

# WEST ATLANTIC

## INTERIM REPORT

January 1 – December 31, 2015

Published February 26, 2016



### “West Atlantic deploys two B767 in the fourth quarter while securing long term financing to support additional growth”

– Gustaf Thureborn, CEO & President

#### October – December

- Revenue growth of 12.6 % year-on-year while the underlying revenue growth\* amounted to 9.2 %.
- Adjusted EBITDA increased to TSEK 61,463 (55,590) corresponding to a margin of 16.9 % (17.2). Excluding sale of aircraft the margin was 16.1 % (16.7).
- Earnings per share of SEK -1.70 (-0.16).
- Two additional B767 aircraft has successfully been deployed.
- A four-year TSEK 850,000 senior secured bond has been issued, with a total framework of TSEK 1,350,000. The previous bond loan of TSEK 500,000 has been redeemed. Early redemption costs amounted to TSEK 41,796.

#### January – December

- Revenue growth of 13.3 % year-on-year while the underlying revenue growth\* amounted to 8.6 %.
- Adjusted EBITDA increased to TSEK 248,322 (224,412) corresponding to a margin of 17.6 % (18.0). Excluding sale of aircraft the margin was 17.0 % (15.7), driven by growing B737 and B767 operations.
- Earnings per share of SEK -1.84 (0.39).
- Long term agreement signed with the Norwegian postal service while placing four B737 and three B767 in commercial operations.
- Amapola did not prolong the PostNord subcontract agreement as of January 2016.
- West Atlantic issued a four-year senior secured bond of TSEK 850,000 and redeemed the previous bond loan. Early redemption costs amounted to TSEK 41,796.

### Key performance indicators for the Group

All figures in TSEK unless stated otherwise	Oct - Dec 2015	Oct - Dec 2014	Jan - Dec 2015	Jan - Dec 2014
<b>Financial metrics*</b>				
Revenue	364,634	323,811	1,409,864	1,244,278
Revenue growth	12.6%	-	13.3%	-
Underlying revenue growth	9.2%	-	8.6%	-
Adjusted EBITDA	61,463	55,590	248,322	224,412
Adjusted EBITDA margin	16.9%	17.2%	17.6%	18.0%
EBITDA	38,495	45,033	177,913	183,865
Net income	-45,934	-4,226	-49,623	10,584
Cash flow from operating activities	40,641	78,701	216,695	200,292
Earnings per share before dilution (SEK)	-1.70	-0.16	-1.84	0.39
Adjusted Net debt / R12M adjusted EBITDA	4.3 x	3.1 x	4.3 x	3.1 x
Net debt / R12M EBITDA	4.0 x	3.1 x	4.0 x	3.1 x
Interest coverage ratio	2.9 x	3.6 x	2.9 x	3.6 x
Equity ratio	13.3%	21.5%	13.3%	21.5%
<b>Operating metrics*</b>				
Fleet dispatch regularity	99.0%	99.3%	99.1%	99.3%
Performed flights	6,843	6,808	26,790	26,195
Aircraft in service (incl. wet leases)	48	43	48	43
Average employees	509	488	508	472

\* Definitions of key performance indicators and other measures can be found in Note 1 and 3.

## CEO's comments

### Strong underlying revenue growth

The revenue growth continued throughout the fourth quarter, following the strong development of the Group's air freight services in the B737 and B767-markets. Underlying revenue growth amounted to 9.2 % year-on-year, exceeding the Group's target of 6.0 % annually over time in the medium term.

West Atlantic performed 6,843 flights (6,808) during the quarter, an increase by 0.5 % year-on-year. The fleet dispatch regularity amounted to 99.0 % (99.3), equal to the Group's long term target of 99 %.

Adjusted EBITDA margin amounted to 16.9 % (17.2). Excluding income from aircraft sales, the adjusted EBITDA margin was 16.1 % (16.7).

Cash flow from operating activities amounted to TSEK 40,641 (78,701). Adjusted net debt / adjusted EBITDA ratio amounted to 4.3 (3.1) and available cash and cash equivalents, including the non-utilised overdraft facility, amounting to TSEK 316,752 (67,627).

### Securing funding to support additional growth

The Group's financing portfolio was successfully restructured following an issue of senior secured corporate bonds in the amount of TSEK 850,000. Nearly 100 institutional and private wealth investors from all the Nordic countries as well as from the UK and Continental Europe participated in the oversubscribed issue. The bonds carries a fixed interest rate of 6.5 % per annum and will mature in December 2019. The proceeds was primarily used to redeem the Group's previous outstanding bond loan, and will further be targeted to support growth and to restructure the operating lease portfolio.

### Increased capacity and service capabilities

The fourth quarter saw the Group's second B767 aircraft successfully enter service late October under a long term agreement, while the third aircraft was delivered and deployed in operations just before year-end. Following the strategic partnership with ATSG the implementation of the B767 fleet in 2015 has been a success and the Group has been delighted with its performance to date.

In the up to eight tonnes payload market, serviced by the Group's BAE ATP and CRJ200PF fleets, the Group has encountered a decreased demand for its services throughout the year. This is primarily due to an ongoing consolidation of the volumes leading to increased demand for larger aircraft. Following this market trend, combined with the ongoing process of closing operations on behalf of the Swedish NMO (PostNord), the Group is exploring new commercial opportunities whilst strategically evaluating future possibilities for the spare capacity available in 2016.

### Increasing geographical presence

Based on a strategic evaluation the decision has been taken to expand the Group's geographical presence outside of the European core market to be able to deploy more of the available

capacity. In addition, the Group will dismantle some of the BAE ATP aircraft, deemed never to return to service following the commercial outlook, to support the remaining ATP fleet. This process will be ongoing throughout 2016.

