

# WEST ATLANTIC

## INTERIM REPORT

January 1 – March 31, 2016

Published May 25, 2016



**“The first quarter of 2016 was operationally and financially challenging for the West Atlantic Group”**

— Fredrik Groth, Int. CEO & President

### January - March

- Strong revenue growth for B737/B767 aircraft fleet offset by decreasing ATP fleet utilisation. Underlying revenue growth amounted to 1.8 % year-on-year.
- EBITDA decreased to MSEK 4.0 (37.9) corresponding to a margin of 1.2 % (11.4).
- Earnings per share of SEK -1.34 (-0.46).
- The quarter was heavily impacted by an aircraft accident of a CRJ200PF.
- The bond loan issued in 2015 (WEST002) was listed on Nasdaq, Stockholm in January 2016.
- Following an EGM the shareholders of the company changed the composition of the Board of Directors. The CEO also stepped down and an interim CEO was appointed.
- One B737-400 aircraft was acquired out on an operating lease agreement.

### Key performance indicators for the Group

All figures in MSEK unless stated otherwise	Jan - Mar 2016	Jan - Mar 2015	Jan - Dec 2015
<b>Financial metrics*</b>			
Revenue	323.9	332.0	1,409.9
Revenue growth	-2.4%	8.8%	13.3%
Underlying revenue growth	1.8%	6.0%	8.6%
EBITDA	4.0	37.9	177.9
EBITDA margin (%)	1.2%	11.4%	12.6%
Net income	-36.1	-12.4	-49.6
Cash flow from operating activities	-13.9	29.5	216.7
Earnings per share before dilution (SEK)	-1.34	-0.46	-1.84
Net interest bearing debt / EBITDA**	5.3	-	3.6
Interest coverage ratio**	2.2	-	2.9
Equity / Asset ratio	11.0%	19.9%	13.3%
Total assets	1,379.8	1,112.1	1,412.1
<b>Operating metrics*</b>			
Fleet dispatch regularity	98.2%	98.9%	99.1%
Performed flights	6,018	6,592	26,790
Aircraft in service (incl. wet leases)	48	44	48
Average employees	499	499	508

\*Definitions of key performance indicators and other measures can be found at the end of this report.

\*\*Defined by the corporate bond loan WEST002 terms and conditions. See note 8 for more information. The loan was issued December 2015 whereby the ratios are not reported per Mar 31, 2015.

## CEO's comments

### Challenging first quarter

The first quarter of 2016 was operationally and financially challenging for the West Atlantic Group. The tragic accident of one of our CRJ200PF operating over northern Sweden on January 8 had a tremendous impact on the entire Company. The accident is still under investigation by the Swedish Authorities, and we remain hopeful that they will be able to deliver a final report on the accident before the end of this year. In the meantime, the West Atlantic employees have worked dedicated to overcome the immediate effects of the accident. It has taken us until very recently to return to what we consider to be a normal operation.

### Operational quality and performance

Operationally we were impacted by the accident which affected the < 8 tonnes fleets heavily. But we also experienced issues from the delayed delivery of our fifth Boeing 737-400F aircraft, unscheduled heavy maintenance and the delay in finalising the transfer of the ATP fleet from UK to Swedish AOC. The fleet dispatch regularity dropped to 98.2 percent as a consequence which was significantly below the long term target of 99 percent. Going into the second quarter these operational issues have been resolved and we are providing better and more consistent service at all levels which were illustrated by significant improvement in March compared to the first two months.

Financially, the group delivered a result for the first quarter below expectations with an EBITDA margin of 1.2 percent (11.4). We knew that the first quarter was going to be a rough one where we would have to adapt to a less utilised ATP fleet and closing down the Swedish mail operation, which stopped in December 2015, while simultaneously investing in the start-up of two B737 operations in France and placing the third B767 in service. These factors combined with the tragic accident, delayed aircraft and unscheduled maintenance has contributed to the lack of performance during the first quarter.

### Cost reduction program

One primary target during 2016 is to adapt the cost structure to allow the Group to reach a stronger position to win new contracts and return to profitable growth. This programme was launched during the first quarter and solid progress has been made even though it could not offset the decrease in revenues in the turboprop fleet. We expect to see the majority of the savings realised during the second and third quarter this year.

### Outlook

We continue to direct all our attention at being customer centric and cost focused, while also ensuring the organisation is right sized to take on future opportunities. I am pleased that all employees are really contributing their utmost to make the Group shine again. We are seeing an increase in customer new business and we are optimistic about the future. This year will continue to be a year of transition and adapting, but I firmly believe that this change will be good. I am confident that we will stand much stronger going into 2017 and beyond.



