WEST ATLANTIC

Annual Report 2016

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History in the making

The West Atlantic Group emerged in 2011 through the merger of two of Europe's most established independent regional cargo airlines; the West Air Group based in Sweden and Atlantic Airlines based in the United Kingdom. Headquartered in Gothenburg, the merged entity constitutes one of Europe's largest and most experienced providers of unique, integrated ground-to-air logistics for the mail and express industries using a customised fleet of BAe ATP, Bombardier CRJ200, Boeing 737 and B767 freighters.

West Atlantic Sweden, the heart of the former West Air Group was established in 1962 under the name ABAL Air, which was changed in 1992 to West Air Sweden and in 2015 to West Atlantic Sweden. Following the increased demand for airmail services from the Swedish Post, West Atlantic Sweden increased its mail operations throughout 1995 to 1998. In 1995 the current major shareholders acquired the company.

Following the current owners' purchase of West Atlantic Sweden, the organisation was converted into a dedicated mail and cargo airline in May 1997 after discontinuing scheduled passenger services between Gothenburg and Sundsvall in Sweden. During 2006 West Atlantic Sweden was awarded the entire Norwegian Postal network, which increased West Atlantic Sweden's capacity by approximately 50 percent.

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 incorporated in 1994 within the Air Atlantique Group, which was originally established on Jersey, UK in 1969. Originally operating an aircraft fleet of seven Lockheed 188 Electra aircraft, Atlantic Airlines was 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 Ltd. was established as an independent commercial operator and shifted complete focus to intra-European operations.

Since its inception, Atlantic Airlines has been a significant contributor to the UK regional air cargo industry, capitalising on its heritage of cargo and airmail operations across Europe since the first Royal Mail contract was awarded to Air Atlantique in 1975.

During 2013, West Atlantic formed a strategic partnership with US based Air Transport Services Group, Inc. (NASDAQ: ATSG), in which ATSG acquired a 25 percent shareholding in the West Atlantic Group. The partnership marks the introduction of Boeing 767 to West Atlantic's service offering. The partners' skillsets are very well aligned to support the market demand given their respective established and complimentary capabilities in the global marketplace.

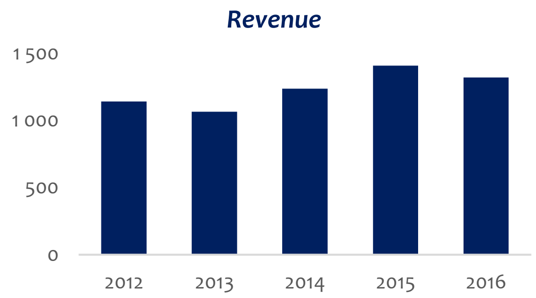
During 2013, West Atlantic also issued its first corporate bond loan listed on NASDAQ, Stockholm in 2014. The loan enabled the Group to acquire the main part of the operating fleet.

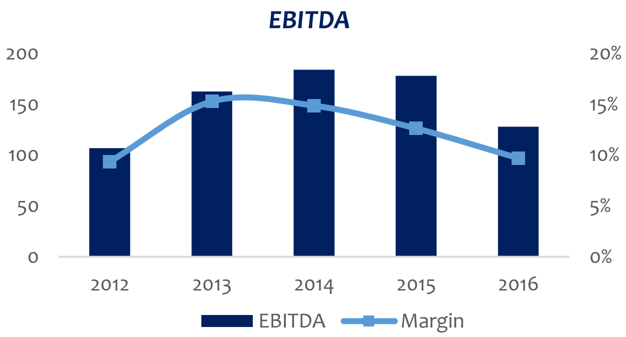
West Atlantic at a glance

West Atlantic in brief

West Atlantic is a dedicated cargo airline specialised in integrated mail and express freight solutions. Developing from many years' experience the Group can offer its customers customised efficient solutions for airfreight services, aircraft maintenance, airworthiness services and aircraft leasing. West Atlantic's primary market is to provide scheduled airlift capacity to National Mail Organisations and Global Integrators in Europe. In 2016 West Atlantic performed over 23,000 flights while serving approximately 50 scheduled destinations.

Revenue and EBITDA





Please note that the Group performed a Swedish GAAP to IFRS transition as per January 1, 2013 whereby previous financial information are according to previous policies and practises.

Operating performance

99.0 %

Flight dispatch regularity

Long term target > 99 %

Key operating indicators	2016 Jan - Dec	2015 Jan - Dec
Performed flights	23,200	26,790
Regularity (target >99%)	99.0%	99.1%
Number of hours flown	25,125	28,490

Key performance indicators for the Group

	2016	2015
Financial Metrics*		
Revenue	1,320.4	1,409.9
Revenue growth	-6.3%	13.3%
Underlying revenue growth	-2.8%	8.6%
EBITDA	127.5	177.9
EBITDA margin (%)	9.7%	12.6%
Net income	-81.8	-49.6
Cash and cash equivalents incl. unused overdraft facility	160.2	316.8
Cash flow from operating activities	240.1	216.7
Earnings per share before dilution (SEK)	-3.03	-1.84
Operating metrics*		
Fleet dispatch regularity	99.0%	99.1%
Performed flights	23 200	26 790
Aircraft in service (incl. Wet leases)	40	48
Average employees	477	508

	2016-12-31	2015-12-31
Net interest bearing debt/EBITDA**	5.1	3.4
Interest coverage ratio**	2.1	2.9
Equity / Asset ratio	8.2%	13.3%
Total Assets	1,276.8	1,412.1

** Definitions of key performance indicators can be found at the end of this report.*

*** Defined by the corporate bond loan WEST002 terms and conditions. See note 24 for more information.*

All figures in this report are presented in Swedish Krona millions (MSEK) unless otherwise stated.

CEO's comments

"2016 was a year with lots of difficult changes, a terrible aircraft accident, cost reductions and new contracts. We have come a long way from where the year started, but we did not reach all our objectives. We have entered 2017 with a solid plan in hand for how to complete the Group turnaround and ensure we remain competitive and can deliver on our financial and operational promises going forward."

Commercial development

During the year, we developed our service offering for our B737 / B767 fleets significantly by placing several aircraft with new and existing customers. After a challenging first quarter with delivery delays of the additional aircraft, we have enjoyed an increasingly stable operation for these fleets.

Later in the year, West Atlantic was awarded a five-year exclusive contract with Royal Mail UK, for operation of their air network above eight tonnes. The contract has commenced early 2017, and is building up through the first half of the year. The contract includes the operation of nine B737 and three ATPs. We are very proud to become the sole provider to the Royal Mail of dedicated freighter capacity in this payload class.

Our clients, in general, remain optimistic about volume growth over the years to come, and seem to have increased flexibility and willingness to outsource more and to open up new routes.

One challenge we had going into 2016 was to place more of our eight tonnes capacity aircraft (serviced by BAe ATP and CRJ200) into revenue service. When we summarise the year we can conclude that we have not managed to reach that objective. The number of ATP aircraft in revenue service has reduced by almost 50 % over the last two years, resulting in the Group carrying costs for a parked fleet. As we go into 2017, commercial focus will be to significantly improve the contribution from these assets through combinations of new contracts and charter activity. We will further evaluate markets outside of Europe, where regional cargo growth is higher, for business opportunities for this highly capable aircraft.

Performance focus

As an outsourced provider of airfreight operations, where our customers are major logistic providers such as National Mail organisations and Global Integrators, an excellent operating performance is required to maintain and grow our business. During 2016 we delivered a fleet dispatch regularity of 99.0 percent (99.1) in the operation as a whole, just in line with the Group's long term target. Considering the difficulties experienced throughout the first quarter with the accident, but also late aircraft deliveries we managed to turn this around throughout the year. We take pride in delivering a high quality service, thus, significant focus and additional resources are being directed at increasing quality of our operations.

Financial performance

Revenue reduced year-on-year by 2.8 % (8.6) adjusted for foreign exchange currency differences and changes in fuel prices. We enjoyed strong growth in the B767/B737 payload classes while the under eight tonnes market more than offset this increase.

EBITDA margin decreased to 9.7 percent (12.6) following a less utilised ATP fleet, but also a few significant one-time costs relating to restructuring the operation.

Simplify our operations

During 2016, our aim was to simplify our operation, with a set target of only operating each aircraft type on one certificate. After a painful first six months, we have managed to get there and we today operate a much clearer structure with a dedicated B737 operator based in the UK, a Swedish ATP/CRJ/B767 operator based out of Sweden and P145 maintenance organisation supporting both operating entities.

Upon completing this restructuring process, we will continue to improve the structure in 2017 by consolidating the number of heavy maintenance bases, strong focus on reducing purchases and to ensure that our support functions are aligned with the operation.

Outlook

2017 will also be a challenging year, but in a much more positive way. We are growing the B737 aircraft fleet with seven aircraft to support the new Royal Mail network, and a timely delivery of the service will be important to keep the operating margins up.

The outcome of the project to increase contribution from the underutilised assets will be the major key to improving the financials during 2017, from both reducing the costs and securing new business opportunities. We will further continue with a second cost reduction programme in order to allow the Group to be in a stronger position to win new contracts and return to profitable growth.

West Atlantic offers a unique one-stop solution to the Global Integrators and National Mail Organisations. While we have suffered through a difficult period recently, the company will emerge stronger and reach our objective to become the preferred supplier in Europe for our type of services.

Fredrik Groth
CEO and Group President

Service offering

The Group acts as an outsourcing provider of airfreight operations, offering full charter capacity or ACMI (Aircraft, Crew, Maintenance and Insurance) flights to its customers, whom can choose to supply and/or cover direct operating requirements such as fuel. Aircraft are available in different configurations, RORO-Mail (roll-on/roll-off), bulk loading of cargo, containerised, palletised or a mix of the above.

