

# WEST ATLANTIC

## INTERIM REPORT

January 1 – March 31, 2017

Published May 30, 2017



**“The first quarter of 2017 generated the largest quarterly revenue in the history of the company”**

### January - March

- Strong revenue growth due to additional B737 revenues generated from the new contract with Royal Mail. Revenue growth amounted to 21.0 % year-on-year.
- EBITDA amounted to MSEK 30.7 (4.1) corresponding to a margin of 7.8 % (1.3).
- Earnings per share of SEK -0.54 (-1.70).
- Increased subcharter costs, caused by aircraft delivery delays.
- One B737-400 was delivered on a long term operating lease agreement.

### Key performance indicators for the Group

All figures in MSEK unless stated otherwise	Jan - Mar 2017	Jan - Mar 2016	Jan - Dec 2016
<b>Financial metrics*</b>			
Revenue	392.0	323.9	1,320.4
Revenue growth	21.0%	-2.4%	-6.3%
EBITDA	30.7	4.1	127.5
EBITDA margin (%)	7.8%	1.3%	9.7%
Net income	-14.4	-36.1	-81.8
Cash and cash equivalents incl unused overdraft facility	114.2	188.0	160.2
Cash flow from operating activities	7.6	-13.9	240.1
Earnings per share before dilution (SEK)	-0.54	-1.70	-3.03
Net interest bearing debt / EBITDA**	4.6	5.3	5.1
Interest coverage ratio**	2.4	2.2	2.1
Equity / Asset ratio	7.1%	11.0%	8.2%
Total assets	1,291.5	1,379.8	1,276.8
<b>Operating metrics*</b>			
Fleet dispatch regularity	99.3%	98.2%	99.0%
Performed flights	5,981	6,018	23,200
Aircraft in service (incl. wet leases)	44	48	40
Average employees	466	499	477

\*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.

## CEO's comments

### Strong revenue growth but increased subcharter costs due to delayed aircraft deliveries

The first quarter of 2017 generated the largest quarterly revenue in the history of the company, MSEK 392.0 (323.9) with an increase by 21 % year-on-year. This is a direct result of the recently awarded five-year contract with Royal Mail in the UK. The full implementation of this contract will not be seen until later in the year. Related to this rapid increase in demand for aircraft, the Lessors have been delayed in delivering the additional Boeing 737-400 aircraft, resulting in the need to subcontract aircraft on a number of the routes. This has led to increased costs, and affected the margins and EBIT during this period. Additional four aircraft are scheduled to arrive between May and August, and will then replace all subcontracted aircraft except one.

### Operational update

Operationally, we have had a stable first quarter, with a few temporary exceptions, one being in our Norway operation in January where we had above average technical delays. As part of the scheduled heavy maintenance program on our B767 fleet, we have subcontracted one route to another operator, at an incremental cost.

### Continued cost reductions and consolidation of the organisation

Our cost reduction program continues as planned. As part of consolidating our maintenance facilities, we have given notice that we will be closing our aircraft maintenance hangar in Malmö at the end of the year. We will also be vacating our Coventry hangar at mid-year per earlier plans and instead move to a larger unified facility at a new location in the UK, where economies of scale will help us to reduce our costs and increase our ability to service our B737 fleet in-house, while we also continue to fully supply our ATPs.

Indirect costs are being reduced throughout the organisation, while the hiring of additional pilots is underway in some of our fleets. The objective is to reach a lean organisation which continues to fulfil and exceed the regulatory and customer requirements in terms of safety and reliability.

### Commercial update

Large focus is on identifying new opportunities for the ATP aircraft that are parked. We have scrapped four ATPs, and believe we will see new opportunities arise during the year for the remainder of the parked fleet. We are also positioning ourselves back in the Ad hoc-charter business, which we expect will result in good revenues and contribution in the months and years ahead. International expansion outside of Europe is also on the horizon, as we seek different growth opportunities in faster growing cargo markets.