### Restructuring the operating platform

Following the market trend with decreasing demand in the up to eight tonnes payload class combined with the Group's aim to consolidate the organisation according to the "one-certificate" project, the last quarter has meant structural changes to adapt to the new commercial situation. Primarily planning and preparation activities for the cease of operations in Sweden for PostNord with effect from early January, 2016.

### SE-DUX accident

Even though it wasn't something that impacted the reporting period, it is difficult not to mention the tragic accident involving one of our CRJ200PF aircraft that happened in January 2016. It is something that I hoped we would never have to experience and my thoughts goes out to the families of the pilots. Luckily we are surrounded by a great team of people and we handled the situation to the best of our abilities. Now it is a matter of waiting for the investigation to be finalised so that we all can get some closure.

### Outlook

Following the B767/B737 awards during 2015 we expect the revenue growth to continue during the first half of 2016. The ongoing organisational restructuring will provide challenges from a quality perspective, but also in terms of maintaining Adj. EBITDA levels during the first half of the year.

Further, commercial activities intended to increase the utilisation of the up to eight tonnes fleet will be a vital component in 2016 in order to increase contribution from these assets. The strategic decision to increase the geographical presence outside the core European market will provide the Group with opportunities to leverage its position on a global basis.

Even with decreased demand in the up to eight tonnes payload market the Group's commercial success in the B737 and B767 markets will position the Group well to continue the growth in the years to come. In the future, I believe we will look back on 2015 as the year where a long term commercial platform was established, which geared the Group towards sustainable growth with increased service capabilities.



**Gustaf Thureborn**  
CEO & President

## Financial comments

### Group and parent company information

West Atlantic AB (publ), incorporation number 556503-6083, a Swedish registered public company headquartered in Gothenburg, is the parent company of the West Atlantic Group. Address is Box 5433, SE 402 29, Gothenburg, Sweden.

### GROUP

#### About the West Atlantic Group

The West Atlantic Group is one of the market leading providers of dedicated air freight services to NMO's and Global Integrators in the European market. Drawing from many years of experience, the Group offers its customers customised and efficient solutions for airfreight services, aircraft maintenance, airworthiness services and aircraft leasing.

#### Financial report

This interim report covers the period January 1 to December 31, 2015. Comparative figures in this report cover the corresponding period for 2014, unless otherwise stated. All financial information contained in this report refers to the West Atlantic Group unless stated that the information refers to the parent company West Atlantic AB (publ).

### GROUP FINANCIAL PERFORMANCE

#### Revenue and income

##### October - December

Revenue for the period amounted to TSEK 364,634 (323,811) which corresponds to a revenue growth of 12.6 % year-on-year. The drivers of the strong growth are continued expansion of the B737 aircraft fleet and the Group's new deployed B767 aircraft in operations. Favourable movements of GBP and USD against SEK also had a significant impact but were partly offset by decreasing fuel price<sup>1</sup>. Underlying revenue growth measured in fixed currency rates and fuel, excluding effects from aircraft sales, amounted to 9.2 % year-on-year.

Adjusted EBITDA increased to TSEK 61,463 (55,590) following increased operations from B737 and B767 aircraft. The adjusted EBITDA margin amounted to 16.9 % (17.2). The fourth quarter included income from aircraft transactions of TSEK 2,619 (1,331) and the adjusted EBITDA margin, excluding these transactions, amounted to 16.1% (16.7). For a detailed breakdown of EBITDA/adjusted EBITDA, please see note 3.

EBITDA amounted to TSEK 38,495 (45,033). Non-recurring items amounted to TSEK 0 (-2,994). Operating leasing costs increased to TSEK 22,968 (7,563) following additional B737 and B767 aircraft acquired on operating leasing agreements. Depreciation amounted to TSEK 33,651 (28,830) from increases in periodical heavy maintenance activities for aircraft components. EBIT amounted to TSEK 4,844 (16,203).

Financial costs amounted to TSEK 62,857 (22,448) and included costs of TSEK 41,796 (0) due to the early redemption of the corporate bond loan. The terms of the new bond will mean a lowered capital cost of TSEK 20,000 over the duration of the previous bond loan. The period also included net foreign exchange currency differences on loans and financial leasing of TSEK -3,724 (-5,992). For more information, see note 1, accounting principles. EBT amounted to TSEK -57,478 (-3,591).

Net income amounted to TSEK -45,934 (-4,226) for the period and was affected by income taxes of TSEK 11,544 (-635).

##### January - December

Revenue for the period amounted to TSEK 1,409,864 (1,244,278), which corresponds to a revenue growth of 13.3 % year-on-year. The drivers of the strong growth are continued expansion of the B737 aircraft fleet combined with the deployment of the Group's B767 aircraft in operations. Favourable movements of GBP and USD against SEK also had significant impact but were partly offset by decreasing fuel price<sup>1</sup>. Underlying revenue growth measured in fixed currency rates and fuel, excluding effects from aircraft sales amounted to 8.6 % year-on-year.

Adjusted EBITDA increased to TSEK 248,322 (224,412) following increased operations from B737 and B767 aircraft, corresponding to a margin of 17.6 % (18.0 %). The period included income from the collaboration agreement and aircraft sales of TSEK 9,108 (29,501) and the adjusted EBITDA margin, excluding these transactions, amounted to 17.0% (15.7). For a detailed breakdown of EBITDA/adjusted EBITDA, please see note 3.

EBITDA amounted to TSEK 177,913 (183,865) and was impacted by non-recurring items of TSEK -8,127 (-19,261) following additional costs and provisions made, related to the legal proceedings in France, and type introduction costs for the first B767 aircraft. Operating leasing costs increased to TSEK 62,282 (21,286) following additional B737 and B767 aircraft acquired on operating leasing agreements. Depreciation amounted to TSEK 123,623 (93,656) following increases in periodical heavy maintenance activities for aircraft components and an impairment of aircraft components of TSEK 3,722 (0). EBIT amounted to TSEK 54,290 (90,209).

