ERA GROUP INC.
Form 10-K
March 11, 2015

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ANNUAL REPORT
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
(Mark one)

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

For the fiscal year ended December 31, 2014
OR

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

For the transition period from to
Commission file number 001-35701
Era Group Inc.
(Exact name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	72-1455213 (I.R.S. Employer Identification No.)
818 Town & Country Blvd., Suite 200 Houston, Texas (Address of Principal Executive Offices)	77024 (Zip Code)

Registrant's telephone number, including area code (281) 606-4900
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ¨ Yes ý No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ¨ Yes ý No

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 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. ý Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes ¨ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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

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

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

The aggregate market value of the voting stock of the registrant held by non-affiliates as of June 30, 2014 was $537,599,631. The total number of shares of Common Stock, par value $0.01 per share, outstanding as of March 6, 2015 was 20,404,303. The Registrant has no other class of Common Stock outstanding.

ERA GROUP INC.
FORM 10-K
DOCUMENTS INCORPORATED BY REFERENCE
Portions of the registrant's Proxy Statement for the 2015 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2014.
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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements concerning management’s expectations, strategic objectives, business prospects, anticipated performance and financial condition and other similar matters involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of results to differ materially from any future results, performance or achievements discussed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others:

- dependence on, and the cyclical nature of, offshore oil and gas exploration, development and production activity;
- fluctuations in worldwide prices of and demand for oil and natural gas;
- reliance on a small number of customers and reduction of our customer base resulting from consolidation;
- inherent risks in operating helicopters;
- the failure to maintain an acceptable safety record;
- the ability to successfully expand into other geographic and helicopter service markets;
- the impact of increased United States (“U.S.”) and foreign government regulation and legislation, including potential government implemented moratoriums on drilling activities;
- the requirement to engage in competitive processes or expend significant resources with no guaranty of recoupment;
- the grounding of all or a portion of our fleet for extended periods of time or indefinitely;
- reduction or cancellation of services for government agencies;
- reliance on a small number of helicopter manufacturers and suppliers;
- political instability, governmental action, war, acts of terrorism and changes in the economic condition in any foreign country where the Company does business, which may result in expropriation, nationalization, confiscation or deprivation of our assets or result in claims of a force majeure situation;
- declines in the global economy and financial markets;
- foreign currency exposure and exchange controls;
- credit risk exposure;
- the ongoing need to replace aging helicopters;
- reliance on the secondary used helicopter market to dispose of older helicopters;
- reliance on information technology;
- allocation of risk between the Company and its customers;
- liability, legal fees and costs in connection with providing emergency response services;
- risks associated with the Company’s debt structure;
- operational and financial difficulties of the Company’s joint ventures and partners;
- conflict with the other owners of the Company’s non-wholly owned subsidiaries and other equity investees;
- adverse results of legal proceedings;
- adverse weather conditions and seasonality;
- adequacy of insurance coverage;
- the attraction and retention of qualified personnel;
- restrictions on the amount of foreign ownership of the Company’s common stock;
- the effect of the Spin-off, including the ability of the Company to recognize the expected benefits from the Spin-off; and
- various other matters and factors, many of which are beyond the Company’s control.

It is not possible to predict or identify all such factors. Consequently, the foregoing should not be considered a complete discussion of all potential risks or uncertainties. The words “estimate,” “project,” “intend,” “believe,” “plan” and similar expressions are intended to identify forward-looking statements. Forward-looking statements speak only as of the date of the document in which they are made. The Company disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statement to reflect any change in the Company’s expectations or any change in events, conditions or circumstances on which the forward-looking statement is based. The forward-looking statements in this Annual Report on Form 10-K should be evaluated together with the many uncertainties that affect the Company’s businesses, particularly those discussed in greater detail in Part I, Item 1A, “Risk Factors” of this Annual Report on Form 10-K.

PART I

ITEM 1. BUSINESS

General

Unless the context indicates otherwise, the terms “we,” “our,” “ours,” “us” and the “Company” refer to Era Group Inc. and its consolidated subsidiaries. “Era Group” refers to Era Group Inc., incorporated in 1999 in Delaware. “Common Stock” refers to the common stock, par value $0.01 per share, of Era Group. The Company’s fiscal year ended on December 31, 2014.

We are one of the largest helicopter operators in the world and the longest operating helicopter transport operator in the U.S., which is our primary area of operations. Our helicopters are primarily used to transport personnel to, from and between offshore installations, drilling rigs and platforms. In the years ended December 31, 2014, 2013 and 2012, approximately 67%, 60% and 56%, respectively, of our total operating revenues were earned in the U.S. Gulf of Mexico, and during the same periods, approximately 15%, 18% and 15%, respectively, of our operating revenues were earned in Alaska. We also provide helicopters and related services to third-party helicopter operators and foreign affiliates. We currently have customers in Brazil, India, Norway, Spain and the United Kingdom.

The primary users of our helicopter services are international, major integrated and independent oil and gas exploration, development and production companies. Our customers include Anadarko Petroleum Corporation (“Anadarko”), Williams Field Services Company, LLC and Transcontinental Gas Pipeline Corporation (collectively, “Williams”), Repsol Services Company, Shell Pipeline Company, LP (“Shell”) and the Bureau of Safety and Environmental Enforcement (“BSEE”), a U.S. government agency. In the years ended December 31, 2014, 2013 and 2012, approximately 76%, 75% and 65% of our operating revenues, respectively, were derived from helicopter services, including emergency search and rescue services, provided to customers primarily engaged in offshore oil and gas exploration and production activities. In addition to serving the oil and gas industry, we provide air medical services, utility services including support of firefighting, mining, power line and pipeline survey activities and Alaska flightseeing tours, among other activities.