### Fleet update

We placed one additional B737-400 in operation in the first quarter and we are awaiting four additional aircraft in the months to come. All our B737, CRJ and B767 aircraft are in service for customer operations. We are presently committed to taking on an additional four B737-400 aircraft, three of these on long term operating lease, the fourth being our own aircraft which is coming back from being leased to Jet time in Denmark.

### Outlook

The remainder of 2017 still presents challenges, as we continue to add aircraft while reducing costs, and with more subcontracted aircraft than originally planned. Some of the structural changes take time to show results, and we are aware of the need to never let our sights off the fact that we are still not producing satisfactory financial returns. However, we have a clear plan and we execute accordingly. We are well positioned with one operating airline in UK and one in Sweden, which allows us to be able to handle any effects of Brexit upon our business. Cargo demand continues to show signs of moderate strength, and we are in a strong position to grow with the needs of present clients and develop relationships with new ones.



**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 March 31, 2017. Comparative figures in this report cover the corresponding period in 2016, unless otherwise stated. All financial information contained in this report refers to the West Atlantic Group unless stated that the information refers to the parent company West Atlantic AB (publ).

## GROUP FINANCIAL PERFORMANCE

### Revenue and income

Revenue for the period amounted to MSEK 392.0 (323.9), an increase by 21.0 % year-on-year and the highest quarterly revenue in the history of the Group. The growth mainly comes from the recently awarded five-year contract with Royal Mail, which commenced in January and reflects the growth for the B737 fleet that has been ongoing for a long time. For a detailed breakdown of revenue, see note 2.

EBITDA amounted to MSEK 30.7 (4.1). The significant increase compared to last year is primarily explained by that last year, EBITDA was highly affected by the organisational process to adapt to a less utilised ATP fleet and costs in connection with the start-up of new B737 operations in France. Also, the terrible CRJ-accident during the first quarter last year affected EBITDA negatively. The EBITDA margin amounted to 7.8 % (1.3 %). For a breakdown of EBITDA, please see note 3.

EBIT amounted to MSEK -1.8 (-28.8) including depreciation of MSEK 32.5 (32.9). During this period, EBIT has been affected by increased subcharter costs, mainly due to delays in the deliveries of aircraft demanded for the Royal Mail contract, mentioned above, and scheduled heavy maintenance for one of our B767 aircraft.

The net of financial income and costs amounted to MSEK -18.5 (-16.0). The financial net included foreign exchange currency changes of MSEK 1.4 (2.8), mainly on loans and financial leasing, and interest costs of MSEK 20.4 (19.7), mostly attributable to the corporate bond loan. For a detailed breakdown of financial income and cost, please see note 5.

Net income amounted to MSEK -14.4 (-36.1) for the period and was affected by income taxes of MSEK 5.9 (8.7).

## Summary of items affecting comparability

MSEK	Jan - Mar 2017	Jan - Mar 2016	Jan - Dec 2016
Income before tax	-20.3	-44.8	-95.0
Type introduction and start-up costs	5.4	6.8	12.0
CRJ200PF accident	-	-6.2	-9.6
Restructuring costs, ATP	0.5	4.2	13.2
Other items*	-	-	10.1
Financial FX gains/losses	-1.4	-2.8	-7.7
Sum	-15.8	-42.8	-61.6

\*See definitions at the end of this report.

Note that the adjustment for the start-up costs during this quarter refers to the Royal Mail contract, the largest single contract awarded in the company's history.

### Cash flow

Cash flow from operating activities improved compared to last year and amounted to MSEK 7.6 (-13.9). The increase compared to last year is attributable to the changes in the working capital. Cash flow from investing activities amounted to MSEK -46.0 (-119.4). The change is mainly due to the purchase of a B737-400 aircraft last year. Cash flow from financing activities amounted to MSEK -7.4 (5.3). Last year was affected by a received deposit from a customer. Cash flow for the period amounted to MSEK -45.8 (-128.0).

### Investments

Total investments in tangible assets amounted to MSEK -43.2 (-116.6), mainly from investments in periodical heavy maintenance activities and purchase of aircraft components.

