



Financial report Q2, 2013

Significant events April – June

- Profit before tax 522 TSEK (5 910)
- Profit before tax and costs of bond issue 14 251 TSEK (5 910)
- Revenue 252 761 TSEK (260 536)
- Secured 60 months financing of 500 MSEK.
- Sale agreement of one operating airline based in Luxembourg signed
- Signing of two Boeing 737-300SF aircraft to be delivered in 2013 and 2014.

West Atlantic Group in brief

| TSEK | 2013 Q2 | 2012 Q2 |
|---------------------|---------|---------|
| Revenue | 252 761 | 260 536 |
| Gross profit | 31 616 | 24 570 |
| EBITDA | 21 620 | 17 852 |
| EBIT | 10 909 | 9 218 |
| EBT | 522 | 5 910 |

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 on certain aircraft components which are now balanced and depreciated over its useful life. Before 2013 the maintenance for these components have been handled through annual maintenance provisions.

This financial report has not been audited.

Q2 Significant events

Financing activities

In the second quarter West Atlantic has secured long term financing through the issue of a five year corporate bond amounting to 500 MSEK. The issuing agent was Pareto Öhman AB in Stockholm. The coupon is fixed at eight per cent per annum and it was substantially oversubscribed. The funds will primarily be used to purchase the previously leased aircraft fleet, as well as financing the start-up of the Group's expansion into larger aircraft. The terms and condition of the corporate bond also contains a tap-up option of an additional 200 MSEK which can be drawn to further cover the expansion to meet market growth.

Sale of West Air Luxembourg S.A.

On the 26th June West Air Europe AB (publ) signed an agreement regarding the sale of the shareholding in West Air Luxembourg S.A. The transaction will be completed later this year when all operational activity has been transferred to West Air Sweden's Luxembourg Branch. The sale will generate a positive result as well as increased operational efficiency going forward.

Contracted operations

The first six months of 2013 included a few changes in our contracted operations and route network. Royal Mail of the UK, issued a tender for the supply of air services in 2012 and the outcome of this tender was announced in May 2013. Atlantic Airlines Ltd, already supplying four BAe ATP aircraft as well as one Boeing 737-300SF aircraft, retained their current contracts and was further awarded one additional ATP route and more three B737 routes. The contracts are for 5 years, (3+2) from commencement and will be phased in over the next 15 months. The new contract, in full effect, will increase mail operating revenues by almost 20-25 per cent. The group is very pleased with the outcome of the tender process and this marks the Group's expansion into the Boeing 737 segment.

DHL announced that the Luxembourg – Leipzig route, currently operated by an ATP aircraft would cease at the end of August, as their product would be transferred to a road connection. This aircraft will be redeployed to the UK Royal mail contract (noted above). The mission to find aircraft to manage the additional traffic is continuously ongoing.

The Norwegian Post exercised their contract extension option in Q1 and the contract now runs until August 2014.

Amapola/Swedish Post did also extend the current contract until Q2 2015.

West Air Sweden has canceled its operations in Chile and repositioned the CRJ200PF that was operating in the region. The Group currently consider the project to be closed.

The aircraft fleet

The agreement for the sale of the Group's last remaining operating Lockheed L-188 Electra aircraft to Buffalo Airways of Canada, was completed towards the end of Q1 and the physical departure of the aircraft took place during Q2. Following the sale of this aircraft, West Atlantic has successfully phased out the aircraft type from its operations.

During the quarter West Atlantic has signed operating lease agreements for two Boeing 737-300SF to be delivered during 2013.

Post Q2 significant events

West Atlantic Group's holding company, West Air Europe AB (publ) has formally changed its corporate name to West Atlantic AB (publ) to mark the full identity merge between the West Air Group and Atlantic Airlines.

Comments from CEO

The second quarter resulted in a decrease in revenue to 252 MSEK (260) in spite of increasing the operational network. The primary reason is that the Group have not had any wide body aircraft freighters on wet lease during 2013.

The gross profit has increased to 31,6 MSEK (24,6) while the profit before tax decreased to 0,5 MSEK (5,9). This is the result of the costs, amounting to 13,7 MSEK, incurred for the issuing process of the 5 year corporate bond loan. All the bond issue related costs have been expensed during the second quarter. Consequently, this resulted in a profit before tax and non-recurring items of 14,2 MSEK (5,2), which is well in line with projections for 2013.

The first six months in 2013 are characterised by fewer days of production. We now look forward to Q3 which will be the start of the seasonal peak, which will result in increases in profit and revenue. The Group further expects realisations of jointly managed aircraft which will further increase profits in Q3 and Q4.



