# West Atlantic AB (publ)

Interim report January – December, 2014

## Continued expansion in the B737 operations was the main driver of the 12 percent year-on-year growth in revenue during Q4, 2014

### October – December in brief

- Revenue TSEK 319 490 (285 082)
- Performed flights 6 808 (6 238)
- EBITDA TSEK 45 033 (45 399)
- Operating income TSEK 16 203 (22 360)
- Net income for the period TSEK -4 226 (9 729)
- Earnings per share SEK -0,16 (0,36)
- Cash flow from operating activities TSEK 79 964 (-1 626)

### January – December in brief

- Revenue TSEK 1 236 944 (1 064 529)
- Performed flights 26 195 (23 644)
- EBITDA TSEK 183 865 (162 691)
- Operating income TSEK 90 209 (84 269)
- Net income for the period TSEK 10 584 (35 174)
- Earnings per share SEK 0,39 (1,30)
- Cash flow from operating activities TSEK 227 068 (72 222)

### Comments by the CEO

*"West Atlantic's fourth quarter performance resulted in an EBITDA of TSEK 45 033 (45 399). The cash flow from operating activities amounted to TSEK 79 964 (-1 626), the improved cash flow mainly derives from reduced working capital. Revenue for the quarter increased by 12 per cent Q4 year-on-year indicating a continued solid growth for the Group. The increase in revenue primarily derives from additional B737 operations.*

*While EBITDA remained stable the Group experienced a decrease in net income. This was mainly attributable to non-realised foreign exchange differences on financial leasing agreements of TSEK 5 993 and an impairment of a parked BAe ATP aircraft of TSEK 4 992.*

*The B767 project remains on schedule for a late Q1 operation start. Commercial agreements are agreed and in place. West Atlantic has continued to subcontract two wet-leased B767 on a management recharge basis. The wet-leases have not had a significant impact on revenues nor EBITDA for the period. Start-up costs from the project are continuously expensed and impacted profitability for the period.*

*West Atlantic will in 2015 increase the efforts to rationalise and streamline the organisation on the technical side and in flight operations. The Group expects an increase in efficiency from these actions in the later part of 2015 and with full effect in 2016." -* says Gustaf Thureborn, CEO & Group president.

### Key financial information & ratios for the Group

| TSEK | Oct - Dec 2014 | Oct - Dec 2013 | Jan - Dec 2014 | Jan - Dec 2013 |
|---|---|---|---|---|
| Revenue | 319 490 | 285 082 | 1 236 944 | 1 064 529 |
| EBITDA | 45 033 | 45 399 | 183 865 | 162 691 |
| Operating income | 16 203 | 22 360 | 90 209 | 84 269 |
| Income before tax | -3 591 | 12 501 | 21 601 | 38 805 |
| Net income for the period | -4 226 | 9 729 | 10 584 | 35 174 |
| Cash flow from operating activities | 79 964 | -1 626 | 227 068 | 72 222 |
| | **31 Dec 2014** | **31 Dec 2013** | | |
| Net interest bearing debt | 575 503 | 538 041 | | |
| Equity / asset ratio | 21,51% | 21,12% | | |

*All comparative figures for year 2013 have been translated to IFRS. For the effects of the translation for corresponding interim period and for the effects of the translation to IFRS for the full year 2013, see note 5. Due to reclassifications of revenue, and adjustments of deferred taxes, figures for the comparative year 2013 have been restated, compared to the previous interim report Q3, see accounting principles, page 6, income statement, page 8 and equity, page 9.*

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## Comments by the CEO October – December

- Revenue: TSEK 319 490 (285 082)
- EBITDA: TSEK 45 033 (45 399)
- Posten Norge A/S award announced
- PostNord issuing public tender for 2016
- B737-400 aircraft in commercial service
- B767 project remains on schedule

**Revenue, income and cash flow from operations**
Revenue for the quarter increased by 12 percent year-on-year indicating a continued solid growth for the Group. The increase in revenue primarily derives from increased B737 operations. West Atlantic's fourth quarter performance resulted in an income before tax of TSEK -3 591 (12 501) and an EBITDA of TSEK 45 033 (45 399).

While EBITDA remained stable the Group experienced a decrease in net income. This was mainly attributable to non-realised foreign exchange differences on financial leasing agreements of TSEK 5 993 and an impairment of a parked BAe ATP aircraft of TSEK 4 992.

On the operational side, the B737-400 bound for intra-EU operations entered into commercial service in early October. The bridging process for this aircraft was exceptionally long, but the Group has started to capitalise on the asset and increasing operational efficiency within the network by replacing previously subcontracted capacity.

The B767 project remain on schedule for a late Q1 operation start. Commercial agreements are agreed and in place. West Atlantic has continued to subcontract two wet-leased B767 on a management recharge basis, which currently are operated by ATSG, our partner in this project. The wet-leases have not had a significant impact on revenues nor EBITDA for the period. Start-up costs from the project are continuously expensed and impacted profitability for the period.

The cash flow from operating activities amounted to TSEK 79 964 (-1 626), the improved cash flow mainly derives from reduced working capital.

**Market & Customers**
Posten Norge A/S – the Norwegian Postal Service – and West Atlantic AB (Publ) agreed to a new contract for domestic air transportation of mail. The agreement begins in August 2015 and expires in July 2020. The award announced further includes options of annual extension thereafter for a possible maximum duration of eight years. The agreement marks a cornerstone for the Group with stable operating conditions in Norway for many years to come. This will allow the Group to capitalise on the longest commercial commitment in the Group's 20 year history.

The Group cancelled its Portuguese operations due decreased demand and the aircraft was deployed with other existing customers for the peak period. Following the end of peak the aircraft is deployed on a new express integrator agreement, starting January, 2015.

The Group has further signed an agreement with a Northern African express provider with operation start in January 2015, the capacity will be deployed from the current spare fleet, increasing utilisation and contribution from the asset.

In the Swedish market, PostNord, the Swedish/Danish national mail organisation, has issued a tender for air transportation of mail starting in 2016. West Atlantic currently operates five BAe ATPs for the customer, and the tender requirement is for up to 14 aircraft.

Overall the positive market trends reported continues and have been proven accurate based on the commercial activity in the fourth quarter. The Group is further participating in several ongoing tender processes to deploy additional capacity.

**Outlook**
The market outlook for the full year 2015 remains stable and the additions of the two express contracts reported above will further improve utilisation of the existing aircraft fleet.

West Atlantic will in 2015 increase the efforts to rationalise and streamline the organisation on the technical side and in flight operations. The Group expects an increase in efficiency from these actions in the later part of 2015 and with full effect in 2016.

The Group is still awaiting the start of its European B767 traffic in 2015 where West Atlantic identifies favourable opportunities to increase traffic volumes and capitalise on its already established and strong position in Europe.

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 a European based, dedicated cargo airline group specialised in mail and express solutions. Drawing from its many years' of experience the Group can offer its customers customised & efficient solutions for air freight services, maintenance, airworthiness services and aircraft leasing.

**Financial report**
This interim report covers the period 2014-01-01 to 2014-12-31 including the quarter 2014-10-01 to 2014-12-31. Comparative figures in this report covers the corresponding period for 2013 unless otherwise stated. All comparative figures for year 2013 in this report have been translated to IFRS. All financial information in this report refers to the West Atlantic Group unless otherwise stated that the information refers to the parent company West Atlantic AB (publ).

**Significant events during the reporting period January-December:**

**Q1, Q2 and Q3**

- The announced agreement in which Air Transport Services Group Inc. (NASDAQ: ATSG) acquired a 25 per cent shareholding in the parent company was signed on the 7th of January.
- The transition to International Financial Reporting Standards (IFRS) was implemented as from 1st of January.
- West Air Sweden AB reported full EASA compliance and approval by Transportstyrelsen as one of the first airlines in Sweden.
- The Group took delivery of a purchased B737-400 freighter. The company entered into a long term dry operating lease agreement and delivered the aircraft to Denmark based airline Jet Time.
- West Atlantic's corporate bond was listed on NASDAQ, Stockholm in April.
- The Group took delivery of one B737-400 freighter and one B737-300 freighter, both operational leased. The last aircraft is currently deployed as peak, ad hoc and spare capacity for maintenance activities.
- As from 1 September, the Group's logistics and purchasing activities were combined and all stock and maintenance activities were transferred to Sweden under the one-logistic project reported in Q1 and Q2. Following an adaption of the accounting principles, a reclassification was made between inventories and tangible assets.
- The Group received confirmation from the French tax authorities that the previous subsidiary West Air Luxembourg S.A. (sold in October 2013), was not liable for French income tax prior to the sale. Due to this, TSEK 10 500 was released from an escrow account.

**Q4**

- In October the Group sold a promissory note for TSEK 18 101, with a book value of TSEK 16 873, for further info see below section regarding transactions with related parties.
- Subsidiary Atlantic Airlines Ltd reported full EASA compliance and approval by the UK CAA.

**Revenue and income**
*October - December*
Revenue for the period amounted to TSEK 319 490 (285 082), an increase by 12 per cent year-on-year. The increase is mainly attributable to the Group's continued expansion in the B737 airfreight operations. For the break-down of revenue in detail, please see note 2, Break-down of revenues.

EBITDA amounted to TSEK 45 033 (45 399). Operating income amounted to TSEK 16 203 (22 360). The decrease in operating income compared to 2013, was mainly attributable to an impairment of fixed assets of TSEK 4 992. Financial costs are affected by non-realised foreign exchange currency differences of TSEK 5 993. These are attributable to foreign currency liabilities relating to financial leased aircraft. Adjusted for these two items the income before tax amounted to TSEK 7 394 (12 501). Income tax for the period mainly refers to deferred tax liabilities of TSEK 3 165, due to fixed asset timing differences. Profit after tax amounted to TSEK – 4 226 (9 729).

*January – December*
Revenue for the period amounted to TSEK 1 236 944 (1 064 529), an increase of 16 per cent year-on-year. The increase in revenue is mainly attributable to the Group's continuous B737 expansion. For the break-down of revenue in detail, please see note 2, Break-down of revenues.