Financial costs amounted to TSEK 117,467 (77,213) and included early redemption costs for the corporate bond loan of TSEK 41,796 net foreign exchange currency differences on loans and financial leasing of TSEK -9,733 (-13,750). EBT amounted to TSEK -59,713 (21,601).

Net income amounted to TSEK -49,623 (10,584) for the period and was affected by income taxes of TSEK 10,090 (-11,017).

#### Summary of non-recurring items

TSEK	Oct - Dec	Oct - Dec	Jan - Dec	Jan - Dec
	2015	2014	2015	2014
<b>Income before tax</b>	<b>-57,478</b>	<b>-3,591</b>	<b>-59,713</b>	<b>21,601</b>
Introduction costs of B767/B737-400	-	1,191	2,623	15,780
Legal costs, France	-	1,803	5,504	3,481
Income from sale of aircraft	-2,619	-1,331	-9,108	-29,501
Impairment of aircraft components	-	-	3,722	-
Redemption of corporate bond loan	41,796	-	41,796	-
Financial FX gains/losses	3,724	5,992	9,733	13,750
<b>Adjusted for non-recurring items</b>	<b>-14,577</b>	<b>4,064</b>	<b>-5,443</b>	<b>25,111</b>

The margin decrease year-on-year can primarily be explained by the rapid revenue growth in B767 and B737 combined with the ongoing restructuring of the Group's organisation according to the "one-certificate" project. During the fourth quarter the Group transferred production capacity such as crew from ATP to B737 to meet the upcoming changes in production in Q1, 2016, this further impacted the margin negatively.

#### Cash flow

##### October - December

Cash flow from operating activities amounted to TSEK 40,641 (78,701). The decrease compared to last year is mainly attributable to change in working capital which amounted to TSEK 9,949 (19,968), mainly following decreased utilisation of the overdraft facility and increased stockholding. Cash flow from investing activities amounted to TSEK -71,146 (-53,963). Previous year was positively affected by a sold promissory note of

<sup>1</sup> Decreased fuel price reduces revenue following that price risk is assumed by customer

TSEK 18,101. Cash flow from financing activities increased to TSEK 265,758 (-24,439), mainly attributable to the net proceeds from the new corporate bond loan. Cash flow for the period amounted to TSEK 235,253 (299).

#### *January – December*

Cash flow from operating activities amounted to TSEK 216,695 (200,292). Cash flow from investing activities amounted to TSEK -233,460 (-190,650) following increased investments in periodical heavy maintenance activities in aircraft and aircraft components. The increased cash flow from financing activities, TSEK 265,370 (-65,267) is mainly attributable to the above mentioned received corporate bond loan and also another received bank loan of TSEK 40,000. Cash flow for the period amounted to TSEK 248,605 (-55,625).

#### **Investments in non-current assets**

##### *October - December*

Total investments in tangible assets amounted to TSEK -71,107 (-72,733), mainly from investments in periodical heavy maintenance activities, and purchases of aircraft components. In addition to investments in tangible assets the Group has entered into a long term operating leasing agreement for one B767-200 aircraft.

Investment in financial assets amounted to TSEK -156 (0), included in payments from other investing activities. Payments from other investing activities amounted to TSEK -39 (18,770) including both investments in financial assets and received payments from financial assets.

##### *January – December*

Total investments in tangible assets amounted to TSEK -228,436 (-207,549), mainly from investments in periodical heavy maintenance activities and purchases of aircraft engines and other components. In addition to investments in tangible assets the Group has entered into long term operating leasing agreements for two B737-400 and three B767-200 aircraft. The estimated annual payments under these agreements amounts to approximately TSEK 90,000. Investments in financial assets amounted to TSEK -7,202 (-4,114), included in payments from other investing activities. Payments from other investing activities amounted to TSEK -6,715 (14,723) including both investments in financial assets and received payments from financial assets.

#### **Sales of non-current assets**

##### *October - December*

During the period no material sales of non-current tangible assets have been made. During the same period last year, a promissory note was sold for TSEK 18,101.

##### *January – December*

During the period no material sales of non-current tangible assets have been made. During the same period last year, two aircraft were sold and the remuneration amounted to TSEK 17,176. Shares in an associated company (Flyguppdraget Backamo AB) have been sold and the remuneration amounted to TSEK 725. During the same period last year, a promissory note was sold and the remuneration amounted to TSEK 18,101.

#### **Sale of assets held for sale**

##### *January – December*

During the third quarter one aircraft was sold and the remuneration amounted to TSEK 18,453.

#### **Impairment of tangible assets**

##### *January – December*

During the first quarter an impairment of aircraft components was made, amounting to TSEK 3,722 (0).

#### **Impairment of stock**

##### *October - December*

During the period an impairment has been made by TSEK 925 (0) for slow moving stock.

##### *January – December*

During the period an impairment has been made by TSEK 5,869 (0) for slow moving stock.

#### **SIGNIFICANT EVENTS DURING THE REPORTING PERIOD**

##### *October - December*

- The Group has deployed two additional B767 aircraft.
- In line with an ongoing strategic overview of refinancing possibilities, the Group has issued a four-year TSEK 850,000 senior secured bond. The bonds carries a fixed interest rate of 6.5 % per annum and matures in December 2019.
- In conjunction with the above mentioned bond issue, the group redeemed the previous bond loan of TSEK 500,000. Early redemption costs amounted to TSEK 41,796. Since the new corporate bond loan carries a lower interest rate, the Group will benefit approximately TSEK 20,000 from the redemption during the next 2.5 years.