Ancillary to the production of ACMI/Charter operations, the Group offers technical services and aircraft leasing to other airlines. By acquiring aircraft at attractive prices and carrying residual value risk the Group is able to capitalise on its knowhow of how to place aircraft on contract, dry lease out or re-market directly at a premium. Historically, the Group has been successful in the aircraft trading market and has performed two transactions per annum on average.

West Atlantic's main operational fleet is the up to eight tonnes payload class, with turboprop capacity such as the BAe ATP. The BAe ATP was converted to a freighter on the Group's initiative since it foresaw the exceptional operational capacity of the aircraft and the attractive feedstock sourcing opportunity. Subsequently, the regional jet CRJ200PF was introduced as a package freighter following the contract award from the Norwegian Mail in 2006, with a network that included longer and thinner routes, requiring a faster service to meet the time critical delivery schedule.

Further pursuing the strategy of developing capability alongside customer requirements, West Atlantic has introduced the Boeing 737 to support mail customers' heavier routes. Shortly thereafter, West Atlantic began to offer the capability to the Global Integrators.

Following the partnership between West Atlantic and Air Transport Services Group (ATSG), the Group has identified demand for larger, up to 45 tonnes payload, capacity in the European airfreight market. Consequently, West Atlantic has added the Boeing 767 aircraft to its service capabilities.

Mission

Strategy and long term vision

Strategy and business plan

During the summer of 1995 the current major shareholders purchased West Atlantic Sweden. In 2015, the Group celebrated 20 years of success with the same majority owners, business plan and strategy. Since the beginning, the Group's objective has been to meet the demand for outsourced airfreight solutions, growing with its customers and finding new ways to refine the services while reinvesting profits in the Group, gearing for future growth.

Group development and operating capabilities

The history of West Atlantic has provided the Group with significant know-how and highly skilled staff specialised in areas ranging from aircraft engineering to operations. The West Atlantic Group has leveraged its operating platform by adding on B737 and B767 operating capabilities. The structural and organisational investments is significantly less as the platform can be scaled to be aligned with the requirements for these new capabilities. This gave the Group a significantly easier task in breaking the entry barriers for these markets. Further, the close partnership with Air Transport Services Group (ATSG) has allowed the Group to spearhead its entry in the B767 market rapidly upon introduction, supported by ATSG's extensive expertise, asset availability and global support.

Long term vision

The long term vision of West Atlantic is envisioned as the Group being the largest provider to National Mail Organisations in Europe and continuing to provide and support all Global Integrators with regional capacity as needed, where needed.

Market overview

Market characteristics and customers

West Atlantic's primary market is to provide outsourced airfreight services with dedicated aircraft. Competitors operating aircraft of similar capacity include ASL Group in Ireland, Swift Air in Spain and Amapola in Sweden. In the wake of the financial crisis 2008-2009 the market stagnated in line with overall prevailing economic conditions but has historically shown very strong growth. The market consists of the following key customer sectors:

- National Mail Organisations, such as Royal Mail, Norwegian Mail, LaPoste and PostNord
- Global Integrators, such as UPS, DHL and FedEx/TNT
- Freight forwarders and other cargo carriers

National mail organisations (NMOs)

Characterised by being organisations under, or previously under, government ownership and/or control, NMOs operate following state issued concessions to provide populations with mail and parcel services in accordance with the concession delivery requirements – usually delivery five to six days a week per European standards. A common requirement for such a monopoly concession in Northern Europe is that 85 percent of the overnight mail must reach its destination on time.

Following the European legislation for public procurement, almost half of the postal community inside the European Union issues public procurement tenders, while the other half does not.

Global Integrators

The Global Integrators have sprung out of commercial demand for international and/or domestic overnight delivery of time-critical documents and parcels. Given that the NMOs historically had total dominion of the national postal system. The NMO setup was mostly specialised on domestic reach to meet the obligations of the concessions. On the other hand, Global Integrators could follow the commercial demand and setup networks in accordance with global trade flows. Consequently, the Global Integrators were quickly able to capture the huge demand for global delivery of time sensitive parcels. The Global Integrators include DHL, UPS and FedEx/TNT.

Competitors
The surrounding market in Europe consists of a handful of competitors. During 1995, when the original business plan was devised, there were close to 30 operators in Europe. Today, following years of consolidation, in the Group's opinion, less than ten competitive players remain.

The competitors differentiate by aircraft speciality and payload class. The business sector has significant entry barriers with respect to asset availability and operating experience requirements. There are immense financial and operational requirements to start a new airline within the European Union. For instance, one must show sufficient financial planning for one years' worth of operation with the first aircraft. In addition, there are political barriers with cabotage and foreign ownership limitations that exclude non-European competition.

Current client base
West Atlantic has a long standing customer base of leading logistic providers. The extensive track record has proven West Atlantic a reliable partner for premier logistics providers, and throughout the years, customers have appreciated the Group's flexibility to meet customers' specific requirements.

Reputation and development
Since the start of operations as a dedicated cargo airline in 1997, West Atlantic has achieved a remarkable reputation for its freight modification of both the HS 748 and BAe ATP aircraft. The Group introduced large aircraft cargo conversion solutions onto smaller aircraft types. In recent years, it has been noted that most of the competition has also adopted similar techniques to be able to offer freight solutions on equal economical terms. West Atlantic is, and has always been, associated with excellent quality and extensive knowledge of aircraft development projects.

Projects and development
A current project within the Group is the implementation of the BAe ATP-F next generation programme, which is being achieved by retrofitting existing aircraft systems and components with modern equipment. An example being the new clean-sheet design full Electronic Flight Instrument Systems (EFIS) cockpit.

West Atlantic has co-designed and ordered the package freighter conversion programme for the CRJ200 regional jet, which was developed for long, thin routes, where speed is of essence. The CRJ200PF has already proven itself effective in West Atlantic's existing operations and is a project carrying future potential, especially following the launched large freight door programme – the AEI CRJ200SF, available in 2016.

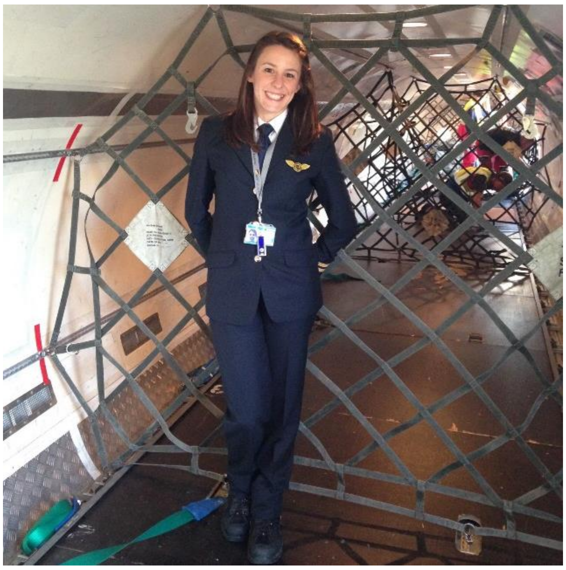
Sustainability & Human capital

Corporate citizenship
West Atlantic believes that corporations are integral parts of society and hold an equal, if not greater, responsibility as citizens in order to drive future progression in terms of welfare, innovation and growth. The Group aspires to continuously refine the provided air freight services, connecting regional time-sensitive infrastructures by air.

In order to contribute to sustainable development, employees must not only take into account the Group's financial development, but also the impact on society. Higher efficiency through optimised resources and a lower environmental impact will lead to increased competiveness and higher long-term profitability. Since airfreight operations are an integral part of the social infrastructure, it is important that the Group remains ahead of the curve and safeguards a sustainable future for generations to come.

Human capital
The Group's strength in its human capital structure is a result of the Group's ability to find, develop and retain skilled individuals. West Atlantic is a very congenial workplace with low absenteeism and highly committed employees. This is a result of the Group's aspiration to maintain a workplace that employees appreciate and where employees are given the opportunity for growth and development. The Group allocates responsibilities at all levels through an entrepreneurial culture that encourages, empowers and rewards personal initiative. Employees receive a competitive Compensation and Benefit Package in accordance with Legislation and regulations in the respective countries. Collective working agreements or collective internal regulations govern working conditions, including salaries.

Diversity and equality
Diversity is a Group priority, striving to create a dynamic social composition that reflects society as a whole. The female share of staff amounted year 2016 to 10.6 percent (9.1). Employees have a diverse background in terms of nationality and characteristics. The basis of all recruitment in the Group is solely founded on skills and competence.



United Nations Global Compact
West Atlantic has signed a commitment to the United Nations Global Compact, which is a programme for companies and organisations that wish to contribute on the international advancement of ten global principals regarding human rights, labour rights, environmental impact and anti-corruption. Consequently, the Group has undertaken to protect and support human rights and battle corruption, discrimination and forced labour. For more information, please see www.unglobalcompact.org and www.gcnordic.net.

The West Atlantic Way
Responsibility and innovation are central to the Group's history and part of its "DNA". Day by day, the entrepreneurial culture drives business decisions and relationships with all stakeholders.

West Atlantic is an international organisation that operates in dynamic, institutional, economic, political contexts in continuous and rapid evolution. The Group directly interacts with thousands of people and organisations through employees, customers, suppliers, business partners, and surrounding communities. The provided airfreight services have an impact on the daily lives of hundreds of millions, depending on the Group's performance to receive mail and parcels on time.
The Group's employees shall always be open-minded and objective, always striving to act safely and as commercially sensible, as possible and welcome open competition as a challenge to become even more efficient.

