopters to transport time-sensitive equipment to these offshore locations. The customers for SAR services include both the oil and gas industry and governmental agencies. Revenue from helicopter services is recognized when the performance obligation is satisfied over time based on contractual rates as the related services are performed.

A performance obligation arises under contracts with customers to render services and is the unit of account under the new accounting guidance for revenue. Operating revenue from our oil and gas segment is derived mainly from fixed-term contracts with our customers, a substantial portion of which is competitively bid. A small portion of our oil and gas customer revenue is derived from providing services on an “ad-hoc” basis. Our fixed-term contracts typically have original terms of one year to seven years (subject to provisions permitting early termination by our customers). We account for services rendered separately if they are distinct and the service is separately identifiable from other items provided to a customer and if a customer can benefit from the services rendered on its own or with other resources that are readily available to the customer. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Within this contract type for helicopter services, we determined that each contract has a single distinct performance obligation. These services include a fixed monthly rate for a particular model of aircraft, and flight hour services, which represents the variable component of a typical contract with a customer. Rates for these services vary depending on the type of services provided and can be based on a per flight hour, per day, or per month basis. Variable charges within our flight services contracts are not effective until a customer-initiated flight order is received and the actual hours flown are determined; therefore, the associated flight revenue generally cannot be reasonably and reliably estimated beforehand. A contract’s standalone selling prices are determined based upon the prices that we charge for our services rendered. Revenue is recognized as performance obligations are satisfied over time, by measuring progress towards satisfying the contracted services in a manner that best depicts the transfer of services to the customer, which is generally represented by a period of 30 days or less. We typically invoice customers on a monthly basis and the term between invoicing and when the payment is due is typically between 30 and 60 days. In order to offset potential increases in operating costs, our long-term contracts may provide for periodic increases in the contractual rates charged for our services. We recognize the impact of these rates when estimable and applicable, which generally includes written acknowledgment from the customers that they are in agreement with the amount of the rate escalation. Cost reimbursements from customers are recorded as reimbursable revenue with the related reimbursed costs recorded as reimbursable expense on our condensed consolidated statements of operations.

Taxes collected from customers and remitted to governmental authorities and revenue are reported on a net basis in our financial statements. Thus, we exclude taxes imposed on the customer and collected on behalf of governmental agencies to be remitted to these agencies from the transaction price in determining the revenue related to contracts with a customer.

*Fixed wing services* — Airnorth provides fixed wing transportation services through regular passenger transport (scheduled airline service with individual ticket sales) and charter services. A performance obligation arises under contracts with customers to render services and is the unit of account under the new accounting guidance for revenue. Within fixed wing services, we determined that each contract has a single distinct performance obligation. Revenue is recognized over time at the earlier of the period in which the service is provided or the period in which the right to travel expires, which is determined by the terms and conditions of the ticket. Ticket sales are recorded within deferred revenue in accordance with the above policy. Both chartered and scheduled airline service revenue is recognized net of passenger taxes and discounts.

***Contract Assets, Liabilities and Receivables***

We generally satisfy performance of contract obligations by providing helicopter and fixed wing services to our customers in exchange for consideration. The timing of performance may differ from the timing of the customer's payment, which results in the recognition of a contract asset or a contract liability. A contract asset exists when we have a contract with a customer for which revenue has been recognized (i.e., services have been performed), but customer payment is contingent on a future event (i.e. satisfaction of additional performance obligations). These contract assets are transferred to receivables when the right to consideration becomes unconditional. Contract liabilities relate to deferred revenue in which advance consideration is received from customers for contracts where revenue is recognized on future performance of services.

As of September 30 and March 31, 2019, receivables related to services performed under contracts with customers were $187.0 million and $164.7 million, respectively. All receivables from non-affiliates and affiliates are broken out further in our condensed consolidated balance sheets. During the six months ended September 30, 2019, we recognized $8.3 million of revenue from outstanding contract liabilities as of March 31, 2019. Contract liabilities related to services performed under contracts with customers was $5.8 million and $10.0 million as of September 30 and March 31, 2019, respectively. Contract liabilities are primarily generated by our fixed wing services where customers pay for tickets in advance of receiving our services and advanced payments from helicopter services customers. There were no contract assets as of September 30 and March 31, 2019.

There was no revenue recognized from satisfied performance obligations related to prior periods for the three months ended September 30, 2019 and 2018. For the six months ended September 30, 2019 and 2018, there was zero and $1.0 million, respectively, of revenue recognized from satisfied performance obligations related to prior periods (for example, due to changes in transaction price).

***Revenue from third party customers***

Total revenue related to third party customers is as follows (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| **Revenue:** | | | | |
| Operating revenue from non-affiliates | $ 290,939 | 317,369 | $ 594,672 | $ 642,725 |
| Operating revenue from affiliates | 5,365 | 3,819 | 9,840 | 8,387 |
| Reimbursable revenue from non-affiliates | 13,536 | 15,946 | 30,136 | 32,853 |
| **Revenue from Contracts with Customers** | 309,840 | 337,134 | 634,648 | 683,965 |
| Other revenue from non-affiliates | 409 | 4,211 | 806 | 17,321 |
| Other revenue from affiliates | 7,971 | 7,998 | 15,942 | 14,725 |
| **Total Revenue** | $ 318,220 | $ 349,343 | $ 651,396 | $ 716,011 |

***Remaining Performance Obligations***

Remaining performance obligations represent firm contracts for which work has not been performed and future revenue recognition is expected. The table below discloses (1) the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period and (2) the expected timing to recognize this revenue (in thousands):

| | Remaining Performance Obligations | | | | | |
|---|---|---|---|---|---|---|
| | | Fiscal Year Ending March 31, | | | | |
| | Six Months Ending March 31, 2020 | 2021 | 2022 | 2023 | 2024 and thereafter | Total |
| Outstanding Service Revenue: | | | | | | |
| Helicopter contracts | $ 249,470 | $ 240,042 | $ 186,194 | $ 176,615 | 268,028 | $ 1,120,349 |
| Fixed-wing contracts | 1,549 | 378 | — | — | — | 1,927 |
| Total remaining performance obligation revenue | $ 251,019 | $ 240,420 | $ 186,194 | $ 176,615 | 268,028 | $ 1,122,276 |

Although substantially all of our revenue is under contract, due to the nature of our business we do not have significant remaining performance obligations as our contracts typically include unilateral termination clauses that allow our customers to terminate existing contracts with a notice period of 30 to 180 days. The table above includes performance obligations up to the point where the parties can cancel existing contracts. Any applicable cancellation penalties have been excluded. As such, our actual remaining performance obligation revenue is expected to be greater than what is reflected above. In addition, the remaining performance obligation disclosure does not include expected consideration related to performance obligations of a variable nature (i.e., flight services) as they cannot be reasonably and reliably estimated.

***Other Considerations and Practical Expedients***

We were awarded a government contract to provide SAR services for all of the U.K., which commenced in April 2015. We previously incurred costs related to this contract that generate or enhance the resources used to fulfill the performance obligation within the contract and the costs are expected to be recoverable. These contract acquisition and pre-operating costs qualify for capitalization. We amortize these capitalized contract acquisition and pre-operating costs related to the U.K. SAR contract and two customer contracts in Norway. We determined that an amortization method that allocates the capitalized costs on a relative basis to the revenue recognized is a reasonable and systematic basis for the amortization of the pre-operating costs asset. For further details on the short and long-term pre-operating cost balances, see Note 1.

We incur incremental direct costs for obtaining contracts through sales commissions paid to ticket agents to sell seats on regular public transportation flights for our fixed-wing services only. We will utilize the practical expedient allowed by the FASB that permits us to expense the incremental costs of obtaining a contract when incurred, if the amortization period of the contract asset that we otherwise would have recognized is one year or less.

In addition, we have applied the tax practical expedient to exclude all taxes in the scope of the election from the transaction price and the invoice practical expedient that allows us to recognize revenue in the amount to which we have the right to invoice the customer and corresponds directly with the value to the customer of our performance completed to date.

**Note 4 — VARIABLE INTEREST ENTITIES**

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

As of September 30, 2019, we had interests in four VIEs of which we were the primary beneficiary, which are described below, and had no interests in VIEs of which we were not the primary beneficiary. See Note 3 to the fiscal year 2019 Financial Statements for a description of other investments in significant affiliates.

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

In addition to our ownership of 49% of Bristow Aviation's outstanding ordinary shares, in May 2004, we acquired eight million shares of deferred stock, essentially a subordinated class of stock with no voting rights, from Bristow Aviation for £1 per share ($14.4 million in total). We also have £91.0 million ($112.1 million) principal amount of subordinated unsecured loan stock (debt) of Bristow Aviation bearing interest at an annual rate of 13.5% and payable semi-annually. Payment of interest on such debt has been deferred since its incurrence in 1996. Deferred interest accrues at an annual rate of 13.5% and aggregated $2.7 billion as of September 30, 2019.

Our operations in the U.K. are subject to the Civil Aviation Act 1982 and other similar English and E.U. statutes and regulations. We carry persons and property in our aircraft pursuant to an operating license issued by the Civil Aviation Authority (the "CAA"). The holder of an operating license must meet the ownership and control requirements of Council Regulation 2407/92. To operate under this license, the company through which we conduct operations in the U.K., Bristow Helicopters, must be owned directly or through majority ownership by E.U. nationals, and must at all times be effectively controlled by them. Our ownership of 49% of the ordinary shares of Bristow Aviation, the entity that owns Bristow Helicopters, is to comply with these restrictions. Caledonia, the Company and the E.U. Investor also entered into a put/call agreement under which, upon giving specified prior notice, we had the right to buy all the Bristow Aviation shares held by Caledonia and the E.U. Investor, who, in turn, each had the right to require us to purchase such shares. As discussed above, under current English law, we would be required, in order for Bristow Aviation to retain its operating license, to find a qualified E.U. investor to own any Bristow Aviation shares we have the right to acquire under the put/call agreement. In addition, the put/call agreement limits our ability to exercise the put/call option through a requirement to consult with the CAA in the U.K. regarding the suitability of the new holder of the Bristow Aviation shares. The put/call agreement does not contain any provisions should the CAA not approve the new E.U. investor. However, we would work diligently to find an E.U. investor suitable to the CAA. The amount by which we could purchase the shares of the other investors holding 51% of the equity of Bristow Aviation is fixed under the terms of the call option, and we have reflected this amount on our condensed consolidated balance sheets as noncontrolling interest. On March 14, 2019, the E.U. Investor provided notice of his intent to exercise his right to require us or a qualified E.U. investor to purchase his Bristow Aviation shares for £100,000. In addition, on April 29, 2019, Caledonia provided notice of its intent to exercise its right to require us or a qualified E.U. investor to purchase its Bristow Aviation shares for £920,000, under our put/call agreement with this stockholder. As a result, in September 2019 and October 2019, 5% and 46%, respectively, of such shares were purchased by Impigra Aviation Holdings Limited ("Impigra"), a qualified E.U. investor, with proceeds from two loans received from Bristow Holdings Company Ltd. III ("BHC III"), a Bristow subsidiary. Impigra, is a British company owned 100% by U.K. Bristow employees and now owns 51% of the ordinary shares of Bristow Aviation. There was no material change to the Bristow Aviation shareholders' agreement or the put/call agreement which Impigra is now a party to. Impigra is also a VIE that we consolidate as the primary beneficiary and we eliminate the loans discussed above in consolidation. Brexit is anticipated to require a qualified U.K. investor rather than a qualified E.U. investor. Impigra is expected to meet the requirements to satisfy a qualified U.K. investor requirement.

Furthermore, the call option provides a mechanism whereby the economic risk for the other investor is limited should the financial condition of Bristow Aviation deteriorate. The call option price is the nominal value of the ordinary shares held by the noncontrolling shareholder (£1.0 million as of September 30, 2019) plus an annual guaranteed rate of return less any prepayments of such call option price and any dividends paid on the shares concerned. We can elect to pre-pay the guaranteed return element of the call option price wholly or in part without exercising the call option. No dividends have been paid by Bristow Aviation. We have accrued the annual return due to the other shareholder at a rate of sterling LIBOR plus 3% by recognizing noncontrolling interest expense on our condensed consolidated statements of operations, with a corresponding increase in noncontrolling interest on our condensed consolidated balance sheets. Prepayments of the guaranteed return element of the call option are reflected as a reduction in noncontrolling interest on our condensed consolidated balance sheets. The other investor has an option to put its shares in Bristow Aviation to us. The put option price is calculated in the same way as the call option price except that the guaranteed rate for the period to April 2004 was 10% per annum. If the put option is exercised, any pre-payments of the call option price are set off against the put option price.

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

| | September 30, 2019 | March 31, 2019 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $ 98,991 | $ 83,499 |
| Restricted cash | 1,939 | — |
| Accounts receivable | 304,368 | 307,864 |
| Inventories | 77,856 | 85,977 |
| Prepaid expenses and other current assets | 31,275 | 36,646 |
| Total current assets | 514,429 | 513,986 |
| Investment in unconsolidated affiliates | 329 | 3,087 |
| Property and equipment, net | 261,390 | 281,944 |
| Right-of-use assets | 148,492 | — |
| Goodwill | — | 18,436 |
| Other assets | 164,103 | 229,902 |
| Total assets | $ 1,088,743 | $ 1,047,355 |
| Liabilities | | |
| Accounts payable | $ 479,989 | $ 442,187 |
| Accrued liabilities | 94,228 | 113,905 |
| Accrued interest | 2,702,306 | 2,399,704 |
| Current maturities of long-term debt | 77,763 | 85,287 |
| Total current liabilities | 3,354,286 | 3,041,083 |
| Long-term debt, less current maturities | 381,559 | 384,369 |
| Accrued pension liabilities | 18,706 | 25,726 |
| Other liabilities and deferred credits | 3,302 | 4,810 |
| Deferred taxes | — | 37,063 |
| Long-term operating lease liabilities | 34,852 | — |
| Total liabilities | $ 3,792,705 | $ 3,493,051 |

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue | $ 276,568 | $ 311,788 | $ 571,723 | $ 643,257 |
| Operating loss | (13,692) | (38,510) | (2,412) | (31,146) |
| Net loss | (21,034) | (115,320) | (383,882) | (184,341) |

*Bristow Helicopters (Nigeria) Ltd.* — Bristow Helicopters (Nigeria) Ltd. (“BHNL”) is a joint venture in Nigeria in which Bristow Helicopters owns a 48% interest, a Nigerian company owned 100% by Nigerian employees owns a 50% interest and an employee trust fund owns the remaining 2% interest as of September 30, 2019. BHNL provides industrial aviation services to customers in Nigeria.

In order to be able to bid competitively for our services in the Nigerian market, we were required to identify local citizens to participate in the ownership of entities domiciled in the region. However, these owners do not have extensive knowledge of the aviation industry and have historically deferred to our expertise in the overall management and day-to-day operation of BHNL (including the establishment of operating and capital budgets and strategic decisions regarding the potential expansion of BHNL’s operations). We have also historically provided subordinated financial support to BHNL and will need to continue to do so unless and until BHNL acquires sufficient equity to permit itself to finance its activities without that additional support from us. As we have the power to direct the most significant activities affecting the economic performance and ongoing success of BHNL and hold a variable interest in the entity in the form of our equity investment and working capital infusions, we consolidate BHNL as the primary beneficiary. The employee-owned Nigerian entity referenced above purchased a 19% interest in BHNL in December 2013 with proceeds from a loan received from BGI Aviation Technical Services Nigeria Limited (“BATS”). In July 2014, the employee-owned Nigerian entity purchased an additional 29% interest with proceeds from a loan received from Bristow Helicopters

(International) Limited ("BHIL"). In April 2015, Bristow Helicopters purchased an additional 8% interest in BHNL and the employee-owned Nigerian entity purchased an additional 2% interest with proceeds from a loan received from BHIL. Both BATS and BHIL are wholly-owned subsidiaries of Bristow Aviation. The employee-owned Nigerian entity is also a VIE that we consolidate as the primary beneficiary and we eliminate the loans discussed above in consolidation.

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

*Pan African Airlines (Nigeria) Ltd.* — Pan African Airlines (Nigeria) Ltd. ("PAAN") is a joint venture in Nigeria with local partners in which we own a 50.17% interest. PAAN provides industrial aviation services to customers in Nigeria.

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

**Note 5 — DEBT**

Debt as of September 30 and March 31, 2019 consisted of the following (in thousands):

| | September 30, 2019 | March 31, 2019 |
|---|---|---|
| 8.75% Senior Secured Notes due 2023 [1] | $ 273,449 | $ 347,400 |
| 4½% Convertible Senior Notes due 2023 [1][2] | 143,750 | 112,944 |
| 6¼% Senior Notes due 2022 [1][2] | 401,535 | 401,535 |
| DIP Credit Agreement [1] | 150,000 | — |
| Term Loan | 75,000 | — |
| Lombard Debt | 167,519 | 183,450 |
| Macquarie Debt | 164,028 | 171,028 |
| PK Air Debt | 202,634 | 212,041 |
| Airnorth Debt | 9,416 | 11,058 |
| Humberside Debt | 351 | — |
| Other Debt [2] | 9,370 | 9,168 |
| Unamortized debt issuance costs | (19,745) | (21,771) |
| Total debt | 1,577,307 | 1,426,853 |
| Less amounts included in liabilities subject to compromise | (554,655) | — |
| Less short-term borrowings and current maturities of long-term debt | (947,041) | (1,418,630) |
| Total long-term debt | $ 75,611 | $ 8,223 |

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(1) These notes were settled in accordance with the Amended Plan.

(2) Reclassified to liabilities subject to compromise on our condensed consolidated balance sheet as of September 30, 2019. See Note 2 and "*— 4½% Convertible Senior Notes due 2023*" and "*— 6¼% Convertible Senior Notes due 2023*" below for further details.

(3) Unamortized debt issuance costs as of September 30, 2019 relate to 8.75% Senior Secured Notes due 2023, Term Loan, Lombard Debt, Macquarie Debt and PK Air Debt. Unamortized debt issuance costs as of March 31, 2019 relate to 8.75% Senior Secured Notes due 2023, 4½% Convertible Senior Notes due 2023, 6¼% Senior Notes due 2022 Term Loan, Lombard Debt, Macquarie Debt and PK Air Debt.

*Classification of Debt* — As discussed in Note 1, on the Petition Date, the Debtors filed the Chapter 11 Cases in the Bankruptcy Court seeking relief under Chapter 11 of the Bankruptcy Code. The Debtors' Chapter 11 Cases were jointly administered under the caption In re: Bristow Group Inc., et al., Main Case No. 19-32713. During the pendency of the Chapter 11 Cases, the Debtors continued to operate their businesses and manage their properties as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. The significant

risks and uncertainties related to the Chapter 11 Cases raise substantial doubt about the Company's ability to continue as a going concern. In addition, each of the commencement of the Chapter 11 Cases and the delivery of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2018, as amended by the amendment thereto, with a going concern qualification or explanation constituted an event of default under certain of our secured equipment financings, giving those secured equipment lenders the right to accelerate repayment of the applicable debt, subject to Chapter 11 protections, and triggering cross-default and/or cross-acceleration provisions in substantially all of our other debt instruments should that right to accelerate repayment be exercised. As a result of the facts and circumstances discussed above, the Company has classified debt balances of approximately $947.0 million and $1.4 billion as of September 30 and March 31, 2019, respectively, as short-term borrowings and current maturities of long-term debt on our condensed consolidated balance sheet. If not classified separately as liabilities subject to compromise as of September 30, 2019, the additional $554.7 million would have been classified as current maturities of long-term debt on our condensed consolidated balance sheet as a result of the same facts and circumstances.

*Waiver of Defaults* **—** Prior to the Petition Date, we entered into waiver letters with respect to certain of our debt agreements, including the credit agreement, dated as of July 17, 2017, among Bristow Equipment Leasing Ltd., the several banks, other financial institutions and other lenders from time to time party thereto and PK AirFinance S.à r.l. ("PK AirFinance"), as agent and as security trustee (as amended, the "PK Credit Agreement"); the term loan credit agreement, dated as of February 1, 2017, among Bristow U.S. LLC, the several banks, other financial institutions and other lenders from time to time party thereto and Macquarie Bank Limited, as administrative agent and as security agent (as amended, the "Macquarie Credit Agreement"); the ABL Facility (as defined below); and certain other secured equipment financings and leases. Pursuant to such waiver letters, we received waivers of breaches, defaults or events of default under such debt agreements arising from the Company's failure to timely provide its unaudited consolidated financial statements for the quarter ended December 31, 2018 and/or the failure to make the April 15, 2019 interest payment due on the 6¼% Senior Notes by May 15, 2019, and certain other related events of default and cross-defaults. As discussed below under "— *Events of Default*," the filing of the Chapter 11 Cases constituted an event of default that accelerated the obligations under the PK Credit Agreement, the BALL Lombard Credit Agreement (as defined below) and the Macquarie Credit Agreement.

On May 10, 2019, Bristow Norway AS and Bristow Helicopters, as borrowers and guarantors, and the Company, as guarantor, entered into a waiver letter (the "First ABL Waiver") with Barclays Bank PLC, as agent, and Credit Suisse AG, Cayman Islands Branch, as lender, with respect to the ABL Facility. The First ABL Waiver waived, subject to certain conditions, any Default (as defined in the ABL Facility) or cross-defaults that would otherwise exist or occur under the ABL Facility as a result of, among other things, (i) the Company's failure to timely provide its unaudited consolidated financial statements for the quarters ended December 31, 2018 and March 31, 2019, (ii) the amendment of the Company's periodic reports for fiscal year 2018 as previously disclosed, (iii) the failure to make the April 15, 2019 interest payment due on the 6¼% Senior Notes, (iv) potential cross defaults under the 4½% Convertible Senior Notes and 8.75% Senior Secured Notes, (v) other events related to the Chapter 11 Cases, potential insolvency issues or possible failure to comply with certain financial covenants or (vi) certain representations and warranties not being correct when made. Such Defaults were waived until the date (the "ABL Waiver Termination Date") on which the Company or its subsidiaries enter into or modify debt agreements that would materially adversely impact the ability to perform obligations under the ABL Facility, any security that is not permitted security is granted over the share capital or assets of either borrower or the Chapter 11 Cases are dismissed or converted to a case under Chapter 7 of the Bankruptcy Code, subject to certain conditions as specified in the First ABL Waiver. The First ABL Waiver contains certain amendments to the ABL Facility, including (i) expanding the definition of Change of Control to include the consummation of a plan of reorganization in connection with the commencement of a bankruptcy proceeding and (ii) providing that the maturity date of December 14, 2021 shall be subject to certain early maturity triggers related to a Change of Control of the Company (as such definition has been amended by the First ABL Waiver) or the ABL Waiver Termination Date.

On September 30, 2019, Bristow Norway AS and Bristow Helicopters, as borrowers and guarantors, and the Company, as guarantor, entered into a waiver letter (the "Second ABL Waiver") with Barclays Bank PLC, as agent, and Credit Suisse AG, Cayman Islands Branch, as lender, with respect to the ABL Facility. The Second ABL Waiver further extended the delivery dates (i) for the Company's audited consolidated financial statements for the fiscal year ended March 31, 2019 until October 31, 2019 and (ii) for the Company's unaudited consolidated financial statements for each of the fiscal quarters ended June 30, 2019 and September 30, 2019 until December 31, 2019.

On May 10, 2019, Bristow Aircraft Leasing Limited ("BALL"), as borrower, entered into a waiver letter (the "First BALL Lombard Waiver") with Lombard North Central Plc, as administrative agent and as security trustee, with respect to the term loan credit agreement, dated as of November 11, 2016 (the "BALL Lombard Credit Agreement"). Because an Insolvency Proceeding (as defined in the First BALL Lombard Waiver) was commenced on or before May 15, 2019, the First BALL Lombard Waiver extended, subject to certain conditions, the waivers received under the previous waiver letter (as described in our Current Report

on Form 8-K filed with the SEC on April 15, 2019), until the earlier of (a) certain events related to a plan of reorganization or liquidation of the Company, Insolvency Proceeding or debtor-in-possession financing or (b) December 15, 2019 (the "Lombard Waiver Termination Date"). In addition, the First BALL Lombard Waiver waived, until the Lombard Waiver Termination Date, any Default or Event of Default (each as defined in the BALL Lombard Credit Agreement) as a result of (i) the amendment of the Company's periodic reports for fiscal year 2018, (ii) the possible commencement of an Insolvency Proceeding or any related acceleration of other material indebtedness and (iii) the possible occurrence of an Event of Default under the term loan credit agreement, dated as of November 11, 2016, among Bristow U.S. Leasing LLC, as borrower, the lenders from time to time party thereto and Lombard North Central plc, as administrative agent and as security trustee (the "BULL Lombard Credit Agreement"), subject to certain conditions.

On September 30, 2019, BALL, as borrower, entered into a waiver letter (the "Second BALL Lombard Waiver") with Lombard North Central Plc, as administrative agent and as security trustee, with respect to the BALL Lombard Credit Agreement. In addition, BULL, as borrower, entered into a waiver letter (the "BULL Lombard Waiver") with Lombard North Central Plc, as administrative agent and as security trustee, with respect to the BULL Lombard Credit Agreement. The Second BALL Lombard Waiver and the BULL Lombard Waiver both extended the delivery dates (i) for the Company's audited consolidated financial statements for the fiscal year ended March 31, 2019 until October 31, 2019 and (ii) for the Company's unaudited consolidated financial statements for each of the fiscal quarters ended June 30, 2019 and September 30, 2019 until December 31, 2019.

*Events of Default* **—** The filing of the Chapter 11 Cases constituted an event of default that accelerated the obligations under the following instruments and agreements:

- the Third Supplemental Indenture, dated as of October 12, 2012, to the Indenture, dated as of June 17, 2008 (the "Base Indenture"), among the Company, the guarantors named therein and Wilmington Trust, National Association, as successor trustee to U.S. Bank National Association ("U.S. Bank"), and our 6¼% Senior Notes issued thereunder;
- the Sixth Supplemental Indenture to the Base Indenture, dated as of December 18, 2017, among the Company, the guarantors named therein and Delaware Trust Company, as successor trustee to U.S. Bank, and our 4½% Convertible Senior Notes issued thereunder;
- the Indenture, dated as of March 6, 2018, among the Company, the guarantors named therein and U.S. Bank, as trustee and collateral agent (the "Secured Indenture"), and our 8.75% Senior Secured Notes issued thereunder;
- the PK Credit Agreement;
- the Macquarie Credit Agreement;
- the BULL Lombard Credit Agreement; and
- various aircraft operating leases and real estate leases.

The instruments and agreements described above provide that, as a result of the commencement of the Chapter 11 Cases, the financial obligations thereunder, including for the debt instruments any principal amount, together with accrued interest thereon, are immediately due and payable. However, any efforts to enforce payment of such financial obligations under such instruments and agreements were automatically stayed as a result of the filing of the Chapter 11 Cases and the holders' rights of enforcement in respect of such financial obligations were subject to the applicable provisions of the Bankruptcy Code.

*Term Loan Agreement* **—** On May 10, 2019, the Company entered into a Term Loan Credit Agreement, dated the same date (the "Term Loan Agreement"), by and among the Company and BHC III, as borrowers, certain subsidiaries of the Company as guarantors party thereto, the lenders from time to time party thereto (initially, certain holders of the 8.75% Senior Secured Notes), and Ankura Trust Company, LLC, as administrative agent (the "Term Loan Agent"), for a senior secured term loan of $75 million (the "2019 Term Loan"). Immediately upon entering into the Term Loan Agreement, and prior to the Petition Date, the Company and BHC III borrowed the full amount thereunder, the net proceeds of which were used for general corporate purposes, including to fund the working capital and liquidity requirements of the Company during the pendency of the Chapter 11 Cases. The full principal amount of the 2019 Term Loan is due May 10, 2022. At the Company's election, borrowings under the 2019 Term Loan will bear interest at either (x) the Eurodollar Rate (as defined in the Term Loan Agreement) plus 7% or (y) the Base Rate (as defined in the Term Loan Agreement) plus 6%. The initial borrowings under the 2019 Term Loan will be Eurodollar Rate loans with monthly interest payments. The 2019 Term Loan is secured by a first lien on certain specified collateral, including, among other things, equity pledges of 35% of the equity interests in certain of the Company's first-tier foreign subsidiaries (the remaining 65%

of such entities have been previously pledged under the 8.75% Senior Secured Notes), 100% of the equity of BHC III, Bristow International Panama S. de RL, and two newly formed special-purpose vehicles, as well as a junior lien on certain collateral securing the 8.75% Senior Secured Notes. The borrowers have the option in connection with the consummation of a Reorganization Plan (as defined in the Term Loan Agreement) that is satisfactory to the lenders to require that the 2019 Term Loan be converted into equity of the Company upon consummation of such Reorganization Plan, subject to certain conditions. The Term Loan Agreement contains customary pre-payment requirements.

The Term Loan Agreement contains certain customary negative covenants that, among other things, restrict, subject to certain exceptions, the Company's and its subsidiaries' incurrence of additional indebtedness or liens, mergers, dispositions of assets, investments, restricted payments, modifications to material agreements, transactions with affiliates and fundamental changes. In addition, the Term Loan Agreement required that, on the delivery of each Variance Report (as defined in the Term Loan Agreement), total operating disbursements and total receipts of the Company and its subsidiaries for certain specified periods shall not exceed (with respect to disbursements) or be less than (with respect to total receipts) the aggregate amount forecasted therefor for such period by more (with respect to disbursements) or less (with respect to total receipts) than a specified percentage of the forecasted amount. The Term Loan Agreement also contains customary affirmative covenants and customary representations and warranties.

The Term Loan Agreement specifies certain customary events of default, including, among others, failure to pay principal or interest on the 2019 Term Loan when due, the breach of representations or warranties in any material respect, non-performance of other covenants and obligations, judgments, the occurrence of certain ERISA events and certain change of control events. The filing of the Chapter 11 Cases neither constitutes an event of default nor accelerates the maturity of the Company's indebtedness under the Term Loan Agreement.

On June 6, 2019, we entered into Amendment No. 1 to the Term Loan Agreement (the "First Term Loan Amendment"), dated the same date, by and among the Company, BHC III and the lenders party thereto. Among other things, the First Term Loan Amendment extended the deadline for delivery to the administrative agent and the lenders of (i) the annual audit report of the borrower and its subsidiaries for the fiscal year ended March 31, 2019 from 90 days to 120 days after the end of such fiscal year and (ii) monthly unaudited consolidated financial statements of the borrower and its subsidiaries from 10 days to 20 business days after the end of each month.

On August 22, 2019, we entered into Amendment No. 2 to the Term Loan Agreement (the "Second Term Loan Amendment"), dated the same date, by and among the Company, BHC III and the Term Loan Agent. The Second Term Loan Amendment amended the Term Loan Agreement in order to clarify the definition of Pledged Aircraft under the Term Loan Agreement.

On August 26, 2019, in connection with the entry into the DIP Credit Agreement, we entered into Amendment No. 3 to the Term Loan Agreement (the "Third Term Loan Amendment"), dated the same date, by and among the Company, BHC III, the lenders party thereto and the Term Loan Agent. The Third Term Loan Amendment amended and restated the Term Loan Agreement in order to, among other things, permit the entry into the DIP Credit Agreement, the incurrence of indebtedness thereunder and the granting of related liens thereunder, and make certain other conforming changes.

On September 30, 2019, we entered into Amendment No. 4 to the Term Loan Agreement (the "Fourth Term Loan Amendment"), dated the same date, by and among the Company, BHC III and the Term Loan Agent. The Fourth Term Loan Amendment amended the Term Loan Agreement in order to extend the delivery dates (i) for the Company's audited consolidated financial statements for the fiscal year ended March 31, 2019 until October 31, 2019 and (ii) for the Company's unaudited consolidated financial statements for each of the fiscal quarters ended June 30, 2019 and September 30, 2019 until December 31, 2019.

In connection with the Amended Plan, on October 31, 2019, we entered into Amendment No. 5 to the Term Loan Agreement (the "Fifth Term Loan Amendment"), dated the same date, by and among the Company, BHC III, the guarantors party thereto, the lenders party thereto and the Term Loan Agent. The Fifth Term Loan Amendment amended the Term Loan Agreement in order to, among other things, (i) increase the applicable margin in respect of all outstanding term loans to 8.00% in the case of Eurodollar Rate loans and 7.00% for Base Rate loans (with increases to 9.00% and 8.00%, respectively, with respect to all such term loans outstanding after the six-month anniversary of the Effective Date), (ii) release Bristow Helicopter Group Limited from all guaranty and collateral obligations in respect of the 2019 Term Loan, (iii) modify certain negative covenants to, among other things, allow for future aircraft-related financings and related liens and investments and (iv) delete certain provisions relating to the Chapter 11 Cases, in light of the occurrence of the Effective Date of the Amended Plan, including the deletion of the requirements to (x) deliver Variance Reports (as defined in the Term Loan Agreement) and (y) ensure that total operating disbursements and total receipts of the Company and its subsidiaries for certain specified periods did not exceed (with respect to disbursements) or were

not less than (with respect to total receipts) the aggregate amount forecasted therefor for such period by more (with respect to disbursements) or less (with respect to total receipts) than a specified percentage of the forecasted amount.