##### *January – December*

- West Atlantic was awarded the full domestic airmail network in Norway for five plus three years with start August 2015.
- West Atlantic was awarded contracts for six B737 aircraft with start 2015 and early 2016 while two contracts were not prolonged. Two of the awarded contracts were upgrades from existing BAe ATP operations.
- The Group was awarded one new BAe ATP long term contract and two BAe ATP contracts were not prolonged due to the mentioned upgrades to B737.
- The Group has been awarded three B767 contracts.
- Amapola did not prolong the PostNord subcontract agreement as of January 2016.
- The Group has issued a four-year TSEK 850,000 senior secured bond. The Group redeemed the previous bond loan of TSEK 500,000. Early redemption costs amounted to TSEK 41,796.
- West Atlantic received a bank loan of TSEK 40,000 to strengthen financial flexibility and support growth.
- AGM decided on new board composition.

#### **ORGANISATION**

The average number of employees for the period January – December amounted to 508 (472).

#### **FINANCIAL POSITION AND FINANCING**

Cash and cash equivalents at the end of the period amounted to TSEK 266,752 (17,627). Including non-utilised overdraft facility, available cash and cash equivalents amounted to TSEK 316,752 (67,627). Equity amounted to TSEK 188,365 (233,297) and the equity ratio amounted to 13.3 % (21.5). Net interest bearing liabilities amounted to TSEK 705,621 (575,503).

The Company has issued a corporate bond loan subject to trade on NASDAQ, Stockholm, listing date was 26th of January, 2016. The instrument is listed as WEST002 and the number of instruments issued is 850 with a nominal value of TSEK 1 000 each. The Group are obliged to report its financial position as described in the terms and conditions of the bond. The financial covenant to report is the ratio of Net Interest Bearing Debt to EBITDA. At 2015-12-31 the ratio amounted to 3.4. For terms conditions of the corporate bond loan, please see the website of West Atlantic AB (publ) available at [www.westatlantic.eu](http://www.westatlantic.eu)

## FINANCIAL INSTRUMENTS

The Group has no financial assets or financial liabilities which are valued at fair value in the valuation hierarchy. A summary of the recorded values for the Group's financial assets and liabilities are shown in note 5.

## RISKS AND UNCERTAINTIES

West Atlantic is exposed to a number of risks which potentially could have a material adverse effect on the Group's future, income and/or financial position. West Atlantic actively strives to identify and reduce risk. Below is a non-exhaustive list of risks, without regards to the level of significance, which the Group considers to be most material:

- Financial market instability
- Fluctuations in foreign exchange rates and fuel prices
- Market and political risks
- Operating risks

A more detailed description of risk factors, which the Group consider to be material, can be found in the annual report for 2014. In addition to the risk assessment presented in the annual report for 2014 the Group further identifies the following significant risks:

### Contract risk

Following the Group's strategy to serve NMOs and Global Integrators with network solutions the Group is dependent on a few significant agreements with large customers. A potential loss of such an agreement may have an adverse effect on the Group's future, income and/or financial position. See further the section containing outlook for more information on current contract risks.

### Legal risk

The Group is an international organisation subject to both domestic and international operations. Due to the potential complexity of such operations the Group is exposed to significant legal risks which may have an adverse effect on the Group's future, income and/or financial position. See further the section legal proceedings for more information on current legal risks.

## LEGAL PROCEEDINGS

Concerning the legal process in France, mentioned in the interim report for January – September 2015 and the annual report for 2014, the provision has decreased by TSEK 1,968 to TSEK 10,650 at December 31, following that two parts of the claims have been settled during the first quarter. In connection with these settlements an additional TSEK 1,985 has been paid. Additional provisions of TSEK 3,564 have been made for the remaining legal French processes. The cases are expected to be settled within a year. West Atlantic is not a part of any other legal proceedings having material effect on the Group's financial position or income.

## TRANSACTIONS WITH RELATED PARTIES

For transactions with related parties, please see note 6.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

### Accident SE-DUX, CRJ-200PF aircraft

On January 8, 2016 the Group experienced a tragic accident involving a CRJ200PF aircraft on route to Tromsø, Norway, leading to a total loss of the aircraft and the loss of two valued crew

members. The accident is being investigated by the Swedish authorities, and no official information has been released regarding the cause of the accident. The Group's current assessment is that the accident will not have a materially adverse effect on the Group's income or financial position based on current insurance policies.

### Purchase of a B737-400 aircraft

The Group has acquired a B737-400 aircraft, previously held under a short term operating leasing agreement.

## OUTLOOK

Following the B767/B737 awards during 2015 we expect the revenue growth to continue during the first half of 2016. The ongoing organisational restructuring will provide challenges from a quality perspective, but also in terms of maintaining Adj. EBITDA levels during the first half of the year.

## SEASONAL EFFECTS

As part of the air freight market West Atlantic is exposed to seasonal effects. The main drivers are the operating calendar and additional expenses relating to winter operations. Seasonal effects impact the Group's financial position and income during the course of a calendar year where the first half generally is weaker than the second half.

## PARENT COMPANY

### About the parent company

The parent company is the contracting party for a significant part of the Group's operations but does not perform any airfreight services. The Company subcontracts subsidiaries to perform the respective services. A major part of the Group's aircraft fleet is financed through the corporate bond loan, issued by the parent company.

### Revenue and income

#### October - December

Revenue for the period amounted to TSEK 176,213 (148,565), an increase by 18.6 % year-on-year. The increase is mainly attributable to the expansion in B737 and B767 operations. EBIT amounted to TSEK -8,024 (1,783). The decrease mainly depends on foreign exchange currency losses. Net income amounted to TSEK -15,745 (1,875) and included received group contribution of TSEK 35,200 (1,321) but also higher financial costs, TSEK -53,125 (-10,220) due to an early redemption of the previous bond loan.

#### January - December

Revenue for the period amounted to TSEK 653,742 (581,170), an increase by 12.5 % year-on-year. EBIT amounted to TSEK 19,365 (5,380). The increase is attributable to the expansion in B737 and B767 operations. In addition, last year was significantly affected by introduction costs for B767/B737. Net income amounted to TSEK 2,515 (11,588).