We dry-lease helicopters to third parties and foreign affiliates. These third parties and affiliates in turn provide helicopter services to customers in their local markets or provide niche services. Under our dry-lease arrangements, operational responsibility is normally assumed by the lessee, which allows for lower investment costs for direct support infrastructure. In certain countries where we believe it is beneficial to access the local market for offshore helicopter support, we conduct our international operations in compliance with local regulatory requirements that may mandate us to operate through entities in which we have a noncontrolling investment, through strategic alliances with foreign partners or through entities structured as joint ventures with local shareholders. The financial results of these entities may not be consolidated with our financial results. For example, in Brazil, we hold a 50% economic and 20% voting interest in Aeróleo Taxi Aero S/A (“Aeróleo”), a Brazilian entity that provides helicopter transport services to the offshore oil and gas industry in Brazil. We do not currently consolidate the financial results of Aeróleo but expect to be required to do so upon consummation of a transaction to transfer the 50% economic and 80% voting interest held by our partner in Aeróleo that was entered into on February 15, 2014. The transaction remains subject to customary closing conditions, including approval of the court administering the estate of the beneficial owner of our partner in Aeróleo. Due to delays in obtaining such judicial approval, the transaction is now expected to close during the first half of 2015. See Part II, Item 7. - “Recent Developments” for more information.

In Alaska, we operate a fixed based operation ("FBO") at Ted Stevens Anchorage International Airport, leasing storage space and selling fuel and other services to a diverse group of general aviation companies and large corporations. In addition, we operate light and medium helicopters on the North Slope and around Prudhoe Bay in support of oil and gas exploration, development and production activities and inland in support of utility activities. We also operate light helicopters in a flightseeing operation, primarily in support of the cruise line industry, providing passengers with glacier and dog-sled tours from Juneau and Denali.

We provide a number of additional services through joint ventures that complement our core chartering and dry-leasing activities. We hold a 50% interest in our Dart Holding Company Ltd. ("Dart") joint venture, which is a sales and manufacturing organization based in Canada that engineers and manufactures after-market helicopter parts and accessories for sale to helicopter manufacturers and operators and distributes parts and accessories on behalf of other manufacturers. We hold a 50% interest in Era Training Center LLC ("Era Training"), a joint venture based in Lake Charles, Louisiana, that provides classroom instruction, flight simulator and other training to our employees and third parties.

Era Group's principal executive office is located at 818 Town & Country Blvd., Suite 200, Houston, Texas 77024, and its telephone number is (281) 606-4900. Era Group's website address is www.eragroupinc.com. The reference to Era Group's website is not intended to incorporate the information on the website into this Annual Report on Form 10-K.

Emerging Growth Company

On January 31, 2013, SEACOR Holdings Inc. ("SEACOR") completed the spin-off of Era Group, and we are now an independent company with our Common Stock traded on the New York Stock Exchange ("NYSE") under the symbol "ERA." We are an "Emerging Growth Company," as defined in the Jumpstart Our Business Startups Act (the "JOBS Act"), and are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "Emerging Growth Companies." These include, but are not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and obtaining stockholder approval of any golden parachute payments.

Segment and Geographic Information

We have determined that our operations comprise a single segment. Helicopters are mobile and versatile assets and as a result, may be utilized in any of our service lines as business needs dictate. We provide helicopters under contracts ranging from dry-leases, where only the helicopter is provided, to contracts providing full service operational support. Financial data for geographic areas is reported in Note 16 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

Our Strategy

Our goal is to be a premier global provider of helicopter transport and related services. Our operational, commercial and capital allocation strategies to achieve this goal are as follows:

Be a preferred provider of helicopter transport service. The primary focus of our business operations is the provision of safe, reliable and efficient helicopter services to our valued customers. We believe our customers consider safety and reliability as the two primary attributes required of their helicopter service providers. In October 2014, we together with four other major helicopter operators officially launched the new industry association HeliOffshore, which intends to use cross-industry cooperation as a platform for enhancing the industry's overall strong safety record by sharing best practices, developing and applying advanced technology and encouraging common global flight standards. Amongst the helicopter service operators who meet their safety and reliability requirements, we believe customers usually make their selection of a provider based on aircraft availability, quality and location of facilities, customer service and pricing. In order to address customer needs, we have on order and maintain options on a substantial number of new helicopters, mainly heavy helicopter models such as the S92 and the new AW189. We maintain 20 bases of operations to support our customer needs, and we are making a significant investment to expand our Houma, Louisiana base of operations. Upon its opening in the second quarter of 2015, our Houma base will become one of the premier heliports servicing the Gulf of Mexico, with a new passenger terminal and hangar offering state of the art technology, security screening and passenger processing and comfort to our passengers and employees. We maintain a close partnership with our customers to help us better anticipate their needs, to assist us in providing customer service and to better manage our fleet utilization and capital allocation.

Continue to upgrade our versatile helicopter fleet with a focus on effective fleet utilization and management. We have a well-maintained and diverse fleet of helicopters to support our customers' needs. We seek to improve and enhance our fleet through the acquisition of new helicopter models and the installation of newer and safer technologies. An integral part of our fleet strategy is premised upon maintaining well-qualified and well-trained maintenance, ground and flight crews to service our fleet. We regularly review our asset portfolio by assessing market conditions and our customers' demand for different helicopter models. We buy, sell and lease out equipment in the ordinary course of our business. We believe our strong relationships with the original equipment manufacturers ("OEMs") help us maintain an asset base suitable for use within our own operations and for dry-leasing to other operators. We have ordered and maintain options on a substantial number of new helicopters from the OEMs. As noted above, we have firm orders for four S92 helicopters and ten AW189 helicopters. Upon delivery, these two new heavy helicopter models will further enhance or fleet diversity and enable us to meet customer needs. In order to maintain the flexibility required to address changing industry and market conditions that impact the supply and demand for our services and our customer needs, we retain the ability to terminate a significant portion of our commitments to purchase new helicopters upon payment of specified liquidated damages.

Further develop dry-leasing opportunities. We believe dry-leasing diversifies our revenues and cash flow and permits us to monetize helicopter demand from end markets that we may not otherwise have access to without the attendant investment in infrastructure or operations. There is increasing competition in the dry-leasing market with the introduction and expansion of the specialized helicopter leasing companies. We believe customers look to us for helicopter dry-leasing because of our fleet diversity, including selection of light, medium and heavy helicopters to meet customer needs, and our ability as an operator to provide related services such as training, maintenance support and temporary ground and flight crews that differentiate us from the financial leasing companies. We believe that the market for dry-leasing will continue to grow for our offering as smaller operators in developing areas prefer the limited financial commitments of leasing equipment over purchasing and often require the operational support that we provide for the introduction of newer helicopter models.