Payments from other investing activities amounted to MSEK -2.8 (-2.8) including investments in financial assets, MSEK -2.8 (-2.9) and received payments from financial assets, MSEK 0 (0.1).

### Operational leasing costs

The aircraft operating leasing costs amounted to MSEK 66.9 (58.0)

### Leasing engagements

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

### Sales of assets

During the period no material sales of non-current tangible assets have been made.

### Impairment of stock

During the period an impairment has been made by MSEK 1.7 (1.6) for slow moving stock.

## SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- The Group has entered into a long term operating lease agreement for one B737-400 aircraft.
- The Group is in the final stages of an early termination of an operating lease agreement of a B737-400 aircraft with one customer. When finalised, the aircraft leasing revenues will cease. After redelivery, the aircraft will operate under the extended contract with Royal Mail. The expected lower lease revenue will be more than offset by the increasing revenue from this contract
- In line with the project to dismantle long time parked BAe- ATP aircraft, which started last year, the Group scrapped four aircraft during the period. To maintain the pledge collaterals in favour of the bond-holders, an

amount has been transferred to a deposit account, in accordance with the terms and conditions of the corporate bond loan.

#### ORGANISATION

The average number of employees for the period January - March amounted to 466 (499).

#### FINANCIAL POSITION AND FINANCING

Cash and cash equivalents at the end of the period amounted to MSEK 64.2 (138.0). Including non-utilised overdraft facility, available cash and cash equivalents amounted to MSEK 114.2 (188.0). Equity amounted to MSEK 91.1 (151.5) and the equity ratio amounted to 7.1% (11.0).

The Company has issued a corporate bond loan which was listed on the NASDAQ, Stockholm on January 26<sup>th</sup> 2016. The instrument is listed as WEST002 with 850 units holding a nominal value of MSEK 1.0 each. The bonds carry a fixed coupon of 7%, payable semi-annually in arrears and matures in December 2019. 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.westatatlantic.eu](http://www.westatatlantic.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 2016. The assessment is that this description is still accurate.

#### LEGAL PROCEEDINGS

During 2016, the Group's subsidiary West Atlantic Sweden AB was lawsuits by French pilots, which potentially can result in a legal process. Last year the Group provisioned MSEK 2.9, corresponding to the claim. During this period MSEK 1.0 of the claim has been settled.

#### TRANSACTIONS WITH RELATED PARTIES

For transactions with related parties, please see note 8.

#### SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There have been no significant events to report after the reporting period.

#### OUTLOOK

The remainder of 2017 still presents challenges, as we continue to add aircraft while reducing costs, and with more subcontracted aircraft than originally planned. Some of the structural changes take time to show results and we are still not producing satisfactory financial returns. However, we have a clear plan and executing accordingly. We are well positioned with one operating airline in UK and one in Sweden, which allows us to be able to handle any effects of Brexit upon our business. Cargo demand continues to show signs of moderate strength, and we are in a strong position to grow with the needs of our clients.

#### SEASONAL EFFECTS

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

#### PARENT COMPANY

##### About the parent company

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

#### Revenue and income

Revenue for the period amounted to MSEK 187.6 (175.0), an increase by 7.2% year-on-year. The increase is mainly attributable to positive foreign exchange currency effects. EBIT amounted to MSEK 4.2 (-1.3). The increase is also mainly attributable to positive foreign exchange currency effects. Net income amounted to MSEK -3.3 (-6.6).

#### Financial position and financing

Cash and cash equivalents at the end of the period amounted to MSEK 54.6 (126.7). Including the non-utilised overdraft facility, available cash and cash equivalents amounted to MSEK 104.6 (176.7). Equity amounted to MSEK 56.4 (56.1). 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.

#### Contingent liabilities

Contingent liabilities amounted to MSEK 419.8 (328.2). The increase is mainly attributable to increased guarantees for subsidiaries engagements with aircraft lessors.