EBITDA amounted to TSEK 183 865 (162 691). Operating income amounted to TSEK 90 209 (84 269). In total, this is affected by profit from aircraft sales which amounts to TSEK 8 074 (6 598). Also received management fee from the co-operation arrangement with Erik Thun AB is included with an amount of TSEK 16 574 (5 692). For more information about this fees, see below, transactions with related parties. Operating income for the period has been affected negatively primarily by start-up costs with regards to the B767 project and the introduction of the B737-400 aircraft type already mentioned in the interim reports for Q2 and Q3. The increase in financial costs year-on-year is mainly attributable to the corporate bond loan. The increase is further attributable to non-realised foreign exchange currency differences of TSEK 13 751, relating to the mentioned foreign currency liabilities concerning financial leased aircraft. The change in income tax year-on-year mainly refers to deferred taxes, due to fixed asset timing differences and increased untaxed reserves in UK and Sweden. Profit after tax amounted to TSEK 10 584 (35 174).

**Investments**

*October - December*

Investments in tangible fixed assets amounted to TSEK 72 733 (57 307). Investments in intangible fixed assets amounted to TSEK 0 (0). Investments in financial fixed assets amounted to TSEK 0 (184).

*January - December*

Investments in tangible fixed assets amounted to TSEK 220 820 (270 570). The amount includes a purchase of a B737-400 as well as a reclassification from inventories. In addition to investments in fixed assets the Group has taken delivery of two B737 aircraft on long term operating lease agreements. Investments in intangible fixed assets amounted to TSEK 0 (0). Investments in financial fixed assets amounted to TSEK 4 466 (2 698).

**Sales of non-current assets**

*October - December*

Payments from financial fixed assets including received interests amounted to TSEK 18 770 (3). During the period no sales of non-current tangible fixed assets have been made.

*January - December*

Payments from financial fixed assets including received interests amounted to TSEK 19 189 (1 906). During the period two aircraft have been sold. The remuneration amounted to TSEK 17 176. The net profit from these sales amounts to TSEK 8 074. Concerning the accounting principles for sales of aircraft, please see note 1, accounting principles, p 1.4.

**Impairment of non-current assets**

*October - December*

During the period an impairment of a long term parked aircraft has been made which amounted to TSEK 4 992.

*January - December*

During the period an impairment of a long term parked aircraft has been made which amounted to TSEK 4 992.

**Cash flow**

*October - December*

Cash flow from operating activities before changes in working capital amounted to TSEK 58 733 (50 608). Cash flow from changes in net working capital amounted to TSEK 21 231 (-52 234). During the corresponding period last year, the cash flow was affected negatively by a significant increase in trade receivables. Further, the proceedings from the sale of West Air Luxembourg S.A (described above, significant events January - December) was placed on escrow account, contributing to the increase in net working capital and the negative cash flow. Changes in interest bearing liabilities amounted to TSEK -16 988 (32 280), mainly due to the change in overdraft facilities. Cash flow for the period amounted to TSEK 299 (-41 427). Year-on-year, the increased cash flow for the period is mainly attributable to increased cash flow from operating activities.

*January - December*

Cash flow from operating activities before changes in working capital for the period amounted to TSEK 206 159 (151 391). Cash flow from changes in net working capital amounted to TSEK 20 909 (-79 169). The main reasons for the improved cash flow are described above. Besides, during last year significant amortisations of short term liabilities were made. Changes in interest bearing liabilities amounted to TSEK -37 282 (274 292). The total cash flow for the period amounted to TSEK -55 625 (34 414). The lowered cash flow year-on-year is mainly attributable to corporate bond issue in 2013 and the purchase of one B737-400 in Q1, 2014.

**Financial position and financing**

Cash and cash equivalents at the end of the period amounted to TSEK 17 627 (74 562), including non-utilised revolving credit facilities, available cash and cash equivalents amounted to TSEK 67 627 (124 562). Equity amounted to TSEK 233 297 (220 343) and the equity to asset ratio amounted to 21,5 (21,1) per cent. Net interest bearing liabilities amounted to TSEK 575 503 (538 041), see note 6, Corporate bond.

**Organisation**

The Group employed 488 (443) people at the end of the period. The average number of employees for the period January-December amounted to 472 (451).

**Transactions with related parties**

Transactions between the company and its subsidiaries, which are related parties, have been eliminated in the Group consolidation. These transactions including any transactions with affiliated companies are made on current market terms. The Group also made the following transactions with other related parties during the period January – December on current market terms.

*Medicinkonsulterna Göran Berglund AB*

This company is owned by Göran Berglund (chairman of the board and shareholder). The Group sold one aircraft (Cessna Citation) to the company. The remuneration amounted to TSEK 2 176. The Group has also invoiced this company for aircraft maintenance and fuel at an amount of TSEK 126. The Group has further leased the mentioned aircraft from this company during the year, amounting to TSEK 44.

*Förvaltningbolaget Örgryte KB*
This company is indirectly substantially owned by Gustaf Thureborn (CEO & President and shareholder of West Atlantic AB (publ). The Group has been charged for office rent for the building owned by this company at an amount of TSEK 1 545, following a long-term agreement since 1997.

*Erik Thun AB*
This company is represented by its chairman of the board, Staffan Carlsson, which also is a board member of West Atlantic AB (publ) since May 27, 2014. The Group has made several significant transactions with Erik Thun AB. First, the related party transaction connected to the received remunerations from the co-operation arrangement. These transactions amount to TSEK 7 519. For more details about the content of this arrangement, see accounting principles p 1.10, co-operation arrangement. Moreover, as described above, significant events Q4, the Group sold a promissory note, which had a book value of TSEK 16 873 (nominal value TSEK 20 000) at amount of TSEK 18 101. The Group has also sold a CRJ200 at an amount of TSEK 13 922. This sale was made in very close connection with the purchase of the same aircraft.

*Horizon Ltd*
This company is represented by Russell Ladkin which is a shareholder of West Atlantic AB (publ) and a member of Group management. Horizon Ltd invoiced the Group for commercial consulting services performed by Horizon Ltd. The services including expenses amounted to TSEK 3 091.

*All Konsult Langhard KB*
This company is owned by Claudia Ladkin, related party to Russell Ladkin above and member of Group management. The company invoices the Group for HR consulting services performed by All Konsult Langhard KB. The services including expenses amounted to TSEK 1 335.

*Arcsec AB*
Performs archiving services for the Group, significant for Arcsec AB. Owner is a close relative to Gustaf Thureborn (mentioned above). The services amounts to TSEK 34. This business relationship has existed since 2008.

*Agbaleo AB*
Owned by Fredrik Lindgren which is a board member of West Atlantic AB (publ). The board fee including expenses is invoiced by this company and amounted to TSEK 249.

*Jörgen Arnemar AB*
Jörgen Arnemar is a board member of West Air Sweden AB (group company) and also a member of the audit committee of the Group. The company has invoiced the Group for board fees and pilot fees at an amount of 308 TSEK.

*Air Transport Service Group*
During the period the Group has subcontracted two wet-leased B767 from ATSG, shareholder and represented in the board of directors. The wet-leases have not had a significant impact on revenue, net income for the period or the statement of financial position.

**Significant events after the reporting period**

- In February, Posten Norge A/S – the Norwegian Postal Service – and West Atlantic AB (publ) agreed to a new contract for domestic air transportation of mail. The new agreement begins in August 2015 and expires in July 2020 with an option of additional three more years.
- PostNord, the Swedish/Danish national mail organisation, has issued a tender for air transportation of mail starting in 2016. West Atlantic currently operates five BAe ATPs for the customer, and the tender requirement for up to 14 aircraft.

**Legal proceedings**
An additional provision was made in Q2 of MSEK 2,8 due to additional claims relating to termination of employment contracts. This case was finalised in Q4 with a demand of MSEK 1,7. In Q4 an additional provision of MSEK 3,3 was made due to additional claims regarding pension charges from the French process, mentioned in previous interim reports. In total, the provision is higher than at the end of 2013. West Atlantic is not a part of any other legal proceedings having material effect on the Group's financial position or income.

**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 3.

**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

*Financial market instability*
Aircraft operations, leasing and maintenance are capital intensive industries. West Atlantic relies on a solid long term funding position to be able to conduct and expand operations efficiently. Instabilities on financial markets is a risk the Group has identified and counters by securing long term funding. The corporate bond loan, issued

in 2013, has been instrumental in securing this long term funding.

*Fluctuations in foreign exchange rates and fuel prices*
One of the most apparent risks for the Group is foreign currency risk. The Group is exposed to foreign currency (primary GBP, EUR, USD and NOK) and also jet fuel. A majority of the Group's revenues are denoted in foreign currency. The Group mitigate foreign exchange and fuel fluctuation risks primarily by customised customer contracts. For the national mail organisations the risks are transferred and/or shared directly with the customer. In the express market West Atlantic operates mostly on an ACMI-basis (whereby the customer pays direct operating costs such as fuel). In summary, West Atlantic obtains a low operational risk for fluctuations in currency and fuel in spite of significant exposure.

*Market and political risks*
Market and political risks include shifts in demand, increase in costs and other factors which can significantly impact the Group's financial position. West Atlantic identifies several political risks which can have an adverse impact on income and financial position, the most important being changes in regulations in overnight mail delivery. Further risks are environmental taxes (an example being the EU-ETS system) or regulatory changes concerning aviation or aircraft manufacturing.

*Operating risks*
As airlines, the subsidiaries West Air Sweden AB and Atlantic Airlines Ltd. are exposed to operative risks.
Operational risks are managed by strict operating regulations to which both airlines are required to comply. All maintenance and airworthiness activities are carried out under the applicable permit (Part 145, Part M). Until today, West Atlantic has never been involved in a serious accident nor incident during more than 20 years of operations.

**Remuneration policy**
West Atlantic shall offer its management and key employees a remuneration reflecting market terms, company performance and individual performance. The remuneration shall ensure that management and shareholder goals are aligned.

**Environmental information**
The Group's subsidiary West Air Sweden AB has a reporting obligation in accordance with the Swedish Environmental Code, which concerns limited handling of oils that do not require special permission. The aircraft fleet consists mainly of second generation turboprop aircraft, which are substantially more environmentally friendly from a noise, fuel consumption and CO2 perspective compared to the first generation. During 2012 the trading of emissions allowances within the European Union started.

