

**DEROGATION LETTER
IN RESPECT OF INITIAL ENFORCEMENT ORDERS ISSUED PURSUANT TO
SECTION 72(2) ENTERPRISE ACT 2002**

Consent under section 72(3C) of the Enterprise Act 2002 (the ‘Act’) to certain actions for the purposes of the Initial Enforcement Order made by the Competition and Markets Authority (‘CMA’) on 26 May 2021.

Completed acquisition by CHC Group LLC (‘CHC’) from Babcock International Group plc (‘Babcock’) of the oil and gas offshore crew transportation service business of Babcock (‘Babcock Offshore’) (the ‘Acquisition’).

We refer to your submission of 8 November 2021 requesting that the CMA consents to derogations from the Initial Enforcement Order of 26 May 2021 (the ‘**Initial Order**’). Unless otherwise stated, the terms defined in the Initial Order have the same meaning in this letter.

Under the Initial Order, save for written consent by the CMA, CHC Group LLC, EEA Helicopter Operations B.V., CHC Scotia Limited, Babcock Mission Critical Services Offshore Limited, Babcock Offshore Services Australasia Pty Ltd and Babcock Denmark A/S (the ‘**Addressees**’) are required to hold separate the Babcock Offshore business from the CHC business and refrain from taking any action which might prejudice a reference under section 22 of the Act or impede the taking of any remedial action following such a reference.

After due consideration of your request for derogations from the Initial Order, based on the information received from you and in the particular circumstances of this case, the CMA consents to the Addressees carrying out the following actions, in respect of the specific paragraphs:

1. Paragraphs 6(a) and (l) – return of cash injection from the Babcock Offshore business

The Addressees submit that pursuant to derogation 4 of the CMA’s consent letter granted on 27 August 2021 (the “**Consent Letter**”), CHC injected c. \$[REDACTED] into Babcock Offshore to ensure that it had sufficient cashflow following completion of the Acquisition to continue operating as a going concern. Babcock Offshore’s financial situation has since improved. Accordingly, the Addressees seek the CMA’s consent to permit (i) CHC to request from

Babcock Offshore that it returns a part of, if not the entirety, of the cash injection, and (ii) Babcock Offshore to transfer funds to CHC. The CMA understands that any cash transfers will be entirely at the discretion of Babcock Offshore.

The CMA consents to a derogation from paragraphs 6(a), and 6(l) of the Initial Order to permit actions (i) and (ii) above. The CMA consents to this derogation strictly on the basis that:

- (a) Before requesting cash from Babcock Offshore under this derogation, CHC will inform the CMA of the amount it intends to request, and when it plans to request payment by.
- (b) Before making any payments to CHC under this derogation, Babcock Offshore, through [REDACTED], will provide written confirmation to the CMA of (i) the amount it intends to pay, (ii) the timing of the payment, and (iii) why it considers that the payment will not adversely impact Babcock Offshore's competitive capability.
- (c) Babcock Offshore information provided to CHC will be (i) limited to what is strictly necessary to make payments under this derogation, and (ii) shared only with the individuals in Annex 1, for whom access is strictly necessary.
- (d) The individuals in Annex 1 will enter into a non-disclosure agreement in a form approved by the CMA. None of the individuals in Annex 1 have any responsibility for the commercial or strategic operations of CHC.
- (e) IT firewalls and/or other ring-fencing measures will be put in place to prevent any unauthorised individuals within CHC from accessing the information shared with the individuals listed in Annex 1 for the purposes of this derogation.
- (f) No changes to the individuals listed in Annex 1 are permitted without the prior written consent of the CMA (including via email).
- (g) Should the Acquisition be prohibited or if CHC is required to divest all, or part of, Babcock Offshore, CHC will ensure that any records or copies (electronic or otherwise) of business secrets, know-how, commercially-sensitive information, intellectual property or any other information of a confidential or proprietary nature, wherever they may be held, that were received from Babcock Offshore for the purposes of this derogation will be returned to Babcock Offshore and any copies destroyed, except to the extent that record retention is required by law or regulation.

2. Paragraph 6(l) – provision of cashflow forecast data from Babcock Offshore to CHC

The Addressees submit that pursuant to derogations 4 and 5 of the Consent Letter, authorised individuals at CHC can receive certain financial information from Babcock Offshore including Forecast Data, Cash Requests and monthly Management Accounts (as defined in the Consent Letter). The Addressees further submit that the pre-agreed format for the Forecast Data is insufficient as it contains no cash forecast data. It is necessary therefore for CHC to receive cash balance forecast data that forecasts Babcock Offshore's cash balance for a 13-week period on a fortnightly basis. This is strictly necessary to improve the financial governance of both CHC and Babcock Offshore.

The CMA consents to a derogation from paragraph 6(l) of the Initial Order to permit CHC to receive from Babcock Offshore cashflow forecast data for a 13-week period on a fortnightly basis (the '**Cash Balance Forecast Data**'). The CMA consents to this derogation strictly on the basis that:

- (a) Babcock Offshore information provided to CHC will be limited to what is strictly necessary to improve the financial governance of both CHC and Babcock Offshore. This information will be provided in the format provided to the CMA on 9 November 2021 and agreed by the CMA on 3 December 2021.
- (b) The Cash Balance Forecast Data will be provided only to the individuals in Annex 1 for whom it is strictly necessary to see the information for the purposes of this derogation.
- (c) The individuals in Annex 1 will enter into a non-disclosure agreement in a form approved by the CMA. None of the individuals in Annex 1 have any responsibility for the commercial or strategic operations of CHC.
- (d) IT firewalls and/or other ring-fencing measures will be put in place to prevent any unauthorised individuals within CHC from accessing the information shared with the individuals listed in Annex 1 for the purposes of this derogation.
- (e) No changes to the individuals listed in Annex 1 are permitted without the prior written consent of the CMA (including via email).
- (f) Should the Acquisition be prohibited or if CHC is required to divest all, or part of, Babcock Offshore, CHC will ensure that any records or copies (electronic or otherwise) of business secrets, know-how, commercially-sensitive information,

intellectual property or any other information of a confidential or proprietary nature, wherever they may be held, that were received from Babcock Offshore for the purposes of this derogation will be returned to Babcock Offshore and any copies destroyed, except to the extent that record retention is required by law or regulation.

These derogations shall not prevent any remedial action which the CMA may need to take regarding the Acquisition. These derogations will not result in any integration between the Babcock Offshore business and the CHC business.

[SIGNED]

Lesley Moore

Director, Mergers

3 December 2021

Annex 1

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