



WEST ATLANTIC

West Air Europe – Annual Report 2012



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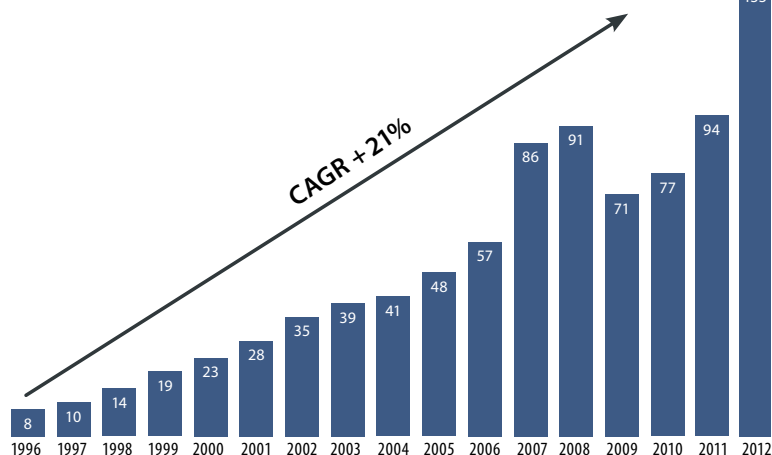
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The West Atlantic Group

West Atlantic Group is one of the leading service providers of efficient air freight solutions in the 3 - 20 tonne segment. The Group offers highly customised services for the global market through its three airlines; Atlantic Airlines Ltd, West Air Sweden AB and West Air Luxembourg S.A. Through the Group's aircraft leasing company, European Turboprop Management AB, the business also includes aircraft leasing

with a portfolio in excess of 35 aircraft. Base maintenance and line maintenance control are provided by European Aircraft Maintenance Ltd, operating out of the Isle of Man. The Group is controlled through a privately owned parent company – West Air Europe AB (publ), which is due to be renamed as West Atlantic AB (publ) in the near future.

Revenue MEUR



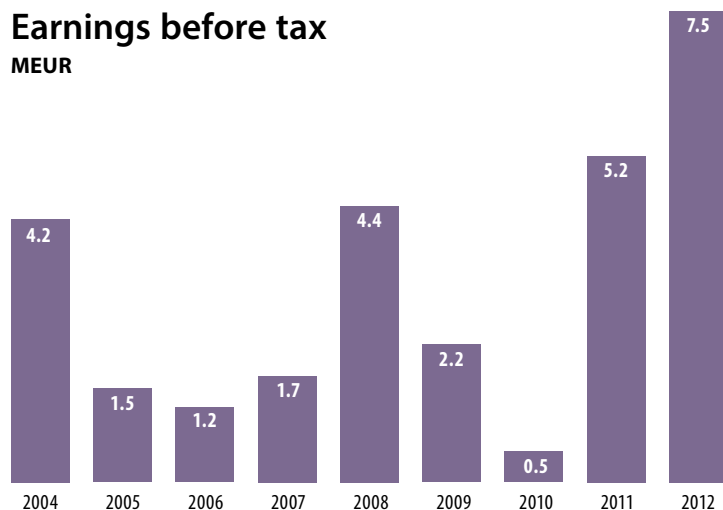
Aircraft Overview

Aircraft	Number	Average age
BAe ATP	40	22 y
CRJ-200PF	3	18 y
Boeing 737-300	3	24 y
	46	22 y

West Atlantic's aircraft fleet, has increased dramatically throughout the period 1996 to 2012. West Atlantic now manages a fleet of 69 aircraft including BAe ATP-F, CRJ-200-PF, B737-F, ATR72, ATR42 and SAAB 340.

In addition to West Atlantic's own fleet of 46 aircraft, eleven are dry leased out on an operational basis through a joint venture with Erik Thun AB.

Earnings before tax MEUR



Director's Report **2012**



West Air Europe AB (publ) is the parent company of West Air Holding AB residing in Gothenburg, Sweden, West Air Luxembourg SA residing in Luxembourg, Norway Aviation Services AS residing in Norway, Atlantic Airlines Ltd. residing in the United Kingdom and European Aviation Maintenance Ltd. residing on the Isle of Man.



Gustaf Thureborn | CEO

Significant events in the group

The year 2012 became a repeat of 2011 and the fourth year in a row to be characterised by recession. We note that demand remains around 10 percent lower than compared to its peak of 2008 yet, despite this, the Group's revenue and profitability is increasing.

We have continued our organisational streamlining efforts and have further decided to reduce the Group's number of airlines from three to two. The efforts of further integrating Atlantic Airlines' and West Air's respective flight operations has continued throughout the year and all company training is now managed by the Group's dedicated training company ECT, Elite Crew Training Scandinavia AB.

A three-year delivery agreement was signed with the aircraft manufacturer BAE Systems, securing the supply of the majority of the component consumption of the BAE ATP aircraft. Under the new agreement we have agreed a fixed rate for providing these replacement components. Entering into the agreement initially led to higher repair costs in 2012, but this will even out over the course of the three-year term, resulting in lower costs than we would otherwise have had in 2014.

During the year, significant investments have been made in the Group's aircraft engines, primarily Pratt & Whitney (PW126), of which we operate almost 100 units. A large portion of the generated maintenance reserves has been consumed for these investments in maintenance and overhaul. The reorganisation of the Group's flight operations has not delivered its expected full cost savings yet, our total production cost per produced unit was still marginally lower in comparison with the previous year, which contributed to the improved result.

Market pricing remains unchanged and customer rate adjustments remain difficult whilst the market is characterised by overcapacity and historically low pricing levels. Rate adjustments on our longer-term agreements follow the respective contractual provisions.

During the year, both Royal Mail of the UK and France's La Poste have launched public procurement processes in which we have actively participated but, at the time of writing, final procurement decisions have not as yet been notified. Three contracted operations were ceased during 2012 yet we also launched four new services during the year, providing a minor increase in volume.

The Group was awarded its first Boeing 737-300 freighter contract for the Royal Mail and acquired an aircraft specifically for this three-year assignment. In addition, the Group engaged the South American market with a CRJ-200-PF that the Group's leasing company

ETM (European Turboprop Management AB) dry leased out over a five-year term. In order to support this venture an agreement was reached for an ACMI-operation from West Air Sweden to Rio Baker Ltda in Chile that commenced on 1st of March 2012. The agreement was envisaged to support Rio Baker for a period of one year and thereafter the intention was that they would operate the aircraft on their own Chilean AOC. Unfortunately, due to market conditions and lack of profitability, the customer's capital was ultimately consumed and the operation ceased in March 2013 when the agreements were prematurely terminated. The Group still holds an unsettled reserved claim and is awaiting developments whilst the customer seeks additional capital from the markets.

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The year 2012 became a repeat of 2011 and the fourth year in a row to be characterised by recession

West Air Europe maintains its long-term flight operations on behalf of four National Mail Organisations. Mail logistics currently contributes 54 percent of the total Group revenue and this figure is expected to increase in coming years due to the previously mentioned public procurements.