Expand into new and growing geographic markets. We believe there are significant opportunities in offshore oil and gas markets outside of the U.S., and we selectively seek to access these growth markets. In addition to our 50% interest in Aeróleo, a Brazilian company to which we dry-lease helicopters and provide support services, we continue to develop our relationships with, and identify new, local operators in targeted markets that we believe are underserved by larger multinational helicopter operators, may benefit from our unique offering of services and expertise and provide us with opportunities for growth. As we seek to grow our business, we regularly evaluate new opportunities and entry into new markets through acquisitions, participation in unconsolidated affiliates, investment in joint ventures and the creation of partnership and alliances with industry participants.

Maximize shareholder value. We proactively manage our fleet as a portfolio of assets and our capital allocation plan with a focus on achieving business growth and improving rates of return, taking into careful account balance sheet, liquidity and risk management. Our goal is to deliver strong returns over time by (1) improving the cash returns through capital and operational efficiency improvements; (2) deploying more capital into opportunities management believes can deliver strong returns for the benefit of our shareholders, including making strategic acquisitions or strategic equity investments; and (3) withdrawing capital from areas where returns are deemed inadequate and unable to be sufficiently improved. We continuously evaluate and optimize our fleet utilization, and as helicopters come off of current contracts or are replaced by newer models, we assess our future opportunities for such helicopters against our ability to recover our remaining investments in the aftermarket. When appropriate, we may divest helicopters when such strategies provide the highest shareholder return. In addition, we intend to continue to pursue opportunities to realize value from our fleet's versatility by shifting assets between markets when circumstances warrant.

We will continue to build upon the expertise, relationships and buying power in our operating businesses to develop other business opportunities and sources of revenue.

Equipment and Services

We own and operate three classes of helicopters:

- Heavy helicopters, which have twin engines and a typical passenger capacity of 16 to 19, are primarily used in support of the deepwater offshore oil and gas industry, frequently in harsh environments or in areas with long distances from shore, such as those in the U.S. Gulf of Mexico, Brazil, Australia and the North Sea. Heavy helicopters are also used to support search and rescue operations.
- Medium helicopters, which mostly have twin engines and a typical passenger capacity of 11 to 12, are primarily used to support the offshore oil and gas industry, search and rescue services, air medical services, utility services including support of firefighting, mining, power line and pipeline survey activities and corporate uses.
- Light helicopters, which may have single or twin engines and a typical passenger capacity of five to nine, are used to support a wide range of activities, including the shallow water oil and gas industry, utility services, air medical services, tourism and corporate uses.

As of December 31, 2014, we owned or operated a total of 160 helicopters, consisting of nine heavy helicopters, 62 medium helicopters, 37 light twin engine helicopters and 52 light single engine helicopters. As of December 31, 2014, we had commitments to purchase an additional 19 new helicopters consisting of ten AW189 heavy helicopters, four S92 heavy helicopters and five AW169 light twin helicopters. The AW189 helicopters are scheduled to be delivered beginning 2015 through 2017. The S92 helicopters are scheduled to be delivered in 2015 and 2016. Delivery dates for the AW169 helicopters have yet to be determined. In addition, we had outstanding options to purchase up to an

additional ten AW189 helicopters, five S92 helicopters and one AW139 helicopter. If these options were exercised, the helicopters would be delivered beginning in 2015 through 2018.
As of December 31, 2014, 126 helicopters were located in the U.S. and 34 were located in foreign jurisdictions.
The following table identifies the types of helicopters that comprise our fleet and the number of those helicopters in our fleet as of December 31, 2014. “Owned” are those helicopters owned by us. “Joint Ventured” are those helicopters owned by our non-wholly owned subsidiaries. “Leased-in” are those helicopters leased-in under operating leases. “Managed” are those helicopters that are owned by non-affiliated entities and operated by us for a fee.

As of December 31, 2014	Owned	Joint Ventured	Leased-in	Managed	Total	Max. Pass.(1)	Cruise Speed (mph)	Approx. Range (miles)	Average Age(2) (years)
Heavy:									
EC225	9	—	—	—	9	19	162	582	5
Medium:									
AW139	38	1	—	—	39	12	173	426	5
B212	9	—	—	—	9	11	115	299	36
B412	6	—	—	—	6	11	138	352	33
S76 A/A++	2	—	—	—	2	12	155	348	25
S76 C+/C++	5	—	—	1	6	12	161	348	8
	60	1	—	1	62				
Light—twin engine:									
A109	7	—	—	2	9	7	161	405	9
BK-117	—	—	2	1	3	9	150	336	n/a
EC135	17	—	2	1	20	7	138	288	6
EC145	3	—	—	2	5	9	150	336	6
	27	—	4	6	37				
Light—single engine:									
A119	17	—	—	—	17	7	161	270	8
AS350	35	—	—	—	35	5	138	361	18
	52	—	—	—	52				
Total Fleet	148	1	4	7	160				12

(1) In typical configuration for our operations.
(2) Reflects the average age of helicopters that are owned by us.

The management of our global fleet involves a careful evaluation of the expected demand for helicopter services across global oil and gas markets, including the types of helicopters needed to meet this demand. As offshore oil and gas exploration and production globally moves to deeper water, more heavy and medium helicopters and newer technology helicopters may be required. Our orders and options to purchase helicopters are primarily for heavy helicopters. These capital commitments reflect our effort to meet customer demand for helicopters suitable for the deepwater market.

Heavy and medium helicopters fly longer distances at higher speeds and can carry heavier payloads than light helicopters and are usually equipped with sophisticated avionics permitting them to operate in more demanding weather conditions and difficult climates. Heavy and medium helicopters are most commonly used for crew changes on large offshore production facilities and drilling rigs servicing the oil and gas industry. They are the preferred helicopters in international offshore markets, where facilities tend to be larger, the drilling locations more remote, and onshore infrastructure more limited.

In the U.S., we provide and operate helicopters under contracts using a Federal Aviation Administration (“FAA”) issued Part 135 Air Operator’s Certificate (“AOC”) for a variety of activities, primarily offshore oil and gas exploration, development and production, air medical services, utility services, flightseeing tours, and emergency response search and rescue. For operating contracts, we are required to provide a complete support package including flight crews, helicopter maintenance and management of flight operations.

In international markets, local regulatory requirements may require us to conduct our international operations using another operator’s AOC or through entities in which we have a noncontrolling investment, through strategic alliances with foreign partners or through non-wholly owned entities with local shareholders. When operating on another operator's AOC through dry-leases, our customers generally handle all the operational support except where our international contracts require us to provide more limited operational support, which typically consists of pilot training and/or helicopter maintenance.