*Backstop Commitment Agreement* — On July 24, 2019, the Company entered into the Backstop Commitment Agreement with the other parties thereto (the “Commitment Parties”), pursuant to which the Commitment Parties agreed to backstop a total $385 million new money rights offering (the “Rights Offering”) of New Stock of the Reorganized Company. In accordance with the Amended Plan and certain Rights Offering procedures filed as part of the Amended Plan, the Company granted the Supporting Noteholders, including certain Commitment Parties who are Unsecured Noteholders (the “Unsecured Commitment Parties”) or Secured Noteholders (the “Secured Commitment Parties”), and holders of certain other unsecured claims (collectively with the Unsecured Noteholders, the “Unsecured Claims”), the right to purchase shares of New Stock of the Reorganized Company (the “Rights Offering Shares”), which were comprised of 91.825% of New Common Stock and 8.175% of New Preferred Stock, for an aggregate purchase price of, in the case of the Unsecured Claims, $347.5 million (the “Unsecured Rights Offering Amount”) and, in the case of the Secured Noteholders, $37.5 million (the “Secured Rights Offering Amount” and, together with the Unsecured Rights Offering Amount, the “Rights Offering Amount”)). Under the Backstop Commitment Agreement, the Commitment Parties agreed to purchase any Rights Offering Shares that were not duly subscribed for pursuant to the Rights Offering (the “Unsubscribed Shares”) at the Per Equity Share Purchase Price (as defined in the Backstop Commitment Agreement).

Under the Backstop Commitment Agreement, the Debtors agreed to pay (i) on the earlier of the closing date of the transactions contemplated by the Backstop Commitment Agreement or the termination of the Backstop Commitment Agreement, a backstop commitment fee (the “Backstop Commitment Fee”) in, at the election of the Commitment Parties, New Stock equal to 10% of (a) the Unsecured Rights Offering Amount to the Unsecured Commitment Parties and (b) the Secured Rights Offering Amount to the Secured Commitment Parties and (ii) both as promptly as reasonably practicable after entry of the BCA Approval Order (as defined in the Backstop Commitment Agreement) and on a monthly basis thereafter, all reasonably incurred and documented professional fees of the Commitment Parties. The Backstop Commitment Fee was paid in New Stock to the Commitment Parties pro rata based on the amount of their respective backstop commitments.

The rights to purchase Rights Offering Shares (excluding Unsubscribed Shares) in the Rights Offering were issued in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”), pursuant to section 1145 of the Bankruptcy Code. A portion of the New Common Stock issued in the Rights Offering was issued in reliance upon such exemption, and a portion of the New Common Stock and all of the New Preferred Stock were issued in reliance upon the exemption from registration under the Securities Act provided by Section 4(a)(2) thereof or another available exemption from registration thereunder. The offer and sale of the Unsubscribed Shares purchased by the Commitment Parties pursuant to the Backstop Commitment Agreement were made in reliance upon the exemption from registration under the Securities Act provided by Section 4(a)(2) thereof or another available exemption from registration thereunder. As a condition to the closing of the transactions contemplated by the Backstop Commitment Agreement, the Reorganized Company entered into a registration rights agreement with certain Commitment Parties requiring the Reorganized Company, subject to the terms and conditions thereof, to register the Commitment Parties’ securities under the Securities Act. As of September 30, 2019, we accrued estimated fees of $19.3 million included in other accrued liabilities on our condensed consolidated balance sheet.

The Commitment Parties’ commitments to backstop the Rights Offering and the other transactions contemplated by the Backstop Commitment Agreement were conditioned upon satisfaction of all applicable conditions set forth therein. The Rights Offering Shares were issued pursuant to the Rights Offering and the Backstop Commitment Agreement on the Effective Date.

On September 30, 2019, we entered into a limited waiver and amendment to the Backstop Commitment Agreement (the “BCA Amendment”), dated the same date, by and between the Company, on behalf of itself and each of the other Debtors, and certain Commitment Parties. The BCA Amendment extended the delivery dates (i) for the Company’s audited consolidated financial statements for the fiscal year ended March 31, 2019 until October 31, 2019 and (ii) for the Company’s unaudited consolidated financial statements for each of the fiscal quarters ended June 30, 2019 and September 30, 2019 until December 31, 2019.

*Debtor-in-Possession Credit Agreement* — In connection with the Chapter 11 Cases and pursuant to a commitment letter between the DIP Borrowers (as defined below) and the lenders party thereto, on July 25, 2019, the Debtors filed a motion seeking, among other things, interim and final approval of the proposed Superpriority Secured Debtor-in-Possession Credit Agreement (the “DIP Credit Agreement”) among the Company, as lead borrower, BHC III, as co-borrower (together with the Company, the “DIP Borrowers”), the other Debtors and guarantors party thereto and other guarantors from time to time party thereto, the financial institutions or other entities from time to time party thereto, and Ankura Trust Company, LLC, as administrative agent and collateral agent (the “DIP Agent”). On August 21, 2019, the Bankruptcy Court entered a final order, which, among other things, approved the DIP Credit Agreement, and on August 26, 2019, the Company entered into the DIP Credit Agreement. On August 27, 2019, the Company borrowed the full amount of the DIP Credit Agreement of $150 million at an 8.5% borrowing rate, $75 million of

which was used to pay down a portion of the 8.75% Senior Secured Notes discussed below and the remainder of which was to be used for general corporate purposes.

On September 30, 2019, we entered into Amendment No. 1 to the DIP Credit Agreement (the “DIP Credit Agreement Amendment”), dated the same date, among the Company, BHC III and the DIP Agent. The DIP Credit Agreement Amendment amended the DIP Credit Agreement to extend the delivery dates (i) for the Company’s audited consolidated financial statements for the fiscal year ended March 31, 2019 until October 31, 2019 and (ii) for the Company’s unaudited consolidated financial statements for each of the fiscal quarters ended June 30, 2019 and September 30, 2019 until December 31, 2019. On October 31, 2019, we repaid borrowings under the DIP Credit Agreement in exchange for New Stock of the Reorganized Company, and the DIP Credit Agreement terminated pursuant to its terms.

*Consent Solicitation and Supplemental Indenture* — On November 21, 2018, we completed the previously announced solicitation of consents from holders of our outstanding 8.75% Senior Secured Notes to amend certain provisions of the Secured Indenture pursuant to a supplemental indenture (the “Secured Supplemental Indenture”). The Secured Supplemental Indenture became effective upon the execution and delivery thereof, but would become operative only upon the delivery of a cash payment to eligible holders of the 8.75% Senior Secured Notes who validly delivered and did not revoke consents prior to the receipt of the consents required to effect the amendments under the Secured Supplemental Indenture. As the cash payment was not made, the Secured Supplemental Indenture did not become operative.

*ABL Facility* — On April 17, 2018, two of our subsidiaries entered into a new asset-backed revolving credit facility (the “ABL Facility”), which provides for commitments in an aggregate amount of $75 million, with a portion allocated to each borrower subsidiary, subject to an availability block of $15 million and a borrowing base calculated by reference to eligible accounts receivable. The maximum amount of the ABL Facility could be increased from time to time to a total of as much as $100 million, subject to the satisfaction of certain conditions, and any such increase would be allocated among the borrower subsidiaries. The ABL Facility matures in five years, subject to certain early maturity triggers related to maturity of other material debt or a change of control of the Company. Amounts borrowed under the ABL Facility are secured by certain accounts receivable owing to the borrower subsidiaries and the deposit accounts into which payments on such accounts receivable are deposited. As of September 30, 2019, there were no outstanding borrowings under the ABL Facility nor had we made any draws during the six months ended September 30, 2019. Letters of credit issued under the ABL Facility in the aggregate face amount of $15.0 million were outstanding on September 30, 2019.

The ABL Facility was amended pursuant to the ABL Waiver. As discussed above under “—*Waiver of Defaults*,” the ABL Waiver provided that the maturity date of December 14, 2021 shall be subject to certain early maturity triggers related to a Change of Control of the Company (as such definition has been amended by the ABL Waiver) or the ABL Waiver Termination Date.

On the Effective Date, the Company entered into an Amendment and Restatement, Confirmation and Waiver Agreement (the “ABL Amendment”) to the ABL Facility (together with the ABL Amendment, the “Amended ABL”), by and among the Company, as parent, Bristow Norway AS and Bristow Helicopters, as borrowers and guarantors, the financial institutions from time to time party thereto as lenders and Barclays Bank PLC, in its capacity as agent and security trustee. The ABL Amendment amended the ABL Facility in order to, among other things, (i) make permanent certain waivers of defaults or events of default that were previously provided during the pendency of the Chapter 11 Cases, (ii) confirm the existing maturity date of April 17, 2023, (iii) provide that the maximum amount of the Amended ABL may be increased, subject to satisfaction of certain conditions, from time to time to a total of as much as $115 million from its current aggregate of $100 million, and (iv) provide for the accession at a later date of Bristow U.S. LLC as a co-borrower under the Amended ABL and the addition of certain of its receivables to the borrowing base and the collateral for the Amended ABL.

*8.75% Senior Secured Notes due 2023*— On August 12, 2019, we commenced a tender offer (the “Tender Offer”) to purchase for cash our outstanding 8.75% Senior Secured Notes, up to an aggregate principal amount that would not result in an aggregate purchase price (including accrued and unpaid interest to, but not including, the settlement date) that exceeded $75.0 million. On September 11, 2019, we completed the Tender Offer, purchasing $74.8 million aggregate principal amount of the 8.75% Senior Secured Notes for $74.8 million, plus accrued and unpaid interest of $0.2 million, using funds borrowed under the DIP Credit Agreement. In accordance with the Amended Plan, on the Effective Date, all outstanding obligations under the 8.75% Senior Secured Notes, including the indentures governing such obligations, were cancelled, except to the limited extent expressly set forth in the Amended Plan.

*4½% Convertible Senior Notes due 2023* — The balances of the debt and equity components of our 4½% Convertible Senior Notes are as follows (in thousands):

| | September 30, 2019 | March 31, 2019 |
|---|---|---|
| Equity component - net carrying value [(1)] | $ 36,778 | $ 36,778 |
| Debt component: | | |
| Face amount due at maturity | $ 143,750 | $ 143,750 |
| Unamortized discount | — | (30,806) |
| Debt component - net carrying value | $ 143,750 | $ 112,944 |

[(1)] Net of equity issuance costs of $1.0 million.

Prior to May 11, 2019, the remaining debt discount was being amortized to interest expense over the term of the 4½% Convertible Senior Notes using the effective interest rate. The effective interest rate for April 1, 2019 to May 11, 2019 and the three and six months ended September 30, 2018 was 11.0%. Interest expense related to our 4½% Convertible Senior Notes was as follows (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Contractual coupon interest | $ — | $ 1,636 | $ 715 | $ 3,247 |
| Amortization of debt discount | — | 1,392 | 648 | 2,705 |
| Total interest expense | $ — | $ 3,028 | $ 1,363 | $ 5,952 |

As of May 11, 2019, we determined that the 4½% Convertible Senior Notes were an allowed claim and therefore reclassified the balance to liabilities subject to compromise and discontinued accruing interest on these obligations. Contractual interest on the 4½% Convertible Senior Notes for the three and six months ended September 30, 2019 was $1.6 million and $3.2 million, respectively, which is $1.6 million and $2.5 million in excess of reported interest expense for the three and six months ended September 30, 2019, respectively. In connection with reclassifying the 4½% Convertible Senior Notes to liabilities subject to compromise, we wrote-off $30.2 million of unamortized discount and $2.3 million of deferred financing fees. See Note 2 for further details. In accordance with the Amended Plan, on the Effective Date, all outstanding obligations under the 4½% Convertible Senior Notes, including the indentures governing such obligations, were cancelled, except to the limited extent expressly set forth in the Amended Plan.

*Macquarie Debt* — On October 3, 2019, the Bankruptcy Court approved a term sheet (the “Macquarie Term Sheet”) among the Company, as guarantor, Bristow U.S. LLC, as borrower and lessee, BriLog Leasing Ltd., as lessee, Macquarie Bank Limited, as administrative agent and security agent, Macquarie Leasing LLC, as lender and owner participant, and Macquarie Rotorcraft Leasing Holdings Limited, as owner participant, pursuant to which, among other matters, the parties agreed to enter into definitive documentation at emergence for an amendment to the Macquarie Credit Agreement (the “Macquarie Amendment”).

The parties entered into the Macquarie Amendment on October 31, 2019. Among other things, the Macquarie Amendment (i) extended the maturity date of the loan made under the Macquarie Credit Agreement by 12 months to March 6, 2023, (ii) adjusted the loan amortization in accordance with the newly extended maturity date, (iii) confirmed that an event of default under four or more existing leases involving parties to the Macquarie Term Sheet that remains unremedied after the applicable grace period for such an event of default will constitute an event of default under the Macquarie Credit Agreement, (iv) to the extent permitted by other debt instruments, provided for the collateralization of the obligations owed under such existing leases with the liens securing the Macquarie Credit Agreement and (v) allowed for the delivery by October 31, 2019 of the annual financial statements of the Company and its subsidiaries for the fiscal year ended March 31, 2019, and by December 31, 2019 of the quarterly financial statements of the Company and its subsidiaries for the fiscal quarters of the Company ended June 30, 2019 and September 30, 2019.

*PK Air Debt* — On October 3, 2019, the Company entered into an Omnibus Agreement (the “Omnibus Agreement”), dated the same date, among Bristow Equipment Leasing Ltd., as borrower,PK Transportation Finance Ireland Limited (“PK Transportation”), as lender, PK AirFinance, as agent for the lender and as security trustee for the MAG Agent and the MAG Parties (each as defined in the PK Credit Agreement), PK AirFinance and PK Transportation. Pursuant to the Omnibus Agreement, among

other matters, the parties have agreed, effective upon satisfaction of the conditions precedent set forth in the Omnibus Agreement (the “Omnibus Effective Date”), to amend the PK Credit Agreement to, among other things, extend the maturity date of the 24 loans made under the PK Credit Agreement by 18 months to January 27, 2025 and increase the principal amount of the loans in an aggregate amount of approximately $17.3 million. The Omnibus Agreement also updates the amortization schedule as of October 3, 2019 to provide that, among other things, only interest will be payable on the loans for the six months following the Omnibus Effective Date, with a balloon amount of approximately $104.2 million due on the maturity date. If the loans are refinanced by full prepayment during the six-month period following the Effective Date, no prepayment penalty will be due. Each loan is secured by an aircraft which has been pledged as collateral for the loans.

The Omnibus Agreement also provides that the Borrower Guarantee and Indemnity Cap (as defined in the PK Credit Agreement) will be reduced by the amount of increased principal when paid. In addition, the Omnibus Agreement adjusts the information covenants under the PK Credit Agreement such that the Company shall provide a copy of the annual audit report for each fiscal year for the Company and its subsidiaries as soon as available and in any event within 90 days after the end of such fiscal year of the Company (or, in the case of the fiscal year ended March 31, 2019, by October 31, 2019), and quarterly financial statements of the Company and its subsidiaries within 45 days after the end of each fiscal quarter of the Company (and, in the case of each of the fiscal quarters ended June 30, 2019 and September 30, 2019, by December 31, 2019). In the Omnibus Agreement, PK Transportation also agreed to waive certain events of default arising from breaches of covenants in other agreements as a result of the Chapter 11 Cases and failure to provide its financial statements by their required due dates.

*6¼% Senior Notes due 2022* **—** As of May 11, 2019, we determined that the 6¼% Senior Notes were an allowed claim and therefore reclassified the balance to liabilities subject to compromise and discontinued accruing interest on these obligations. Contractual interest on the 6¼% Senior Notes for the three and six months ended September 30, 2019 was $6.3 million and $12.5 million, respectively, which is $6.3 million and $9.8 million in excess of reported interest expense for the three and six months ended September 30, 2019, respectively. In connection with reclassifying the 6¼% Senior Notes to liabilities subject to compromise, we wrote-off $2.4 million of deferred financing fees. See Note 2 for further details. In accordance with the Amended Plan, on the Effective Date, all outstanding obligations under the 6¼% Senior Notes, including the indentures governing such obligations, were cancelled, except to the limited extent expressly set forth in the Amended Plan.

## Note 6 — FAIR VALUE DISCLOSURES

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

- Level 1 – observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs that reflect quoted prices for identical assets or liabilities in markets which are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – unobservable inputs reflecting the Company's own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

***Recurring Fair Value Measurements***

The following table summarizes the financial instruments we had as of September 30, 2019, valued at fair value on a recurring basis (in thousands):

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance as of September 30, 2019 | Balance Sheet Classification |
|---|---|---|---|---|---|
| Derivative financial instruments | $ — | $ 3,443 | $ — | $ 3,443 | Prepaid expenses and other current assets |
| Rabbi Trust investments | 2,645 | — | — | 2,645 | Other assets |
| Total assets | $ 2,645 | $ 3,443 | $ — | $ 6,088 | |

The following table summarizes the financial instruments we had as of March 31, 2019, valued at fair value on a recurring basis (in thousands):

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance as of March 31, 2019 | Balance Sheet Classification |
|---|---|---|---|---|---|
| Derivative financial instruments | $ — | $ 1,845 | $ — | $ 1,845 | Prepaid expenses and other current assets |
| Rabbi Trust investments | 2,544 | — | — | 2,544 | Other assets |
| Total assets | $ 2,544 | $ 1,845 | $ — | $ 4,389 | |

The rabbi trust investments consist of cash and mutual funds whose fair value are based on quoted prices in active markets for identical assets, and are designated as Level 1 within the valuation hierarchy. The rabbi trust holds investments related to our non-qualified deferred compensation plan for our senior executives. The derivative financial instruments consist of foreign currency put option contracts whose fair value is determined by quoted market prices of the same or similar instruments, adjusted for counterparty risk. See Note 7 for a discussion of our derivative financial instruments.

*Non-recurring Fair Value Measurements*

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

The following table summarizes the assets as of September 30, 2019, valued at fair value on a non-recurring basis (in thousands):

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance as of September 30, 2019 | Total Loss for the Three Months Ended September 30, 2019 | Total Loss for the Six Months Ended September 30, 2019 |
|---|---|---|---|---|---|---|
| Aircraft and equipment | $ — | $ 60,426 | $ — | $ 60,426 | $ (42,022) | $ (42,022) |
| Investment in unconsolidated affiliates | — | — | — | — | (2,575) | (2,575) |
| Goodwill | — | — | — | — | (17,504) | (17,504) |
| Total assets | $ — | $ 60,426 | $ — | $ 60,426 | $ (62,101) | $ (62,101) |

The following table summarizes the assets as of September 30, 2018, valued at fair value on a non-recurring basis (in thousands):

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance as of September 30, 2018 | Total Loss for the Three Months Ended September 30, 2018 | Total Loss for the Six Months Ended September 30, 2018 |
|---|---|---|---|---|---|---|
| Inventories | $ — | $ — | $ 7,697 | $ 7,697 | $ (9,276) | $ (9,276) |
| Aircraft and equipment | — | — | 136,338 | 136,338 | (104,939) | (104,939) |
| Other intangible assets | — | — | — | — | (3,005) | (3,005) |
| Total assets | $ — | $ — | $ 144,035 | $ 144,035 | $ (117,220) | $ (117,220) |

The fair value of goodwill, using Level 3 inputs, is determined using a combination of an income and market approach. The estimate of fair value was derived from unobservable inputs that require significant estimates, judgments and assumptions as described in Note 1 under the heading “— *Goodwill*”.

The fair value of investment in unconsolidated affiliates is estimated using the income approach. The estimate of fair value includes unobservable inputs, representative of Level 3 fair value measurement, including assumptions related to future performance, such as projected demand for services. For further details on our investment in unconsolidated affiliates, see Note 1.

The fair value of inventories using Level 3 inputs is determined by evaluating the current economic conditions for sale and disposal of spare parts, which includes estimates as to the recoverability of the carrying value of the parts based on historical experience with sales and disposal of similar spare parts, the expected time frame of sales or disposals, the location of the spare parts to be sold and the condition of the spare parts to be sold or otherwise disposed of.

The fair value of aircraft and equipment, using Level 3 inputs, is determined using a market approach. The market approach consisted of a thorough review of recent market activity, available transaction data involving the subject aircraft, current demand and availability on the market. We took into account the age, specifications, accrued hours and cycles, and the maintenance status of each subject aircraft.

The fair value of aircraft and equipment, using Level 2 inputs, is determined using inputs that are derived principally from or corroborated by observable market data or inputs other than quoted prices that are observable for the asset including potential sale prices contemplated in arms-length transactions with third-parties.

The fair value of other intangible assets, using Level 3 inputs, is estimated using the income approach. The estimate of fair value includes unobservable inputs, including assumptions related to future performance, such as projected demand for services, rates, and levels of expenditures.

***Fair Value of Debt***

The fair value of our debt has been estimated in accordance with the accounting standard regarding fair value. The fair value of our fixed rate long-term debt is estimated based on quoted market prices and has not been updated for any possible acceleration provisions in our debt instruments. The carrying and fair value of our debt, excluding unamortized debt issuance costs, are as follows (in thousands):

| | September 30, 2019 | | March 31, 2019 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| 8.75% Senior Secured Notes due 2023(1) | $ 273,449 | $ 269,678 | $ 347,400 | $ 252,000 |
| 4½% Convertible Senior Notes due 2023(2) (3) | 143,750 | 14,375 | 112,944 | 28,923 |
| 6¼% Senior Notes due 2022(3) | 401,535 | 28,107 | 401,535 | 75,288 |
| DIP Credit Agreement | 150,000 | 150,000 | — | — |
| Term Loan | 75,000 | 75,000 | — | — |
| Lombard Debt | 167,519 | 167,519 | 183,450 | 183,450 |
| Macquarie Debt | 164,028 | 164,028 | 171,028 | 171,028 |
| PK Air Debt | 202,634 | 202,634 | 212,041 | 212,041 |
| Airnorth Debt | 9,416 | 9,416 | 11,058 | 11,058 |
| Eastern Airways Debt | 351 | 351 | — | — |
| Other Debt(3) | 9,370 | 9,370 | 9,168 | 9,168 |
| | $ 1,597,052 | $ 1,090,478 | $ 1,448,624 | $ 942,956 |

(1) The carrying value is net of unamortized discount of $1.7 million and $2.6 million as of September 30, 2019 and March 31, 2019, respectively.

(2) The carrying value is net of unamortized discount of zero and $30.8 million as of September 30, 2019 and March 31, 2019, respectively.

(3) Reclassified to liabilities subject to compromise on our condensed consolidated balance sheet as of September 30, 2019. See Note 2 and Note 5 for further details.

***Other***

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

## Note 7 — DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

From time to time, we enter into forward exchange contracts as a hedge against foreign currency asset and liability commitments and anticipated transaction exposures, including intercompany purchases. All derivatives are recognized as assets or liabilities and measured at fair value. We do not use financial instruments for trading or speculative purposes.

During fiscal year 2019 and the six months ended September 30, 2019, we entered into foreign currency put option contracts of £5 million per month through September 2020 to mitigate a portion of our foreign currency exposure. These derivatives were designated as cash flow hedges.

The designation of a derivative instrument as a hedge and its ability to meet relevant hedge accounting criteria determines how the change in fair value of the derivative instrument will be reflected in the consolidated financial statements. A derivative qualifies for hedge accounting if, at inception, the derivative is expected to be highly effective in offsetting the hedged item's underlying cash flows or fair value and the documentation requirements of the accounting standard for derivative instruments and hedging activities are fulfilled at the time we enter into the derivative contract. A hedge is designated as a cash flow hedge, fair value hedge, or a net investment in foreign operations hedge based on the exposure being hedged. The asset or liability value of the derivative will change in tandem with its fair value. For derivatives designated as cash flow hedges, the changes in fair value are recorded in accumulated other comprehensive income (loss). The derivative's gain or loss is released from accumulated other comprehensive income (loss) to match the timing of the effect on earnings of the hedged item's underlying cash flows.

We review the effectiveness of our hedging instruments on a quarterly basis. We discontinue hedge accounting for any hedge that we no longer consider to be highly effective. Changes in fair value for derivatives not designated as hedges or those not qualifying for hedge accounting are recognized in current period earnings.

None of our derivative instruments contain credit-risk-related contingent features. Counterparties to our derivative contracts are high credit quality financial institutions.

The following table presents the balance sheet location and fair value of the portions of our derivative instruments that were designated as hedging instruments as of September 30, 2019 (in thousands):

| | Derivatives designated as hedging instruments | Derivatives not designated as hedging instruments | Gross amounts of recognized assets and liabilities | Gross amounts offset in the Balance Sheet | Net amounts of assets and liabilities presented in the Balance Sheet |
|---|---|---|---|---|---|
| Prepaid expenses and other current assets | $ 3,443 | $ — | $ 3,443 | $ — | $ 3,443 |
| Net | $ 3,443 | $ — | $ 3,443 | $ — | $ 3,443 |

The following table presents the balance sheet location and fair value of the portions of our derivative instruments that were designated as hedging instruments as of March 31, 2019 (in thousands):

| | Derivatives designated as hedging instruments | Derivatives not designated as hedging instruments | Gross amounts of recognized assets and liabilities | Gross amounts offset in the Balance Sheet | Net amounts of assets and liabilities presented in the Balance Sheet |
|---|---|---|---|---|---|
| Prepaid expenses and other current assets | $ 1,845 | $ — | $ 1,845 | $ — | $ 1,845 |
| Net | $ 1,845 | $ — | $ 1,845 | $ — | $ 1,845 |

The following table presents the impact that derivative instruments, designated as cash flow hedges, had on our accumulated other comprehensive loss (net of tax) and our consolidated statements of operations for the three months ended September 30, 2019 (in thousands):

| | | Financial statement location |
|---|---|---|
| Amount of gain recognized in accumulated other comprehensive loss | $ 2,248 | Accumulated other comprehensive loss |
| Amount of gain reclassified from accumulated other comprehensive loss into earnings | $ 1,124 | Statement of operations |

The following table presents the impact that derivative instruments, designated as cash flow hedges, had on our accumulated other comprehensive loss (net of tax) and our consolidated statements of operations for the six months ended September 30, 2019 (in thousands):

| | | Financial statement location |
|---|---|---|
| Amount of gain recognized in accumulated other comprehensive loss | $ 2,733 | Accumulated other comprehensive loss |
| Amount of gain reclassified from accumulated other comprehensive loss into earnings | $ 1,135 | Statement of operations |

We estimate that $1.2 million of net gain in accumulated other comprehensive loss associated with our derivative instruments is expected to be reclassified into earnings within the next twelve months.

## Note 8 — COMMITMENTS AND CONTINGENCIES

*Aircraft Purchase Contracts* — As shown in the table below, we have obligations to make additional capital expenditures over the next two fiscal years to purchase additional aircraft. As of September 30, 2019, we had three aircraft on order and no options to acquire additional aircraft.

| | Six Months Ending March 31, 2020 | Fiscal Year Ending March 31, | | | | |
|---|---|---|---|---|---|---|
| | | 2021 | 2022 | 2023 | 2024 and thereafter | Total |
| **Commitments as of September 30, 2019:**[(1)(2)] | | | | | | |
| Number of aircraft: | | | | | | |
| U.K. SAR [(3)] | 2 | 1 | — | — | — | 3 |
| | | | | | | |
| Related commitment expenditures (in thousands) | | | | | | |
| U.K. SAR | $ 28,747 | $ 14,374 | $ — | $ — | $ — | $ 43,121 |

(1) On July 25, 2019, we entered into an amendment to our agreement for the purchase of four AW189 U.K. SAR configuration helicopters. Pursuant to the amendment, the parties mutually agreed to postpone the delivery dates for three helicopters to the second half of fiscal year 2020 and the first quarter of fiscal year 2021. The postponement in deliveries resulted in deferral of approximately $14.4 million in capital expenditures scheduled for fiscal years 2020 into fiscal year 2021. The impact of this amendment is included in the table above. One of the four AW189s was purchased in August 2019.

(2) In October 2019, the Bankruptcy Court approved our agreement with Airbus Helicopters S.A.S. to reject our aircraft purchase contract for 22 large aircraft. This impact of this agreement is included in the table above.

(3) The three AW189 U.K. SAR configured aircraft on order were being leased as of March 31, 2019. One of the AW189s was purchased in October 2019.

We periodically purchase aircraft for which we have no orders.

*Separation Programs* — Beginning in March 2015, we initiated involuntary separation programs ("ISPs") in certain regions. The expense related to the ISPs for the three and six months ended September 30, 2019 and 2018 is as follows (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Direct cost | $ 2,525 | $ 1,212 | $ 3,988 | $ 2,713 |
| General and administrative | 10 | 1,515 | 163 | 1,733 |
| Total | $ 2,535 | $ 2,727 | $ 4,151 | $ 4,446 |

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

*Other Purchase Obligations* — As of September 30, 2019, we had $28.3 million of other purchase obligations representing unfilled purchase orders for aircraft parts and non-cancelable power-by-the-hour maintenance commitments.

*Sikorsky Lawsuit* — On January 8, 2019, we filed suit in the District Court of Harris County, Texas against Sikorsky Aircraft Corporation ("Sikorsky") for breach of contract, unjust enrichment and conversion as a result of Sikorsky terminating a sales agreement after we sought to delay delivery of a helicopter and retaining our $11.7 million deposit as liquidated damages. We are seeking a ruling that Sikorsky be required to return the deposit and provide an accurate calculation of its damages under the sales agreement. Bristow recently removed the claim to the Southern District of Texas bankruptcy court based on Sikorsky's decision to file a claim in bankruptcy related to this case. We expect a resolution in the next six to nine months.

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

On November 6, 2017, the Huntington National Bank ("Huntington") filed suit against the Company and Bristow U.S. LLC in the U.S. District Court for the Southern District of New York (the "Southern District of New York Court"). Huntington alleges violation of an addendum of a lease agreement for failure to arrange for the enrollment of the aircraft engines in a maintenance agreement and seeks approximately $2.5 million in damages. We submitted a counterclaim for approximately $100,000 of costs related to storage, maintenance and insurance of the aircraft following the expiration of the lease. On March 1, 2019, the Southern District of New York Court denied Huntington's motion for summary judgment. We initiated discovery; however, on May 16, 2019, the proceedings were stayed as a result of the Chapter 11 Cases. Huntington filed a claim in the bankruptcy proceedings for the damages alleged in its initial lawsuit and for damages allegedly incurred as a result of Bristow returning a second leased aircraft. The Company, Bristow U.S. LLC, and Huntington entered into a Settlement Agreement on October 17, 2019 that provides a framework for resolution of Huntington's claims with respect to both leased aircraft. The Bankruptcy Court approved the settlement on October 23, 2019.

Two purported class action complaints, *Kokareva v. Bristow Group Inc.*, Case No. 4:19-cv-0509 and *Lilienfield v. Bristow Group Inc.*, Case No. 4:19-cv-1064, were filed in the U.S. District Court for the Southern District of Texas (the "Southern District of Texas Court") on February 14, 2019 and March 21, 2019, respectively. The complaints, which also name Jonathan E. Baliff and L. Don Miller as defendants, allege violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), arising out of the Company's disclosures and alleged failure to make timely disclosure of inadequate monitoring control processes related to non-financial covenants within certain of its secured financing and lease agreements. On May 17, 2019, the Southern District of Texas Court appointed BRS Investor Group as Lead Plaintiff and consolidated both actions under *Kokareva v. Bristow Group Inc.*, Case No. 4:19-cv-0509. When the Company filed the Chapter 11 Cases on May 11, 2019, the litigation against the Company was automatically stayed. When the Company emerged from bankruptcy, all the claims against the Company were released, but the case is still proceeding against the individual defendants. Plaintiffs filed a Consolidated Amended Complaint on November 4, 2019, and defendants have until January 3, 2020 to file a response. The defendants believe that the claims are without merit and intend to vigorously defend against them.

On June 7, 2019, Marilyn DeVault filed a Stockholder Derivative Complaint against Thomas N. Amonett, Gaurdie Banister Jr., Ian A. Godden, Lori A. Gobillot, A. William Higgins, Thomas C. Knudson, Biggs C. Porter, Jonathan E. Baliff, Stephen A.

King, Matthew Masters, David C. Gompert, Bruce H. Stover, L. Don Miller, and Brian J. Allman (the "Derivative Defendants") in the United States District Court for the District of Delaware. The complaint alleges breaches of fiduciary duties and violations of Section 10(b) of the Exchange Act arising out of Company disclosures and failing to have adequate monitoring control processes related to non-financial covenants within certain of our secured financing and lease agreements. The complaint also alleges waste of corporate assets, gross mismanagement, and unjust enrichment. On July 19, 2019, the parties submitted a Joint Stipulation to stay the case pending the resolution of any motion to dismiss filed in the actions in the Southern District of Texas Court. The Derivative Defendants believe that the claims are without merit and intend to vigorously defend against them.

We operate in jurisdictions internationally where we are subject to risks that include government action to obtain additional tax revenue. In a number of these jurisdictions, political unrest, the lack of well-developed legal systems and legislation that is not clear enough in its wording to determine the ultimate application, can make it difficult to determine whether legislation may impact our earnings until such time as a clear court or other ruling exists. We operate in jurisdictions currently where amounts may be due to governmental bodies that we are not currently recording liabilities for as it is unclear how broad or narrow legislation may ultimately be interpreted. We believe that payment of amounts in these instances is not probable at this time, but is reasonably possible.

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

## Note 9 — LEASES

As discussed in Note 1, we adopted ASC 842 on a prospective basis on April 1, 2019 and used the effective date as the date of initial application. Therefore, prior period financial information has not been adjusted and continues to be reflected in accordance with our historical accounting policies. The lease standard establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months.