Aircraft trading has been characterised by inactivity that has in part been caused by the general market decline but also by a lack of available financing. European banks in general, but particularly the major Scandinavian Banks, have been unwilling to finance used aircraft. The Group's five-year venture capital loan of MEUR 5.8 was repaid and management have begun work on finding a long-term solution in order to secure financing for the Group's future capital needs with several options currently under investigation. Market conditions and therefore the values of non-operating passenger aircraft have declined considerably over the year. It is currently a buyers market that provides opportunities to source excellent aircraft for conversion to freighter and at very favourable price levels.

Eight aircraft (BAE ATP) were sold during the year and one aircraft was acquired (Boeing 737-300SF).

During the year several regional airlines have ceased operations and, notably in Scandinavia, three airlines have consequently left the market. As soon as the market expectation reaches the lower turning point, this will result in several transactions and closures.

The Group's acquisition of Atlantic Airlines Ltd in the UK was finalised during 2011, whereby only the balance sheet was consolidated into the Group. Compared to 2011 the Group revenue has increased substantially during 2012 with the additional revenue being derived almost in full from Atlantic Airlines.

The world's largest purchaser of airborne transportation services, the United Nations, also accredited the Group as a supplier of aviation services in 2012.

A three-year support agreement was signed with NextJet for the supply of technical services which will generate a revenue stream amounting to almost MEUR 17.4 over the term.

West Air Europe AB changed legal form and is now a public limited liability company (Swedish Publikt Aktieföretag), henceforth known as West Air Europe AB (publ).

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... a corporate bond totalling
58 MEUR has been issued ...

Production

Compared to the previous year, the Group's revenue increased by 36 percent during this financial year amounting to MEUR 132.5. Of the Group's total revenue, 58 percent was generated outside Scandinavia. Revenue constitution was reported with Mail providing 54 percent; Express cargo 36 percent and other activities contributing 10 percent. In total during 2012, 23,258 flights were performed (14,625), an increase of 59 percent compared to the previous year. Reliability declined slightly but still resulted at 99.22 percent (99.62) and continues to comfortably surpass the Group's long-term goal of maintaining a minimum of 99.00 percent.

Profit

The Group's gross profit amounted to MEUR 18.9 of which flight operations generated MEUR 13.1 and aircraft management MEUR 5.8. After deducting sales and administration costs the Group recorded an operating profit of MEUR 8.5 compared to MEUR 6.1 the previous year. The improved profitability is due in part to stronger results from aircraft sales & management but also due to a reversal of maintenance reserves since the assessment of the allocations has changed. The Group's margin was 6.4 percent, which was largely unchanged compared to the previous year's 6.5 percent.

Liquidity and financing

The Group's total assets decreased slightly during the year and on the closing date amounted to MEUR 74.6 (75.4). The Group's cash flow from operations for the year was positive and amounted to MEUR 8. During the end of the financial year a sale and lease back transaction with seven aircraft was made in order to secure an appropriate liquidity situation. On closing date there was MEUR 8.6 available to the Group in cash and undrawn overdrafts. The Group now owns approximately a quarter of the aircraft fleet with these aircraft having been financed by loan agreements through credit institutions with aircraft mortgages having been raised as security. The remaining three quarters of the fleet is leased in.

Significant events after closing date and future development

In order to further streamline administration and management, the Group has decided to reduce its number of AOCs (Air Operating Certificates) by selling West Air Luxembourg SA and opening a branch of West Air Sweden AB in Luxembourg. This is expected to yield MEUR 1.2 in annual cost savings.

Moreover, a corporate bond totalling MEUR 58 has been issued

by the Group, which will comfortably cover both our current and forthcoming financing needs, the terms and conditions of the bond also providing for the possibility of a second emission of a further MEUR 23. The duration of the loan is five years and carries a fixed coupon rate of eight percent. The Group has high hopes that it will be awarded several new operations by the Royal Mail commencing in 2014, given that there is currently an excellent supply of suitable aircraft, with financing secured for both purchase as well as for conversion to freighter, the Group looks forward to an exciting period of future expansion.

Resources under the Group's management have now been aligned to the current market conditions and it is expected that this will generate additional improvements in profitability during 2013. Generally speaking, a positive sign for the future can be indicated by the increased amount of requests for air transportation services the Group now receives, many of which consist of operations on other continents. In Europe there are currently no notified procurements during 2013.

Norway Post has notified us that they wish to prolong our current agreement until Q3 2014.

Atlantic Airlines has profitably sold their last Lockheed L188

Electra aircraft. These are replaced by 737-300 aircraft that are leased in on long-term operational leasing contracts and consequently, the Group's focus is now streamlined on just three aircraft fleets; BAE ATP, CRJ-200 and the B737 for which we expect to increase production capability by an additional two to three aircraft during the forthcoming year.

Until the market strengthens the Group continues to align its cost structure to the conditions and to prepare itself for expected expansion in the years 2014 – 2015.

During 2013, the Group also intends to realise aircraft assets in the joint aircraft-leasing portfolio with Erik Thun AB which is expected to yield a positive result, contributing to improved profitability in 2013.

Board of Directors

The board of directors of the Group's parent company has met eight times during the financial year. Rules of procedure are set and adopted and it is required that the board shall hold at least four regular meetings every year. Also written is that the Group's policy for both financing and investment or disinvestment in both companies and operations shall be decided by the board. According to their mandate, over the year the board have discharged their responsibility and kept themselves constantly informed of the Group's financial position and development.

Environmental Information

The Group company West Air Sweden AB has a reporting obligation in accordance with the Swedish Environmental Code which concerns our limited handling of oils that do not require special permissions.

Our aircraft fleet consists primarily of second generation turboprop aircraft which are substantially more environmentally friendly both from a noise perspective as well as fuel burn / emitted CO₂ consideration when compared to the first generation of turboprop aircraft.

2012 also saw the introduction of trading of emission credits in the European Union.



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Meeting the demand for safe, efficient and profitable airfreight solutions by means of a customised aircraft fleet.

Business Strategy

West Atlantic Cargo Airlines' success is based squarely on our simple business concept

"Meeting the demand for safe, efficient and profitable airfreight solutions by means of a customised aircraft fleet"

In order to live up to this concept, the Group has developed significant know-how in aircraft engineering as well as operating skills. The Group is unique in that it designs, develops and converts passenger aircraft into freighters, primarily for its own operations.

To secure quality and supply for maintenance and repairs, the Group established a provider based on the Isle of Man where most of the Groups heavy maintenance is carried out and, with the current Group structure, West Atlantic is almost entirely self-sufficient in supporting the core operations of the ATP-F.

The main aspects of the business strategy

Business to Business

Focusing on customers that outsource parts of their transportation needs and performed by aircraft with up to 20 tonnes payload capability.

Customer Focus

Focusing on customers with specific transport requirements for which we then develop tailor-made aircraft solutions.

Services

Focusing on the segment of 3 to 20 tonnes payload capability and prioritising geographical expansion to increase our service footprint.