### Financial position and financing

Cash and cash equivalents at the end of the period amounted to TSEK 253,459 (964). Including the non-utilised overdraft facility, available cash and cash equivalents amounted to TSEK 303,459 (50,964). Equity amounted to TSEK 62,630 (60,115) and interest bearing liabilities amounted to TSEK 833,128 (491,202). The Company has issued a corporate bond loan subject to trade on the NASDAQ in Stockholm. For more information see financial position and financing for the Group.

## Group report

### Consolidated statement of income and other comprehensive income

TSEK	Oct - Dec 2015	Oct - Dec 2014*	Jan - Dec 2015	Jan - Dec 2014*
Revenue*	364,634	323,811	1,409,864	1,244,278
Cost of services provided	-346,657	-294,840	-1,305,413	-1,124,472
<b>Gross income:</b>	<b>17,977</b>	<b>28,971</b>	<b>104,451</b>	<b>119,806</b>
Selling costs	-4,026	-2,848	-9,850	-8,601
Administrative costs	-12,496	-11,575	-46,699	-43,736
Other operating income & costs*	3,389	1,655	6,388	22,740
<b>Operating income:</b>	<b>4,844</b>	<b>16,203</b>	<b>54,290</b>	<b>90,209</b>
Financial income	535	2,654	3,464	8,605
Financial costs	-62,857	-22,448	-117,467	-77,213
<b>Income before tax:</b>	<b>-57,478</b>	<b>-3,591</b>	<b>-59,713</b>	<b>21,601</b>
Income tax	11,544	-635	10,090	-11,017
<b>Net Income:</b>	<b>-45,934</b>	<b>-4,226</b>	<b>-49,623</b>	<b>10,584</b>
Attributable to:				
- Shareholders of the Parent Company	-45,934	-4,226	-49,623	10,584
Earnings per share, before and after dilution (SEK)	-1.70	-0.16	-1.84	0.39
Average number of outstanding shares (Thousands)	27,005	27,005	27,005	27,005
<b>Statement of other comprehensive income</b>				
Net income:	-45,934	-4,226	-49,623	10,584
Other comprehensive income:				
Items that may or has been classified as net income:				
Exchange-rate differences in translation of foreign operations	3,733	366	4,691	2,300
<b>Total comprehensive income for the period:</b>	<b>-42,201</b>	<b>-3,860</b>	<b>-44,932</b>	<b>12,884</b>
Attributable to:				
- Shareholders of the Parent Company	-42,201	-3,860	-44,932	12,884

\* Compared to the interim report for January-December 2014, revenues and other operating income have been restated. For further information see note 1.

## Condensed statement of financial position

TSEK	Dec 31 2015	Dec 31 2014
Intangible assets	162	1,165
Tangible assets	774,161	720,858
Financial assets	23,288	15,373
<b>Total non-current assets</b>	<b>797,611</b>	<b>737,396</b>
Inventories	138,418	120,718
Other current assets	209,335	192,737
Cash and cash equivalents	266,752	17,627
<b>Total current assets</b>	<b>614,505</b>	<b>331,082</b>
Assets held for sale	-	16,275
<b>Total assets</b>	<b>1,412,116</b>	<b>1,084,753</b>
Shareholders' equity	188,365	233,297
Non-current liabilities	997,750	642,375
Current liabilities	226,001	209,081
<b>Total shareholders' equity and liabilities</b>	<b>1,412,116</b>	<b>1,084,753</b>

## Condensed changes in shareholders' equity

TSEK	Share capital	Translation reserves	Profit brought for- ward including net income	Total share- holders' equity
Opening shareholders' equity, Jan 1, 2015	27,005	2,203	204,089	233,297
Total comprehensive income for the year	-	4,691	-49,623	-44,932
<b>Closing balance Dec 31, 2015</b>	<b>27,005</b>	<b>6,894</b>	<b>154,466</b>	<b>188,365</b>
Opening shareholders' equity, Jan 1, 2014	27,005	-97	193,435	220,343
Group adjustments*	-	-	70	70
Total comprehensive income for the year	-	2,300	10,584	12,884
<b>Closing balance Dec 31, 2014</b>	<b>27,005</b>	<b>2,203</b>	<b>204,089</b>	<b>233,297</b>

\* Group adjustment for foreign subsidiary due retroactive change 2013

## Condensed statement of cash flows

TSEK	Oct - Dec 2015	Oct - Dec* 2014	Jan - Dec 2015	Jan - Dec* 2014
<b>Operating income</b>	<b>4,844</b>	<b>16,203</b>	<b>54,290</b>	<b>90,209</b>
<b>Adjustments for non-cash items</b>				
Depreciation	33,651	28,830	123,623	93,656
Other non-cash items	6,601	8,809	51,674	28,122
Income tax paid	5,493	4,891	-818	-5,828
<b>Cash flow from operating activities before changes in working capital</b>	<b>50,590</b>	<b>58,733</b>	<b>228,770</b>	<b>206,159</b>
Change in working capital	-9,949	19,968	-12,074	-5,867
<b>Cash flow from operating activities*</b>	<b>40,641</b>	<b>78,701</b>	<b>216,695</b>	<b>200,292</b>
Payments from associated companies	-	-	1,691	-
Repayments from intangible assets	-	-	-	-
Investments in tangible assets	-71,107	-72,733	-228,436	-207,549
Sales of tangible assets	-	-	-	2,176
Payments from other investing activities	-39	18,770	-6,715	14,723
<b>Cash flow from investing activities</b>	<b>-71,146</b>	<b>-53,963</b>	<b>-233,460</b>	<b>-190,650</b>
Received loans	850,000	-	890,000	-
Amortisation of interest bearing liabilities	-503,330	-868	-508,952	-8,271
Repaid/received deposits	99	-501	99	2,462
Interest and similar costs paid	-81,011	-23,070	-115,777	-59,458
<b>Cash flow from financing activities*</b>	<b>265,758</b>	<b>-24,439</b>	<b>265,370</b>	<b>-65,267</b>
<b>Cash flow for the period</b>	<b>235,253</b>	<b>299</b>	<b>248,605</b>	<b>-55,625</b>
Cash and cash equivalents at the beginning of the period	31,052	17,486	17,627	74,562
Translation difference in cash and cash equivalents	447	-158	520	-1,310
<b>Cash and cash equivalents at the end of the period</b>	<b>266,752</b>	<b>17,627</b>	<b>266,752</b>	<b>17,627</b>

\*Compared to the interim report for January-December 2014 and the annual report 2014, the statements of cash flows have been restated. For further information, see note 1.