Environmental information

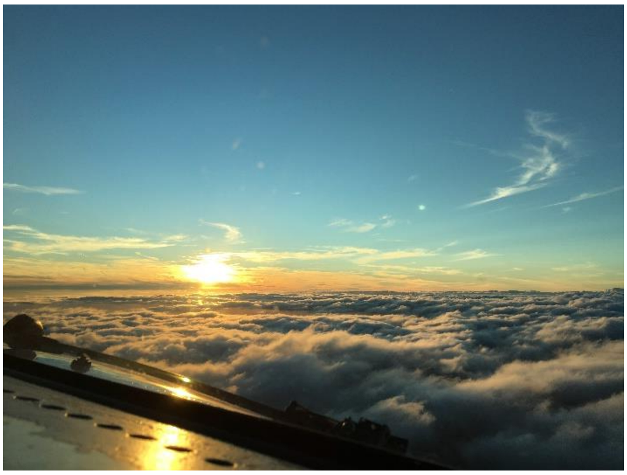
Given that aviation is a carbon dioxide intense industry it is imperative to the Group's mission, in order to minimise emissions, that the Group performs its business activity of transporting mail, parcels and goods by air as efficiently as possible and using the best and efficient technology available.

European Union - Emissions Trading Scheme (EU ETS)

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 where 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, the Group managed to secure sufficient positions to comply at a competitive level.

Carbon emissions

During 2016, all of the Group's emissions of carbon dioxide were reported to the European Commission while carbon allowances surrendered in order to offset the emissions in accordance with the EU ETS regulations.



Noise emissions

Another significant impact that operating aircraft entails is noise emissions. The Group's aircraft have noise emissions minimised to the fullest. For instance, West Atlantic has modified and re-certified the BAe 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 adding value to the community.

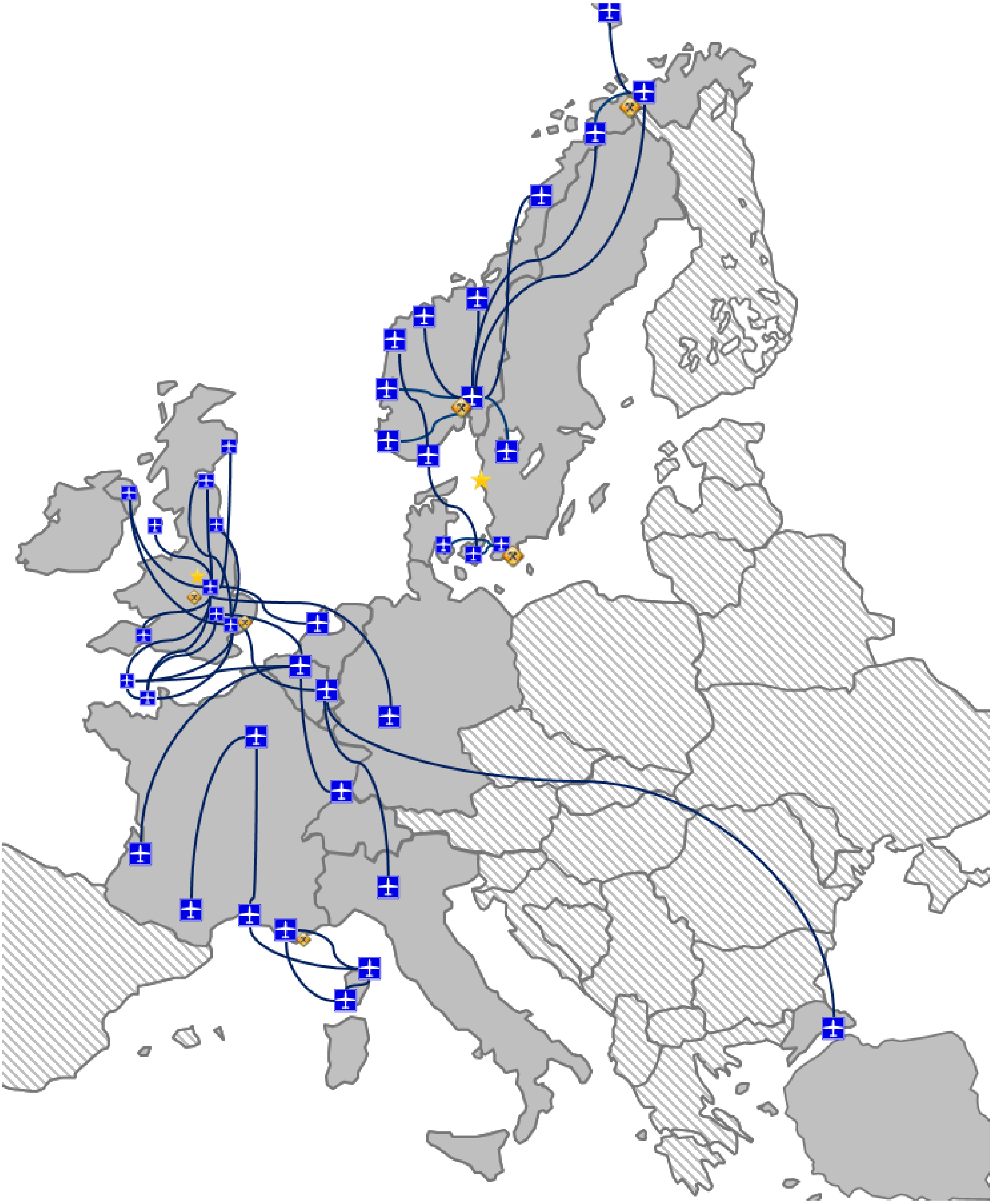
Efficient flight planning

During the year, West Atlantic employed continued focus to improve operational performance by tasking operations with an assignment to maximise efficiency on route planning, to secure that the aircraft minimises airborne time with the best available ascent/descent patterns, in order to save fuel. The Group also actively engages in minimising positioning flights and investing in R&D, such as the recently launched Electronic Flight Bag (EFB) programme.

Waste dispensing

The maintenance and operations of aircraft make the Group an end-user of many petroleum-based products. Therefore, top-of-the line collection chambers and storage facilities are installed to secure and rationalise the management of waste products. In addition, the Group continuously adds to the significant experience and training in managing dangerous goods with resources dedicated to educate staff to ensure proper awareness, safety and quality in all procedures.

Scheduled destinations



Aircraft fleet

BAe ATP-F

Originally, the airframe was developed from the Hawker Siddeley 748 which the Group operated successfully under the 1990's and early 2000's. The aircraft is a fuel-efficient short haul turboprop, ideal for integrated mail networks following efficient modifications made by the Group. The aircraft operates for both NMOs and Global Integrators in Europe.

BAE ATP/F				
2012	2013	2014	2015	2016
40	41	41	40	41

CRJ200PF

West Atlantic has contributed to the design and was the launch customer for the CRJ200PF regional jet, which was developed for long, thin routes, where speed is of essence. The CRJ200PF has already proven itself to be highly effective in West Atlantic's existing operations and is a project carrying future potential, especially following the newly launched large freight door program – the AEI CRJ200SF.

CRJ200PF				
2012	2013	2014	2015	2016
3	3	3	3	2

B737-300/400SF

The B737 has been the Group's strategic expansion fleet type since 2012. The aircraft has primarily been placed with both NMO's and Global Integrators, replacing previous turboprop aircraft where volumes have increased. The Group currently operates six B737-300 freighters. In 2014, the Group continued its strategic growth into this aircraft type by adding the B737-400 type to its aircraft fleet and operating capabilities. The -400 has the advantage of being able to load one additional pallet, which provides the aircraft with a unique selling point, especially towards Global Integrators.

B737-300SF				
2012	2013	2014	2015	2016
2	5	6	6	6
B737-400SF				
-	-	2	4	6

B767-200SF

Leveraging the strategic partnership with ATSG, West Atlantic started B767 operations during 2015 and placed three aircraft during the year. The aircraft is a highly cost effective mid-sized freighter and provides West Atlantic with the ability to provide solutions up to 45 tonnes payload.

B767-200				
2012	2013	2014	2015	2016
-	-	-	3	3

Aircraft fleet – Detailed specifications

	BAe ATP-F	CRJ200PF	B737-300	B737-400	B767-200
Max Payload	8,400 kg	6,800 kg	18,600 kg	21,364 kg	44,906 kg
Cruise Speed	460 km/h	852 km/h	852 km/h	852 km/h	852 km/h
Cabin Length	19.20 m	14.76 m	20.95 m	24.40 m	30.80 m
Cabin Width	2.06 m	1.88 m	2.53 m	2.14 m	4.40 m
Cabin vol Gross	78 m³	53 m³	135 m³	154 m³	337 m³
Aircraft Length	26.00 m	26.77 m	33.40 m	36.50 m	48.50 m
Aircraft Wingspan	30.63 m	21.21 m	28.88 m	28.88 m	47.60 m
Aircraft Height	7.37 m	6.22 m	11.13 m	11.10 m	15.80 m
Main Cargo Door	2.63 x 1.71 m	0.91 x 1.78 m	3.54 x 2.20 m	3.56 x 2.18 m	3.20 x 2.43

Board of Directors' report fiscal year 2016

ANNUAL REPORT FOR THE GROUP & PARENT COMPANY

The board of directors and the President of the West Atlantic Group hereby submits the following annual report for the fiscal year 2016 (2016-01-01 to 2016-12-31) for the Group and Parent Company. All financial information contained in this report refers to the West Atlantic Group unless stated that the information refers to the Parent Company West Atlantic AB (publ).

ABOUT THE WEST ATLANTIC GROUP

Group and parent company information

West Atlantic AB (publ) is a Swedish registered public company headquartered in Gothenburg, incorporation number 556503-6083. Address P.O. Box 5433, SE 402 29, Gothenburg, Sweden.

West Atlantic AB (publ) is the Parent Company of the wholly owned subsidiaries West Atlantic Sweden AB and West Atlantic Aircraft Management AB, jointly headquartered in Gothenburg, Sweden, Atlantic Airlines Ltd. headquartered in Coventry, UK, European Aviation Maintenance Ltd headquartered in Isle of Man and Norway Aviation Services AS headquartered in Oslo, Norway.

West Atlantic Sweden AB is represented locally through branches in Bertrange, Luxembourg (West Air Sweden Luxembourg Branch S.A R.L.), Marseille, France (West Air Sweden Aktiebolag), Copenhagen, Denmark (West Air Sweden, Filial af West Air Sweden Aktiebolag, Sverige) and Oslo, Norway (West Air Sweden AB Norge Filial).