Markets

Our current principal markets for our transportation and search and rescue services to the offshore oil and gas exploration, development and production industry are in the U.S. Gulf of Mexico and Alaska. In addition, we currently conduct our international activities in support of oil and gas exploration, development and production activity, primarily in Brazil, Europe and Asia.

U.S. Markets. We are one of the largest suppliers of helicopter services in the U.S. Gulf of Mexico, where we operate from 13 bases.

Our client base in the U.S. Gulf of Mexico consists primarily of international, independent and major integrated oil and gas companies. The U.S. Gulf of Mexico is a major offshore oil and gas exploration and production region and one of the largest oil and gas aviation markets in the world. According to the Bureau of Safety and Environmental Enforcement in its 2014 Analysis of the Oil Services Contract Industry in the Gulf of Mexico Region, the U.S. Gulf of Mexico has over 3,000 production platforms, of which approximately 2,000 have helipads and approximately 1,000 are manned. The deepwater platforms are serviced by heavy and medium helicopters. The shallow water platforms are typically unmanned and are serviced by light helicopters. Among our strengths in this region, in addition to our 13 operating bases, are our advanced proprietary flight-following systems, our maintenance operations and our search and rescue services.

We have seven operating bases in Alaska, where we provide support for international, independent and major integrated oil and gas companies. In addition to supporting oil company activities in the Cook Inlet and along the North Slope of Alaska, we operate a FBO at Ted Stevens Anchorage International Airport, provide summer flightseeing tours and support inland utility operations. Despite the remote location of our Alaskan bases, they are strategically located to provide services to our customers. These bases frequently include crew accommodations, hangars and fuel systems, all of which can be otherwise difficult or expensive to secure and maintain in such remote locations.

Our air medical services operations are primarily located in the northeastern U.S.

International Markets. Demand for helicopters in support of offshore oil and gas exploration, development and production, both in the U.S. and internationally, is affected by the level of offshore exploration and drilling activities, which in turn is influenced by a number of factors, including:

- expectations as to future oil and gas commodity prices;
- customer assessments of offshore drilling prospects compared with land-based opportunities;
- customer assessments of cost, geological opportunity and political stability in host countries;
- worldwide demand for oil and natural gas;
- the ability of The Organization of Petroleum Exporting Countries (“OPEC”) to set and maintain production levels and pricing;
- the level of production of non-OPEC countries;
- the relative exchange rates for the U.S. dollar; and
- various U.S. and international government policies regarding exploration and development of oil and gas reserves.

We actively market our services globally and currently conduct our international activities in Brazil, Europe and Asia. The following is a description of our international activities.

Brazil. Brazil has one of the largest deepwater offshore exploration and production areas in the world. In 2011, we acquired a 50% economic interest and 20% voting interest in Aeróleo. Aeróleo was founded in 1968 to provide logistical air support to the Brazilian oil and gas industry and has been active mainly in the Campos Basin, the largest offshore oilfield area in Brazil. Aeróleo has a network of three operating bases distributed strategically in Brazil. As of December 31, 2014, Aeróleo had a fleet of 14 helicopters, including three EC225 helicopters and 11 AW139 helicopters that we dry-lease to Aeróleo. Aeróleo’s main customers are Petroleo Brasileiro S.A. (“Petrobras Brazil”), OGX Petroleo & Gas Participacoes SA (“OGX”), Repsol Brazil, S.A. and Saipem do Brasil Lda. Since the acquisition of our interest in Aeróleo, Aeróleo has experienced financial difficulties. Refer to Part II, Item 7 - “Lines of Service” and “Recent Developments” and to Note 5 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K for additional information regarding Aeróleo’s economic performance and liquidity position.

Europe. We dry-lease helicopters and provide logistics and spare parts support to several operators in Europe. These helicopters are used in Norway, Spain and the United Kingdom by operators providing search and rescue services, utility operations and oil and gas exploration and production support.

Asia. In India, we dry-lease helicopters and provide logistics and spare parts support to an operator in the oil and gas industry.

Seasonality
A significant portion of our operating revenues and profits related to oil and gas exploration and production activity is dependent on actual flight hours. The fall and winter months have fewer hours of daylight, particularly in Alaska and the North Sea, and flight hours are generally lower at these times. In addition, prolonged periods of adverse weather in the fall and winter months, coupled with the effect of fewer hours of daylight, can adversely impact operating results. In general, the months of December through February in the U.S. Gulf of Mexico and October through April in Alaska have more days of adverse weather conditions than the other months of the year. In the U.S. Gulf of Mexico, June through November is tropical storm season. During a tropical storm, we are unable to operate in the area of the storm. However, flight activity may increase immediately before and after a storm due to the evacuation and return of offshore workers. The Alaska flightseeing operation is also seasonal with activity occurring only from late May until early September. There is less seasonality in our dry-leasing and air medical activities.
Customers and Contractual Arrangements
Our principal customers in the U.S. Gulf of Mexico are major integrated and independent oil and gas exploration and production companies and BSEE. We provide helicopters to BSEE under contract and provide services including the provision of flight crews, helicopter maintenance and management of flight operations. In Alaska, our principal customers are international, independent and major integrated oil and gas exploration and production companies, mining companies and cruise line passengers. Internationally, we typically dry-lease helicopters to local helicopter companies that operate our helicopters under their operating certificates and retain the operating risk. These companies in turn provide helicopter transportation services to oil and gas companies, utility companies, firefighting operators and governmental agencies. As of December 31, 2014, approximately 21% of our helicopters were utilized in support of these dry-leasing activities.
During the year ended December 31, 2014, our top ten customers accounted for 66% of total revenues. During the years ended December 31, 2014, 2013 and 2012, each of Anadarko and BSEE accounted for 10% or more of our total revenues.
We charter the majority of our helicopters primarily through master service agreements, subscription agreements, day-to-day charter arrangements and dry-leases. Master service agreements and subscription agreements typically require a fixed monthly fee plus incremental payments based on flight hours flown. These agreements have fixed terms ranging from one month to five years and generally may be canceled without penalty upon 30 days' notice. Generally, these contracts do not commit our customers to acquire specific amounts of services or minimum flight hours and permit our customers to decrease the number of helicopters under contract with a corresponding decrease in the fixed monthly payments without penalty. Day-to-day charter arrangements call for either a combination of a daily fixed fee plus a charge based on hours flown or an hourly rate with a minimum number of hours to be charged.
Dry-leases generally run from two to five years with no early cancellation provisions. Services provided under dry-leases can include only the equipment or can include the equipment plus logistical and maintenance support. The rate structure, as it applies to our oil and gas contracts, typically contains terms that limit our exposure to increases in fuel costs over a pre-agreed level. Fuel costs in excess of these levels are passed through to customers.
Air medical services are provided under contracts with hospitals that typically include a fixed monthly and hourly rate structure.
With respect to flightseeing helicopters, block space is allocated to cruise lines and seats are sold directly to customers. Our FBO sells fuel on an ad-hoc basis.
Competitive Conditions
The helicopter industry is highly competitive. There are, however, factors that provide advantages and in some instances barriers to entry, particularly customer certification and access to appropriate facilities in strategic locations. Customers tend to rely heavily on existing relationships and seek operators with established safety records and knowledge of the operating environment.
We are one of the largest helicopter companies operating in the U.S. Gulf of Mexico and one of the largest operating in Alaska. In the U.S. Gulf of Mexico, we have many competitors, the three largest being Bristow Group Inc. ("Bristow"), PHI, Inc. ("PHI") and Rotorcraft Leasing Company LLC. Some oil and gas customers in the U.S. Gulf of Mexico operate their own helicopter fleets in addition to smaller companies that offer services similar to ours. In

