

WEST ATLANTIC

INTERIM REPORT

January 1 – December 31

2016

Published February 28, 2017



October - December

- Revenue growth from B737/B767 aircraft fleet offset by decreasing ATP fleet utilisation. Underlying revenue growth amounted to -4.0 % (9.2) year-on-year.
- EBITDA amounted to MSEK 38.2 (38.5) corresponding to a margin of 10.8 % (10.6).
- Earnings per share of SEK -0.86 (-1.70).
- A new extended contract with Royal Mail has been awarded. The five-year contract commenced in January 2017.
- One B737-400 was delivered on a long term operating lease agreement.

January - December

- Revenue growth from B737/B767 aircraft fleet offset by decreasing ATP fleet utilisation. Underlying revenue growth amounted to -2.8 % (8.6) year-on-year.
- EBITDA amounted to MSEK 127.5 (177.9) corresponding to a margin of 9.7 % (12.6).
- Earnings per share of SEK -3.03 (-1.84).
- The bond loan issued in 2015 (WEST002) was listed on NASDAQ, Stockholm in January 2016.
- The shareholders changed the composition of the Board and a new CEO was appointed.
- One of the Group's CRJ200PF was involved in an accident resulting in a total loss of the aircraft.
- New extended contract with Royal Mail was awarded.
- Two B737-400 aircraft were acquired and two B737-400 aircraft were delivered on long term operating lease agreements.

Key performance indicators for the Group

All figures in MSEK unless stated otherwise

	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Financial metrics*				
Revenue	353.5	364.6	1,320.4	1,409.9
Revenue growth	-3.0%	12.6%	-6.3%	13.3%
Underlying revenue growth	-4.0%	9.2%	-2.8%	8.6%
EBITDA	38.2	38.5	127.5	177.9
EBITDA margin (%)	10.8%	10.6%	9.7%	12.6%
Net income	-23.3	-45.9	-81.8	-49.6
Cash and cash equivalents incl. unused overdraft facility	160.2	316.8	160.2	316.8
Cash flow from operating activities	68.9	40.6	240.1	216.7
Earnings per share before dilution (SEK)	-0.86	-1.70	-3.03	-1.84
Net interest bearing debt / EBITDA**	5.1	3.4	5.1	3.4
Interest coverage ratio**	2.1	2.9	2.1	2.9
Equity / Asset ratio	8.2%	13.3%	8.2%	13.3%
Total assets	1,276.8	1,412.1	1,276.8	1,412.1
Operating metrics*				
Fleet dispatch regularity	99.4%	99.0%	99.0%	99.1%
Performed flights	5,699	6,843	23,200	26,790
Aircraft in service (incl. wet leases)	40	48	40	48
Average employees	465	509	477	508

*Definitions of key performance indicators and other measures can be found at note 3 and at the end of this report.

**Defined by the corporate bond loan WEST002 terms and conditions. See note 10 for more information. The loan was issued December 2015.

West Atlantic AB (Publ)

Box 5433, SE402-29 Gothenburg
Inc. no: 556503-6083

For further information please contact:

Investor.relations@westatlantic.eu
www.westatlantic.eu



CEO's comments

Continued operational focus and commitments to further reduce our cost base

Our fourth quarter included a successful year-end operation, but the rate of cost reductions seen earlier in the year was halted some, due to the need to ensure we had all the resources to deliver a quality service to our clients during their peak period. We are seeing an improving operation, and stable cash flow. Costs related to non-flying ATP aircraft, excess aircraft maintenance facilities, and indirect personnel cost are still preventing us from reaching the EBIT levels we are aiming for. We are continuing to implement our aggressive cost reduction plan. This effort, combined with the implementation of the Royal Mail UK contract (which commenced partially in January), will lead us to a stronger 2017 and beyond.

Commercial update

During the peak year end period of 2016, we deployed all aircraft we were able to, and delivered excellent service to our clients. Our restriction to do more was the number of pilots available. On 13 Jan, we commenced the new Royal Mail UK contract which is being implemented in steps over the first quarter of 2017. We are in continuous discussion with our existing clients on growth opportunities, and remain optimistic that we will be able to extend our planned growth through placing of additional aircraft. The main immediate focus is on the underutilized ATP fleet.

Our clients, in general, remain optimistic about volume growth over the years to come, and seem to have increased flexibility and willingness to outsource more and open up new routes. We are also taking small steps to evaluate markets outside of Europe, where regional cargo growth is much higher than in Europe.

The long-term outlook for the eight tonnes market in Europe is one in which we expect there will be more suppliers competing for a mature, or potentially shrinking, market. As barriers to entry are reducing, we have positioned ourselves well by aiming to be less dependent on this market, while we focus additional resources on larger, more complex and less supplied aircraft solutions. While we expect to operate in the eight tonnes market for many years to come, we will during 2017 evaluate the commercial shift that has taken place in this payload range and the effect it will have on the future earnings potential of the ATP fleet and the future need for assets associated with this fleet

Operational and financial performance

Cash flow was solid during the quarter but EBIT was weaker compared to the previous quarter. This quarter had a significant number of one-time non-operational events which had a cumulative negative effect on EBIT. As we have little ability to change our revenue levels for existing contracts, the focus is on further cost reductions, and better utilization of our assets. We have some important changes ahead which will help us reduce our fixed costs, increasing our income at all levels.