We elected to adopt the "package of practical expedients", which allows us to carry forward historical assessments of whether existing agreements contain a lease, classification of existing lease agreements, and treatment of initial direct lease costs. We also elected to account for non-lease and lease components as a single lease component for all asset classes and exclude short-term leases (those with terms of 12 months or less) from balance sheet presentation.

The adoption of this accounting standard had the effects specified in Note 1.

***Accounting Policy for Leases***

We determine if an arrangement is a lease at inception. All of our leases are operating leases and are recorded in ROU assets, accounts payable and operating lease liabilities in our condensed consolidated balance sheet as of September 30, 2019.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligations to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date of a lease based on the present value of lease payments over the lease term. We use our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. Our lease terms may include options to extend or terminate the lease. The lease term includes options to extend when we are reasonably certain to exercise the option. We are not, however, reasonably certain that we will exercise any option(s) to extend at commencement of a lease as each extension would be based on the relevant facts and circumstances at the time of the decision to exercise or not exercise an extension option, and as such, they have not been included in the remaining lease terms. We will evaluate the impact of lease extensions, if and when the exercise of an extension option is probable.

***Overview***

We have non-cancelable operating leases in connection with the lease of certain equipment, including leases for aircraft, and land and facilities used in our operations. The related lease agreements, which range from non-cancelable and month-to-month terms, generally provide for fixed monthly rentals, and can also include renewal options. We generally pay all insurance, taxes, and maintenance expenses associated with these leases, and these costs are not included in the lease liability and are recognized in the period in which they are incurred.

The aircraft leases range from base terms of up to 180 months with renewal options of up to 240 months in some cases, include purchase options upon expiration and some include early purchase options. The leases contain terms customary in transactions of this type, including provisions that allow the lessor to repossess the aircraft and require us to pay a stipulated amount if we default on our obligations under the agreements. The following is a summary of the terms related to aircraft leased under operating leases with original or remaining terms in excess of one year as of September 30, 2019:

| End of Lease Term | Number of Aircraft |
|---|---|
| Six months ending March 31, 2019 to fiscal year 2020 | 6 |
| Fiscal year 2021 to fiscal year 2023 | 23 |
| Fiscal year 2024 to fiscal year 2025 | 20 |
| | 49 |

Rent expense incurred under all operating leases was $38.3 million and $49.6 million for the three months ended September 30, 2019 and 2018, respectively, and $90.4 million and $99.7 million for the six months ended September 30, 2019 and 2018, respectively. For the three and six months ended September 30, 2019, a portion of the total operating lease expense relating to short-term leases was $0.3 million and $0.6 million, respectively. Rent expense incurred under operating leases for aircraft was $32.8 million and $43.2 million for the three months ended September 30, 2019 and 2018, respectively, and $79.3 million and $87.3 million for the six months ended September 30, 2019 and 2018, respectively.

Operating leases as of September 30, 2019 were as follows (in thousands):

| | |
|---|---|
| Operating lease right-of-use assets | $ 331,743 |
| | |
| Current portion of operating lease liabilities | 83,630 |
| Operating lease liabilities | 251,399 |
| Total operating lease liabilities | $ 335,029 |

| | Six Months Ended September 30, 2019 |
|---|---|
| Cash paid for operating leases | $ 83,113 |
| ROU assets obtained in exchange for lease obligations | $ 134,352 |
| Weighted average remaining lease term | 5 years |
| Weighted average discount rate | 7.14% |

As of September 30, 2019, aggregate future payments under all non-cancelable operating leases that have initial or remaining terms in excess of one year, including leases for 49 aircraft, are as follows (in thousands):

| | Aircraft | Other | Total |
|---|---|---|---|
| Fiscal year ending March 31, | | | |
| 2020 | $ 47,496 | $ 4,254 | $ 51,750 |
| 2021 | 87,201 | 6,849 | 94,050 |
| 2022 | 77,440 | 5,725 | 83,165 |
| 2023 | 57,126 | 4,424 | 61,550 |
| 2024 | 44,722 | 4,020 | 48,742 |
| Thereafter | 32,400 | 23,394 | 55,794 |
| | $ 346,385 | $ 48,666 | $ 395,051 |

We lease six S-92 model aircraft and one AW139 model aircraft from VIH Aviation Group, which is a related party due to common ownership of Cougar Helicopters Inc. (“Cougar”) and paid lease fees of $3.0 million and $4.5 million during the three months ended September 30, 2019 and 2018, respectively, and $7.5 million and $9.5 million during the six months ended September 30, 2019 and 2018, respectively. Additionally, we lease a facility in Galliano, Louisiana from VIH Helicopters USA, Inc., another related party due to common ownership of Cougar, and paid lease fees of $0.1 million and $0.1 million during the three months ended September 30, 2019 and 2018, respectively, and $0.1 million and $0.1 million during the six months ended September 30, 2019 and 2018, respectively.

In April and May 2019, we returned our remaining four H225 leased aircraft and paid $4.3 million in lease return costs. As of June 30, 2019, we accrued an additional $2.8 million in lease return costs, $9.7 million in future rent and $9.4 million in deferred rent related to these four H225 lease returns. These amounts are included in liabilities subject to compromise in our condensed consolidated balance sheet as of September 30, 2019. Also, we reduced our right-of-use assets by $11.9 million and operating lease liabilities by $12.4 million in connection with these lease returns. For further information regarding the Omnibus Agreement, see Note 5.

In June 2019, we rejected ten aircraft leases including nine S-76C+s and one S-76D and recorded $26.0 million of lease termination costs, net. In September 2019, we recorded an additional $4.2 million of lease termination costs to adjust our liabilities subject to compromise to the allowed claim. Also, in connection with these ten aircraft lease returns, we reduced our right-of-use assets by $18.6 million and operating lease liabilities by $20.2 million. On October 31, 2019, as part of the Amended Plan, we settled and paid these liabilities in full for $3.9 million.

In September 2019, we rejected the lease for our corporate headquarters in Houston, Texas. As of September 30, 2019, we recorded an allowed claim of $5.3 million, which was settled and paid in full for $0.6 million on October 31, 2019, as part of the Amended Plan. Also, in connection with the corporate lease rejection, as of September 30, 2019 we reduced our right-of-use assets by $13.2 million and operating lease liabilities by $18.9 million.

**Note 10 — TAXES**

Our provision for income taxes for the interim period ended September 30, 2019 was prepared using a discrete effective tax rate method. Historically, we calculated our provision for income taxes during interim reporting periods by applying the estimated annual income tax rate for the full fiscal year to income from continuing operations, excluding discrete items, for the reporting period. We determined that since small changes in estimated pre-tax income or loss would result in significant changes in the estimated annual effective tax rate, the historical method would not provide a reliable estimate of income taxes for the quarter ended September 30, 2019. We will continue to evaluate income tax estimates under the historical method in subsequent quarters and employ a discrete effective tax rate method if warranted. During the three months ended September 30, 2019 and 2018, our effective tax rate was 11.8% and 9.8%, respectively, and during the six months ended September 30, 2019 and 2018, our effective tax rate was 10.1% and 9.6%, respectively. The effective tax rate for the three and six months ended September 30, 2019 and 2018 were impacted by valuation allowances against future realization of foreign tax credits and net operating losses in certain foreign jurisdictions.

The relationship between our provision for or benefit from income taxes and our pre-tax book income can vary significantly from period to period considering, among other factors, (a) the overall level of pre-tax book income, (b) changes in the blend of income that is taxed based on gross revenues or at high effective tax rates versus pre-tax book income or at low effective tax rates and (c) our geographical blend of pre-tax book income. Consequently, our income tax expense or benefit does not change proportionally with our pre-tax book income or loss. Significant decreases in our pre-tax book income typically result in higher effective tax rates, while significant increases in pre-tax book income can lead to lower effective tax rates, subject to the other factors impacting income tax expense noted above. The change in our effective tax rate excluding discrete items for the three months ended September 30, 2019 compared to the three months ended September 30, 2018 primarily related to changes in the blend of earnings taxed in relatively high taxed jurisdictions versus low taxed jurisdictions. Additionally, our valuation allowance increased by $3.6 million and $9.3 million for the three months ended September 30, 2019 and 2018, respectively, and our valuation allowance increased by $3.3 million and $10.3 million for the six months ended September 30, 2019 and 2018, respectively, which also impacted our effective tax rate.

As of September 30, 2019, there were $4.1 million of unrecognized tax benefits, all of which would have an impact on our effective tax rate if recognized.

## Note 11 — EMPLOYEE BENEFIT PLANS

### *Pension Plans*

The components of net periodic pension cost other than the service cost component are included in other income (expense), net on our condensed consolidated statement of operations. The following table provides a detail of the components of net periodic pension cost (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Service cost for benefits earned during the period | $ 152 | $ 210 | $ 311 | $ 429 |
| Interest cost on pension benefit obligation | 2,799 | 3,221 | 5,718 | 6,585 |
| Expected return on assets | (3,841) | (4,247) | (7,846) | (8,681) |
| Prior service costs | 34 | — | 69 | — |
| Amortization of unrecognized losses | 1,976 | 1,970 | 4,037 | 4,027 |
| Net periodic pension cost | $ 1,120 | $ 1,154 | $ 2,289 | $ 2,360 |

The current estimates of our cash contributions to our defined benefit pension plans to be paid in fiscal year 2020 are $15.6 million, of which $7.6 million was paid during the six months ended September 30, 2019. The weighted-average expected long-term rate of return on assets for our U.K. pension plans as of March 31, 2019 was 3.4%.

### *Incentive Compensation*

Prior to May 11, 2019, stock-based awards were made under the Bristow Group Inc. 2007 Long-Term Incentive Plan (the “2007 Plan”). A maximum of 10,646,729 shares of common stock were reserved. Awards granted under the 2007 Plan were in the form of stock options, stock appreciation rights, shares of restricted stock, other stock-based awards (payable in cash or common stock) or performance awards, or any combination thereof, and were made to outside directors, employees or consultants. As of September 30, 2019, 2,355,625 shares remained available for grant under the 2007 Plan.

We have a number of other incentive and stock option plans which are described in Note 10 to our fiscal year 2019 Financial Statements.

Total stock-based compensation expense, which includes stock options and restricted stock, totaled $0.7 million and $2.0 million for the three months ended September 30, 2019 and 2018, respectively, and $1.5 million and $3.7 million for the six months ended September 30, 2019 and 2018, respectively. Stock-based compensation expense has been allocated to our various regions.

No stock-based compensation was awarded in fiscal year 2020 under the 2007 Plan. The 2007 Plan and all awards thereunder were cancelled effective upon emergence from bankruptcy on October 31, 2019. See Note 2 for further details on fiscal year 2020 incentive compensation awards.

In addition to the key employee incentive plans approved by the Bankruptcy Court described in Note 2, we made retention payments in April and October 2019 totaling $3.2 million to non-executives and retention payments in April 2019 totaling $3.1 million to executives and made $3.5 million of payments for the first quarter fiscal year 2020 management incentive plan in May 2019.

## Note 12 — EARNINGS PER SHARE AND ACCUMULATED OTHER COMPREHENSIVE INCOME

***Earnings per Share***

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

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Options: | | | | |
| Outstanding | 3,161,465 | 2,751,470 | 3,179,147 | 2,794,032 |
| Weighted average exercise price | $ 26.58 | $ 31.26 | $ 26.57 | $ 33.25 |
| Restricted stock awards: | | | | |
| Outstanding | 841,574 | 773,799 | 646,040 | 515,395 |
| Weighted average price | $ 6.44 | $ 12.29 | $ 8.51 | $ 13.68 |

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

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Loss (in thousands): | | | | |
| Loss available to common stockholders – basic | $ (162,974) | $ (143,947) | $ (332,220) | $ (175,811) |
| Loss available to common stockholders – diluted | (162,974) | (143,947) | $ (332,220) | $ (175,811) |
| Shares: | | | | |
| Weighted average number of common shares outstanding – basic | 35,918,916 | 35,768,232 | 35,918,916 | 35,685,388 |
| Net effect of dilutive stock options and restricted stock awards based on the treasury stock method | — | — | — | — |
| Weighted average number of common shares outstanding – diluted [1] | 35,918,916 | 35,768,232 | 35,918,916 | 35,685,388 |
| Basic loss per common share | $ (4.54) | $ (4.02) | $ (9.25) | $ (4.93) |
| Diluted loss per common share | $ (4.54) | $ (4.02) | $ (9.25) | $ (4.93) |

(1) Potentially dilutive shares issuable pursuant to our warrant transactions entered into concurrently with the issuance of our 4½% Convertible Senior Notes (the "Warrant Transactions") were not included in the computation of diluted income per share for the three and six months ended September 30, 2019 and 2018, because to do so would have been anti-dilutive. For further details on the Warrant Transactions, see Note 5 in our fiscal year 2019 Financial Statements.

Pursuant to the Amended Plan, upon the Effective Date all existing equity interests in the Company were cancelled and discharged, including the options and restricted stock awards.

BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

***Accumulated Other Comprehensive Loss***

The following table sets forth the changes in the balances of each component of accumulated other comprehensive loss (in thousands):

| | Currency Translation Adjustments | Pension Liability Adjustments [1] | Unrealized gain (loss) on cash flow hedges [2] | Total |
|---|---|---|---|---|
| Balance as of March 31, 2019 | $ (137,867) | $ (189,734) | $ (388) | $ (327,989) |
| Other comprehensive income before reclassification | 4,589 | — | 2,733 | 7,322 |
| Reclassified from accumulated other comprehensive income | — | — | (1,135) | (1,135) |
| Net current period other comprehensive income | 4,589 | — | 1,598 | 6,187 |
| Foreign exchange rate impact | (12,133) | 12,133 | — | — |
| Balance as of September 30, 2019 | $ (145,411) | $ (177,601) | $ 1,210 | $ (321,802) |

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

(2) Reclassification of amounts related to cash flow hedges were included as direct costs.

## Note 13 — SEGMENT INFORMATION

We conduct our business in one segment: industrial aviation services. The industrial aviation services global operations are conducted primarily through two hubs that include four regions as follows: Europe Caspian, Africa, Americas and Asia Pacific. The Europe Caspian region comprises all our operations and affiliates in Europe and Central Asia, including Norway, the U.K. and Turkmenistan. The Africa region comprises all our operations and affiliates on the African continent, including Nigeria and Egypt. The Americas region comprises all our operations and affiliates in North America and South America, including Brazil, Canada, Guyana, Trinidad and the U.S. Gulf of Mexico. The Asia Pacific region comprises all our operations and affiliates in Australia and Southeast Asia. Prior to the sale of BHLL and Aviashelf during the three months ended September 30, 2019, we had operations in Sakhalin, Russia which is included in our Asia Pacific region.

The following tables show region information for the three and six months ended September 30, 2019 and 2018 and as of September 30 and March 31, 2019, where applicable, reconciled to consolidated totals, and prepared on the same basis as our condensed consolidated financial statements (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Region revenue from external customers: | | | | |
| Europe Caspian | $ 179,870 | $ 201,547 | $ 368,464 | $ 420,047 |
| Africa | 47,165 | 39,392 | 96,681 | 75,808 |
| Americas | 61,726 | 56,068 | 118,716 | 107,435 |
| Asia Pacific | 29,449 | 51,628 | 67,260 | 111,824 |
| Corporate and other | 10 | 708 | 275 | 897 |
| Total region revenue [1] | $ 318,220 | $ 349,343 | $ 651,396 | $ 716,011 |
| Intra-region revenue: | | | | |
| Europe Caspian | $ 572 | $ 2,254 | $ 1,616 | $ 3,934 |
| Africa | — | — | 122 | — |
| Americas | 537 | 1,011 | 1,848 | 2,648 |
| Asia Pacific | 29 | — | 73 | — |
| Corporate and other | — | — | — | 1 |
| Total intra-region revenue | $ 1,138 | $ 3,265 | $ 3,659 | $ 6,583 |
| Consolidated revenue: | | | | |
| Europe Caspian | $ 180,442 | $ 203,801 | $ 370,080 | $ 423,981 |
| Africa | 47,165 | 39,392 | 96,803 | 75,808 |
| Americas | 62,263 | 57,079 | 120,564 | 110,083 |
| Asia Pacific | 29,478 | 51,628 | 67,333 | 111,824 |
| Corporate and other | 10 | 708 | 275 | 898 |
| Intra-region eliminations | (1,138) | (3,265) | (3,659) | (6,583) |
| Total consolidated revenue [1] | $ 318,220 | $ 349,343 | $ 651,396 | $ 716,011 |

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(1) The above table represents disaggregated revenue from contracts with customers except for $8.4 million of revenue included in totals ($0.3 million from Europe Caspian, $8.0 million from Americas and $0.1 million from Asia Pacific) for the three months ended September 30, 2019 and $12.2 million of revenue included in totals ($4.1 million from Europe Caspian, $8.0 million from Americas and $0.1 million from Asia Pacific) for the three months ended September 30, 2018. The above table represents disaggregated revenue from contracts with customers except for $16.8 million of revenue included in totals ($0.6 million from Europe Caspian, $16.0 million from Americas and $0.2 million from Asia Pacific) for the six months ended September 30, 2019 and $32.0 million of revenue included in totals ($17.1 million from Europe Caspian, $14.7 million from Americas and $0.2 million from Asia Pacific) for the six months ended September 30, 2018. For further details on revenue recognition, see Note 3.

**BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**
**(Unaudited)**

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Earnings from unconsolidated affiliates, net of losses – equity method investments: | | | | |
| Europe Caspian | $ (3) | $ (6) | $ 168 | $ 19 |
| Americas | 315 | 1,573 | 2,491 | 136 |
| Corporate and other | 321 | (106) | 321 | (241) |
| Total earnings from unconsolidated affiliates, net of losses – equity method investments | $ 633 | $ 1,461 | $ 2,980 | $ (86) |
| Consolidated operating loss: | | | | |
| Europe Caspian | $ 11,224 | $ (11,414) | $ 23,031 | $ 10,514 |
| Africa | 6,528 | 1,465 | 14,273 | 2,606 |
| Americas | 3,527 | 2,056 | 7,095 | (5,287) |
| Asia Pacific | (19,848) | (6,988) | (32,282) | (7,959) |
| Corporate and other | (63,297) | (113,274) | (91,938) | (129,905) |
| Loss on disposal of assets | (230) | (1,293) | (4,017) | (2,971) |
| Total consolidated operating loss [1] | $ (62,096) | $ (129,448) | $ (83,838) | $ (133,002) |
| Depreciation and amortization: | | | | |
| Europe Caspian | $ 12,395 | $ 12,189 | $ 24,834 | $ 24,944 |
| Africa | 5,007 | 3,665 | 9,998 | 7,079 |
| Americas | 7,590 | 7,310 | 14,470 | 14,191 |
| Asia Pacific | 2,970 | 4,054 | 6,691 | 8,409 |
| Corporate and other | 3,341 | 3,271 | 6,649 | 6,807 |
| Total depreciation and amortization | $ 31,303 | $ 30,489 | $ 62,642 | $ 61,430 |

| | September 30, 2019 | March 31, 2019 |
|---|---|---|
| Identifiable assets: | | |
| Europe Caspian | $ 1,281,386 | $ 1,070,863 |
| Africa | 351,345 | 325,502 |
| Americas | 690,547 | 661,266 |
| Asia Pacific | 171,809 | 255,136 |
| Corporate and other [2] | 297,488 | 339,832 |
| Total identifiable assets | $ 2,792,575 | $ 2,652,599 |
| Investments in unconsolidated affiliates – equity method investments: | | |
| Europe Caspian | $ 329 | $ 375 |
| Americas | 103,371 | 108,831 |
| Corporate and other | — | 2,711 |
| Total investments in unconsolidated affiliates – equity method investments | $ 103,700 | $ 111,917 |

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(1) Results for the three months ended September 30, 2018 were positively impacted by a reduction to rent expense of $2.4 million (included in direct costs) impacting Europe Caspian and Asia Pacific regions by $1.7 million and $0.7 million, respectively, related to OEM cost recoveries for ongoing aircraft issues. Results for the six months ended September 30, 2019 were positively impacted by a reduction to rent expense of $6.0 million (included in direct costs) impacting Europe Caspian and Asia Pacific regions by $1.5 million and $4.5 million, respectively, related to OEM cost recoveries for ongoing aircraft issues. Results for the six months ended September 30, 2018 were positively impacted by a reduction to rent expense of $5.9 million (included in direct costs) impacting Europe Caspian and Asia Pacific regions by $4.4 million and $1.5 million, respectively, related to OEM cost recoveries for ongoing aircraft issues. For further details, see Note 1.

(2) Includes $20.5 million and $51.7 million of construction in progress within property and equipment on our condensed consolidated balance sheets as of September 30 and March 31, 2019, respectively, which primarily represents progress payments on aircraft to be delivered in future periods. During the three and six months ended September 30, 2019, we rejected our aircraft purchase agreement with Airbus Helicopters S.A.S. and wrote-off $30.6 million of construction in progress.

## Note 14 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The Company had registered senior notes that the Guarantor Subsidiaries fully, unconditionally, jointly and severally guaranteed. The following supplemental financial information sets forth, on a consolidating basis, the balance sheet, statement of operations, comprehensive income and cash flow information for Bristow Group Inc. ("Parent Company Only"), for the Guarantor Subsidiaries and for our other subsidiaries (the "Non-Guarantor Subsidiaries"). We have not presented separate financial statements and other disclosures concerning the Guarantor Subsidiaries because management has determined that such information is not material to investors. For further details on the registered senior notes, which were discharged upon the emergence from bankruptcy, see Note 5 to the fiscal year 2019 Financial Statements.

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

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

**Supplemental Condensed Consolidating Statement of Operations**
**Three Months Ended September 30, 2019**

| | Parent Company Only | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Revenue: | | | | | |
| Gross revenue | $ — | $ 41,768 | $ 276,452 | $ — | $ 318,220 |
| Intercompany revenue | — | 22,416 | — | (22,416) | — |
| | — | 64,184 | 276,452 | (22,416) | 318,220 |
| Operating expense: | | | | | |
| Direct cost and reimbursable expense | 32 | 42,709 | 206,754 | — | 249,495 |
| Intercompany expenses | — | — | 22,416 | (22,416) | — |
| Depreciation and amortization | 3,192 | 17,970 | 10,141 | — | 31,303 |
| General and administrative | 15,967 | 3,949 | 17,904 | — | 37,820 |
| | 19,191 | 64,628 | 257,215 | (22,416) | 318,618 |
| | | | | | |
| Loss on impairment | — | (42,022) | (20,079) | — | (62,101) |
| Gain (loss) on disposal of assets | — | (377) | 147 | — | (230) |
| Earnings from unconsolidated affiliates, net of losses | (103,132) | — | 633 | 103,132 | 633 |
| Operating income (loss) | (122,323) | (42,843) | (62) | 103,132 | (62,096) |
| Interest expense, net | (11,100) | (5,376) | (5,969) | — | (22,445) |
| Reorganization items, net | (56,589) | (28,552) | (8,802) | — | (93,943) |
| Gain on sale of subsidiaries | — | — | 420 | — | 420 |
| Other income (expense), net | 244 | 758 | (7,639) | — | (6,637) |
| | | | | | |
| Loss before (provision) benefit for income taxes | (189,768) | (76,013) | (22,052) | 103,132 | (184,701) |
| Allocation of consolidated income taxes | 26,805 | (1,513) | (3,510) | — | 21,782 |
| Net loss | (162,963) | (77,526) | (25,562) | 103,132 | (162,919) |
| Net income attributable to noncontrolling interests | (11) | — | (44) | — | (55) |
| Net loss attributable to Bristow Group | $ (162,974) | $ (77,526) | $ (25,606) | $ 103,132 | $ (162,974) |

**BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**
**(Unaudited)**

**Supplemental Condensed Consolidating Statement of Operations**
**Three Months Ended September 30, 2018**

| | Parent Company Only | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Revenue: | | | | | |
| Gross revenue | $ 45 | $ 36,798 | $ 312,500 | $ — | $ 349,343 |
| Intercompany revenue | — | 27,496 | — | (27,496) | — |
| | 45 | 64,294 | 312,500 | (27,496) | 349,343 |
| Operating expense: | | | | | |
| Direct cost and reimbursable expense | 20 | 40,981 | 251,410 | — | 292,411 |
| Intercompany expenses | 15,307 | — | 12,189 | (27,496) | — |
| Depreciation and amortization | 3,092 | 17,733 | 9,664 | — | 30,489 |
| General and administrative | 12,907 | 5,125 | 20,807 | — | 38,839 |
| | 31,326 | 63,839 | 294,070 | (27,496) | 361,739 |
| | | | | | |
| Loss on impairment | — | (87,474) | (29,746) | — | (117,220) |
| Loss on disposal of assets | — | (318) | (975) | — | (1,293) |
| Earnings from unconsolidated affiliates, net of losses | (123,744) | — | 1,461 | 123,744 | 1,461 |
| Operating loss | (155,025) | (87,337) | (10,830) | 123,744 | (129,448) |
| Interest expense, net | (15,564) | (5,915) | (4,954) | — | (26,433) |
| Other income (expense), net | 50 | 242 | (3,496) | — | (3,204) |
| | | | | | |
| Loss before (provision) benefit for income taxes | (170,539) | (93,010) | (19,280) | 123,744 | (159,085) |
| Allocation of consolidated income taxes | 26,605 | (1,176) | (9,774) | — | 15,655 |
| Net loss | (143,934) | (94,186) | (29,054) | 123,744 | (143,430) |
| Net income attributable to noncontrolling interests | (13) | — | (504) | — | (517) |
| Net loss attributable to Bristow Group | $ (143,947) | $ (94,186) | $ (29,558) | $ 123,744 | $ (143,947) |

**BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**
**(Unaudited)**

**Supplemental Condensed Consolidating Statement of Operations**
**Six Months Ended September 30, 2019**

| | Parent Company Only | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Revenue: | | | | | |
| Third party revenue | $ — | $ 79,567 | $ 571,829 | $ — | $ 651,396 |
| Intercompany revenue | — | 47,093 | — | (47,093) | — |
| | — | 126,660 | 571,829 | (47,093) | 651,396 |
| Operating expense: | | | | | |
| Direct cost and reimbursable expense | 151 | 84,333 | 438,904 | — | 523,388 |
| Intercompany expenses | — | — | 47,093 | (47,093) | — |
| Prepetition restructuring charges | 12,449 | — | 1,027 | — | 13,476 |
| Depreciation and amortization | 6,329 | 35,631 | 20,682 | — | 62,642 |
| General and administrative | 25,678 | 7,879 | 39,033 | — | 72,590 |
| | 44,607 | 127,843 | 546,739 | (47,093) | 672,096 |
| | | | | | |
| Loss on impairment | — | (42,022) | (20,079) | — | (62,101) |
| Loss on disposal of assets | — | (853) | (3,164) | — | (4,017) |
| Earnings from unconsolidated affiliates, net of losses | (204,089) | — | 2,980 | 204,089 | 2,980 |
| Operating income (loss) | (248,696) | (44,058) | 4,827 | 204,089 | (83,838) |
| Interest expense, net | (24,467) | (11,241) | (13,058) | — | (48,766) |
| Reorganization items, net | (106,434) | (54,603) | (9,262) | — | (170,299) |
| Loss on sale of subsidiaries | — | — | (55,883) | — | (55,883) |
| Other income (expense), net | 363 | 1,259 | (12,132) | — | (10,510) |
| | | | | | |
| Loss before (provision) benefit for income taxes | (379,234) | (108,643) | (85,508) | 204,089 | (369,296) |
| Allocation of consolidated income taxes | 47,040 | (2,689) | (7,062) | — | 37,289 |
| Net loss | (332,194) | (111,332) | (92,570) | 204,089 | (332,007) |
| Net income attributable to noncontrolling interests | (26) | — | (187) | — | (213) |
| Net loss attributable to Bristow Group | $ (332,220) | $ (111,332) | $ (92,757) | $ 204,089 | $ (332,220) |

**Supplemental Condensed Consolidating Statement of Operations**
**Six Months Ended September 30, 2018**

| | Parent Company Only | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Revenue: | | | | | |
| Third party revenue | $ 90 | $ 70,933 | $ 644,988 | $ — | $ 716,011 |
| Intercompany revenue | — | 54,013 | — | (54,013) | — |
| | 90 | 124,946 | 644,988 | (54,013) | 716,011 |
| Operating expense: | | | | | |
| Direct cost and reimbursable expense | 36 | 82,857 | 505,473 | — | 588,366 |
| Intercompany expenses | 15,307 | — | 38,706 | (54,013) | — |
| Depreciation and amortization | 6,158 | 35,955 | 19,317 | — | 61,430 |
| General and administrative | 25,695 | 8,923 | 44,322 | — | 78,940 |
| | 47,196 | 127,735 | 607,818 | (54,013) | 728,736 |
| | | | | | |
| Loss on impairment | — | (87,474) | (29,746) | — | (117,220) |
| Loss on disposal of assets | (806) | (1,478) | (687) | — | (2,971) |
| Earnings from unconsolidated affiliates, net of losses | (130,809) | — | (86) | 130,809 | (86) |
| Operating income (loss) | (178,721) | (91,741) | 6,651 | 130,809 | (133,002) |
| Interest expense, net | (31,943) | (12,745) | (8,889) | — | (53,577) |
| Other income (expense), net | 184 | 1,317 | (8,655) | — | (7,154) |
| | | | | | |
| Loss before (provision) benefit for income taxes | (210,480) | (103,169) | (10,893) | 130,809 | (193,733) |
| Allocation of consolidated income taxes | 34,697 | (283) | (15,908) | — | 18,506 |
| Net loss | (175,783) | (103,452) | (26,801) | 130,809 | (175,227) |
| Net income attributable to noncontrolling interests | (28) | — | (556) | — | (584) |
| Net loss attributable to Bristow Group | $ (175,811) | $ (103,452) | $ (27,357) | $ 130,809 | $ (175,811) |

**Supplemental Condensed Consolidating Statement of Comprehensive Income (Loss)**
**Three Months Ended September 30, 2019**

| | Parent Company Only | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Net loss | $ (162,963) | $ (77,526) | $ (25,562) | $ 103,132 | $ (162,919) |
| Other comprehensive loss: | | | | | |
| Currency translation adjustments | — | — | (16,156) | 3,822 | (12,334) |
| Unrealized gain on cash flow hedges | — | — | 1,124 | — | 1,124 |
| Total comprehensive loss | (162,963) | (77,526) | (40,594) | 106,954 | (174,129) |
| | | | | | |
| Net income attributable to noncontrolling interests | (11) | — | (44) | — | (55) |
| Currency translation adjustments attributable to noncontrolling interests | — | — | 35 | — | 35 |
| Total comprehensive income attributable to noncontrolling interests | (11) | — | (9) | — | (20) |
| Total comprehensive loss attributable to Bristow Group | $ (162,974) | $ (77,526) | $ (40,603) | $ 106,954 | $ (174,149) |

**BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**
**(Unaudited)**

**Supplemental Condensed Consolidating Statement of Comprehensive Income (Loss)**
**Three Months Ended September 30, 2018**

| | Parent Company Only | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Net loss | $ (143,934) | $ (94,186) | $ (29,054) | $ 123,744 | $ (143,430) |
| Other comprehensive loss: | | | | | |
| Currency translation adjustments | — | (159) | (14,306) | 6,498 | (7,967) |
| Unrealized loss on cash flow hedges | — | — | (98) | — | (98) |
| Total comprehensive loss | (143,934) | (94,345) | (43,458) | 130,242 | (151,495) |
| | | | | | |
| Net income attributable to noncontrolling interests | (13) | — | (504) | — | (517) |
| Currency translation adjustments attributable to noncontrolling interests | — | — | (32) | — | (32) |
| Total comprehensive income attributable to noncontrolling interests | (13) | — | (536) | — | (549) |
| Total comprehensive loss attributable to Bristow Group | $ (143,947) | $ (94,345) | $ (43,994) | $ 130,242 | $ (152,044) |

**Supplemental Condensed Consolidating Statement of Comprehensive Income (Loss)**
**Six Months Ended September 30, 2019**

| | Parent Company Only | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Net loss | $ (332,194) | $ (111,332) | $ (92,570) | $ 204,089 | $ (332,007) |
| Other comprehensive loss: | | | | | |
| Currency translation adjustments | — | (355) | (1,843) | 6,763 | 4,565 |
| Unrealized gain on cash flow hedges | — | — | 1,598 | — | 1,598 |
| Total comprehensive loss | (332,194) | (111,687) | (92,815) | 210,852 | (325,844) |
| | | | | | |
| Net income attributable to noncontrolling interests | (26) | — | (187) | — | (213) |
| Currency translation adjustments attributable to noncontrolling interests | — | — | 24 | — | 24 |
| Total comprehensive income attributable to noncontrolling interests | (26) | — | (163) | — | (189) |
| Total comprehensive loss attributable to Bristow Group | $ (332,220) | $ (111,687) | $ (92,978) | $ 210,852 | $ (326,033) |

**BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**
**(Unaudited)**

**Supplemental Condensed Consolidating Statement of Comprehensive Income (Loss)**
**Six Months Ended September 30, 2018**

| | Parent Company Only | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Net loss | $ (175,783) | $ (103,452) | $ (26,801) | $ 130,809 | $ (175,227) |
| Other comprehensive loss: | | | | | |
| Currency translation adjustments | — | (1,045) | (96,108) | 60,153 | (37,000) |
| Unrealized gain on cash flow hedges | — | — | 1,250 | — | 1,250 |
| Total comprehensive loss | (175,783) | (104,497) | (121,659) | 190,962 | (210,977) |
| | | | | | |
| Net income attributable to noncontrolling interests | (28) | — | (556) | — | (584) |
| Currency translation adjustments attributable to noncontrolling interests | — | — | (171) | — | (171) |
| Total comprehensive income attributable to noncontrolling interests | (28) | — | (727) | — | (755) |
| Total comprehensive loss attributable to Bristow Group | $ (175,811) | $ (104,497) | $ (122,386) | $ 190,962 | $ (211,732) |

**BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**
**(Unaudited)**

**Supplemental Condensed Consolidating Balance Sheet**
**As of September 30, 2019**

| | Parent Company Only | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | (In thousands) | | | | |
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 31,268 | $ 7,516 | $ 115,101 | $ — | $ 153,885 |
| Restricted cash | 33 | — | 38,877 | — | 38,910 |
| Accounts receivable | 644,260 | 679,196 | 274,543 | (1,369,206) | 228,793 |
| Inventories | — | 35,658 | 77,856 | — | 113,514 |
| Assets held for sale | — | — | — | — | — |
| Prepaid expenses and other current assets | 8,261 | 1,686 | 32,598 | — | 42,545 |
| Total current assets | 683,822 | 724,056 | 538,975 | (1,369,206) | 577,647 |
| Intercompany investment | 1,625,547 | 97,435 | 124,463 | (1,847,445) | — |
| Investment in unconsolidated affiliates | — | — | 109,986 | — | 109,986 |
| Intercompany notes receivable | 135,327 | 11,151 | 115,008 | (261,486) | — |
| Property and equipment—at cost: | | | | | |
| Land and buildings | 4,806 | 58,204 | 175,198 | — | 238,208 |
| Aircraft and equipment | 158,399 | 1,277,861 | 967,466 | — | 2,403,726 |
| | 163,205 | 1,336,065 | 1,142,664 | — | 2,641,934 |
| Less: Accumulated depreciation and amortization | (53,874) | (497,745) | (412,015) | — | (963,634) |
| | 109,331 | 838,320 | 730,649 | — | 1,678,300 |
| Right-of-use assets | 23 | 54,625 | 317,156 | (40,061) | 331,743 |
| Goodwill | — | — | — | — | — |
| Other assets | 3,859 | 4,047 | 86,993 | — | 94,899 |
| Total assets | $ 2,557,909 | $ 1,729,634 | $ 2,023,230 | $ (3,518,198) | $ 2,792,575 |
| **LIABILITIES AND STOCKHOLDERS' INVESTMENT** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | $ 510,741 | $ 597,832 | $ 340,339 | $ (1,355,479) | $ 93,433 |
| Accrued liabilities | 72,863 | 22,702 | 189,593 | (52,569) | 232,589 |
| Short-term borrowings and current maturities of long-term debt | 380,902 | 253,294 | 312,845 | — | 947,041 |
| Total current liabilities | 964,506 | 873,828 | 842,777 | (1,408,048) | 1,273,063 |
| Long-term debt, less current maturities | 34,161 | — | 41,450 | — | 75,611 |
| Intercompany notes payable | 88,573 | 143,233 | 29,680 | (261,486) | — |
| Accrued pension liabilities | — | — | 18,706 | — | 18,706 |
| Other liabilities and deferred credits | 4,548 | — | 3,357 | — | 7,905 |
| Deferred taxes | 14,224 | 26,065 | 19,573 | — | 59,862 |
| Long-term operating lease liabilities | — | 32,060 | 220,366 | (1,027) | 251,399 |
| Liabilities subject to compromise | 569,804 | 35,000 | 20,063 | — | 624,867 |
| Stockholders' investment: | | | | | |
| Common stock | 386 | 4,996 | 131,317 | (136,313) | 386 |
| Additional paid-in-capital | 863,546 | 29,387 | 284,097 | (313,484) | 863,546 |
| Retained earnings | 123,378 | 585,065 | 157,576 | (742,641) | 123,378 |
| Accumulated other comprehensive income (loss) | 78,306 | — | 255,091 | (655,199) | (321,802) |
| Treasury shares | (184,796) | — | — | — | (184,796) |
| Total Bristow Group stockholders' investment | 880,820 | 619,448 | 828,081 | (1,847,637) | 480,712 |
| Noncontrolling interests | 1,273 | — | (823) | — | 450 |
| Total stockholders' investment | 882,093 | 619,448 | 827,258 | (1,847,637) | 481,162 |
| Total liabilities and stockholders' investment | $ 2,557,909 | $ 1,729,634 | $ 2,023,230 | $ (3,518,198) | $ 2,792,575 |

BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

**Supplemental Condensed Consolidating Balance Sheet**
**As of March 31, 2019**

| | Parent Company Only | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 90,586 | $ 3,205 | $ 84,264 | $ — | $ 178,055 |
| Accounts receivable | 535,502 | 583,912 | 287,822 | (1,190,445) | 216,791 |
| Inventories | — | 35,331 | 85,977 | — | 121,308 |
| Assets held for sale | — | 5,541 | (191) | — | 5,350 |
| Prepaid expenses and other current assets | 3,734 | 1,001 | 39,274 | — | 44,009 |
| Total current assets | 629,822 | 628,990 | 497,146 | (1,190,445) | 565,513 |
| Intercompany investment | 1,829,271 | 97,435 | 131,608 | (2,058,314) | — |
| Investment in unconsolidated affiliates | — | — | 118,203 | — | 118,203 |
| Intercompany notes receivable | 140,659 | 11,151 | 128,410 | (280,220) | — |
| Property and equipment—at cost: | | | | | |
| Land and buildings | 4,807 | 58,204 | 181,262 | — | 244,273 |
| Aircraft and equipment | 155,667 | 1,312,115 | 1,029,840 | — | 2,497,622 |
| | 160,474 | 1,370,319 | 1,211,102 | — | 2,741,895 |
| Less: Accumulated depreciation and amortization | (47,546) | (419,983) | (440,186) | — | (907,715) |
| | 112,928 | 950,336 | 770,916 | — | 1,834,180 |
| Goodwill | — | — | 18,436 | — | 18,436 |
| Other assets | 3,563 | 3,410 | 109,294 | — | 116,267 |
| Total assets | $ 2,716,243 | $ 1,691,322 | $ 1,774,013 | $ (3,528,979) | $ 2,652,599 |
| **LIABILITIES AND STOCKHOLDERS’ INVESTMENT** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | $ 441,485 | $ 510,911 | $ 327,447 | $ (1,180,270) | $ 99,573 |
| Accrued liabilities | 51,071 | (9,807) | 119,433 | (10,049) | 150,648 |
| Short-term borrowings and current maturities of long-term debt | 849,524 | 268,559 | 300,547 | — | 1,418,630 |
| Total current liabilities | 1,342,080 | 769,663 | 747,427 | (1,190,319) | 1,668,851 |
| Long-term debt, less current maturities | — | — | 8,223 | — | 8,223 |
| Intercompany notes payable | 91,664 | 155,643 | 32,913 | (280,220) | — |
| Accrued pension liabilities | — | — | 25,726 | — | 25,726 |
| Other liabilities and deferred credits | 10,430 | 8,613 | 7,186 | — | 26,229 |
| Deferred taxes | 59,302 | 26,268 | 25,633 | — | 111,203 |
| Stockholders’ investment: | | | | | |
| Common stock | 386 | 4,996 | 131,317 | (136,313) | 386 |
| Additional paid-in-capital | 862,020 | 29,387 | 284,048 | (313,435) | 862,020 |
| Retained earnings | 455,598 | 696,397 | 250,333 | (946,730) | 455,598 |
| Accumulated other comprehensive income (loss) | 78,306 | 355 | 255,312 | (661,962) | (327,989) |
| Treasury shares | (184,796) | — | — | — | (184,796) |
| Total Bristow Group stockholders’ investment | 1,211,514 | 731,135 | 921,010 | (2,058,440) | 805,219 |
| Noncontrolling interests | 1,253 | — | 5,895 | — | 7,148 |
| Total stockholders’ investment | 1,212,767 | 731,135 | 926,905 | (2,058,440) | 812,367 |
| Total liabilities and stockholders’ investment | $ 2,716,243 | $ 1,691,322 | $ 1,774,013 | $ (3,528,979) | $ 2,652,599 |

**BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**
**(Unaudited)**

**Supplemental Condensed Consolidating Statement of Cash Flows**
**Six Months Ended September 30, 2019**

| | Parent Company Only | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Net cash provided by (used in) operating activities | $ (66,491) | $ 17,907 | $ (8,581) | $ — | $ (57,165) |
| Cash flows from investing activities: | | | | | |
| Capital expenditures | (2,732) | (2,844) | (20,374) | — | (25,950) |
| Proceeds from asset dispositions | — | 4,935 | 68 | — | 5,003 |
| Cash transferred in sale of subsidiaries, net of cash received | — | — | (22,458) | — | (22,458) |
| Net cash provided by (used in) investing activities | (2,732) | 2,091 | (42,764) | — | (43,405) |
| Cash flows from financing activities: | | | | | |
| Proceeds from borrowings | 150,000 | — | 75,585 | — | 225,585 |
| Debt issuance costs | (6,695) | — | (7,435) | — | (14,130) |
| Repayment of debt | (74,818) | (10,347) | (14,063) | — | (99,228) |
| Increases (decreases) in cash related to intercompany advances and debt | (58,549) | (5,340) | 63,889 | — | — |
| Partial prepayment of put/call obligation | — | — | (1,323) | — | (1,323) |
| Net cash provided by (used in) financing activities | 9,938 | (15,687) | 116,653 | — | 110,904 |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | — | — | 4,406 | — | 4,406 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | (59,285) | 4,311 | 69,714 | — | 14,740 |
| Cash, cash equivalents and restricted cash at beginning of period | 90,586 | 3,205 | 84,264 | — | 178,055 |
| Cash, cash equivalents and restricted cash at end of period | $ 31,301 | $ 7,516 | $ 153,978 | $ — | $ 192,795 |

**BRISTOW GROUP INC. (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**
**(Unaudited)**

**Supplemental Condensed Consolidating Statement of Cash Flows**
**Six Months Ended September 30, 2018**

| | Parent Company Only | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Net cash provided by (used in) operating activities | $ (35,375) | $ 14,041 | $ (5,568) | $ — | $ (26,902) |
| Cash flows from investing activities: | | | | | |
| Capital expenditures | (1,536) | (2,499) | (13,267) | — | (17,302) |
| Proceeds from asset dispositions | — | 7,528 | 934 | — | 8,462 |
| Net cash provided by (used in) investing activities | (1,536) | 5,029 | (12,333) | — | (8,840) |
| Cash flows from financing activities: | | | | | |
| Proceeds from borrowings | — | — | 387 | — | 387 |
| Debt issuance costs | (597) | (32) | (1,925) | — | (2,554) |
| Repayment of debt | (8,841) | (10,505) | (10,624) | — | (29,970) |
| Dividends received (paid) | 162,941 | 1,649 | (164,590) | — | — |
| Increases (decreases) in cash related to intercompany advances and debt | (158,992) | (17,955) | 176,947 | — | — |
| Partial prepayment of put/call obligation | (27) | — | — | — | (27) |
| Dividends paid to noncontrolling interest | — | — | (580) | — | (580) |
| Repurchases for tax withholdings on vesting of equity awards | (1,504) | — | — | — | (1,504) |
| Issuance of Common Stock | 2,830 | — | — | — | 2,830 |
| Net cash provided by (used in) financing activities | (4,190) | (26,843) | (385) | — | (31,418) |
| Effect of exchange rate changes on cash and cash equivalents | — | — | (5,272) | — | (5,272) |
| Net decrease in cash, cash equivalents and restricted cash | (41,101) | (7,773) | (23,558) | — | (72,432) |
| Cash, cash equivalents and restricted cash at beginning of period | 277,176 | 8,904 | 94,143 | — | 380,223 |
| Cash, cash equivalents and restricted cash at end of period | $ 236,075 | $ 1,131 | $ 70,585 | $ — | $ 307,791 |

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

Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and the notes thereto as well as our Annual Report on Form 10-K for the fiscal year ended March 31, 2019 (the "fiscal year 2019 Annual Report"), and the MD&A contained therein. In the discussion that follows, the terms "Current Quarter" and "Comparable Quarter" refer to the three months ended September 30, 2019 and 2018, respectively, and the terms "Current Period" and "Comparable Period" refer to the six months ended September 30, 2019 and 2018, respectively. Our fiscal year ends March 31, and we refer to fiscal years based on the end of such period. Therefore, the fiscal year ending March 31, 2020 is referred to as "fiscal year 2020."

**Forward-Looking Statements**

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

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

You should consider the following key factors when evaluating these forward-looking statements:

- risks and uncertainties relating to our Chapter 11 Cases (as defined herein), including but not limited to: the effects of the Chapter 11 Cases on the Company and our various constituents; the impact of Bankruptcy Court (as defined herein) rulings in the Chapter 11 Cases; attendant risks associated with restrictions on our ability to pursue our business strategies; the potential adverse effects of the Chapter 11 Cases on our liquidity; the potential material adverse effect of claims that are not discharged in the Chapter 11 Cases; uncertainty regarding our ability to retain key personnel; and uncertainty and continuing risks associated with our ability to achieve our stated goals and continue as a going concern;

- adverse changes in our ability to obtain financing or enter into definitive agreements with respect to financings on terms that are favorable to us;

- the possibility that we may be unable to maintain compliance with covenants in our financing agreements;

- fluctuations in worldwide prices of and demand for oil and natural gas;

- fluctuations in levels of oil and natural gas exploration, development and production activities;

- fluctuations in the demand for our services;

- the possibility that we may impair our long-lived assets, including goodwill, inventory, property and equipment and investments in unconsolidated affiliates;

- our ability to implement operational improvement efficiencies with the objective of rightsizing our global footprint and further reducing our cost structure;

- the possibility of significant changes in foreign exchange rates and controls, including as a result of voters in the U.K. having approved the exit of the U.K. ("Brexit") from the European Union ("E.U.");

- the impact of continued uncertainty surrounding Brexit negotiations;

- potential effects of increased competition;

- the inability to remediate the material weaknesses identified in internal controls over financial reporting relating to our monitoring control processes;

- the possibility that we may be unable to re-deploy our aircraft to regions with greater demand;
- the possibility that the major oil companies do not expand internationally and offshore;
- the possibility that we may be unable to defer payment on certain aircraft into future fiscal years or take delivery of certain aircraft later than initially scheduled;
- the possibility of changes in tax and other laws and regulations;
- the possibility that we may be unable to dispose of older aircraft through sales into the aftermarket;
- general economic conditions, including the capital and credit markets;
- the possibility that segments of our fleet may be grounded for extended periods of time or indefinitely;
- the existence of operating risks inherent in our business, including the possibility of declining safety performance;
- the possibility of political instability, war or acts of terrorism in any of the countries where we operate;
- the possibility that reductions in spending on aviation services by governmental agencies could lead to modifications of search and rescue (“SAR”) contract terms or delays in receiving payments;
- the possibility that we may be unable to acquire additional aircraft due to limited availability or unable to exercise aircraft purchase options;
- the possibility that customers may reject our aircraft due to late delivery or unacceptable aircraft design or operability;
- the possibility that we may be unable to successfully execute on our strategic priorities; and
- the possibility that we do not achieve the anticipated benefits from the addition of new-technology aircraft to our fleet.

The above description of risks and uncertainties is by no means all-inclusive, but is designed to highlight what we believe are important factors to consider. For a more detailed description of risk factors, please see the risks and uncertainties described under Item 1A. “Risk Factors” included in the fiscal year 2019 Annual Report.

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

**Executive Overview**

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

On May 11, 2019 (the “Petition Date”), Bristow Group Inc. and certain of its subsidiaries: BHNA Holdings Inc., Bristow Alaska Inc., Bristow Helicopters Inc., Bristow U.S. Leasing LLC, Bristow U.S. LLC, BriLog Leasing Ltd. and Bristow Equipment Leasing Ltd. (together, the “Debtors”) filed voluntary petitions (the “Chapter 11 Cases”) in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the “Bankruptcy Court”) seeking relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”). The Debtors’ Chapter 11 Cases were jointly administered under the caption In re: Bristow Group Inc., et al., Main Case No. 19-32713. During the pendency of the Chapter 11 Cases, the Debtors continued to operate their businesses and manage their properties as “debtors-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. On August 1, 2019, the Debtors filed with the Bankruptcy Court the Joint Chapter 11 Plan of Reorganization of Bristow Group Inc. and its Debtor Affiliates (the “Original Plan”) and the Disclosure Statement related thereto. On August 20, 2019, the Debtors filed with the Bankruptcy Court the Amended Joint Chapter 11 Plan of Reorganization of Bristow Group Inc. and its Debtor Affiliates (as further modified on August 22, 2019 and September 30, 2019, the “Amended Plan”) and the Disclosure Statement related thereto (as further modified on August 22, 2019, the “Amended Disclosure Statement”). On October 4, 2019, the Bankruptcy Court approved the Amended Disclosure Statement and indicated that it would confirm the Amended Plan. On October 8, 2019, the Bankruptcy Court entered an order (the “Confirmation Order”) approving the Amended Disclosure Statement and confirming the Amended Plan.

The effective date of the Amended Plan (the “Effective Date”) occurred on October 31, 2019.

Our financial results continue to be volatile as restructuring activities and expenses, contract terminations and rejections, and claims assessments significantly impact our consolidated financial statements. As a result, our historical financial performance is likely not indicative of our financial performance after the date of the filing of the Chapter 11 Cases. In addition, we have incurred significant professional fees and other costs in connection with the Chapter 11 Cases.

***General***

We are the leading global industrial aviation services provider based on the number of aircraft operated. We have a long history in industrial aviation services through Bristow Helicopters Ltd. ("Bristow Helicopters") and Offshore Logistics, Inc., which were founded in 1955 and 1969, respectively. We have major transportation operations in the North Sea, Nigeria and the U.S. Gulf of Mexico, and in most of the other major offshore energy producing regions of the world, including Australia, Brazil, Canada, Guyana and Trinidad. We provide commercial SAR services in Australia, Canada, Guyana, Norway, Trinidad and the United States. We provide public sector SAR services in the U.K. on behalf of the Maritime & Coastguard Agency. We also provide regional fixed wing scheduled and charter services in Australia through our consolidated affiliate, Capiteq Limited, operating under the name of Airnorth. To a lesser extent, we also provide regional fixed wing charter services in Nigeria primarily in support of our customers from oil and gas operations. These operations support our primary industrial aviation services operations in those markets, creating a more integrated logistics solution for our customers. We also provided regional fixed wing scheduled and charter services in the U.K. through a consolidated affiliate, Eastern Airways International Limited ("Eastern Airways"), until our disposal of Eastern Airways on May 10, 2019.

During the Current Period, we generated approximately 72% of our consolidated operating revenue from external customers from oil and gas operations, approximately 18% from U.K. SAR operations and approximately 10% from fixed wing services, including charter and scheduled airline services that support our global helicopter operations.

We conduct our business in one segment: industrial aviation services. The industrial aviation services segment operations are conducted primarily through two hubs that include four regions:

- Europe Caspian,
- Africa,
- Americas, and
- Asia Pacific.

We primarily provide industrial aviation services to a broad base of major integrated, national and independent offshore energy companies. Our customers charter our helicopters primarily to transport personnel between onshore bases and offshore production platforms, drilling rigs and other installations. To a lesser extent, our customers also charter our helicopters to transport time-sensitive equipment to these offshore locations. These customers' operating expenditures in the production sector are the principal source of our revenue, while their exploration and development capital expenditures provide a lesser portion of our revenue. The customers for SAR services include both the oil and gas industry, where our revenue is primarily dependent on our customers' operating expenditures, and governmental agencies, where our revenue is dependent on a country's desire to privatize SAR and enter into long-term contracts. As of September 30, 2019, we operated 215 aircraft (including 155 owned aircraft and 60 leased aircraft) and our unconsolidated affiliates operated 106 aircraft in addition to those aircraft leased from us.

The chart below presents (1) the number of aircraft in our fleet and their distribution among the regions of our industrial aviation services segment as of September 30, 2019; (2) the number of helicopters which we had on order or under option as of September 30, 2019; and (3) the percentage of operating revenue which each of our regions provided during the Current Period. For additional information regarding our commitments and options to acquire aircraft, see Note 8 in the "Notes to Condensed Consolidated Financial Statements" included elsewhere in this Quarterly Report.

| | Percentage of Current Period Operating Revenue | Aircraft in Consolidated Fleet | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Helicopters | | | | | | |
| | | Small | Medium | Large | Fixed Wing [1] | Total (2)(3) | Unconsolidated Affiliates (4) | Total |
| Europe Caspian | 57% | — | 12 | 77 | — | 89 | — | 89 |
| Africa | 15% | — | 25 | 7 | 4 | 36 | 44 | 80 |
| Americas | 18% | 21 | 34 | 12 | — | 67 | 62 | 129 |
| Asia Pacific | 10% | — | 2 | 7 | 14 | 23 | — | 23 |
| Total | 100% | 21 | 73 | 103 | 18 | 215 | 106 | 321 |
| Aircraft not currently in fleet: [5] | | | | | | | | |
| On order | | — | — | 3 | — | 3 | | |
| Under option | | — | — | — | — | — | | |

(1) Airnorth operates a total of 14 fixed wing aircraft, which are included in the Asia Pacific region.

(2) Includes 60 leased aircraft as follows:

| | Leased Aircraft in Consolidated Fleet | | | | |
|---|---|---|---|---|---|
| | Helicopters | | | | |
| | Small | Medium | Large | Fixed Wing | Total |
| Europe Caspian | — | 1 | 36 | — | 37 |
| Africa | — | 1 | 3 | 3 | 7 |
| Americas | 2 | 4 | 3 | — | 9 |
| Asia Pacific | — | 2 | 1 | 4 | 7 |
| Total | 2 | 8 | 43 | 7 | 60 |

(3) The average age of our helicopter fleet was approximately ten years as of September 30, 2019.

(4) The 106 aircraft operated by our unconsolidated affiliates do not include those aircraft leased from us. Includes 42 helicopters (primarily medium) and 19 fixed wing aircraft owned and managed by Líder Táxi Aéreo S.A. (“Líder”), our unconsolidated affiliate in Brazil included in the Americas region, and 36 helicopters and eight fixed wing aircraft owned by Petroleum Air Services, our unconsolidated affiliate in Egypt included in the Africa region, and one helicopter operated by Cougar Helicopters Inc. (“Cougar”), our unconsolidated affiliate in Canada.

(5) This table does not reflect aircraft which our unconsolidated affiliates may have on order or under option. In October 2019, the Bankruptcy Court approved our agreement with Airbus Helicopters S.A.S. to reject our aircraft purchase contract for 22 large aircraft. The three AW189 U.K. SAR configured aircraft on order were being leased as of March 31, 2019. One of the AW189s was purchased in October 2019.

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

| | Current Period [1] | Fiscal Year Ended March 31, | | | | |
|---|---|---|---|---|---|---|
| | | 2019 | 2018 | 2017 | 2016 | 2015 |
| LACE | 145 | 160 | 172 | 174 | 162 | 166 |
| LACE Rate (in millions) | $ 7.88 | $ 6.94 | $ 6.74 | $ 6.55 | $ 8.60 | $ 9.26 |

(1) LACE rate is annualized.

The following table presents the distribution of LACE helicopters owned and leased, and the percentage of LACE leased as of September 30, 2019. The percentage of LACE leased is calculated by taking the total LACE for leased commercial helicopters divided by the total LACE for all commercial helicopters we operate, including both owned and leased.

| | LACE | | |
|---|---|---|---|
| | Owned Aircraft | Leased Aircraft | Percentage of LACE leased |
| Europe Caspian | 47 | 37 | 44% |
| Africa | 16 | 4 | 18% |
| Americas | 29 | 6 | 16% |
| Asia Pacific | 6 | 2 | 25% |
| Total | 97 | 48 | 33% |

***Our Strategy***

Our goal is to strengthen our market position as the leading global industrial aviation services provider. To do this, we will pursue efficiencies and new opportunities in our core markets, address oversupply and market saturation by diversifying our portfolio, and drive innovation throughout our businesses and industry.

Safety will always be our number one focus. We continue to deliver strong operational safety performance across the group and maintain a recordable injury rate that places us in the upper tier of our peer companies in oilfield services and aviation. We seek to continuously improve our safety systems and processes to allow us to become even safer and to build confidence in our industry and among our regulators with respect to the safety of helicopter transportation globally.

We continually seek to improve our balance sheet and liquidity and reduce our capital costs, with a goal of reduced financing leverage (including lower levels of debt and leases) and a return to profitability. In order to strengthen our balance sheet and achieve a more sustainable debt profile, we filed for Chapter 11 protection on the Petition Date.

We intend to pursue value-added acquisitions with a focus on oil and gas transportation and SAR that not just make us bigger but better; that generate cost efficiencies that position us to thrive in an economy that is undergoing long-term structural change. We may also divest portions of our business or assets to narrow our product lines and reduce our operational footprint to reduce leverage and improve return on capital and liquidity.

We also intend to continue to utilize portfolio and fleet optimization. During the Chapter 11 Cases, we leveraged relief available to us under Chapter 11. Consistent with our ongoing process to rationalize and simplify our business and global aircraft fleet, we sold 11, 8 and 3 aircraft in fiscal years 2018 and 2019 and Current Period for proceeds of $48.3 million, $11.0 million and $4.9 million, respectively. As of September 30, 2019, the average age of our fleet is approximately ten years. During the Current Period, we returned four H225s under an agreement with a lessor and rejected and returned leases under Chapter 11 protection for nine S-76C+s and one S-76D. Also, we disposed of Eastern Airways on May 10, 2019.

***Market Outlook***

Our core business is providing industrial aviation services to the worldwide oil and gas industry. We also provide public and private sector SAR services and fixed wing transportation services. Our global operations and critical mass of helicopters provide us with geographic and customer diversity which helps mitigate risks associated with a single market or customer.

The oil and gas business environment has experienced significant volatility since fiscal year 2015. Brent crude oil prices declined from approximately $106 per barrel as of July 1, 2014 to a low of approximately $26 per barrel in February 2016. A recovery in Brent crude oil prices followed to approximately $77 per barrel as of June 27, 2018 with another decline to approximately $44 per barrel as of December 27, 2018. Brent crude oil prices were approximately $54 per barrel as of September 30, 2019. The decrease in oil prices beginning in fiscal year 2015 was driven by increased global supply primarily from unconventional oil resources in the U.S. Permian Basin and forecasts of reduced demand for crude oil resulting from weaker global economic growth in many regions of the world. The oil price decline negatively impacted the cash flow of our customers and resulted in their implementation of measures to reduce operational and capital costs, negatively impacting helicopter activity beginning in fiscal year 2015. These cost reductions have continued into fiscal year 2019 and have impacted both the offshore production and the offshore exploration activity of our customers resulting in a change in the industry with continued focus on supply chain efficiencies without a similar offsetting decease to our maintenance costs. The largest share of our revenue relates to oil and gas production; however, our largest contract, the contract with the U.K. Department for Transport (the “DfT”) to provide public sector SAR services for all of the U.K. (the “U.K. SAR contract”), is not directly impacted by declining oil prices. The significant drop in the price of crude oil resulted in the rescaling, delay or cancellation of planned offshore projects and has negatively impacted our operations and could continue to negatively impact our operations in future periods.

To further reduce costs and make offshore drilling more economical, the industry is implementing technology-driven solutions that could result in increased transportation needs initially but could result in decreased activity once complete. Recently, we have seen opportunities for market share gains rather than increased activity. Our oil and gas markets remain competitive as material cost reductions and technological improvements have taken place in the offshore supply chain. The continued volatility of oil prices combined with the excess supply of aircraft could continue to impact the price and demand for helicopters and may continue to have a material impact on our financial position, cash flow and results of operations.

The SAR market is continuing to evolve and we believe further outsourcing of public SAR services to the private sector will continue in the future, although the timing of these opportunities is uncertain. The customers for our SAR services include both the oil and gas industry and governmental agencies. We are pursuing other public and oil and gas SAR opportunities for multiple aircraft in various jurisdictions around the globe and other non-SAR government aircraft logistics opportunities.

Like many of our competitors and other service providers to exploration and production companies, we responded to the constraints in the market during the past four years by implementing cost efficiencies both in our global operations as well as in our corporate headquarters, comprehensively reviewing operational and commercial dealings, exploring value-additive acquisitions and dispositions and developing strategic initiatives. We pursued a strategy of maximizing liquidity and financial flexibility through asset-level borrowings and secured equipment lease transactions. Together with revenue from operations, this additional liquidity allowed us to service our debt and provided a runway to maintain operations through the downturn.

Ultimately, however, given the continuing challenges in the offshore oil and gas industry and other matters impacting liquidity, the rate at which the Company’s cash position was declining began to increase, and the Company evaluated its strategic alternatives for the benefit of all its stakeholders, including its customers, employees, creditors and other investors. The fundamental shifts in the energy markets and in particular, offshore drilling, have required the Company to re-think its strategic business plan to restructure with an eye toward an inevitable consolidation in the market for helicopter services. While the Company has maintained its leading market share, industry demand has declined precipitously, rendering existing business models unsustainable and creating substantial overcapacity in the marketplace.

On the Petition Date, the Debtors filed the Chapter 11 Cases in the Bankruptcy Court seeking relief under Chapter 11 of the Bankruptcy Code. The Debtors’ Chapter 11 Cases were jointly administered under the caption In re: Bristow Group Inc., et al., Main Case No. 19-32713. During the pendency of the Chapter 11 Cases, the Debtors continued to operate their businesses and manage their properties as “debtors-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. On August 1, 2019, the Debtors filed with the Bankruptcy Court the Original Plan and the Disclosure Statement related thereto. On August 20, 2019, the Debtors filed with the Bankruptcy Court the Amended Plan and the Amended Disclosure Statement. On October 4, 2019, the Bankruptcy Court approved the Amended Disclosure Statement and indicated that it would confirm the Amended Plan. On October 8, 2019, the Bankruptcy Court entered the Confirmation Order approving the Amended Disclosure Statement and confirming the Amended Plan.

The Effective Date occurred on October 31, 2019.

The effects of offshore oil and gas market pressures have been felt by nearly all companies in the helicopter service industry. Including the Debtors' Chapter 11 Cases, there have been five large Chapter 11 proceedings involving helicopter services and leasing companies in the last few years.

*Recent Events*

*Restructuring Support Agreement* — On May 10, 2019, we entered into a restructuring support agreement ("the Initial RSA") with (i) certain holders of the 8.75% Senior Secured Notes due 2023 (the "8.75% Senior Secured Notes") and (ii) the guarantors of the 8.75% Senior Secured Notes (the "Secured Guarantors"), to support a restructuring of the Company (the "Restructuring"). On June 27, 2019, we entered into an amendment and restatement of the Initial RSA. On July 24, 2019, we entered into the second amendment and restatement thereof (as so amended and restated, the "Second Amended RSA") with a group of holders representing approximately 99.3% of the 8.75% Senior Secured Notes (the "Supporting Secured Noteholders"), the Secured Guarantors and a group of holders representing approximately 73.6% (the "Supporting Unsecured Noteholders" and, together with the Supporting Secured Noteholders, the "Supporting Noteholders") of the 6¼% Senior Notes due 2022 (the "6¼% Senior Notes") and the 4½% Convertible Senior Notes due 2023 (the "4½% Convertible Senior Notes") combined (together, the "Unsecured Notes"). The Second Amended RSA contemplated implementation of the Restructuring on the amended terms set forth in the term sheet contained in an exhibit to the Second Amended RSA (the "Restructuring Term Sheet") pursuant to the Amended Plan and the various related transactions set forth in or contemplated by the Restructuring Term Sheet, the term sheet for the DIP Credit Agreement (as defined herein) and the other restructuring documents attached to the Second Amended RSA.