**Fredrik Groth**  
Int. 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 March 31, 2016. Comparative figures in this report cover the corresponding period for 2015, 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

Revenue for the period amounted to MSEK 323.9 (332.0), a decrease of 2.4 % year-on-year. Underlying revenue growth (adjusted for foreign exchange currency differences and fuel price fluctuations) amounted to 1.8 %. The increased underlying revenue is attributable to the strong growth from the B737 and B767 fleets. This was partly offset by lower utilisation of the ATP fleet and lower revenue from technical services. The primary driver of the lower ATP revenue was the loss of the operation for the Swedish NMO PostNord at the end of 2015, which involved five aircraft.

Revenue was also impacted by the SE-DUX accident (see significant events during the reporting period). The remaining CRJ fleet did not operate for several days and the ATP fleet was also highly affected from being utilised to cover the downtime. The estimated impact on revenue was MSEK 5.7 for the first quarter. For a detailed breakdown of revenue, see note 2.

EBITDA amounted to MSEK 4.0 (37.9). The significant decrease in EBITDA is primarily explained by the organisational restructuring process to adapt to a less utilised ATP fleet, while simultaneously investing in the start-up of two new B737 operations in France. Following delayed delivery of a B737 aircraft and unscheduled heavy maintenance, the company was forced to subcharter additional capacity from other operators, which has had a negative effect on EBITDA.

Moreover, the accident has had a tremendous effect on the entire company during the reporting period. Even though the direct costs have been covered by insurance proceeds, indirect costs and lost revenue decreased EBITDA levels. For a breakdown of EBITDA, please see note 3.

EBIT amounted to MSEK -28.8 (7.7) following that depreciation amounted to MSEK 32.9 (30.2).

Financial income amounted to MSEK 3.7 (1.8) and included net foreign exchange currency gains on loans and financial leasing of MSEK 2.8 (0.0). Financial costs amounted to MSEK 19.7 (24.6) and included interest costs of MSEK 13.8 (10.0) attributable to the corporate bond loan. The previous year included

net foreign exchange currency losses on financial leasing of MSEK 8.4.

Net income amounted to MSEK -36.1 (-12.4) for the period and was affected by income taxes of MSEK 8.7 (2.7).

#### Summary of items affecting comparability

MSEK	Jan - Mar 2016	Jan - Mar 2015	Jan - Dec 2015
<b>Income before tax</b>	<b>-44.8</b>	<b>-15.1</b>	<b>-59.7</b>
Introduction costs of B767/B737-400	-	2.6	2.6
Legal costs, France	-	1.9	5.5
Income from sale of aircraft	-	-0.8	-9.1
Impairment of aircraft components	-	3.7	3.7
Redemption of corporate bond loan	-	-	41.8
Net effect from aircraft accident	-6.2	-	-
Financial FX gains/losses	-2.8	8.4	9.7
<b>Sum</b>	<b>-53.8</b>	<b>0.7</b>	<b>-5.5</b>

The recorded net effect of the aircraft accident refers to insurance proceeds reduced by costs directly associated with the accident (primarily the book value of the asset) and lost contribution from the fleet being grounded. The net effect does not include indirect costs nor the residual between market value and book value of the asset.

#### Cash flow

Cash flow from operating activities amounted to MSEK -13.9 (29.5). The decrease compared to last year is mainly attributable to change in working capital which amounted to MSEK -71.0 (-39.7) following increased amounts tied up in short term receivables, connected to trade receivables. Cash flow from investing activities decreased to MSEK -119.4 (-60.4), mainly due to the purchase of a B737-400 aircraft. Cash flow from financing activities decreased to MSEK 5.3 (34.2), mainly attributable to the received loan of MSEK 40.0 during the previous year. Cash flow for the period amounted to MSEK -128.0 (3.3).

#### Investments

Total investments in tangible assets amounted to MSEK -116.6 (-57.0), both from the above mentioned B737-400 aircraft and investments in periodical heavy maintenance activities, and purchases of aircraft components.

Investment in financial assets amounted to MSEK -2.9 (-3.3), included in payments from other investing activities. Payments from other investing activities amounted to MSEK -2.8 (-3.3) including both investments in financial assets and received payments from financial assets.

#### Leasing engagements

In addition to investments in tangible assets the Group has entered into a long term operating lease agreement for one B737-400 aircraft. The estimated annual payments under this agreement amounts to approximately MSEK 10.7.

#### Sales of non-current assets

During the period and during the same period the previous year, no material sales of non-current tangible assets have been made.

#### Impairment of stock

During the period an impairment has been made by MSEK 1.6 (1.6) for slow moving stock.

#### SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- 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. During this quarter, other operating income & costs have been affected by exceptional items connected to the accident. For more information see comments to non-recurring items above.

- Nasdaq Stockholm officially listed the bond loan issued by West Atlantic AB (publ) with effect from 2016-01-26. The instrument has been listed on STO Corporate Bonds.
- An Extraordinary General Meeting was held where the shareholders of the company decided to change the composition of the Board. The aim was to increase shareholder presence and aviation experience amongst the Directors. The CEO also stepped down and was replaced by Mr. Fredrik Groth as interim CEO pending the 2016 AGM.
- The Group has acquired a B737-400 aircraft, previously held under a short term operating lease agreement.
- Following an adaptation to the EU's post directive Norway, has decided to stop distributing mail on Saturdays. This affects the West Atlantic operation with reduced revenue. The change governed by the current agreement and West Atlantic deems the reduction will not impact net income significantly.

#### ORGANISATION

The average number of employees for the period January – March amounted to 499 (499).

#### FINANCIAL POSITION AND FINANCING

Cash and cash equivalents at the end of the period amounted to MSEK 138.0 (21.6). Including non-utilised overdraft facility, available cash and cash equivalents amounted to MSEK 188.0 (71.6). Equity amounted to MSEK 151.5 (221.6) and the equity ratio amounted to 11.0 % (19.9). Net interest bearing liabilities amounted to MSEK 829.8 (621.6).

The Company has issued a corporate bond loan which was listed on the NASDAQ, Stockholm on January 26<sup>th</sup> 2016. The instrument is listed as WEST002 with 850 units holding a nominal value of MSEK 1,0 each. The Group are obliged to report its financial position as described in the terms and conditions of the bond. For the financial covenants to report, please see note 8. For terms and 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 global and Group specific risks that can impact operations and the financial performance as well as the financial position of the Group. The foreseeable risks are identified and monitored centrally through policies. Risk management in the Group is about positioning the Group properly in response to possible events. Below is a non-exhaustive list of risks, without regards to the level of significance, which the Group considers to be material.

- Operating risks – safety always comes first
- Market, commercial & political risks
- Financial risks
- Fluctuations in foreign exchange rates and fuel prices
- Contract risk
- Legal risk
- Credit risks
- Taxation and charges

A more detailed description of the risk factors, which the Group considers to be material, can be found in the annual report for 2015. The assessment is that this description is still accurate.

#### LEGAL PROCEEDINGS

The Group continues to monitor the legal process in France, with regards to unpaid social security charges reported during 2013, 2014 and 2015 which remains an uncertainty. In 2016, there has been no changes in the actual provision. The cases are expected to be settled within a year. West Atlantic is not a party to any other legal proceedings having a 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

##### Purchase of a B737-400 aircraft

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

#### OUTLOOK

The outlook for 2016 includes significant growth from the B737/B767 in early 2016 but also an offsetting effect of the decreased utilisation of the BAe ATP fleet. Focus will be aimed at adapting the organisation to the new commercial environment, being customer centric and cost focused.

#### 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

Revenue for the period amounted to MSEK 175.0 (147.2), an increase by 18.9 % year-on-year. The increase is mainly attributable to the expansion in B737 and B767 operations. EBIT amounted to MSEK -1.3 (5.7). The decrease is mainly attributable to higher flight operation costs and foreign exchange currency losses. Net income amounted to MSEK -6.6 (2.0) and included higher financial costs, MSEK -14.3 (-10.9), due to interest from the bond loan.

##### Financial position and financing

Cash and cash equivalents at the end of the period amounted to MSEK 126.7 (8.7). Including the non-utilised overdraft facility, available cash and cash equivalents amounted to MSEK 176.7 (58.7). Equity amounted to MSEK 56.1 (62.1) and interest bearing liabilities amounted to MSEK 832.9 (491.9). 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

