



Financial report Q4, 2013

October- December in brief

- Profit before tax 18 227 TSEK (45 512)
- Revenue 290 088 TSEK (340 549)
- ATSG Inc. acquires 25 % of West Atlantic AB (publ)
- Two B737-300SF delivered and deployed in operations

West Atlantic Group - Financial overview

TSEK	2013 Q4	2012 Q4
Revenue	290 088	340 549
Gross profit	29 643	86 442
EBITDA	44 722	55 407
EBIT	22 648	46 837
EBT	18 227	45 512

Accounting policies

This financial report has been prepared using the same accounting policies that were applied in the most recent annual financial statement with exception for a change in policy regarding maintenance activities on certain aircraft components which are now balanced and depreciated over its useful life. Before 2013 the maintenance for these components have been accounted for through annual maintenance provisions.

This financial report has not been audited.

Q4 Significant events

West Atlantic AB (publ)

West Atlantic has during December announced an agreement to form a strategic partnership with Wilmington, Ohio based Air Transport Services Group, Inc. (Nasdaq: ATSG). The agreement, signed on December 6th and expected to close on January 2nd 2014, provides ATSG with a strategic 25% shareholding in the Gothenburg based West Atlantic Group.

ATSG is a leading U.S. based provider of aircraft leasing, air cargo transportation and related services, principally in North America. For more details on this agreement, please find the press release published on the West Atlantic web-page.

Structural changes in organisation

Previous subsidiary and holding company West Air Holding AB, parent company of West Air Sweden AB and European Turboprop Management AB was formally absorbed by West Atlantic AB (publ) in late December. This marks the final step in the plan of streamlining the Group structure set out in late 2012.

Sale of West Air Luxembourg S.A.

The announced sale of the subsidiary West Air Luxembourg S.A. was finalised during end October.

Contracted operations

The West Atlantic ATP operations originating from Marseille into Valetta, Malta, was cancelled. The aircraft was later redeployed to operate out of OSL for the express industry. This change in operations is expected to yield a positive return thanks to that Oslo is major base for West Atlantic's ATP operations.

In addition, changes have been advised for the Group's Swedish domestic network. These changes are expected to increase utilisation on currently deployed aircraft which is further expected to have a positive effect on revenue and profit.

The aircraft fleet

The B737-400SF aircraft mentioned in the Q3 report has been scheduled for delivery in early 2014.

The scheduled delivery of a B737-300SF signed in Q2, 2013 was delivered in mid December.

Purchase agreement for a B737-300SF was entered into and the aircraft was delivered in late December.

French operations

During Q3, 2013, West Air Luxembourg S.A, as well as several other reputable European airlines, was formally claimed social contribution by the French authorities for staff operating in and out of France. Such claim further applies retroactively from last five years which puts West Atlantic in potential liability for residual unpaid social contribution, since contribution has been paid in Luxembourg, where the employees were socially secured.

West Air Sweden AB has assumed the liability of this following the sale of West Air Luxembourg S.A. The process is still ongoing and the outcome is yet to be determined. West Atlantic Group has provisioned the amounts claimed by the Government and further placed these amounts in escrow account, awaiting the outcome of this process.

Post Q4 significant events

The B737-400 aircraft signed in Q3 was delivered to West Atlantic in January. Following delivery the aircraft was then dry leased out to Jet Time A/S in mid February on a long term operational lease agreement. This marks West Atlantic's entry into the B737 lessor market.

The agreement providing ATSG with a 25 % shareholding in West Atlantic AB (Publ) was closed early January.

Comments from CEO

The fourth quarter resulted in a decrease in revenue to 290 MSEK (340). The management recognises that the revenue generated from cargo and mail operations has increased compared to 2013 and the revenue and result from aircraft management and trading has decreased. The increased revenue from operations is mainly driven by the continuous expansion into the Boeing 737 segment both in the mail and cargo sector.