West Atlantic's service offering

The West Atlantic Group is a European based dedicated cargo airline group specialised in mail and express airfreight solutions. Drawing from many years of experience the Group offers its customers customised and efficient solutions for airfreight services, aircraft maintenance, airworthiness services and aircraft leasing.

GROUP FINANCIALS

Fiscal year 2016 in brief:

- Revenue MSEK 1,320.4 (1,409.9)
- EBITDA MSEK 127.5 (177.9)
- EBT MSEK -95.0 (-59.7)
- Flights performed 23,200 (26,790)
- Flight Dispatch Regularity: 99.0 % (99.1)

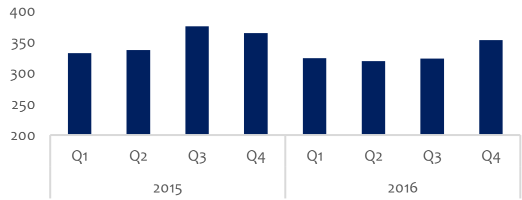
Market and operating performance

As an outsourced provider of airfreight operations, where the Group's customers are major logistic providers such as National Mail organisations and Global Integrators, an excellent operating performance is required to maintain and grow the business. During 2016 West Atlantic delivered a fleet dispatch regularity of 99.0 percent (99.1) in the operation as a whole, just in line with the Group's long term target.

Revenue and income

Revenue for the period amounted to MSEK 1,320.4 (1,409.9), a decrease of 6.3 % year-on-year. Underlying revenue growth (adjusted for foreign exchange currency differences and fuel price fluctuations) amounted to -2.8 %. There has been significant growth from the B737 and B767 fleets but this has been offset by lower utilisation of the ATP fleet and lower revenue from technical services. The primary driver of the lower ATP revenue was the loss of the operation for the Swedish NMO PostNord at the end of 2015, which involved five aircraft.

Quarterly revenue development



EBITDA amounted to MSEK 127.5 (177.9). A less utilised ATP fleet primarily explains the significant decrease in EBITDA, but also a few significant one-time costs relating to restructuring the operation and the start-up of B737 operations in France has had a significant negative impact.

Moreover, the aircraft accident experienced in the beginning of the year, has had a significant effect on the entire company. Even though the majority of the direct costs have been covered by insurance proceeds, indirect costs and lost revenue has decreased EBITDA levels. For more information on the effects of the accident, see significant events and note 4.

EBIT amounted to MSEK -10.5 (54.3) including depreciation and impairment of MSEK 138.0 (123.6).

Financial costs amounted to MSEK 86.3 (117.5) and included foreign exchange currency changes on loans and financial leasing of MSEK -6.6 (-10.7) and interest costs of MSEK 79.7 (63.8). Last year included redemption cost for the previous corporate bond loan of MSEK 41.8. EBT amounted to MSEK -95.0 (-59.7).

Net income amounted to MSEK -81.8 (-49.6) for the period and was affected by income taxes of MSEK 13.2 (10.1).

Summary of items affecting comparability

	2016	2015
Income before tax	**-95.0**	**-59.7**
Type introduction and start-up cost	12.0	2.6
Sale of aircraft***	-	-4.4
Redemption of corporate bond loan	-	41.8
CRJ200PF accident*	-9.6	-
Restructuring costs, ATP	13.2	4.8
Other items**	10.1	9.2
Financial FX gains/losses	7.7	9.7
Adjusted for non-recurring items	**-61.6**	**4.0**

**The recorded net effect of the aircraft accident refers to insurance proceeds reduced by costs directly associated with the accident (primarily the book value of the asset) and lost contribution from fleet being grounded. Note that the net effect does not include indirect costs nor the loss between the market value and the book value of the aircraft.*
***See definitions at the end of this report. Legal costs France (5.5) and impairment (3.7) for 2015 are included.*
****Restated figure for 2015*

The decrease in income before tax, adjusted for items affecting comparability, year-on-year can primarily be explained by the less utilised ATP fleet in combination with the start-up of B737 operations in France.

Investments
Total investments in tangible assets amounted to MSEK -321.6 (-228.4), the increase is due to the purchase of two B737-400 aircraft, previously held under operating lease agreements.

Inventories and accounts payables
Due to a tighter purchase policy and a more efficient use of consumables, inventories has decreased to MSEK 116.6 (138.4). This has also affected accounts payables which reduced to MSEK 80.9 (105.8).

Impairment of non-current assets and inventories
During the year an impairment has been made by MSEK 3.3 (3.7), due to a long time parked aircraft. See note 14 for more information. An impairment has also been made by MSEK 6.3 (5.4) for slow-moving stock.

Financial position and financing
Cash and cash equivalents at the end of the period amounted to MSEK 110.2 (266.8). Including non-utilised overdraft facility, available cash and cash equivalents amounted to MSEK 160.2 (316.8). Equity amounted to MSEK 105.3 (188.4) and the equity ratio amounted to 8.2 % (13.3).

Cash flow
Cash flow from operating activities amounted to MSEK 240.1 (216.8). The increase is mainly attributable to the change in working capital. Cash flow from investing activities amounted to MSEK -327.2 (-233.5) following purchase of two B737-400 aircraft. Cash flow from financing activities amounted to MSEK -73.9 (265.4) mainly attributable to the net effect of the corporate bond loan (see also note 24) of MSEK 381.0 during the previous year. Cash flow for the period amounted to MSEK -161.0 (248.7).

SIGNIFICANT EVENTS DURING THE YEAR

Accident SE-DUX, CRJ-200PF aircraft
On January 8, 2016 one of the Group's CRJ200PF was involved in a tragic accident on route to Tromsö, Norway, leading to a total loss of the aircraft and the loss of two valued crew members. The accident has been investigated by the Swedish authorities and a final report was published in December. The report raised no recommendations against the operator. Net income for the year has been affected by exceptional items connected to the accident. For more information, please see note 4 and items affecting comparability, page 12.

Bae ATP & CRJ200PF market and operations
The under eight tonnes payload fleet on contract was reduced by five aircraft at the start of the year following the Group not being re-awarded the contract to operate on behalf of the Swedish NMO PostNord. This has impacted the Group's revenue and net income significantly during the year.

In addition to this, the Norwegian NMO Posten Norge decided to remove Saturday mail distribution, which consequently resulted in a reduced operation. While revenue is impacted the Group deems that net income has not been affected significantly.

The number of ATP aircraft in revenue service has reduced by almost 50 % over the last two years, resulting in the Group carrying costs for a large parked fleet. As West Atlantic goes into 2017, commercial focus will be to significantly improve the contribution from these assets through combinations of new contracts and charter activity. In addition, the Group will evaluate markets outside of Europe, where regional cargo growth is higher.

B737 market and operations
The Group placed two B737 aircraft for the French NMO LaPoste at the start of the year and was further awarded an extended contract by Royal Mail Group (UK) to add additional aircraft to its network in 2017. The five-year contract started in January 2017 and will be phased in throughout the year. The network will consist of nine Boeing 737 aircraft and three British Aerospace ATP Aircraft. Compared to the previous contract the Group will add seven B737 aircraft while reducing two ATP aircraft.

B767 market and operations
2016 was the first full year operating three B767 aircraft in the express market for a Global Integrator.

Legal process in France
In September the legal process in France, regarding unpaid social security charges reported during 2013-2015, came to an end. A settlement was reached with the authority which meant that West Atlantic made a final payment which was MSEK 0,3 below what had been provisioned. Earlier during the year, two other processes were further settled.

Corporate bond loan WEST002 listed
NASDAQ Stockholm officially listed the bond loan issued by West Atlantic AB (publ) with effect from 2016-01-26. The instrument has been listed on STO Corporate Bonds. The bonds carry a fixed coupon of 7 %, payable semi-annually in arrears and mature in December 2019.

Extraordinary AGM, change of CEO and Board of Directors
An Extraordinary General Meeting was held where the shareholders of the company changed the composition of the Board. The aim was to increase shareholder presence and aviation experience amongst the Directors. Mr. Gustaf Thureborn, CEO, stepped down and was replaced by Mr. Fredrik Groth.

Increased interest rate for the corporate bond loan
Under the terms and conditions of the corporate bond loan, the interest rate increased by 50 basis points, as from June 21, to an interest rate of 7.0 %, per annum, due to a postponed equity injection. For more information, please see the website of West Atlantic AB (publ) available at www.westatlantic.eu.

Transfer project, parting out and cost reduction programme
The extensive and costly organisational process to restructure the operations into to one UK B737 operator, and one Swedish ATP/CRJ/B767 operator (transfer project), which began last year, was concluded during the third quarter this year. This was a major step in the direction to simplify the operations to improve operational and financial performance. During the year, the decision to disassemble long time parked BAe-ATP aircraft was further taken.

Costs incurred following the transfer and part-out project during the year is detailed in the item "Restructuring costs ATP" see items affecting comparability on page 12.

The Group launched a significant cost reduction programme, started during the second quarter with focus to significantly reduce internal and external costs. Overall, the work force has been reduced by approximately 6 % compared to last year. Further streamlining of the Group, the cost base and the assets will continue next year, see section Outlook for more information. Costs are expected to be incurred when the actions are decided and/or implemented. At year-end, no provisions have been made.

ORGANISATION AND EMPLOYEES

Employees

The Group employed 465 (488) people at the end of the year including 50 (43) women. The average number of employees for the period January-December amounted to 477 (508). A majority of the Group's employments are governed by collective work agreements (CWA).

WEST ATLANTIC SHARES AND OWNERSHIP

Ownership and control

At December 31, 2016 three shareholders owned or controlled more than 10 % of the voting rights for all shares in the Company. In falling order of voting rights Dr Göran Berglund controlled 37.3 %, Air Transport Services Group, Inc. controlled 25.0 % and previous CEO and President Mr Gustaf Thureborn controlled 19.0 %.