Fleet update

We are adding a total of seven B737-400 as a result of the Royal Mail UK contract award. Two of those have been delivered to date, and the additional aircraft are coming on board over the next five months. We are working on finding new opportunities to grow our CRJ and B767 fleet, while also ensuring our ATP fleet increases its utilization.

Outlook

2016 was a year with lots of difficult changes, a terrible aircraft accident, cost reductions, and new contracts. We have come a long way from where the year started, but we did not reach all our objectives. We have entered 2017 with a solid plan in hand for how to complete the Group turnaround and ensure we remain competitive and can deliver on our financial and operational promises going forward.



Fredrik Groth
CEO & President

Financial comments

Group and parent company information

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

GROUP

About the West Atlantic Group

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

Financial report

This interim report covers the period January 1 to December 31, 2016. Comparative figures in this report cover the corresponding period in 2015, unless otherwise stated. All financial information contained in this report refers to the West Atlantic Group unless stated that the information refers to the parent company West Atlantic AB (publ).

GROUP FINANCIAL PERFORMANCE

Revenue and income

October - December

Revenue for the period amounted to MSEK 353.5 (364.6), a decrease of 3.0 % year-on-year. Underlying revenue growth (adjusted for foreign exchange currency differences and fuel price fluctuations) amounted to -4.0 %. There is a growth from the B737 and B767 fleets but this was offset by lower utilisation of the ATP fleet. The primary driver of the lower ATP revenue was the loss of the operation for the Swedish NMO PostNord at the end of 2015, which involved five aircraft. Following Posten Norge's decision to stop Saturday delivery of mail the operating calendar has been reduced with lower revenue level. Further, the Group has switched some agreements on a charter basis to ACMI basis which has reduced the gross revenue. Besides, lower revenue from technical services from ATP has had an impact. For a detailed breakdown of revenue, see note 2.

EBITDA amounted to MSEK 38.2 (38.5). This period EBITDA was affected by unexpected additional costs for the start-up of two new B737 operations in France and other items such as IPO costs (see definition at the end of this report). The EBITDA margin amounted to 10.8 % (10.6 %). For a breakdown of EBITDA, please see note 3.

EBIT amounted to MSEK -0.4 (4.8) including depreciation and impairment of MSEK 38.6 (33.7).

The net of financial income and costs amounted to MSEK -24.5 (-62.3). The financial net included foreign exchange currency changes of MSEK -3.7 (-3.9), mainly on loans and financial leasing and interest costs of MSEK 21.5 (17.0), mostly attributable to the corporate bond loan. Last year also included redemption cost for the previous corporate bond loan of MSEK 41.8. For a detailed breakdown of financial income and cost, please see note 5.

Net income amounted to MSEK -23.3 (-45.9) for the period and was affected by income taxes of MSEK 1.6 (11.5). The high effective tax rate is due to a non-capitalised loss carry forward in a foreign subsidiary.

January - December

Revenue for the period amounted to MSEK 1,320.4 (1,409.9), a decrease of 6.3 % year-on-year. Underlying revenue growth (adjusted for foreign exchange currency differences and fuel price fluctuations) amounted to -2.8 %. There has been a growth from the B737 and B767 fleets but this has been offset by lower utilisation of the ATP fleet and lower revenue from technical services from ATP. The primary driver of the lower ATP revenue was the loss of the operation for the Swedish NMO PostNord at the end of 2015, which involved five aircraft. Following Posten Norge's decision to stop Saturday delivery of mail the operating calendar has been reduced with lower revenue level. Revenue was also impacted by the CRJ200PF accident (see significant events during the reporting period). The remaining CRJ fleet did not operate for several days and the ATP fleet was also highly affected from being utilised to cover the downtime. For a detailed breakdown of revenue, see note 2.

EBITDA amounted to MSEK 127.5 (177.9). The significant decrease in EBITDA is primarily explained by the ongoing organisational process to adapt to a less utilised ATP fleet, while simultaneously investing in the start-up of two new B737 operations in France and the new Royal Mail contract. Following delayed delivery of a B737 aircraft and unscheduled heavy maintenance in the first quarter, the company was forced to subcharter additional capacity from other operators, which has had a negative effect on EBITDA. An overview of quarterly income development and key performance indicators can be seen in note 6.

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

EBIT amounted to MSEK -10.5 (54.3) including depreciation of MSEK 138.0 (123.6).

The net of financial income and costs amounted to MSEK -84.5 (-114.0). The financial net included foreign exchange currency changes of MSEK -6.0 (-8.8), mainly on loans and financial leasing and interest costs of MSEK 81.3 (63.7), mostly attributable to the corporate bond loan. Last year also included redemption cost for the previous corporate bond loan of MSEK 41.8. For a detailed breakdown of financial income and costs, please see note 5.

Net income amounted to MSEK -81.8 (-49.6) for the period and was affected by income taxes of MSEK 13.2 (10.1).

Summary of items affecting comparability

MSEK	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Income before tax	-24.9	-57.5	-95.0	-59.7
Type introduction and start-up costs	4.8	-	12.0	2.6
Sale of aircraft	-	-	-	-4.4
Redemption of corporate bond loan	-	41.8	-	41.8
CRJ200PF accident*	-8.0	-	-9.6	-
Restructuring costs, ATP	0.4	2.4	13.2	4.8
Other items**	10.1	-	10.1	9.2
Financial FX gains/losses	5.2	3.7	7.7	9.7
Sum	-12.4	-9.6	-61.6	4.0

*The recorded net effect of the aircraft accident refers to insurance proceeds reduced by costs directly associated with the accident (primarily the book value of the asset) and lost contribution from the fleet being grounded. Note that the net effect does not include indirect costs or the loss between the market value and the book value of the aircraft.