## Group report

### Consolidated statement of income and other comprehensive income

MSEK	Jan - Mar 2017	Jan - Mar 2016	Jan - Dec 2016
Revenue	392.0	323.9	1,320.4
Cost of services provided	-385.0	-345.5	-1,291.8
<b>Gross income:</b>	<b>7.0</b>	<b>-21.6</b>	<b>28.6</b>
Selling costs	-1.5	-3.8	-16.1
Administrative costs	-10.6	-10.5	-47.9
Other operating income & costs	3.3	7.1	24.9
<b>Operating income:</b>	<b>-1.8</b>	<b>-28.8</b>	<b>-10.5</b>
Financial income & costs	-18.5	-16.0	-84.5
<b>Income before tax:</b>	<b>-20.3</b>	<b>-44.8</b>	<b>-95.0</b>
Income tax	5.9	8.7	13.2
<b>Net Income:</b>	<b>-14.4</b>	<b>-36.1</b>	<b>-81.8</b>
Attributable to:			
- Shareholders of the Parent Company	-14.4	-36.1	-81.8
Earnings per share, before and after dilution (SEK)	-0.54	-1.70	-3.03
Average number of outstanding shares (Thousands)	27,005	27,005	27,005
<b>Statement of other comprehensive income</b>			
Net income:	-14.4	-36.1	-81.8
Other comprehensive income:			
Items that may or has been classified as net income:			
Exchange-rate differences in translation of foreign operations	0.2	-0.8	-1.3
<b>Total comprehensive income for the period:</b>	<b>-14.2</b>	<b>-36.9</b>	<b>-83.1</b>
Attributable to:			
- Shareholders of the Parent Company	-14.2	-36.9	-83.1

## Condensed statement of financial position

MSEK	Mar 31 2017	Mar 31 2016	Dec 31 2016
Intangible assets	0.2	0.1	0.2
Tangible assets	843.0	815.9	856.3
Financial assets	24.7	17.2	22.2
<b>Total non-current assets</b>	<b>867.9</b>	<b>833.2</b>	<b>878.6</b>
Inventories	117.4	123.4	116.6
Other current assets	242.0	285.2	171.4
Cash and cash equivalents	64.2	138.0	110.2
<b>Total current assets</b>	<b>423.6</b>	<b>546.6</b>	<b>398.2</b>
<b>Total assets</b>	<b>1,291.5</b>	<b>1,379.8</b>	<b>1,276.8</b>
Shareholders' equity	91.1	151.5	105.3
Non-current liabilities	981.9	993.5	991.2
Current liabilities	218.5	234.8	180.3
<b>Total shareholders' equity and liabilities</b>	<b>1,291.5</b>	<b>1,379.8</b>	<b>1,276.8</b>

## Condensed changes in shareholders' equity

MSEK	Share capital	Translation reserves	Profit brought for- ward including net income	Total share- holders' equity
<b>Opening shareholders' equity, Jan 1, 2017</b>	<b>27.0</b>	<b>5.6</b>	<b>72.7</b>	<b>105.3</b>
Total comprehensive income for the period Jan - Mar	-	0.2	-14.4	-14.2
<b>Closing balance Mar 31, 2017</b>	<b>27.0</b>	<b>5.8</b>	<b>58.3</b>	<b>91.1</b>
<b>Opening shareholders' equity, Jan 1, 2016</b>	<b>27.0</b>	<b>6.9</b>	<b>154.5</b>	<b>188.4</b>
Total comprehensive income for the period Jan - Mar	-	-0.8	-36.1	-36.9
<b>Closing balance Mar 31, 2016</b>	<b>27.0</b>	<b>6.1</b>	<b>118.4</b>	<b>151.5</b>
<b>Opening shareholders' equity, Jan 1, 2016</b>	<b>27.0</b>	<b>6.9</b>	<b>154.5</b>	<b>188.4</b>
Total comprehensive income for the year	-	-1.3	-81.8	-83.1
<b>Closing balance Dec 31, 2016</b>	<b>27.0</b>	<b>5.6</b>	<b>72.7</b>	<b>105.3</b>