**Accounting principles**
Accounting principles and other financial information can be found in note 1. This interim report is the fourth financial report prepared by the Group in accordance with IFRS. The transition date was 2013-01-01. The impacts of the transition were presented in the interim report for Jan – March 2014, note 3. The impacts of the transition to IFRS for the actual interim period and the full reporting period are presented in note 5 in this report. All comparative figures for year 2013 in the following reports have been translated to IFRS.

**Changed accounting principles – reclassifications of revenue and other income**
The Group has decided to reclassify revenue from sale of aircraft in a manner that means that going forward, the whole received remuneration is recorded as revenue in the statement of income. Previously, the amount from the profit from the sale was recorded as revenue. In the accounts, the change means that both the revenue and costs of services provided increases. The change has been made to harmonise with the business model of the Group.

Another reclassification concern the adjustment of profit of sale of aircraft in the statement of income which occurred in connection with the transition to IFRS 2013-01-01 and with effect from year 2013 (see note 5, ref g in this interim report). The adjustment was made due to a previous sale and lease-back transaction which occurred before the transition and where the profit is allocated during the duration of the lease agreement. The new agreements were classified as financial leases. The actual aircraft are recorded in the statement of financial position in the Group. Previously these adjustments were accounted as revenue. The aircraft are in operation and recorded in statement of financial position and not disposed. Because of this the Group assesses the adjustment forwards to be reclassified to other income. This treatment also harmonise with IAS17.

Besides, reclassification has been done of the management fees, received from the co-operation arrangement with Erik Thun. Previously, these have been accounted as revenue. However the Group now assesses the fees as other income as these are not regular income.

Finally, other non-regularly miscellaneous revenues has been reclassified to other income.

These changed accounting principles means that prior periods are restated and the new principles comprehend both year 2014 and 2013. A note which explains the effects are seen in connection with the statement of income, page 8.

## *Parent Company*

**About the parent company**

The parent company is the contracted party for a significant part of the Group's operations. The company absorbs the corresponding costs. A major part of the aircraft fleet is financed by the corporate bond loan issued by the parent company.

**Changed accounting principles**

As noted in the comments to the statement of income, page 10, there has been a change in the accounting principles which concern group contributions. As from 2014, paid and received group contributions are recorded as financial items in the statement of income in accordance with RFR2, accounting for legal entities. Until previous years, these were recorded as items directly in equity including connected tax effects. As a consequence, the statement of income for year 2013 has been restated, see pages 10.

**Revenue and income**

*October - December*

Revenue for the period amounted to TSEK 148 565 (158 380), a decrease by 6 per cent year-on-year. The positive seasonal effect was considerable higher for the same period last year. Operating income amounted to TSEK 1 783 (-2 841). The positive operating income is mainly attributable to other income which mainly consists of foreign currency exchange gains. Profit after tax amounted to TSEK 1 875 (9 648). The profit year-on-year decreased, but can be explained by the item profit from shareholdings which last year included the gain from the sale of the subsidiary West Air Luxembourg S.A.

*January - December*

Revenue for the period amounted to TSEK 579 790 (559 512), an increase of 4 per cent year-on-year. Operating income amounted to TSEK 5 380 (25 170). The decrease is attributable to start-up costs with regard to the B767 project and significant higher flight operational costs. The financial net has been positively affected by dividends from Group companies and interest on the intragroup loans. A significant part of these loans were added in May 2013. Profit after tax amounted to TSEK 11 588 (18 899).

**Financial position and financing**

*January - December*

Cash and cash equivalents at the end of the period amounted to TSEK 964 (58 572), including non-utilised revolving credit facilities, the available cash and cash equivalents amounted to TSEK 50 964 (108 572). During the period cash has been affected mainly by financing activities, both internal and external. Equity amounted to TSEK 60 115 (48 528) and Interest bearing liabilities amounted to TSEK 491 202 (515 338).

**Corporate bond**

The Company has issued a corporate bond loan subject to trade on the NASDAQ OMX in Stockholm, listing date was the 11$^{th}$ of April, 2014. The instrument is listed as WEST001 and the number of instruments issued is 500 with a nominal value of TSEK 1 000 each. For terms conditions of the corporate bond loan, please see the website of West Atlantic AB (publ) available at www.westatlantic.eu

# West Atlantic Group

## Statement of income including statement of other comprehensive income

| TSEK | Oct - Dec 2014 | Oct - Dec 2013 | Jan - Dec 2014 | Jan - Dec 2013 |
|---|---|---|---|---|
| Revenue* | 319 490 | 285 082 | 1 236 944 | 1 064 529 |
| Cost of services provided* | -294 840 | -266 230 | -1 124 472 | -965 701 |
| **Gross income:** | **24 650** | **18 852** | **112 472** | **98 828** |
| Cost of sales | -2 848 | 5 688 | -8 601 | 4 444 |
| Administrative costs | -11 575 | -14 301 | -43 736 | -51 067 |
| Other income & costs* | 5 976 | 12 121 | 30 074 | 32 064 |
| **Operating income:** | **16 203** | **22 360** | **90 209** | **84 269** |
| Financial income | 2 654 | 7 167 | 8 605 | 13 363 |
| Financial costs | -22 448 | -17 026 | -77 213 | -58 827 |
| **Income before tax:** | **-3 591** | **12 501** | **21 601** | **38 805** |
| Income tax** | -635 | -2 772 | -11 017 | -3 631 |
| **Net Income:** | **-4 226** | **9 729** | **10 584** | **35 174** |
| Attributable to: | | | | |
| - Shareholders of the Parent Company | **-4 226** | **9 729** | **10 584** | **35 174** |
| Earnings per share (SEK): | -0,16 | 0,36 | 0,39 | 1,30 |
| **Statement of other comprehensive income** | | | | |
| Net income: | **-4 226** | **9 729** | **10 584** | **35 174** |
| Other comprehensive income: | | | | |
| Items that may be classified as net income: | | | | |
| Exchange-rate differences in translation of foreign operations | 366 | 250 | 2 300 | -97 |
| **Total comprehensive income for the period:** | **-3 860** | **9 979** | **12 884** | **35 077** |
| Attributable to: | | | | |
| - Shareholders of the Parent Company | **-3 860** | **9 979** | **12 884** | **35 077** |

**Reclassification of revenue have been done due to the changed accounting principle concerning sale of aircraft. Forwards, the whole remuneration is included in revenue. This means that revenue has increased and costs of service has increased by TSEK 11 221 for the period Jan - Dec 2013. Reclassification of profit of sale of aircraft from revenue to other income. This means that revenue has decreased and other income has increased by TSEK 18 399 for the period Jan - Dec 2013. Reclassification of management fees from co-operation arrangement to other income. This means that revenue has decreased and other income has increased by TSEK 16 574 for the period Jan-Dec 2013. Finally, other non-regularly miscellaneous revenues have been reclassified to other income at an amount of TSEK 8 101 for the same period. All other figures are updated according to the new principles.*

***Income tax for year 2013 has decreased by net TSEK 2 201. This concern deferred taxes on untaxed reserves. As the Group implemented component depreciations in 2013 the depreciations increased, and the accumulated depreciations above plan also decreased. Due to this, the deferred tax liabilities were decreased. The whole effect should affect the deferred tax cost in year 2013, which now is corrected.*

## Condensed statement of financial position

| TSEK | Dec 31 2014 | Dec 31 2013 |
|---|---|---|
| Non-tangible assets | 1 165 | 2 358 |
| Tangible assets | 720 858 | 623 389 |
| Financial assets | 15 373 | 28 789 |
| **Total non-current assets** | **737 396** | **654 536** |
| Inventories | 120 718 | 116 559 |
| Other current assets | 192 737 | 181 401 |
| Cash and cash equivalents | 17 627 | 74 562 |
| **Total current assets** | **331 082** | **372 522** |
| Assets held for sale | 16 275 | 16 275 |
| **Total assets** | **1 084 753** | **1 043 333** |
| Shareholders' equity | 233 297 | 220 343 |
| Non-current liabilities | 642 375 | 624 863 |
| Current liabilities | 209 081 | 198 127 |
| **Total shareholders' equity and liabilities** | **1 084 753** | **1 043 333** |

## Condensed changes in shareholders' equity

| TSEK | Share capital | Translation reserves | Profit brought forward | Income for the year | Total share-holders' equity |
|---|---|---|---|---|---|
| **Opening shareholders' equity, Jan 1, 2014** | **27 005** | -97 | 193 435 | - | **220 343** |
| Group adjustments | | | 70 | | **70** |
| Net income for the year | | | | 10 584 | **10 584** |
| Other comprehensive income for the year | | 2 300 | | | **2 300** |
| **Closing balance Dec 31, 2014** | **27 005** | **2 203** | **193 505** | **10 584** | **233 297** |
| **Opening shareholders' equity, Jan 1, 2013** | **27 005** | - | **169 063** | - | **196 068** |
| Paid dividend | | | -10 802 | | **-10 802** |
| Net income for the year | | | | 35 174 | **35 174** |
| Other comprehensive income for the year | | -97 | | | **-97** |
| **Closing balance Dec 31, 2013**** | **27 005** | **-97** | **158 261** | **35 174** | **220 343** |

***For the effects of the translation to IFRS at 2013-12-31, see note 5. Compared to the interim report Q3, profit brought forward has decreased by TSEK 5 127. This amount, a positive deferred tax income is now included in net income for the year. Net income has also been affected by a deferred tax cost of TSEK 2 926. In total net income has increased by TSEK 2 201, see also page 8, comments to the income statement.*