Alaska, we compete against a large number of operators including Erickson Air-Crane, Inc. and PHI. In international markets, there could be several major competitors depending on the region. Our primary competitors in Brazil consist of Lider Aviação Holding S.A., OMNI Táxi Aéreo Ltda., and Brazilian Helicopter Services Taxi Aéreo Ltda.

In air medical services, there are several major competitors with fleets dedicated to air medical operations including Air Methods Corporation, PHI and Air Medical Group Holdings. We compete against national and regional firms, and there is usually more than one competitor in each local market. In addition, we compete against hospitals that operate their own helicopters and, in some cases, against ground ambulances.

In most instances, an operator must have an acceptable safety record, demonstrated reliability and suitable equipment to bid for work. Among bidders meeting these criteria, customers typically make their final choice based on helicopter preference, aircraft availability, the quality and location of operating bases, customer service and price.

Our dry-leasing business competes against financial leasing companies such as Element Financial Corp., Lease Corporation International (Aviation) Limited, Macquarie Rotocraft Leasing, Milestone Aviation Group and Waypoint Leasing.

Risks of Foreign Operations

We have activities worldwide and for the years ended December 31, 2014, 2013 and 2012, 15%, 18%, and 22%, respectively, of our operating revenues were derived from foreign activities.

Foreign operations are subject to inherent risks, which, if they materialize, could have a material adverse effect on our financial position and our results of operations. See Item 1A - "We are subject to risks associated with our international operations" for more information.

Government Regulation

Regulatory Matters. Our operations are subject to significant federal, state and local regulations in the U.S., as well as international treaties and conventions and the laws of foreign jurisdictions where we operate our equipment or where the equipment is registered or operated. We hold the status of an air carrier under the relevant provisions of Title 49 of the United States Transportation Code ("Transportation Code") and engage in the operating and dry-leasing of helicopters in the U.S. and, as such, we are subject to various statutes and regulations. We are governed principally by: (i) the regulations of the United States Department of Transportation ("DOT"), including Part 298 registration as an On-Demand Air Taxi Operator; and (ii) the regulations of the FAA applicable to an FAA Part 135 Air Taxi certificate holder. Among other things, the DOT regulates our status as an air carrier, including our U.S. citizenship. The FAA regulates our flight operations and, in this respect, has jurisdiction over our personnel, helicopters, ground facilities and certain technical aspects of our operations. In addition to the FAA, the National Transportation Safety Board is authorized to investigate our helicopter accidents (if any) and to recommend improved safety standards. We are also subject to the Communications Act of 1934, as amended, because of the use of radio facilities in our operations. Our FBO in Alaska is further subject to the oversight of the Anchorage International Airport.

Helicopters operating in the U.S. are subject to registration and their owners are subject to citizenship requirements under the Federal Aviation Act. This Act generally requires that before a helicopter may be legally operated in the U.S., it must be owned by "citizens of the U.S.," which, in the case of a corporation, means a corporation: (i) organized under the laws of the U.S. or of a state, territory or possession thereof, (ii) of which at least 75% of its voting interests are owned or controlled by persons who are "U.S. citizens" (as defined in the Federal Aviation Act and regulations promulgated thereunder), and (iii) of which the president and at least two-thirds of the board of directors and managing officers are U.S. citizens.

We also are subject to state and local regulations including, but not limited to, significant state regulations for our air medical services and search and rescue operations. In addition, our international operations, primarily helicopter dry-leasing and our joint ventures, are required to comply with the laws and regulations in the jurisdictions in which they conduct business.

Environmental Compliance. Our business is subject to federal, state, local and international laws and regulations relating to environmental protection and occupational safety and health, including laws that govern the discharge of oil and pollutants into navigable waters. Such laws include the federal Water Pollution Control Act, also known as the Clean Water Act, which imposes restrictions on the discharge of pollutants to the navigable waters of the U.S. We are also subject to the Coastal Zone Management Act, which authorizes state development and implementation of certain programs to manage water pollution to restore and protect coastal waters. In addition, because our operations generate and, in some cases, involve the transportation of hazardous wastes, we are subject to the Federal Resource Conservation and Recovery Act, which regulates the use, generation, transportation, treatment, storage and disposal of hazardous and certain non-hazardous wastes. Violations of these laws, along with comparable state and local laws, may result in civil and criminal penalties, fines, injunctions or other sanctions. We are also subject to the Comprehensive Environmental Response, Compensation and Liability Act and certain comparable state laws, which establish strict and, under certain circumstances, joint and several liabilities for specified parties in connection with liability for the investigation and remediation of releases of hazardous materials into the environment and damages to natural resources. Such liability can arise even as a result of conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, prior operators or third parties.