## Condensed statement of cash flows

MSEK	Jan - Mar 2017	Jan - Mar 2016	Jan - Dec 2016
<b>Operating income</b>	<b>-1.8</b>	<b>-28.8</b>	<b>-10.5</b>
<b>Adjustments for non-cash items</b>			
Depreciation	32.5	32.9	138.0
Other non-cash items	24.2	55.2	111.5
Income tax paid	-2.9	-2.3	-1.3
<b>Cash flow from operating activities before changes in working capital</b>	<b>52.0</b>	<b>57.1</b>	<b>237.8</b>
Change in working capital	-44.5	-71.0	2.3
<b>Cash flow from operating activities</b>	<b>7.6</b>	<b>-13.9</b>	<b>240.1</b>
Investments in intangible assets	-	-	-0.2
Investments in tangible assets	-43.2	-116.6	-321.7
Sales of tangible assets	-	0.1	0.2
Payments from other investing activities	-2.8	-2.8	-5.5
<b>Cash flow from investing activities</b>	<b>-46.0</b>	<b>-119.4</b>	<b>-327.2</b>
Amortisation of interest bearing liabilities	-2.3	-1.5	-10.5
Repaid/received deposits	-	13.0	13.8
Interest paid	-5.1	-6.1	-77.2
<b>Cash flow from financing activities</b>	<b>-7.4</b>	<b>5.3</b>	<b>-73.9</b>
<b>Cash flow for the period</b>	<b>-45.8</b>	<b>-128.0</b>	<b>-161.0</b>
Cash and cash equivalents at the beginning of the period	110.2	266.8	266.8
Translation difference in cash and cash equivalents	-0.2	-0.7	4.4
<b>Cash and cash equivalents at the end of the period</b>	<b>64.2</b>	<b>138.0</b>	<b>110.2</b>

# 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 2016. The minor revised IFRS that have come into effect in 2017 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 2017, please see the annual report for 2016, accounting principles, p 1.1. The Group is evaluating the effects of the accounting standards that come into effect as from 1 January, 2018, IFRS9, Financial Instruments, and IFRS15 Revenue from contract with customers. The full effects of the standards have not yet been investigated. For IFRS9, the biggest effect is expected to occur from the transition to the model for expected credit losses. The potential effect is not assessed to be significant. For IFRS15 the investigation is ongoing, however the effect from the standard is not assessed to be significant.

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 estimates during the interim period, compared to the annual report for 2016.

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 2016 available on the website of West Atlantic AB (publ), [www.westatatlantic.eu](http://www.westatatlantic.eu).

### 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

MSEK	Jan - Mar 2017	Jan - Mar 2016	Jan - Dec 2016
Air freight services	377.1	311.0	1,258.0
Technical services	11.2	9.4	44.8
Aircraft leasing	3.5	3.3	13.0
Other revenue	0.2	0.2	4.6
<b>Sum</b>	<b>392.0</b>	<b>323.9</b>	<b>1,320.4</b>

## Note 3 – EBITDA

MSEK	Jan - Mar 2017	Jan - Mar 2016	Jan - Dec 2016
<b>Operating income</b>	<b>-1.8</b>	<b>-28.8</b>	<b>-10.5</b>
Depreciation & Impairment	32.5	32.9	138.0
<b>EBITDA</b>	<b>30.7</b>	<b>4.1</b>	<b>127.5</b>

## Note 4 – Other operating income & costs

MSEK	Jan - Mar 2017	Jan - Mar 2016	Jan - Dec 2016
Income from collaboration agreement	3.9	-	-
CRJ200PF accident	-	10.5	13.9
Sale of aircraft	1.2	1.2	4.6
Operating foreign exchange currency gains/losses	-1.8	-4.6	6.4
<b>Sum</b>	<b>3.3</b>	<b>7.1</b>	<b>24.9</b>