The gross profit decreased to 29,6 MSEK (86,4), as a consequence of the lowered activity in aircraft trading , compared to Q4 2012 where several aircraft were realised profitably. During Q4 2013, no material aircraft transactions have taken place. The gross profit from aircraft operations (excluding aircraft management and trading) is estimated by the management to have decreased by 20 percent compared to Q4 2012. The reason behind the decrease in operational performance is mainly due to the provision for the situation in France which affects the Group by approximately 10 MSEK in increased operating costs in Q4.

Consequently, the profit before tax decreased to 18,3 MSEK (45,5) following the lower activity in aircraft trading and the provision for the potential liability in France. However, the result was also positively affected by the sale of West Air Luxembourg S.A.

Overall, 2013 generated a profit before tax of 34,1 MSEK (47,8 excluding bond issue costs), which remains below managements' year end projections for the full year. The development into the B737 segment has been the main focus during the later part of 2013 and was made possible by the corporate bond issue in May. The project is vital for securing the Group's long term growth and development, but will also mean increased and additional operating costs during the start up phase. The Group will strive towards streamlining these operations in 2014 and further reach economics of scale as a regional 737 operator in Europe.

Further information will follow in the Group annual report, published in late April.



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Gustaf Thureborn
CEO & President
West Atlantic Group

Consolidated income statement

SEK, THOUSANDS	<u>2013</u>		<u>2012*</u>	
	Q4	FY 2013	Q4	FY 2012
Revenue	290 088	1 067 102	340 549	1 141 729
Cost of services provided	-260 445	-946 168	-254 107	-978 780
Gross profit:	29 643	120 934	86 442	162 949
<i>Gross margin (%):</i>	<i>10,22%</i>	<i>11,33%</i>	<i>25,38%</i>	<i>14,27%</i>
Cost of sales	5 687	4 444	-19 770	-21 458
Administrative costs	-14 301	-64 267	-20 124	-69 625
Net other income and costs	1 619	-130	289	1 341
Operating Profit:	22 648	60 981	46 837	73 207
<i>Operating profit margin (%):</i>	<i>7,81%</i>	<i>5,71%</i>	<i>13,75%</i>	<i>6,41%</i>
Financial income	359	1 906	-989	1 166
Financial costs	-10 074	-32 995	-3 809	-13 066
Other financial items	5 294	4 241	3 473	3 473
Profit before income tax:	18 227	34 133	45 512	64 780
Income tax	-3 017	-6 949	-2 689	-5 403
Profit after tax	15 210	27 184	42 823	59 377

* 2012 Restated due error in tax provisions.

Consolidated statement of financial position

	2013	2012*
SEK, THOUSANDS	31-dec	31-dec
ASSETS		
Non-current assets		
<i>Non-tangible assets</i>		
Goodwill	167	188
Licenses & IT system	2 446	3 735
<i>Tangible assets</i>		
Aircraft and aircraft components	580 091	292 214
Equipment, tools and installations	4 419	1 469
<i>Financial assets</i>		
Investments in associated companies	1 067	1 157
Non-current financial receivables	20 030	20 000
TOTAL NON-CURRENT ASSETS	608 220	318 763
Current assets		
<i>Inventories</i>		
Spares and necessities	100 888	99 426
Aircraft held for sale	16 250	-
Work in process	4 223	-
Advances to suppliers	11 473	5 368
<i>Short term assets</i>		
Accounts receivable - trade	107 075	93 538
Tax receivable	3 905	4 699
Other receivables	51 041	60 554
Prepaid expenses and accrued income	30 905	22 076
<i>Cash and cash equivalents</i>	74 562	39 957
TOTAL CURRENT ASSETS	400 322	325 618
TOTAL ASSETS	1 008 542	644 381

* 2012 Restated due error in tax provisions.