Competitive Position

Differentiate from our competitors through delivering excellent service quality with outstanding engineering and operational support. This is the cornerstone to our marketing and growth of our fleets of Boeing 737, CRJ-200-PF and our newly developed Next Generation ATP-F turboprop with full EFIS.

Cost Effectiveness & Efficiency

Direct operating costs are lowered by investment in new technology. Developments to aircraft systems and components come from our policy of continuous improvement thereby helping our customers to maximise their return on operational activity.

Market

Market characteristics

Air freight operations, in Europe, using mid-sized aircraft have an estimated annual market value of over 500 MEUR of which, the Group accounts for over 100 MEUR. Competitors operating aircraft of similar capacity include Farnair of Switzerland, Air Contractors in Ireland and Swift Air of Spain.

In the wake of the financial crisis 2008-2009 the market has stagnated in line with overall prevailing economic conditions but has historically shown very strong growth. It is divisible into four key sectors:

- National mail organisations.
- Global integrators such as UPS, DHL, FedEx and TNT.
- Third-party logistics organisations such as Panalpina and Bridges Worldwide.
- National air cargo carriers such as Lufthansa Cargo and Cargolux.

The market is characterised as a contractual market, whereby customers mostly tender their requirements at contract renewal. To be awarded more contracts West Atlantic needed to find a unique selling point (USP). The ATP Freighter, with or without the large freight door, was developed by the Group exactly to fulfill this USP role. In its niche the ATP has proven to offer the lowest transportation costs measured either by kilo or volumetric equivalent.

Customer contracts are most commonly signed for periods of 1-5 years with options for yearly extensions. In addition, on-going contracts with notice periods of between 30-90 days are also common in the industry.

Current client base

West Atlantic has an excellent customer base of leading logistic companies. Our extensive track record has proven us as a reliable partner for premier logistics providers, and throughout the years, customers have appreciated West Atlantic's flexibility to meet their specific tailored requirements.

Reputation and development

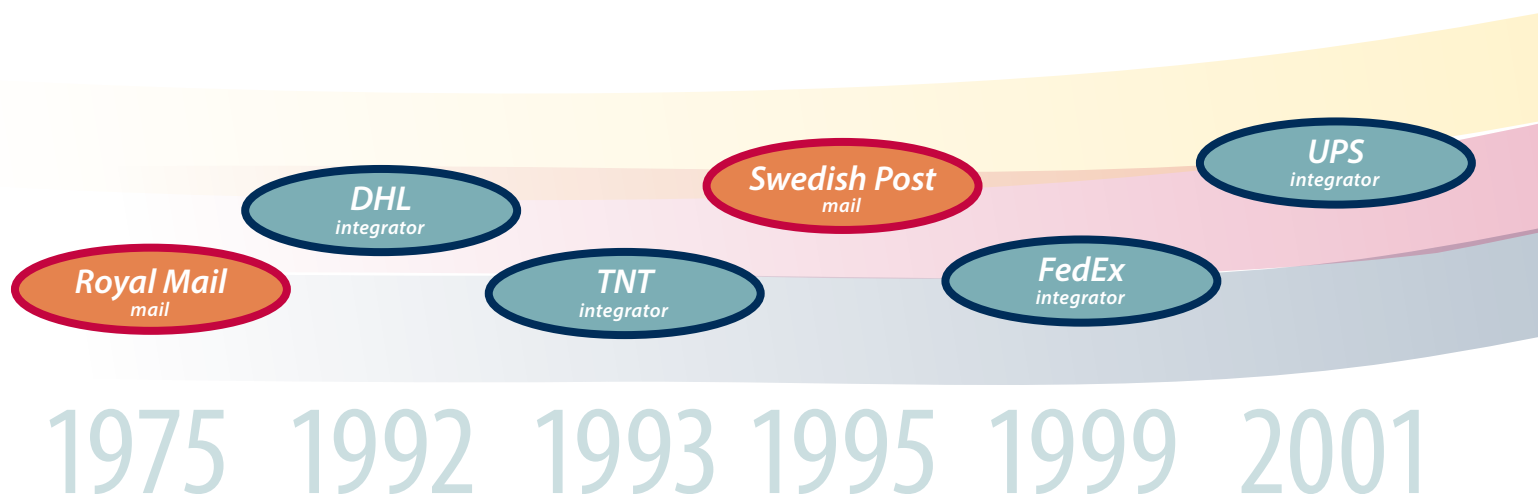
Since the start of operations as a dedicated cargo company in 1995, West Atlantic has achieved a remarkable reputation for its freight modification of both the British Aerospace HS 748 and ATP aircraft. We introduced large aircraft cargo conversion solutions onto smaller aircraft types. In recent years we have noticed that most of our competitors have also adopted this technique to be able to offer freight solutions on similar economical terms. West Atlantic is, and has always been, associated with excellent quality and extensive knowledge of physical aircraft development projects.

National Mail

Global Integrators

Third Party Logistics

National Cargo Carriers



A current project within the Group is to develop the BAe ATP-F into a next-generation, advanced turboprop. This will be achieved by upgrading existing aircraft systems and components with state-of-the-art equipment such as a new clean-sheet design full EFIS cockpit developed by the Group. Another on-going research project is the development of a new propeller design to further increase efficiency and reduce environmental impact. Also being examined is an under-slung cargo pod that provides a further 20 cubic meters of capacity, without significantly changing aircraft performance. In addition, we are also investing significantly into the continued development of our Boeing 737 dedicated freighter programme where we see commercial opportunities available to us in the near future, further allowing us to maximise the return of our operational leverage throughout the world.

West Atlantic has co-designed and ordered the package freighter conversion programme for the CRJ-200-PF regional jet, which was developed for long, thin routes, where speed is of essence. The CRJ-200-PF has already proven itself to be highly effective in West Atlantic's existing operations and is a project carrying great future potential.

All three airlines are operating under EU OPS and have adopted the extended quality system. To date no major incident has occurred in West Atlantic's operations. Each airline has its own respective quality system and dedicated quality management. Maintenance for all three airlines is performed according to PART 145 requirements.