MSEK	Jan - Mar 2016	Jan - Mar 2015	Jan - Dec 2015
Revenue	323.9	332.0	1,409.9
Cost of services provided	-345.5	-310.6	-1,305.4
<b>Gross income:</b>	<b>-21.6</b>	<b>21.4</b>	<b>104.5</b>
Selling costs	-3.8	-1.4	-9.9
Administrative costs	-10.5	-11.2	-46.7
Other operating income & costs*	7.1	-1.1	6.4
<b>Operating income:</b>	<b>-28.8</b>	<b>7.7</b>	<b>54.3</b>
Financial income	3.7	1.8	3.5
Financial costs	-19.7	-24.6	-117.5
<b>Income before tax:</b>	<b>-44.8</b>	<b>-15.1</b>	<b>-59.7</b>
Income tax	8.7	2.7	10.1
<b>Net Income:</b>	<b>-36.1</b>	<b>-12.4</b>	<b>-49.6</b>
Attributable to:			
- Shareholders of the Parent Company	-36.1	-12.4	-49.6
Earnings per share, before and after dilution (SEK)	-1.34	-0.46	-1.84
Average number of outstanding shares (Thousands)	27,005	27,005	27,005
<b>Statement of other comprehensive income</b>			
Net income:	-36.1	-12.4	-49.6
Other comprehensive income:			
Items that may or has been classified as net income:			
Exchange-rate differences in translation of foreign operations	-0.8	0.6	4.7
<b>Total comprehensive income for the period:</b>	<b>-36.9</b>	<b>-11.7</b>	<b>-44.9</b>
Attributable to:			
- Shareholders of the Parent Company	-36.9	-11.7	-44.9

\*Jan – Mar 2016 Includes items attributable to the aircraft accident, please see note 4 for more information.

## Condensed statement of financial position

MSEK	Mar 31 2016	Mar 31 2015	Dec 31 2015
Intangible assets	0.1	0.9	0.2
Tangible assets	815.9	718.2	774.2
Financial assets	17.2	20.4	23.3
<b>Total non-current assets</b>	<b>833.2</b>	<b>739.6</b>	<b>797.6</b>
Inventories	123.4	130.3	138.4
Other current assets	285.2	204.3	209.3
Cash and cash equivalents	138.0	21.6	266.8
<b>Total current assets</b>	<b>546.6</b>	<b>356.2</b>	<b>614.5</b>
Assets held for sale	-	16.3	-
<b>Total assets</b>	<b>1,379.8</b>	<b>1,112.1</b>	<b>1,412.1</b>
Shareholders' equity	151.5	221.6	188.4
Non-current liabilities	993.5	675.9	997.8
Current liabilities	234.8	214.7	226.0
<b>Total shareholders' equity and liabilities</b>	<b>1,379.8</b>	<b>1,112.1</b>	<b>1,412.1</b>

## Condensed changes in shareholders' equity

MSEK	Share capital	Translation reserves	Profit brought for- ward including net income	Total share- holders' eq- uity
Opening shareholders' equity, Jan 1, 2016	27.0	6.9	154.5	188.4
Total comprehensive income for the period Jan - Mar	-	-0.8	-36.1	-36.9
<b>Closing balance Mar 31, 2016</b>	<b>27.0</b>	<b>6.1</b>	<b>118.4</b>	<b>151.5</b>
Opening shareholders' equity, Jan 1, 2015	27.0	2.2	204.1	233.3
Total comprehensive income for the period Jan - Mar	-	0.6	-12.4	-11.7
<b>Closing balance Mar 31, 2015</b>	<b>27.0</b>	<b>2.9</b>	<b>191.7</b>	<b>221.6</b>
Opening shareholders' equity, Jan 1, 2015	27.0	2.2	204.1	233.3
Total comprehensive income for the year	-	4.7	-49.6	-44.9
<b>Closing balance Dec 31, 2015</b>	<b>27.0</b>	<b>6.9</b>	<b>154.5</b>	<b>188.4</b>

## Condensed statement of cash flows

MSEK	Jan - Mar 2016	Jan - Mar 2015	Jan - Dec 2015
<b>Operating income</b>	<b>-28.8</b>	<b>7.7</b>	<b>54.3</b>
<b>Adjustments for non-cash items</b>			
Depreciation	32.9	30.2	123.6
Other non-cash items*	55.2	33.9	51.7
Income tax paid	-2.3	-2.5	-0.8
<b>Cash flow from operating activities before changes in working capital</b>	<b>57.1</b>	<b>69.2</b>	<b>228.8</b>
Change in working capital	-71.0	-39.7	-12.1
<b>Cash flow from operating activities</b>	<b>-13.9</b>	<b>29.5</b>	<b>216.7</b>
Payments from associated companies	-	-	1.7
Investments in tangible assets	-116.6	-57.0	-228.4
Sales of tangible assets	0.1	-	-
Payments from other investing activities	-2.8	-3.3	-6.7
<b>Cash flow from investing activities</b>	<b>-119.4</b>	<b>-60.4</b>	<b>-233.5</b>
Received loans	-	40.0	890.0
Amortisation of interest bearing liabilities	-1.5	-1.2	-509.0
Repaid/received deposits	13.0	0.0	0.1
Interest paid	-6.1	-4.6	-115.8
<b>Cash flow from financing activities</b>	<b>5.3</b>	<b>34.2</b>	<b>265.4</b>
<b>Cash flow for the period</b>	<b>-128.0</b>	<b>3.3</b>	<b>248.6</b>
Cash and cash equivalents at the beginning of the period	266.8	17.6	17.6
Translation difference in cash and cash equivalents	-0.7	0.7	0.5
<b>Cash and cash equivalents at the end of the period</b>	<b>138.0</b>	<b>21.6</b>	<b>266.8</b>

\*Jan – Mar 2016 Includes the booked loss from the aircraft crash, MSEK 31,0.