**See definitions at the end of this report.

Cash flow

October - December

Cash flow from operating activities improved this quarter and amounted to MSEK 68.9 (40.6). The increase compared to last year is attributable to both the operating activities as well as the working capital. Last year were affected by costs in connection with acquisition of new aircraft. This year, the capital tied up in inventories were lower than last year. Cash flow from investing activities amounted to MSEK -45.1 (-71.1). Investments in periodical heavy maintenance activities in aircraft and aircraft components were lower this year, compared to last year. Cash flow from financing activities amounted to MSEK -38.0 (265.8). Last year was significantly affected by net effect of the received corporate bond loan. Cash flow for the period amounted to MSEK -14.2 (235.3). An overview of quarterly cash flow from operation development can be seen in note 6.

January - December

Cash flow from operating activities amounted to MSEK 240.1 (216.7). The increase is mainly attributable to the change in working capital. Cash flow from investing activities amounted to MSEK -327.2 (-233.5). The change is mainly due to the purchase of two B737-400 aircraft. Cash flow from financing activities amounted to MSEK -74.0 (265.4). The change compared to last year is mainly attributable to the net effect of the corporate bond loan of MSEK 381.0 during the previous year, partly offset by redemption cost connected to the previous bond loan, and included in interest paid. Cash flow for the period amounted to MSEK -161.0 (248.6).

Investments

October - December

Total investments in tangible assets amounted to MSEK -42.1 (-71.1), mainly from investments in periodical heavy maintenance activities and purchase of aircraft components.

January - December

Total investments in tangible assets amounted to MSEK -321.7 (-228.4), from the purchase of the two mentioned B737-400 aircraft.

Payments from other investing activities amounted to MSEK -5.5 (-6.7) including both investments in financial assets, MSEK -5.8 (-7.2) and received payments from financial assets, MSEK 0.3 (0.5).

Leasing engagements

January - December

In addition to investments in tangible assets the Group has entered into long term operating lease agreements for two B737-400 aircraft.

Sales of assets

January - December

During the period no material sales of non-current tangible assets have been made. During the same period the previous year, shares in an associated company were sold. The remuneration amounted to MSEK 0.8. One aircraft, held for sale, was sold and the remuneration amounted to MSEK 18.5.

Impairment of tangible assets

January - December

During the period an impairment has been made by MSEK 3.2 (-) due to a long time parked ATP- aircraft.

Impairment of stock

January - December

During the period an impairment has been made by MSEK 6.3 (5.4) for slow moving stock.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

October - December

- The Group has deployed one additional B737 aircraft.
- In December the Swedish authorities published the final report on the CRJ200PF-accident, mentioned below. No recommendations were raised against the operator.
- West Atlantic has been awarded a contract by Royal Mail Group (UK) to add additional aircraft to its network in 2017. The five-year contract will start in January 2017 and be phased in throughout the year. The network will consist of nine Boeing 737 aircraft and three British Aerospace ATP Aircraft. Presently, West Atlantic operates two B737 aircraft and five ATP aircraft for the customer.

January - December

- On January 8, 2016 one of the Group's CRJ200PF were involved in a tragic accident on route to Tromsø, Norway, leading to a total loss of the aircraft and the loss of two valued crew members. The accident has been investigated by the Swedish authorities and a final report were published in December, announcing no recommendations against the operator. During this period, other operating income & costs have been affected by significant items connected to the accident. For more information see comments to non-recurring items above.
- NASDAQ Stockholm officially listed the bond loan issued by West Atlantic AB (publ) with effect from 2016-01-26. The instrument has been listed on STO Corporate Bonds.
- An Extraordinary General Meeting was held where the shareholders of the company decided to change the composition of the Board. The aim was to increase shareholder presence and aviation experience amongst the Directors. The CEO also stepped down and was replaced by Mr. Fredrik Groth.
- Following an adaptation to the EU's post directive, Norway decided to stop distributing mail on Saturdays. This affects the West Atlantic operation with reduced revenue but is not expected to impact net income significantly.
- West Atlantic has been awarded a new extended contract with Royal Mail Group UK. The five-year contract will start in January 2017 and be phased in throughout the year.
- As per terms and conditions of the corporate bond loan, the interest rate increased by 50 basis points to 7.0 % as from June 21.
- The Group acquired two B737-400 aircraft, previously held under operating lease agreements and two B737-400 aircraft were also delivered on long term operating lease agreements.

ORGANISATION

The average number of employees for the period January - December amounted to 477 (508).

FINANCIAL POSITION AND FINANCING

Cash and cash equivalents at the end of the period amounted to MSEK 110.2 (266.8). Last year was significantly affected by the net effect of the corporate bond loan. Including non-utilised overdraft facility, available cash and cash equivalents amounted to MSEK 160.2 (316.8). Equity amounted to MSEK 105.3 (188.4) and the equity ratio amounted to 8.2 % (13.3).

The Company has issued a corporate bond loan which was listed on the NASDAQ, Stockholm on January 26th 2016. The instrument is listed as WEST002 with 850 units holding a nominal value of MSEK 1.0 each. The Group are obliged to report its financial position as described in the terms and conditions of the bond. For the financial covenants, please see note 10. For

terms and conditions of the corporate bond loan, please see the website of West Atlantic AB (publ) available at www.westatlantic.eu

FINANCIAL INSTRUMENTS

The Group has no financial assets or financial liabilities which are valued at fair value in the valuation hierarchy. A summary of the recorded values for the Group's financial assets and liabilities are shown in note 7.