## Condensed statement of cash flows

| TSEK | Oct - Dec 2014 | Oct - Dec 2013 | Jan - Dec 2014 | Jan - Dec 2013 |
|---|---|---|---|---|
| **Income before financial activities** | **16 203** | **22 360** | **90 209** | **84 269** |
| <u>Adjustments for non-cash items</u> | | | | |
| Depreciation | 28 830 | 23 039 | 93 656 | 78 422 |
| Other non-cash items | 8 809 | 2 575 | 28 122 | -5 402 |
| Income tax paid | 4 891 | 2 634 | -5 828 | -5 898 |
| **Cash flow from operating activities before changes in working capital** | **58 733** | **50 608** | **206 159** | **151 391** |
| Change in working capital | 21 231 | -52 234 | 20 909 | -79 169 |
| **Cash flow from operating activities** | **79 964** | **-1 626** | **227 068** | **72 222** |
| Investments in intangible fixed assets | - | - | - | - |
| Investments in tangible fixed assets | -72 733 | -57 307 | -207 549 | -270 570 |
| Sales of tangible fixed assets | - | 5 419 | 2 176 | 13 321 |
| Other investing activities | 18 770 | -181 | 14 723 | -792 |
| **Cash flow from investing activities** | **-53 963** | **-52 069** | **-190 650** | **-258 040** |
| **Cash flow from financing activities** | -25 702 | 12 268 | -92 043 | 220 233 |
| **Cash flow for the period** | **299** | **-41 427** | **-55 625** | **34 414** |
| Cash and cash equivalents at the beginning of the period | 17 486 | 115 939 | 74 562 | 39 957 |
| Translation difference in cash and cash equivalents | -158 | 50 | -1 310 | 191 |
| **Cash and cash equivalents at the end of the period** | **17 627** | **74 562** | **17 627** | **74 562** |

# Parent company information West Atlantic AB (publ)

## Statement of income including statement of other comprehensive income

| TSEK | Oct - Dec 2014 | Oct - Dec 2013 | Jan - Dec 2014 | Jan - Dec 2013 | |
|---|---|---|---|---|---|
| Revenue | 148 565 | 158 380 | 579 790 | 559 512 | * |
| Cost of services provided | -147 215 | -155 192 | -561 704 | -479 009 | |
| **Gross income:** | **1 350** | **3 188** | **18 086** | **80 503** | |
| Cost of sales | -744 | 711 | -1 837 | -1 499 | |
| Administrative costs | -8 671 | -8 401 | -22 161 | -53 250 | |
| Other income & costs | 9 848 | 1 661 | 11 292 | -584 | * |
| **Operating income:** | **1 783** | **-2 841** | **5 380** | **25 170** | |
| Profit from shareholdings | 1 821 | 9 420 | 16 821 | 10 239 | |
| Interest & similar income | 9 074 | 13 537 | 33 004 | 15 577 | * |
| Interest & similar costs | -10 720 | -10 625 | -43 670 | -29 131 | |
| **Income after financial items:** | **1 958** | **9 491** | **11 535** | **21 855** | |
| Tax on profit for the period | -83 | 157 | 53 | -2 956 | * |
| **Net income:** | **1 875** | **9 648** | **11 588** | **18 899** | |
| **Statement of other comprehensive income** | | | | | |
| Net income: | 1 875 | 9 648 | 11 588 | 18 899 | |
| Other comprehensive income: | - | - | - | - | |
| **Total comprehensive income for the period** | **1 875** | **9 648** | **11 588** | **18 899** | |

**Compared to the previous interim report, Q3 an adjustment has been made for the noted items for year 2013. Forwards, the parent company accounts both paid and received group contributions as financial items in accordance with RFR2. Previously, group contributions were accounted over the equity. Hence, financial income has decreased by TSEK 6 500 and tax on profit for the period has decreased by TSEK 1 430.*

*Profit brought forward has increased by TSEK 5 070, net. In total, equity is unaffected. Also, other non-regularly miscellaneous revenues have been reclassified to other income at an amount of TSEK 963.*

## Condensed statement of financial position

| TSEK | Dec 31 2014 | Dec 31 2013 |
|---|---|---|
| Non-tangible assets | 175 | 263 |
| Financial assets | 386 705 | 81 154 |
| **Total non-current assets** | **386 880** | **81 417** |
| Other current assets | 191 389 | 453 615 |
| Cash and cash equivalents | 964 | 58 572 |
| **Total current assets** | **192 353** | **512 187** |
| **Total assets** | **579 233** | **593 604** |
| Shareholders' equity | 60 115 | 48 528 |
| Untaxed reserves | 1 460 | 1 460 |
| Non-current liabilities | 494 092 | 489 955 |
| Current liabilities | 23 566 | 53 661 |
| **Total shareholders' equity and liabilities** | **579 233** | **593 604** |

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 25, 2015

Göran Berglund
*Chairman of the Board*

Gustaf Thureborn
*CEO, Member of the Board*

Staffan Carlson
*Member of the Board*

Joseph Payne
*Member of the Board*

Fredrik Lindgren
*Member of the Board*

*This interim report has not been audited.*

# Notes

## Note 1 – Summary of essential accounting principles

### *Group*

**1.1 Accounting principles**

This interim report has been prepared in accordance with IAS 34 "Financial Interim reporting" and reflects the first six months of the fiscal year of 2014. The most essential applied accounting principles for the Group and the Parent Company are presented in this note.

The IFRS standards and the interpretations applied in this interim report are these approved by EU prior to 2014-12-31. As the Group applies IFRS from 2014-01-01, accounting and calculation principles applied in the in the annual report 2013, may significantly deviate from principles applied in this report. A complete description of the effects from the transition to IFRS including the change of accounting principles, was presented in the interim report Q1, 2014, available on the Group's webpage.

This 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). Where the parent company applies different accounting principles compared to the Group, this will be stated.

*New IFRS standards*

Below a statement follows of the new IFRS standards, which are applied as from 2014-01-01 and the possible impact they may have on the Group's accounting principles.

*IFRS10 Consolidated financial statements* is a new standard that determines when there is a controlling influence over an entity, and when the this entity has to be consolidated in the financial statements. Detailed conditions are established, which have to be met if a controlling influence should exist. This updated standard does not have an impact on the consolidation of the subsidiaries of the Group, based on the Group's assessment.

*IFRS11 Joint Arrangements* is a new standard that outlines accounting of joint arrangements including different consolidation methods. This standard will not have an impact for the Group, based on the Group's assessment.

*IFRS12 Disclosure of interest in other entities* is a new standard for disclosures of investments in entities, joint arrangements, associated companies and investments in other entities which are not consolidated. This standard affect the Group's annual financial statements in the way that extended information are given about shares in associated companies.

**1.2 Group consolidated accounts, business combinations and goodwill**

*Subsidiaries*

The Group consolidated accounts contains subsidiaries where the parent company directly or indirectly control more than 50 per cent of the voting shares and where the shares are determined to be material, or in any other way possess controlling influence of the entity. Subsidiaries are included in the Group consolidated accounts from the date of transfer of controlling influence to the Group and are consequently excluded from the accounts from the date of transfer of controlling influence from the Group.

*Associated companies*

Associated companies are those wherein the Group has a significant, but not controlling influence. This normally means between 20-50 per cent of the voting shares. Interests in associated companies are accounted according to the equity method and are originally valuated at acquisition value. At the date of the transition to IFRS, 2013-01-01, this acquisition value was equal to the recorded value according to prior accounting principles. The Group's part of the profit from the associated company, which occurred after the mentioned date, is recorded in the income statement and as a change in value of the investment. Further, other changes in equity of associated companies are recorded as a change in the value of the investment.

Business combinations are recorded in accordance with the acquisition accounting method. The purchase price consists of the fair value of the acquired assets, liabilities and the potential shares issued by the Group on the acquisition date. Direct acquisition costs are continuously expensed. Note that the Group in connection with the transition to IFRS applied permitted exemption from retroactive appliance of IFRS3.

The amount exceeding the fair value of the Group's share of the acquired entity's net assets at the time of acquisition is recognised as goodwill.

Group internal transactions and balances, including non-realised profits and losses between Group companies, are eliminated. The accounting principles of subsidiaries are adjusted to harmonise with Group principles.

**1.3 Statement of cash flow**

The cash flow statement is prepared in accordance with the indirect method, meaning that the operating income is adjusted for transactions not affecting cash flow for the period, as well as income and cost deriving from financing or investing activities. In almost all cases, revenue from sale of aircraft are included in the operating income, and not as sales of tangible fixed assets.

**1.4 Accounting of revenue**

*Air freight services*

The majority of the Group's revenue comes from air freight services with customised aircraft. Accounting of revenue occur when such freight service has been carried out. The Group's revenue from air freight services mainly derives from long term agreements. Performed, but not invoiced, air freight services are recognised in the balance sheet at the estimated invoice value.

*Technical services, sale of spare parts and aircraft*

Revenue from aircraft technical services are recorded when the service has been carried out and is based on contractual terms.

For sale of parts and components revenue is recorded at the time when risks and benefits from ownership are transferred from the Group, the Group is no longer in control of the component, reliable estimations of revenue and outstanding expenses can be made and it is probable that the financial benefits of the sale will be realised by the Group. Revenue is based on contractual terms.

For aircraft sales the risks and benefits from ownership are transferred from the group when a bill of sale is signed, which often corresponds with the actual delivery date of the aircraft. At such time revenue from sale of aircraft is recorded. In almost all cases, the revenue corresponds to the received remuneration from the sale. The costs for the disposal is recorded as cost of services provided.

*Aircraft leasing*

Aircraft leasing revenue is recorded according to agreement on a monthly basis.

*Interest income and costs*

Where the effective interest method is applicable, interest income and cost are allocated over the duration of financial asset or liability.

**1.5 Foreign exchange**

The Group's legal entities applies local currency as functional currency. The Group's consolidated accounts are prepared and reported in

Swedish Krona (SEK), which is the functional currency of the Parent Company.

Transactions in foreign currency are translated to functional currency with daily applicable exchange rates. At the time of closing of accounts all monetary items in foreign currency are translated to applicable closing date exchange rates. Non-monetary items in foreign exchange, which are valued at acquisition value, are not translated into functional currency.

When preparing the consolidated accounts Group companies' assets and liabilities are translated into reporting currency (SEK) at applicable closing date exchange rates. Transactions affecting revenue and costs are translated into reporting currency using the average foreign exchange rates for the year to date reporting period. Translation differences from income and equity are recognised in the income statement as other comprehensive income and in the statement of financial position as translation reserves. All exchange rates applied in the preparation of the Group consolidated accounts and financial reporting are published by the Swedish Central Bank (Riksbanken).

**1.6 Intangible fixed assets**

*Licenses and IT-systems*

Intangible fixed assets are recognised when the following criteria is met:

- the asset is separable from the company and can for instance be transferred or leased out
- the asset derives from contractual and/or legal rights
- the company is in control of the asset, defined as being able to obtain future financial benefits from the asset
- the asset has an expected future positive return

The Group capitalise such costs as intangible fixed assets when it is probable that the asset has an expected positive future return, either in form of cost savings or other benefits from to the use of the asset, and a reliable estimate of the acquisition value can be made.