Pursuant to the terms of the Second Amended RSA and the Restructuring Term Sheet:

- holders of claims arising from the Unsecured Notes (the "Unsecured Notes Claims") would receive their pro rata share of (i) if they are accredited investors, (x) new common stock, par value $0.0001 (the "New Common Stock"), and new preferred stock, par value $0.0001 (the "New Preferred Stock" and, together with the New Common Stock, the "New Stock"), of the Company, as reorganized pursuant to the Amended Plan (the "Reorganized Company") equal to 11% of the New Stock (the "Unsecured Equity Pool"), subject to dilution for the management incentive plan and (v) up to $347.5 million of the Rights Offering (the "Unsecured Rights"), or (ii) if they are not accredited investors, the Unsecured Cash Pool (as defined below) and, in each case, the Unsecured Notes will be cancelled and discharged;

- holders of claims arising from the 8.75% Senior Secured Notes (the "Secured Notes Claims") would receive payment of their Secured Notes Claims in full consisting of (i) cash equal to 97% of their Secured Notes Claims, plus (ii) their pro rata share of up to $37.5 million of the Rights Offering (the "Secured Rights"), and the 8.75% Senior Secured Notes will be cancelled and discharged;

- holders of unsecured claims (other than the Unsecured Notes Claims and general unsecured trade vendor claims) (the "General Unsecured Claims") would receive their pro rata share of (i) if they are accredited investors, at their option, (a) the Unsecured Equity Pool and (b) the Unsecured Rights or (ii) if they are accredited investors who decline the treatment set forth in the preceding clause (i) or if they are not accredited investors, cash in an amount agreed upon by the Company and the Required Backstop Parties (as defined in the Second Amended RSA) (the "Unsecured Cash Pool"), distributed pro rata to all holders of General Unsecured Claims who opt to receive cash under this clause (ii);

- holders of claims under the 2019 Term Loan (as defined herein) would either receive payment in cash in full or have their commitments with respect to the 2019 Term Loan replaced, or amended and reinstated, in any case secured by a first lien on substantially all assets of the Company, with the same maturity and interest rate as in the 2019 Term Loan, and the 2019 Term Loan will be cancelled and discharged;

- holders of claims under the New DIP Facility were expected to be satisfied and discharged in full in exchange for New Stock;

- an ad hoc group of holders of the Unsecured Notes (the "Unsecured Notes Ad Hoc Group") and an ad hoc group of holders of the 8.75% Senior Secured Notes (the "Secured Notes Ad Hoc Group") agreed to backstop $347.5 million and $37.5 million, respectively, of a total $385 million new money rights offering (the "Rights Offering") of the New Stock;

- the existing equity interests in the Company would be cancelled and discharged;

- the Secured Notes Ad Hoc Group and the Unsecured Notes Ad Hoc Group filed a statement affirmatively supporting the Company's Fiscal Year 2020 Performance Incentive Plan and Fiscal Year 2020 Non-Executive Incentive Plan in the form presently before the Bankruptcy Court;
- between 5% and 10% of the New Stock on a fully diluted basis were reserved for a Management Incentive Plan; and
- the Debtors would conduct a marketing process to raise a senior secured or unsecured revolving, term loan or notes facility in an aggregate principal amount of at least $75 million, provided that such facility shall be used to repay the 2019 Term Loan in cash, in full.

*Term Loan Agreement* — On May 10, 2019, we entered into a Term Loan Credit Agreement, dated the same date (the "Term Loan Agreement"), by and among the Company and Bristow Holdings Company Ltd. III ("BHC III"), as borrowers, certain subsidiaries of the Company as guarantors party thereto, the lenders from time to time party thereto (initially, certain holders of the 8.75% Senior Secured Notes), and Ankura Trust Company, LLC, as administrative agent (the "Term Loan Agent"), for a senior secured term loan of $75 million (the "2019 Term Loan"). Immediately upon entering into the Term Loan Agreement, and prior to the Petition Date, the Company and BHC III borrowed the full amount thereunder, the net proceeds of which were used for general corporate purposes, including to fund the working capital and liquidity requirements of the Company during the pendency of the Chapter 11 Cases. The full principal amount of the 2019 Term Loan is due May 10, 2022. At the Company's election, borrowings under the 2019 Term Loan will bear interest at either (x) the Eurodollar Rate (as defined in the Term Loan Agreement) plus 7% or (y) the Base Rate (as defined in the Term Loan Agreement) plus 6%. The initial borrowings under the 2019 Term Loan will be Eurodollar Rate loans with monthly interest payments. The 2019 Term Loan is secured by a first lien on certain specified collateral, including, among other things, equity pledges of 35% of the equity interests in certain of the Company's first-tier foreign subsidiaries (the remaining 65% of such entities have been previously pledged under the 8.75% Senior Secured Notes), 100% of the equity of BHC III, Bristow International Panama S. de RL, and two newly formed special-purpose vehicles, as well as a junior lien on certain collateral securing the 8.75% Senior Secured Notes. The borrowers have the option in connection with the consummation of a Reorganization Plan (as defined in the Term Loan Agreement) that is satisfactory to the lenders to require that the 2019 Term Loan be converted into equity of the Company upon consummation of such Reorganization Plan, subject to certain conditions. The Term Loan Agreement contains customary pre-payment requirements.

The Term Loan Agreement contains certain customary negative covenants that, among other things, restrict, subject to certain exceptions, the Company's and its subsidiaries' incurrence of additional indebtedness or liens, mergers, dispositions of assets, investments, restricted payments, modifications to material agreements, transactions with affiliates and fundamental changes. In addition, the Term Loan Agreement required that, on the delivery of each Variance Report (as defined in the Term Loan Agreement), total operating disbursements and total receipts of the Company and its subsidiaries for certain specified periods shall not exceed (with respect to disbursements) or be less than (with respect to total receipts) the aggregate amount forecasted therefor for such period by more (with respect to disbursements) or less (with respect to total receipts) than a specified percentage of the forecasted amount. The Term Loan Agreement also contains customary affirmative covenants and customary representations and warranties.

The Term Loan Agreement specifies certain customary events of default, including, among others, failure to pay principal or interest on the 2019 Term Loan when due, the breach of representations or warranties in any material respect, non-performance of other covenants and obligations, judgments, the occurrence of certain ERISA events and certain change of control events. The filing of the Chapter 11 Cases neither constitutes an event of default nor accelerates the maturity of the Company's indebtedness under the Term Loan Agreement.

On June 6, 2019, we entered into Amendment No. 1 to the Term Loan Agreement (the "First Term Loan Amendment"), dated the same date, by and among the Company, BHC III and the lenders party thereto. Among other things, the First Term Loan Amendment extended the deadline for delivery to the administrative agent and the lenders of (i) the annual audit report of the borrower and its subsidiaries for the fiscal year ended March 31, 2019 from 90 days to 120 days after the end of such fiscal year and (ii) monthly unaudited consolidated financial statements of the borrower and its subsidiaries from 10 days to 20 business days after the end of each month.

On August 22, 2019, we entered into Amendment No. 2 to the Term Loan Agreement (the "Second Term Loan Amendment"), dated the same date, by and among the Company, BHC III and the Term Loan Agent. The Second Term Loan Amendment amended the Term Loan Agreement in order to clarify the definition of Pledged Aircraft under the Term Loan Agreement.

On August 26, 2019, in connection with the entry into the DIP Credit Agreement, we entered into Amendment No. 3 to the Term Loan Agreement (the "Third Term Loan Amendment"), dated the same date, by and among the Company, BHC III, the lenders party thereto and the Term Loan Agent. The Third Term Loan Amendment amended and restated the Term Loan Agreement in order to, among other things, permit the entry into the DIP Credit Agreement, the incurrence of indebtedness thereunder and the granting of related liens thereunder, and make certain other conforming changes.

On September 30, 2019, we entered into Amendment No. 4 to the Term Loan Agreement (the "Fourth Term Loan Amendment"), dated the same date, by and among the Company, BHC III and the Term Loan Agent. The Fourth Term Loan Amendment amended the Term Loan Agreement in order to extend the delivery dates (i) for the Company's audited consolidated financial statements for the fiscal year ended March 31, 2019 until October 31, 2019 and (ii) for the Company's unaudited consolidated financial statements for each of the fiscal quarters ended June 30, 2019 and September 30, 2019 until December 31, 2019.

In connection with the Amended Plan, on October 31, 2019, we entered into Amendment No. 5 to the Term Loan Agreement (the "Fifth Term Loan Amendment"), dated the same date, by and among the Company, BHC III, the guarantors party thereto, the lenders party thereto and the Term Loan Agent. The Fifth Term Loan Amendment amended the Term Loan Agreement in order to, among other things, (i) increase the applicable margin in respect of all outstanding term loans to 8.00% in the case of Eurodollar Rate loans and 7.00% for Base Rate loans (with increases to 9.00% and 8.00%, respectively, with respect to all such term loans outstanding after the six-month anniversary of the Effective Date), (ii) release Bristow Helicopter Group Limited from all guaranty and collateral obligations in respect of the 2019 Term Loan, (iii) modify certain negative covenants to, among other things, allow for future aircraft-related financings and related liens and investments and (iv) delete certain provisions relating to the Chapter 11 Cases, in light of the occurrence of the Effective Date of the Amended Plan, including the deletion of the requirements to (x) deliver Variance Reports (as defined in the Term Loan Agreement) and (y) ensure that total operating disbursements and total receipts of the Company and its subsidiaries for certain specified periods did not exceed (with respect to disbursements) or were not less than (with respect to total receipts) the aggregate amount forecasted therefor for such period by more (with respect to disbursements) or less (with respect to total receipts) than a specified percentage of the forecasted amount.

*Rejection of HeliFleet Leases* — During the Chapter 11 Cases, the Company identified cost savings to be achieved through a fleet reduction by eliminating leased helicopters that were idle, carried above-market lease payments or that could be replaced with other helicopters within Bristow's fleet. On June 14, 2019, the Bankruptcy Court entered an order (the "HeliFleet Order") authorizing the Debtors to reject nine separate Aircraft Lease Agreements, dated as of December 20, 2005 (as amended from time to time), entered into by Bristow U.S. LLC, as lessee, and HeliFleet 2013-01, LLC ("HeliFleet"), as lessor, expiring September 1, 2023 (the "HeliFleet Leases"). Under the HeliFleet Leases, HeliFleet was the lessor of nine S-76C+ helicopters (the "HeliFleet Helicopters") and the engines installed thereon. Under the terms of the HeliFleet Order, Bristow U.S. LLC returned the HeliFleet Helicopters to HeliFleet.

*Backstop Commitment Agreement* — On July 24, 2019, the Company entered into a Backstop Commitment Agreement (the "Backstop Commitment Agreement") with the other parties thereto (the "Commitment Parties"), pursuant to which the Commitment Parties agreed to backstop the Rights Offering of New Stock of the Reorganized Company. In accordance with the Amended Plan and certain Rights Offering procedures filed as part of the Amended Plan, the Company granted the Supporting Noteholders, including certain Commitment Parties who are Unsecured Noteholders (the "Unsecured Commitment Parties") or Secured Noteholders (the "Secured Commitment Parties"), and holders of certain other unsecured claims (collectively with the Unsecured Noteholders, the "Unsecured Claims"), the right to purchase shares of New Stock of the Reorganized Company (the "Rights Offering Shares"), which were comprised of 91.825% of New Common Stock and 8.175% of New Preferred Stock, for an aggregate purchase price of, in the case of the Unsecured Claims, $347.5 million (the "Unsecured Rights Offering Amount") and, in the case of the Secured Noteholders, $37.5 million (the "Secured Rights Offering Amount" and, together with the Unsecured Rights Offering Amount, the "Rights Offering Amount")). Under the Backstop Commitment Agreement, the Commitment Parties agreed to purchase any Rights Offering Shares that were not duly subscribed for pursuant to the Rights Offering (the "Unsubscribed Shares") at the Per Equity Share Purchase Price (as defined in the Backstop Commitment Agreement).

Under the Backstop Commitment Agreement, the Debtors agreed to pay (i) on the earlier of the closing date of the transactions contemplated by the Backstop Commitment Agreement or the termination of the Backstop Commitment Agreement, a backstop commitment fee (the "Backstop Commitment Fee") in, at the election of the Commitment Parties, New Stock equal to 10% of (a) the Unsecured Rights Offering Amount to the Unsecured Commitment Parties and (b) the Secured Rights Offering Amount to the Secured Commitment Parties and (ii) both as promptly as reasonably practicable after entry of the BCA Approval Order (as defined in the Backstop Commitment Agreement) and on a monthly basis thereafter, all reasonably incurred and documented professional fees of the Commitment Parties. The Backstop Commitment Fee was paid in New Stock to the Commitment Parties pro rata based on the amount of their respective backstop commitments.

The rights to purchase Rights Offering Shares (excluding Unsubscribed Shares) in the Rights Offering were issued in reliance upon the exemption from the registration requirements of the Securities Act, pursuant to section 1145 of the Bankruptcy Code. A portion of the New Common Stock issued in the Rights Offering was issued in reliance upon such exemption, and a portion of the New Common Stock and all of the New Preferred Stock were issued in reliance upon the exemption from registration under the Securities Act provided by Section 4(a)(2) thereof or another available exemption from registration thereunder. The offer and sale of the Unsubscribed Shares purchased by the Commitment Parties pursuant to the Backstop Commitment Agreement were made in reliance upon the exemption from registration under the Securities Act provided by Section 4(a)(2) thereof or another

available exemption from registration thereunder. As a condition to the closing of the transactions contemplated by the Backstop Commitment Agreement, the Reorganized Company entered into a registration rights agreement with certain Commitment Parties requiring the Reorganized Company to register the Commitment Parties' securities under the Securities Act. As of September 30, 2019, we accrued estimated fees of $19.3 million included in other accrued liabilities on our condensed consolidated balance sheet.

The Commitment Parties' commitments to backstop the Rights Offering and the other transactions contemplated by the Backstop Commitment Agreement were conditioned upon satisfaction of all applicable conditions set forth therein. The Rights Offering Shares were issued pursuant to the Rights Offering and the Backstop Commitment Agreement on the Effective Date.

On September 30, 2019, we entered into a limited waiver and amendment to the Backstop Commitment Agreement (the "BCA Amendment"), dated the same date, by and between the Company, on behalf of itself and each of the other Debtors, and certain Commitment Parties. The BCA Amendment extended the delivery dates (i) for the Company's audited consolidated financial statements for the fiscal year ended March 31, 2019 until October 31, 2019 and (ii) for the Company's unaudited consolidated financial statements for each of the fiscal quarters ended June 30, 2019 and September 30, 2019 until December 31, 2019.

*Debtor-in-Possession Credit Agreement* — In connection with the Chapter 11 Cases and pursuant to a commitment letter between the DIP Borrowers (as defined below) and the lenders party thereto, on July 25, 2019, the Debtors filed a motion seeking, among other things, interim and final approval of the proposed Superpriority Secured Debtor-in-Possession Credit Agreement (the "DIP Credit Agreement") among the Company, as lead borrower, BHC III, as co-borrower (together with the Company, the "DIP Borrowers"), the other Debtors and guarantors party thereto and other guarantors from time to time party thereto, the financial institutions or other entities from time to time party thereto, and Ankura Trust Company, LLC, as administrative agent and collateral agent (the "DIP Agent"). On August 21, 2019, the Bankruptcy Court entered a final order, which, among other things, approved the DIP Credit Agreement, and on August 26, 2019, the Company entered into the DIP Credit Agreement. On August 27, 2019, the Company borrowed the full amount of the DIP Credit Agreement of $150 million at an 8.5% borrowing rate, $75 million of which was used to pay down a portion of the 8.75% Senior Secured Notes discussed below and the remainder of which was to be used for general corporate purposes.

On September 30, 2019, we entered into Amendment No. 1 to the DIP Credit Agreement (the "DIP Credit Agreement Amendment"), dated the same date, among the Company, BHC III and the DIP Agent. The DIP Credit Agreement Amendment amended the DIP Credit Agreement to extend the delivery dates (i) for the Company's audited consolidated financial statements for the fiscal year ended March 31, 2019 until October 31, 2019 and (ii) for the Company's unaudited consolidated financial statements for each of the fiscal quarters ended June 30, 2019 and September 30, 2019 until December 31, 2019. On October 31, 2019, we repaid borrowings under the DIP Credit Agreement in exchange for New Stock of the Reorganized Company, and the DIP Credit Agreement terminated pursuant to its terms.

*Tender Offer* — On August 12, 2019, we commenced a tender offer (the "Tender Offer") to purchase for cash our outstanding 8.75% Senior Secured Notes, up to an aggregate principal amount that would not result in an aggregate purchase price (including accrued and unpaid interest to, but not including, the settlement date) that exceeded $75.0 million. On September 11, 2019, we completed the Tender Offer, purchasing $74.8 million aggregate principal amount of the 8.75% Senior Secured Notes for $74.8 million, plus accrued and unpaid interest of $0.2 million, using funds borrowed under the DIP Credit Agreement.

*Fiscal Year 2020 Incentive Plans* — In connection with the Chapter 11 Cases, on August 22, 2019, the Bankruptcy Court entered an order approving the Company's Fiscal Year 2020 Performance Incentive Plan and Fiscal Year 2020 Non-Executive Incentive Plan. Effective as of the Effective Date, the Compensation Committee of the Board of Directors of the Company adopted the 2019 Management Incentive Plan and the Company adopted the Amended and Restated 2019 Management Severance Benefits Plan for U.S. Employees. For further details, see Note 2 in the "Notes to Condensed Consolidated Financial Statements" included elsewhere in this Quarterly Report.

*Replacement of Trustee* — On May 8, 2019, pursuant to an Agreement of Resignation, Appointment and Acceptance between U.S. Bank, National Association ("U.S. Bank") and Wilmington Trust, National Association ("Wilmington Trust"), Wilmington Trust replaced U.S. Bank as trustee, registrar, paying agent, custodian, conversion agent and bid solicitation agent under the Indenture, dated as of June 17, 2008, among the Company, the guarantors named therein and U.S. Bank (the "Base Indenture") for both the 6¼% Senior Notes and the 4½% Convertible Senior Notes. On September 11, 2019, the Company entered into the Seventh Supplemental Indenture, dated the same date, to the Base Indenture (the "Seventh Supplemental Indenture"), pursuant to which Delaware Trust Company succeeded Wilmington Trust as trustee, registrar, paying agent, custodian, conversion agent and bid solicitation agent under the Base Indenture for the 4½% Convertible Senior Notes.

*Omnibus Agreement* — On October 3, 2019, the Company entered into an Omnibus Agreement (the "Omnibus Agreement"), dated the same date, among Bristow Equipment Leasing Ltd., as borrower, PK Transportation Finance Ireland Limited ("PK Transportation"), as lender, PK AirFinance S.à r.l. ("PK AirFinance"), as agent for the lender and as security trustee for the MAG Agent and the MAG Parties (each as defined in the credit agreement, dated as of July 17, 2017, among Bristow Equipment Leasing

Ltd., the several banks, other financial institutions and other lenders from time to time party thereto and PK AirFinance as agent and as security trustee (as amended, the “PK Credit Agreement”)), PK AirFinance and PK Transportation. Pursuant to the Omnibus Agreement, among other matters, the parties have agreed, effective upon satisfaction of the conditions precedent set forth in the Omnibus Agreement (the “Omnibus Effective Date”), to amend the PK Credit Agreement to, among other things, extend the maturity date of the 24 loans made under the PK Credit Agreement by 18 months to January 27, 2025 and increase the principal amount of the loans in an aggregate amount of approximately $17.3 million. The Omnibus Agreement also updates the amortization schedule as of October 3, 2019 to provide that, among other things, only interest will be payable on the loans for the six months following the Omnibus Effective Date, with a balloon amount of approximately $104.2 million due on the maturity date. If the loans are refinanced by full prepayment during the six-month period following the Effective Date, no prepayment penalty will be due. Each loan is secured by an aircraft which has been pledged as collateral for the loans.

The Omnibus Agreement also provides that the Borrower Guarantee and Indemnity Cap (as defined in the PK Credit Agreement) will be reduced by the amount of increased principal when paid. In addition, the Omnibus Agreement adjusts the information covenants under the PK Credit Agreement such that the Company shall provide a copy of the annual audit report for each fiscal year for the Company and its subsidiaries as soon as available and in any event within 90 days after the end of such fiscal year of the Company (or, in the case of the fiscal year ended March 31, 2019, by October 31, 2019), and quarterly financial statements of the Company and its subsidiaries within 45 days after the end of each fiscal quarter of the Company (and, in the case of each of the fiscal quarters ended June 30, 2019 and September 30, 2019, by December 31, 2019). In the Omnibus Agreement, PK Transportation also agreed to waive certain events of default arising from breaches of covenants in other agreements as a result of the Chapter 11 Cases and failure to provide its financial statements by their required due dates.

*Amendment of Macquarie Credit Agreement* — On October 3, 2019, the Bankruptcy Court approved a term sheet (the “Macquarie Term Sheet”) among the Company, as guarantor, Bristow U.S. LLC, as borrower and lessee, BriLog Leasing Ltd., as lessee, Macquarie Bank Limited, as administrative agent and security agent, Macquarie Leasing LLC, as lender and owner participant, and Macquarie Rotorcraft Leasing Holdings Limited, as owner participant, pursuant to which, among other matters, the parties agreed to enter into definitive documentation at emergence for an amendment (the “Macquarie Amendment”) to the term loan credit agreement, dated as of February 1, 2017, among Bristow U.S. LLC, the several banks, other financial institutions and other lenders from time to time party thereto and Macquarie Bank Limited, as administrative agent and as security agent (the “Macquarie Credit Agreement”).

The parties entered into the Macquarie Amendment on October 31, 2019. Among other things, the Macquarie Amendment (i) extended the maturity date of the loan made under the Macquarie Credit Agreement by 12 months to March 6, 2023, (ii) adjusted the loan amortization in accordance with the newly extended maturity date, (iii) confirmed that an event of default under four or more existing leases involving parties to the Macquarie Term Sheet that remains unremedied after the applicable grace period for such an event of default will constitute an event of default under the Macquarie Credit Agreement, (iv) to the extent permitted by other debt instruments, provided for the collateralization of the obligations owed under such existing leases with the liens securing the Macquarie Credit Agreement and (v) allowed for the delivery by October 31, 2019 of the annual financial statements of the Company and its subsidiaries for the fiscal year ended March 31, 2019, and by December 31, 2019 of the quarterly financial statements of the Company and its subsidiaries for the fiscal quarters of the Company ended June 30, 2019 and September 30, 2019.

*Going Concern* — The significant risks and uncertainties related to the Chapter 11 Cases raise substantial doubt about the Company’s ability to continue as a going concern. In addition, each of the commencement of the Chapter 11 Cases and the delivery of the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2018, as amended by the amendment thereto (the “Amended 10-K”), with a going concern qualification or explanation constituted an event of default under certain of our secured equipment financings, giving those secured equipment lenders the right to accelerate repayment of the applicable debt, subject to Chapter 11 protections, and triggering cross-default and/or cross-acceleration provisions in substantially all of our other debt instruments should that right to accelerate repayment be exercised. The condensed consolidated financial statements included herein have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities and commitments in the normal course of business. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of the going concern uncertainty.

*Eastern Airways and Humberside Airport* — Bristow Helicopters, together with its legal and financial advisors, pursued various transactions to exit the Eastern Airways business, which made negative contributions to our operating income and Adjusted EBITDA in each of the last three fiscal years, including pursuing a sales process with several third parties over an extended period. On May 10, 2019, Bristow Helicopters completed the sale of all of the shares of Eastern Airways to Orient Industrial Holdings Limited (“OIHL”), an entity affiliated with Mr. Richard Lake, a director of Bristow Helicopters, pursuant to a Sale and Purchase Agreement (the “EAIL Purchase Agreement”). Pursuant to the EAIL Purchase Agreement and related agreements, Bristow Helicopters contributed approximately £17.1 million to Eastern Airways as working capital, OIHL acquired Eastern Airways. Bristow Helicopters retained its controlling ownership of the shares in Humberside International Airport Limited that it previously

held through Eastern Airways. Certain intercompany balances between Bristow Helicopters and Eastern Airways were also written off. As a result of the transaction, OIHL now owns and operates Eastern Airways, which had previously operated as a separate unit within Bristow Group, and Bristow Helicopters maintains its controlling interest in Humberside Airport, from which Bristow Helicopters provides U.K. SAR services.

The EAIL Purchase Agreement contained customary representations and warranties. OIHL agreed to certain covenants with respect to non-solicitation of directors, officers or employees of Bristow Helicopters for a period of 12 months. Pursuant to the terms of the EAIL Purchase Agreement, Bristow Helicopters has the right to appoint an observer to the board of directors of Eastern Airways for an initial period of 12 months following the sale. Eastern Airways also agreed to provide certain transition services for a minimum of 12 months from the date of the completion of the transaction.

The loss on the sale of Eastern Airways for the Current Period of $46.9 million includes the write-off of net assets of $35.0 million and write-off of cumulative translation adjustment of $11.9 million.

*Rejection and Deferral of Purchase of H175s* — On May 1, 2019, we entered into an amendment to our agreement with Airbus Helicopters S.A.S. for the purchase of 22 H175 helicopters, which includes five aircraft that can be cancelled by us prior to the delivery dates. Pursuant to the amendment, the parties mutually agreed to postpone the delivery dates for such helicopters for 18 months from the previous schedule, with the first three helicopters now scheduled for delivery in the second half of fiscal year 2022. The postponement in deliveries resulted in various amendments to the payment terms under the purchase agreement including the deferral of approximately $110.0 million in capital expenditures scheduled for fiscal years 2019 to 2023 into fiscal years 2024 and beyond. In connection with this amendment, the overall purchase price of these helicopters increased by $18.4 million to account for inflation.

On September 30, 2019, the Debtors filed a motion with the Bankruptcy Court to approve a settlement agreement with Airbus Helicopters S.A.S. in regards to the rejection of the purchase contract for 22 H175 helicopters. On October 3, 2019, the Bankruptcy Court entered an order approving the agreement with Airbus Helicopters S.A.S. to reject our aircraft purchase contract for the 22 H175 helicopters. As a result of the rejection of the purchase contract, we recorded $31.8 million of expense to reorganization items, net included on our condensed consolidated statements of operations for the Current Period.

*Brexit* — In a referendum held on June 23, 2016, voters in the U.K. approved the exit of the U.K. from the E.U. On March 29, 2017, the U.K. government commenced the exit process under Article 50 of the Treaty on European Union by notifying the European Council of the U.K.'s intention to leave the E.U. This notification started a two-year time period that ended on March 29, 2019 for the U.K. and the remaining E.U. Member States to negotiate a withdrawal agreement. The U.K. and the E.U. were unable to conclude and ratify a formal withdrawal agreement, and the Brexit date was extended until April 12, 2019 and further extended until October 31, 2019 and extended again until January 31, 2020, although Brexit may become effective before such date under certain specified circumstances. Further negotiations are required to determine the future terms of the U.K.'s relationship with the E.U. The impact on the Company's business as a result of Brexit will depend, in part, on the outcome of tariff, trade, regulatory and other negotiations.

As a result of the referendum and the uncertainty that has followed, the global markets and currencies have been adversely impacted, including a sharp decline in the value of the British pound sterling as compared to the U.S. dollar. Volatility in exchange rates resulting from Brexit is expected to continue in the short term as the U.K. seeks to ratify its terms of exit from the E.U., subject to the outcome of a U.K. general election on December 12, 2019. In addition, Brexit could create uncertainty with respect to the legal and regulatory requirements to which we and our customers in the U.K. are subject and lead to potentially divergent national laws and regulations as the U.K. determines which E.U. laws to replace or replicate, and those laws and regulations may be cumbersome, difficult or costly in terms of compliance. Any of these effects of Brexit, among others, could have a material adverse effect on our current business and future growth.

*Selected Regional Perspectives*

We own an approximate 20% voting interest and a 41.9% economic interest in Líder, a provider of helicopter and executive aviation services in Brazil. Brazil represents a significant part of long term helicopter industry demand due to its concentration and size of its offshore oil reserves. However, in the short term, Brazil and, specifically, Petrobras continue to evidence uncertainty as the price of oil and Petrobras' restructuring efforts have impacted the helicopter industry. The Brazilian government has revisited the regulations on the oil and gas industry and made significant changes to the Brazilian market, including removing the requirement that Petrobras have 30% participation on all exploratory blocks, removing the requirement that Petrobras be the operator of all pre-salt blocks and approving the next round of licensing for new exploration blocks (six years after the last successful round). In addition, the Brazilian government is currently reviewing local content requirements, which has led other operators (including international oil companies) to initiate drilling activities. Petrobras' new management has implemented a five-year business and management plan focused on divestment, mostly of its non-core businesses. Overall, the long-term Brazilian market outlook has

improved with future opportunities for growth although Líder faces significant competition from a number of global and local helicopter service providers.

Our investment in Líder as of September 30, 2019 is $44.6 million. As of September 30, 2019, we have no aircraft on lease to Líder. In addition to uncertainty surrounding future financial performance, currency fluctuations continue to make it difficult to predict the earnings from our Líder investment. These currency fluctuations, which primarily do not impact Líder's cash flow from operations, had a significant negative impact on Líder's results in recent years, impacting our earnings from unconsolidated affiliates. Earnings from unconsolidated affiliates, net of losses, on our consolidated statements of operations, is included in calculating adjusted EBITDA, adjusted net income (loss) and adjusted diluted earnings (loss) per share.

We are subject to competition and the political environment in the countries where we operate. In Nigeria, we have seen an increase in competitive pressure and the application of existing local content regulations that could impact our ability to win future work at levels previously anticipated. In order to properly and fully embrace new regulations, we have made a number of key changes to our operating model in Nigeria, while maintaining safety as our number one priority at all times. The objectives of these changes being (a) enhancing the level of continued compliance by each of Bristow Helicopters Nigeria Ltd. ("BHNL") and Pan African Airlines Nigeria Ltd. ("PAAN") with local content regulations, (b) the streamlining of our operations in Nigeria, including an ongoing consolidation of operations of BHNL and BGI Aviation Technical Services Nigeria Limited in order to achieve cost savings and efficiencies in our operations, and (c) each of BHNL and PAAN committing to continue to apply and use all key Bristow Group standards and policies, including without limitation our Target Zero safety program, our Code of Business Integrity and our Operations Manuals. As a result of these changes, our ability to continue to consolidate BHNL and PAAN under the current accounting requirements could change.

We conduct business in various foreign countries, and as such, our cash flows and earnings are subject to fluctuations and related risks from changes in foreign currency exchange rates. During the Current Period, our primary foreign currency exposure was related to the British pound sterling, the euro, the Australian dollar, the Norwegian kroner and the Nigerian naira and our unconsolidated affiliates foreign currency exposure is primarily related to the Brazilian real. For further details on this exposure and the related impact on our results of operations, see "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" in the fiscal year 2019 Annual Report and Note 1 in the "Notes to Condensed Consolidated Financial Statements" included elsewhere in this Quarterly Report.

**Results of Operations**

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

| | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Favorable (Unfavorable) | |
|---|---|---|---|---|
| | (In thousands, except per share amounts, percentages and flight hours) | | | |
| Revenue: | | | | |
| Operating revenue | $ 304,684 | $ 333,397 | $ (28,713) | (8.6)% |
| Reimbursable revenue | 13,536 | 15,946 | (2,410) | (15.1)% |
| Total revenue | 318,220 | 349,343 | (31,123) | (8.9)% |
| | | | | |
| Operating expense: | | | | |
| Direct cost | 236,655 | 277,217 | 40,562 | 14.6 % |
| Reimbursable expense | 12,840 | 15,194 | 2,354 | 15.5 % |
| Depreciation and amortization | 31,303 | 30,489 | (814) | (2.7)% |
| General and administrative | 37,820 | 38,839 | 1,019 | 2.6 % |
| Total operating expense | 318,618 | 361,739 | 43,121 | 11.9 % |
| | | | | |
| Loss on impairment | (62,101) | (117,220) | 55,119 | 47.0 % |
| Loss on disposal of assets | (230) | (1,293) | 1,063 | 82.2 % |
| Earnings from unconsolidated affiliates, net of losses | 633 | 1,461 | (828) | (56.7)% |
| | | | | |
| Operating loss | (62,096) | (129,448) | 67,352 | 52.0 % |
| | | | | |
| Interest expense, net | (22,445) | (26,433) | 3,988 | 15.1 % |
| Reorganization items, net | (93,943) | — | (93,943) | * |
| Gain on sale of subsidiaries | 420 | — | 420 | * |
| Other income (expense), net | (6,637) | (3,204) | (3,433) | (107.1)% |
| | | | | |
| Loss before benefit for income taxes | (184,701) | (159,085) | (25,616) | (16.1)% |
| Benefit for income taxes | 21,782 | 15,655 | 6,127 | 39.1 % |
| Net loss | (162,919) | (143,430) | (19,489) | (13.6)% |
| Net income attributable to noncontrolling interests | (55) | (517) | 462 | 89.4 % |
| Net loss attributable to Bristow Group | $ (162,974) | $ (143,947) | $ (19,027) | (13.2)% |
| | | | | |
| Diluted loss per common share | $ (4.54) | $ (4.02) | $ (0.52) | (12.9)% |
| Operating margin (1) | (20.4)% | (38.8)% | 18.4% | 47.4 % |
| Flight hours (2) | 35,827 | 42,002 | (6,175) | (14.7)% |
| | | | | |
| Non-GAAP financial measures: (3) | | | | |
| Adjusted EBITDA | $ 27,704 | $ 21,553 | $ 6,151 | 28.5 % |
| Adjusted EBITDA margin (1) | 9.1 % | 6.5 % | 2.6% | 40.0 % |
| Adjusted net loss | $ (22,065) | $ (27,761) | $ 5,696 | 20.5 % |
| Adjusted diluted loss per share | $ (0.61) | $ (0.78) | $ 0.17 | 21.8 % |

| | Six Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2019 | 2018 | Favorable (Unfavorable) | |
| | (In thousands, except per share amounts, percentages and flight hours) | | | |
| Gross revenue: | | | | |
| Operating revenue | $ 621,260 | $ 683,158 | $ (61,898) | (9.1)% |
| Reimbursable revenue | 30,136 | 32,853 | (2,717) | (8.3)% |
| Total gross revenue | 651,396 | 716,011 | (64,615) | (9.0)% |
| Operating expense: | | | | |
| Direct cost | 494,414 | 557,268 | 62,854 | 11.3 % |
| Reimbursable expense | 28,974 | 31,098 | 2,124 | 6.8 % |
| Prepetition restructuring charges | 13,476 | — | (13,476) | * |
| Depreciation and amortization | 62,642 | 61,430 | (1,212) | (2.0)% |
| General and administrative | 72,590 | 78,940 | 6,350 | 8.0 % |
| Total operating expense | 672,096 | 728,736 | 56,640 | 7.8 % |
| Loss on impairment | (62,101) | (117,220) | 55,119 | * |
| Loss on disposal of assets | (4,017) | (2,971) | (1,046) | (35.2)% |
| Earnings from unconsolidated affiliates, net of losses | 2,980 | (86) | 3,066 | * |
| Operating loss | (83,838) | (133,002) | 49,164 | 37.0 % |
| Interest expense, net | (48,766) | (53,577) | 4,811 | 9.0 % |
| Reorganization items, net | (170,299) | — | (170,299) | * |
| Loss on sale of subsidiaries | (55,883) | — | (55,883) | * |
| Other income (expense), net | (10,510) | (7,154) | (3,356) | (46.9)% |
| Loss before benefit for income taxes | (369,296) | (193,733) | (175,563) | (90.6)% |
| Benefit for income taxes | 37,289 | 18,506 | 18,783 | 101.5 % |
| Net loss | (332,007) | (175,227) | (156,780) | (89.5)% |
| Net income attributable to noncontrolling interests | (213) | (584) | 371 | 63.5 % |
| Net loss attributable to Bristow Group | $ (332,220) | $ (175,811) | $ (156,409) | (89.0)% |
| Diluted loss per common share | $ (9.25) | $ (4.93) | $ (4.32) | (87.6)% |
| Operating margin [1] | (13.5)% | (19.5)% | 6.0% | 30.8 % |
| Flight hours [2] | 74,946 | 85,205 | (10,259) | (12.0)% |
| Non-GAAP financial measures: [3] | | | | |
| Adjusted EBITDA | $ 63,539 | $ 48,566 | $ 14,973 | 30.8 % |
| Adjusted EBITDA margin [1] | 10.2 % | 7.1 % | 3.1% | 43.7 % |
| Adjusted net loss | $ (38,778) | $ (56,640) | $ 17,862 | 31.5 % |
| Adjusted diluted loss per share | $ (1.08) | $ (1.59) | $ 0.51 | 32.1 % |

* percentage change too large to be meaningful or not applicable

(1) Operating margin is calculated as operating loss divided by operating revenue. Adjusted EBITDA margin is calculated as adjusted EBITDA divided by operating revenue.