Consolidated statement of financial position, continued

SEK, THOUSANDS	<u>2013</u> 31-dec	<u>2012*</u> 31-dec
EQUITY AND LIABILITIES		
<i>Restricted Equity</i>		
Share capital	27 005	27 005
Restricted reserves	171 885	108 015
<i>Unrestricted Equity</i>		
Profit brought forward	33 154	48 989
Profit for the period	27 184	59 377
TOTAL EQUITY	259 228	243 386
<i>Non-current liabilities</i>		
Liabilities to credit institutions	20 501	41 752
Liabilities to corporate bond holders	500 000	-
Deferred tax liabilities	49 067	43 275
Aircraft maintenance	-	3 292
Other liabilities	10 812	38 947
<i>Current liabilities</i>		
Overdraft facilities	26 776	33 384
Liabilities to credit institutions	5 645	44 204
Accounts payable - trade	73 207	92 261
Tax liabilities	1 479	7 014
Other liabilities	27 980	71 435
Prepaid income and accrued expenses	33 847	25 431
TOTAL LIABILITIES	749 314	400 995
TOTAL EQUITY & LIABILITIES	1 008 542	644 381

* 2012 Restated due error in tax provisions.

Consolidated statement of cash flows

SEK, THOUSANDS	<u>2013</u>		<u>2012</u>	
	Q4	FY 2013	Q4	FY 2012
Operating activities				
Profit before income tax	18 227	34 133	45 512	64 780
Non-cash items				
Depreciation	21 838	51 934	10 687	35 714
Changes in allocations	62	-	4 614	-30 169
Profit / Loss from sale of fixed assets	-8 686	-8 686	-	-
Profit/loss from exchange rate fluctuations	-	-	-1 182	-1 182
Reservations on illiquid claims	2 526	2 609	8 515	8 515
Disposal of fixed assets	12 763	12 763	-1 844	-1 844
Other non-cash items	-695	-695	-	-
Income tax	-2 151	-5 898	3 847	-5 771
Change in inventories	-14 117	-28 041	-1 414	-6 671
Change in short term receivables	-60 281	-6 081	12 477	-291
Change in short term liabilities	13 317	-53 533	-2 630	-29 258
Cash flow from operating activities	-17 197	-1 495	78 582	33 823
Changes in investments in associated companies	-	90	1 218	1 127
Acquisition of tangible fixed assets	-48 351	-361 017	-40 144	-55 473
Sale of tangible fixed assets	-	13 321	43 529	62 622
Investments in other financial fixed assets	-	-30	-20 000	-20 000
Cash flow from investing activities	-48 351	-347 636	-15 397	-11 724
Currency differences in foreign businesses	-98	-98	-717	-
Increased liabilities to credit institutions	26 776	-	851	31 226
Increased liabilities to corporate bond holders	-	500 000	-	-
Amortisation on liabilities to credit institutions	-2 103	-66 418	116	-16 744
Change in other liabilities	-	-38 947	-34 584	-37 277
Paid dividend	-405	-10 802	-	-
Cash flow from financing activities	24 268	383 833	-33 617	-22 795
Cash and cash equivalents at beginning of period	115 939	39 957	11 106	40 653
Change in cash and cash equivalents	-41 377	34 605	28 851	-696
Cash and cash equivalents at end of period	74 562	74 562	39 957	39 957

Parent company income statement

SEK, THOUSANDS	<u>2013</u>		<u>2012</u>	
	Q4	YTD	Q4	YTD
Revenue	159 316	560 448	134 222	524 013
Cost of services provided	-155 191	-479 009	-130 406	-466 678
Gross profit:	4 125	81 439	3 816	57 335
<i>Gross margin (%):</i>	<i>2,59%</i>	<i>14,53%</i>	<i>2,84%</i>	<i>10,94%</i>
Cost of sales	-289	-1 499	-5 479	-5 626
Administrative costs	-7 402	-66 450	-4 587	-41 278
Net other income and costs	725	-1 520	-	-
Operating Profit:	-2 841	11 970	-6 250	10 431
<i>Operating profit margin (%):</i>	<i>-1,78%</i>	<i>2,14%</i>	<i>-4,66%</i>	<i>1,99%</i>
Dividends paid from Group comp.	-	819	-191	2 717
Financial income	19 786	20 481	298	724
Financial costs	-9 963	-27 331	-2 004	-6 342
Other financial items	9 416	9 382	3 473	3 473
Profit before income tax:	16 398	15 321	-4 674	11 003
Allocations	-	-	-1 261	-1 261
Income tax	-1 489	-1 519	2 912	-1 368
Profit after tax	14 909	13 802	-3 023	8 374