# Notes

## Note 1 – Accounting principles, restatements and definitions

### Applied accounting principles

The consolidated financial statements has been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations as adopted and approved by the EU. The Group has applied the same accounting policies and methods of computation as in the annual report 2014 with the exception described below. The minor revised IFRS that have come into effect 2015 have not had any significant effect on the Group's financial statements. Further, the Group also applies the recommendation from the Swedish Financial Reporting Board, RFR 1, supplementary accounting rules for groups. The Group's consolidated accounts are prepared and reported in Swedish Krona (SEK), which is the functional currency of the parent company. All figures in this report is rounded to Swedish Krona thousands (TSEK).

The interim report for the Group has been prepared in accordance with IAS34 Financial Interim Reporting. The interim report for the parent company has been prepared in accordance with RFR2, financial reporting for legal entities and the Swedish Annual Accounts Act (SAAA). There has been no changes in the accounting principles, essential assessments and evaluations during the interim period, compared to the annual report for 2014, except for the following.

The Group has changed the way to account closing date exchange rate changes in SEK connected to the bank loan in USD, for one subsidiary. The loan amounted to TUSD 2 070, December 31, 2015. Previously, the exchange rate changes have been accounted as other comprehensive income, as a part of the translation reserve in equity. As from the fourth quarter 2015, the change has been accounted in financial items in net income. The whole effect, which affects the fourth quarter, has increased financial costs at an amount of TSEK -4,055, of which the part that refers to year 2015 amounts to TSEK -1,119. The rest refer to earlier years. The Group has made the assessment that the whole adjustment in 2015 not significant affects the net income. If only the part for 2015 had been adjusted, the net income for year 2015 had amounted to TSEK -46,687 instead of the reported net income, TSEK -49,623. Accordingly, if only the part for 2015 had been adjusted, opening shareholders' equity then had amounted to TSEK 230,361 instead of the reported TSEK 233,297.

Another change is the assessment of the provision for the Group's legal proceedings which now is classified as a short term item instead of a long term item. Finally, some reclassifications have been made in the statement of cash flows, please see comments below. For a complete summary of the Group's accounting principles, please see note 1, significant accounting principles in the annual report for 2014 available on the website of West Atlantic AB (publ), [www.westatlantic.eu](http://www.westatlantic.eu).

### Restatements compared to previous interim report January – December, 2014

#### Statement of income:

Compared to the interim report January - December 2014, revenue and other operating income have been restated due to reclassifications. The reclassification concern some miscellaneous revenue mainly connected to air freight services which now are included in revenue income instead of other operating income. The effects on the period October – December 2014 are increased revenue by in total TSEK 4,321 and decreased other operating income by in total TSEK -4,321. For the whole period January – December the corresponding effect is increased revenue by TSEK 7,334, decreased other operating income by TSEK -7,334.

#### Statements of cash flows:

Compared to the interim report January – December, 2014 and the annual report 2014, the statement of cash flows have been restated due to reclassifications. For the interim period October – December 2014 cash flow from operating activities has decreased by TSEK -1,263, cash flow from financing activities has increased by TSEK 1,263. The main reason for the cash flow increase in financing activities is the move of the change in bank overdraft from financing activities to change in working capital, which then has decreased, compared to the annual report for 2014, cash flow from operating activities has decreased by TSEK -26,776. Cash flow from financing activities has increased by the same amount and is attributable to the move of the change in bank overdraft. In addition, an amount of TSEK -2,828 has been reallocated to the line amortisations from the line change in other non-current liabilities (deposits).

#### Definitions

Adjusted EBITDA	EBITDA adjusted for aircraft operating leasing costs and material non-recurring items
Adjusted Net debt	Net debt adjusted for capitalisation of operating leasing costs (factor 6x)
BAe ATP-F (or ATP)	BAE Advanced Turboprop aircraft
Earnings per share	Net result divided by average number of shares before dilution
EBITDA	Earnings before interest, tax, depreciation and amortisation. Operating income adjusted for depreciation.
Equity ratio	Ratio between equity and total assets
Fleet Dispatch Regularity	Defined as % of flights departing according to plan, i.e. flights that are not cancelled
Freight Forwarder	Organisations moving goods on behalf of their clients, typically as part of a logistic solution
Global Integrator	Referring to the four major global express providers (FedEx, DHL, UPS, TNT)
Interest coverage ratio	The ratio between EBITDA and Net finance costs
Net debt	Interest bearing debt reduced by cash and cash equivalents
NMO	National mail organisation
Non-recurring items	Aircraft type introduction costs, ongoing legal proceedings in France and other material non-recurring items
R12M adjusted EBITDA	Rolling twelve months adjusted EBITDA
R12M EBITDA	Rolling twelve months EBITDA
Underlying revenue growth	Revenue growth in constant currency rates and fuel prices, excluding effects from aircraft sales
Wet-lease	Airline providing aircraft capacity to another airline