## Notes

### Note 1 – Accounting principles, restatements and definitions

#### Applied accounting principles

The consolidated financial statements have 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 2015. The minor revised IFRS that have come into effect in 2016 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 Millions (MSEK).

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 2015.

Information according to IAS34 Financial Interim Reporting are submitted both in notes elsewhere in this report.

For a complete summary of the Group's accounting principles, please see note 1, significant accounting principles in the annual report for 2015 available on the website of West Atlantic AB (publ), [www.westatlantic.eu](http://www.westatlantic.eu).

#### Exceptional items – loss of aircraft

During the period the Group reports items, which due to their size or that are not recurring, are assessed as exceptional items and demand disclosure. The Group has chosen to report all direct costs and insurance proceeds, connected to the aircraft crash included in other operating income & costs. For more information, see note 4.

### Note 2 – Breakdown of revenues

MSEK	Jan - Mar	Jan - Mar	Jan - Dec
	2016	2015	2015
Air freight services	311.0	307.0	1,316.5
Technical services	9.4	21.0	77.1
Aircraft leasing	3.3	3.6	13.4
Other revenue	0.2	0.4	2.9
<b>Sum</b>	<b>323.9</b>	<b>332.0</b>	<b>1,409.9</b>

### Note 3 – EBITDA

MSEK	Jan - Mar	Jan - Mar	Jan - Dec
	2016	2015	2015
Operating income	-28.9	7.7	54.3
Depreciation & Impairment	32.9	30.2	123.6
<b>EBITDA</b>	<b>4.0</b>	<b>37.9</b>	<b>177.9</b>

### Note 4 – Other operating income & costs

MSEK	Jan - Mar	Jan - Mar	Jan - Dec
	2016	2015	2015
Income from collaboration agreement	-	0.8	2.2
Net income, insurance claim from aircraft accident*	10.5	-	-
Sale of aircraft	1.2	1.2	6.9
Operating foreign exchange currency gains/losses	-4.6	-3.1	-2.7
<b>Sum</b>	<b>7.1</b>	<b>-1.1</b>	<b>6.4</b>

\*Received insurance remuneration amounts to MSEK 56.5. The booked loss from the aircraft crash amounts to MSEK 31.0. A provision has been made for estimated future costs connected to measures at the crash site such as removal of parts, restoration, environmental clean-up, lost cargo, mail and parcels. In addition, all other calculated direct cost that shouldn't have been occurred if the accident not have happened, are included. In all, the booked loss, the provision and other direct costs amount to MSEK 46.0.

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

MSEK	Mar		Dec	
	2016	2016	2015	2015
	Booked value	Fair value	Booked value	Fair value
<b>Financial assets</b>				
Non-current financial receivables	17.1	17.1	23.2	23.2
Other receivables incl accounts receivables	216.9	216.9	137.9	137.9
Cash and cash equivalents	138.0	138.0	266.8	266.8
<b>Sum</b>	<b>372.1</b>	<b>372.1</b>	<b>427.9</b>	<b>427.9</b>
<b>Financial liabilities</b>				
Loans incl bank overdraft	889.7	910.0	890.4	907.5
Other liabilities incl accounts payables	187.3	187.3	199.0	199.0
<b>Sum</b>	<b>1,076.9</b>	<b>1,097.3</b>	<b>1,089.4</b>	<b>1,106.5</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 March 31 2016, 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. 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.

MSEK		Jan - Mar 2016	31 Mar 2016
Party	Transaction(s)		
Horizon Objectives Ltd	Purchase of commercial services	1.1	-
All Konsult Langhard KB	Purchase of HR services	0.3	-
Air Transport Services Group	Lease of B767 aircraft and maintenance support	28.2	3.9 L

The relationships between the related parties, including the content of the leasing agreement above, are described in the annual report for 2015, 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 2015 note 1, essential accounting principles p 1.19.

#### Note 8 – Corporate bond – financial standing & Covenants

The Group are obliged to report its financial position as described in the terms and conditions of the bond. Below is a summary of the most important terms and conditions which applies to the loan. For more detail and definitions please see page 14, definitions, and also the West Atlantic webpage ([www.westatatlantic.eu](http://www.westatatlantic.eu)) where the full terms and conditions can be found. As per March 31, 2016 the Group meets its financial covenants.