In addition, our customers in the oil and gas exploration, development and production industry are affected by environmental laws and regulations, which have become stricter as a result of the Deepwater Horizon matter, that restrict their activities and may result in reduced demand for our services.

We believe that our operations are currently in material compliance with all environmental laws and regulations. We do not expect that we will be required to make capital expenditures in the near future that are material to our financial position or operations to comply with environmental laws and regulations; however, because such laws and regulations are frequently changing and may impose stricter requirements, we cannot predict the ultimate cost of complying with these laws and regulations. The recent trend in environmental legislation and regulation is generally toward stricter standards, and it is our view that this trend is likely to continue.

We manage exposure to losses from the above-described laws through our efforts to use only well-maintained, well-managed and well-equipped facilities and equipment and our development of safety and environmental programs, including our insurance program. We believe these efforts will be able to accommodate all reasonably foreseeable environmental regulatory changes. There can be no assurance, however, that any future laws, regulations or requirements or that any discharge or emission of pollutants by us will not have a material adverse effect on our business, financial position or our results of operations.

Safety, Industry Hazards and Insurance

The safety of our passengers and the maintenance of a safe working environment for our employees is our number one operational priority. We believe we have a strong safety culture throughout our organization that is sponsored by our Chief Executive Officer responsible for setting the tone at the top. We strive to exceed the stringent safety and performance audit standards set by aviation regulatory bodies and our customers.

We hired a new officer in 2014 with primary responsibility for safety and oversight of our in-house safety department responsible for our compliance with safety standards within our organization, standardizing base operating procedures, compliance with government regulations and customer requirements, and educating and training our employees. A key to maintaining our strong safety record is having highly qualified, experienced and well trained employees. We conduct training and safety programs to promote a safe working environment and minimize hazards.

Helicopter operations are potentially hazardous and may result in incidents or accidents. Hazards such as adverse weather conditions, collisions, fire and mechanical failures may result in death or injury to personnel, damage to equipment, and other environmental damage. We target zero accidents and injuries in the workplace, and we believe our air accident rate per 100,000 flight hours in 2014 was better than the industry average with respect to safety.

We have implemented a safety program that includes, among many other features, (i) transition and recurrent training using flight training devices, (ii) an FAA approved flight operational quality assurance program and (iii) health and usage monitoring systems ("HUMS"), which automatically monitor and report on vibrations and other anomalies on key components of certain helicopters in our fleet.

Employees

As of December 31, 2014, we employed 777 individuals, including 240 pilots and 231 mechanics. We consider relations with our employees to be good. None of our employees are covered by collective bargaining agreements.

Where You Can Find More Information

We are required to file annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission ("SEC"). Unless otherwise stated herein, these filings are not deemed to be incorporated by reference in this report. All of the Company's filings with the SEC will be available once filed, free of charge, on Era Group's website, including its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements and any amendments to those reports. These reports and amendments will be available on Era Group's website as soon as reasonably practicable after the Company electronically files the reports or amendments with the SEC. The reference to Era Group's website is not intended to incorporate the information on the website into this Annual Report on Form 10-K. They will also be available at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information as to the operation of the SEC's Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements and other information. In addition, the Company's Corporate Governance and other policies, and the Board of Directors' Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee charters are available, free of charge, on Era Group's website or in print for stockholders.

ITEM 1A. RISK FACTORS

Our business, results of operations, financial condition, liquidity, cash flow, or prospects may be materially and adversely affected by numerous risks and uncertainties. Although it is not possible to predict or identify all such risks and uncertainties, they may include, but are not limited to, the risks and uncertainties described below. These risks and uncertainties represent some of the more critical risk factors that affect us, as well as the other information that has been provided in this Annual Report on Form 10-

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K. Our business operations or actual results could also be similarly impacted by additional risks and uncertainties that are not currently known to us or that we currently deem immaterial to our operations.

Risk Factors Related to Our Customers and Contracts

Demand for many of our services is impacted by the level of activity in the offshore oil and gas exploration, development and production industry.

In the years ended December 31, 2014 and 2013, approximately 76% and 75%, respectively, of our operating revenues were generated by our services, including search and rescue services, to companies primarily engaged in offshore oil and gas exploration, development and production activities. As a result, demand for our services, as well as our revenue, profitability and results of operations, are significantly impacted by levels of activity in those sectors. These levels of activity have historically been volatile and the volatility is likely to continue in future periods. In addition to the volatility, these levels are subject to factors that we cannot predict and that are beyond our control, including:

- general economic conditions;
- prevailing oil and gas prices and expectations about future prices and price volatility;
- actions of the Organization of Petroleum Exporting Countries and other oil producing countries to control prices or change production levels;
- the price and availability of alternative fuels;
- assessments of offshore drilling prospects compared with land-based opportunities that do not generally require our services;
- the costs of exploration, production and delivery of oil and natural gas offshore;
- global supply and demand for the oil and gas markets and expectations about future supply and demand;
- availability and rates of discovery of new oil and natural gas reserves in offshore areas;
- federal, state, local and international political conditions, and policies including those with respect to local content requirements and the exploration and development of oil and gas reserves;
- technological advancements affecting exploration, development and production of oil and gas and energy consumption;
- weather conditions;
- government regulation;
- regulation of drilling activities and the availability of drilling permits and concessions and environmental regulation; and
- the ability of oil and natural gas companies to generate or otherwise obtain funds for offshore oil and gas exploration, development and production and their capital expenditures budgets.

We are in a cyclical business.

Our industry has historically been cyclical and is affected by the volatility of oil and gas price levels, fluctuations in government programs and spending and general economic conditions. Changes in commodity prices can have a significant effect on demand for our services, and periods of low activity intensify price competition in the industry and could result in our helicopters being idle for long periods of time. A prolonged significant downturn in oil and natural gas prices or increased regulation containing onerous compliance requirements is likely to cause a substantial decline in expenditures for exploration, development and production activity, which would result in a decline in demand and lower rates for our services. Similarly, the government agencies with which we do business could face budget cuts or limit spending, which would also result in a decline in demand and lower rates for our services. These changes could adversely affect our business, financial condition and results of operations.

We rely on relatively few customers, some of which are our affiliates, for a significant share of our revenues, the loss of any of which could adversely affect our business, financial condition and results of operations.