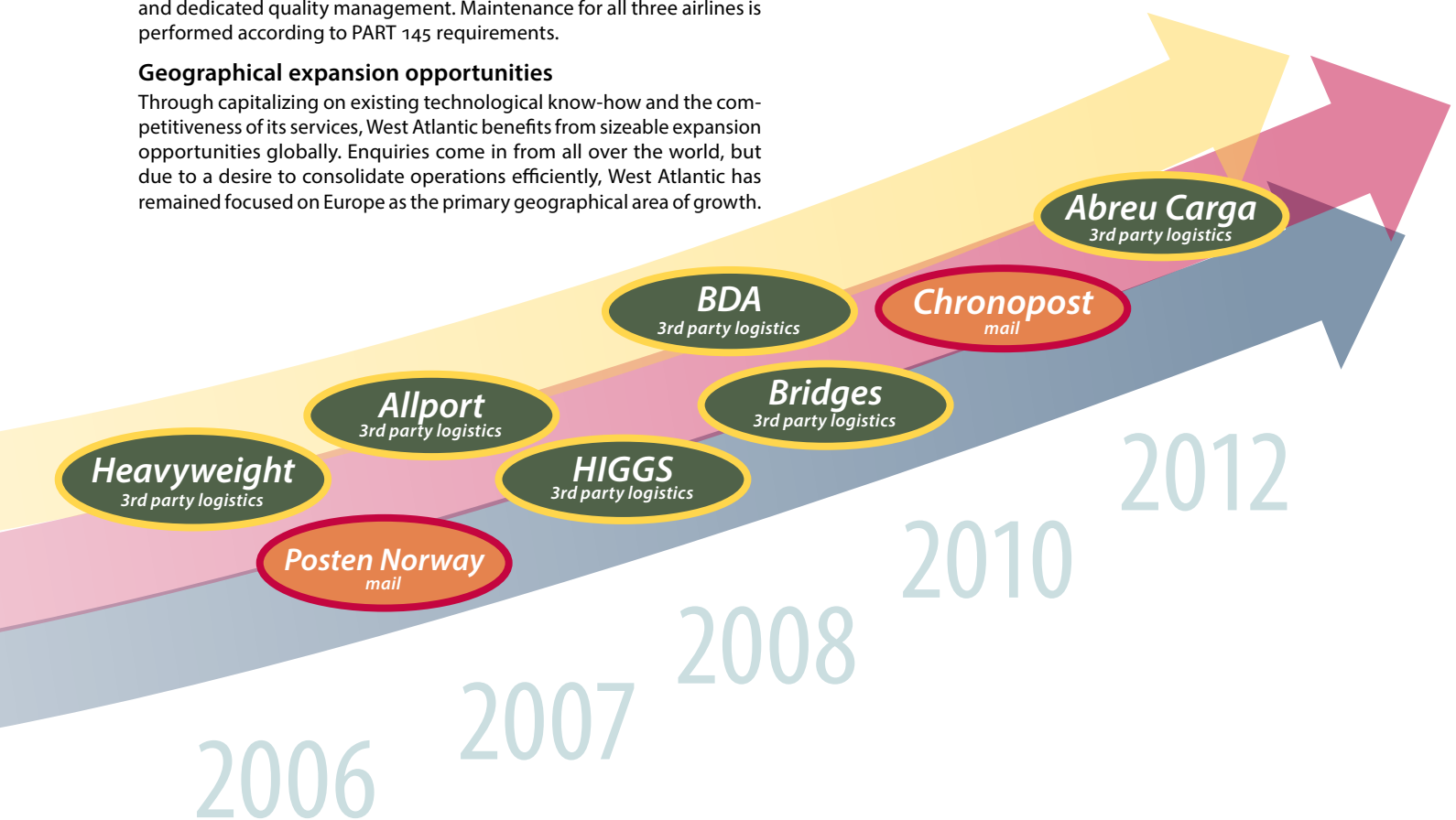
Geographical expansion opportunities

Through capitalizing on existing technological know-how and the competitiveness of its services, West Atlantic benefits from sizeable expansion opportunities globally. Enquiries come in from all over the world, but due to a desire to consolidate operations efficiently, West Atlantic has remained focused on Europe as the primary geographical area of growth.

OUR AIR FREIGHT SERVICES

Currently the Group has the capability to provide all the following air freight services (ACMI/Charter):

- Bulk loading of mail and parcels.
- Roll-on/roll-off (RORO) loading of various carrying equipment, e.g. trolleys and euro-pallets.
- Containerised operation with purpose made or aviation standard containers, e.g. LD3, LD4 or palletised.
- Mixed loading through a combination of above.



The graph shows some of our important customers and the year of the first contract.



Production Facilities

Main hubs

To support its operation, the Group has established several key production facilities around Europe. Key operating hubs include East Midlands (EMA), Oslo (OSL), Arlanda (ARN), Marseille (MRS), Coventry (CVT) and Tromsø (TOS), which together form the backbone of West Atlantic's network.

Operations centre H24

Managing the operational demands of over one hundred flights a day requires a dedicated operational control centre to supervise and manage all flight operations around the clock from Coventry.

Technical bases

With such a significant fleet most heavy checks are managed back to back on an ongoing basis through the base maintenance facilities of European Aviation Maintenance Ltd on Isle of Man (IOM). Semi-heavy

maintenance is concentrated on three key regional maintenance bases (TOS/MMX/CVT) whilst larger line support stations are established at our main operating hubs (OSL/ARN/EMA/MRS).

Line Maintenance Control

Managing the maintenance support and supervision of the Group's fleets warrants a dedicated, highly knowledgeable Line Maintenance Control centre which coordinates all of the Group's line maintenance activities from the base maintenance facility on the Isle of Man.

Dedicated Purchasing and Logistics

The focal centre for H24 global support and service for the Group's airlines', maintenance organisations and customers' logistical and purchasing needs is based in Sweden (MMX).



SUSTAINABILITY

Given that aviation is a carbon dioxide intense industry it is imperative, that in order for emissions to be minimised, that we perform our business activity of moving mail, parcels and goods by air as efficiently as possible and using the very best technology available.

Commencing in 2012, European aviation entered into the emissions trading scheme within the European Community. Named EU ETS it is a so-called 'cap and trade' system whereby the amount of emissions is limited on a yearly basis and emitters must trade rights to emit. The Group successfully managed the entry requirements to the scheme and, whilst the carbon market displayed significant financial volatility and risk due to political uncertainty, we managed to secure our positions and comply at a competitive level.

During 2012 the airlines within the Group emitted a total of 71,630 tonnes of Carbon Dioxide while carrying close to 90,000 tonnes of cargo throughout the year.

Noise emissions from operating Aircraft are minimised to the fullest and we have certified the ATP Freighter type to the most stringent ICAO chapter IV noise certification level, further increasing the competitive position of the aircraft as a third generation turboprop whilst also adding value to the community.

The maintenance and operations of Aircraft makes us an end-user of many petroleum-based products, oils and other controlled substances. Consequently we have installed top-of-the line collection chambers and storage facilities to secure and rationalise the management of our waste products. In addition, we continuously add to our significant experience & training in managing dangerous goods with resources dedicated to educate staff to ensure proper awareness, safety and quality in all of our process.