Intangible fixed assets are recorded at acquisition value less accumulated depreciation and applicable impairment.

**1.7 Tangible fixed assets**

Tangible fixed assets are valued at acquisition value less accumulated depreciation and applicable impairment. The acquisition value consists of direct acquisition costs. The majority of the Group's tangible fixed assets contains of aircraft and adhering aircraft components with an estimated economical life exceeding one year. Additional costs such as aircraft modifications, engine overhauls, structural inspections and repairable spare components increase the acquisition value of the aircraft when it is probable that the asset has an expected positive future return, either in form of cost savings or other benefits from the use of the asset, and a reliable estimate of the acquisition value can be made. All other recurring aircraft maintenance costs are continuously expensed.

Components of tangible fixed assets which are determined to have a significant value, or a different economical lifetime compared to the asset itself, are depreciated separately according to special plan.

The aircraft acquisition value, reduced by the determined residual value, is depreciated linearly over the useful life of the aircraft. Other tangible fixed assets are depreciated linearly over the asset's useful life. The following depreciation plans are applicable:

| | |
|---|---|
| - Aircraft | 15 years |
| - Aircraft modifications | 10 years |
| - Aircraft components | 10 years |
| - Engine overhauls and structural inspections | 2-7 years |
| - Fixture & fittings, equipment and tools | 5 years |

Profit and loss from sales or disposals of tangible fixed assets are recorded as the difference between sale price of the asset and net book value and is recognised as operating revenue.

**1.8 Tangible fixed assets held for sale**

The Group applies IFRS5, tangible fixed assets held for sale, meaning that the Group reclassifies assets from tangible to held for sale when a decision is made to sell the asset. Further, assets acquired with the sole intention to sell are recognised as held for sale.

**1.9 Impairment of non-financial assets**

The Group review the recorded balances for tangible and intangible fixed assets at closing date to assess if there are indications of impairment needs. If such indications exist, the recoverable amount of the asset is calculated and compared to the recorded value per closing date. The recoverable amount is defined as the highest of fair value of the asset reduced by expected cost of sales, or the utility value. The Group primarily defines the recoverable amount as the utility value which is calculated with a cash flow forecast model where the expected future cash flow derived from the asset is discounted with the applicable discount rate, providing a net present value.

An impairment is made corresponding to the amount that the net book value exceeds the recoverable amount.

**1.10 Co-operation arrangement**

The Group is part of a co-operation agreement for aircraft management and leasing activities with an external party (co-operation partner). The agreement includes a certain number of aircraft, controlled by the co-operation partner, which are leases to third parties. The Group has the management responsibility for the aircraft leases, under the terms of the co-operation agreement. When a leasing contract expires, a decision is made together with the co-operation partner either to prolong the existing agreement, draft a new agreement or to sell/dispose of the aircraft. The Group's full revenue for the management services is invoiced and received in connection with the sale/disposal and consists of a financial settlement drawn up by the co-operation partner. The settlement is based on several factors, such as the leasing revenue, capital costs including exchange rate differences, the recorded value of the asset and the net sale value. The Group carries risks and benefits for significant changes in the above mentioned factors which affects the amount of management revenue. The Group has no title to the aircraft and records the income in the income statement as other income when the management responsibility for an aircraft ends.

The Group continuously assess if the costs significantly may exceed the expected future revenue from the co-operation arrangement as a whole, according to the rules for an onerous contract.

**1.11 Leasing**

The Group classify leasing agreements as either finance or operating. Leasing of tangible fixed assets where the Group, according to the lease agreement, controls the financial risks and benefits of the asset, are classified as a finance lease. Example of such control is when an agreement contains a preferable purchase option and/or where the present value of the minimum future lease payments amounts to the market value of the asset. The financed leasing assets are valued at lowest of fair value or present value of the future minimum lease payments. Corresponding payment obligations are recorded as a liability. Lease payments are divided into amortisation and financial costs.

The liability is included in other liabilities, long and short term. The financial costs are recorded in the income statement allocated over the lease duration, meaning that every period is charged with an amount corresponding to a fixed interest rate of the current liability for the period. Tangible fixed assets acquired through finance leasing agreements are depreciated over the useful life of the asset. The finance lease agreements mainly concern aircraft and aircraft components.

Agreements which are not classified as finance leasing according to above are classified as operating leasing agreements.

### 1.12 Inventories

Materials and aircraft spare with a useful life not exceeding one year, are defined as consumables, and are recognised as inventories. Aircraft parts are held to replace non-repairable parts currently fitted onto the aircraft fleet. Inventories are valued according to the lowest of acquisition value and net realisable value. The acquisition value is calculated by applying the first in-first out method (FIFO). The net realisable value is the estimated sale value reduced by the estimated cost of sales.

### 1.13 Financial instruments

Acquisitions and sales of financial assets are recorded on the transaction date, which corresponds to the date when the Group obliges to acquire or sell the asset. Financial instruments are at the time of acquisition recorded at the fair value adjusted for transaction costs in the statement of financial position and the transaction cost are recorded in the income statement. Financial instruments are at the following reporting date recorded at the deferred acquisition value or fair value depending on the initial classification, in accordance with IAS39. At the initial recording date a financial asset or liability is classified in the following categories: financial assets and liabilities valuated at fair value in the income statement, loan receivables and account receivables and other financial liabilities.

*Financial assets and liabilities valued at the fair value in the income statement*

This category contains derivative instruments (foreign exchange forward contracts), which are assets and liabilities. The instrument is valued at fair value initially and continuously until the end of the agreement, either as a short or long term asset/liability depending on the remaining duration of the instrument. These are valued at fair value level two, according to published exchange rates at the closing date. Profit or loss from revaluation is recorded in the income statement as financial income/cost according to IAS39 p55. When the Group intends to settle a financial liability or realise a financial asset with another financial asset or liability these are recorded at the net amount.

*Loan receivables and account receivables*

This classification contains accounts receivables, cash and cash equivalents and long and short term receivables. Loan receivables and account receivables are included in current assets with the exception of items with a duration in excess of one year from reporting date, these items are classified as financial fixed assets. Long term receivables are recorded, following the time of acquisition, at the deferred acquisition value by applying the effective interest method. For long term receivables the calculated change in value (the effective interest) is recorded as an interest income or cost allocated over the expected duration of the asset. Current assets such as accounts receivables, short term receivables and cash and cash equivalents are recorded at nominal value.

The Group assesses, at the time of each closing, if there are objective indications of impairment for a financial asset. A financial asset is impaired only if there are objective indications of an impairment based on one or several events taking place after the time of the asset being originally recorded, the events are expected to have an impact on expected cash flow and the effect can be reliably estimated. The impairment is calculated as the difference between recorded value and the present value of future cash flows, discounted by the original asset's effective interest. The impaired amount is recorded in the Group's income statement. If the required impairment need is reduced in a following reporting period, following one or several occurred events after the date of impairment, the balance will be resolved through the Group's income statement.

*Other financial liabilities*

This category contains loans payable, accounts payable, overdraft facilities and other long and short term liabilities. Financial liabilities are recorded at the deferred acquisition value by applying the effective interest method, with the exception of accounts payables and other short term liabilities. Potential differences between principle amount reduced by transaction costs and outstanding liability is recorded in the income statement allocated over the duration of the liability.

### 1.14 Short term receivables

Accounts receivables, other short receivables and intangible current assets are recorded as short term receivables, if the remaining duration is expected to be less than one year.

*Intangible current assets*

Intangible current assets contains emission allowances. Purchased allowances are initially recorded at acquisition value according to IAS38. These are revaluated to fair value at the time of closing based on market prices. The Group has the obligation to deliver allowances to the EU following a reconciliation of made emissions for the period. Estimated emissions during the reporting period are recorded as an accrued liability and a cost in the income statement.

### 1.15 Provisions

Provisions are recorded when the Group has an actual obligation (legal or non-formal) as a result of an occurred event, it is deemed probable that an outflow of resources from the Group is required to settle the obligation and a reliable estimation of the amount can be made. The amount provisioned at the reporting date constitutes the most reliable estimation of the amount required to settle the obligation with respect to risks and uncertainties.

The Group records actual provisions as long or short term liabilities depending on the estimated date of outflow of resources. The actual provisions are recorded at the nominal amount, due to that discounting of the provisions will not result in a significant difference in amounts based on the expected time of settlement.

### 1.16 Contingent liabilities

Contingent liabilities are not recorded in the statement of financial position, but included as a disclosure when there is a potential obligation as a result from an occurred event which is confirmed by one or several uncertain future events, or when there is an obligation not recorded as a liability or provisions due to that it is not probable that an outflow of resources from the Group are required and the amount can't be reliably estimated.

### 1.17 Income taxes

Recorded income taxes are taxes that will be paid or received in connection to the current year, adjustment for taxes in connection with previous years and changes in deferred taxes. Valuation of mentioned tax receivables/liabilities are according to nominal amounts and applicable tax regulations and rates, which are confirmed or reliably estimated. Tax effects in connection with items recognised in the income statement are recorded in the income statement. Tax effects in connection with items recognised in equity are recorded in equity. Deferred taxes are calculated according to the balance sheet method on temporary differences that occur between recorded and taxed values on assets and liabilities. Deferred tax receivables concerning loss carry forward or other future tax deductions are recorded to the amount it is deemed probable it can be settled against future tax surpluses.

Deferred tax receivables and liabilities are netted when there exists a legal right to net actual tax receivables and liabilities and when the deferred taxes are charged by the same tax authority.

### 1.18 Remunerations to employees

Remunerations to employees in form of salaries, holiday pay, sick pay, other remunerations and pensions are continuously recorded at the time of entitlement. Pensions and other remunerations concerning the time after the end of employment are classified as defined contribution plans, meaning that the Group pays fixed charges to an independent pension institution and has no further obligation to pay additional charges. The Group's income is charged with costs continuously at the time of entitlement which normally corresponds to the time of premium payment.

## *The Parent Company*

**1.19 Accounting principles**

The Parent Company applies the Swedish Annual Accounts Act (SAAA) and the Swedish Financial Reporting Board's recommendation RFR2 - Accounting for legal entities. Applying the recommendation RFR2 means that the Parent Company adopts the EU approved IFRS standards to the extent limited by the SAAA and considering differences between accounting and taxation. This interim report has been prepared in accordance with SAAA, chapter 9 and RFR2. The Parent Company applies different accounting principles compared to the Group in the following areas.