We derive a significant portion of our revenues from a limited number of oil and gas exploration, development and production companies and government agencies. Specifically, services provided to Anadarko, BSEE, Shell, and Williams accounted for 26%, 10%, 6% and 6% of our revenues, respectively, for the year ended December 31, 2014. The portion of our revenues attributable to any single customer may change over time, depending on the level of activity by any such customer, our ability to meet the customer's needs and other factors, many of which are beyond our control. The loss or reduction of business from any of our significant customers could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Further, to the extent any of our customers or the customers of companies to whom we dry-lease helicopters experience an extended period of operational or financial difficulty, our revenues and results of operations could be materially adversely affected. Aeróleo, our Brazilian joint venture and dry-lease customer, experienced financial difficulties as a result of certain of its helicopters that were dry-leased from us remaining idle for extended period of time. See Note 5 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K for more information. Due to the resulting liquidity issues experienced by Aeróleo, we, together with our partner, contributed $9.2 million of additional debt capital to Aeróleo to enable it to continue operating in September 2012. Another Aeróleo customer, OGX, experienced financial difficulties and filed for bankruptcy protection. These financial difficulties could impair OGX's ability to pay its receivables to Aeróleo, which could, in turn, impair Aeróleo's ability to make its dry-lease payments owed to us and impact our revenue. As a result of these financial difficulties, we currently recognize revenues from Aeróleo only as cash is received and as of December 31, 2014, we had deferred recognition of $31.0 million of revenues from Aeróleo. If Aeróleo requires additional capital contributions, it could also affect our liquidity. Further, to the extent we do not collect receivables owed to us from Aeróleo or earn less revenues from the relationship than anticipated, our results of operations and liquidity could be materially adversely affected.

Consolidation of our customer base could adversely affect demand for our services and reduce our revenues.

Many of our customers are international, major integrated or independent oil and gas exploration, development and production companies. In recent years, these companies have undergone substantial consolidation, and additional consolidation is possible. Consolidation results in fewer companies to charter or contract for our services, and in the event one of our customers combines with a company that is using the services of one of our competitors, the combined company could decide to use the services of that competitor or another provider. Further, merger activity among both major and independent oil and natural gas companies affects exploration, development and production activity as the consolidated companies often put projects on hold while integrating operations. Consolidation may also result in an exploration and development budget for a combined company that is lower than the total budget of both companies before consolidation. Reductions in the budgets of oil and gas companies could adversely affect demand for our services that could result in a material adverse impact on our business, financial condition and results of operations.

Our customers include U.S. government agencies that are dependent on budget appropriations, which may fluctuate and, as a result, limit their ability to use our services.

U.S. government agencies, consisting primarily of BSEE, are among our key customers and accounted for 10% of our revenues for the year ended December 31, 2014. Government agencies receive funding through budget appropriations, which are determined through the political process, and as a result, funding for the agencies with which we do business may fluctuate. There has been increased Congressional scrutiny of discretionary program spending by the U.S. government in light of concerns over the size of the national debt and lawmakers have discussed the need to cut or impose caps on discretionary spending in coming years, which could mean budget cuts to federal agencies to which we provide services. If any of these agencies, and in particular BSEE, experience reductions in their budgets or if they change their spending priorities, their ability or willingness to spend on helicopter services may decline, and they may substantially reduce or cease using our services, which could have a material adverse effect on our business, financial condition and results of operations.

The implementation by our customers of cost-saving measures could reduce the demand for our services.

Oil and gas companies are continually seeking to implement measures aimed at cost savings, especially during times of depressed pricing such as the one we are currently experiencing. These measures can include efforts to improve efficiencies and reduce costs by reducing headcount or finding less expensive means for moving personnel offshore. Reducing headcount, changing rotations for personnel working offshore, therefore requiring fewer trips to and from installations are some, but not all, of the possible initiatives that could result in reduced demand for our helicopter transport services. In addition, customers could establish their own helicopter operations or utilize other transportation alternatives, such as marine transport. The continued implementation of these kinds of measures could reduce the demand for helicopter services provided by independent operators like us, and could have a material adverse effect on our business, financial condition and results of operations.

Our industry is subject to intense competition.

The helicopter industry is highly competitive. Contracting for helicopter services is often done through a competitive bidding process among those operators having an acceptable safety record, demonstrated reliability, requisite equipment for the job and sufficient resources to provide coverage when primary equipment comes out of service for maintenance. Customers typically make their final choice based on aircraft availability, quality and location of facilities and price. If we were unable to satisfy the criteria to participate in bids, we would be unable to compete effectively and our business, financial condition and results of operations would be materially and adversely affected.

In certain of our international markets where foreign regulations may require that contracts be awarded to local companies owned or controlled by nationals, we participate in bids as a subcontractor or vendor to the local bidding company. These third parties may not be able to win these bids for reasons unrelated to us, our safety record, reliability, or equipment. Accordingly, we may lose potential business, which may be significant, for reasons beyond our control.

We compete against a number of helicopter operators, including other major global helicopter operators such as Bristow and CHC Group Ltd. In the U.S., we face competition for business in the oil and gas industry from three major operators: Bristow, PHI and Rotorcraft Leasing Company, LLC. In our international markets, we also face competition from local operators in countries where foreign regulations may require that contracts be awarded to local companies owned or controlled by nationals or from operators that are more recognized in some of those markets. There can be no assurance that our competitors will not be successful in capturing a share of our present or potential customer base. We also face potential competition from customers that establish their own flight departments and smaller operators with access to capital that can expand their fleets and operate more sophisticated and costly equipment. In providing air medical transport services, we face competition from Air Medical Group Holdings, Air Methods Corporation, PHI and many other operators. In addition, helicopter leasing companies, such as Lease Corporation International (Aviation) Limited, Macquarie Rotocraft Leasing, Milestone Aviation Group and Waypoint Leasing, provide offerings which compete with, and could capture a share of our, dry-leasing opportunities to third parties. Further, in January 2015, Milestone Aviation Group was acquired by GE Capital Aviation Services, a company with significant resources. We also compete with other providers of medical air transport, search and rescue, utility and flightseeing services in various markets.

A significant portion of our business is obtained by competitive bid or other competitive process which often require us to expend significant resources with no guaranty of recoupment.

