Press release 4, 2017
Gothenburg November 7, 2017

West Atlantic AB (publ) initiates a written procedure in accordance with the Terms and Conditions

As communicated by West Atlantic AB (publ) (the "**Company**") in a press release dated 2 November 2017, the Company did not as per 30 September 2017 fulfil the "Maintenance Test" as stipulated in the terms and conditions of the Company's outstanding bond loan (the "**Terms and Conditions**"). The Company has decided to initiate a written procedure in accordance with the Terms and Conditions where bondholders will be requested to approve to waive, during a certain period, the undertaking to fulfil the Maintenance Test. More information about the background to the request is found in the appendix attached to this press release. The further conditions for such waiver and the written procedure will be included in the notice to the written procedure, which will be sent to bondholders in due course.

Pareto Securities acts as Financial Advisor to the Company while Gernandt & Danielsson Advokatbyrå acts as Legal Counsel.

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This information is information that West Atlantic AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 2017-11-07, 08.30 CET.

About West Atlantic
The West Atlantic Group is one of the market leading providers of dedicated airfreight services to European NMO's and airfreight capacity to Global Integrators and Freight Forwarders. The Group has a well-established geographic network and operates an all-cargo fleet of more than 50 aircraft comprised of B767, B737, BAE ATP and CRJ-200. West Atlantic was founded in 1962, employs 477 staff is headquartered in Gothenburg, Sweden and has two operating airlines, with one AOC in the UK and one in Sweden. For FY 2016, West Atlantic reported revenues of MSEK 1,320 and EBITDA of MSEK 128.

Appendix to press release

Background

Terms not otherwise defined herein shall have the same meaning as in the Terms and Conditions of the Bonds.

As communicated by the Issuer in a press release dated 2 November 2017 and in its interim financial report for the second quarter of 2017, the Issuer has reported negative financial results during 2017. The Issuer's unsatisfactory financial performance derives primarily from delayed aircraft deliveries for the new Royal Mail contract, which is the Issuer's largest contract ever with revenues of approximately MSEK 3,000 over the contract's five-year term. During the first quarter of 2017, the contract with Royal Mail contributed significantly to the Issuer, generating the largest quarterly revenue in the history of the Group, MSEK 392.0 (323.9) – an increase of twenty-one per cent compared to the same period of the previous year.

In order to provide the expected level of service under the Royal Mail contract, the Group entered into lease agreements for new Boeing 737 cargo aircraft. Prior to being delivered to the Group, these aircraft had to undergo conversions from passenger to cargo configuration as well as substantial maintenance controls. Due to high demand for conversions during 2017, the conversion provider failed to deliver the conversions on time, which in turn affected not only the Group, but all other airlines taking delivery of Boeing 737 cargo aircraft with that specific configuration. The delays have resulted in the Group having to subcontract aircraft on short term and at high cost, while concurrently having to maintain own pilots and other personnel in anticipation of the arrival of the aforementioned leased aircraft.

Moreover, during the second and third quarter of the year the Group's profitability was further impacted by extended stoppages in connection with planned technical maintenance work relating to the Group's Boeing 767 fleet (*i.e.* increased costs for the maintenance relating to such aircraft and also increased costs for subcontracted aircraft as a direct effect of the stoppage) as well as by the Group's fleet of inactive, parked ATP aircraft which are not giving rise to any revenues.

In sum, the aforementioned factors have resulted in unsatisfactory financial results during 2017 which in turn have had a negative impact on the Group's equity and liquidity position. As a consequence, the Issuer has, when preparing the consolidated financial statements for the third quarter, come to the conclusion that the Group did not fulfil the Maintenance Test as per 30 September 2017. This was subsequently communicated in a press release dated 2 November 2017. While a return to operational profitability is expected during the fourth quarter of 2017, the Issuer cannot be certain that it will be in compliance with the Maintenance Test as at 31 December 2017. Consequently, the Issuer will request that the Holders temporarily waive the Issuer's undertaking of the fulfilment of the Maintenance Test as set out in the Terms and Conditions.

The management of West Atlantic is closely monitoring the Group's liquidity and equity situation. A thorough review of the Group's business plan is being carried out and a range of possibilities is being explored to re-capitalise the Group through an equity injection and/or other alternatives. In the meantime, work has continued on the Group's cost reduction programme which comprises, *inter alia*, a consolidation of the Group's maintenance facilities and general slim-lining of the organisation, while at the same time ensuring that the Group continues to fulfil and exceed regulatory requirements and customer expectations in terms of safety and reliability. Among other initiatives, management has decided to close the Group's hangars in Malmö and Coventry by the end of the year. By performing more maintenance controls in-house and consolidating facilities, the Issuer estimates to be able to over time realise valuable cost savings. In addition, the Issuer is expecting to conclude the sale of minimum two of its excess ATP aircraft during the fourth quarter of 2017, with further disposals to follow in 2018. The company, therefore, does not foresee any immediate consequences for the daily operation or its ability to pay its debtors but further material negative deviations from plan would potentially cause a risk for the Group to service its debts.

Looking toward the future, the management of West Atlantic considers the Group well positioned to increase its revenues while at the same time considerably improving its profitability. During the second and third quarter of 2017, the Group took delivery of all additional B737-400 aircraft required for the Royal Mail operations and the Issuer is of the opinion that the aforementioned issues pertaining to delayed aircraft have not affected the relationship with Royal Mail negatively. The fact that the Group incurred considerable inconvenience and expense to deliver the service to Royal Mail was highly valued and appreciated by the customer. Moreover, all of the Group's B737, CRJ and B767 aircraft were in full operation during the second quarter. On the other hand the Group will have additional spare ATP aircraft in January 2018 and onwards when the reduced Norwegian Mail operation starts as a consequence of the abandoning of "Class-A" (overnight) letter services in Norway. The efforts to sell or lease out excess ATP aircraft will therefore continue to be a focus area also in 2018. In June 2017 the Group announced an agreement with GECAS regarding four B737-800 BCF aircraft, which constitute the latest version of B737 freighter aircraft. The Group will be the first operator of this aircraft type and will as such be in a position to leverage this larger, latest generation aircraft to strengthen its presence in existing and new markets. The addition of more aircraft to the Group's business, coupled with structural changes to reduce costs, is expected to increasingly impact the Issuer's financial results positively in 2018 and beyond.