



## Financial report Q3, 2013

### July - September in brief

- Profit before tax 11 856 TSEK (16 042)
- Revenue 271 256 TSEK (266 461)
- Awarded two B737 contracted operations
- Norwegian Post exercised extension option to 2015
- Signing of one B737-300SF operational lease, delivery expected Q4 2014
- Letter of intent signed for purchase of one B737-400SF in 2013

### West Atlantic Group - Financial overview

TSEK	2013 Q3	2012 Q3
<b>Revenue</b>	271 256	266 461
<b>Gross profit</b>	40 670	38 139
<b>EBITDA</b>	35 622	26 377
<b>EBIT</b>	22 037	17 753
<b>EBT</b>	11 856	16 042

## 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.

## Q3 Significant events

### West Atlantic AB (publ)

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 former West Air Europe AB Group and Atlantic Airlines Ltd.

### Structural changes in organisation

During Q3 West Air Sweden AB has established branches in Denmark, France and Luxembourg. The Danish branch will be the extended entity of West Air Sweden AB managing the Group's new Scandinavian hub in Copenhagen as West Air Sweden employs new staff locally for its operations.

The French branch, based at Marseille airport will be the extended entity of West Air Sweden AB managing the activity in France.

In addition, a branch has been established in Luxembourg following the sale agreement of West Air Luxembourg S.A.

### Sale of West Air Luxembourg S.A.

Prior to the sale of West Air Luxembourg the business was transferred to West Air Sweden AB's Luxembourg branch under a business sale agreement. Such activity included the operation of 13 ATP aircraft, 110 employees and all assets and liabilities applicable for the purchased operations. These ATP operations are now operated under the Swedish operating certificate, with the exception of one aircraft which will be transferred to Sweden in early 2014. This sale marks a major step in consolidating the ATP operations and the Group management's view is that this effort will realise synergies followed by cost savings going forward.

### Contracted operations

During Q3 West Atlantic has been awarded a new Scandinavian express cargo contract based out of Copenhagen. One BAe ATP aircraft has been reallocated to operate this contract which is expected to increase revenue as well as contribution on the asset.

Further, Atlantic Airlines have been awarded two European Boeing 737 operations that commenced during Q3 which are expected to increase revenue by 60-80 MSEK annually. One of the aircraft is currently operated by West Atlantic while the second is wet leased from another operator while awaiting delivery of own aircraft.

Norwegian Post exercised its second option to prolong the agreement until 2015. West Atlantic has thereby secured one additional year of operations with one of the Group's most important customers.

### The aircraft fleet

Focus have been on sourcing Boeing 737-300 & 400 during this quarter and the Group has managed to secure one B737-300SF on an operational lease agreement, with delivery expected Q4 2014. Thereto, European Turboprop Management AB has also signed a letter of intent regarding the purchase of one B737-400SF.

### **French operations**

During Q3, 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 unpaid social contribution, since contribution has been paid in Luxembourg, where the employees were socially secured. Noteworthy, it is expected that the case will be subject to ruling by the court of justice of the European Union since several airlines are subject to the French claims and have publicly refuted such claims. No provisions for liability have been made during Q3 as West Atlantic is awaiting official hearing and negotiations with French and Luxembourgian authorities in November.

### **Post Q3 significant events**

West Atlantic has during October finalised and signed the purchase agreement for the B737-400SF mentioned, with delivery expected in December 2013.

## **Comments from CEO**

The third quarter resulted in an increase in revenue to 271 MSEK (266). The management recognises the expansion in the Boeing 737 fleet to be the main driver of the increased revenue. West Atlantic also noted an increase in number of performed operations compared to Q2 2013 due to the production calendar effect.

The gross profit increased to 40,7 MSEK (38,1), which can be explained by the positive effect of prior operational leased aircraft being acquired. However, this effect on operational profit is reduced by an increase in maintenance costs for the quarter as well as incurred but non-capitalised start-up costs for the newly awarded Boeing 737 operations. Such costs include, for instance, wet-leasing of another operator while awaiting delivery of own aircraft.

The profit before tax decreased to 11,9 MSEK (16,0). Additional financing costs from corporate bond loan combined with administrative costs incurred Q3 related to the sale of West Air Luxembourg S.A are the main factors behind the reduced profit before tax.