Gustaf Thureborn
CEO & President
West Atlantic Group

Consolidated income statement

| SEK, THOUSANDS | <u>2013</u> | | <u>2012</u> | | R12M |
|-------------------------------------|---------------|---------------|---------------|---------------|----------------|
| | Q2 | Q2 - YTD | Q2 | Q2 - YTD | |
| Revenue | 252 761 | 505 758 | 260 536 | 534 720 | 1 112 767 |
| Cost of services provided | -221 145 | -455 137 | -235 965 | -496 351 | -937 566 |
| Gross profit: | 31 616 | 50 620 | 24 570 | 38 369 | 175 201 |
| <i>Gross margin (%):</i> | <i>12,51%</i> | <i>10,01%</i> | <i>9,43%</i> | <i>7,18%</i> | <i>15,74%</i> |
| Cost of sales | -525 | -966 | -835 | -1 119 | -21 305 |
| Administrative costs (*) | -22 355 | -36 539 | -14 869 | -29 355 | -76 809 |
| Other income | 2 173 | 3 180 | 351 | 725 | 3 796 |
| Operating Profit: | 10 909 | 16 295 | 9 218 | 8 619 | 80 883 |
| <i>Operating profit margin (%):</i> | <i>4,32%</i> | <i>3,22%</i> | <i>3,54%</i> | <i>1,61%</i> | <i>7,27%</i> |
| Financial income | 128 | 162 | 1 354 | 1 429 | -101 |
| Financial costs | -9 471 | -11 286 | -3 033 | -6 043 | -18 309 |
| Other financial items | -1 045 | -1 122 | -1 629 | -778 | 3 129 |
| Profit before income tax | 522 | 4 049 | 5 910 | 3 227 | 65 602 |
| Income tax | -1 413 | -1 787 | -734 | -104 | -14 126 |
| Profit after tax | -891 | 2 262 | 5 176 | 3 123 | 51 476 |

(*) INCLUDES THE FULL ADMINISTRATIVE AND LEGAL FEE FOR CORPORATE BOND ISSUE Q2, 2013

Consolidated statement of financial position

| SEK, THOUSANDS | 2013 | | 2012 |
|-------------------------------------|----------------|----------------|----------------|
| | 30 Jun | 31 Mar | 31 Dec |
| ASSETS | | | |
| Non-current assets | | | |
| <i>Non-tangible assets</i> | | | |
| Goodwill | 178 | 183 | 188 |
| Licenses & IT system | 3 171 | 3 454 | 3 735 |
| <i>Tangible assets</i> | | | |
| Aircraft and aircraft components | 516 481 | 283 978 | 292 214 |
| Equipment, tools and installations | 3 712 | 3 490 | 1 469 |
| <i>Financial assets</i> | | | |
| Investments in associated companies | 1 411 | 1 393 | 1 157 |
| Non-current financial receivables | 20 000 | 20 000 | 20 000 |
| TOTAL NON-CURRENT ASSETS | 544 953 | 312 499 | 318 763 |
| Current assets | | | |
| <i>Inventories</i> | | | |
| Spares and necessities | 99 734 | 99 090 | 99 426 |
| Work in progress | 9 542 | 9 564 | - |
| Advances to suppliers | 8 832 | 4 235 | 5 368 |
| <i>Short term assets</i> | | | |
| Accounts receivable - trade | 79 681 | 67 132 | 93 538 |
| Tax receivable | 8 615 | 6 610 | 3 167 |
| Other receivables | 16 273 | 75 499 | 60 554 |
| Prepaid expenses and accrued income | 21 215 | 23 934 | 22 076 |
| <i>Cash and cash equivalents</i> | | | |
| | 168 107 | 13 495 | 39 957 |
| TOTAL CURRENT ASSETS | 411 999 | 299 558 | 324 086 |
| TOTAL ASSETS | 956 952 | 612 057 | 642 849 |