## Note 5 – Financial income & costs

MSEK	Jan - Mar 2017	Jan - Mar 2016	Jan - Dec 2016
Interest costs	-20.4	-19.7	-81.3
Financial exchange currency gains/losses*	1.4	2.8	-6.0
<b>Other financial income &amp; costs</b>	<b>0.5</b>	<b>0.9</b>	<b>2.8</b>
<b>Sum</b>	<b>-18.5</b>	<b>-16.0</b>	<b>-84.5</b>

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

## Note 6 – Income per quarter and key performance indicators

Income per quarter								
MSEK	Jan - Mar 2017	Oct - Dec 2016	Jul - Sep 2016	Apr - Jun 2016	Jan - Mar 2016	Oct - Dec 2015	Jul - Sep 2015	Apr - Jun 2015
Revenue	392.0	353.5	323.7	319.3	323.9	364.6	375.6	337.6
Cost of services provided	-385.0	-342.5	-295.2	-308.4	-345.5	-346.7	-342.3	-305.9
<b>Gross income:</b>	<b>7.0</b>	<b>11.0</b>	<b>28.5</b>	<b>10.8</b>	<b>-21.6</b>	<b>18.0</b>	<b>33.4</b>	<b>31.7</b>
Selling costs	-1.5	-5.2	-4.3	-2.9	-3.8	-4.0	-2.6	-1.8
Administrative costs	-10.6	-18.4	-9.8	-9.2	-10.5	-12.5	-12.3	-10.8
Other operating income & costs	3.3	12.2	1.8	3.8	7.1	3.4	2.6	1.5
<b>Operating income:</b>	<b>-1.8</b>	<b>-0.4</b>	<b>16.2</b>	<b>2.5</b>	<b>-28.8</b>	<b>4.8</b>	<b>21.1</b>	<b>20.6</b>
Financial income & costs	-18.5	-24.5	-21.4	-22.6	-16.0	-62.3	-15.8	-13.1
<b>Income before tax:</b>	<b>-20.3</b>	<b>-24.9</b>	<b>-5.2</b>	<b>-20.1</b>	<b>-44.8</b>	<b>-57.5</b>	<b>5.3</b>	<b>7.5</b>
Income tax	5.9	1.6	-2.1	5.0	8.7	11.5	-0.5	-3.6
<b>Net Income:</b>	<b>-14.4</b>	<b>-23.3</b>	<b>-7.3</b>	<b>-15.2</b>	<b>-36.1</b>	<b>-45.9</b>	<b>4.8</b>	<b>3.9</b>

Key performance indicators								
MSEK	Jan - Mar 2017	Oct - Dec 2016	Jul - Sep 2016	Apr - Jun 2016	Jan - Mar 2016	Oct - Dec 2015	Jul - Sep 2015	Apr - Jun 2015
Operating income	-1.8	-0.4	16.2	2.5	-28.8	4.8	21.1	20.6
Depreciation & Impairment	32.5	38.6	33.8	33.7	32.9	33.7	30.3	29.5
<b>EBITDA</b>	<b>30.7</b>	<b>38.2</b>	<b>49.0</b>	<b>36.2</b>	<b>4.1</b>	<b>38.5</b>	<b>51.4</b>	<b>50.1</b>
EBITDA - margin (%)	7.8%	10.8%	15.1%	11.3%	1.3%	10.6%	13.7%	14.8%
Cash and cash equivalents including unused overdraft facility	114.2	160.2	171.3	161.2	188.0	316.8	81.1	54.8
Cash flow from operating activities	7.6	68.9	55.1	130.0	-13.9	40.6	58.5	88.1
Net interest bearing debt/EBITDA**	4.6	5.1	5.2	5.2	5.3	3.4	-	-
Interest coverage ratio**	2.4	2.1	2.1	2.3	2.2	2.9	-	-
Equity / Asset ratio (%)	7.1%	8.2%	9.7%	9.9%	11.0%	13.3%	20.0%	19.8%
Average employees	466	465	466	478	499	509	511	506