2013 YTD has generated a profit before tax of 15,9 MSEK (29,6 MSEK excluding bond emission costs), which is approximately 15-20 percent below projections. We now look forward to the seasonal peak of the year in Q4, both due to the production calendar effect as well as an intense traffic program around Christmas for most customers. We therefore expect to utilise the all available capacity during the month of December. This factor combined with the savings generated by the sale of West Air Luxembourg S.A and the full result generated by the new B737 aircraft will mean a financially solid last quarter with results closing in on year end projections.

During Q4 we will closely monitor the development in France described under significant events which has a potential impact on the Group. At present we are finishing the discussions with authorities and expect to have a clear picture of the potential liability before year end closing.



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**Gustaf Thureborn**  
*CEO & President*  
West Atlantic Group

## Consolidated income statement

SEK, THOUSANDS	<u>2013</u>		<u>2012</u>		R12M
	Q3	YTD	Q3	YTD	
Revenue	271 256	777 014	266 461	801 180	1 117 562
Cost of services provided	-230 586	-685 723	-228 322	-724 673	-939 829
<b>Gross profit:</b>	<b>40 670</b>	<b>91 291</b>	<b>38 139</b>	<b>76 507</b>	<b>177 733</b>
<i>Gross margin (%):</i>	<i>14,99%</i>	<i>11,75%</i>	<i>14,31%</i>	<i>9,55%</i>	<i>15,90%</i>
Cost of sales	-277	-1 243	-568	-1 688	-21 014
Administrative costs	-13 427	-49 966	-20 146	-49 501	-70 090
Other income	-1 383	1 797	328	1 052	2 086
Other costs	-3 546	-3 546	-	-	-3 546
<b>Operating Profit:</b>	<b>22 037</b>	<b>38 333</b>	<b>17 753</b>	<b>26 370</b>	<b>85 169</b>
<i>Operating profit margin (%):</i>	<i>8,12%</i>	<i>4,93%</i>	<i>6,66%</i>	<i>3,29%</i>	<i>7,62%</i>
Financial income	1 885	2 047	726	2 155	1 058
Financial costs	-12 135	-23 421	-3 215	-9 257	-27 230
Other financial items	69	-1 053	778	-	2 420
<b>Profit before income tax:</b>	<b>11 856</b>	<b>15 906</b>	<b>16 042</b>	<b>19 268</b>	<b>61 417</b>
Income tax	-2 145	-3 932	-2 610	-2 714	-13 661
<b>Profit after tax</b>	<b>9 711</b>	<b>11 974</b>	<b>13 432</b>	<b>16 554</b>	<b>47 756</b>

## Consolidated statement of financial position

SEK, THOUSANDS	<u>2013</u>	<u>2012</u>	
	30 Sep	30 Sep	31 Dec
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Non-tangible assets</i>			
Goodwill	172	193	188
Licenses & IT system	2 689	3 286	3 735
<i>Tangible assets</i>			
Aircraft and aircraft components	554 279	304 342	292 214
Equipment, tools and installations	3 838	1 610	1 469
<i>Financial assets</i>			
Investments in associated companies	1 067	2 375	1 157
Non-current financial receivables	20 030	-	20 000
<b>TOTAL NON-CURRENT ASSETS</b>	<b>582 075</b>	<b>311 806</b>	<b>318 763</b>
<b>Current assets</b>			
<i>Inventories</i>			
Spares and necessities	105 966	93 011	99 426
Work in process	2 330	1 414	-
Advances to suppliers	10 422	3 587	5 368
<i>Short term assets</i>			
Accounts receivable - trade	78 984	115 558	93 538
Tax receivable	10 652	7 391	3 167
Other receivables	17 224	66 891	60 554
Prepaid expenses and accrued income	25 760	30 406	22 076
<i>Cash and cash equivalents</i>			
	115 939	11 107	39 957
<b>TOTAL CURRENT ASSETS</b>	<b>367 277</b>	<b>329 365</b>	<b>324 086</b>
<b>TOTAL ASSETS</b>	<b>949 352</b>	<b>641 171</b>	<b>642 849</b>