*Classifications and statement forms*

The Parent Company income statement and statement of financial position is prepared according to the schemes of SAAA. The difference compared to IAS1 – Presentation of financial statement is mainly the presentation of financial income and costs, fixed assets and equity.

*Group contributions*

The Parent Company accounts both paid and received group contributions as financial items in the statement of income.

*Shares in Group companies*

Shares in Group companies are recorded at acquisition value reduced by potential impairments. Business combination costs and potential supplemental purchase price are included in the acquisition value. At the time of an indication of impairment a calculation of the recoverable amount is carried out. If the recoverable amount is deemed lower than recorded value an impairment is made and recorded in the item "income from Group Companies".

*Financial instruments*

The Parent Company does not apply IAS39 – Financial instruments: accounting and valuation, the company applies an acquisition method according to SAAA.

*Leasing*

All leasing agreements are classified as operating leases.

*Guarantees*

The Parent Company has outstanding guarantees for the benefit of subsidiaries. Such guarantees are classified as financial guarantees according to IFRS. The Company applies exemption rule RFR2 (IAS39 p2) and records these guarantees as pledged collaterals. When the Parent Company deems it probable that an outflow of resources is required to settle such obligation, a provision is made.

*Deferred taxes*

Non-taxed reserves constitutes temporary taxation differences. Due to the connection between taxation and accounting in a legal entity the deferred tax liability is recorded as a part of non-taxed reserves.

## Note 2 Break-down of revenues

| TSEK | Oct - Dec 2014 | Oct - Dec 2013 | Jan - Dec 2014 | Jan - Dec 2013 |
|---|---|---|---|---|
| Air freight services | 306 309 | 270 962 | 1 145 282 | 991 637 |
| Technical services | 9 250 | 7 919 | 59 372 | 52 993 |
| Sale of aircraft and spare parts | 36 | 5 675 | 15 350 | 17 941 |
| Aircraft leasing | 3 645 | 328 | 14 491 | 1 155 |
| Other revenue | 250 | 198 | 2 449 | 803 |
| **Total** | **319 490** | **285 082** | **1 236 944** | **1 064 529** |

## Note 3 – Fair value and booked value on financial assets and liabilities

| | Dec 2014 | | Dec 2013 | |
|---|---|---|---|---|
| TSEK | Booked value | Fair value | Booked value | Fair value |
| **Financial assets** | | | | |
| Other long term financial receivables | 31 180 | 31 180 | 22 613 | 22 613 |
| Other receivables incl accounts receivables | 146 753 | 146 753 | 136 251 | 136 251 |
| Financial assets at fair value | - | - | - | - |
| Cash and cash equivalents | 17 627 | 17 627 | 74 562 | 74 562 |
| **Sum** | **195 560** | **195 560** | **233 426** | **233 426** |
| **Financial liabilities** | | | | |
| Loans incl overdraft facilities* | 512 263 | 545 701 | 541 483 | 552 921 |
| Other liabilities incl accounts payables | 216 466 | 216 466 | 146 250 | 146 250 |
| Financial liabilities at fair value | - | - | 2 556 | 2 556 |
| **Sum** | **728 729** | **762 167** | **690 289** | **701 727** |

** The trading of the corporate bond loan started in 2014-04, which explains the higher fair value compared to booked value at 2014-12-31*

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 Group's financial assets and liabilities are valuated at fair value 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 valuated according to this level.

At 2014-12-31, the Group has no financial assets or liabilities, valuated at fair value in the income statement.

In level 1, the following items are classified: accounts receivables and other receivables, cash and cash equivalents, accounts payables, short and long term liabilities and loans. Valuation is made at deferred acquisition value, which corresponds to nominal values adjusted with additional or deductible valuation items.

In level 2, the following items are classified: Non- interestbearing long term financial receivables valuated at deferred acquisition value and where the interest that is used used to discount the amount to the acquisition value, is derived from a notation and an assessment is performed by the Group. Further: Derivatives where valuation is made at fair value for foreign currency exchange agreement, which are based on exchange rates published on an active market.

**Fair value hierarchy**

| | Dec 2014 | | Dec 2013 | |
|---|---|---|---|---|
| TSEK | Level 2 | **Sum** | Level 2 | **Sum** |
| **Financial assets** | | | | |
| Financial assets at fair value | | | | |
| in the income statement: | | | | |
| Derivatives | - | - | - | - |
| **Financial assets total** | **-** | **-** | **-** | **-** |
| **Financial liabilities** | | | | |
| Financial liabilities at fair value | | | | |
| in the income statement: | | | | |
| Derivatives | - | - | 2 556 | 2 556 |
| **Financial liabilities total** | **-** | **-** | **2 556** | **2 556** |

## Note 4 – Segment reporting

Business segment are reported in a manner consistent with the internal reporting to the Group's highest executive management which is defined as the function controlling the allocation of resources and assessments of the results of the business. The board of West Atlantic AB (publ) is the highest executive management.

The business operations of the Group are reported only in one business segment to the Group's highest executive management. By this reason, no business segment reporting are presented accordance to IFRS 8, but only total comprehensive income for the Group. In the forthcoming annual report more information will be given, which are demanded in accordance with the standard.

## Note 5 – Effects from transition to IFRS for the Group

Earlier, the West Atlantic Group has applied the Swedish Annual Accounts Act and the standards from Swedish Accounting Standards Board for the Group consolidated accounts. As from 2014-01-01 the Group prepares the consolidated accounts according to IFRS. The transition date has been determined to be 2013-01-01. The transition to IFRS is presented according to IFRS1 – First time adoption of IFRS. The main rule of IFRS states that a company shall apply all IFRS standards retroactively at the time of determination of the opening balances according to IFRS considering the required exception regulations stated in IFRS1, p14-17 and appendix B. Beside the required exception regulations, there are certain optional exemptions, where West Atlantic AB (publ) has applied the following:

*Exception for business combinations*
IFRS3 – Business combinations, is applied only on post IFRS transition business combinations.

*Exception for accumulated translation differences*
The Group has applied IFRS1, which allows accumulated translation differences in equity to be eliminated at the transition date to IFRS. The Group has recognised these translation differences as profit brought forward at the transition date.

*Information about the use of a deemed cost value for shares in associated companies*
According to IFRS1 a company can, as an exception, use a deemed cost value in the report over the opening balances for shares in associated companies instead of the acquisition value according to the equity method. Based on this, the Group has used the booked value according to previous principles as a deemed cost value, at the time for transition to IFRS. This deemed cost value does not quite agree with the equity method. The total deemed cost value amounts to TSEK 1 067.

**Reconciliation between previous accounting principles and IFRS for the interim period October – December and for the reporting period January – December**

Since following IAS34 Interim reporting, The Group are according to IFRS1 required to reconcile equity and total comprehensive income for previous interim reporting periods with the corresponding reporting periods according to IFRS. The effects of the IFRS transition is presented in the statements on the following pages, and are considered by management of the Group to be the most significant effects for the transition.

## Statement of financial position December 31, 2013

| TSEK | Reference | Balance according to previous principles after adjustments (a) | Adjustments of principles | IFRS |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **NON-CURRENT ASSETS** | | | | |
| *Non-tangible assets* | | | | |
| Goodwill | k) | 167 | 21 | 188 |
| Licenses & IT system | h) | 2 446 | -276 | 2 170 |
| | | **2 613** | | **2 358** |
| *Tangible assets* | | | | |
| Aircraft and aircraft components | a), b) | 575 885 | 43 085 | 618 970 |
| Equipment, tools and installations | | 4 419 | | 4 419 |
| | | **580 304** | | **623 389** |
| *Financial assets* | | | | |
| Shares in associated companies | | 1 067 | | 1 067 |
| Non-current financial receivables | c) | 20 030 | 2 583 | 22 613 |
| Deferred tax receivables | b), c), g) ,j), l), m) | - | 5 109 | 5 109 |
| | | **21 097** | | **28 789** |
| **TOTAL NON-CURRENT ASSETS** | | **604 014** | | **654 536** |
| **CURRENT ASSETS** | | | | |
| *Inventories* | | | | |
| Spares and necessities | | 105 086 | | 105 086 |
| Aircraft held for sale | i) | 16 275 | -16 275 | - |
| Advances to suppliers | | 11 473 | | 11 473 |
| | | **132 834** | | **116 559** |
| *Other current assets* | | | | |
| Accounts receivable - trade | | 107 075 | | 107 075 |
| Tax receivable | a) | 3 905 | | 3 905 |
| Other receivables | c) | 51 041 | -11 525 | 39 516 |
| Prepaid expenses and accrued income | | 30 905 | | 30 905 |
| | | **192 926** | | **181 401** |
| *Cash and cash equivalents* | | 74 562 | | 74 562 |
| **TOTAL CURRENT ASSETS** | | **400 322** | | **372 522** |
| Assets held for sale | i) | - | 16 275 | 16 275 |
| **TOTAL ASSETS** | | **1 004 336** | | **1 043 333** |
| **EQUITY** | | | | |
| Share capital | | 27 005 | | 27 005 |
| Reserves | l) | 171 884 | -171 981 | -97 |
| Profit brought forward | a), b), c), e), g), j), l) | 30 056 | 128 205 | 158 261 |
| Net income for the year | | 27 184 | 7 990 | 35 174 |
| **TOTAL EQUITY** | | **256 129** | | **220 343** |
| **ALLOCATIONS** | | | | |
| Allocations for taxes | d) | 47 961 | -47 961 | - |
| Other provisions | n) | 10 812 | -10 812 | - |
| | | **58 773** | | - |
| **NON-CURRENT LIABILITIES** | | | | |
| Loans | f) | 520 500 | -11 438 | 509 062 |
| Other liabilities | b) | - | 67 962 | 67 962 |
| Deferred tax liabilities | a), b), d), e), f), g), h), l), m) | - | 37 027 | 37 027 |
| Provisions | n) | - | 10 812 | 10 812 |
| | | **520 500** | | **624 863** |
| **CURRENT LIABILITIES** | | | | |
| Overdraft facilities | | 26 776 | | 26 776 |
| Loans | | 5 645 | | 5 645 |
| Accounts payable - trade | | 73 207 | | 73 207 |
| Tax liabilities | | 1 479 | | 1 479 |
| Derivative instruments | j) | - | 2 556 | 2 556 |
| Other liabilities | b) | 27 980 | 3 158 | 31 138 |
| Prepaid income and accrued expenses | g) | 33 847 | 23 479 | 57 326 |
| | | **168 934** | | **198 127** |
| **TOTAL EQUITY & LIABILITIES** | | **1 004 336** | | **1 043 333** |