Financial covenants as per corporate bond terms and conditions:

##### Maintenance test:

The ratio of Net Interest Bearing Debt\* to EBITDA\*\* shall not exceed:

- (i) 6.00 during the year 2015 and 2016;
- (ii) 5.75 during the year 2017;
- (iii) 5.50 during the years 2018-2019.

##### Incurrence test (this test is only applicable if new loans are raised):

(a) the ratio of Net Interest Bearing Debt to EBITDA\*\* is not greater than:

- (i) 4.25 during the year 2015 and 2016;
- (ii) 4.00 during the year 2017;
- (iii) 3.75 during the years 2018-2019;

(b) the Interest Coverage Ratio (ratio of Net Finance Charges\*\*\* to EBITDA\*\*) shall exceed 2.50; and  
(c) no Event of Default is continuing or would occur upon the incurrence

Calculation of bond defined Net Interest bearing debt*	2016-03-31
Non-current loans	885.0
Short term part of non-current loans	4.7
Overdraft facility	-
Cash & cash equivalents	-138.0
<b>Net interest bearing debt*</b>	<b>751.7</b>

Calculation of net finance charges***	Jan – Mar 2016
Financial income	-5.3
Financial costs	112.6
Bond transaction costs (WEST001 and WEST002)	-44.9
Net foreign currency exchange differences	1.5
<b>Net finance charges***</b>	<b>63.9</b>

Calculation of bond defined EBITDA**	Jan – Mar 2016
Operating income	17.8
Depreciation & Impairment	126.3
<b>EBITDA</b>	<b>144.1</b>
Adjustment for non-recurring items	
Loss of CRJ, SE-DUX	-6.2
Legal costs related to France	3.6
<b>Bond defined EBITDA**</b>	<b>141.5</b>

<b>Covenants test per closing date</b>	<b>2016-03-31</b>
Net interest bearing debt	751.7
Bond defined EBITDA	141.5
<b>Net interest bearing debt to R12M EBITDA</b>	<b>5.3</b>

	<b>2016-03-31</b>
Net finance charges	63.9
Bond defined EBITDA	141.5
<b>Interest coverage ratio</b>	<b>2.2</b>

\*Net Interest Debt: means the aggregate interest bearing debt less cash and cash equivalents of the Group in accordance with the applicable accounting principles of the Group from time to time (for the avoidance of doubt, excluding guarantees, leases related to Leased Aircraft, bank guarantees, Subordinated Loans and interest bearing debt borrowed from any Group Company).

\*\*EBITDA: means, in respect of the Reference Period, the consolidated profit of the Group from ordinary activities according to the latest Financial Report(s): (a) before deducting any amount of tax on profits, gains or income paid or payable by any member of the Group; (b) before deducting any Net Finance Charges; (c) before taking into account any extraordinary items which are not in line with the ordinary course of business, and non-recurring items; (d) before taking into account any Transaction Costs and any transaction costs relating to any acquisition of any target company; (e) not including any accrued interest owing to any member of the Group; (f) before taking into account any unrealised gains or losses on any derivative instrument (other than any derivative instruments which is accounted for on a hedge account basis); (g) after adding back or deducting, as the case may be, the amount of any loss or gain against book value arising on a disposal of any asset (other than in the ordinary course of trading) and any loss or gain arising from an upward or downward revaluation of any asset; (h) after deducting the amount of any profit (or adding back the amount of any loss) of any member of the Group which is attributable to minority interests; (i) plus or minus the Group's share of the profits or losses of entities which are not part of the Group; and (j) after adding back any amount attributable to the amortisation, depreciation or depletion of assets of members of the Group.

\*\*\* Net finance charges means, for the Reference Period, the Finance Charges according to the latest Financial Report(s), after deducting any interest payable for that Reference Period to any member of the Group and any interest income relating to cash or cash equivalent investment (and excluding any interest capitalised on Subordinated Loans).