Our Fleet



Range with max load: 2.3 h / 1000 km



Range with max load: 2.7 h / 2180 km



Range with max load: 5.5 h / 4260 km



BAE Advanced TurboProp – ATP-F

2008	2009	2010	2011	2012
25	28	28	38	40

Fwd Crew Door
0,71 x 1,73m

Wing span 30,63 m

Main Cargo Door
2,63 x 1,72m



Max payload	Cruise speed	Cabin length	Cabin width	Cabin height	Cabin vol gross	Aircraft length	Aircraft wingspan	Aircraft height	Main Cargo door
8 400 kg	460 km/h	19,2 m	2,06 m	1,92 m	78 m ³	26 m	30,63 m	7,37 m	2,63 x 1,71m

Bombardier – CRJ200PF

2008	2009	2010	2011	2012
2	2	2	3	3

Main Cargo Door
0,91 x 1,78 m

Wing span 21,21 m

Aft Cargo Door
0,84 x 1,09 m



Max payload	Cruise speed	Cabin length	Cabin width	Cabin height	Cabin vol gross	Aircraft length	Aircraft wingspan	Aircraft height	Main Cargo door
6 800 kg	852 km/h	14,76 m	2,53 m	1,88 m	53 m ³	26,77 m	21,21 m	6,22 m	0,91 x 1,78m

Boeing 737-300

2008	2009	2010	2011	2012
0	0	0	1	3

Fwd Crew Door
0,86 x 1,83 m

Main Cargo Door
3,54 x 2,20 m

Wing span 28,88 m

Aft Crew Door
0,83 x 1,83 m



Max payload	Cruise speed	Cabin length	Cabin width	Cabin height	Cabin vol gross	Aircraft length	Aircraft wingspan	Aircraft height	Main Cargo door
18 600 kg	852 km/h	20,95 m	3,24 m	2,20 m	135 m ³	33,4 m	28,88 m	11,13 m	3,54 x 2,20m



The People of West Atlantic



West Atlantic's reputation for high service quality and provision of excellent customer service is a reflection of its highly skilled and engaged personnel. Staff training and skill development has a high priority and is regarded as an important factor in maintaining high operating standards. This has also helped contribute to a very congenial workplace and low absenteeism.

West Atlantic has been successful in reaching its goals. The Group's strength in its human capital structure is a result of the Group's ability to find, develop and retain skilled individuals.

The personnel employed in West Atlantic are provided with a standard social security and a health-care package in accordance with the social security and health care regulations in the countries in which we are operating.

All working conditions, including salaries, are regulated in Collective Working Agreements and the workers council has over the years supported management initiatives for the development of the company and proved to be co-operative.



History in the making

The **West Atlantic** Group, in its current form, emerged in 2011 through the merger of two of Europe's most established independent cargo airlines; the West Air Group from Sweden and Atlantic Airlines from the United Kingdom. Now based in Gothenburg, the merged entity is one of Europe's largest and most experienced provider of unique, integrated ground-to-air logistics for the mail & express industry.

West Air Sweden was historically established in 1962 under the name Abal Air that was changed in 1992 to the current West Air Sweden. Following the increased demand for airmail services from the Swedish Post, West Air Sweden increased its mail operations throughout 1989-1998, whereupon the current major shareholders acquired the company.

Following the purchase of West Air Sweden, the organisation was converted into a dedicated cargo & mail airline in May 1997, after discontinuing scheduled passenger services between Gothenburg and Sundsvall, Sweden. During 2006 West Air Sweden was awarded the entire Norwegian Post contract, which expanded West Air Sweden's

capacity by 50 percent as West Air co-developed the new dedicated network in Norway.

Pioneering the technical competence necessary to move existing Mail trolleys directly from trucks to on board the aircraft, the roll-on/roll-off concept has been a key factor in improving efficiency and service quality where employed in Scandinavia.

Atlantic Airlines was formally incorporated in 1994 as a part of the Air Atlantique Group itself originally established on the Isle of Jersey, UK in 1969. Originally using a single type fleet of 7 Lockheed L-188 Electra aircraft, Atlantic Airlines specialised in the supply of contract and ad-hoc air cargo services which included transatlantic capability. Following a full management buy-out of the assets of the business in May 2004, Atlantic Airlines Limited was established as an independent company. Since its inception, Atlantic Airlines has been a significant contributor to the UK regional air cargo industry building on its heritage of cargo and airmail operations across Europe since the first Royal Mail contract was awarded to Air Atlantique in 1975.



Senior Ma

Gustaf Thureborn | Group CEO – Age 54

Thureborn has an extensive financial background that began with ten years within an international financial institution followed by 5 years in several corporate finance departments within one company group. Thureborn is an entrepreneur and has played a key role in several start-up business projects with his key strengths in these having been finance and business development.

In 1996 he joined the cargo airline industry and was appointed Managing Director of West Air Sweden AB, which was then a new establishment of a previously 'family driven' airline.

Thureborn has since been responsible for developing the West Air Group into one of the major forces in European regional cargo airlines.

Thureborn also holds the position of Accountable manager of the Swedish airline and is based at the company headquarters in Gothenburg, Sweden.



Tony Auld | Group Managing Director – Age 54

Auld is responsible to the West Atlantic Group CEO for his role as Group MD as well as to the West Atlantic Board for the position of Accountable Manager of the UK airline.

Additionally, Auld has a Board overview of the Group maintenance activity working closely with Robert Drews, Group Technical Director.

He has held the position of Accountable Manager within the industry for more than 20 years having spent his entire working life in aviation.

He has previously held various posts during this 30 years span ranging from Ground Services Manager, Commercial Manager, Airport Manager, Managing Director and Chief Executive.

He joined Atlantic Airlines in 1999 where, in 2001, he and Russell Ladkin formed an MBO team to acquire Atlantic Airlines from its founding owner prior to Atlantic's subsequent merger with West Air Europe in 2011. Auld is based at Coventry Airport, UK.



Russell Ladkin | Group Sales & Operations Director – Age 43

Ladkin is responsible for the Group's airline sales activity, including strategic direction, development of new products and services, new markets and regions, customer relationship management, operational service delivery and marketing communications.

Ladkin joined the company in 1989 serving as a pilot until 2002 when he transferred to full time ground duties. He accrued more than 6,000 flying hours for the airline on a wide variety of types, including cargo aircraft, corporate jets, passenger aircraft and coastguard/maritime-patrol aircraft.

In his 23 years Ladkin has held a number of roles in the business, including Training Captain, General Manager, Operations Manager, Director of Flight Operations and Managing Director.

In 2001 Ladkin joined with Tony Auld to form a successful partnership MBO team to acquire Atlantic Airlines from its original private owner.

In 2009 he transferred to Gothenburg, Sweden, to take up his current Group role in preparation for the merger of Atlantic Airlines and West Air Europe.



nagement



Magnus Dahlberg | Group Chief Financial Officer – Age 45

Dahlberg graduated in Business Administration. Between 1988 and 2001 he worked for an international financial institution where he held a number of positions within the accounting division.

Dahlberg commenced his aviation career in 2001 as Finance Director for a Swedish regional passenger airline before joining West Air Sweden in 2002 as Finance Director.

Today he is CFO for the West Atlantic Group.



Robert Drews | Group Technical Director – Age 54

Drews holds a university aeronautical degree and has accumulated 25 years of experience in senior roles within aviation maintenance management over a number of positions. He holds technical licences for various aircraft types.

Drews joined West Air Sweden in 1995 as Technical Manager, Part M and was appointed Technical Director in 2003.

His responsibilities were later increased with the addition of Group Fleet Manager to his duties and, in 2008 he was additionally appointed as Accountable Manager for the Swedish Part 145 maintenance organisation.



Peter Koster | Accountable Manager, West Air Luxembourg – Age 46

Koster is responsible to the West Atlantic Board as Accountable Manager for the Luxembourg airline.