*Note: This statement of financial position adjustments differ from the adjustments in the statement of financial position presented in the interim report for Q1, note 3. This is due to the adjustment of deferred taxes, described in note 5, ref l).*

**Statement of income including statement of other comprehensive income January – December, 2013**

| TSEK | Reference | Previous accounting principles after adjustments (a) | Adjustments of principles | IFRS |
|---|---|---|---|---|
| Revenue | g) | 1 067 102 | -2 573 | 1 064 529 |
| Cost of services provided | b), g), h), k) | -946 168 | -19 533 | -965 701 |
| **Gross income:** | | **120 934** | | **98 828** |
| Cost of sales | | 4 444 | | 4 444 |
| Administrative costs | f) | -64 267 | 13 200 | -51 067 |
| Other income & costs | g) | -129 | 32 193 | 32 064 |
| **Operating income:** | | **60 982** | | **84 269** |
| Financial income | c) | 11 767 | 1 596 | 13 363 |
| Financial costs | b), c), f), j) | -38 616 | -20 211 | -58 827 |
| **Income before tax:** | | **34 133** | | **38 805** |
| Income tax | b), c), e), f), g), h), j) , l) | -6 949 | 3 318 | -3 631 |
| **Net income:** | | **27 184** | | **35 174** |
| Attributable to: | | | | |
| - Shareholders of the Parent Company | | 27 184 | | 35 174 |
| Earnings per share (SEK): | | 1,01 | | 1,30 |
| **Statement of other comprehensive income** | | | | |
| Net income: | | 27 184 | | 35 174 |
| Other comprehensive income: | | | | |
| Items that may be classified as net income: | | | | |
| Exchange-rate differences in translation of foreign operations | l) | 0 | -97 | -97 |
| **Total comprehensive income for the period:** | | **27 184** | | **35 077** |
| Attributable to: | | | | |
| - Shareholders of the Parent Company | | **27 184** | | **35 077** |

*Note: This income statement adjustments differ from the income statement adjustment presented in the interim report for Q1, note 3, page 14. This is due to the reclassifications of revenue and other income, and adjustment of deferred taxes, described in note 5, ref g) and l).*

## Statement of income including statement of other comprehensive income October - December, 2013

| TSEK | Reference | Previous accounting principles after adjustments (a) | Adjustments of principles | IFRS |
|---|---|---|---|---|
| Revenue | g) | 290 088 | -5 006 | 285 082 |
| Cost of services provided | a), b), g), h), k) | -264 559 | -1 671 | -266 230 |
| **Gross income:** | | **25 529** | | **18 852** |
| Cost of sales | | 5 688 | | 5 688 |
| Administrative costs | | -14 301 | | -14 301 |
| Other income & costs | g) | 1 619 | 10 502 | 12 121 |
| **Operating income:** | | **18 535** | | **22 360** |
| Financial income | c) | 5 653 | 1 516 | 7 169 |
| Financial costs | b), c), f), j) | -10 074 | -6 954 | -17 028 |
| **Income before tax:** | | **14 114** | | **12 501** |
| Income tax | b), c), e), f), g), j), l) | -3 017 | 245 | -2 772 |
| **Net income:** | | **11 097** | | **9 729** |
| Net income attributable to: | | | | |
| - Shareholders of the Parent Company | | 11 097 | | 9 729 |
| Earnings per share (SEK): | | 0,41 | | 0,36 |
| **Statement of other comprehensive income** | | | | |
| Net income: | | 11 097 | | 9 729 |
| Other comprehensive income: | | | | |
| Items that may be classified as net income: | | | | |
| Exchange-rate differences in translation of foreign operations | l) | 0 | 250 | 250 |
| **Total comprehensive income for the period:** | | **11 097** | | **9 979** |
| Attributable to: | | | | |
| - Shareholders of the Parent Company | | **11 097** | | **9 979** |

## References

***a) Adjustments of balances due to misstatements***

The following items have been corrected in the balances 2013-12-31

1. The Group consolidated accounts 2013-01-01 contained a non-depreciated Group surplus value relating to tangible fixed assets, aircraft and components. The balance has been adjusted by TSEK - 4 206. Adjustment for deferred tax has been made by TSEK 1 106. Profit brought forward was affected totally by TSEK – 3 100.
2. During the interim period Oct – Dec, cost of services provided attributable to capitalised structural inspections for aircraft, has been affected by TSEK -4 115. This was an adjustment for allocated costs at the same amount, for the interim period Jan – Sep. For more information about the accounting principles concerning this, please see note 1, accounting principles, p 1.7.

***b) Aircraft and components***

1. *Financial leasing*

   According to IAS17 all significant financial leasing contracts previously recorded as operating leasing shall be recorded as tangible fixed assets and financial liabilities. Depreciation and interest costs are recorded in the income statement instead of operating leasing costs. Leasing cost have previously been recorded as a cost of services provided.

   During the interim period Oct – Dec 2013 reclassification of leasing payments has been made by 3 795 TSEK (affecting cost of services provided), interest costs have been increased by TSEK 2 981 and amortisations by TSEK 814 . After adjustment for deferred tax by TSEK – 179, profit for the period has increased by TSEK 638. In connection with settlement of leasing agreements financial costs of TSEK 1 681 has been recorded. After adjustment for deferred tax by TSEK 370, the profit for period has been affected by TSEK – 1 311. Corresponding amounts for the period Jan – Dec were: leasing payments reclassifications by TSEK 18 155, increased interest costs by TSEK -14 167 (including financial cost by TSEK 1 681. Amortisations have been recorded by TSEK 5 219. After adjustment for deferred tax of TSEK -778, profit for the period has increased by TSEK 2 760.

   During the interim period Oct – Dec depreciations have been recorded by TSEK -1 266, which have affected costs of services provided. After adjustments for deferred tax by TSEK 278, profit for the period has been affected by TSEK - 988. For the period Jan - Dec the corresponding amounts for depreciations were TSEK -5 066, deferred tax TSEK 1 114 and profit for the period TSEK – 3 952.

   Amortisations and settlements of leasing liabilities have been made by TSEK 107 618 accumulated at 2013-12-31. In total, the effect on equity including deferred taxes was TSEK 2 788 at 2013-12-31.

   The remaining book value as an adjustment of aircraft and components attributable to financial leasing amounts to TSEK 77 737 and the remaining leasing liabilities amounts to TSEK 71 934 at 2013-12-31.

   Reclassification has been made, from non-current term liabilities to short term liabilities concerning the part to amortise within one year. The amount was TSEK 3 158 at 2013-12-31 in accordance with IAS1.

2. *Depreciation of components and change in useful life for aircraft*

   In accordance with IAS16, components of tangible fixed assets which are determined to have a significant value in or a different economical lifetime compared to the asset itself, shall be depreciated separately according to special plan. For applied depreciation plans for components, please see accounting principles, p 1.7. For aircraft, this has meant that the depreciation periods for separate components have been shortened, cost of services provided has increased and the book value for aircraft, in total, decreases. To properly reflect the useful life of the aircraft, the depreciation plan of the aircraft excluding its components has been prolonged which has decreased cost of services provided. The accumulated effects of these two changes for the interim period Oct - Dec amounts to TSEK 136. After adjustment for deferred tax on the mentioned amount, TSEK -36, the net income for the period has been effected by TSEK 106.

   The accumulated adjusted amount for depreciations of aircraft and components due to the above is TSEK -21 353 at 2013-12-31.

   The total effect on cost of services provided for aircraft and components concerning financial leasing and depreciations of aircraft and components for the reporting period Jan – Dec is TSEK – 8 264 and after adjustment for deferred taxes of TSEK 1 818, net income is affected by TSEK - 6 446.

3. *Impairment of aircraft*

   In connection to the transition to IFRS at 2013-01-01, the Group applies IAS36. This means that an impairment test of the Group´s tangible fixed assets shall be performed. The result of this impairment test was that an impairment of TSEK 13 299 had to be done. After adjustment for deferred tax TSEK 2 926, profit brought forward have been affected by TSEK -10 373.

***c) Other non-current financial receivables***

1. Reclassification of short term receivable to long term receivable in accordance with IAS1, has been made of paid deposits accumulated at 2013-12-31 concerning an external leasing agreements (TSEK 11 525).

2. Due to that the Group recognises the financial receivables in the category "loan and accounts receivables" the amount shall be valued at present value according to IAS39 if the duration of the receivable is longer than one year. At 2013-01-01 a reduction of long term financial receivables has been made by TSEK 8 123. After the adjustment for deferred tax of TSEK 1 787, profit brought forward has been effected by TSEK – 6 336. During the period Jan – Dec 2013 the receivables have been decreased by TSEK -819, net, following changes in the assumptions for present value. After adjustment for deferred tax by TSEK 180, the effect on net income was TSEK -639.

***d) Allocations for taxes/deferred taxes***

Reclassification has been made for allocation for taxes according to IAS1 and classified as long term deferred tax liabilities. The amount reclassified at 2013-12-31 after corrections was TSEK 47 961.

***e) Allocations for aircraft maintenance***

At 2013-12-31 an allocation for aircraft maintenance of TSEK 3 292 has been adjusted in accordance with IAS37. After adjustment for deferred tax by TSEK 465 the effect on profit brought forward was TSEK 1 648. In addition, a reclassification of TSEK 1 179 has been made to short term liabilities according to IAS1. At 2013-12-31 the whole allocation was reversed in the accounts and the deferred tax was adjusted in the net income, and profit brought forward.