Chartering of helicopters is often done through an aggressive competitive bidding process and intense negotiations. Customers typically make their final choice based on the best price for the required helicopter model that is available within the time frame mandated by their needs. Successfully competing in competitive bidding situations subjects us to risks associated with the substantial time, money, and effort, including proposal development and marketing activities, required to prepare bids and proposals for contracts that may not be awarded to us.

Due to the intense competition in our markets and increasing customer demand for shorter delivery periods, even in cases where we not involved in a competitive bidding process, we might be required to begin implementation of a project before the corresponding order has been finalized. If we do not succeed in securing an opportunity or winning a bid, we may obtain little or no benefit from the expenditures associated with pursuing them, we may not be able to recoup them on future projects and may have to write them off.

Our contracts generally can be terminated or downsized by our customers without penalty.

Many of our operating contracts and charter arrangements in the U.S. Gulf of Mexico and Alaska contain provisions permitting early termination by the customer for any reason, generally without penalty, and with limited notice requirements. In addition, many of our contracts do not commit our customers to acquire specific amounts of services and permit them to decrease the number of helicopters under contract with a corresponding decrease in the fixed monthly payments without penalty. As a result, you should not place undue reliance on our customer contracts or the terms of those contracts. The termination of contracts by our significant customers or the decrease in their usage of our helicopter services could have a material adverse effect on our business, financial condition and results of operations.

Our customers may shift risk to us.

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

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

Our profitability is directly related to demand for our services. A significant portion of our operating expenses are related to crew wages and benefits, insurance and maintenance programs, and are therefore fixed and must be paid even when our helicopters are not actively servicing customers and generating income. A decrease in our revenues could therefore result in a disproportionate decrease in our earnings, as a substantial portion of our operating expenses would remain unchanged. Similarly, the discontinuation of any rebates, discounts or preferential financing terms offered to us by manufacturers or suppliers would have the effect of increasing our fixed expenses, and without a corresponding increase in our revenues, would negatively impact our results of operations.

Increases in supplier costs, fuel costs, labor costs, insurance costs, and other costs are typically passed through to our customers through rate increases where possible, including as a component of contract escalation charges. However, certain of our contracts are long-term in nature and may not have escalation or escalation may be tied to an index, which may not increase as rapidly as the associated costs. As a result, these escalations may not be sufficient to enable us to recoup increased costs in full thereby resulting in lower margins. There can be no assurance that we will be able to estimate costs accurately or recover increased costs by passing these costs on to our customers. We may not be successful in identifying or securing cost escalations for other costs that may escalate during the applicable customer contract term. In the event that we are unable to fully recover material costs that escalate during the terms of our customer contracts, the profitability of our client contracts and our business, financial condition and results of operations could be materially and adversely affected.

Significant increases in fuel costs can have a material adverse effect on our business, financial condition and results of operations.

Fuel is essential to the operation of our helicopters and to our ability to carry out our transport services and is a key component of our operating expenses. High fuel costs can increase the cost of operating our helicopters. Any increased fuel costs may negatively impact our net sales, margins, operating expenses and results of operations. Although we have been able to pass along a significant portion of increased fuel costs to our customers in the past, we cannot assure you that we can do so again if another prolonged period of high fuel costs occurs. To the extent there is a significant increase in fuel costs that we are unable to pass on to our customers, it may have a material adverse effect on our business, financial condition and results of operations.

Risk Factors Related to Our Operations

Our operations involve a degree of inherent risk that may not be covered by our insurance or may increase our costs.

The operation of helicopters is subject to various risks, including catastrophic disasters, crashes, collisions, adverse weather conditions, mechanical failures and damage to our facility or spare parts, which may result in loss of life, personal injury and/or damage to property and equipment and the suspension or reduction of our operations. Our helicopters have been involved in accidents in the past, some of which included loss of life, personal injury and property damage. We, or third parties operating our helicopters, may experience accidents or damage to our assets in the future. These risks could endanger the safety of both our own and our customers’ personnel, equipment, cargo and other property, as well as the environment. If any of these events were to occur with equipment that we operate or dry-lease to third parties, we could experience loss of revenues, termination of charter contracts, higher insurance rates and damage to our reputation and customer relationships. In addition, to the extent an accident occurs with a helicopter we operate or by assets supporting our operations, we could be held liable for resulting damages. The occurrence of any such incident could have a material adverse effect on our business, results of operations and financial condition.

If other operators experience accidents or safety issues with a particular model of helicopter that we operate or dry-lease resulting in a customer refusing to use that particular helicopter model due to a loss in confidence for that model by our customers, their employees or the unions to which our customer’s employees belong, a regulatory body grounding that particular helicopter or our taking such helicopter model out of service until the cause of the accident or concern is adequately addressed, we may experience a reduction of revenues and a loss of customers. While we seek to mitigate the financial impact of such risks and preserve our rights through commercial and other arrangements with all those involved, these mitigation efforts may not be successful or available for all incidents. Our financial condition and results of operations may fluctuate from period to period as a result of such incidents and our mitigation efforts. In addition, the value of such helicopter model might also be permanently reduced in the market if the model were to be considered less desirable for future service.

Certain models of helicopters that we operate or dry-lease have experienced accidents while operated by third parties. For instance, there were two ditchings involving the EC225 helicopter, including one under dry-lease from us to one of our customers and one owned and operated by another helicopter company, which led major global operators to indefinitely suspend EC225 helicopter operations in October 2012 during the lengthy investigation and subsequent corrective action by the manufacturer. After the manufacturer of the EC225 helicopter, Airbus Helicopters (formerly Eurocopter), a division of European Aeronautic Defense and Space Company, identified the root cause of the EC225 helicopter service failures and implemented engineering solutions, prevention and detection measures to remedy the matters that led to the suspension that were approved by the European Aviation Safety Agency regulatory authority in July 2013, the United Kingdom Civil Aviation Authority and the Civil Aviation Authority of Norway lifted operational restrictions, facilitating the return to service of the EC225 helicopter thereafter on a worldwide basis.

Our Brazilian joint venture and dry-lease customer, Aeróleo, experienced financial difficulties resulting from both an incident with an AW139 helicopter operated by a competitor and the extended global suspension of the EC225 helicopter described above (see further discussion in Note 5 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K). As of December 31, 2014, we had deferred the recognition of $31.0 million million of revenues owed to us by Aeróleo. Should Aeróleo be unable to fully recover the amount of the suspended payments or encounter any additional financial challenges, it may impe