Consolidated statement of financial position, continued

| SEK, THOUSANDS | <u>2013</u> | | <u>2012</u> |
|---------------------------------------|----------------|----------------|----------------|
| | 30 Jun | 31 Mar | 31 Dec |
| EQUITY AND LIABILITIES | | | |
| <i>Restricted Equity</i> | | | |
| Share capital | 27 004 | 27 004 | 27 004 |
| Restricted reserves | 108 874 | 109 018 | 108 016 |
| <i>Unrestricted Equity</i> | | | |
| Profit brought forward | 104 193 | 102 424 | 48 989 |
| Profit for the period | 2 262 | 3 154 | 52 337 |
| TOTAL EQUITY | 242 333 | 241 600 | 236 346 |
| <i>Non-current liabilities</i> | | | |
| Liabilities to credit institutions | 23 933 | 39 176 | 41 752 |
| Liabilities to corporate bond holders | 500 000 | - | - |
| Deferred tax liabilities | 41 174 | 41 884 | 48 573 |
| Aircraft maintenance | 3 217 | 4 104 | 3 292 |
| Other liabilities | - | 40 589 | 38 947 |
| <i>Current liabilities</i> | | | |
| Overdraft facilities | - | 27 774 | 33 384 |
| Liabilities to credit institutions | 5 981 | 39 759 | 44 204 |
| Accounts payable - trade | 64 937 | 86 174 | 92 261 |
| Tax liabilities | 7 652 | 6 359 | 7 224 |
| Other liabilities | 21 371 | 63 616 | 71 435 |
| Prepaid income and accrued expenses | 46 353 | 21 022 | 25 431 |
| TOTAL LIABILITIES | 714 619 | 370 457 | 406 503 |
| TOTAL EQUITY & LIABILITIES | 956 952 | 612 057 | 642 849 |

Consolidated statement of cash flows

| SEK, THOUSANDS | <u>2013</u> | | <u>2012</u> | |
|--|-----------------|-----------------|----------------|----------------|
| | Q2 | Q2- YTD | Q2 | Q2 - YTD |
| Operating activities | | | | |
| Profit before income tax | 522 | 4 049 | 5 910 | 3 227 |
| Non-cash items | | | | |
| Depreciation | 10 641 | 16 075 | 8 634 | 14 165 |
| Changes in allocations | -1 597 | -7 474 | -19 690 | -23 730 |
| Income tax | -2 125 | -6 807 | -3 997 | -7 073 |
| Change in inventories | -5 219 | -13 314 | 8 945 | -1 382 |
| Change in short term receivables | 49 396 | 58 999 | -11 455 | -4 315 |
| Change in short term liabilities | -21 524 | -34 840 | -11 910 | -17 024 |
| Cash flow from operating activities | 30 093 | 16 689 | -23 563 | -36 132 |
| Changes in investments in associated companies | -18 | -254 | 240 | 150 |
| Acquisition of tangible fixed assets | -249 913 | -249 913 | -878 | -15 062 |
| Sale of tangible fixed assets | 7 072 | 7 902 | - | - |
| Cash flow from investing activities | -242 860 | -242 266 | -638 | -14 912 |
| Currency differences in foreign businesses and changes in equity | 1 388 | 3 725 | 1 518 | 2 056 |
| Increased liabilities to credit institutions | - | - | 22 138 | 30 154 |
| Increased liabilities to corporate bond holders | 500 000 | 500 000 | - | - |
| Amortisation on liabilities to credit institutions | -76 794 | -89 426 | -2 862 | -9 796 |
| Change in other liabilities | -57 215 | -60 573 | -2 510 | -924 |
| Cash flow from financing activities | 367 379 | 353 726 | 18 283 | 21 489 |
| Cash and cash equivalents at beginning of period | 13 495 | 39 957 | 17 015 | 40 653 |
| Change in cash and cash equivalents | 154 612 | 128 149 | -5 917 | -29 555 |
| Cash and cash equivalents at end of period | 168 106 | 168 106 | 11 098 | 11 098 |

Parent company income statement

| SEK, THOUSANDS | <u>2013</u> | | <u>2012</u> | |
|-------------------------------------|----------------|---------------|---------------|---------------|
| | Q2 | Q2 - YTD | Q2 | Q2 - YTD |
| Revenue | 134 059 | 257 278 | 114 213 | 255 621 |
| Cost of services provided | -120 180 | -221 456 | -96 070 | -221 430 |
| Gross profit: | 13 879 | 35 822 | 18 142 | 34 191 |
| <i>Gross margin (%):</i> | <i>10,35%</i> | <i>13,92%</i> | <i>15,88%</i> | <i>13,38%</i> |
| Cost of sales | -137 | -143 | -37 | -50 |
| Administrative costs (*) | -21 868 | -33 082 | -12 364 | -24 313 |
| Other costs | -42 | -21 | - | - |
| Operating Profit: | -8 168 | 2 576 | 5 741 | 9 828 |
| <i>Operating profit margin (%):</i> | <i>-6,09%</i> | <i>1,00%</i> | <i>5,03%</i> | <i>3,84%</i> |
| Financial income | 92 | 121 | 252 | 318 |
| Financial costs | -6 308 | -7 225 | -1 475 | -2 988 |
| Other financial items | -29 | -33 | 179 | 122 |
| Profit before income tax: | -14 413 | -4 561 | 4 698 | 7 280 |
| Income tax | - | -29 | -1 602 | -1 602 |
| Profit after tax | -14 413 | -4 590 | 3 096 | 5 679 |

(*) West Atlantic AB has expensed the full cost of the corporate bond issue in Q2, leading to the loss in the second quarter.