*f)* ***Loan transaction costs***

Loans are to be recorded at deferred acquisition value in accordance with IAS39, and the difference between received amount net of transaction cost and the repayable amount shall be recorded in the income statement allocated over the duration of the loan. A transaction cost of TSEK 13 200 during 2013, recorded as administrative costs, has been reclassified to financial costs and allocated over a duration of five years commencing in May 2013. Thereby, TSEK 11 438 has been allocated and reduced financial costs and the principal loan amount (500 000 TSEK). After adjustment for deferred tax of TSEK -2 516, the effect on net income for the period Jan – Dec was TSEK 8 922. The adjustment for the interim period Oct - Dec was TSEK -660. The net income was affected by TSEK -515 after deferred taxes.

*g)* ***Adjustment of profit sale on sale-leaseback transactions. Reclassification of profit on aircraft sale, management fees from co-operation arrangement and non-regularly miscellaneous revenues.***

When a sale lease-back transaction results in a financial leasing agreement, the profit from the sale shall be allocated during the duration of the leasing agreement. During 2012 a sale and lease-back transaction was carried out where the leasing agreements has been determined to be financial leasing agreements. At 2013-01-01, profit sales that amounted to TSEK 41 878 has been allocated over the duration of the agreement and are recognised as prepaid income. After adjustment for deferred tax by TSEK 9 216, profit brought forward is effected by TSEK – 32 665.

For the interim period Oct - Dec the allocation of profit sale has affected other income by TSEK 1 174 and after adjustment for deferred tax by -258 TSEK, the effect on net income was TSEK 916.

For Jan - Dec the allocation of profit sale amounted to TSEK 18 399. After adjustment for deferred tax by TSEK -4 048 the effect on net income was TSEK 14 351. The remaining amount of prepaid income at 2013-12-31 is TSEK 23 479.

According to previous principles, profit of sales on aircraft were accounted only with the net profit amount as revenue. After changed principles, revenue shall be affected by the whole remuneration. Due to this, a reclassification has been done with amounts between revenue (increases) and costs of services provided (increases) with the total cost for the sold aircraft. For Oct - Dec, revenue has increased by TSEK 4 321 and for the year Jan – Dec revenue has increased by TSEK 11 221. This has been adjusted against costs of services provided.

Reclassification of management fees from co-operation arrangement have been done from revenues to other income for Jan – Dec, TSEK 5 692. For the interim period Oct – Dec the amount was TSEK 5 692.

Reclassification of other non-regularly miscellaneous revenues to other income have been done, for Jan - Dec, TSEK 8 102. For the interim period Oct - Dec the amount was TSEK 3 635.

*h)* ***Licenses and IT-systems***

A change in assessment of the useful life of an IT-system has effected profit brought forward at 2013-01-01 by TSEK – 161 after adjustment for deferred tax by TSEK 46. The total effect on net income for Jan – Dec was TSEK -54, after reduction for deferred tax, of which TSEK -13 concern the interim period Oct – Dec.

*i)* ***Assets held for sale***

According to IFRS5, a company shall during certain circumstances recognise assets held for sale as a separate item under current assets. The Group has recognised one aircraft held for sale at 2013-12-31 amounting to TSEK 16 275.

*j)* ***Derivative instruments***

The Group has recorded foreign exchange forwards as derivative instruments in the statement of financial position, according to IFRS the instrument shall be recorded at fair value. According to previous principles derivative instruments were not recorded in the statement of financial position at 2013-01-01. Derivative instruments are recorded against profit brought forward in opening balances and are recorded in the statement of income going forward. At 2013-01-01 the adjustment for change in fair value amounts to TSEK – 1 139. An adjustment for deferred tax of TSEK 262 was also recorded.

In the income statement changes in fair value for the forward exchange contracts are recorded as financial income/costs in accordance with IAS39 p 55. For the interim period Oct - Dec the comprehensive income was effected by TSEK -1 778. Deferred tax of TSEK 409 also was recorded, and the effect on net income amounts to TSEK 1 369. For the period Jan - Dec, net income was effected by TSEK -1 091 after adjustment for deferred taxes.

*k)* ***Adjustment of depreciation of goodwill***

According to IFRS goodwill is not depreciated but are annually tested for impairment. Deprecation of goodwill brought forward 2013-01-01 remain as the Group applies the exemption in IFRS3 regarding restatement of business combinations. Adjustment for depreciation of goodwill is made at 2013-12-31 and amounts to TSEK 21 and for the period Oct- Dec the adjustment amounts to TSEK 6.

*l)* ***Reclassification in equity including adjustment on deferred tax on untaxed reserves.***

At the transition to IFRS equity is not divided in restricted or unrestricted equity. For the Group restricted reserves reclassified to profit brought forward also included the equity share of non-taxed reserves, which amounted to TSEK 171 884 at 2013-12-31. The reserves of TSEK – 97 consists of accumulated translation differences for 2013 of foreign operations, of which TSEK 250 is the change for the interim period Oct – Dec. An adjustment of deferred tax receivables by TSEK -2 926 and deferred tax liabilities by TSEK -5 127 has been done due to changed untaxed reserves during 2013. The effect on the net income was a positive deferred tax income of TSEK 2 201 for year 2013.

*m)* ***Netting of deferred tax***

An amount of TSEK 9 028 deferred tax receivable has been netted against deferred tax liabilities at 2013-12-31. IAS12 requires that recorded deferred taxes shall be netted if both the receivable and the liability concerns the same tax authority. For the Group the effect is that deferred tax receivables will be netted against deferred tax liabilities with the exemption of items concerning transactions in the United Kingdom where deferred tax receivables are not netted.

*n)* ***Reclassification of provisions***

According to IAS1 provisions shall be recorded as short or long term liabilities. The Groups other provisions has been assessed as long term liabilities (TSEK 10 812).

**Note 6 – Corporate bond – financial standing & Covenants**

As part of the corporate bond loan the Parent Company are obliged to report its financial position as described in the terms and conditions of the bond. These can be found on the West Atlantic webpage and includes all relevant definitions to the measurements of the financial covenants of the corporate bond loan.

Financial covenants as per corporate bond terms and conditions:

**Maintenance Test**: The Issuer shall ensure that:

(a) the ratio of Net Interest Bearing Debt to EBITDA is not greater than:
(i) 5.00 during the year 2013;
(ii) 4.50 during the year 2014; and
(iii) 4.00 during the years 2015-2018; and

(b) the Interest Coverage Ratio exceeds:
(i) 2.00 during the year 2013;
(ii) 2.25 during the year 2014; and
(iii) 2.50 during the years 2015-2018.

**Incurrence Test:** The Incurrence Test is met if:
(a) the ratio of Net Interest Bearing Debt to EBITDA is not greater than 4.00; and
(b) the Interest Coverage Ratio exceeds 2.50.

The calculation of the ratio of Net Interest Bearing Debt to EBITDA in relation to the Incurrence Test shall be made as per a testing date determined by the Issuer, falling no more than one month prior to the incurrence of the new Financial Indebtedness (or payment of the Restricted Payment (as applicable)). The Net Interest Bearing Debt shall be measured on the relevant testing date so determined, but include the new Financial Indebtedness, provided it is an interest bearing obligation (however, any cash balance resulting from the incurrence of the new Financial Indebtedness shall not reduce the Net Interest Bearing Debt).

The calculation of the Interest Coverage Ratio shall be made for the Relevant Period ending on the last day of the period covered by the most recent Financial Report.

The figures for EBITDA, Finance Charges and Net Finance Charges for the Relevant Period ending on the last day of the period covered by the most recent Financial Report shall be used when calculating the Incurrence Test (and, as regards item (i) below, also when calculating the Maintenance Test), but adjusted so that:

(i) any Aircraft-owning Company acquired or disposed of by the Group during the Relevant Period, or after the end of the Relevant Period but before the relevant testing date, shall be included or excluded (as applicable), pro forma, for the entire Relevant Period; and

(ii) any Aircraft-owning Company to be acquired with the proceeds from new Financial Indebtedness shall be included, pro forma, for the entire Relevant Period;

Provided that the pro forma adjustments for EBITDA, Finance Charges and Net Finance Charges have been confirmed by a reputable accounting firm and the Issuer has provided evidence thereof to the Bond Trustee.

## West Atlantic Group reported numbers based on the period Jan 2014 - Dec 2014:

| | |
|---|---|
| Rolling 12 months EBITDA: | TSEK 183 865 |
| Net interest bearing debt per 2014-12-31: | TSEK 575 503 |
| Rolling 12 months net finance charges: | TSEK 51 412 |

- **Ratio of Net Interest Bearing Debt to EBITDA:** **3,13 x < 4,5**
- **Interest Coverage Ratio:** **3,58 x > 2,25**

**Note 7 – West Atlantic Aircraft fleet & flight traffic statistic**

**Aircraft fleet as of 2014-12-31:**

| | Owned | Dry- Leased | Wet- leased | Total | In Service | Dry leased out | Parked |
|---|---|---|---|---|---|---|---|
| BAe ATP-F | 31 | 8 | - | **39** | 33 | - | 6 |
| BAe ATP | 2 | - | - | **2** | - | 1 | 1 |
| Boeing 737-300 | 2 | 4 | - | **6** | 6 | - | - |
| Boeing 737-400 | 1 | 1 | - | **2** | 1 | 1 | - |
| B767-200 | - | - | 1 | **1** | 1 | - | - |
| B767-300 | - | - | 1 | **1** | 1 | - | - |
| CRJ200PF | 3 | - | - | **3** | 2 | - | 1 |
| | **39** | **13** | **2** | **54** | **44** | **2** | **8** |


BAe ATP/F


CRJ200PF


Boeing 737-300/400

**West Atlantic traffic statistics January – December**

| | **2014** | | **2013** | |
|---|---|---|---|---|
| | **Q4** | **YTD** | **Q4** | **YTD** |
| | **Oct - Dec** | **Jan - Dec** | **Oct - Dec** | **Jan - Dec** |
| Performed flights | 6 808 | 26 195 | 6 021 | 23 644 |
| Regularity (target >99%) | 99,3% | 99,34 % | 99,3% | 99,23% |
| Number of hours flown | 7 036 | 27 241 | 6 678 | 26 032 |
| Scheduled destinations | 48 | 48 | 43 | 43 |

**Annual report**
The annual report for 2013 was published 30th April, 2014

**Financial Calendar**
Annual report 2014 (January – December) April 29th, 2015
Interim report Q1 (January - March) May 27th, 2015

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

**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.**