(2) Excludes flight hours from unconsolidated affiliates. Includes flight hours from fixed wing operations in the U.K., Nigeria and Australia for the three months ended September 30, 2019 and 2018 totaling 3,594 and 9,676, respectively, and totaling 9,094 and 20,329 for the six months ended September 30, 2019 and 2018, respectively.

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

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In thousands, except percentages and per share amounts) | | | |
| Net loss | $ (162,919) | $ (143,430) | $ (332,007) | $ (175,227) |
| Loss on disposal of assets | 230 | 1,293 | 4,017 | 2,971 |
| Special items (i) | 158,157 | 121,194 | 316,753 | 122,913 |
| Depreciation and amortization | 31,303 | 30,489 | 62,642 | 61,430 |
| Interest expense | 22,715 | 27,662 | 49,423 | 54,985 |
| Benefit for income taxes | (21,782) | (15,655) | (37,289) | (18,506) |
| Adjusted EBITDA | $ 27,704 | $ 21,553 | $ 63,539 | $ 48,566 |
| | | | | |
| Benefit for income taxes | $ 21,782 | $ 15,655 | $ 37,289 | $ 18,506 |
| Tax expense (benefit) on loss on disposal of assets | (79) | 104 | (179) | (300) |
| Tax benefit on special items | (19,297) | (6,405) | (31,672) | (6,413) |
| Adjusted benefit for income taxes | $ 2,406 | $ 9,354 | $ 5,438 | $ 11,793 |
| | | | | |
| Effective tax rate (ii) | 11.8% | 9.8% | 10.1% | 9.6% |
| Adjusted effective tax rate (ii) | 9.9% | 25.6% | 12.4% | 17.4% |
| | | | | |
| Net loss attributable to Bristow Group | $ (162,974) | $ (143,947) | $ (332,220) | $ (175,811) |
| Loss on disposal of assets (iii) | 151 | 1,397 | 3,838 | 2,671 |
| Special items (i) (iii) | 140,758 | 114,789 | 289,604 | 116,500 |
| Adjusted net loss | $ (22,065) | $ (27,761) | $ (38,778) | $ (56,640) |
| | | | | |
| Diluted loss per share | $ (4.54) | $ (4.02) | $ (9.25) | $ (4.93) |
| Loss on disposal of assets (iii) | — | 0.04 | 0.11 | 0.07 |
| Special items (i) (iii) | 3.92 | 3.21 | 8.06 | 3.26 |
| Adjusted diluted loss per share (iv) | (0.61) | (0.78) | (1.08) | (1.59) |

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

(ii) Effective tax rate is calculated by dividing benefit (provision) for income tax by pretax net loss. Adjusted effective tax rate is calculated by dividing adjusted benefit (provision) for income tax by adjusted pretax net loss. Tax provision (benefit) on loss on disposal of assets and tax provision (benefit) on special items is calculated using the statutory rate of the entity recording the loss on disposal of assets or special item.

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

(iv) Adjusted diluted earnings per share is calculated using the diluted weighted average number of shares outstanding of 35,918,916 and 35,768,232 during the Current Quarter and Comparable Quarter, respectively, and of 35,918,916 and 35,685,388 during the Current Period and Comparable Period, respectively.

Management believes that adjusted EBITDA, adjusted benefit for income taxes, adjusted net loss and adjusted diluted loss per share (collectively, the "Non-GAAP measures") provide relevant and useful information, which is widely used by analysts, investors and competitors in our industry as well as by our management in assessing both consolidated and regional performance.

Adjusted EBITDA provides us with an understanding of one aspect of earnings before the impact of investing and financing transactions and income taxes. Adjusted EBITDA should not be considered a measure of discretionary cash available to us for investing in the growth of our business.

Adjusted net loss and adjusted diluted loss per share present our consolidated results excluding asset dispositions and special items that do not reflect the ordinary earnings of our operations. Adjusted benefit (provision) for income taxes excludes the tax impact of these items. We believe that these measures are useful supplemental measures because net loss and diluted loss per share include asset disposition effects and special items and benefit (provision) for income taxes include the tax impact of these items, and inclusion of these items does not reflect the ongoing operational earnings of our business.

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

Some of the additional limitations of adjusted EBITDA are:

- Adjusted EBITDA does not reflect our current or future cash requirements for capital expenditures;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debts; and
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and adjusted EBITDA does not reflect any cash requirements for such replacements.

The following tables present region adjusted EBITDA and adjusted EBITDA margin discussed in "— Region Operating Results," and consolidated adjusted EBITDA and adjusted EBITDA margin for the three and six months ended September 30, 2019 and 2018:

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In thousands, except percentages) | | | |
| Europe Caspian | $ 16,033 | $ 19,865 | $ 37,854 | $ 48,659 |
| Africa | 12,392 | 5,105 | 24,910 | 10,424 |
| Americas | 11,471 | 9,204 | 22,245 | 9,041 |
| Asia Pacific | 2,159 | (3,000) | 3,387 | (914) |
| Corporate and other | (14,351) | (9,621) | (24,857) | (18,644) |
| Consolidated adjusted EBITDA | $ 27,704 | $ 21,553 | $ 63,539 | $ 48,566 |
| | | | | |
| Europe Caspian | 9.3% | 10.2 % | 10.7% | 12.0 % |
| Africa | 27.4% | 13.7 % | 26.9% | 14.4 % |
| Americas | 18.8% | 16.2 % | 18.8% | 8.3 % |
| Asia Pacific | 8.0% | (6.4)% | 5.5% | (0.9)% |
| Consolidated adjusted EBITDA margin | 9.1% | 6.5 % | 10.2% | 7.1 % |

The following table presents reconciliation of adjusted EBITDA by region and adjusted EBITDA margin and rent expense by region for the three months ended September 30, 2019:

| | Europe Caspian | Africa | Americas | Asia Pacific | Corporate and other | Loss on disposal of assets | Total |
|---|---|---|---|---|---|---|---|
| | (In thousands, except percentages) | | | | | | |
| Operating income (loss) | $ 11,224 | $ 6,528 | $ 3,527 | $ (19,848) | $ (63,297) | $ (230) | $ (62,096) |
| Depreciation and amortization expense | 12,395 | 5,007 | 7,590 | 2,970 | 3,341 | | 31,303 |
| Interest income | 45 | 2 | 1 | 9 | 213 | | 270 |
| Other income (expense), net | (7,635) | 855 | 353 | (1,005) | 795 | | (6,637) |
| Special items and loss on disposal of assets | 4 | — | — | 20,033 | 44,597 | 230 | 64,864 |
| Adjusted EBITDA | $ 16,033 | $ 12,392 | $ 11,471 | $ 2,159 | $ (14,351) | $ — | $ 27,704 |
| | | | | | | | |
| Adjusted EBITDA margin | 9.3% | 27.4% | 18.8% | 8.0% | | | 9.1% |
| | | | | | | | |
| Rent expense | $ 26,461 | $ 3,024 | $ 3,711 | $ 3,370 | $ 1,689 | | $ 38,255 |

The following table presents reconciliation of adjusted EBITDA by region and adjusted EBITDA margin and rent expense by region for the three months ended September 30, 2018:

| | Europe Caspian | Africa | Americas | Asia Pacific | Corporate and other | Loss on disposal of assets | Total |
|---|---|---|---|---|---|---|---|
| | (In thousands, except percentages) | | | | | | |
| Operating income (loss) | $ (11,414) | $ 1,465 | $ 2,056 | $ (6,988) | $ (113,274) | $ (1,293) | $ (129,448) |
| Depreciation and amortization expense | 12,189 | 3,665 | 7,310 | 4,054 | 3,271 | | 30,489 |
| Interest income | 18 | 2 | 1 | 34 | 1,174 | | 1,229 |
| Other income (expense), net | (1,836) | (27) | (332) | (1,123) | 114 | | (3,204) |
| Special items and loss on disposal of assets | 20,908 | — | 169 | 1,023 | 99,094 | 1,293 | 122,487 |
| Adjusted EBITDA | $ 19,865 | $ 5,105 | $ 9,204 | $ (3,000) | $ (9,621) | $ — | $ 21,553 |
| | | | | | | | |
| Adjusted EBITDA margin | 10.2% | 13.7% | 16.2% | (6.4)% | | | 6.5% |
| | | | | | | | |
| Rent expense | $ 31,179 | $ 2,146 | $ 6,334 | $ 8,281 | $ 1,651 | | $ 49,591 |

The following table presents reconciliation of adjusted EBITDA by region and adjusted EBITDA margin and rent expense by region for the six months ended September 30, 2019:

| | Europe Caspian | Africa | Americas | Asia Pacific | Corporate and other | Loss on disposal of assets | Total |
|---|---|---|---|---|---|---|---|
| | (In thousands, except percentages) | | | | | | |
| Operating income (loss) | $ 23,031 | $ 14,273 | $ 7,095 | $ (32,282) | $ (91,938) | $ (4,017) | $ (83,838) |
| Depreciation and amortization expense | 24,834 | 9,998 | 14,470 | 6,691 | 6,649 | | 62,642 |
| Interest income | 78 | 17 | 1 | 24 | 537 | | 657 |
| Other income (expense), net | (12,358) | 622 | 679 | (1,275) | 1,822 | | (10,510) |
| Special items and loss on disposal of assets | 2,269 | — | — | 30,229 | 58,073 | 4,017 | 94,588 |
| Adjusted EBITDA | $ 37,854 | $ 24,910 | $ 22,245 | $ 3,387 | $ (24,857) | $ — | $ 63,539 |
| Adjusted EBITDA margin | 10.7% | 26.9% | 18.8% | 5.5% | | | 10.2% |
| Rent expense | $ 55,292 | $ 6,701 | $ 8,288 | $ 17,140 | $ 3,023 | | $ 90,444 |

The following table presents reconciliation of adjusted EBITDA by region and adjusted EBITDA margin and rent expense by region for the six months ended September 30, 2018:

| | Europe Caspian | Africa | Americas | Asia Pacific | Corporate and other | Loss on disposal of assets | Total |
|---|---|---|---|---|---|---|---|
| | (In thousands, except percentages) | | | | | | |
| Operating income (loss) | $ 10,514 | $ 2,606 | $ (5,287) | $ (7,959) | $ (129,905) | $ (2,971) | $ (133,002) |
| Depreciation and amortization expense | 24,944 | 7,079 | 14,191 | 8,409 | 6,807 | | 61,430 |
| Interest income | 32 | 3 | 2 | 52 | 1,319 | | 1,408 |
| Other income (expense), net | (8,127) | 736 | (71) | (3,733) | 4,041 | | (7,154) |
| Special items and loss on disposal of assets | 21,296 | — | 206 | 2,317 | 99,094 | 2,971 | 125,884 |
| Adjusted EBITDA | $ 48,659 | $ 10,424 | $ 9,041 | $ (914) | $ (18,644) | $ — | $ 48,566 |
| Adjusted EBITDA margin | 12.0% | 14.4% | 8.3% | (0.9)% | | | 7.1% |
| Rent expense | $ 63,175 | $ 4,268 | $ 12,932 | $ 16,398 | $ 2,899 | | $ 99,672 |

*Current Quarter Compared to Comparable Quarter*

Operating revenue from external customers by line of service was as follows:

| | Three Months Ended September 30, | | Favorable (Unfavorable) | |
|---|---|---|---|---|
| | 2019 | 2018 | | |
| | (In thousands, except percentages) | | | |
| Oil and gas services | $ 222,200 | $ 219,766 | $ 2,434 | 1.1 % |
| U.K. SAR services | 54,499 | 56,928 | (2,429) | (4.3)% |
| Fixed wing services | 27,975 | 55,996 | (28,021) | (50.0)% |
| Corporate and other | 10 | 707 | (697) | (98.6)% |
| Total operating revenue | $ 304,684 | $ 333,397 | $ (28,713) | (8.6)% |

The year-over-year decrease in operating revenue was primarily driven by a $28.1 million decrease in fixed wing services revenue in our Europe Caspian region as a result of the sale of Eastern Airways on May 10, 2019, U.K. SAR services revenue declines, primarily as a result of unfavorable foreign currency exchange rate movements, were offset by increases in oil and gas services in the Current Quarter. Oil and gas revenue increased from the Comparable Quarter primarily due to increases in our Africa, America and Europe Caspian regions primarily from increases in activity partially offset by a decrease in our Asia Pacific region primarily from fewer customer contracts driving a decrease in activity. Also, revenue decreased by $11.4 million compared to the Comparable Quarter due to unfavorable changes in foreign currency exchange rates, primarily related to the depreciation of the British pound sterling and Australian dollar versus the U.S. dollar.

For the Current Quarter, we reported a net loss of $163.0 million and a diluted loss per share of $4.54 compared to a net loss of $143.9 million and a diluted loss per share of $4.02 for the Comparable Quarter. The year-over-year change in net loss and diluted loss per share was primarily driven by the following special items for the Current Quarter:

- Organizational restructuring costs of $96.5 million ($83.8 million net of tax), or $2.33 per share, including the following:
    - Professional fees of $35.5 million ($35.5 million net of tax), or $0.99 per share, of post-petition professional fees included in reorganization items, net, on the condensed consolidated statements of operations;
    - H175 settlement charges of $31.8 million ($25.1 million net of tax), or $0.70 per share, included in reorganization items, net on the condensed consolidated statements of operations relating to the rejection of our aircraft purchase contract for the 22 H175 helicopters;
    - Backstop Commitment Agreement estimated fees of $19.3 million ($15.2 million net of tax), or $0.42 per share, included in reorganizations items, net, on the condensed consolidated statements of operations;
    - Lease termination costs of $4.2 million ($3.3 million net of tax), or $0.09 per share, included in reorganization items, net, on the condensed consolidated statements of operations relating to the rejection of ten aircraft leases rejected in June 2019 including nine S-76C+s and one S-76D;
    - Debt related expenses of $4.1 million ($3.3 million net of tax), or $0.09 per share, for fees incurred related to our $150 million DIP Credit Agreement funded in August 2019 included in reorganization items, net, on the condensed consolidated statements of operations;
    - Severance costs of $2.5 million ($2.5 million net of tax), or $0.07 per share, included in direct costs and general and administrative expense on the condensed consolidated statements of operations; and
    - Corporate lease termination cost of $1.1 million ($0.8 million net of tax), or $0.02 per share, included in reorganization items, net, on the condensed consolidated statements of operations.
    - A benefit of $1.9 million ($1.9 million net of tax), or $0.05 per share, included in reorganization items, net, on the condensed consolidated statements of operations, resulting from an adjustment to the allowed claim associated with our return of four H225 model aircraft in May 2019.
- Loss on impairment of $62.1 million ($53.3 million net of tax), or $1.48 per share, included in loss on impairment on the condensed consolidated statements of operations resulting from:
    - $42.0 million impairment of H225 aircraft;

- $17.5 million impairment of Airnorth goodwill; and
- $2.6 million impairment of our investment in Sky Future Partners Limited (“Sky Future Partners”).

- Write-off of a portion of the deferred financing fees and discount of $1.9 million ($1.5 million net of tax), or $0.04 per share, included in interest expense on the condensed consolidated statements of operations related to a portion of our 8.75% Senior Secured Notes which were purchased in a Tender Offer in September 2019;
- Gain on sale of subsidiaries of $0.4 million ($0.4 million net of tax), or $0.01 per share, included in gain (loss) on sale of subsidiaries on the condensed consolidated statements of operations, resulting from the cash received from the sale of Aviashelf in the Current Quarter.
- Non-cash tax expense of $2.6 million, or $0.07 per share, from valuation allowances on deferred tax assets.

Additionally, we realized a loss on disposal of assets of $0.2 million ($0.2 million net of tax) during the Current Quarter from the sale or disposal of other equipment.

The Comparable Quarter results benefited from the impact of $3.4 million of original equipment manufacturer (“OEM”) cost recoveries realized in the Comparable Quarter that resulted in a $2.4 million reduction in rent expense and a $1.0 million reduction in direct cost.

Excluding the organizational restructuring costs, gain on sale of subsidiaries, benefit on H225 lease returns described above and the loss on disposal of assets, adjusted net loss and adjusted diluted loss per share were $22.1 million and $0.61, respectively, for the Current Quarter. These adjusted results compare to adjusted net loss and adjusted diluted loss per share of $27.8 million and $0.78, respectively, for the Comparable Quarter. Additionally, adjusted EBITDA improved to $27.7 million in the Current Quarter from $21.6 million in the Comparable Quarter. The benefit from the OEM cost recoveries described above is included within adjusted net income, adjusted earnings per share and adjusted EBITDA in the Comparable Quarter.

Adjusted EBITDA, adjusted net loss and adjusted diluted loss per share benefited from the sale of Eastern Airways and decrease in rent expense compared to the Comparable Quarter. These items were mostly offset by the increase in foreign currency transaction losses included in other income (expense), net and increased interest expense, resulting in no significant change in adjusted net loss and adjusted diluted loss per share year-over-year.

The table below presents the year-over-year impact of changes in foreign currency exchange rates.

| | Three Months Ended September 30, | | |
|---|---|---|---|
| | **2019** | **2018** | **Favorable (Unfavorable)** |
| | **(In thousands, except per share amounts)** | | |
| Revenue impact | | | $ (11,361) |
| Operating expense impact | | | 11,025 |
| Year-over-year income statement translation | | | (336) |
| | | | |
| Transaction losses included in other income (expense), net | $ (5,816) | $ (2,307) | (3,509) |
| Líder foreign exchange impact included in earnings from unconsolidated affiliates | (1,596) | (1,020) | (576) |
| Total | $ (7,412) | $ (3,327) | (4,085) |
| | | | |
| Pre-tax income statement impact | | | (4,421) |
| Less: Foreign exchange impact on depreciation and amortization and interest expense | | | 93 |
| Adjusted EBITDA impact | | | $ (4,328) |
| | | | |
| Net income impact (tax affected) | | | $ (3,380) |
| Earnings per share impact | | | $ (0.09) |

The most significant foreign exchange impact related to a $3.5 million unfavorable impact from higher transaction losses in the Current Quarter compared to the Comparable Quarter and a $0.6 million increase in unfavorable foreign currency exchange rate impact from our investment in Líder in Brazil. Additionally, the Current Quarter included a $0.3 million unfavorable impact from changes in foreign currency exchange rates in the Current Quarter primarily driven by the impact of the depreciating British pound sterling on the translation of our results in our Europe Caspian region. During the Current Quarter, the depreciation of the British pound sterling from the Comparable Quarter due to a majority of our revenue in our Europe Caspian region contracted in

British pound sterling with our expense being more evenly split between U.S. dollars and British pound sterling, resulting in a significant net revenue exposure to the British pound sterling translated into lower U.S. dollar earnings for reporting purposes.

Direct cost decreased 14.6%, or $40.6 million, year-over-year primarily due to a $26.5 million decrease due to the sale of Eastern Airways in May 2019, a $7.7 million decrease in lease costs due to return of leased aircraft, a $3.2 million decrease in fuel costs primarily due to decline in activity in our Asia Pacific region and a $2.7 million decrease in salaries and benefits primarily due to a reduction in headcount in our Asia Pacific region.

Reimbursable expense decreased 15.5%, or $2.4 million, primarily due to decrease in activity in our Asia Pacific region.

Depreciation and amortization expense remained mostly flat at $31.3 million for the Current Quarter compared to $30.5 million for the Comparable Quarter.

General and administrative expense decreased 2.6%, or $1.0 million, in the Current Quarter, as compared to the Comparable Quarter primarily due to a $2.7 million decrease due to the sale of Eastern Airways in May 2019, partially offset by a $1.7 million increase primarily related to salaries and benefits due to an increase in short-term incentive compensation in the Current Quarter.

Loss on impairment for the Current Quarter includes $42.0 million for the impairment of H225 aircraft, $17.5 million for the impairment of Airnorth goodwill and $2.6 million for the impairment of our investment in Sky Future Partners. Loss on impairment for the Comparable Quarter includes $87.5 million for the impairment of H225 aircraft, $8.9 million for the impairment of H225 inventory, and $20.8 million for the impairment of Eastern Airways assets including $17.5 million for aircraft and equipment, $3.0 million for intangible assets and $0.3 million for inventory. For further details, see Note 1 in the “Notes to Condensed Consolidated Financial Statements” included elsewhere in this Quarterly Report.

Loss on disposal of assets decreased $1.1 million to a loss of $0.2 million for the Current Quarter from a loss of $1.3 million for the Comparable Quarter. The loss on disposal of assets in the Current Quarter included a loss of $0.2 million from the sale or disposal of other equipment. During the Comparable Quarter, the loss on disposal of assets included a loss of $1.3 million from the sale or disposal of aircraft and other equipment.

Earnings from unconsolidated affiliates, net of losses, decreased 56.7%, or $0.8 million, from earnings of $1.5 million in the Comparable Quarter to $0.6 million in the Current Quarter. The decrease in earnings from unconsolidated affiliates, net of losses, primarily resulted from a decrease in earnings from our investment in Líder in Brazil to losses of $1.7 million in the Current Quarter compared to earnings of $0.2 million in Comparable Quarter primarily due to an unfavorable change in foreign exchange rates and an increase in earnings from our investment in Cougar in Canada from earnings of $1.4 million in the Comparable Quarter to $2.0 million for the Current Quarter due to an increase in activity.

Interest expense, net, decreased 15.1%, or $4.0 million, year-over-year primarily due to lower interest expense of $7.9 million on our 6¼% Senior Notes due 2022 and 4½% Convertible Senior Notes due 2023 as the unsecured debt was classified as liabilities subject to compromise on the Petition Date upon the filing of the Chapter 11 Cases and we stopped accruing interest expense, partially offset by $3.1 million of interest expense on our 2019 Term Loan which we borrowed against on May 10, 2019 and the DIP Credit Agreement which we borrowed against on August 26, 2019. Additionally, we recorded $1.9 million of expense for the write-off of a portion of the 8.75% Senior Secured Notes debt fees and discount due to the early repayment of $74.8 million of the 8.75% Senior Secured Notes in September 2019. For further details, see “— Recent Events” included elsewhere in this Quarterly Report.

Reorganization items, net represent amounts incurred directly resulting from the Chapter 11 Cases and consists of the following items for the Current Quarter:

| | | |
|---|---|---|
| Professional fees | $ | 35,462 |
| H175 settlement agreement [(1)] | | 31,830 |
| Backstop Commitment Agreement [(2)] | | 19,250 |
| Lease termination costs [(3)] | | 4,170 |
| Write-off of deferred financing fees [(4)] | | 4,114 |
| Corporate lease termination cost | | 1,063 |
| Milestone Omnibus Agreement allowed claim adjustment [(5)] | | (1,946) |
| | $ | 93,943 |

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(1) Relates to the rejection of our aircraft purchase contract for the 22 H175 helicopters.

(2) Estimated fees related to the Backstop Commitment Agreement.

(3) Relates to ten aircraft leases rejected in June 2019 including nine S-76C+s and one S-76D.

(4) Fees related to the DIP Credit Agreement.

(5) Relates to adjustment of the allowed claim for the Milestone Omnibus Agreement.

Gain on sale of subsidiaries of $0.4 million resulting from the cash received from the sale of our 8.5% interest in Aviashelf in the Current Quarter.

For further details on other income (expense), net and income tax expense, see "— Region Operating Results — Other Income (Expense), Net" and "— Region Operating Results — Taxes" included elsewhere in this Quarterly Report.

As discussed above, our results for the Current Quarter were impacted by special items. During the Comparable Quarter, special items that impacted our results included loss on impairment, organizational restructuring costs, transaction costs and tax items. The items noted in the Current Quarter and Comparable Quarter have been identified as special items as they are not considered by management to be part of our ongoing operations when assessing and measuring the operational and financial performance of the organization. The impact of these items on our adjusted EBITDA, adjusted net loss and adjusted diluted loss per share is as follows:

| | Three Months Ended September 30, 2019 | | |
|---|---|---|---|
| | Adjusted EBITDA | Adjusted Net Loss | Adjusted Diluted Loss Per Share |
| | (In thousands, except per share amounts) | | |
| Organizational restructuring costs | $ (96,476) | $ (83,787) | $ (2.33) |
| Loss on impairment | (62,101) | (53,276) | (1.48) |
| Gain on sale of subsidiaries | 420 | 420 | 0.01 |
| Early extinguishment of debt | | (1,499) | (0.04) |
| Tax Items | — | (2,616) | (0.07) |
| Total special items | $ (158,157) | $ (140,758) | (3.92) |

| | Three Months Ended September 30, 2018 | | |
|---|---|---|---|
| | Adjusted EBITDA | Adjusted Net Loss | Adjusted Diluted Loss Per Share |
| | (In thousands, except per share amounts) | | |
| Loss on impairment | $ (117,220) | $ (101,105) | $ (2.83) |
| Organization restructuring costs | (2,727) | (2,392) | (0.07) |
| Transaction costs | (1,247) | (985) | (0.03) |
| Tax items | — | (10,307) | (0.29) |
| Total special items | $ (121,194) | $ (114,789) | (3.21) |

*Current Period Compared to Comparable Period*

Operating revenue from external customers by line of service was as follows:

| | Six Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2019 | 2018 | Favorable (Unfavorable) | |
| | (In thousands, except percentages) | | | |
| Oil and gas services | $ 447,114 | $ 446,311 | $ 803 | 0.2 % |
| Fixed wing services | 63,293 | 112,703 | (49,410) | (43.8)% |
| U.K. SAR services | 110,578 | 123,248 | (12,670) | (10.3)% |
| Corporate and other | 275 | 896 | (621) | (69.3)% |
| Total operating revenue | $ 621,260 | $ 683,158 | $ (61,898) | (9.1)% |

The year-over-year decrease in operating revenue was primarily driven by a decrease of $52.1 million in fixed wing services revenue in our Europe Caspian region as a result of the sale of Eastern Airways on May 10, 2019 and a decrease in U.K. SAR services revenue. The decrease in the U.K. SAR services revenue in the Current Period is primarily due to a one-time benefit of $7.6 million in OEM cost recoveries recognized in the Comparable Period and unfavorable changes in the British pound sterling versus U.S. dollar foreign currency exchange rate from the Comparable Period to the Current Period. Additionally, oil and gas revenue improved from the Comparable Period as increases in our Africa, America and Europe Caspian regions primarily due to increases in activity were only partially offset by a decrease in our Asia Pacific region primarily due to fewer customer contracts yielding a decrease in activity. Included within the Favorable (Unfavorable) change presented above, revenue decreased by $24.0 million compared to the Comparable Period due to unfavorable changes in foreign currency exchange rates, primarily related to the depreciation of the British pound sterling and Australian dollar versus the U.S. dollar.

For the Current Period, we reported a net loss of $332.2 million and a diluted loss per share of $9.25 compared to a net loss of $175.8 million and a diluted loss per share of $4.93 for the Comparable Period. The year-over-year change in net loss and diluted loss per share was primarily driven by the following special items for the Current Period:

- Organizational restructuring costs of $187.9 million ($162.5 million net of tax), or $4.52 per share, including the following:
    - Professional fees of $64.4 million ($64.4 million net of tax), or $1.79 per share including $13.5 million of prepetition professional fees included in prepetition restructuring charges on the condensed consolidated statements of operations and $51.0 million of post-petition professional fees included in reorganization items, net, on the condensed consolidated statements of operations;
    - H175 settlement charges of $31.8 million ($25.1 million net of tax), or $0.70 per share, included in reorganization items, net on the condensed consolidated statements of operations relating to the rejection of our aircraft purchase contract for the 22 H175 helicopters;
    - Lease termination costs of $30.2 million ($23.9 million net of tax), or $0.66 per share, included in reorganization items, net, on the condensed consolidated statements of operations relating to the rejection of ten aircraft leases rejected in June 2019 including nine S-76C+s and one S-76D;
    - Debt related expenses of $38.9 million ($30.7 million net of tax), or $0.86 per share included in reorganization items, net, on the condensed consolidated statements of operations including the write-off of $30.2 million of discount on the 4½% Convertible Senior Notes, the write-off of $4.6 million of deferred financing fees related to the 6¼% Senior Notes and 4½% Convertible Senior Notes and $4.1 million incurred for fees related to the DIP Credit Agreement funded in August 2019;
    - Backstop Commitment Agreement estimated fees of $19.3 million ($15.2 million net of tax), or $0.42 per share, included in reorganizations, net, on the condensed consolidated statements of operations;
    - Severance costs of $4.2 million ($4.2 million net of tax), or $0.12 per share, included in direct costs and general and administrative expense on the condensed consolidated statements of operations; and
    - Corporate lease termination cost of $1.1 million ($0.8 million net of tax), or $0.02 per share, included in reorganization items, net, on the condensed consolidated statements of operations.
    - A benefit of $1.9 million ($1.9 million net of tax), or $0.05 per share, included in direct cost on the condensed consolidated statements of operations, resulting from an adjustment to the allowed claim associated with our return of four H225 model aircraft in May 2019.

- Loss on impairment of $62.1 million ($53.3 million net of tax), or $1.48 per share, included in loss on impairment on the condensed consolidated statements of operations resulting from:
    - $42.0 million impairment of H225 aircraft;
    - $17.5 million impairment of Airnorth goodwill; and
    - $2.6 million impairment of our investment in Sky Future Partners.
- Loss on sale of subsidiaries of $55.9 million ($55.9 million net of tax), or $1.56 per share, included in loss on sale of subsidiaries on the condensed consolidated statements of operations, resulting from the sale of Eastern Airways, Bristow Helicopters Leasing Limited ("BHLL") and Aviashelf.
- H225 lease return costs of $10.8 million ($10.8 million net of tax), or $0.30 per share, included in direct cost on the condensed consolidated statements of operations, resulting from costs associated with our return of four H225 model aircraft in May 2019 including $4.3 million paid in lease return costs in the Current Period and $10.6 million in future rent and return costs, partially offset by the write-off of $6.0 million of deferred credits for OEM settlements that were being recognized over the remaining life of the leases.
- Financing fees of $2.6 million ($2.3 million net of tax), or $0.07 per share, included in interest expense on the condensed consolidated statements of operations related to the DIP Credit Agreement;
- Write-off of a portion of deferred financing fees and discount of $1.9 million ($1.5 million net of tax), or $0.04 per share, included in interest expense on the condensed consolidated statements of operations related to a portion of our 8.75% Senior Secured Notes which were purchased in a Tender Offer in September 2019;
- Non-cash tax expense of $3.3 million, or $0.09 per share, from valuation allowances on deferred tax assets.

Additionally, we realized a loss on disposal of assets of $4.0 million ($3.8 million net of tax) during the Current Period from the sale or disposal of two aircraft and other equipment.

The Comparable Period results benefited from the impact of $15.6 million of OEM cost recoveries realized in the Comparable Period that resulted in a one-time benefit of $7.6 million in U.K. SAR operating revenue as discussed above, a $5.9 million reduction in rent expense and a $2.1 million reduction in direct cost.

Excluding the organizational restructuring costs, loss on sale of subsidiaries, H225 lease return costs, financing fees and the loss on disposal of assets discussed above, adjusted net loss and adjusted diluted loss per share were $38.8 million and $1.08, respectively, for the Current Period. These adjusted results compare to adjusted net loss and adjusted diluted loss per share of $56.6 million and $1.59, respectively, for the Comparable Period. Additionally, adjusted EBITDA improved to $63.5 million in the Current Period from $48.6 million in the Comparable Period. The benefit from the OEM cost recoveries described above is included within adjusted net income, adjusted earnings per share and adjusted EBITDA in the Comparable Period.