RISKS AND UNCERTAINTIES

West Atlantic is exposed to a number of global and Group specific risks that can impact operations and the financial performance as well as the financial position of the Group. The foreseeable risks are identified and monitored centrally through policies. Risk management in the Group is about positioning the Group properly in response to possible events. Below is a non-exhaustive list of risks, without regards to the level of significance, which the Group considers to be material.

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

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

LEGAL PROCEEDINGS

In September the legal process in France, with regards to unpaid social security charges reported during 2013-2015, came to an end. A settlement was reached with the authority which meant that West Atlantic made a final payment which totally was MSEK 0,3 below what was provisioned. Earlier during the year, two other processes have been settled. West Atlantic is not a party to any legal proceedings having a material effect on the Group's financial position or income.

TRANSACTIONS WITH RELATED PARTIES

For transactions with related parties, please see note 8.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Leasing of a B737-400 aircraft

The Group has entered into a long term operating lease agreement for one B737-400 aircraft.

OUTLOOK

The awarded contract for Royal Mail UK Group, which commenced early in 2017, is expected to increase Group revenues by up to 25% when fully implemented. The focus on streamlining the Group and the cost base to align with the changing business, will continue during 2017.

SEASONAL EFFECTS

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

PARENT COMPANY

About the parent company

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

Revenue and income

October - December

Revenue for the period amounted to MSEK 194.9 (176.2), an increase by 10.6 % year-on-year. The increase is mainly attributable to the expansion in B737 and B767 operations. EBIT amounted to MSEK 5,5 (-8.0). The increase is mainly attributable to higher revenue. Net income amounted to MSEK 13.4 (-15.7) and the previous year was significantly affected by the cost for the redemption of the previous corporate bond loan.

January - December

Revenue for the period amounted to MSEK 726.8 (653.7), an increase by 11.2 % year-on-year. The increase is mainly attributable to the expansion in B737 and B767 operations. EBIT amounted to MSEK 8.8 (19.4). The decrease is attributable to both higher flight operation costs and personnel costs. Net income amounted to MSEK -2.9 (2.5).

Financial position and financing

Cash and cash equivalents at the end of the period amounted to MSEK 72.3 (253.5). Last year was significantly affected by the net effect of the received corporate bond loan. Including the non-utilised overdraft facility, available cash and cash equivalents amounted to MSEK 122.3 (303.5). Equity amounted to MSEK 59.7 (62.6). The Company has issued a corporate bond loan subject to trade on the NASDAQ in Stockholm. For more information see financial position and financing for the Group.

Group report

Consolidated statement of income and other comprehensive income

MSEK	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Revenue	353.5	364.6	1,320.4	1,409.9
Cost of services provided	-342.5	-346.7	-1,291.8	-1,305.4
Gross income:	11.0	18.0	28.6	104.5
Selling costs	-5.2	-4.0	-16.1	-9.9
Administrative costs	-18.4	-12.5	-47.9	-46.7
Other operating income & costs	12.2	3.4	24.9	6.4
Operating income:	-0.4	4.8	-10.5	54.3
Financial income & costs	-24.5	-62.3	-84.5	-114.0
Income before tax:	-24.9	-57.5	-95.0	-59.7
Income tax	1.6	11.5	13.2	10.1
Net Income:	-23.3	-45.9	-81.8	-49.6
Attributable to:				
- Shareholders of the Parent Company	-23.3	-45.9	-81.8	-49.6
Earnings per share, before and after dilution (SEK)	-0.86	-1.70	-3.03	-1.84
Average number of outstanding shares (Thousands)	27,005	27,005	27,005	27,005
Statement of other comprehensive income				
Net income:	-23.3	-45.9	-81.8	-49.6
Other comprehensive income:				
Items that may or has been classified as net income:				
Exchange-rate differences in translation of foreign operations	-0.6	3.7	-1.3	4.7
Total comprehensive income for the period:	-23.9	-42.2	-83.1	-44.9
Attributable to:				
- Shareholders of the Parent Company	-23.9	-42.2	-83.1	-44.9

Condensed statement of financial position

MSEK	Dec 31 2016	Dec 31 2015
Intangible assets	0.2	0.2
Tangible assets	856.3	774.2
Financial assets	22.2	23.3
Total non-current assets	878.6	797.6
Inventories	116.6	138.4
Other current assets	171.4	209.3
Cash and cash equivalents	110.2	266.8
Total current assets	398.2	614.5
Total assets	1,276.8	1,412.1
Shareholders' equity	105.3	188.4
Non-current liabilities	991.2	997.8
Current liabilities	180.3	226.0
Total shareholders' equity and liabilities	1,276.8	1,412.1

Condensed changes in shareholders' equity

MSEK	Share capital	Translation reserves	Profit brought for- ward including net income	Total share- holders' equity
Opening shareholders' equity, Jan 1, 2016	27.0	6.9	154.5	188.4
Total comprehensive income for the year	-	-1.3	-81.8	-83.1
Closing balance Dec 31, 2016	27.0	5.6	72.7	105.3
Opening shareholders' equity, Jan 1, 2015	27.0	2.2	204.1	233.3
Total comprehensive income for the year	-	4.7	-49.6	-44.9
Closing balance Dec 31, 2015	27.0	6.9	154.5	188.4