## Parent company report

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

MSEK	Jan - Mar 2016	Jan - Mar 2015	Jan - Dec 2015
Net sales	175.0	147.2	653.7
Cost of services provided	-169.2	-138.8	-617.5
<b>Gross income:</b>	<b>5.9</b>	<b>8.4</b>	<b>36.2</b>
Selling costs	-2.7	0.1	-1.8
Administrative costs	-2.3	-3.6	-18.4
Other operating income & costs	-2.2	0.7	3.3
<b>Operating income:</b>	<b>-1.3</b>	<b>5.7</b>	<b>19.4</b>
Profit from shareholdings in group companies	-	-	38.0
Profit from shareholdings in associated companies	-	-	-0.3
Interest & similar income	9.1	7.1	28.6
Interest & similar costs	-14.3	-10.9	-85.9
<b>Income after financial items:</b>	<b>-6.6</b>	<b>1.9</b>	<b>-0.3</b>
Appropriations	-	-	1.5
Tax on income for the period	-	0.1	1.3
<b>Net income:</b>	<b>-6.6</b>	<b>2.0</b>	<b>2.5</b>
<b>Statement of other comprehensive income</b>			
Net income:	-6.6	2.0	2.5
Other comprehensive income:	-	-	-
<b>Total comprehensive income for the period</b>	<b>-6.6</b>	<b>2.0</b>	<b>2.5</b>

### Condensed statement of financial position

MSEK	Mar 31 2016	Mar 31 2015	Dec 31 2015
Intangible assets	0.1	0.2	0.1
Financial assets	535.0	386.7	385.0
<b>Total non-current assets</b>	<b>535.1</b>	<b>386.8</b>	<b>385.1</b>
Other current assets	298.4	225.2	275.4
Cash and cash equivalents	126.7	8.7	253.5
<b>Total current assets</b>	<b>425.1</b>	<b>233.9</b>	<b>528.9</b>
<b>Total assets</b>	<b>960.1</b>	<b>620.8</b>	<b>914.0</b>
Shareholders' equity	56.1	62.1	62.6
Untaxed reserves	-	1.5	-
Non-current liabilities	844.6	494.6	834.7
Current liabilities	59.4	62.6	16.7
<b>Total shareholders' equity and liabilities</b>	<b>960.1</b>	<b>620.8</b>	<b>914.0</b>
Pledged collaterals	169.8	398.3	227.9
Contingent liabilities	328.2	264.5	254.4

## 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, May 23, 2016

Göran Berglund  
*Chairman of the Board*

Tony Auld  
*Member of the Board*

Russell Ladkin  
*Member of the Board*

Fredrik Lindgren  
*Member of the Board*

Joseph Payne  
*Member of the Board*

Fredrik Groth  
*Int. CEO & President*

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

## West Atlantic Aircraft fleet & flight traffic statistic

### Aircraft fleet as per 31 March, 2016:

	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	1	7	7	-	-
Boeing 737-400	2	3	-	5	3	1	1*
B767-200	-	3	-	3	3	-	-
CRJ200PF	2	-	-	2	2	-	-
	<b>38</b>	<b>18</b>	<b>1</b>	<b>57</b>	<b>48</b>	<b>1</b>	<b>8</b>

\* Delivered late Q1, awaiting operating start in Q2

### West Atlantic traffic statistics January – March, 2016:

	2016		2015	
	Q1	YTD	Q1	YTD
	Jan - Mar	Jan - Mar	Jan - Mar	Jan - Mar
Performed flights	6,018	6,018	6,592	6,592
Regularity (target >99%)	98.2%	98.2%	98.9%	98.9%
Number of hours flown	6,589	6,589	6,916	6,916

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### Annual report

The annual report for 2015 was published April 27, 2016.

### Annual Shareholders' meeting

The West Atlantic Group's AGM was held on May 23, 2016 at the Group's head office located Gothenburg (Prästgårdsgatan 1, SE-412 71 Gothenburg).

### Financial Calendar

Interim report April – June August 25, 2016  
Interim report July – September November 24, 2016

### Contact information

<b>Fredrik Groth</b> Int. CEO & President Fredrik.Groth@westatlantic.eu +46 (0) 10 452 97 09	<b>Magnus Dahlberg</b> CFO Magnus.Dahlberg@westatlantic.eu +46 (0) 10 452 95 49
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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.

# Definitions

## Corporate Bond definitions

### Finance charges

The aggregate amount of the accrued interest, commission, fees, discounts, payment fees, premium or charges and other Finance payments in respect of financial Indebtedness whether paid, payable or capitalised by any member of the Group according to the latest Financial Report(s) (calculated on a consolidated basis) other than Transaction costs, capitalised interest in respect of any loan owing to any member of the Group or any Subordinated Loan, lease expenses related to Leased Aircraft, and taking no account of any unrealised gains or losses on any derivative instruments other than any derivative instrument which are accounted for on a hedge accounting basis.