## Note 2 – Breakdown of revenues

	Oct - Dec 2015	Oct - Dec 2014	Jan - Dec 2015	Jan - Dec 2014
<b>TSEK</b>				
Air freight services	342,343	299,188	1,316,417	1,145,282
Technical services	18,159	19,562	77,129	59,372
Sale of aircraft and spare parts	-	-	-	15,350
Aircraft leasing	3,248	3,647	13,397	14,491
Other revenue	884	1,414	2,921	9,783
<b>Sum</b>	<b>364,634</b>	<b>323,811</b>	<b>1,409,864</b>	<b>1,244,278</b>

## Note 3 – EBITDA/Adjusted EBITDA

	Oct - Dec 2015	Oct - Dec 2014	Jan - Dec 2015	Jan - Dec 2014
<b>TSEK</b>				
<b>Operating income</b>	<b>4,844</b>	<b>16,203</b>	<b>54,290</b>	<b>90,209</b>
Depreciation	33,651	28,830	123,623	93,656
<b>EBITDA</b>	<b>38,495</b>	<b>45,033</b>	<b>177,913</b>	<b>183,865</b>
Aircraft operating lease costs*	22,968	7,563	62,282	21,286
Introduction costs of B767/B737-400	-	1,191	2,623	15,780
Legal proceeding costs, France	-	1,803	5,504	3,481
<b>Adjusted EBITDA</b>	<b>61,463</b>	<b>55,590</b>	<b>248,322</b>	<b>224,412</b>
Effects from sale of aircraft	-2,619	-1,331	-9,108	-29,501
<b>Adj. EBITDA excl. sale of aircraft</b>	<b>58,844</b>	<b>54,259</b>	<b>239,214</b>	<b>194,911</b>

\* As a portion of the Group's financing arrangements consist of aircraft leasing agreements, the Group reverses operating lease costs on Adj. EBITDA to reflect the operational performance independent of whether the agreements are construed as finance or operating leases.

#### Note 4 – Other operating income & costs

TSEK	Oct - Dec	Oct - Dec	Jan - Dec	Jan - Dec
	2015	2014	2015	2014
Income from collaboration agreement	1,445	-	2,233	16,574
Sale of aircraft	1,174	1,174	6,875	4,696
Operating foreign exchange currency gains/losses	770	481	-2,720	1,470
<b>Sum</b>	<b>3,389</b>	<b>1,655</b>	<b>6,388</b>	<b>22,740</b>

#### Note 5 – Fair value and booked value on financial assets and liabilities

TSEK	Dec		Dec	
	Booked value	Fair value	Booked value	Fair value
<b>Financial assets</b>				
Non-current financial receivables	23,221	23,221	14,306	14,306
Other receivables incl accounts receivables	137,933	137,933	146,753	146,753
Cash and cash equivalents	266,752	266,752	17,627	17,627
<b>Sum</b>	<b>427,906</b>	<b>427,906</b>	<b>178,686</b>	<b>178,686</b>
<b>Financial liabilities</b>				
Loans incl bank overdraft	890,418	907,490	512,263	545,701
Other liabilities incl accounts payables	198,972	198,972	198,162	198,162
<b>Sum</b>	<b>1,089,390</b>	<b>1,106,462</b>	<b>710,425</b>	<b>743,863</b>

Fair value is normally determined by official market prices. When market prices are missing, fair value normally is determined by generally accepted valuation methods, such as discounted future cash flows based on available market information.

The fair value of the Group's financial assets and liabilities has been determined according to below:

- **Level 1:** Market prices (unadjusted) listed on an active market for identical assets or liabilities
- **Level 2:** Other observed data for the asset or the liability than noted prices included in level 1, either direct (as price adjustments) or indirect (derived from noted prices).
- **Level 3:** Fair value determined out of valuation models, where significant data is based on unobservable data. At the moment, the Group has no assets and liabilities valued according to this level.

At December 31 2015, the Group has no financial assets or liabilities, valued at fair value in the income statement.

Items classified in level 1: the corporate bond loan, subject to trade on the NASDAQ OMX in Stockholm. Since the trading of the corporate bond loan only started in 2016, the fair value at 2015-12-31 corresponds to the nominal value. The booked value is made at deferred acquisition value with regard to transaction costs.

Items classified in level 2: Non-interest-bearing long term financial receivables valued at deferred acquisition value and where the interest that is used to discount the amount to the acquisition value, is derived from a notation and an assessment is performed by the Group.

For other receivables including accounts receivables, cash and cash equivalents, other loans, other liabilities including accounts payables the booked values are considered to be a reasonable approximation of the fair values. Valuation is made at deferred acquisition value, which corresponds to nominal values adjusted with additional or deductible valuation items.

#### Note 6 – Transactions with related parties

Transactions between the parent company and its subsidiaries and between subsidiaries within the Group have been eliminated in the Group consolidation. These transactions, including any transactions with affiliated companies, are made on current market terms based on the "arm's length" principle, which means between independent parties, well informed and with an own interest in the transactions.

Transactions with key persons in leading positions and its related parties are made on current market terms based on the "arm's length principle". Below are shown the value of transactions made during the interim period and the outstanding balances (C=Claim, L=Liability) at reporting date.

TSEK		Jan - Dec	31 Dec
		2015	2015
<b>Party</b>	<b>Transaction(s)</b>		
Medicinkonsulterna Göran Berglund AB	Sale of aircraft maintenance and fuel	143	-
Förvaltningsbolaget Örgryte KB	Office rent	1,544	386 L
Erik Thun AB	Received management fee	789	-
Erik Thun AB	Lease of B737 aircraft*	4,177	-
Horizon Ltd	Purchase of commercial services	3,708	-
All Konsult Langhard KB	Purchase of HR services	1,222	140 L
Air Transport Services Group	Lease of B767 aircraft**	31,181	5,307 L

\* During the period the Group has entered into an operating leasing agreement, with a duration of 5 years, which concern leasing of a B737-400 aircraft.