Dividend policy

The Group's dividend policy aims to, in the long term perspective, facilitate a good return on equity for the shareholders and at the same time enable the continued development of the Group's business. During 2016, no dividend was paid to the shareholders.

FINANCING AND CAPITAL MANAGEMENT

Financing

The Group is primarily funded by a corporate bond loan, issued December 21, 2015 subject to trade on NASDAQ Stockholm. Listing date was January 26, 2016. The instrument is listed as WEST002 and the number of instruments issued are 850 with a nominal value of MSEK 1.0 each. The bonds carry a fixed coupon of 7 %, payable semi-annually in arrears and matures in December 2019. For the full terms and conditions of the corporate bond loan, please see the website (www.westatlantic.eu). The Group further uses aircraft leasing, aircraft loans, bank overdraft and bank loans as sources of funding.

Cash and cash equivalents

Available cash and cash equivalents, including the non-utilised overdraft facility, amounted to MSEK 160.2 (316.8). For more information, see note 21.

WORK OF THE BOARD OF DIRECTORS

Board composition and work plan

The West Atlantic Board of Directors consists of four members which are all appointed at the Annual General Meeting (AGM). The work of the Board of Director's is governed by the Swedish Companies Act, the articles of association, the Swedish Corporate Governance Code and the work plan adopted by the board each year. The formal work plan regulates the division of the Board's work between the Board and its Committees as well as among the Board, its Chairman and the President. This procedure is evaluated each year. The Board and AGM appoints from among its members and other parties the members of the Board's three committees, the Remuneration Committee, the Audit Committee and the Nomination Committee.

Meetings 2016

The Board held 13 meetings during the fiscal year of 2016. The Board discussed regular business items presented at the respective meetings, such as business and market conditions, risk assessment, financial reporting and follow-up, the financial position and investments. The Board discussed matters involving flight safety work, internal control, the work of the Board, the year-end report, interim reports, strategy and business plans as well as the budget. The work plan constitutes that the board shall hold at least 6 meetings per annum.

Remuneration policy

West Atlantic shall offer its management and key employees a remuneration reflecting market terms, company performance and individual performance. The remuneration shall ensure that management and shareholder goals are aligned. Remuneration to the President is to be decided by the Board within the framework of approved policies following preparation and recommendation by the Remuneration Committee. Remuneration of other senior executives is decided by the President.

RISKS AND UNCERTAINTIES

Risk profile

West Atlantic is exposed to a large number of global and Group specific risks that can impact operations and the financial performance as well as the financial position of the Group. The foreseeable risks are identified and monitored centrally through policies. Risk management in the Group is about positioning the Group properly in response to possible events. Below is a non-exhaustive list of risks, without regards to the level of significance, which the Group considers to be material.

Air cargo operations – Safety always comes first

By having our cornerstone made of safety, West Atlantic gears the foundation, skills and culture of all employees. The West Atlantic way includes active learning and adapting individual and organisational behaviour to constantly improve operations and reduce exposure to risk. Through the European Aviation Safety Agency's (EASA) introduction in 2014 of Safety Management System requirements, West Atlantic further continues its improvement regime to refine its operations and safety awareness.

Thereto, by operating through two airlines, the most obvious risks are potential aircraft incidents, which carry significant liability if incurred. Such incidents can result in material damage and personal injury. Consequently, the liability of such may impair the Group's financial position and earnings. In response, the Group has substantial insurance cover with a combined single limit of USD 1 billion, for any one occurrence or each aircraft and in the annual aggregate – in line with best market practice. However, the Group has no insurances for lost profit given the operational complexity and the plethora of variables involved, which makes such insurance exceptionally costly in relation to the value of such protection. The Group performs its maintenance activities in accordance with current best practice and EASA CAMO/PART145 regulations.

Further, to ensure operational proficiency and safety all crew-members must undergo regular recurrent training, tests, health checks and simulator training, in order to maintain their knowledge, expertise and skills in both normal and emergency

situations. Maintenance staff are also subject to recurrent training to ensure consistency with maintenance plan and be up to date on current good maintenance practice.
As the Group owns a large aircraft fleet, with a majority of aircraft of the same type, an incident can have material effect of the status and residual valuation for the concerned aircraft. The Group can also be subject to consequential changes in manufacturers' maintenance requirements, which can have a material effect on cost levels. Therefore, adherence to approved maintenance plans, safety limitations, continuous safety evaluations and round-the-clock situational awareness is of utmost importance.

Moreover, regulation of the airline industry entails that airlines are exposed to political decisions that can impact profitability. Further, the Group faces the general risks of the aviation sector, which consist of, but are not limited to, natural catastrophes, acts of god, terrorism and other risks outside of the Group's control. Such risks can be both aircraft and airport specific and the industry is highly susceptible to adverse economic developments.

The Group experienced a total loss of a CRJ200PF aircraft on route from Oslo to Tromsö in January 2016 which resulted in the loss of two valued employees. Please refer to the significant events during the year.

Market, commercial & political risks

Demand for regional air cargo capacity is driven by economic activity and postal concession requiring overnight service by air transport. Therefore, if national mail organisations' concessions ceased to be required to performed overnight mail, the demand for air transport may reduce. For example, In Norway the EU's third Postal Directive has been under political review and such implementation would open up for free competition on deliveries of letters, which may lead to reduced weekly deliveries and thus fewer flights required.

In addition, another significant market trend is that less mail is sent by post. If this trend continues or accelerates, it may have an adverse effect on the Group's net sales, financial position and earnings. Mail volumes have continued to decrease but was compensated up to a small volumetric annual increase, given increased number of smaller parcels that are transported together with mail, driven by e-Commerce.

In general, West Atlantic has a strategy of growing with its customers, not to speculate in adding capacity or capability without having first secured demand in the pipeline. Following the strategy of growing with customers, West Atlantic brings additional capacity/capability if demand is sufficient to yield a future profitable operation. The Group has therefore continued its fleet expansion with Boeing 737 and B767 in the recent years.

Financial risks, capital and credit market conditions

Volatility on capital and credit markets may cause the Group to have variable access to capital, where funding may be more or less available. In the event that current resources and financial performance do not satisfy the Group's financial requirements, it may have to seek additional financing, or be forced to renegotiate financial instruments on less favourable terms. To counter such financial risks, The Group has a long term financing plan in place, which consists of a mixed portfolio with a four-year corporate bond, loans and financial leasing as well as bank overdraft facility to even out seasonality in cash flows.

Following seasonality in cash flows, the Group has enacted policies for minimum operational liquidity. The Group requires liquidity to service operating expenses and interest on debt as well as to repay maturing liabilities. Without sufficient liquidity, the Group may be forced to curtail its operations. Therefore, the Group has implemented a cash pooling solution for a majority of the Group's holdings with a central credit facility that it may draw upon, if needed to offset flows.

Fluctuations in foreign exchange rates and fuel prices

Although the Group's central common currency is SEK; West Atlantic also has revenue in, NOK, USD, EUR, GBP and DKK. Upon consolidation, Subsidiaries' earnings and financial positions are translated to SEK. Therefore, exchange rates influence the magnitude of revenues and costs in SEK. West Atlantic has implemented a policy where inflows in currencies shall correspond to outflows, whereby the Group counters the downside risk in earnings via foreign exchange rate adjustment clauses or multi-currency inflows from customers.

For the financial position, the Group's balance sheet is essentially structured in SEK with a majority of financing in SEK and virtually all tangible assets recorded at acquisition value in SEK, including aircraft that are generally valued in USD. However, the Group has finance leasing agreements for multiple aircraft based in USD with corresponding tangible assets recorded at acquisition values in SEK. Therefore, appreciation of the USD versus SEK would incur a financial non-realised exchange rate loss, as leasing debt is re-valued. One percent appreciation in USD over SEK would incur a non-realised exchange rate loss of MSEK 0.8 at closing of accounts from the leasing debt.

In addition, changes in the interest rates can have an adverse effect on earnings and financial position. However, following the Group's financial plan, over 95 percent of the interest rate exposure is long-term fixed at closing date.

Fluctuations in fuel prices also affect the Group significantly if the risks are not mitigated. The Group applies the same method as with foreign exchange currency risks, by transferring this risk to its customers. For the national mail organisations, the risks are transferred and/or shared through contract price adjustment clauses and in the express market, West Atlantic operates mostly on an ACMI-basis (whereby the customer pays direct operating costs such as fuel). In summary, West Atlantic obtains a low operational risk for fluctuations in currency and fuel in spite of significant exposure.

Contract risk

Following the Group's strategy to serve NMOs and Global Integrators with network solutions the Group is dependent on a few significant agreements with large customers. A potential loss of such an agreement may have an adverse effect on the Group's future, income and/or financial position.

Legal risk

The Group is an international organisation subject to both domestic and international operations. Due to the potential complexity of such operations the Group is exposed to significant legal risks which may have an adverse effect on the Group's future, income and/or financial position. See further the section legal issues for more information on current legal risks.

Credit risk

The Group is exposed to credit risk. The number of customers with financial difficulties increases during a recession and thereby also the Group's customer credit risk. It cannot be excluded that credit losses in relation to the Group's customers may have a material adverse effect on the business, operating results and financial position of the Group. However, the vast majority of the Group's customer are considered blue chip customers and consist of national mail organisation and Global Integrators.

Taxation and charges

West Atlantic conducts its business in accordance with its interpretation of applicable tax regulations and requirements. The Group cannot guarantee that its interpretation and application of laws, provisions, legal practice has been, or will continue to be, correct or that such laws, provisions and practice will not be changed, potentially with retroactive effect. If such an event should occur, West Atlantic's tax liabilities can increase or decrease, which could have a negative effect on the Group's earnings and financial position. However, the Group annually reviews its transfer pricing and tax policies throughout its operations to mitigate such risk, in accordance with the set code of conduct.

For a more detailed summary of financial risk management, please see note 29 of the Group report.

LEGAL ISSUES

The Group's subsidiary West Atlantic Sweden AB has been sued by French pilots, which potentially can result in a legal process. For provisions, see note 25.