He joined the air cargo industry in 1986 taking key roles in establishing various sales and service structures for wide-body and intercontinental cargo operators.

In 2002 he joined the West Air Group as Accountable Manager for West Air Luxembourg, a role that he maintains to this date.

Koster also holds the position of President of "Findel asbl", which is a lobby organisation representing 3,500 members with the objective to foster development of the aviation industry in and around Luxembourg airport.

Koster is also Vice President of the AUC (Airport User Committee) of Luxembourg, which represents all on site operators' interests with respect to airport issues.

Group structure

The Group is headquartered in Gothenburg, Sweden and is the base for management, finance and the Part-M. West Atlantic also has two AOC branch offices, one in Coventry and one in Luxembourg. The local branch office in Coventry provides 24hr flight

operations and dispatch services for all three airlines. The Group conducts its heavy maintenance activity at the Isle of Man and light maintenance at Sturup, Malmö, Sweden, Coventry in the UK, Oslo and Tromsø (both in Norway) and at Marseille, France.



Profit & Loss account

	note	2012	2011
Net turnover	1	132 503	93 655
Cost of services provided	2 3 4 8 10	- 113 592	- 80 551
Gross profit		18 911	13 104
Cost of sales	2 4 10	- 2 490	- 1 892
Administration costs	2 3 4 10	- 8 080	- 4 818
Other operating income		156	101
Other operating costs		-	- 368
Operating profit		8 496	6 128
Interest income and associated income	5	135	41
Profit in associated companies		403	38
Interest costs and associated costs	6	- 1 516	- 967
Profit after financial income and costs		7 518	5 239
Tax	7	- 1 444	- 1 240
Profit for the year		6 074	4 000

Profit and Financial Position

Group - West Air Europe AB	2012	2011	2010	2009	2008
Revenue	132 503	93 655	77 128	71 065	79 606
Result after financial items	7 518	5 239	521	2 202	3 855
Total assets	74 606	75 354	57 648	50 343	46 465
Solidity	37%	27%	27%	25%	23%
Avg. employees	439	264	261	304	302

Appropriation of profits

To the general assembly following profits are available for distribution:

Profit brought forward	5 685
This year's profit	6 074
	11 759

The board suggest that the profit is to be allocated as follows:

Dividend 4.6 eurocent per share	1 254
Profit to be carried forward	10 506
	11 759

This report reflects the original Swedish and has been converted into EUR at a rate of 8.6166 SEK for each 1 EUR. All amounts are reported in thousands of EURO (TEUR) if not stated otherwise. Information in parentheses refers to previous year. The previous year's rate was 8,9447 SEK for each 1 EUR.

Balance Sheet

ASSETS	note	2012.12.31	2011.12.31
Fixed Assets			
Non-tangible assets	9		
Goodwill		22	23
Licenses & IT system		433	518
		<u>455</u>	<u>542</u>
Tangible assets	10		
Aircraft and aircraft components		33 913	37 056
Equipment, tools and installations		170	215
		<u>34 083</u>	<u>37 271</u>
Financial assets			
Shares in associated companies	11	134	255
Non-current financial receivables	12	2 321	-
		<u>2 455</u>	<u>255</u>
Total fixed assets		36 994	38 068
Current assets			
Inventories			
Spares and necessities		11 539	10 370
Advances to supplier		623	-
		<u>12 162</u>	<u>10 370</u>
Short term assets			
Accounts receivable - trade		10 856	12 225
Tax receivable		368	2
Other receivables		7 028	8 869
Prepaid expenses and accrued income	13	2 562	1 276
		<u>20 813</u>	<u>22 371</u>
Cash and bank		4 637	4 545
Total current assets		37 612	37 286
TOTAL ASSETS		74 606	75 354

All amounts are accounted for, unless otherwise stated, in thousands of euros (TEUR).

Balance Sheet

EQUITY & LIABILITIES	note	2012.12.31	2011.12.31
Equity	14		
Share capital (27 004 640 shares)		3 134	2 264
Non-registered share capital		-	755
Restricted reserves		12 536	9 816
		15 670	12 835
Profit brought forward		5 685	3 793
Profit for the year		6 074	4 000
		11 759	7 792
Total Equity		27 429	20 627
Allocations			
Deferred tax	15	5 637	5 507
Aircraft maintenance	16	382	6 230
		6 019	11 737
Long term liabilities			
Liabilities to credit institutions	17	4 846	7 730
Other liabilities		4 520	5 503
		9 366	13 233
Current liabilities			
Overdraft	18	3 874	1 090
Liabilities to credit institutions	17	5 130	3 371
Accounts payable - trade		10 707	9 922
Tax liabilities		838	667
Other liabilities		8 290	12 035
Prepaid income and accrued expenses	19	2 951	2 672
		31 792	29 757
TOTAL EQUITY & LIABILITES		74 606	75 354
Memorandum items			
Pledged collaterals	20	see note	see note
Contingent liabilities		none	none

All amounts are accounted for, unless otherwise stated, in thousands of euros (TEUR).

Cash Flow Statement

	note	2012	2011
Operating activities			
Profit after financial income and costs		7 582	5 239
Non-cash items			
Depreciation		4 145	2 354
Change in allocations		-3 501	-1 689
Profit/loss from exchange rates fluctuations		-137	-16
Reservations on illiquid trade receivables		988	1 075
Disposal of fixed assets		-278	776
		8 799	7 740
Income tax		-823	-1 067
Cash flow from operating activities before change in operating capital		7 975	6 673
Change in stock		-774	-587
Change in short term receivables		144	3 061
Change in short term liabilities		-3 420	5 369
Cash flow from operating activities		3 925	14 516
Investment activities			
Acquisition of subsidiary company	21	-	-2 366
Changes in shares in associated companies		131	-1
Acquisition of intangible fixed assets		-	-580
Investments in tangible fixed assets		-6 438	-11 295
Sale of tangible fixed assets		7 268	-
Investments in other financial fixed assets		-2 321	-
Cash flow from investing activities		-1 361	-14 241
Financing activities			
Currency differences in foreign businesses and changes in equity		-	13
Increased liabilities to credit institutions		3 624	982
Amortisation on liabilities to credit institutions		-1 943	-1 923
Change in other liabilities		-4 326	-630
Dividend		-	-113
Cash flow from financing activities		-2 645	-1 670
Liquid assets in the beginning of the year		4 718	5 941
Change in liquid assets		-81	-1 396
Liquid assets at year end		4 637	4 545

All amounts are accounted for, unless otherwise stated, in thousands of euros (TEUR).

Accounting and valuation principals

The Annual Report is prepared in accordance with the Annual Accounts Act (1995:1554), as well as statements and general recommendations issued by the Swedish Accounting Standards Board (SASB). If general recommendations are not issued by SASB, guidance has been taken from the Swedish Financial Accounting Standards Council (SFASC) recommendations and in applicable cases statements issued by FAR, the professional institute for authorized public accountants in Sweden. In such cases this will be detailed in particular order below. Principals remain unchanged compared to the previous year, with exception of changes in consideration and evaluation of allocations for aircraft maintenance reserves.