Condensed statement of cash flows

MSEK	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Operating income	-0.4	4.8	-10.5	54.3
Adjustments for non-cash items				
Depreciation	38.6	33.7	138.0	123.6
Other non-cash items*	25.9	6.6	111.5	51.7
Income tax paid	5.6	5.5	-1.3	-0.8
Cash flow from operating activities before changes in working capital	69.7	50.6	237.8	228.8
Change in working capital	-0.8	-9.9	2.3	-12.1
Cash flow from operating activities	68.9	40.6	240.1	216.7
Payments from associated companies	-	-	-	1.7
investments in intangible assets	-0.2	-	-0.2	-
Investments in tangible assets	-42.1	-71.1	-321.7	-228.4
Sales of tangible assets	-	-	0.2	-
Payments from other investing activities	-2.7	-	-5.5	-6.7
Cash flow from investing activities	-45.1	-71.1	-327.2	-233.5
Received loans	-	850.0	-	890.0
Amortisation of interest bearing liabilities	-3.8	-503.3	-10.5	-509.0
Repaid/received deposits	-	0.1	13.8	0.1
Interest paid	-34.2	-81.0	-77.2	-115.8
Cash flow from financing activities	-38.0	265.8	-74.0	265.4
Cash flow for the period	-14.2	235.3	-161.0	248.6
Cash and cash equivalents at the beginning of the period	121.3	31.1	266.8	17.6
Translation difference in cash and cash equivalents	3.1	0.4	4.4	0.5
Cash and cash equivalents at the end of the period	110.2	266.8	110.2	266.8

*Jan - Dec 2016 Includes the booked loss from the CRJ200PF accident, MSEK 31.0.

Notes

Note 1 – Accounting principles, definitions and key performance indicators

Applied accounting principles

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations as adopted and approved by the EU. The Group has applied the same accounting policies and methods of computation as in the annual report 2015. The minor revised IFRS that have come into effect in 2016 have not had any significant effect on the Group's financial statements. For a description of new IFRS standards that have not yet come into effect in 2016, please see the annual report for 2015, accounting principles, p 1.1. Further, the Group also applies the recommendation from the Swedish Financial Reporting Board, RFR 1, supplementary accounting rules for groups. The Group's consolidated accounts are prepared and reported in Swedish Krona (SEK), which is the functional currency of the parent company. All figures in this report is rounded to Swedish Krona Millions (MSEK).

The interim report for the Group has been prepared in accordance with IAS34 Financial Interim Reporting. The interim report for the parent company has been prepared in accordance with RFR2, financial reporting for legal entities and the Swedish Annual Accounts Act (SAAA). There has been no changes in the accounting principles, essential assessments and evaluations during the interim period, compared to the annual report for 2015.

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

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

Exceptional items – loss of aircraft

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

Alternative key performance indicators

Alternative key performance indicators means financial metrics that are used by the management, investors and lenders to evaluate the Group's net income and financial position which cannot be read from the financial reports, directly. These financial metrics are intended to facilitate analysis of the Group's development. The alternative key performance indicators shall not be considered as a substitute but rather as a complement to the financial reporting prepared according to IFRS. The financial metrics that are used in this report can differ from similar metrics used by other companies. Alternative key performance indicators and reconciliations are shown on the front of this report, and in note 3 and 6.

Note 2 – Breakdown of revenues

	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
MSEK				
Air freight services	334.2	342.3	1,258.0	1,316.5
Technical services	15.6	18.2	44.8	77.1
Aircraft leasing	3.4	3.2	13.0	13.4
Other revenue	0.3	0.9	4.6	2.9
Sum	353.5	364.6	1,320.4	1,409.9

Note 3 – EBITDA

	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
MSEK				
Operating income	-0.4	4.8	-10.5	54.3
Depreciation & Impairment	38.6	33.7	138.0	123.6
EBITDA	38.2	38.5	127.5	177.9

Note 4 – Other operating income & costs

	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
MSEK				
Income from collaboration agreement	-	-	-	2.2
CRJ200PF accident*	8.0	-	13.9	-
Sale of aircraft	1.1	1.2	4.6	6.9
Operating foreign exchange currency gains/losses	3.1	0.8	6.4	-2.7
Sum	12.2	3.4	24.9	6.4

*Received insurance remuneration amounts to MSEK 57.7. Total costs of MSEK 43.8 includes asset disposal, provision for estimated costs due to obtained requirement and all other direct costs connected to the accident. During Oct-Dec the provision was lowered by MSEK 9.8. Note that the net effect does not include indirect costs or the loss between the market value and the book value of the aircraft.