ENVIRONMENTAL INFORMATION

The Group's subsidiary West Atlantic Sweden AB has a reporting obligation in accordance with the Swedish Environmental Code, which concerns limited handling of oils that do not require permission. The aircraft fleet consists mainly of second generation turboprop aircraft, which are substantially more environmentally friendly from a noise, fuel consumption and CO_2 perspective compared to the first generation. During 2012 the trading of emissions allowances within the European Union started.

TRANSACTIONS WITH RELATED PARTIES

Transactions between the company and its subsidiaries have been eliminated in the Group consolidated reports. These transactions, including any transactions with affiliated companies, are made on current market terms. The Group has further made several transactions with other related parties, all of these are listed and described in note 31 of the Group report. All transactions with other related parties are made on current market terms and based on the principle of arm's length.

OUTLOOK

The awarded contract for Royal Mail UK Group, which commenced in January 2017, is expected to increase Group revenues by up to 25% when fully implemented, during the second half of 2017. The focus on streamlining the Group and the cost base to align with the changing business, will continue in 2017.

Seasonal effects

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

ACCOUNTING PRINCIPLES

Accounting principles and other financial information can be found in note 1 of the Group report.

PARENT COMPANY

About the parent company

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

Revenue, income and financial position

Revenue increased to MSEK 726.8 (653.7), an increase of 11.2 % year on year. Income after tax amounted to MSEK -2.9 (2.5). The decrease in income is attributable to both higher flight operation costs and personnel costs.

Cash and cash equivalents at the end of the period amounted to MSEK 72.3 (253.5). Including the non-utilised overdraft facility, available cash and cash equivalents amounted to MSEK 122.3 (303.5).

FINANCIAL DEVELOPMENT

	IFRS	*IFRS*	*IFRS*	*IFRS*	*GAAP*
Group	**2016**	**2015**	**2014**	**2013**	**2012**
Revenue	1,320.4	1,409.9	1,244.3	1,072.6	1,141.7
EBT	-95.0	-59.7	21.6	38.8	64.8
Total assets	1,276.8	1,412.1	1,084.7	1,043.3	642.8
Equity/Asset ratio	8.2%	13.3%	21.5%	21.1%	36.8%
Employees	477	508	472	451	439
Parent company					
Revenue	726.8	653.7	581.2	560.4	524.0
EBT	-2.9	-0.3	11.5	18.9	11.0
Total assets	1,074.3	914.0	579.2	593.6	339.3

Note that 2012 are not stated according to IFRS. Moreover, the increase in total assets for the Group and parent company for 2013 and also 2015 is primarily attributable to the issue of corporate bond loans.

DIVIDEND

The Board of Directors proposes to the 2017 AGM that no dividends be paid to holders of West Atlantic shares for the 2016 fiscal year. This proposal is based on the Group's financial position, current market outlook and planned investments.

PROPOSED DISPOSITION OF EARNINGS

The following Parent Company earnings are available for disposition by the AGM:

SEK	
Retained earnings and unrestricted reserves	27,767,876
Net income for the year	- 2,906,301
Total unrestricted equity	**24,861,575**

The Board of Directors proposes that the earnings be allocated as follows:

SEK	
Retained earnings and unrestricted reserves	24,861,575
Total	**24,861,575**

Consolidated statement of income and other comprehensive income

MSEK	Note(s)	Jan - Dec 2016	Jan - Dec 2015
Revenue	2, 3	1,320.4	1,409.9
Cost of services provided		-1,291.8	-1,305.4
Gross income:		**28.6**	**104.4**
Selling costs		-16.1	-9.9
Administrative costs		-47.9	-46.7
Other operating income	4	25.2	10.4
Other operating costs	5	-0.3	-4.0
Operating income:	6, 7, 8, 9, 11	**-10.5**	**54.3**
Financial income	10	1.8	3.5
Financial costs	10	-86.3	-117.5
Income before tax:		**-95.0**	**-59.7**
Income tax	12	13.2	10.1
Net Income:		**-81.8**	**-49.6**
Attributable to:			
- Shareholders of the Parent Company		**-81.8**	**-49.6**
Earnings per share before dilution(SEK)	23	-3.03	-1.84
Earnings per share after dilution(SEK)	23	-3.03	-1.84
Average number of outstanding shares (Thousands)		27,005	27,005
Statement of other comprehensive income			
Net income		**-81.8**	**-49.6**
Other comprehensive income:			
Items that may or has been classified as net income			
Exchange-rate differences in translation of foreign operations		-1.3	4.7
Total comprehensive income for the year, after tax:		**-83.1**	**-44.9**
Attributable to:			
- Shareholders of the Parent Company		-83.1	-44.9

Consolidated statement of financial position

MSEK	Note(s)	2016-12-31	2015-12-31
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	13		
Licenses & IT system		0.2	0.2
		0.2	**0.2**
Tangible assets	14		
Aircraft and aircraft components		848.4	764.5
Equipment, tools and installations		7.9	9.6
		856.3	**774.1**
Financial assets			
Shares in associated companies	15	0.1	0.1
Non-current financial receivables	16	22.1	23.2
		22.2	**23.3**
TOTAL NON-CURRENT ASSETS		**878.7**	**797.6**
CURRENT ASSETS			
Inventories			
Spares and necessities		116.6	138.4
		116.6	**138.4**
Other current assets			
Intangible assets	17	1.0	1.7
Accounts receivable - trade	18	111.7	116.5
Tax receivable	12	7.9	7.4
Other receivables	19	24.4	29.1
Prepaid expenses and accrued income	20	26.3	54.6
		171.3	**209.3**
Cash and cash equivalents	21	110.2	266.8
TOTAL CURRENT ASSETS		**398.1**	**614.5**
TOTAL ASSETS		**1,276.8**	**1,412.1**
EQUITY AND LIABILITIES			
EQUITY	22		
Share capital		27.0	27.0
Reserves		5.6	6.9
Profit brought forward and net income		72.7	154.5
TOTAL EQUITY		**105.3**	**188.4**
NON-CURRENT LIABILITIES			
Loans	24	884.6	885.6
Other liabilities	24	88.9	81.0
Deferred tax liabilities	12	17.8	31.1
		991.3	**997.7**
CURRENT LIABILITIES			
Bank overdraft	26	-	-
Short term part of non-current loans	24	5.3	4.8
Accounts payable - trade		80.9	105.8
Tax liabilities	12	1.6	0.6
Other liabilities	24, 27	28.6	36.9
Accrued expenses and prepaid income	28	60.9	66.4
Provisions	25	2.9	11.5
		180.2	**226.0**
TOTAL EQUITY & LIABILITIES		**1,276.8**	**1,412.1**

Consolidated statement of changes in shareholders' equity

MSEK	Note	Share capital	Translation reserves	Profit brought forward	Total shareholders' equity
Opening shareholders' equity, Jan 1, 2016	22	**27.0**	**6.9**	**154.5**	**188.4**
Total comprehensive income for the year	22	-	-1.3	-81.8	**-83.1**
Closing balance Dec 31, 2016		**27.0**	**5.6**	**72.7**	**105.3**
Opening shareholders' equity, Jan 1, 2015	22	**27.0**	**2.2**	**204.1**	**233.3**
Total comprehensive income for the year	22	-	4.7	-49.6	**-44.9**
Closing balance Dec 31, 2015		**27.0**	**6.9**	**154.5**	**188.4**

Consolidated statement of cash flows

MSEK	Note(s)	Jan - Dec 2016	Jan - Dec 2015
Operating activities			
Operating income		-10.5	54.3
Adjustments for non-cash items including changes	21	249.5	175.3
Income tax paid		-1.3	-0.8
Cash flow from operating activities before changes in working capital		**237.8**	**228.8**
Change in inventories		15.9	-22.1
Change in short term receivables		36.3	-19.0
Change in short term liabilities		-49.9	10.6
Change in assets held for sale		-	18.5
Cash flow from operating activities		**240.1**	**216.8**
Investing activities			
Changes in investments in associated companies		-	1.7
Acquisition of intangible assets		-0.2	-
Acquisition of aircraft and aircraft components	14	-320.3	-223.6
Acquisition of other tangible fixed assets	14	-1.3	-4.9
Sale of aircraft and aircraft components		0.1	-
Investments in financial fixed assets		-5.8	-7.2
Interest received	21	0.3	0.5
Cash flow from investing activities		**-327.2**	**-233.5**
Financing activities			
Received loans		-	890.0
Amortisation of interest bearing liabiities		-10.5	-508.9
Received/repaid deposits		13.8	0.1
Interest and similar paid	21	-77.2	-115.8
Cash flow from financing activities		**-73.9**	**265.4**
Cash flow for the year		**-161.0**	**248.7**
Cash and cash equivalents at beginning of period		266.8	17.6
Effect of exchange rate changes on cash and cash equivalents		4.4	0.5
Cash and cash equivalents at end of the year	21	**110.2**	**266.8**

Group notes

Note 1 – Significant accounting policies

1.1 Accounting principles

The consolidated financial statement has been prepared in accordance with the Swedish Annual Accounts Act, the International Financing Reporting Standards (IFRS) and interpretations as adopted and approved by the EU, prior to 2016-12-31. Further, the Group also applies the recommendation from the Swedish Financial Reporting Board, RFR 1, supplementary accounting rules for groups. This recommendation specifies the supplements to the IFRS-notes that are deemed according to the rules in the Swedish Annual Accounts Acts. This is the third annual report prepared by the Group in accordance with IFRS. The transition to IFRS were disclosed in the annual report for 2014.

In the Group's consolidated accounts, assets and liabilities are valued at acquisition value, unless otherwise stated. The Group's consolidated accounts are prepared and reported in Swedish Krona millions (MSEK), unless otherwise stated.

The most essential applied accounting principles for the Group are presented in this note. For essential assessments and evaluations, please see note 33.