Accounting principal has changed in regards of accounting of certification costs for pilots in the British daughtercompany Atlantic Airlines Ltd that previously recognised these as prepaid costs, which have now been fully expensed. The change in principal has decreased the Group's free reserves by MEUR 1.

Air transportation services revenue

The Group provides air transportation services with customised aircraft. Accounting of revenue occur when transportation has been completed. On-going, non-invoiced services are accounted for at the calculated invoice value of services provided on the balance sheet.

Other income

Sales of goods and other services are accounted for when goods have been delivered or when service has been provided.

Write-downs on tangible and intangible fixed assets with a decidable lifetime.

The Group reviews the accounted balances for assets with a decidable lifespan at least once a year, in order to review applicable grounds for write-downs. If the highest value of real value or utility value of the asset is lower than its recorded book value, the book value of that asset shall be written down.

Tangible fixed assets

Fixed assets are valued at acquisition costs less accumulated depreciation and applicable write-offs. Assets are linearly depreciated over the corresponding

economical lifespan, while costs for aircraft maintenance and reparations are continuously expensed. Thereto, significant modifications and upgrades to aircraft or components are activated and depreciated linearly during the determined economical lifespan.

Profit or loss from sales or scrapping of tangible assets is calculated as the difference between net book value and the acquired income, which is later recorded in the profit and loss account.

Inventory

Stock for flight operations is accounted at the lowest of acquisition value or net sales value. Acquisition values are calculated according to the first in/first out (FIFO) method. Notably, certain parts are valued according to the principle of lowest value in collective with corresponding aircraft.

Appropriations

Appropriations are defined and accounted for as future expenses regarding commitments in agreed retirement plans, future tax expenses and future expenses for commitments on aircraft maintenance according to signed aircraft leasing agreements.

Accounts receivables are valued at estimated real value in relation to the estimated inflow, while other receivables and liabilities are accounted for at a nominal rate unless otherwise stated.

Receivables and liabilities in foreign currencies have been translated to closing day rate.

Leasing

All leases are recorded as operational leases and thus all leasing fees are expensed through the profit and loss account linearly over the leasing period, except what is stated in note 8.

Solvency is calculated as Equity divided by total capital.

The consolidated accounts have been prepared in accordance with the Swedish Financial Accounting Standards Council, using the acquisition accounting method.

Note 1

Net turnover	2012	2011
Flight production	119 879	82 922
Aircraft and component trading	5 873	51
Aircraft leasing	284	1 464
Technical services	6 182	7 998
Other income	285	1 219
	132 503	93 655

Note 2

Personnel	2012		2011	
Average number of employees	Totalt	Whereof men	Totalt	Whereof men
Sweden	92	75	113	96
Luxembourg	116	106	99	91
United Kingdom	213	201	32	30
Norway	19	19	20	20
	439	400	264	237

Salaries, other remuneration and social security costs:

Sweden	2012	2011
The Board and Managing Director	- 132	- 119
Other employees	- 4 663	- 6 203
Sum of salaries and remunerations	- 4 795	- 6 322

Note 2 cont.

Salaries, other remuneration and social security costs:

Luxembourg	2012	2011
The Board and Managing Director	- 96	- 90
Other employees	- 6 705	- 5 487
Sum of salaries and remunerations	- 6 801	- 5 577

United Kingdom	2012	2011
The Board and Managing Director	- 299	- 30
Other employees	- 9 431	- 1 212
Sum of salaries and remunerations	- 9 730	- 1 242

Norway	2012	2011
The Board and Managing Director	-	-
Other employees	- 1 327	- 1 340
Sum of salaries and remunerations	- 1 327	- 1 340

Social security costs:

Sweden	2012	2011
Total social security costs	- 1 895	- 2 743
Whereof pension costs:		
The Board and Managing Director	- 50	- 38
Other employees	- 340	- 868
Sum of pension costs	- 390	- 906

Note 2 cont.

Social security costs:

Luxembourg	2012	2011
Total social security costs	-928	-790
Whereof pension costs:		
The Board and Managing Director	-8	-12
Other employees	-538	-448
Sum of pension costs	-546	-461
United Kingdom	2012	2011
Total social security costs	-1 641	-164
Whereof pension costs:		
The Board and Managing Director	-39	-1
Other employees	-515	-36
Sum of pension costs	-554	-37
Norway	2012	2011
Total social security costs	-182	-203
Whereof pension costs:		
The Board and Managing Director	-	-
Other employees	-25	-40
Sum of pension costs	-25	-40

The company is not bound to any redundancy payment agreements with the Board or Managing Director. Normal conditions of employment apply.

Note 3

Remuneration to Auditors

Remuneration to the Auditors has been given at the amount of:

Grant Thornton	2012	2011
The audit	-94	-72
Auditing services in addition to the audit	-25	-3
Tax Advisory Services	-13	-3
Other assignments	-19	-16
	-151	-95
Others	2012	2011
The audit	-28	-17
Auditing services in addition to the audit	-2	-
	-30	-17

"The audit" reflects the review of the annual report, accounting, governance by the board of directors and other assignments it is incumbent upon the auditors to perform as well as advising or other representation arising from observations by such reviews or completion of such assignments. Everything else is considered "other assignments".

Note 4

Depreciation and write-offs	2012	2011
Cost of goods sold	-3 848	-2 324
Selling expenses	-2	-1
Administrative expenses	-49	-29
	-3 899	-2 354

Note 5

Financial income	2012	2011
Interest income	108	35
Other financial income	27	6
	135	41

Note 6

Financial costs	2012	2011
Interest costs	-1 505	-891
Other financial costs	-11	-77
	-1 516	-967

Note 7

Tax on the profit for the year	2012	2011
Paid	-603	-576
Deferred	-841	-664
	-1 444	-1 240

Note 8

Leasing agreements

A financial lease agreement for CRJ aircraft rotables has been reported at MEUR 0.81 (1.57) both as "machinery and other technical fixed assets" and as "liabilities to credit institutions". These assets are depreciated according to plan over ten years.

Daughter companies European Turboprop Management AB and Atlantic Airlines Ltd has per 2012-12-31 signed aircraft operational lease agreements with an underlying value of TUSD 69 752 (48 037), TEUR 4 668 (4 668) and TSEK 16 664 (0).

The durations expire between 2013 and 2019.

	2012	2011
Lease payments	9 162	6 077

Future lease payments

Year 2013 , TUSD 7 681, TEUR 408 & TSEK 1 855	6 431
Year 2014 , TUSD 12 920, TEUR 428 & TSEK 2 008	10 431
Year 2015 , TUSD 7 843, TEUR 450 & TSEK 2 174	6 633
Year 2016 or later , TUSD 16 582, TEUR 672 & TSEK 10 627	14 444

Note 9

Intangible fixed assets

Goodwill	2012.12.31	2011.12.31
Opening acquisition value	24	-
Acquisitions	-	23
Closing day acquisition value	24	23
Opening depreciation	-	-
Depreciation for the year	-2	-
Closing day depreciation	-2	0
Book value	22	23

Goodwill from acquisition of Atlantic Airlines Ltd. Depreciation according to plan by 10 % per annum.