\*\*During the period the Group has entered into three operating leasing agreements, with a duration of 4,5 years, with a wholly owned subsidiary of ATSG, which concern leasing of three B767 aircraft and maintenance support. The agreement includes an option for the Group to terminate the agreements at any time if being without a commercial contract for the aircraft. The period further included Wet-lease of B767 capacity.

The relationships between the related parties are described in the annual report for 2014, note 32.

#### Note 7 – Business segment

West Atlantic operates a functional organisation independent of geographical concentration of management. The Group performs services all over the European area and only reports one operating segment "airfreight services", which is consistent with the internal reporting to the highest executive management, the board of West Atlantic AB (publ).

During the interim period, there has been no changes in the business segment and the structure of reporting. For more information, please see the annual report for 2014, note 1, essential accounting principles p 1.19.

## Parent company report

### Statement of income including statement of other comprehensive income

TSEK	Oct - Dec 2015	Oct - Dec 2014	Jan - Dec 2015	Jan - Dec 2014
Net sales	176,213	148,565	653,742	581,170
Cost of services provided	-175,900	-147,215	-617,519	-561,704
<b>Gross income:</b>	<b>313</b>	<b>1,350</b>	<b>36,223</b>	<b>19,466</b>
Selling costs	-527	-744	-1,806	-1,837
Administrative costs	-4,194	-8,671	-18,371	-22,161
Other operating income & costs	-3,616	9,848	3,319	9,912
<b>Operating income:</b>	<b>-8,024</b>	<b>1,783</b>	<b>19,365</b>	<b>5,380</b>
Profit from shareholdings in group companies	35,200	1,321	37,958	16,321
Profit from shareholdings in associated companies	-	-	-309	-
Interest & similar income	7,224	9,074	28,621	33,504
Interest & similar costs	-53,125	-10,220	-85,849	-43,670
<b>Income after financial items:</b>	<b>-18,725</b>	<b>1,958</b>	<b>-214</b>	<b>11,535</b>
Appropriations	1,460	-	1,460	-
Tax on income for the period	1,520	-83	1,269	53
<b>Net income:</b>	<b>-15,745</b>	<b>1,875</b>	<b>2,515</b>	<b>11,588</b>
<b>Statement of other comprehensive income</b>				
Net income:	-15,745	1,875	2,515	11,588
Other comprehensive income:	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-15,745</b>	<b>1,875</b>	<b>2,515</b>	<b>11,588</b>

### Condensed statement of financial position

TSEK	Dec 31 2015	Dec 31 2014
Intangible assets	88	175
Financial assets	385,011	386,705
<b>Total non-current assets</b>	<b>385,099</b>	<b>386,880</b>
Other current assets	275,440	191,389
Cash and cash equivalents	253,459	964
<b>Total current assets</b>	<b>528,899</b>	<b>192,353</b>
<b>Total assets</b>	<b>913,998</b>	<b>579,233</b>
Shareholders' equity	62,630	60,115
Untaxed reserves	-	1,460
Non-current liabilities	834,705	494,092
Current liabilities	16,663	23,566
<b>Total shareholders' equity and liabilities</b>	<b>913,998</b>	<b>579,233</b>
Pledged collaterals	227,900	398,327
Contingent liabilities	254,405	237,656

## Assurance

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The Board of Directors and President hereby assure that this interim report provides a true and fair overview of the performance of the parent company's and the Group's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the parent company and the companies included in the Group are exposed.

Gothenburg, February 24, 2016

Lars Lindgren  
*Chairman of the Board*

Gustaf Thureborn  
*CEO & President, Member of the Board*

Joseph Payne  
*Member of the Board*

Carsten Browall  
*Member of the Board*

Marianne Dicander Alexandersson  
*Member of the Board*

Ingvar Nilsson  
*Member of the Board*

*This interim report has not been audited by the Company auditors.*

## West Atlantic Aircraft fleet & flight traffic statistic

### Aircraft fleet as per 31 December, 2015:

	Owned	Dry-Leased	Wet-leased	Total	In Service	Dry leased out	Parked
BAe ATP-F	31	8	-	39	33	-	6
BAe ATP	1	-	-	1	-	-	1
Boeing 737-300	2	4	-	6	6	-	-
Boeing 737-400	1	3	-	4	3	1	-
B767-200	-	3	-	3	3	-	-
CRJ200PF	3	-	-	3	3	-	-
	<b>38</b>	<b>18</b>	<b>-</b>	<b>56</b>	<b>48</b>	<b>1</b>	<b>7</b>



BAE ATP-F



Bombardier CRJ200PF



Boeing 737-300/400SF



Boeing 767-200SF

### West Atlantic traffic statistics January – December, 2015:

	2015		2014	
	Oct - Dec	Jan - Dec	Oct - Dec	Jan - Dec
Performed flights	6,843	26,790	6,808	26,195
Regularity (target >99%)	99.0%	99.1%	99.3%	99.3%
Number of hours flown	7,314	28,490	7,036	27,241

### Annual report

The annual report for 2014 was published April 29, 2015.

### Annual Shareholders' meeting

The West Atlantic Group's AGM was held on May 26, 2015 at the Group's head office located Gothenburg (Prästgårdsgatan 1, SE-412 71 Gothenburg).

### Financial Calendar

Annual report 2015	April 27, 2016
Interim report January – March	May 25, 2016
Interim report April – June	August 25, 2016
Interim report July – September	November 24, 2016

### Contact information

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All reports are available in Swedish and English and can be found on the West Atlantic webpage. The reports can also be ordered electronically via [investor.relations@westatlantic.eu](mailto:investor.relations@westatlantic.eu)

West Atlantic discloses the information contained in this interim report pursuant to the Swedish Securities Market Act and/or the Swedish Financial Instrument Trading Act.