## Consolidated statement of financial position, continued

SEK, THOUSANDS	<u>2013</u>	<u>2012</u>	
	30 Sep	30 Sep	31 Dec
<b>EQUITY AND LIABILITIES</b>			
<i>Restricted Equity</i>			
Share capital	27 004	27 004	27 004
Restricted reserves	108 144	83 708	108 016
<i>Unrestricted Equity</i>			
Profit brought forward	94 815	74 509	48 989
Profit for the period	11 974	16 554	52 337
<b>TOTAL EQUITY</b>	<b>241 937</b>	<b>201 775</b>	<b>236 346</b>
<i>Non-current liabilities</i>			
Liabilities to credit institutions	22 458	53 187	41 752
Liabilities to corporate bond holders	500 000	-	-
Deferred tax liabilities	45 430	45 896	48 573
Aircraft maintenance	496	13 096	3 292
Other liabilities	-	46 528	38 947
<i>Current liabilities</i>			
Overdraft facilities	-	32 030	33 384
Liabilities to credit institutions	5 791	37 337	44 204
Accounts payable - trade	56 376	89 308	92 261
Tax liabilities	5 662	9 341	7 224
Other liabilities	19 450	79 520	71 435
Prepaid income and accrued expenses	51 752	33 153	25 431
<b>TOTAL LIABILITIES</b>	<b>707 415</b>	<b>439 396</b>	<b>406 503</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>949 352</b>	<b>641 171</b>	<b>642 849</b>

## Consolidated statement of cash flows

SEK, THOUSANDS	<u>2013</u>		<u>2012</u>	
	Q3	YTD	Q3	YTD
<b>Operating activities</b>				
Profit before income tax	11 856	15 906	16 041	19 268
<b>Non-cash items</b>				
Depreciation	14 021	30 096	10 862	25 027
Changes in allocations	1 536	-5 938	-11 053	-34 783
Reservations on illiquid claims	83	83	-	-
<b>Income tax</b>	<b>-2 240</b>	<b>-9 047</b>	<b>-2 545</b>	<b>-9 618</b>
Change in inventories	-610	-13 924	-3 875	-5 257
Change in short term receivables	-4 799	54 200	-8 453	-12 768
Change in short term liabilities	-5 084	-61 550	-9 604	-26 628
<b>Cash flow from operating activities</b>	<b>14 763</b>	<b>9 826</b>	<b>-8 627</b>	<b>-44 759</b>
Changes in investments in associated companies	345	90	-241	-91
Acquisition of tangible fixed assets	-51 457	-301 370	-267	-15 329
Sale of tangible fixed assets	-	7 902	19 093	19 093
Investments in other financial fixed assets	-30	-30	-	-
<b>Cash flow from investing activities</b>	<b>-51 142</b>	<b>-293 408</b>	<b>18 585</b>	<b>3 673</b>
Currency differences in foreign businesses and changes in equity	-3 725	-	-1 339	717
Increased liabilities to credit institutions	-	-	221	30 375
Increased liabilities to corporate bond holders	-	500 000	-	-
Amortisation on liabilities to credit institutions	-1 666	-91 092	-7 063	-16 860
Change in other liabilities	-	-38 947	-1 769	-2 693
Paid dividend	-10 397	-10 397	-	-
<b>Cash flow from financing activities</b>	<b>-15 788</b>	<b>359 564</b>	<b>-9 950</b>	<b>11 539</b>
Cash and cash equivalents at beginning of period	168 106	39 957	11 098	40 653
Change in cash and cash equivalents	-52 167	75 982	8	-29 547
<b>Cash and cash equivalents at end of period</b>	<b>115 939</b>	<b>115 939</b>	<b>11 106</b>	<b>11 106</b>