Note 5 – Financial income & costs

	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
MSEK				
Interest costs	-21.5	-17.0	-81.3	-63.7
Redemption costs corporate bond loan	-	-41.8	-	-41.8
Financial exchange currency gains/losses*	-3.7	-3.9	-6.0	-8.8
Other financial income & costs	0.7	0.4	2.8	0.3
Sum	-24.5	-62.3	-84.5	-114.0

*Includes loans, financial leasing and other financial assets and liabilities

Note 6 – Income per quarter and key performance indicators

Income per quarter								
MSEK	Oct - Dec 2016	Jul - Sep 2016	Apr - Jun 2016	Jan - Mar 2016	Oct - Dec 2015	Jul - Sep 2015	Apr - Jun 2015	Jan - Mar 2015
Revenue	353.5	323.7	319.3	323.9	364.6	375.6	337.6	332.0
Cost of services provided	-342.5	-295.2	-308.4	-345.5	-346.7	-342.3	-305.9	-310.6
Gross income:	11.0	28.5	10.8	-21.6	18.0	33.4	31.7	21.4
Selling costs	-5.2	-4.3	-2.9	-3.8	-4.0	-2.6	-1.8	-1.4
Administrative costs	-18.4	-9.8	-9.2	-10.5	-12.5	-12.3	-10.8	-11.2
Other operating income & costs	12.2	1.8	3.8	7.1	3.4	2.6	1.5	-1.1
Operating income:	-0.4	16.2	2.5	-28.8	4.8	21.1	20.6	7.7
Financial income & costs	-24.5	-21.4	-22.6	-16.0	-62.3	-15.8	-13.1	-22.8
Income before tax:	-24.9	-5.2	-20.1	-44.8	-57.5	5.3	7.5	-15.1
Income tax	1.6	-2.1	5.0	8.7	11.5	-0.5	-3.6	2.7
Net Income:	-23.3	-7.3	-15.2	-36.1	-45.9	4.8	3.9	-12.4

Key performance indicators								
MSEK	Oct - Dec 2016	Jul - Sep 2016	Apr - Jun 2016	Jan - Mar 2016	Oct - Dec 2015	Jul - Sep 2015	Apr - Jun 2015	Jan - Mar 2015
Operating income	-0.4	16.2	2.5	-28.8	4.8	21.1	20.6	7.7
Depreciation & impairment	38.6	32.8	33.7	32.8	33.7	30.3	29.5	30.2
EBITDA	38.2	49.0	36.2	4.0	38.5	51.4	50.1	37.9
EBITDA - margin (%)	10.8%	15.1%	11.3%	1.2%	10.6%	13.7%	14.8%	11.4%
Cash and cash equivalents including unused overdraft facility	160.2	171.3	161.2	188.0	316.8	81.1	54.8	71.6
Cash flow from operating activities	68.9	55.1	130.0	-13.9	40.6	58.5	88.1	29.5
Net interest bearing debt/EBITDA**	5.1	5.2	5.2	5.3	3.4	-	-	-
Interest coverage ratio**	2.1	2.1	2.3	2.2	2.9	-	-	-
Equity / Asset ratio (%)	8.2%	9.7%	9.9%	11.0%	13.3%	20.0%	19.8%	19.9%
Average employees	465	466	478	499	509	511	506	499

**Defined by the corporate bond loan WEST 002 terms and conditions. The loan was issued December 2015 whereby the ratios are not reported before Oct - Dec 2015

Note 7 – Fair value and booked value on financial assets and liabilities

MSEK	Dec 2016		Dec 2015	
	Booked value	Fair value	Booked value	Fair value
Financial assets				
Non-current financial receivables	20.4	20.4	23.2	23.2
Other receivables incl accounts receivables	129.9	129.9	137.9	137.9
Cash and cash equivalents	110.2	110.2	266.8	266.8
Sum	260.4	260.4	427.9	427.9
Financial liabilities				
Loans incl bank overdraft	889.8	903.7	890.4	907.5
Other liabilities incl accounts payables	180.4	180.4	199.0	199.0
Sum	1,070.2	1,084.1	1,089.4	1,106.5

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

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

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

Items classified in level 1: the corporate bond loan, subject to trade on the NASDAQ OMX in Stockholm. The booked value is made at deferred acquisition value with regard to transaction costs.

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

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

Note 8 – Transactions with related parties

Transactions between the parent company and its subsidiaries and between subsidiaries within the Group have been eliminated in the Group consolidation. These transactions, including any transactions with affiliated companies, are made on current market terms based on the "arm's length" principle, which means between independent parties, well informed and with an own interest in the transactions. Transactions with key persons in leading positions and its related parties are made on current market terms based on the "arm's length principle". Below are shown the value of transactions made during the interim period and the outstanding balances (C=Claim, L=Liability) at reporting date.

MSEK	Jan - Dec 2016	31 Dec 2016
Party	Transaction(s)	
Horizon Objectives Ltd	Purchase of commercial services	2.9 L
All Konsult Langhard KB	Purchase of HR services	1.1 L
Air Transport Services Group	Lease of B767 aircraft and maintenance support	113.0 L

The relationships between the related parties, including the content of the leasing agreement above, are described in the annual report for 2015, note 32.

Note 9 – Business segment

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

During the interim period, there has been no changes in the business segment and the structure of reporting. For more information, please see the annual report for 2015 note 1, essential accounting principles p 1.1

Note 10 – Corporate bond – financial standing & Covenants

The Group are obliged to report its financial position as described in the terms and conditions of the bond. Below is a summary of the most important terms and conditions which applies to the loan. For more detail and definitions please see page 15 definitions, and also the West Atlantic webpage (www.westatlantic.eu) where the full terms and conditions can be found.