Adjusted EBITDA, adjusted net loss and adjusted diluted loss per share benefited from the sale of Eastern Airways, decrease in salaries and benefits, rent and general and administrative expense, and increase in earnings from unconsolidated affiliates compared to the Comparable Period. These items were partially offset by OEM cost recoveries realized in the Comparable Period that did not recur in the Current Period resulting in decrease in adjusted net loss and adjusted diluted loss per share year-over-year.

The table below presents the year-over-year impact of changes in foreign currency exchange rates.

| | Six Months Ended September 30, | | Favorable (Unfavorable) |
|---|---|---|---|
| | 2019 | 2018 | |
| | (In thousands, except per share amounts) | | |
| Revenue impact | | | $ (23,964) |
| Operating expense impact | | | 21,855 |
| Year-over-year income statement translation | | | (2,109) |
| Transaction losses included in other income (expense), net | $ (8,746) | $ (5,336) | (3,410) |
| Líder foreign exchange impact included in earnings from unconsolidated affiliates | (1,710) | (3,598) | 1,888 |
| Total | $ (10,456) | $ (8,934) | (1,522) |
| Pre-tax income statement impact | | | (3,631) |
| Less: Foreign exchange impact on depreciation and amortization and interest expense | | | (6) |
| Adjusted EBITDA impact | | | $ (3,637) |
| Net income impact (tax affected) | | | $ (3,217) |
| Earnings per share impact | | | $ (0.09) |

The most significant foreign exchange impact related to a $3.4 million unfavorable impact from higher transaction losses in the Current Period compared to the Comparable Period and $2.1 million unfavorable impact from changes in foreign currency exchange rates in the Current Period primarily driven by the impact of the depreciating British pound sterling on the translation of our results in our Europe Caspian region. During the Current Period, the depreciation of the British pound sterling from the Comparable Period due to a majority of our revenue in our Europe Caspian region contracted in British pound sterling with our expense being more evenly split between U.S. dollars and British pound sterling, resulting in a significant net revenue exposure to the British pound sterling translated into lower U.S. dollar earnings for reporting purposes. Partially offsetting these unfavorable impacts was a $1.9 million decrease in unfavorable foreign currency exchange rate impact from our investment in Líder in Brazil.

Direct costs decreased 11.3%, or $62.9 million, year-over-year primarily due to a $46.1 million decrease due to the sale of Eastern Airways on May 10, 2019, a $7.6 million decrease in salaries and benefits primarily due to a reduction in headcount as a result of fewer customer contracts driving lower activity in our Asia Pacific region, a $3.0 million decrease in lease costs primarily due to the return or rejection in Chapter 11 of leased aircraft and a $4.6 million decrease in fuel costs primarily due to fewer customer contracts driving lower activity in our Asia Pacific region.

Reimbursable expense decreased 6.8%, or $2.1 million, primarily due to fewer customer contracts resulting in a decrease in activity in our Asia Pacific region.

Prepetition restructuring charges include professional fees incurred prior to May 11, 2019 related to our Chapter 11 Cases.

Depreciation and amortization expense remained mostly flat at $62.6 million for the Current Period compared to $61.4 million for the Comparable Period.

General and administrative expense decreased 8.0%, or $6.4 million, in the Current Period, as compared to the Comparable Period primarily due to a $4.5 million decrease due to the sale of Eastern Airways in May 2019 and a $1.9 million decrease in various other costs including salaries, information technology and travel expenses.

Loss on impairment for the Current Period includes impairment charges of $42.0 million for H225 aircraft, $17.5 million for Airnorth goodwill and $2.6 million for our investment in Sky Future Partners. Loss on impairment for the Comparable Period includes impairment charges of $87.5 million for H225 aircraft, $8.9 million for H225 inventory, and $20.8 million for Eastern Airways assets, including $17.5 million for aircraft and equipment, $3.0 million for intangible assets and $0.3 million for inventory. For further details, see Note 1 in the “Notes to Condensed Consolidated Financial Statements” included elsewhere in this Quarterly Report.

Loss on disposal of assets decreased $1.0 million, to a loss of $4.0 million for the Current Period from a loss of $3.0 million for the Comparable Period. The loss on disposal of assets in the Current Period included a loss of $4.0 million from the sale or disposal of three aircraft and other equipment for proceeds of $5.0 million. During the Comparable Period, the loss on disposal of assets included a loss of $3.0 million from the sale or disposal of three aircraft and other equipment for proceeds of $8.5 million.

Earnings from unconsolidated affiliates, net of losses, increased $3.1 million to earnings of $3.0 million for the Current Period from losses of $0.1 million in the Comparable Period. This improvement primarily resulted from a $2.4 million increase in earnings from our investment in Cougar in Canada for the Current Period due to an increase in activity.

Interest expense, net, decreased 9.0%, or $4.8 million, year-over-year primarily due to lower interest expense of $12.3 million on our 6¼% Senior Notes due 2022 and 4½% Convertible Senior Notes due 2023 as the unsecured debt was classified as liabilities subject to compromise on the Petition Date upon the filing of the Chapter 11 Cases and we stopped accruing interest expense, partially offset by $4.1 million of interest expense on our 2019 Term Loan which we borrowed against on May 10, 2019 and the DIP Credit Agreement which we borrowed against on August 26, 2019. Also, we incurred $2.6 million of financing fees for the DIP Credit Agreement. Additionally, we recorded $1.9 million of expense for the write-off of a portion of the 8.75% Senior Secured Notes debt fees and discount due to the early repayment of $74.8 million of the 8.75% Senior Secured Notes in September 2019. For further details, see "— Recent Events" included elsewhere in this Quarterly Report.

Reorganization items, net represent amounts incurred directly resulting from the Chapter 11 Cases and consists of the following items for the Current Period:

| | | |
|---|---|---|
| Professional fees | $ | 50,965 |
| H175 settlement agreement [1] | | 31,830 |
| Lease termination costs [2] | | 30,221 |
| Write-off of discount on 4½% Convertible Senior Notes due 2023 | | 30,158 |
| Backstop Commitment Agreement [3] | | 19,250 |
| Write-off of deferred financing fees [4] | | 8,758 |
| Corporate lease termination cost | | 1,063 |
| Milestone Omnibus Agreement allowed claim adjustment [5] | | (1,946) |
| | $ | 170,299 |

(1) Relates to the rejection of our aircraft purchase contract for the 22 H175 helicopters.

(2) Relates to ten aircraft leases rejected in June 2019 including nine S-76C+s and one S-76D.

(3) Estimated fees related to the Backstop Commitment Agreement.

(4) Includes $2.4 million related to the 6¼% Senior Notes, $2.3 million related to deferred financing fees related to the 4½% Convertible Senior Notes and $4.1 million incurred for fees related to the DIP Credit Agreement.

(5) Relates to adjustment of the allowed claim for the Milestone Omnibus Agreement.

Loss on sale of subsidiaries includes a $46.9 million loss on the sale of Eastern Airways and $9.0 million loss on the sale of Aviashelf and BHLL. For further details, see Note 1 in the "Notes to Condensed Consolidated Financial Statements" included elsewhere included elsewhere in this Quarterly Report.

For further details on other income (expense), net and income tax expense, see "— Region Operating Results — Other Income (Expense), Net" and "— Region Operating Results — Taxes" included elsewhere in this Quarterly Report.

As discussed above, our results for the Current Period were impacted by special items. During the Comparable Period, special items that impacted our results included loss on impairment, organizational restructuring costs, transaction costs and tax items. The items noted in the Current Period and Comparable Period have been identified as special items as they are not considered by management to be part of our ongoing operations when assessing and measuring the operational and financial performance of the organization. The impact of these items on our adjusted EBITDA, adjusted net loss and adjusted diluted loss per share is as follows:

| | Six Months Ended September 30, 2019 | | |
|---|---|---|---|
| | Adjusted EBITDA | Adjusted Net Loss | Adjusted Diluted Loss Per Share |
| | (In thousands, except per share amounts) | | |
| Organizational restructuring costs | $ (187,925) | $ (162,458) | $ (4.52) |
| Loss on impairment | (62,101) | (53,276) | (1.48) |
| Loss on sale of subsidiaries | (55,883) | (55,883) | (1.56) |
| H225 Lease Return | (10,844) | (10,844) | (0.30) |
| DIP financing fee write-off | — | (2,349) | (0.07) |
| Early extinguishment of debt | — | (1,499) | (0.04) |
| Tax Items | — | (3,295) | (0.09) |
| Total special items | $ (316,753) | $ (289,604) | (8.06) |

| | Six Months Ended September 30, 2018 | | |
|---|---|---|---|
| | Adjusted EBITDA | Adjusted Net Loss | Adjusted Diluted Loss Per Share |
| | (In thousands, except per share amounts) | | |
| Loss on impairment | $ (117,220) | $ (101,105) | $ (2.83) |
| Organizational restructuring costs | (4,446) | (4,103) | (0.11) |
| Transaction costs | (1,247) | (985) | (0.03) |
| Tax items | — | (10,307) | (0.29) |
| Total special items | $ (122,913) | $ (116,500) | (3.26) |

**Region Operating Results**

The following tables set forth certain operating information for the regions comprising our industrial aviation services segment. Intercompany lease revenue and expense are eliminated from our segment reporting, and depreciation expense of aircraft is presented in the region that operates the aircraft.

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

*Europe Caspian*

| | Three Months Ended September 30, | | Six Months Ended September 30, | | Favorable (Unfavorable) | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | Quarter vs Quarter | | Period vs Period | |
| | (In thousands, except percentages) | | | | | | | |
| Operating revenue | $ 172,821 | $ 195,449 | $ 352,689 | $ 406,435 | $ (22,628) | (11.6)% | $ (53,746) | (13.2)% |
| Operating income (loss) | $ 11,224 | $ (11,414) | $ 23,031 | $ 10,514 | $ 22,638 | 198.3 % | $ 12,517 | 119.1 % |
| Operating margin | 6.5% | (5.8)% | 6.5% | 2.6% | 12.3 % | 212.1 % | 3.9 % | 150.0 % |
| Adjusted EBITDA | $ 16,033 | $ 19,865 | $ 37,854 | $ 48,659 | $ (3,832) | (19.3)% | $ (10,805) | (22.2)% |
| Adjusted EBITDA margin | 9.3% | 10.2 % | 10.7% | 12.0% | (0.9)% | (8.8)% | (1.3)% | (10.8)% |
| Rent expense | $ 26,461 | $ 31,179 | $ 55,292 | $ 63,175 | $ 4,718 | 15.1 % | $ 7,883 | 12.5 % |

The Europe Caspian region comprises all of our operations and affiliates in Europe, including oil and gas operations in the U.K. and Norway, and public sector SAR operations in the U.K. and our operations in Turkmenistan. Additionally, the Europe Caspian region included Eastern Airways fixed wing operations until the sale on May 10, 2019.

Current Quarter Compared to Comparable Quarter

The decrease in operating revenue in the Current Quarter primarily resulted from a decrease of $28.1 million for fixed wing services revenue due to the sale of Eastern Airways on May 10, 2019, and a decrease of $2.4 million for U.K. SAR revenue primarily due to unfavorable changes in foreign exchange rates, partially offset by a $7.9 million increase in U.K. and Norway oil and gas services due to an increase in activity. Additionally, revenue in this region was impacted by an unfavorable year-over-year impact of changes in foreign currency exchange rates of $9.2 million.

A substantial portion of our operations in the Europe Caspian region is contracted in the British pound sterling, which depreciated against the U.S. dollar in the Current Quarter. We recorded foreign exchange losses of $6.9 million in the Current Quarter and foreign exchange losses of $1.0 million in the Comparable Quarter from the revaluation of assets and liabilities on pound sterling functional currency entities as of September 30, 2019 and 2018, respectively, which is recorded in other income (expense), net and included in adjusted EBITDA. Net of the translation and revaluation impacts, adjusted EBITDA was unfavorably impacted by $6.5 million and $0.6 million resulting from the change in exchange rates during the Current Quarter and Comparable Quarter, respectively. A further weakening or strengthening of the British pound sterling could result in additional foreign exchange volatility in future quarters.

During the Current Quarter, we recorded $2.6 million for impairment of Sky Future Partners. During the Comparable Quarter, we recorded $20.8 million for impairment of Eastern Airways assets, including $17.5 million for aircraft and equipment, $3.0 million for intangible assets and $0.3 million for inventory. For further details, see Note 1 in the “Notes to Condensed Consolidated Financial Statements” included elsewhere in this Quarterly Report.

Additionally, the Comparable Quarter results benefited from OEM cost recoveries in prior periods that resulted in a $1.6 million reduction in rent expense and $1.0 million reduction in direct costs.

Operating income and operating margin improved in the Current Quarter primarily due to the Eastern Airways impairments discussed above recorded in the Comparable Quarter, partially offset by the Sky Futures Partners impairment recorded in the Current Quarter. Adjusted EBITDA and adjusted EBITDA margin decreased in the Current Quarter primarily due to unfavorable foreign currency exchange rates changes and the OEM cost recoveries which benefited the Comparable Quarter, partially offset by an increase in activity.

Current Period Compared to Comparable Period

The decrease in operating revenue in the Current Period primarily resulted from a decrease of $52.1 million for fixed wing services revenue due to the sale of Eastern Airways on May 10, 2019, and a decrease of $12.7 million for U.K. SAR revenue. The decrease in U.K. SAR revenue was primarily due to a one-time benefit of $7.6 million in OEM cost recoveries recognized in the Comparable Period and unfavorable changes in the British pound sterling versus U.S. dollar foreign currency exchange rate from the Comparable Period to the Current Period. These decreases were partially offset by an $11.1 million increase in U.K. and Norway oil and gas services primarily due to an increase in activity and short-term contracts. Additionally, revenue in this region was impacted by an unfavorable year-over-year impact of changes in foreign currency exchange rates of $19.3 million.

A substantial portion of our operations in the Europe Caspian region is contracted in the British pound sterling, which depreciated against the U.S. dollar in the Current Quarter. We recorded foreign exchange losses of $10.7 million in the Current Period and foreign exchange losses of $6.3 million in the Comparable Period from the revaluation of assets and liabilities on pound sterling functional currency entities as of September 30, 2019 and 2018, respectively, which is recorded in other income (expense), net and included in adjusted EBITDA. Net of the translation and revaluation impacts, adjusted EBITDA was unfavorably impacted by $12.0 million and $7.9 million resulting from the change in exchange rates during the Current Period and Comparable Period, respectively. A further weakening or strengthening of the British pound sterling could result in additional foreign exchange volatility in future periods.

As discussed above, the Comparable Period benefited from OEM cost recoveries related to ongoing aircraft issues that resulted in a one-time benefit of $7.6 million in U.K. SAR operating revenue, a $4.3 million reduction in rent expense and a $2.1 million reduction in direct cost.

During the Current Period, we recorded $2.6 million for impairment of Sky Future Partners. During the Comparable Period, we recorded $20.8 million for impairment of Eastern Airways assets, including $17.5 million for aircraft and equipment, $3.0 million for intangible assets and $0.3 million for inventory. For further details, see Note 1 in the “Notes to Condensed Consolidated Financial Statements” included elsewhere in this Quarterly Report. The impairments are excluded from adjusted EBITDA and adjusted EBITDA margin.

Operating income and operating margin improved in the Current Period primarily due to lower impairment charges, partially offset by unfavorable changes in foreign currency exchange rates. Adjusted EBITDA and adjusted EBITDA margin decreased in the Current Period primarily due to unfavorable foreign exchange rates changes and the OEM cost recoveries which benefited the Comparable Period.

*Africa*

| | Three Months Ended September 30, | | Six Months Ended September 30, | | Favorable (Unfavorable) | | | |
|---|---|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** | **Quarter vs Quarter** | | **Period vs Period** | |
| | (In thousands, except percentages) | | | | | | | |
| Operating revenue | $ 45,275 | $ 37,236 | $ 92,551 | $ 72,151 | $ 8,039 | 21.6 % | $ 20,400 | 28.3 % |
| Operating income | $ 6,528 | $ 1,465 | $ 14,273 | $ 2,606 | $ 5,063 | * | $ 11,667 | * |
| Operating margin | 14.4% | 3.9% | 15.4% | 3.6% | 10.5% | * | 11.8% | * |
| Adjusted EBITDA | $ 12,392 | $ 5,105 | $ 24,910 | $ 10,424 | $ 7,287 | 142.7 % | $ 14,486 | 139.0 % |
| Adjusted EBITDA margin | 27.4% | 13.7% | 26.9% | 14.4% | 13.7% | 100.0 % | 12.5% | 86.8 % |
| Rent expense | $ 3,024 | $ 2,146 | $ 6,701 | $ 4,268 | $ (878) | (40.9)% | $ (2,433) | (57.0)% |

* percentage change too large to be meaningful or not applicable

The Africa region comprises all our operations and affiliates on the African continent, including Nigeria and Egypt.

Current Quarter Compared to Comparable Quarter

Operating revenue for helicopter services in Africa increased $6.4 million in the Current Quarter due to an overall increase in activity and additional aircraft on contract compared to the Comparable Quarter. Additionally, operating revenue from fixed wing services in Africa increased $1.6 million to $4.4 million in the Current Quarter from $2.8 million in operating revenue for the Comparable Quarter.

Operating income, operating margin, adjusted EBITDA and adjusted EBITDA margin increased as a result of the increase in operating revenue in the Current Quarter discussed above, which was only partially offset by an increase in direct cost and general and administrative expenses due to the increase in activity and additional aircraft on contract in the Current Quarter.

Current Period Compared to Comparable Period

Operating revenue for helicopter services in Africa increased $16.7 million in the Current Period due to an overall increase in activity and additional aircraft on contract compared to the Comparable Period. Additionally, operating revenue from fixed wing services in Africa increased $3.7 million to $8.7 million in the Current Period from $5.0 million in the Comparable Period.

Operating income, operating margin, adjusted EBITDA and adjusted EBITDA margin increased as a result of the increase in operating revenue in the Current Period discussed above, which was only partially offset by an increase in direct cost and general and administrative expenses due to the increase in activity and additional aircraft on contract in the Current Period.

*Americas*

| | Three Months Ended September 30, | | Six Months Ended September 30, | | Favorable (Unfavorable) | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | Quarter vs Quarter | | Period vs Period | |
| | (In thousands, except percentages) | | | | | | | |
| Operating revenue | $ 60,867 | $ 56,644 | $ 118,214 | $ 109,228 | $ 4,223 | 7.5% | $ 8,986 | 8.2% |
| Earnings from unconsolidated affiliates, net of losses | $ 315 | $ 1,573 | $ 2,490 | $ 136 | $ (1,258) | * | $ 2,354 | * |
| Operating income (loss) | $ 3,527 | $ 2,056 | $ 7,095 | $ (5,287) | $ 1,471 | 71.5% | $ 12,382 | 234.2% |
| Operating margin | 5.8% | 3.6% | 6.0% | (4.8)% | 2.2% | 61.1% | 10.8% | 225.0% |
| Adjusted EBITDA | $ 11,471 | $ 9,204 | $ 22,245 | $ 9,041 | $ 2,267 | 24.6% | $ 13,204 | 146.0% |
| Adjusted EBITDA margin | 18.8% | 16.2% | 18.8% | 8.3 % | 2.6% | 16.0% | 10.5% | 126.5% |
| Rent expense | $ 3,711 | $ 6,334 | $ 8,288 | $ 12,932 | $ 2,623 | 41.4% | $ 4,644 | 35.9% |

* percentage change too large to be meaningful or not applicable.

The Americas region comprises all our operations and affiliates in North America and South America, including Brazil, Canada, Guyana, Trinidad and the U.S. Gulf of Mexico.

Current Quarter Compared to Comparable Quarter

Operating revenue increased in the Current Quarter primarily due to additional aircraft on contract in Guyana, which increased operating revenue by $5.4 million, partially offset by a $1.8 million decrease in operating revenue from our U.S. Gulf of Mexico oil and gas operations primarily due to a decrease in activity.

Earnings from unconsolidated affiliates, net of losses, decreased $1.3 million primarily due to a decrease in earnings from our investment in Líder in Brazil, partially offset by an increase in earnings from our investment in Cougar in Canada. Earnings from our investment in Líder changed from earnings of $0.2 million in the Comparable Quarter to losses of $1.7 million during the Current Quarter primarily due to a decrease in activity and an unfavorable change in foreign currency exchange rates. Changes in foreign currency exchange rates decreased our earnings from our investment in Líder by $1.6 million in the Current Quarter and $1.0 million in the Comparable Quarter. Additionally, earnings from our investment in Cougar increased from earnings of $1.4 million in the Comparable Quarter to $2.0 million for the Current Quarter primarily due to an increase in activity.

See further discussion about our investment in Líder and the Brazil market in "— Executive Overview — Market Outlook" included elsewhere in this Quarterly Report.

The increases in operating income, operating margin, adjusted EBITDA and adjusted EBITDA margin were driven by the increases in operating revenue and a decrease in rent expense due to the return of leased aircraft or rejection of leased aircraft during the Chapter 11 Cases, partially offset by a decrease in earnings from unconsolidated affiliates.

Current Period Compared to Comparable Period

Operating revenue increased in the Current Period primarily due to additional aircraft on contract in Guyana, which increased operating revenue by $7.6 million, an increase in activity in Trinidad resulting in an increase in operating revenue of $1.7 million, $1.6 million in additional operating revenue from the SAR services to oil and gas customers in the U.S. Gulf of Mexico and a $1.2 million increase in operating revenue from Canada. Partially offsetting these increases in operating revenue was a decrease from our U.S. Gulf of Mexico oil and gas operations, which decreased operating revenue by $3.1 million from lower activity.

Earnings from unconsolidated affiliates, net of losses, increased $2.4 million in the Current Period primarily due to an increase in earnings from our investment in Cougar due to an increase in activity.

The increases in operating income, operating margin, adjusted EBITDA and adjusted EBITDA margin were driven by the increases in operating revenue and earnings from unconsolidated affiliates discussed above and a decrease in rent expense due to the return of leased aircraft or rejection of leased aircraft during the Chapter 11 Cases.

*Asia Pacific*

| | Three Months Ended September 30, | | Six Months Ended September 30, | | Favorable (Unfavorable) | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | Quarter vs Quarter | | Period vs Period | |
| | (In thousands, except percentages) | | | | | | | |
| Operating revenue | $ 26,849 | $ 46,625 | $ 61,190 | $ 101,029 | $ (19,776) | (42.4)% | $ (39,839) | (39.4)% |
| Operating loss | $ (19,848) | $ (6,988) | $ (32,282) | $ (7,959) | $ (12,860) | * | $ (24,323) | * |
| Operating margin | (73.9)% | (15.0)% | (52.8)% | (7.9)% | (58.9)% | * | (44.9)% | * |
| Adjusted EBITDA | $ 2,159 | $ (3,000) | $ 3,387 | $ (914) | $ 5,159 | 172.0 % | $ 4,301 | * |
| Adjusted EBITDA margin | 8.0 % | (6.4)% | 5.5 % | (0.9)% | 14.4 % | 225.0 % | 6.4 % | * |
| Rent expense | $ 3,370 | $ 8,281 | $ 17,140 | $ 16,398 | $ 4,911 | 59.3 % | $ (742) | (4.5)% |

* percentage change too large to be meaningful or not applicable.

The Asia Pacific region comprises all our operations and affiliates in Australia and Southeast Asia, including Malaysia, Sakhalin, and our fixed wing operations through Airnorth in Australia.

Current Quarter Compared to Comparable Quarter

Operating revenue decreased in the Current Quarter primarily due to a decrease in Australia of $12.7 million due to contracts ending and decreased activity with oil and gas customers, a $5.4 million decrease in Sakhalin due to the sale of Aviashelf during the three months ended June 30, 2019 and a $1.5 million decrease from our fixed wing operations at Airnorth primarily resulting from unfavorable changes in foreign currency exchange rates. Airnorth contributed $20.3 million and $21.8 million in operating revenue for the Current Quarter and Comparable Quarter, respectively.

Operating loss increased for the Current Quarter primarily because the Current Quarter includes the $17.5 million impairment of Airnorth goodwill that is not included in adjusted EBITDA and adjusted EBITDA margin. Adjusted EBITDA and adjusted EBITDA margin increased in the Current Quarter primarily due to a $15.9 million decrease in salaries and benefits, maintenance expense, fuel costs, travel and meals and training costs, a $4.9 million decrease to rent expense primarily from the return of leased aircraft, and a $1.1 million decrease in depreciation expense, partially offset by a decrease in operating revenue discussed above. Airnorth contributed a positive $3.1 million and a negative $1.9 million in adjusted EBITDA for the Current Quarter and Comparable Quarter, respectively.

During the Current Quarter and Comparable Quarter, we recorded $2.5 million and $1.0 million, respectively, in severance expense related to organizational restructuring efforts. The severance expense is not included in adjusted EBITDA or adjusted EBITDA margin for the Current or Comparable Quarters.

Current Period Compared to Comparable Period

Operating revenue decreased in the Current Period primarily due to a decrease in Australia of $32.4 million primarily due to contracts ending and decreased activity with oil and gas customers and a $0.9 million unfavorable foreign exchange rate impact, a $6.3 million decrease in Sakhalin due to the sale of Aviashelf in the Current Period, and a decrease of $1.1 million from our fixed wing operations at Airnorth primarily due to a $2.9 million unfavorable foreign exchange rate impact, partially offset by an increase

in activity. Airnorth contributed $40.4 million and $41.5 million in operating revenue for the Current Period and Comparable Period, respectively.

Operating loss increased in the Current Period primarily due to the decrease in operating revenue discussed above and the $17.5 million impairment of Airnorth goodwill recorded in the Current Period that is not included in adjusted EBITDA and adjusted EBITDA margin, partially offset by a $29.1 million decrease in salaries and benefits, maintenance expense, fuel costs, travel and meals and training costs, $1.7 million decrease in depreciation expense and $0.7 million decrease to rent expense. Rent expense for the Current Period includes H225 lease return costs of $7.4 million that is not included in adjusted EBITDA or adjusted EBITDA margin. Adjusted EBITDA and adjusted EBITDA margin increased due to the items impacting operating income and operating margin excluding the H225 lease return costs. Also, adjusted EBITDA and adjusted EBITDA margin in the Current Period benefited from a $2.3 million less unfavorable impact of foreign currency exchange rate changes. Airnorth contributed $5.5 million and a negative $1.6 million in adjusted EBITDA for the Current Period and Comparable Period, respectively.

Additionally, during the Current Period and Comparable Period, we recorded $3.8 million and $2.3 million, respectively, in severance expense related to organizational restructuring efforts. The severance expense is not included in adjusted EBITDA or adjusted EBITDA margin for the Current Period and Comparable Period.

*Corporate and Other*

| | Three Months Ended September 30, | | Six Months Ended September 30, | | Favorable (Unfavorable) | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | Quarter vs Quarter | | Period vs Period | |
| | (In thousands, except percentages) | | | | | | | |
| Operating revenue | $ 10 | $ 708 | $ 275 | $ 898 | $ (698) | (98.6)% | $ (623) | (69.4)% |
| Operating loss | $ (63,297) | $ (113,274) | $ (91,938) | $ (129,905) | $ 49,977 | 44.1 % | $ 37,967 | 29.2 % |
| Adjusted EBITDA | $ (14,351) | $ (9,621) | $ (24,857) | $ (18,644) | $ (4,730) | (49.2)% | $ (6,213) | (33.3)% |
| Rent expense | $ 1,689 | $ 1,651 | $ 3,023 | $ 2,899 | $ (38) | (2.3)% | $ (124) | (4.3)% |

Corporate and other includes our supply chain management and corporate costs that have not been allocated out to other regions.

Current Quarter Compared to Comparable Quarter

Operating loss for the Current Quarter includes $42.0 million for the impairment of H225 aircraft. Operating loss for the Comparable Quarter includes $87.5 million of impairments for H225 aircraft and $8.9 million of impairments for the related H225 inventory. For further details, see Note 1 in the “Notes to Condensed Consolidated Financial Statements” included elsewhere in this Quarterly Report. The impairments are excluded from adjusted EBITDA and adjusted EBITDA margin.

Operating loss decreased in the Current Quarter primarily due to the H225 aircraft impairment being lower in the Current Quarter than the H225 aircraft and inventory impairments recorded in the Comparable Quarter. Adjusted EBITDA decreased primarily due to an increase of $4.1 million of salaries and benefits due to an increase in short-term incentive compensation in the Current Quarter.

Current Period Compared to Comparable Period

Operating loss for the Current Period includes $42.0 million for the impairment of H225 aircraft and prepetition professional fees of $13.5 million related to the filing of the Chapter 11 Cases included in prepetition restructuring charges on the condensed consolidated statements of operations. Both the impairment of H225 aircraft and prepetition professional fees are not included in adjusted EBITDA. Operating loss decreased in the Current Period primarily due to the lower H225 aircraft impairment in the Current Period than the H225 aircraft and inventory impairments recorded in the Comparable Period, partially offset by the prepetition professional fees incurred in the Current Period. Adjusted EBITDA decreased primarily due to an increase of $3.0 million in salaries and benefits due to an increase in short-term incentive compensation in the Current Period and decrease in foreign currency transaction gains of $2.2 million.

*Interest Expense, Net*

| | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Six Months Ended September 30, 2019 | Six Months Ended September 30, 2018 | Favorable (Unfavorable) Quarter vs Quarter | | Favorable (Unfavorable) Period vs Period | |
|---|---|---|---|---|---|---|---|---|
| | (In thousands, except percentages) | | | | | | | |
| Interest income | $ 270 | $ 1,229 | $ 657 | $ 1,408 | $ (959) | (78.0)% | $ (751) | (53.3)% |
| Interest expense | (18,804) | (25,015) | (40,401) | (49,984) | 6,211 | 24.8 % | 9,583 | 19.2 % |
| Amortization of debt discount | (670) | (1,591) | (1,520) | (3,101) | 921 | 57.9 % | 1,581 | 51.0 % |
| Amortization of debt fees | (3,241) | (1,711) | (7,652) | (3,356) | (1,530) | (89.4)% | (4,296) | (128.0)% |
| Capitalized interest | — | 655 | 150 | 1,456 | (655) | (100.0)% | (1,306) | (89.7)% |
| Interest expense, net | $ (22,445) | $ (26,433) | $ (48,766) | $ (53,577) | $ 3,988 | 15.1 % | $ 4,811 | 9.0 % |

Interest expense, net decreased in the Current Quarter compared to the Comparable Quarter primarily due to lower interest expense of $7.9 million on our 6¼% Senior Notes and 4½% Convertible Senior Notes as the unsecured debt was classified as liabilities subject to compromise on the Petition Date upon the filing of the Chapter 11 Cases and we stopped accruing interest expense, partially offset by $3.1 million of interest expense on our 2019 Term Loan which we borrowed against on May 10, 2019 and the DIP Credit Agreement which we borrowed against on August 26, 2019. Additionally, we recorded $1.9 million of expense for the write-off of a portion of the 8.75% Senior Secured Notes debt fees and discount due to the early repayment of $74.8 million of the 8.75% Senior Secured Notes in September 2019.

Interest expense, net decreased in the Current Period compared to the Comparable Period primarily due to lower interest expense of $12.3 million on our 6¼% Senior Notes due 2022 and 4½% Convertible Senior Notes due 2023 as the unsecured debt was classified as liabilities subject to compromise on the Petition Date upon the filing of the Chapter 11 Cases and we stopped accruing interest expense, partially offset by $4.1 million of interest expense on our 2019 Term Loan which we borrowed against on May 10, 2019 and the DIP Credit Agreement which we borrowed against on August 26, 2019. Also, we incurred $2.6 million of financing fees for the DIP Credit Agreement. Additionally, we recorded $1.9 million of expense for the write-off of a portion of the 8.75% Senior Secured Notes debt fees and discount due to the early repayment of $74.8 million of the 8.75% Senior Secured Notes in September 2019.

For further details on debt and liabilities subject to compromise, see Notes 2 and 5 in the “Notes to Condensed Consolidated Financial Statements” included elsewhere in this Quarterly Report.

*Other Income (Expense), Net*

| | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Six Months Ended September 30, 2019 | Six Months Ended September 30, 2018 | Favorable (Unfavorable) Quarter vs Quarter | | Favorable (Unfavorable) Period vs Period | |
|---|---|---|---|---|---|---|---|---|
| | (In thousands, except percentages) | | | | | | | |
| Foreign currency gains (losses) by region: | | | | | | | | |
| Europe Caspian | $ (6,857) | $ (951) | $ (10,681) | $ (6,332) | $ (5,906) | * | $ (4,349) | (68.7)% |
| Africa | 855 | (27) | 622 | 736 | 882 | * | (114) | (15.5)% |
| Americas | 353 | (332) | 679 | (71) | 685 | * | 750 | * |
| Asia Pacific | (1,006) | (1,123) | (1,276) | (3,733) | 117 | 10.4 % | 2,457 | 65.8 % |
| Corporate and other | 839 | 126 | 1,910 | 4,064 | 713 | * | (2,154) | (53.0)% |
| Foreign currency losses | (5,816) | (2,307) | (8,746) | (5,336) | (3,509) | (152.1)% | (3,410) | (63.9)% |
| Pension-related costs | (893) | (934) | (1,845) | (1,891) | 41 | 4.4 % | 46 | 2.4 % |
| Other | 72 | 37 | 81 | 73 | 35 | 94.6 % | 8 | 11.0 % |
| Other income (expense), net | $ (6,637) | $ (3,204) | $ (10,510) | $ (7,154) | $ (3,433) | (107.1)% | $ (3,356) | (46.9)% |

* percentage change too large to be meaningful or not applicable.