Parent company balance sheet

	2013	2012
SEK, THOUSANDS	30 Sep	31 Dec
ASSETS		
Non-current assets		
<i>Non-tangible assets</i>		
Licenses & IT system	263	350
<i>Financial assets</i>		
Investments in group companies	65 161	80 970
Investments in associated companies	1 067	1 068
Non-current financial receivables	20 030	20 000
TOTAL NON-CURRENT ASSETS	86 521	102 388
Current assets		
<i>Short term assets</i>		
Accounts receivable - trade	32 946	28 961
Receivables - group companies	376 686	201 905
Other receivables	33 942	285
Prepaid expenses and accrued income	10 041	5 741
<i>Cash and cash equivalents</i>	58 572	-
TOTAL CURRENT ASSETS	512 187	236 892
TOTAL ASSETS	598 708	339 280
EQUITY AND LIABILITIES		
<i>Restricted Equity</i>		
Share capital	27 005	27 005
Restricted reserves	7 857	7 857
<i>Unrestricted Equity</i>		
Profit brought forward	-11 828	2 583
Unrestricted reserves	6 751	6 751
Group contribution	-	-
Profit for the period	13 802	8 374
TOTAL EQUITY	43 587	52 570
<i>Untaxed reserves</i>	1 460	1 460
<i>Non-current liabilities</i>		
Liabilities to corporate bond holders	500 000	-
Other liabilities	-	10 322
<i>Current liabilities</i>		
Overdrafts	26 776	33 384
Accounts payable - trade	15 263	20 121
Liabilities to Group Companies	346	205 788
Tax liabilities	1 479	1 403
Other liabilities	1 820	12 923
Prepaid income and accrued expenses	7 977	1 309
TOTAL LIABILITIES	555 121	286 710
TOTAL EQUITY & LIABILITIES	598 708	339 280

Parent company Cash flow statement

SEK, THOUSANDS	<u>2013</u>		<u>2012</u>
	Q4	FY 2013	FY 2012
Operating activities			
Profit before income tax	16 398	15 321	11 003
Non-cash items			
Depreciation	21	87	88
Profit/loss from sale of fixed assets	-9 421	-9 421	-
Income tax	-1 414	-1 443	-441
Change in short term receivables	-40 149	-198 138	-67 719
Change in short term liabilities	-33 959	-219 804	32 094
Cash flow from operating activities	-68 524	-413 398	-24 975
Changes in investments in group companies	-106	-268	-
Changes in other financial fixed assets	-	-30	-18 684
Cash flow from investing activities	-106	-298	-18 684
Increased liabilities to credit institutions	26 776	-	29 930
Increased liabilities to corporate bond holders	-	500 000	-
Amortisation on liabilities to credit institutions	-	-6 608	-
Change in other liabilities	-	-10 322	-887
Paid dividend	-406	-10 802	-
Cash flow from financing activities	26 370	472 268	29 043
Cash and cash equivalents at beginning of period	100 830	-	14 616
Change in cash and cash equivalents	-42 258	58 572	-14 616
Cash and cash equivalents at end of period	58 572	58 572	-

Board Assurance

February 25th, 2014 - Gothenburg, Sweden

The West Atlantic AB (publ) board of directors and the CEO hereby certify that the financial report for the third quarter of 2013 provides a fair representation of the business performance, position and profit and loss of the Group and the Companies included therein.

Gustaf Thureborn
Member of the board
President and CEO

Göran Berglund
Chairman of the board

Tony Auld
Member of the board

Joseph Payne
Member of the board

Fredrik Lindgren
Member of the board