## Parent company income statement

SEK, THOUSANDS	<u>2013</u>		<u>2012</u>	
	Q3	YTD	Q3	YTD
Revenue	143 854	401 131	134 171	389 791
Cost of services provided	-102 361	-323 818	-114 842	-336 272
<b>Gross profit:</b>	<b>41 493</b>	<b>77 313</b>	<b>19 329</b>	<b>53 519</b>
<i>Gross margin (%):</i>	<i>28,84%</i>	<i>19,27%</i>	<i>14,41%</i>	<i>13,73%</i>
Cost of sales	-2 067	-2 210	-97	-147
Administrative costs	-24 967	-58 049	-12 378	-36 691
Other income	21	-	-	-
Other costs	-2 245	-2 245	-	-
<b>Operating Profit:</b>	<b>12 235</b>	<b>14 809</b>	<b>6 854</b>	<b>16 681</b>
<i>Operating profit margin (%):</i>	<i>8,51%</i>	<i>3,69%</i>	<i>5,11%</i>	<i>4,28%</i>
Result from affiliated companies	819	819	2 908	2 908
Financial income	574	696	107	426
Financial costs	-10 142	-17 367	-1 350	-4 338
Other financial items	-2	-35	-122	0
<b>Profit before income tax:</b>	<b>3 484</b>	<b>-1 078</b>	<b>8 397</b>	<b>15 677</b>
Income tax	-	-29	-2 678	-4 280
<b>Profit after tax</b>	<b>3 484</b>	<b>-1 107</b>	<b>5 719</b>	<b>11 397</b>

## Parent company balance sheet

	<b>2013</b>	<b>2012</b>
<b>SEK, THOUSANDS</b>	<b>30 Sep</b>	<b>31 Dec</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Non-tangible assets</i>		
Licenses & IT system	285	350
<i>Financial assets</i>		
Investments in group companies	81 132	80 970
Investments in associated companies	1 067	1 068
Non-current financial receivables	20 030	20 000
<b>TOTAL NON-CURRENT ASSETS</b>	<b>102 514</b>	<b>102 388</b>
<b>Current assets</b>		
<i>Short term assets</i>		
Accounts receivable - trade	27 448	28 961
Receivables - group companies	352 229	201 905
Other receivables	871	285
Prepaid expenses and accrued income	14 334	5 741
<i>Cash and cash equivalents</i>	100 830	-
<b>TOTAL CURRENT ASSETS</b>	<b>495 712</b>	<b>236 892</b>
<b>TOTAL ASSETS</b>	<b>598 226</b>	<b>339 280</b>
<b>EQUITY AND LIABILITIES</b>		
<i>Restricted Equity</i>		
Share capital	27 004	27 004
Restricted reserves	7 857	7 857
<i>Unrestricted Equity</i>		
Profit brought forward	561	2 591
Unrestricted reserves	6 751	6 751
Group contribution	-	-7
Profit for the period	-1 107	8 374
<b>TOTAL EQUITY</b>	<b>41 066</b>	<b>52 570</b>
<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	-	33 384
Accounts payable - trade	12 443	20 121
Liabilities to Group Companies	12 153	205 788
Tax liabilities	1 403	1 403
Other liabilities	11 205	12 923
Prepaid income and accrued expenses	18 496	1 309
<b>TOTAL LIABILITIES</b>	<b>557 160</b>	<b>286 710</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>598 226</b>	<b>339 280</b>

## Parent company Cash flow statement

SEK, THOUSANDS	<u>2013</u> Q3 YTD	<u>2012</u> 31 Dec
<b>Operating activities</b>		
Profit before income tax	-1 078	11 003
<b>Non-cash items</b>		
Depreciation	66	88
Income tax	-29	-441
Change in short term receivables	-157 990	-67 719
Change in short term liabilities	-185 845	32 094
<b>Cash flow from operating activities</b>	<b>-344 876</b>	<b>-24 975</b>
Changes in investments in group companies	-162	-
Changes in other financial fixed assets	-30	-18 684
<b>Cash flow from investing activities</b>	<b>-191</b>	<b>-18 684</b>
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
Paid dividend	-10 396	-
<b>Cash flow from financing activities</b>	<b>445 898</b>	<b>29 043</b>
Cash and cash equivalents at beginning of period	-	14 616
Change in cash and cash equivalents	100 830	-14 616
<b>Cash and cash equivalents at end of period</b>	<b>100 830</b>	<b>-</b>

## Board Assurance

Sweden

November 26th, 2013 - Gothenburg,

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*

**Russell Ladkin**  
*Member of the board*

**Jörgen Arnemar**  
*Member of the board*

**Fredrik Lindgren**  
*Member of the board*