Parent company balance sheet

| | <u>2013</u> | <u>2012</u> |
|-------------------------------------|--------------------|--------------------|
| SEK, THOUSANDS | 30 Jun | 31 Dec |
| ASSETS | | |
| Non-current assets | | |
| <i>Non-tangible assets</i> | | |
| Licenses & IT system | 307 | 350 |
| <i>Financial assets</i> | | |
| Investments in group companies | 80 970 | 80 970 |
| Investments in associated companies | 1 227 | 1 068 |
| Non-current financial receivables | 20 000 | 20 000 |
| TOTAL NON-CURRENT ASSETS | 102 505 | 102 388 |
| Current assets | | |
| <i>Short term assets</i> | | |
| Accounts receivable - trade | 37 139 | 28 961 |
| Receivables - group companies | 327 444 | 201 905 |
| Other receivables | 888 | 285 |
| Prepaid expenses and accrued income | 7 869 | 5 741 |
| <i>Cash and cash equivalents</i> | 152 777 | - |
| TOTAL CURRENT ASSETS | 526 118 | 236 892 |
| TOTAL ASSETS | 628 622 | 339 280 |

Parent company balance sheet, continued

| SEK, THOUSANDS | <u>2013</u> 30 Jun | <u>2012</u> 31 Dec |
|---------------------------------------|-----------------------|-----------------------|
| EQUITY AND LIABILITIES | | |
| <i>Restricted Equity</i> | | |
| Share capital | 27 004 | 27 004 |
| Restricted reserves | 7 857 | 7 857 |
| <i>Unrestricted Equity</i> | | |
| Profit brought forward | 10 958 | 2 591 |
| Unrestricted reserves | 6 751 | 6 751 |
| Group contribution | - | -7 |
| Profit for the period | -4 590 | 8 374 |
| TOTAL EQUITY | 47 980 | 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> | | |
| Overdraft facilities | - | 33 384 |
| Accounts payable - trade | 13 509 | 20 121 |
| Liabilities - group companies | 48 447 | 205 788 |
| Tax liabilities | 1 403 | 1 403 |
| Other liabilities | 5 708 | 12 923 |
| Prepaid income and accrued expenses | 10 116 | 1 309 |
| TOTAL LIABILITIES | 580 643 | 286 710 |
| TOTAL EQUITY & LIABILITIES | 628 622 | 339 280 |

Parent company cash flow statement

| SEK, THOUSANDS | 2013 Q2-YTD | 2012 31 dec |
|--|-----------------|----------------|
| Operating activities | | |
| Profit after financial income and costs | -4 561 | 11 003 |
| Non-cash items | | |
| Depreciation | 43 | 88 |
| Income tax | -30 | -441 |
| Change in short term receivables | -136 448 | -67 719 |
| Change in short term liabilities | -162 362 | 32 094 |
| Cash flow from operating activities | -303 358 | -24 975 |
| Changes in investments in associated companies | -159 | - |
| Changes in other financial assets | - | -18 684 |
| Cash flow from investing activities | -159 | -18 684 |
| Increased liabilities to credit institutions | - | 29 930 |
| Increased liabilities to corporate bond holders | 500 000 | - |
| Amortisation on liabilities to credit institutions | -33 384 | - |
| Change in other liabilities | -10 322 | -887 |
| Cash flow from financing activities | 456 294 | 29 043 |
| Cash and cash equivalents at beginning of period | - | 14 616 |
| Change in cash and cash equivalents | 152 777 | -14 616 |
| Cash and cash equivalents at end of period | 152 777 | 0 |

Board Assurance

August 29th, 2013 - Gothenburg, Sweden

The West Atlantic AB (publ) board of directors and the CEO hereby certify that the financial report for the second 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

Russell Ladkin

Member of the board

Jörgen Arnemar

Member of the board

Fredrik Lindgren

Member of the board