IFRS standards, changes and interpretations of existing standards that have come into effect 2016

No new accounting principles with significant effect on the Group's financial statements, have been applied as from 1 January 2016. Changes in the Swedish Annual Act and IAS1 have affected the Group's financial statements to a limited extent.

New IFRS standards, changes and interpretations of existing standards that have not come into effect 2016

International Accounting Standards Board (IASB) has issued new and updated standards, for example IFRS9, IFRS15 and IFRS16, which not have come into effect 2016 and thereby not have been applied in the preparation of this report.

IFRS9 Financial instruments handles the classification, valuation and accounting of financial assets and liabilities. It replaces the parts of IAS39 that handles classification, valuation and impairment of financial instruments. IFRS9 comes into effect January 1, 2018. This standard mainly concern the Group's accounting of bad debt losses. The Group's bad debt losses have been, or are expected to be low, why the potential effect is not assessed to be significant. New rules for hedging accounting are also not expected to have significant effect, see note 29 Financial risk management and financial instruments, section currency risk, for a description to what extent hedging is applied in the Group.

IFRS15 Revenue from contract with customers. This standard handles the accounting of revenues. The principles of IFRS15 shall give the users of financial reports more useful information about the revenue of the company. The extended disclosure requirements means that information must be provided about type of income, the time for settlement, uncertainties connected to the revenue recognition and cash flow attributable to the company's customer contracts. According to IFRS15, revenue shall be recognised when the customer obtains control over the sold goods or the service and also has the possibility to use and receive the benefits from the goods or service. IFRS15 replaces *IAS18 Revenues* and *IAS11 Construction contracts* and comes into effect January 1, 2018. No complete analysis of the standard has been done yet, but the Group's initial assessment is that the standard will not have a significant impact for the Group. As IFRS15 contains disclosure requirements, the application will likely mean increased note disclosures for revenue.

IFRS16 Leases will replace *IAS17 Leases.* The standard demands that assets and liabilities attributable to all leasing agreements, with a few exceptions, shall be recorded in the balance sheet. This is based on the view that the lessee has the right to use an asset during a specific period, and at the same time, a liability to pay for this right. Lease payments will be transferred to amortisations and interest costs attributable to the lease liability. In the income statement will also depreciations attributable to the lease asset be recorded separately. IFRS16 comes into effect January 1, 2019. The Group has not yet entirely evaluated the effects from the introduction of the standard. However since the Group has a significant amount of lease contracts only affecting income statement and accounted off the balance sheet, the assessment is that the standard will have a significant impact for the Group.

Assessments and estimates

To produce the annual report in accordance with IFRS demands that the senior management do assessments and estimates that affect the application of the accounting principles and the recorded amounts of assets, liabilities, revenues and costs. The real outcome may differ from these assessments and estimates.

Assessments and estimate are overviewed regularly. Changes in assessments are recorded in the period the change are made if the change only affects the actual period, or in the period the change are made and future periods if the change affects both actual period and future periods. See note 33 Essential assessments and estimates.

Classifications

Non-current assets and liabilities in all material aspects consist of amounts expected to be received or to be paid more than one year from balance sheet date. Current assets, liabilities and provisions in all material aspects consist of amounts expected to be received or to be paid within one year from balance sheet date.

Exceptional revenues and costs

During the period the Group reports items, which due to their size or that they are not recurring, are assessed as exceptional items and demand disclosure. The Group has chosen to report all direct cost and insurance proceeds connected to the aircraft accident, mentioned in the Board of director's report, as a net income included in other operating income. For more information, see note 4.

1.2 Group consolidated accounts, business combinations and goodwill

Subsidiaries

The Group's consolidated accounts contain subsidiaries where the parent company directly or indirectly controls more than 50 percent of the voting rights and where the shares are determined to be material, or in any other way possess controlling influence of the entity. Subsidiaries are included in the Group's consolidated accounts from the date of transfer of controlling influence to the Group and are consequently excluded from the accounts from the date of transfer of controlling influence from the Group.

Associated companies

Associated companies are companies of which the Group has a significant, but not controlling influence. This normally means between 20-50 percent of the voting rights. Interests in associated companies are accounted according to the equity method and are originally valuated at acquisition value.

Business combinations are recorded in accordance with the acquisition accounting method. The purchase price consists of the fair value of the acquired assets, liabilities, contingent liabilities and the potential shares issued by the Group on the acquisition date. Direct acquisition costs are continuously expensed.

The amount exceeding the fair value of the Group's share of the acquired entity's net assets at the time of acquisition is recognised as goodwill. If the amount are less than the mentioned fair value of the Group's share of the acquired entity's net assets, the difference is recorded direct in the income statement.

Group internal transactions and balances, including non-realised profits and losses between Group companies, are eliminated. The accounting principles of subsidiaries are adjusted to harmonise with Group principles.

1.3 Foreign exchange

The Group's legal entities applies local currency as functional currency. The Group's consolidated accounts are prepared and reported in Swedish Krona (SEK), which is the functional and reporting currency of the Parent Company.

Transactions and balance sheet items

Transactions in foreign currency are translated to functional currency with daily applicable exchange rates. At the time of closing of accounts all monetary items in foreign currency are translated to applicable closing date exchange rates. Foreign exchange currency differences are recorded in the statement of income. Non-monetary items in foreign currency, which are valued at acquisition value, are not translated into functional currency.

Translation of Group companies

When preparing the consolidated accounts Group companies' assets and liabilities are translated into reporting currency (SEK) at applicable closing date exchange rates. Transactions affecting revenue and costs are translated into reporting currency using the average foreign exchange rates for the year to date reporting period. Translation differences from income and equity are recognised in the income statement as other comprehensive income and in the statement of financial position as translation reserves. All exchange rates applied in the preparation of the Group consolidated accounts and financial reporting are published by the ECB (European Central Bank).

1.4 Accounting of revenue

Air freight services

The majority of the Group's revenue comes from air freight services with customised aircraft. Accounting of revenue occur when such freight service has been carried out. The Group's revenue from air freight services mainly derives from long term agreements. Performed, but not invoiced, air freight services are recognised in the balance sheet as an asset, recorded at the estimated invoice value.

Technical services including sale of parts and components

Revenue from aircraft technical services are recorded when the service has been carried out and is based on contractual terms.

For sale of parts and components revenue is recorded at the time when risks and benefits from ownership are transferred from the Group, the Group is no longer in control of the component, reliable estimations of revenue and outstanding expenses can be made and it is probable that the financial benefits of the sale will be realised by the Group. Revenue is based on contractual terms.

Aircraft sale
For aircraft sales the risks and benefits from ownership are transferred from the group when a bill of sale is signed, which often corresponds with the actual delivery date of the aircraft. At such time the income from sale of aircraft is recorded.

Income is recorded as "revenue" or "other operating income" which depends on the classification of the sale. The main differences are described below.

The Group do not normally sell aircraft regularly why in most cases, an aircraft sale results in gain or loss recorded in other operating income/costs.

Aircraft not regularly sold
The sale is recorded as other operating income in cases when the aircraft has been owned for own operation or leased out (in both cases recorded as tangible assets) or the intention was to do so, and then after the end of leasing, a decision is taken to sell the aircraft. This is also the case if the aircraft has been recorded as assets held for sale. The mentioned cases concern no regular sales. The income consists of the difference between the sales price and the net book value of the asset and is recorded as other operating income/cost.

Additional applicable situations refers to profit sale on sale-and-leaseback transactions. When an aircraft has been sold, but still are operated in the business through a sale-and lease back transaction, the asset are booked off the balance sheet and the gain/ loss from the sale is recorded as other operating income/cost. If the transaction generates a finance leasing agreement, the profit from the sale shall be allocated during the duration of the leasing agreement. The allocated profit sale is recorded as other operating income.

Income from the collaboration agreement (see p 1.11) is recorded as other operating income.

Aircraft regularly sold
Regularly purchased aircraft with the sole intention to be sold, or if the aircraft that has been leased out regularly are sold after leasing expiration, the remuneration from the sale are recorded as revenue.

Aircraft leasing
Aircraft leasing revenue is recorded according to agreement on a monthly basis.

1.5 Financial income and costs

Financial income and costs consist of interest income and interest expenses, dividends and unrealized exchange currency gains or losses. Interest revenues on receivables and interest costs on liabilities are calculated in accordance with the effective interest method. Interest costs include transaction costs on loans and are allocated over the duration of the liability. Interest costs normally affects the income in the period it belongs to.

1.6 Statement of cash flow

The cash flow statement is prepared in accordance with the indirect method, meaning that the operating income is adjusted for transactions not affecting cash flow for the period, as well as income and cost deriving from financing or investing activities.

1.7 Intangible assets

Licenses and IT-systems
Intangible fixed assets are recorded at acquisition value less accumulated depreciation and applicable impairment. Licenses and IT systems have a depreciation plan of five years. The Group capitalise costs as intangible fixed assets when it is probable that the asset has an expected positive future return, either in form of cost savings or other benefits from the use of the asset, and a reliable estimate of the acquisition value can be made.

Licenses and IT systems have a depreciation plan of five years.

1.8 Tangible assets

Tangible fixed assets are valued at acquisition value less accumulated depreciation and applicable impairment. The acquisition value consists of direct acquisition costs. The majority of the Group's tangible fixed assets contains aircraft and adhering aircraft components with an estimated economical life exceeding one year. Additional costs such as aircraft modifications, engine overhauls and structural inspections increase the acquisition value of the aircraft when it is probable that the asset has an expected positive future return, either in the form of cost savings or other benefits from the use of the asset, and a reliable estimate of the acquisition value can be made. All other recurring aircraft maintenance costs are continuously expensed.

Separate tangible fixed assets which are determined to have a significant value, or a different economical lifetime (engine overhauls and structural inspections) compared to the asset itself, are depreciated separately according to special plan.