**Financial Indebtedness** Means any indebtedness in respect of; a) monies borrowed or raised, including Market Loans; b) the amount of any liability in respect of any finance leases, to the extent the arrangements is treated as a finance lease in accordance with the accounting principles applicable on the First Issue Date (a lease which in the accounts of the Group is treated as an asset and a corresponding liability); c) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis); d) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; e) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and when calculating the value of any derivative transaction, only the mark to market value shall be taken into account, provided that if any actual amount is due as a result of termination or a close-out, such amount shall be used instead); f) Any counter indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and g) (without double counting) any guarantee or other assurance against financial loss in respect of a type referred to in the above items (a)-(f).

**Subordinated Loan** Means any loan of the Issuer or any of its Subsidiaries, where the Issuer or the relevant Subsidiary is the debtor, if such loan (a) according to its terms and pursuant to a subordination agreement on terms and conditions satisfactory to the Trustee, is subordinated to the obligations of the Issuer under the Terms and Conditions, (b) according to its terms have a final redemption date or, when applicable, early redemption dates or instalment dates or instalment dates which occur after the Final, Redemption date, (c) according to its terms yield only payment-in-kind interest.

## Other definitions

### Administration costs

Indirect cost demanded to create revenue connected to administration including part of salaries & other remuneration and depreciation, travel, IT and other administration costs.

### Aircraft fleet

The aircraft types BAe ATP, CRJ200PF, B737-300SF/-400SF and B767-200. The aircraft the Group currently operates.

### AOC

Aircraft operating certificate. Approval granted by a national aviation authority to an operator to allow to use aircraft for commercial purposes.

### ATSG

Air Transport Services Group Inc. US based partner which owns 25 % of the shares of West Atlantic AB (publ)

### BAe ATP-F (or ATP)

BAE Advanced Turboprop aircraft, used for the most of the operations for the < 8 tonnes payload capacity

### Cash flow from operations

Cash flow from operating activities according to the statement of cash flows

### Cost of services provided

All direct operating cost demanded to create the revenue including aircraft maintenance, fuel, aircraft leasing, part of salaries & other remuneration and depreciation, hangar rents and other direct operating expenses

### Collaboration agreement

The Group is a part of an agreement for aircraft management and leasing activities with an external party

### Earnings per share

Net income divided by average number of shares before or after dilution

### Early redemption costs

Means the total costs in connection with the redemption of the previous corporate bond loan December 21, 2015, with originally redemption date May 8, 2018. The costs are included in financial costs and consist of a "make whole amount" including an early redemption fee of 4% of the nominal loan value which was MSEK 500, further also included are remaining interest payments up to the next ordinary interest maturity date. In addition, reversed transaction costs related to the loan acquisition are included.

### EBITDA

Income before interest, tax, depreciation (including impairment) and amortisation. Operating income adjusted for depreciation.

### EBIT

Operating income according to statement of income and other comprehensive income

### EBT

Income before tax

### Equity ratio

Ratio between equity and total assets

### Escrow account

Means a bank account of the Issuer, into which the Net Proceeds from the Bond issue will be transferred and which has been pledged in favour of The Trustee and the Holders (represented by the Trustee) under the Escrow Account Pledge Agreement.

### Financial costs

Includes costs from: a) interest on loans at deferred acquisition value b) interest on financial loan receivables at deferred acquisition value c) any losses from sale of financial loan receivables d) losses from sale of any company which are not part of the Group e) any losses from market valuation of foreign exchange derivatives (hedging instruments) f) redemption costs for loans g) foreign exchange currency losses from revaluation of financial loan receivables, loans and finance leasing.

### Financial income

Includes income from: a) interest on cash & cash equivalents b) interest on financial loan receivables at deferred acquisition value c) any sale of financial loan receivables d) dividend from any company which are not part of the Group e) gain from sale of any company which are not part of the Group f) any gains from market valuation of foreign exchange derivatives (hedging instruments) g) foreign exchange currency gains from revaluation of financial loan receivables, loans and finance leasing.

### 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 income

Income after tax according to the statement of income and other comprehensive income

### Net interest bearing liabilities

Interest-bearing liabilities including finance leasing liabilities (included in other liabilities) reduced by cash and cash equivalents

### NMO

National mail organisation such as PostNord (Sweden), Royal Mail (UK), Norwegian Mail (Norway)

### Non-recurring items

Aircraft type introduction costs, ongoing legal proceedings in France, impairment of tangible assets, income from aircraft sale, early redemption cost of loans, financial FX gains or losses from loans and finance leasing

### Other comprehensive income

Items included here does affect equity (reserves) but not net income but may be classified as net income in case of events in the future. The only actual item in the Group currently is exchange-rate differences in translation of foreign operations

### Selling costs

Indirect costs demanded to create revenue connected to sales including part of salaries & other remuneration and depreciation, travel, IT and other selling costs

### 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