As per December 31, 2016 the Group meets its financial covenants. Financial covenants as per corporate bond terms and conditions:

Maintenance test:

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

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

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

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

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

(b) the Interest Coverage Ratio (ratio of Net Finance Charges*** to EBITDA**) shall exceed 2.50; and

(c) no Event of Default is continuing or would occur upon the incurrence

Calculation of bond defined Net Interest bearing debt*	2016-12-31	2015-12-31
Interest bearing debt	973.0	972.4
Overdraft	-	-
Less financial leasing	-83.1	-82.0
Less cash & cash equivalents	-110.2	-266.8
Net interest bearing debt*	779.7	623.6

Calculation of net finance charges***	Jan 2016 - Dec 2016	Jan 2015 - Dec 2015
Financial income	-1.9	-3.5
Financial costs	86.3	117.5
Early redemption of bond loan (WEST001)	-	-41.8
Bond transaction costs (WEST001 and WEST002)	-4.6	-0.1
Net foreign currency exchange differences	-6.0	-8.2
Net finance charges***	73.8	63.9

Calculation of bond defined EBITDA**	Jan 2016 - Dec 2016	Jan 2015 - Dec 2015
Operating income	-10.5	54.3
Depreciation & Impairment	138.0	123.6
EBITDA	127.5	177.9
Adjustment for non-recurring items		
CRJ200PF accident	-9.6	-
Restructuring costs, ATP	13.2	-
Type introduction and start-up costs	12.0	2.6
Legal costs related to France	2.8	5.5
IPO costs	7.3	-
Bond defined EBITDA**	153.2	186.0

Covenants test per closing date	2016-12-31	2015-12-31
Net interest bearing debt	779.7	623.6
Bond defined EBITDA	153.2	186.0
Net interest bearing debt to R12M EBITDA	5.1	3.4

	2016-12-31	2015-12-31
Net finance charges	73.8	63.9
Bond defined EBITDA	153.2	186.0
Interest coverage ratio	2.1	2.9

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

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

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

Parent company report

Statement of income including statement of other comprehensive income

MSEK	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Net sales	194.9	176.2	726.8	653.7
Cost of services provided	-180.8	-175.9	-692.9	-617.5
Gross income:	14.1	0.3	33.9	36.2
Selling costs	-2.1	-0.5	-10.8	-1.8
Administrative costs	-9.6	-4.2	-16.8	-18.4
Other operating income & costs	3.1	-3.6	2.5	3.3
Operating income:	5.5	-8.0	8.8	19.4
Profit from shareholdings in group companies	15.3	35.2	15.3	38.0
Profit from shareholdings in associated companies	-	-	-	-0.3
Interest & similar income	9.0	7.2	34.4	28.6
Interest & similar costs	-16.3	-53.1	-61.4	-85.9
Income after financial items:	13.4	-18.7	-2.9	-0.3
Appropriations	-	1.5	-	1.5
Tax on income for the period	-	1.5	-	1.3
Net income:	13.4	-15.7	-2.9	2.5
Statement of other comprehensive income				
Net income:	13.4	-15.7	-2.9	2.5
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	13.4	-15.7	-2.9	2.5

Condensed statement of financial position

MSEK	Dec 31 2016	Dec 31 2015
Intangible assets	-	0.1
Financial assets	535.0	385.0
Total non-current assets	535.0	385.1
Other current assets	467.0	275.4
Cash and cash equivalents	72.3	253.5
Total current assets	539.3	528.9
Total assets	1,074.3	914.0
Shareholders' equity	59.7	62.6
Non-current liabilities	847.4	834.7
Current liabilities	167.2	16.7
Total shareholders' equity and liabilities	1,074.3	914.0
Pledged collaterals	120.0	227.9
Contingent liabilities	343.0	254.4

Assurance

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

Gothenburg, February 24, 2017

Göran Berglund
Chairman of the Board

Tony Auld
Member of the Board

Joseph Payne
Member of the Board

Russell Ladkin
Member of the Board

Fredrik Groth
CEO & President

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

West Atlantic Aircraft fleet & flight traffic statistic

Aircraft fleet as per 31 December, 2016:

	Owned	Dry-Leased	Wet-leased	Total	In Service	Dry leased out	Parked*
BAe ATP-F	31	8	-	39	24	-	15
BAe ATP	2	-	-	2	-	-	2
Boeing 737-300	2	4	-	6	6	-	-
Boeing 737-400	3	3	-	6	5	1	-
B767-200	-	3	-	3	3	-	-
CRJ200PF	2	-	-	2	2	-	-
	40	18	-	58	40	1	17

*Long term parked aircraft or aircraft not in daily operation

West Atlantic traffic statistics January – December, 2016:

	2016		2015	
	Q4	YTD	Q4	YTD
	Oct - Dec	Jan - Dec	Oct - Dec	Jan - Dec
Performed flights	5,669	23,200	6,843	26,790
Regularity (target >99%)	99.4%	99,0 %	99.0%	99,1 %
Number of hours flown	6,294	25,125	7,314	28,492

Annual report

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

Annual Shareholders' meeting

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

Financial Calendar

Annual report 2016 April 28, 2017
Interim report January – March 2017 May 30, 2017

Contact information

Fredrik Groth
CEO & President
Fredrik.Groth@westatlantic.eu
+46 (0) 10 452 97 09

Magnus Dahlberg
CFO
Magnus.Dahlberg@westatlantic.eu
+46 (0) 10 452 95 49

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.