\*\*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	Mar 2017		Dec 2016	
	Booked value	Fair value	Booked value	Fair value
<b>Financial assets</b>				
Non-current financial receivables	24.6	24.6	20.4	20.4
Other receivables incl accounts receivables	170.8	170.8	129.9	129.9
Cash and cash equivalents	64.2	64.2	110.2	110.2
<b>Sum</b>	<b>259.6</b>	<b>259.6</b>	<b>260.4</b>	<b>260.4</b>
<b>Financial liabilities</b>				
Loans incl bank overdraft	890.7	911.8	889.8	903.7
Other liabilities incl accounts payables	189.4	189.4	180.4	180.4
<b>Sum</b>	<b>1,080.1</b>	<b>1,101.2</b>	<b>1,070.2</b>	<b>1,084.1</b>

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

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

- **Level 1:** Market prices (unadjusted) listed on an active market for identical assets or liabilities
- **Level 2:** Other observed data for the asset or the liability than noted prices included in level 1, either direct (as price adjustments) or indirect (derived from noted prices).
- **Level 3:** Fair value determined out of valuation models, where significant data is based on unobservable data.

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 - Mar 2017	31 Mar 2017
<b>Party</b>	<b>Transaction(s)</b>	
Horizon Objectives Ltd	Purchase of commercial services	0.7 0.9 L
Air Transport Services Group	Lease of B767 aircraft and maintenance support	31.0 11.9 L

The relationships between the related parties, including the content of the leasing agreement above, are described in the annual report for 2016, note 31.

## 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 2016 note 1, essential accounting principles p 1.1.

## Note 10 – Corporate bond – financial standing & Covenants

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

As per March 31, 2017 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*	2017-03-31	2016-03-31	2016-12-31
Interest bearing debt	970.2	967.9	973.0
Overdraft	-	-	-
Less financial leasing	-79.5	-78.2	-83.1
Less cash & cash equivalents	-64.2	-138.0	-110.2
<b>Net interest bearing debt*</b>	<b>826.5</b>	<b>751.7</b>	<b>779.7</b>

Calculation of net finance charges***	Apr 2016 – Mar 2017	Apr 2015 - Mar 2016	Jan 2016 – Dec 2016
Financial income	-	-5.3	-1.9
Financial costs	87.0	112.6	86.3
Bond transaction costs (WEST001 and WEST002)	-4.6	-44.9	-4.6
Net foreign currency exchange differences	-7.4	1.5	-6.0
<b>Net finance charges***</b>	<b>75.0</b>	<b>63.9</b>	<b>73.8</b>

Calculation of bond defined EBITDA**	Apr 2016 - Mar 2017	Apr 2015 - Mar 2016	Jan 2016 – Dec 2016
Operating income	16.5	17.8	-10.5
Depreciation & Impairment	137.6	126.3	138.0
<b>EBITDA</b>	<b>154.1</b>	<b>144.1</b>	<b>127.5</b>
<u>Adjustment for non-recurring items</u>			
CRJ200PF accident	-3.3	-6.2	-9.6
Restructuring costs, ATP	9.5	-	13.2
Type introduction and start-up costs	10.6	-	12.0
Legal costs related to France	2.8	3.6	2.8
IPO costs	7.3	-	7.3
<b>Bond defined EBITDA**</b>	<b>181.0</b>	<b>141.5</b>	<b>153.2</b>

Covenants test per closing date	2017-03-31	2016-03-31	2016-12-31
Net interest bearing debt	826.5	751.7	779.7
Bond defined EBITDA	181.0	141.5	153.2
<b>Net interest bearing debt to R12M EBITDA</b>	<b>4.6</b>	<b>5.3</b>	<b>5.1</b>

	2017-03-31	2016-03-31	2016-12-31
Net finance charges	75.0	63.9	73.8
Bond defined EBITDA	181.0	141.5	153.2
<b>Interest coverage ratio</b>	<b>2.4</b>	<b>2.2</b>	<b>2.1</b>