Other income (expense), net for the Current Quarter and Comparable Quarter were most significantly impacted by foreign currency gains (losses). The foreign currency gains (losses) within other income (expense), net are reflected within the results (below operating income) of the regions shown in the table above.

Transaction gains and losses represent the revaluation of monetary assets and liabilities from the currency that will ultimately be settled into the functional currency of the legal entity holding the asset or liability. The most significant items revalued are denominated in U.S. dollars on entities with British pound sterling and Nigerian naira functional currencies and denominated in British pound sterling on entities with U.S. dollar functional currencies with transaction gains or losses primarily resulting from the strengthening or weakening of the U.S. dollar versus those other currencies.

*Taxes*

| | Three Months Ended September 30, | | Six Months Ended September 30, | | Favorable (Unfavorable) | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | Quarter vs Quarter | | Period vs Period | |
| | (In thousands, except percentages) | | | | | | | |
| Effective tax rate | 11.8% | 9.8% | 10.1% | 9.6% | (2.0)% | (20.4)% | (0.5)% | (5.2)% |
| Net foreign tax on non-U.S. earnings | $ 655 | $ (6,304) | $ 5,013 | $ (4,590) | $ (6,959) | (110.4)% | $ (9,603) | (209.2)% |
| Expense of foreign earnings indefinitely reinvested abroad | $ 1,405 | $ 9,043 | $ 4,837 | $ 8,817 | $ 7,638 | 84.5 % | $ 3,980 | 45.1 % |
| Expense from change in tax contingency | $ 21 | $ 30 | $ (277) | $ 60 | $ 9 | 30.0 % | $ 337 | 561.7 % |
| Sale of subsidiaries | $ — | $ — | $ 9,824 | $ — | $ — | * | $ (9,824) | * |
| Impairment of foreign assets | $ 4,216 | $ — | $ 4,216 | $ — | $ (4,216) | * | $ (4,216) | * |
| Impact of stock based compensation | $ — | $ 12 | $ — | $ 1,174 | $ 12 | 100.0 % | $ 1,174 | 100.0 % |
| Deduction for foreign taxes | $ (124) | $ (49) | $ (173) | $ (71) | $ 75 | 153.1 % | $ 102 | 143.7 % |
| Change in valuation allowance | $ 3,640 | $ 9,313 | $ 3,296 | $ 10,306 | $ 5,673 | 60.9 % | $ 7,010 | 68.0 % |

* percentage change too large to be meaningful or not applicable

Our provision for income taxes for the interim period ended September 30, 2019 was prepared using a discrete effective tax rate method. Historically, we calculated our provision for income taxes during interim reporting periods by applying the estimated annual income tax rate for the full fiscal year to income from continuing operations, excluding discrete items, for the reporting period. We determined that since small changes in estimated pre-tax income or loss would result in significant changes in the estimated annual effective tax rate, the historical method would not provide a reliable estimate of income taxes for the quarter ended September 30, 2019. We will continue to evaluate income tax estimates under the historical method in subsequent quarters and employ a discrete effective tax rate method if warranted.

The relationship between our provision for or benefit from income taxes and our pre-tax book income can vary significantly from period to period considering, among other factors, (a) the overall level of pre-tax book income, (b) changes in the blend of income that is taxed based on gross revenues or at high effective tax rates versus pre-tax book income or at low effective tax rates and (c) our geographical blend of pre-tax book income. Consequently, our income tax expense or benefit does not change proportionally with our pre-tax book income or loss. Significant decreases in our pre-tax book income typically result in higher effective tax rates, while significant increases in pre-tax book income can lead to lower effective tax rates, subject to the other factors impacting income tax expense noted above. The change in our effective tax rate excluding discrete items for the Current Quarter compared to the Comparable Quarter primarily related to changes in the blend of earnings taxed in relatively high taxed jurisdictions versus low taxed jurisdictions. Additionally, during the Current Quarter we increased our valuation allowance by $3.6 million and during the Comparable Quarter we increased our valuation allowance by $9.3 million, respectively, which also impacted our effective tax rate.

Valuation allowances represent the reduction of our deferred tax assets. We evaluate our deferred tax assets quarterly which requires significant management judgment to determine the recoverability of these deferred tax assets by assessing whether it is more likely than not that some or all of the deferred tax asset will be realized before expiration. After considering all available positive and negative evidence using a “more likely than not” standard, we believe it is appropriate to value against deferred tax assets related to foreign tax credits and certain foreign net operating losses.

## Liquidity and Capital Resources

### *Cash Flows*

*Operating Activities*

Net cash flows used in operating activities were $57.2 million and $26.9 million during the Current Period and Comparable Period, respectively. Changes in non-cash working capital provided $22.0 million and used $13.1 million in cash flows from operating activities for the Current Period and Comparable Period, respectively. The changes in non-cash working capital used from the Comparable Quarter are primarily due to the Chapter 11 Cases in the Current Period resulting in lower payments for interest, leases and other miscellaneous accrued liabilities pending emergence from Chapter 11.

*Investing Activities*

Cash flows used in investing activities were $43.4 million and $8.8 million during the Current Period and Comparable Period, respectively. Cash used for capital expenditures as follows:

| | Six Months Ended September 30, | |
|---|---|---|
| | 2019 | 2018 |
| Capital expenditures (in thousands): | | |
| Aircraft and equipment | $ 22,762 | $ 12,731 |
| Land and building | 3,188 | 4,571 |
| Total capital expenditures | $ 25,950 | $ 17,302 |

During the Current Period, we received proceeds of $5.0 million primarily from the sale or disposal of three aircraft and certain other equipment. During the Comparable Period, we received $8.5 million in proceeds from the sale or disposal of three aircraft and certain other equipment. In the Current Period, we transferred, net of cash received, $22.5 million as part of the sales of Eastern Airways, BHLL and Aviashelf. We took delivery of one AW189 aircraft in August 2019. We did not make any progress payments for aircraft or take delivery of any aircraft during the Comparable Period.

*Financing Activities*

Cash flows provided by financing activities was $110.9 million during the Current Period and cash flows used in financing activities was $31.4 million during the Comparable Period, respectively. During the Current Period, we received $75.0 million in proceeds for the Term Loan Agreement and $150 million in proceeds from the DIP Credit Agreement. During the Current Period, we used $99.2 million for debt repayments, including purchasing $74.8 million aggregate principal amount of the 8.75% Senior Secured Notes, and paid $14.1 million for debt issuance costs. During the Comparable Period, we used cash to make principal payments on our debt of $30.0 million.

### *Future Cash Requirements*

*Contractual Obligations, Commercial Commitments and Off Balance Sheet Arrangements*

We have various contractual obligations that are recorded as liabilities on our condensed consolidated balance sheet. Other items, such as certain purchase commitments, interest payments and other executory contracts are not recognized as liabilities on our condensed consolidated balance sheet but are included in the table below or are recognized as liabilities but are discounted to present value for accounting purposes but are included in the table below. For example, we are contractually committed to make certain minimum lease payments for the use of property and equipment under operating lease agreements. These minimum lease payments are recorded at present value in accordance with applicable lease accounting guidance.

The following table summarizes our significant contractual obligations and other commercial commitments on an undiscounted basis as of September 30, 2019 and the future periods in which such obligations are expected to be settled in cash. In addition, the table reflects the timing of principal and interest payments on outstanding borrowings as of September 30, 2019 based on the contractual terms and has not been amended to reclassify substantially all of our long-term debt as current for any possible accelerations as discussed in Note 5 in the "Notes to Consolidated Financial Statements" included elsewhere in this Quarterly Report. Additional details regarding these obligations are provided in Notes 5, 8 and 10 in the "Notes to Consolidated Financial Statements" included in the fiscal year 2019 Annual Report and in Notes 5, 8 and 9 in the "Notes to Condensed Consolidated Financial Statements" included elsewhere in this Quarterly Report.

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | | | Fiscal Year Ending March 31, | | |
| | Total | Six Months Ending March 31, 2020 | 2021—2022 | 2023—2024 | 2025 and beyond |
| | (In thousands) | | | | |
| Contractual obligations: | | | | | |
| Long-term debt and short-term borrowings: | | | | | |
| Principal (1) | $ 1,598,785 | $ 27,420 | $ 383,871 | $ 1,187,476 | $ 18 |
| Interest (2) | 319,910 | 54,041 | 186,780 | 79,089 | — |
| Aircraft operating leases (3) | 346,385 | 47,496 | 164,641 | 101,848 | 32,400 |
| Other operating leases (4) | 48,666 | 4,254 | 12,574 | 8,444 | 23,394 |
| Pension obligations (5) | 28,593 | 8,069 | 20,524 | — | — |
| Aircraft purchase obligations (6)(7) | 43,121 | 28,747 | 14,374 | — | — |
| Other purchase obligations (8) | 28,345 | 28,345 | — | — | — |
| Total contractual cash obligations | $ 2,413,805 | $ 198,372 | $ 782,764 | $ 1,376,857 | $ 55,812 |
| Other commercial commitments: | | | | | |
| Letters of credit | $ 14,965 | $ 14,965 | $ — | $ — | $ — |
| Total commercial commitments | $ 14,965 | $ 14,965 | $ — | $ — | $ — |

(1) Excludes unamortized discount of $1.7 million and unamortized debt issuance costs of $19.7 million.

(2) Interest payments for variable interest debt are based on interest rates as of September 30, 2019.

(3) Represents separate operating leases for aircraft.

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

(5) Represents expected funding for defined benefit pension plans in future periods. These amounts are undiscounted and are based on the expectation that the U.K. pension plan will be fully funded in approximately five years. As of September 30, 2019, we had recorded on our balance sheet a $18.7 million pension liability associated with these obligations. The timing of the funding is dependent on actuarial valuations and resulting negotiations with the plan trustees.

(6) On July 25, 2019, we entered into an amendment to our agreement for the purchase of four AW189 U.K. SAR configuration helicopters. Pursuant to the amendment, the parties mutually agreed to postpone the delivery dates for three helicopters in the second half of fiscal year 2020 and first quarter of fiscal year 2021. The postponement in deliveries resulted in deferral of approximately $14.4 million in capital expenditures scheduled for fiscal year 2020 into fiscal year 2021. The impact of this amendment is included in the table above. One of the four aircraft was purchased in August 2019 and a second aircraft was purchased in October 2019.

(7) On October 3, 2019, the Bankruptcy Court entered an order approving an agreement with Airbus Helicopters S.A.S. to reject our aircraft purchase contract for the 22 H175 helicopters totaling $390.3 million. The impact of this agreement is included in the table above.

(8) Other purchase obligations primarily represent unfilled purchase orders for aircraft parts and non-cancelable power-by-the-hour maintenance commitments. For further details on the non-cancelable power-by-the-hour maintenance commitments, see Note 1 in the "Notes to Consolidated Financial Statements" included in the fiscal year 2019 Annual Report.

*Capital Commitments and Other Uses of Cash*

We have commitments and options to make capital expenditures over the next fiscal year to purchase additional aircraft, including aircraft associated with the commitments reflected in the table above. See Note 8 in the "Notes to Condensed Consolidated Financial Statements" included elsewhere in this Quarterly Report for a detail of the number of aircraft under commitments and options expected to be delivered in the current and subsequent fiscal years by aircraft size along with the related expenditures.

As discussed under “— Executive Overview — Our Strategy”, cash may also be used in future periods to repurchase or otherwise retire debt or for any acquisition opportunities we believe are aligned with our long-term strategy.

***Financial Condition and Sources of Liquidity***

We manage our liquidity through generation of cash from operations while assessing our funding needs on an ongoing basis. Historically, while we have generated cash from operations, financing cash flows also have been a significant source of liquidity over the past several years. The significant factors that affect our overall liquidity include cash from or used to fund operations, capital expenditure commitments, debt service, pension funding, adequacy of bank lines of credit and our ability to attract capital on satisfactory terms.

As of September 30, 2019, approximately 80% of our cash balances are held outside the U.S. and are generally used to meet the liquidity needs of our non-U.S. operations. Most of our cash held outside the U.S. could be repatriated to the U.S., and any such repatriation could be subject to additional foreign taxes. As a result of the Tax Cuts and Jobs Act, we have provided for U.S. federal income taxes on undistributed foreign earnings. If cash held by non-U.S. operations is required for funding operations in the U.S., we may make a provision for additional tax in connection with repatriating this cash, which is not expected to have a significant impact on our results of operations.

The Company’s liquidity outlook has recently changed. Given the continuing challenges in the offshore oil and gas industry and other matters impacting liquidity, the rate at which the Company’s cash position was declining began to increase. It became necessary for the Company to evaluate all our strategic alternatives. On May 11, 2019, the Debtors filed Chapter 11 Cases in the Bankruptcy Court seeking relief under the Bankruptcy Code. The Debtors’ Chapter 11 Cases were jointly administered under the caption In re: Bristow Group Inc., et al., Main Case No. 19-32713. The Debtors continued to operate their businesses and manage their properties as “debtors-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. The significant risks and uncertainties related to the Chapter 11 Cases raised substantial doubt about the Company’s ability to continue as a going concern. In addition, each of the commencement of the Chapter 11 Cases and the delivery of the Amended 10-K with a going concern qualification or explanation constituted an event of default under certain of our secured equipment financings, giving those secured equipment lenders the right to accelerate repayment of the applicable debt, subject to Chapter 11 protections, and triggering cross-default and/or cross-acceleration provisions in substantially all of our other debt instruments should that right to accelerate repayment be exercised.

As a result of the facts and circumstances discussed above, the Company classified substantially all debt balances of approximately $947.0 million as of September 30, 2019 as short-term borrowings and current maturities of long-term debt on our consolidated balance sheet, except for amounts included in liabilities subject to compromise as of September 30, 2019.

On May 10, 2019, we entered into the Initial RSA with (i) certain holders of the 8.75% Senior Secured Notes and (ii) the Secured Guarantors, to support the Restructuring. On July 24, 2019, we entered into the Second Amended RSA, which amended and restated the Initial RSA, with the Supporting Secured Noteholders, the Secured Guarantors and the Supporting Unsecured Noteholders. The Second Amended RSA contemplated implementation of the Restructuring on the amended terms set forth in the Restructuring Term Sheet pursuant to a Chapter 11 plan of reorganization and the various related transactions set forth in or contemplated by the Restructuring Term Sheet, the term sheet for the DIP Credit Agreement and the other restructuring documents attached to the Second Amended RSA.

On May 10, 2019, we entered into the Term Loan Agreement for the $75 million 2019 Term Loan. Immediately upon entering into the Term Loan Agreement, and prior to the Petition Date, the Company and BHC III borrowed the full amount thereunder, the net proceeds of which were used for general corporate purposes, including to fund the working capital and liquidity requirements of the Company during the pendency of the Chapter 11 Cases. For further details, see “— Recent Events — Term Loan Agreement” above.

Pursuant to our Amended Plan, we received $385.0 million in cash on the Effective Date of which $270.9 million was used to pay off principal and interest on our 8.75% Senior Secured Notes.

**Critical Accounting Policies and Estimates**

See Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates” in the fiscal year 2019 Annual Report for a discussion of our critical accounting policies. There have been no material changes to our critical accounting policies and estimates provided in the fiscal year 2019 Annual Report.

**Recent Accounting Pronouncements**

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

**Item 3.** ***Quantitative and Qualitative Disclosures about Market Risk.***

We are subject to certain market risks arising from the use of financial instruments in the ordinary course of business. This risk arises primarily as a result of potential changes in the fair market value of financial instruments that would result from adverse fluctuations in foreign currency exchange rates, credit risk, and interest rates as discussed in "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in the fiscal year 2019 Annual Report and Note 1 in the "Notes to Condensed Consolidated Financial Statements" included elsewhere in this Quarterly Report.

**Item 4.** ***Controls and Procedures.***

**EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

At the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision of and with the participation of our management, including L. Don Miller, our Chief Executive Officer ("CEO"), and Brian J. Allman, our Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon that evaluation and the resulting material weaknesses described below, our CEO and CFO have concluded our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were not effective to provide reasonable assurance that the information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the Securities and Exchange Commission's rules and forms and that information relating to us (including our consolidated subsidiaries) required to be disclosed is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure.

**MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as such term is defined in Exchange Act Rules13a-15(f) and 15d-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. A company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Our management, including our CEO and CFO, with the oversight of our Board of Directors, evaluated the effectiveness of the design and operation of our internal control over financial reporting as of September 30, 2019 based on criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 in Internal Control — Integrated Framework. Based on this evaluation, our management concluded that we did not maintain effective internal control over financial reporting as of September 30, 2019 due to the material weaknesses described below.

**Control Environment.** We did not maintain an effective control environment as we had an insufficient complement of resources with an appropriate level of knowledge, expertise and skills commensurate with our financial reporting requirements in certain areas. The material weakness contributed to additional control deficiencies, as we did not maintain effective internal controls over monitoring of debt covenant compliance as described below and certain areas of asset impairment testing including the review of certain key assumptions and asset grouping determinations, none of which resulted in a misstatement of the financial statements. In addition, we determined the insufficient complement of resources, resulted in an additional material weakness within

our Risk Assessment process as described further below. This deficiency was originally disclosed in the Annual Report on Form 10-K for the year ended March 31, 2019 (the "fiscal year 2019 Annual Report") and continues as of September 30, 2019.

**Risk Assessment.** We concluded, as a result of the control environment deficiency above, there exists a material weakness within our risk assessment process, specifically, the process to identify the potential for management override of controls at locations not operating on our centralized enterprise resource planning ("ERP") system and the process to identify and assess changes that could significantly impact our system of internal control, specifically, changes within our capital structure which resulted in more onerous non-financial debt covenants. This material weakness contributed to additional control deficiencies, as the Company did not maintain effective internal controls over (i) debt covenant compliance monitoring as described above, (ii) verification of the review of journal entries are performed by individuals separate from the preparer as described further below in certain locations, and (iii) the reassessment of accounting for certain elements of our accounting for investments in unconsolidated affiliates which resulted in immaterial adjustments to certain historical balances as described elsewhere herein. This deficiency was originally disclosed in the fiscal year 2019 Annual Report and continues as of September 30, 2019.

**Debt Covenant Compliance.** We identified a material weakness in our internal controls over financial reporting for monitoring of compliance with non-financial covenants within certain secured financing and lease agreements. This deficiency was originally disclosed in the amendment to the Annual Report on Form 10-K for the year ended March 31, 2018 (the "Amended 10-K") and continues as of September 30, 2019.

**Journal Entries.** The Company failed to design and maintain effective controls over the review, approval, and documentation of manual journal entries at two of our subsidiaries, Airnorth and Eastern Airways, which are not operating on our centralized ERP system. There were ineffective internal controls over the review of journal entries at these locations by individuals separate from the preparer. Management concluded this represented a material weakness in our internal controls over financial reporting. This deficiency was originally disclosed in the fiscal year 2019 Annual Report and continues as of September 30, 2019.

**REMEDIATION PLAN FOR MATERIAL WEAKNESSES**

We are continuing to evaluate the material weaknesses and develop a plan of remediation to strengthen our internal controls related to our control environment and risk assessment components of internal control over financial reporting and related deficiencies described herein.

**Control Environment.** In response to the material weakness described above, we are evaluating certain organizational enhancements, including: (i) augmenting our treasury and legal teams with additional internal or external professionals with the appropriate levels of knowledge, expertise, and skills in the area of non-financial debt covenant compliance monitoring, (ii) augmenting our financial planning and analysis team with additional internal or external professionals with the appropriate level of knowledge, expertise and skills to enhance the level of precision at which our internal controls over financial reporting related to asset impairment assessments are performed and (iii) augmenting our technical accounting team with additional internal or external professionals with the appropriate levels of knowledge, expertise and skills to assist in the evaluation of asset impairment assessments. In order to consider this material weakness remediated, we believe additional time is needed to evaluate and implement the organizational enhancements and demonstrate sustainability as it relates to the revised controls.

**Risk Assessment.** In response to the material weakness described above, we are enhancing our risk assessment process to better identify, evaluate and monitor changes that could significantly impact our system of internal control. These enhancements are expected to include the formation of a formal Enterprise Risk Assessment Committee responsible for defining and continually evaluating our enterprise risk assessment objectives, overseeing the Company's enterprise risk assessment process and ensuring the Company responds appropriately to identified risks through the selection and development of control activities responsive to the identified risks. In order to consider this material weakness remediated, we believe additional time is needed to finalize and implement the enhanced procedures and demonstrate sustainability as it relates to the revised controls.

**Debt Compliance.** In response to the material weakness described above, we will continue the implementation of our remediation plan originally described in the Amended 10-K, by establishing a debt and lease compliance program with the specific objective of creating a sustainable and executable compliance process that can be repeated on a recurring basis to ensure timely monitoring of compliance with covenants and provisions. We intend to implement such compliance program by executing the following:

- Development of a more complete reporting process to ensure information gathered or created by our separate control processes throughout the business are reported to the appropriate level of management with the responsibility for reporting on debt and lease agreement compliance. We are currently evaluating the use of third-party compliance services providers to assist with the development of our reporting process.

- Implementation of new or redesigned processes, where necessary, for compliance with collateral maintenance requirements under our debt and lease agreements, specifically, tracking the movement of collateral throughout our operations.

- Establishment of procedures for reassessment of our debt and lease compliance program in response to changes in operations or agreements, to ensure timely actions are taken when risks change.

- Evaluation of the current process and expected changes to ensure a sufficient complement of resources with an appropriate level of knowledge, expertise and skills commensurate with our non-financial debt covenant compliance monitoring requirements. We expect the changes to necessitate the need to augment certain of our teams with additional internal or external professionals with the appropriate levels of knowledge, expertise, and skills in the area of non-financial debt covenant compliance monitoring.

We anticipate the actions to be taken will address the material weakness. In order to consider this material weakness remediated, we believe additional time is needed to finalize and implement the enhanced procedures and demonstrate sustainability as it relates to the revised controls.

**Journal Entries.** In response to the material weakness described above, we are developing enhanced procedures to be implemented at Airnorth to ensure that manual journal entries recorded in our financial records are properly reviewed and approved preventing the potential for management override of controls. In order to consider this material weakness remediated, we believe additional time is needed to finalize and implement the enhanced procedures and demonstrate sustainability as it relates to the revised controls. We expect this control to be remediated by March 31, 2020. Eastern Airways was sold May 10, 2019 and as such, there is no remediation planned for that location.

**CHANGES IN INTERNAL CONTROL OVER FINACIAL REPORTING**

Other than the changes resulting from the material weaknesses described above, our management, including the CEO and CFO, identified no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2019, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

**Item 1.** ***Legal Proceedings.***

We have certain actions or claims pending that have been discussed and previously reported in Part I. Item 3. "Legal Proceedings" in the fiscal year 2019 Annual Report. Developments in these previously reported matters, if any, are described in Note 8 in the "Notes to Condensed Consolidated Financial Statements" included elsewhere in this Quarterly Report.

**Item 1A.** ***Risk Factors.***

There have been no material changes during the three and six months ended September 30, 2019 in our "Risk Factors" as discussed in the fiscal year 2019 Annual Report.

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

There were no unregistered sales of the Company's equity securities during the three months ended September 30, 2019.

**Item 3.** ***Defaults Upon Senior Securities***

For details on defaults of senior securities, see Note 5 in the "Notes to Condensed Consolidated Financial Statements" included elsewhere in this Quarterly Report.

**Item 4.** ***Mine Safety Disclosures***

Not applicable.

**Item 5.** ***Other Information***

None.

**Item 6.** ***Exhibits***

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

| Exhibit Number | Description of Exhibit |
|---|---|
| 2.1 | Amended Joint Chapter 11 Plan of Reorganization, dated September 30, 2019 (incorporated herein by reference to Exhibit 2.1 to the Company's Form 8-K filed on October 9, 2019). |
| 3.1 | Amended and Restated Certificate of Incorporation of Bristow Group Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Form 8-K filed on November 6, 2019). |
| 3.2 | Amended and Restated Bylaws of Bristow Group Inc. (incorporated herein by reference to Exhibit 3.2 to the Company's Form 8-K filed on November 6, 2019). |
| 3.3 | Certificate of Designations of 10.000% Series A Convertible Preferred Stock of Bristow Group Inc., dated October 31, 2019 (incorporated herein by reference to Exhibit 3.3 to the Company's Form 10-Q for the three months ended June 30, 2019 filed on December 27, 2019). |
| 4.1 | Seventh Supplemental Indenture, dated as of September 11, 2019, to the 2008 Base Indenture (incorporated herein by reference to Exhibit 4.10 for the Company's Form 10-K filed on October 28, 2019). |
| 10.1 | First Amendment to Amended and Restated Restructuring Support Agreement, dated as of July 24, 2019, by and among Bristow Group Inc., certain subsidiaries of Bristow Group Inc. party thereto and the holders of the 8.75% Senior Secured Notes due 2023, the 6.25% Senior Notes due 2022 and the.4.50% Convertible Senior Notes due 2023 party thereto (incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed on July 26, 2019). |
| 10.2 | Backstop Commitment Agreement, dated as of July 24, 2019, among Bristow Group Inc. and the commitment parties party thereto (incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K filed on July 26, 2019). |
| 10.3 | Amendment No. 2 to Credit Agreement, dated August 22, 2019, by and among Bristow Group Inc. and Bristow Holdings Company Ltd. III, as borrowers, and Ankura Trust Company, LLC, as administrative agent (incorporated herein by reference to Exhibit 10.88 to the Company's Form 10-K filed on October 28, 2019). |
| 10.4† | Fiscal Year 2020 Performance Incentive Plan, dated August 22, 2019 (incorporated herein by reference to Exhibit 10.89 to the Company's Form 10-K filed on October 28, 2019). |
| 10.5† | Fiscal Year 2020 Non-Executive Incentive Plan, dated August 22, 2019 (incorporated herein by reference to Exhibit 10.90 to the Company's Form 10-K filed on October 28, 2019). |
| 10.6 | Superpriority Secured Debtor-in-Possession Credit Agreement, dated as of August 26, 2019, among Bristow Group Inc., as lead borrower, Bristow Holdings Company Ltd. II, as co-borrower, the other debtors and guarantors party thereto, the financial institutions or other entities party thereto, and Ankura Trust Company, LLC, as administrative agent and collateral agent (incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed on August 28, 2019). |
| 10.7 | Amendment No. 3 to Credit Agreement, dated August 26, 2019, by and among Bristow Group Inc. and Bristow Holdings Company Ltd. III, as borrowers, the lenders from time to time party thereto, and Ankura Trust Company, LLC, as administrative agent (incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K filed on August 28, 2019). |
| 10.8 | Amendment No. 4 to Term Loan Credit Agreement, dated as of September 30, 2019, by and among Bristow Group Inc. and Bristow Holdings Company Ltd. III, as borrowers, the lenders from time to time party thereto, and Ankura Trust Company, LLC, as administrative agent (incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed on October 2, 2019). |
| 10.9 | Amendment No. 1 to Superpriority Secured Debtor-In-Possession Credit Agreement, dated as of September 30, 2019, by and among Bristow Group Inc. and Bristow Holdings Company Ltd. III, as borrowers, the lenders from time to time party thereto, and Ankura Trust Company, LLC, as administrative agent (incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K filed on October 2, 2019). |
| 10.10 | Limited Waiver and Amendment to Backstop Commitment Agreement, dated as of September 30, 2019, among Bristow Group Inc. and the commitment parties party thereto (incorporated herein by reference to Exhibit 10.3 to the Company's Form 8-K filed on October 2, 2019). |

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| 10.11 | Omnibus Agreement, dated as of October 3, 2019, among Bristow Equipment Leasing Ltd., as borrower, Bristow Group Inc., PK Transportation Finance Ireland Limited, as lender, PK AirFinance S.à r.l., in its capacity as agent, and PK AirFinance S.à r.l., in its capacity as security trustee (incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed on October 9, 2019). |
| 10.12 | Amendment No. 5 to the Term Loan Credit Agreement, dated May 10, 2019, by and among Bristow Group Inc. and Bristow Holdings Company Ltd. III, as borrowers, certain subsidiaries of Bristow Group Inc. as guarantors party thereto, the lenders from time to time party thereto and Ankura Trust Company, LLC, as administrative agent (incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed on November 6, 2019). |
| 10.13 | Amendment to the Term Loan Credit Agreement, dated as of February 1, 2017, among the Company, as guarantor, Bristow U.S. LLC, as borrower and lessee, BriLog Leasing Ltd., as lessee, Macquarie Bank Limited, as administrative agent and security agent, Macquarie Leasing LLC, as lender and owner participant, and Macquarie Rotorcraft Leasing Holdings Limited, as owner participant (incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K filed on November 6, 2019). |
| 10.14 | Amendment and Restatement, Confirmation and Waiver Agreement to the ABL Facilities Agreement dated April 17, 2018, by and among Bristow Norway AS and Bristow Helicopters Limited, as borrowers and guarantors, Bristow Group Inc., the financial institutions from time to time party thereto as lenders and Barclays Bank PLC, in its capacity as agent and security trustee (incorporated herein by reference to Exhibit 10.3 to the Company's Form 8-K filed on November 6, 2019). |
| 10.15 | Stockholders Agreement, dated as of October 31, 2019, by and among Bristow Group Inc. and the stockholders listed therein (incorporated herein by reference to Exhibit 10.4 to the Company's Form 8-K filed on November 6, 2019). |
| 10.16 | Registration Rights Agreement, dated as of October 31, 2019, by and among Bristow Group Inc. and the other parties signatory thereto (incorporated herein by reference to Exhibit 10.5 to the Company's Form 8-K filed on November 6, 2019). |
| 10.17† | Bristow Group Inc. Amended and Restated 2019 Management Severance Benefits Plan for U.S. Employees, dated as of October 31, 2019 (incorporated herein by reference to Exhibit 10.7 to the Company's Form 8-K filed on November 6, 2019). |
| 31.1** | Rule 13a-14(a) Certification by Chief Executive Officer of Registrant. |
| 31.2** | Rule 13a-14(a) Certification by Chief Financial Officer of Registrant. |
| 32.1** | Certification of Chief Executive Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2** | Certification of Chief Financial Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 99.1 | Joint Chapter 11 Plan of Reorganization, dated August 1, 2019 (incorporated herein by reference to Exhibit 99.2 to the Company's Form 8-K filed on August 2, 2019). |
| 99.2 | Disclosure Statement, dated August 1, 2019 (incorporated herein by reference to Exhibit 99.3 to the Company's Form 8-K filed on August 2, 2019). |
| 99.3 | Amended Joint Chapter 11 Plan of Reorganization, dated August 20, 2019 (incorporated herein by reference to Exhibit 99.1 to the Company's Form 8-K filed on August 26, 2019). |
| 99.4 | Amended Disclosure Statement, dated August 20, 2019 (incorporated herein by reference to Exhibit 99.2 to the Company's Form 8-K filed on August 26, 2019). |
| 99.5 | Order Confirming Amended Joint Chapter 11 Plan of Reorganization, dated October 8, 2019 (incorporated herein by reference to Exhibit 99.1 to the Company's Form 8-K filed on October 9, 2019). |
| 99.6 | Amended Plan Supplement, filed with the Bankruptcy Court on October 2, 2019 (incorporated herein by reference to Exhibit 99.2 to the Company's Form 8-K filed on October 9, 2019). |
| 101.INS | XBRL Instance Document. |
| 101.SCH | XBRL Taxonomy Extension Schema Document. |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | XBRL Taxonomy Extension Labels Linkbase Document. |

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|---|---|
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. |

† Compensatory Plan or Arrangement.

** Furnished herewith.

**SIGNATURES**

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

**BRISTOW GROUP INC.**

By: /s/ Brian J. Allman

Brian J. Allman
*Senior Vice President and*
*Chief Financial Officer*

By: /s/ Chris Gillette

Chris Gillette
*Chief Accounting Officer*

December 27, 2019

**EXHIBIT 31.1**

**Certification of Chief Executive Officer**
**Pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a)**

I, L. Don Miller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bristow Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 27, 2019

/s/ L. Don Miller

L. Don Miller
President and Chief Executive Officer

**EXHIBIT 31.2**

**Certification of Chief Financial Officer**
**Pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a)**

I, Brian J. Allman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bristow Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 27, 2019

/s/ Brian J. Allman

Brian J. Allman
Senior Vice President and Chief Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Bristow Group Inc. (the "Company") for the period ended September 30, 2019, as filed with the Securities and Exchange Commission as of the date hereof (the "Report"), I, L. Don Miller, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as appropriate, of the Securities Exchange Act of 1934, as amended; and
(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | /s/ L. Don Miller |
|---|---|
| Name: | L. Don Miller |
| Title: | President and Chief Executive Officer |
| Date: | December 27, 2019 |

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Bristow Group Inc. (the “Company”) for the period ended September 30, 2019, as filed with the Securities and Exchange Commission as of the date hereof (the “Report”), I, Brian J. Allman, Senior Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as appropriate, of the Securities Exchange Act of 1934, as amended; and
(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | /s/ Brian J. Allman |
|---|---|
| Name: | Brian J. Allman |
| Title: | Senior Vice President and Chief Financial Officer |
| Date: | December 27, 2019 |