Definitions

Corporate Bond definitions

Bond transaction costs	All direct costs in connection with the issue of bond loan such as consultant costs and fees.
Escrow account	Means a bank account of the Issuer, into which the Net Proceeds from the Bond issue will be transferred and which has been pledged in favour of The Trustee and the Holders (represented by the Trustee) under the Escrow Account Pledge Agreement.
Finance charges	The aggregate amount of the accrued interest, commission, fees, discounts, payment fees, premium or charges and other Finance payments in respect of financial Indebtedness whether paid, payable or capitalised by any member of the Group according to the latest Financial Report(s) (calculated on a consolidated basis) other than Transaction costs, capitalised interest in respect of any loan owing to any member of the Group or any Subordinated Loan, lease expenses related to Leased Aircraft, and taking no account of any unrealised gains or losses on any derivative instruments other than any derivative instrument which are accounted for on a hedge accounting basis.
Financial costs	Includes costs from: a) interest on loans at deferred acquisition value b) interest on financial loan receivables at deferred acquisition value c) any losses from sale of financial loan receivables d) losses from sale of any company which are not part of the Group e) any losses from market valuation of foreign exchange derivatives (hedging instruments) f) redemption costs for loans g) foreign exchange currency losses from revaluation of financial loan receivables, loans and finance leasing.
Financial income	Includes income from: a) interest on cash & cash equivalents b) interest on financial loan receivables at deferred acquisition value c) any sale of financial loan receivables d) dividend from any company which are not part of the Group e) gain from sale of any company which are not part of the Group f) any gains from market valuation of foreign exchange derivatives (hedging instruments) g) foreign exchange currency gains from revaluation of financial loan receivables, loans and finance leasing.
Financial Indebtedness	Means any indebtedness in respect of; a) monies borrowed or raised, including Market Loans; b) the amount of any liability in respect of any finance leases, to the extent the arrangements is treated as a finance lease in accordance with the accounting principles applicable on the First Issue Date (a lease which in the accounts of the Group is treated as an asset and a corresponding liability); c) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis); d) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; e) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and when calculating the value of any derivative transaction, only the mark to market value shall be taken into account, provided that if any actual amount is due as a result of termination or a close-out, such amount shall be used instead); f) Any counter indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and g) (without double counting) any guarantee or other assurance against financial loss in respect of a type referred to in the above items (a)-(f).
Interest coverage ratio	The ratio between EBITDA and Net finance costs
Subordinated Loan	Means any loan of the Issuer or any of its Subsidiaries, where the Issuer or the relevant Subsidiary is the debtor, if such loan (a) according to its terms and pursuant to a subordination agreement on terms and conditions satisfactory to the Trustee, is subordinated to the obligations of the Issuer under the Terms and Conditions, (b) according to its terms have a final redemption date or, when applicable, early redemption dates or instalment dates or instalment dates which occur after the Final, Redemption date, (c) according to its terms yield only payment-in-kind interest.
Other definitions	
ACMI	Aircraft, Crew, Maintenance, Insurance. A type of Wet-lease agreement where the airline offers the mentioned services in the contract with the customer.
Administration costs	Indirect cost demanded to create revenue connected to administration including part of salaries & other remuneration and depreciation, travel, IT and other administration costs.
Aircraft fleet	The aircraft types BAe ATP, CRJ200PF, B737-300SF/400SF and B767-200. The aircraft the Group currently operates.
AOC	Aircraft operating certificate. Approval granted by a national aviation authority to an operator to allow to use aircraft for commercial purposes.
ATSG	Air Transport Services Group Inc. US based partner which owns 25 % of the shares of West Atlantic AB (publ)
Cost of services provided	All direct operating cost demanded to create the revenue including aircraft maintenance, fuel, aircraft leasing, part of salaries & other remuneration and depreciation, hangar rents and other direct operating expenses
Collaboration agreement	The Group is a part of an agreement for aircraft management and leasing activities with an external party
Redemption costs	Means the total costs in connection with the redemption of the previous corporate bond loan December 21, 2015, with originally redemption date May 8, 2018. The costs are included in financial costs and consist of a "make whole amount" including an early redemption fee of 4% of the nominal loan value which was MSEK 500, further also included are remaining interest payments up to the next ordinary interest maturity date. In addition, reversed transaction costs related to the loan acquisition are included.
EBITDA	Income before interest, tax, depreciation (including impairment) and amortisation. Operating income adjusted for depreciation.
EBITDA margin (%)	The percentage ratio between EBITDA and revenue
EBIT	Operating income according to statement of income and other comprehensive income
EBT	Income before tax
Equity ratio	Ratio between equity and total assets
Fleet Dispatch Regularity	Defined as % of flights departing according to plan, i.e. flights that are not cancelled.
Global Integrator	Referring to the four major global express providers (FedEx, DHL, UPS, TNT)
IPO costs	Costs in direct connection with a preparatory equity transaction (share issue) such as fees to lawyers, auditors and other advisors, prospectus and registration costs. The costs which were balanced previous periods, amounted to MSEK 7.3 and the Group expensed these during Oct – Dec 2016, due to that the equity transaction did not occur.
Items affecting comparability/ non-recurring items	Items that occur infrequently or are unusual in the ordinary business activities, such as type introduction and start-up costs, redemption cost of loans, restructuring costs, other items and also financial FX gains or losses from loans and finance leasing
NMO	National mail organisation such as PostNord (Sweden), Royal Mail (UK), Norwegian Mail (Norway)
Other items	Items affecting comparability included in non-recurring items. This includes disputes and legal processes in France, IPO costs and impairment of aircraft components.
Overdraft facility	The total overdraft facility of the Group amounts to MSEK 50
Underlying revenue growth	Revenue growth in constant currency rates and fuel prices, excluding effects from aircraft sales.
Wet-lease	Airline providing aircraft capacity to another airline