Notes

Note 9 cont.

Intangible fixed assets

Licenses and IT-systems	2012.12.31	2011.12.31
Opening acquisition value	635	31
Acquisitions	24	580
Closing day acquisition value	659	612
Opening depreciation	-97	-
Depreciation for the year	-129	-93
Closing day depreciation	-225	-93
Book value	433	518

Licenses and IT-systems are depreciated according to plan by 10-20 % per annum.

Note 10

Tangible fixed assets

Aircraft & aircraft components	2012.12.31	2011.12.31
Opening acquisition value	72 899	51 589
Opening acquisitions from purchases	-	9 576
Acquisitions	6 329	11 836
Sales	-10 959	-2 776
Closing day acquisition value	68 268	70 225
Opening depreciation	-34 432	-27 862
Opening depreciation from purchases	-	-5 241
Sales	3 716	2 030
Depreciation for the year	-3 640	-2 096
Closing day depreciation	-34 356	-33 169
Book value	33 913	37 056

Aircrafts are depreciated according to plan by 10 % for ATP and Cessna Citation and CRJ by 6.67 %. Aircraft components are depreciated according to plan by 10 % over ten years for ATP and CRJ. Other depreciations, mainly engines, are made according to special plan over twenty years.

Note 10 cont.

Tangible fixed assets

Equipment, Tools and installations	2012.12.31	2011.12.31
Opening acquisition value	1 771	2 140
Acquisitions	79	57
Sales/scrap	-6	-491
Closing day acquisition value	1 844	1 706
Opening depreciation	-1 548	-1 804
Sales/scrap	6	479
Depreciation for the year	-131	-165
Closing day depreciation	-1 673	-1 491
Book value	170	215

Equipment, tools and installations are depreciated according to plan over five years by 20% per annum.

Note 11

Shares in associated companies	Share of capital	Voting share	Stock	Booked value
Flyguppdraget Backamo AB org. nr. 556270-7322 residing in Ljungkile, Sweden	30%	30%	300	126
VACS AB org. nr. 556814-3241 residing in Stockholm, Sweden	33%	33%	167	8
				134

Note 12

Other financial assets	2012.12.31	2011.12.31
Promissory note receivable	2 321	-

Note 13

Prepaid expenses & accrued income	2012.12.31	2011.12.31
Prepaid expenses	1 927	942
Accrued income	635	334
	2 562	1 276

Note 14

Change in equity

	Share capital	Restricted reserves	Profit brought forward	Profit for the year	Total equity
Equity at the beginning of the year	3 019	9 816	3 793	4 000	20 627
Distribution of profit according to G. M. of Shareholders			4 000	-4 000	
Effect of changed corporate tax rate			750		
Shift between restricted reserves and non restricted equity		2 346	-2 346		
Exchange rate fluctuation of currency loans			411		
Tax effect on exchange rate fluctuation of currency loans			-108		
Exchange rate fluctuation	115	374	255		
Effect of changed accounting principle			-1 069		
Profit for the year				6 074	
Equity at the end of the year	3 134	12 536	5 685	6 074	27 429

Note 15

Deferred taxes	2012.12.31	2011.12.31
Regarding untaxed reserves	4 598	5 138
Regarding temporary differences	1 039	369
	5 637	5 507

Note 16

Aircraft maintenance

Provision for future maintenance expense of aircraft.

Note 17

Liabilities to credit institutions

TEUR 688 (1 153) of the long-term liabilities to credit institutions will be due beyond five years after closing date.

Aircraft mortgages of TUSD 31 982 (31 982) has been raised as security.

Note 18

Overdraft facilities

Granted overdraft facility in SEK and other currencies amounts to TEUR 5 803 (6 674).

Business floating charges of TEUR 5 803 (12 298) has been raised as security.

Granted invoice financing facility in foreign currency amounts to TEUR 4 262 (2 387).

Note 19

Accrued expenses and prepaid income	2012.12.31	2011.12.31
Holiday pay provision	957	842
Social security costs	108	137
Interest and lease for aircraft	-	132
Prepaid income	51	361
Miscellaneous accruals	1 835	1 201
	2 951	2 672

Note 20

Pledged collaterals	2012.12.31	2011.12.31
Business floating charge	14 843	12 298
Aircraft mortgages, TUSD 31 982 (31 982)	24 184	24 755
Blocked deposit funds, TEUR 0 (100)	-	100
Accounts Receivables	3 051	-

Note 21

Acquisition of subsidiary	2012	2011
Goodwill	-	23
Tangible fixed assets	-	4 932
Inventory	-	2 455
Trade receivables	-	3 473
Other receivables	-	2 651
Cash at bank	-	21
Provisions	-	- 977
Long term liabilities	-	-285
Trade payables	-	- 2 704
Other short term liabilities	-	- 5 694
Purchase value	-	3 897
Whereof rights issue	-	- 1 509
Cash payment	-	- 2 387
Acquired cash	-	21
Liquidity effect	-	- 2 366

All amounts are accounted for, unless otherwise stated, in thousands of euros (TEUR).

Gothenburg, Sweden, 4th of June 2013



Göran Berglund
Chairman



Jörgen Arnemar
Member of the Board



Gustaf Thureborn
Managing Director



Anthony Auld
Member of the Board



Russell Ladkin
Member of the Board

Audit Report

To the General Meeting of the Shareholders of West Air Europe AB Corporate identity number 556503-6083

We have audited the financial reports of West Air Europe AB for the financial year ended December 31, 2012 in accordance with generally accepted auditing standards in Sweden, from where the financial reports in summary are deduced. We have submitted an unmodified auditor's report, dated 4 June, for the financial reports from where the financial reports in summary are deduced.

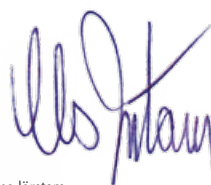
Our opinion is that the enclosed financial reports in summary, from a materiality perspective, are consistent with the financial reports from where this summary is deduced.

For a better understanding of the financial position of the Company and the Group, the financial result of the business for the period, and for, the scope of our audit, the financial reports in summary must be read together with the complete financial reports and the auditor's report submitted with the financial reports.

Audit report has been delivered 4th of June 2013



Ulf Careland
Authorized Public Accountant



Claes Jörstam
Approved Public Accountant





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**Head Office & Commercial Department**

P.O. Box 5433 • SE 402 29 Göteborg • Sweden
Telephone +46 31 703 04 50 • Telefax +46 31 703 04 55
info@westatlantic.eu • www.westatatlantic.eu

Operations Department

Hangar 5 • Coventry Airport • Coventry
Warwickshire CV8 3AZ • United Kingdom
Telephone +44 24 768 826 30 • Telefax +44 24 763 077 03

Technical Department

P.O. Box 16 • SE 230 32 Malmö-Sturup • Sweden
Telephone + 46 40 50 00 08 • Telefax +46 40 50 00 78