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

\*\*EBITDA: means, in respect of the Reference Period, the consolidated profit of the Group from ordinary activities according to the latest Financial Report(s): (a) before deducting any amount of tax on profits, gains or income paid or payable by any member of the Group; (b) before deducting any Net Finance Charges; (c) before taking into account any extraordinary items which are not in line with the ordinary course of business, and non-recurring items; (d) before taking into account any Transaction Costs 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	Jan - Mar 2017	Jan - Mar 2016	Jan - Dec 2016
Net sales	187.6	175.0	726.8
Cost of services provided	-180.0	-169.2	-692.9
<b>Gross income:</b>	<b>7.6</b>	<b>5.9</b>	<b>33.9</b>
Selling costs	-0.4	-2.7	-10.8
Administrative costs	-4.4	-2.3	-16.8
Other operating income & costs	1.4	-2.2	2.5
<b>Operating income:</b>	<b>4.2</b>	<b>-1.3</b>	<b>8.8</b>
Profit from shareholdings in group companies	-	-	15.3
Interest & similar income	8.7	9.1	34.4
Interest & similar costs	-16.2	-14.3	-61.4
<b>Income after financial items:</b>	<b>-3.3</b>	<b>-6.6</b>	<b>-2.9</b>
Tax on income for the period	-	-	-
<b>Net income:</b>	<b>-3.3</b>	<b>-6.6</b>	<b>-2.9</b>
<b>Statement of other comprehensive income</b>			
Net income:	-3.3	-6.6	-2.9
Other comprehensive income:	-	-	-
<b>Total comprehensive income for the period</b>	<b>-3.3</b>	<b>-6.6</b>	<b>-2.9</b>

### Condensed statement of financial position

MSEK	Mar 31 2017	Mar 31 2016	Dec 31 2016
Intangible assets	-	0.1	-
Financial assets	535.0	535.0	535.0
<b>Total non-current assets</b>	<b>535.0</b>	<b>535.1</b>	<b>535.0</b>
Other current assets	525.8	298.4	467.0
Cash and cash equivalents	54.6	126.7	72.3
<b>Total current assets</b>	<b>580.4</b>	<b>425.1</b>	<b>539.3</b>
<b>Total assets</b>	<b>1,115.4</b>	<b>960.1</b>	<b>1,074.3</b>
Shareholders' equity	56.4	56.1	59.7
Non-current liabilities	848.6	844.6	847.4
Current liabilities	210.4	59.4	167.2
<b>Total shareholders' equity and liabilities</b>	<b>1,115.4</b>	<b>960.1</b>	<b>1,074.3</b>

## Assurance

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

Gothenburg, May 22, 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 March, 2017:

	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 737-300/400	5	8	3	16	15	1	-
B767-200	-	3	-	3	3	-	-
CRJ200PF	2	-	-	2	2	-	-
	<b>40</b>	<b>19</b>	<b>3</b>	<b>62</b>	<b>44</b>	<b>1</b>	<b>17</b>

\*Long term parked aircraft or aircraft not in daily operation

### West Atlantic traffic statistics January – March, 2017:

	2017		2016	
	Q1	YTD	Q1	YTD
	Jan - Mar	Jan - Mar	Jan - Mar	Jan - Mar
Performed flights	5,981	5,981	6,018	6,018
Regularity (target >99%)	99.3%	99.3 %	98.2%	98.2 %
Number of hours flown	6,058	6,058	6,589	6,589

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### Annual report

The annual report for 2016 was published April 28, 2017.

### Annual Shareholders' meeting

The West Atlantic Group's AGM was held on May 23, 2017 at the Group's head office located Gothenburg (Prästgårdsgatan 1, SE-412 71 Gothenburg).

### Financial Calendar

Interim report April – June August 31, 2017

### Contact information

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

**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.
<b>Other definitions</b>	
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
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 three major global express providers (FedEx/TNT, DHL, UPS)
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), La Poste (France).
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
Wet-lease	Airline providing aircraft capacity to another airline