The aircraft acquisition value, reduced by the determined residual value, is depreciated linearly over the useful life of the aircraft. Other tangible fixed assets are depreciated linearly over the asset's useful life. The following depreciation plans are applicable:

- Aircraft, all types	15 years
- Aircraft modifications	15 years
- Aircraft components (rotables and long life parts)	10 years
- Engine overhauls and structural inspections	2-7 years
- Fixture and fittings, equipment and tools	5 years

For long time parked aircraft, which means an aircraft that has not contributed with revenue during one year as from balance sheet date (one-year rule) a tighter depreciation is applied which means that the remaining book value is depreciated down to zero over a period of maximum 2 years.

Aircraft modifications made to operating leased aircraft are deprecated over the leasing period, which varies between 4 and 15 years.

Profit and loss from sales or disposals of tangible fixed assets is the difference between sale price of the asset and net book value. For further information on accounting of aircraft sales, please see p 1.4.

1.9 Tangible assets held for sale

The Group applies IFRS5, tangible fixed assets held for sale, meaning that the Group reclassifies assets from tangible to held for sale when a decision is made to sell the asset and when specific conditions are met, according to the standard.

1.10 Impairment of tangible and intangible fixed assets

The Group reviews the recorded balances for tangible and intangible fixed assets at closing date to assess if there are indications of impairment needs. The assessment is made step by step in a valuation model. If impairment indications exist, the recoverable amount of the asset is calculated and compared to the recorded value per closing date. However, for long time parked aircraft, a tight depreciation is already applied, see above. The recoverable amount is defined as the highest of fair value of the asset reduced by expected cost of sales, or the utility value. The Group primarily defines the recoverable amount as the utility value which is calculated with a cash flow forecast model where the expected future cash flow derived from the asset is discounted during the estimated economic useful period, with applicable discount rate, providing a net present value. For the assets in use, the expected cash flow is regularly calculated and for the lowest cash generating unit, which has been determined to the aircraft fleet, further divided into the aircraft types and into the number of used aircraft. For definitions see page 43 at the end of this report.

An impairment is made corresponding to the amount of the highest net book value for each aircraft of the aircraft types exceeding the calculated recoverable amount per aircraft of the aircraft types. The net book value for each aircraft includes the aircraft and additional costs (se p 1.8).

1.11 Collaboration agreement

The Group is part of a collaboration arrangement for aircraft management and leasing activities with an external party (collaboration-partner). The agreement includes a certain number of aircraft, controlled by the collaboration partner, which are leased to third parties. The Group has the management responsibility for the aircraft leases, under the terms of the collaboration arrangement. When a leasing contract expires, a decision is made together with the collaboration partner either to prolong the existing agreement, draft a new agreement or to sell/dispose of the aircraft. The Group's full income for the management services is invoiced and received in connection with the sale/disposal and consists of a financial settlement drawn up by the collaboration partner. The settlement is based on several factors, such as the leasing revenue, capital costs including exchange rate differences, the recorded value of the asset and the net sale value. The Group carries risks and benefits for significant changes in the above mentioned factors which affects the amount of management revenue. The Group has no title to the aircraft and records the income in the income statement as other operating income when the management responsibility for an aircraft ends.

The Group continuously assesses if the costs significantly may exceed the expected future income from the collaboration arrangement as a whole, according to the rules for an onerous contract.

1.12 Leasing

The Group classifies leasing agreements as either finance or operating. Leasing of tangible fixed assets where the Group, according to the lease agreement, controls the financial risks and benefits of the asset, are classified as a finance lease. An example of such control is when an agreement contains a preferable purchase option and/or where the present value of the minimum future lease payments amounts to the market value of the asset. The finance leasing assets are valued at lowest of fair value or present value of the future minimum lease payments. Corresponding payment obligations are recorded as a liability. Lease payments are divided into amortisation and financial costs.

The liability is included in other liabilities, non-current and current. The financial costs are recorded in the income statement allocated over the lease duration, meaning that every period is charged with an amount corresponding to a fixed interest rate of the current liability for the period. Tangible fixed assets acquired through finance leasing agreements are depreciated over the useful life of the asset. The finance lease agreements mainly concern aircraft and components.

Agreements which are not classified as finance leasing according to above are classified as operating leasing agreements and the cost are straight-lined recorded in the income statement over the duration of the leasing agreement.

1.13 Inventories

Materials and aircraft parts with a useful life not exceeding one year, are defined as consumables, and are recognised as inventories. Aircraft parts are held to replace non-repairable parts currently fitted onto the aircraft fleet. Inventories are valued according to the lowest of acquisition value and net realisable value. The acquisition value is calculated by applying the first in-first out method (FIFO). The net realisable value is the estimated sale value reduced by the estimated cost of sales.

1.14 Financial instruments

Acquisitions and sales of financial assets are recorded on the transaction date, which corresponds to the date when the Group obliges to acquire or sell the asset. Financial instruments are at the time of acquisition recorded at the fair value adjusted for transaction costs in the statement of financial position and the transaction cost are recorded in the income statement. Financial instruments are at the following reporting date recorded at the deferred acquisition value or fair value depending on the initial classification, in accordance with IAS39. At the initial recording date, a financial asset or liability is classified in the following categories: financial assets and liabilities valuated at fair value in the income statement, loan receivables and account receivables and other financial liabilities. At 2016-12-31, the Group has no financial items valuated at fair value in the income statement.

Loan receivables and trade receivables

This classification contains trade receivables, cash and cash equivalents and long and short term receivables. Loan receivables and account receivables are included in current assets with the exception of items with a duration in excess of one year from reporting date, these items are classified as financial fixed assets. Long term receivables are recorded, following the time of acquisition, at the deferred acquisition value by applying the effective interest method. For long term receivables the calculated change in value (the effective interest) is recorded as an interest income or cost allocated over the expected duration of the asset. Current assets such as trade receivables, short term receivables and cash and cash equivalents are recorded at nominal value.

The Group assesses, at the time of each closing, if there are objective indications of impairment for a financial asset. A financial asset is impaired only if there are objective indications of an impairment based on one or several events taking place after the time of the asset being originally recorded, the events are expected to have an impact on expected cash flow and the effect can be reliably estimated. The impairment is calculated as the difference between recorded value and the present value of future cash flows, discounted by the original asset's effective interest. The impaired amount is recorded in the Group's income statement. If the required impairment need is reduced in a following reporting period, following one or several occurred events after the date of impairment, the balance will be resolved through the Group's income statement.

Other financial liabilities and transaction costs

This category contains loans payable, trade payables, bank overdraft and other long and short term liabilities. Financial liabilities are recorded at the deferred acquisition value by applying the effective interest method, with the exception of trade payables and other short term liabilities, which due to the short duration, are recorded at nominal value. Potential differences between principle amount reduced by transaction costs and outstanding liability is recorded in the income statement allocated over the duration of the existing liability. Transaction costs connected to long term liabilities are calculated to present value according to the effective interest method. Transaction costs, such as costs for redeemed loans are recorded directly in the income statement.

Equity transaction costs

Equity transaction costs means costs that occur in direct connection with a preparatory equity transaction (share issue) such as fees to lawyers, auditors and other advisors, prospectus costs, registration costs. These costs are recorded as other receivables, during the time until the share issue process begins. When the process has begun, the costs will be recorded as an item deducted from equity.

1.15 Current receivables

Trade receivables, other short term receivables and intangible current assets are recorded as short term receivables, if the remaining duration is expected to be less than one year.

Intangible current assets

Intangible current assets contains emission allowances. Purchased allowances are initially recorded at acquisition value according to IAS38. These are revaluated to fair value at the time of closing based on market prices. The Group has the obligation to deliver allowances to the EU following a reconciliation of made emissions for the period. Estimated emissions during the reporting period are recorded as an accrued liability and a cost in the income statement.

1.16 Provisions

Provisions are recorded when the Group has an actual obligation (legal or non-formal) as a result of an occurred event, it is deemed probable that an outflow of resources from the Group is required to settle the obligation and a reliable estimation of the amount can be made. The amount provisioned at the reporting date constitutes the most reliable estimation of the amount required to settle the obligation with respect to risks and uncertainties.

1.17 Contingent liabilities

Contingent liabilities are not recorded in the statement of financial position, but included as a disclosure when there is a potential obligation as a result from an occurred event which is confirmed by one or several uncertain future events, or when there is an obligation not recorded as a liability or provisions due to that it is not probable that an outflow of resources from the Group are required and the amount can't be reliably estimated.

1.18 Income taxes

Recorded income taxes are taxes that will be paid or received in connection to the current year, adjustment for taxes in connection with previous years and changes in deferred taxes. Valuation of mentioned tax receivables/liabilities are according to nominal amounts and applicable tax regulations and rates, which are confirmed or reliable estimated. Tax effects in connection with items recognised in the income statement are recorded in the income statement. Tax effects in connection with items recognised in equity are recorded in equity. Deferred taxes are calculated according to the balance sheet method on temporary differences that occur between recorded and taxed values on assets and liabilities. Deferred tax receivables concerning loss carry forward or other future tax deductions are recorded to the extent that there are compelling reasons for that it can be settled against future tax surpluses.
Deferred tax receivables and liabilities are netted when there exists a legal right to net actual tax receivables and liabilities and when the deferred taxes are charged by the same tax authority.

1.19 Remunerations to employees

Remunerations to employees in form of salaries, holiday pay, sick pay, other remunerations and pensions are continuously recorded at the time of entitlement. Pensions and other remunerations concerning the time after the end of employment are classified as defined contribution plans, meaning that the Group pays fixed charges to an independent pension institution and has no further obligation to pay additional charges. The Group's income is charged with costs continuously at the time of entitlement which normally corresponds to the time of premium payment.

1.20 Business segment

West Atlantic operates a functional organisation independent of geographical concentration of management. The Group performs services all over the European area and only reports one operating segment "airfreight services", which is consistent with the internal reporting to highest executive management, the board of West Atlantic AB (publ). In addition to airfreight services the Group is involved in transactions which may be partly independent from the primary operating segment. These transactions are neither recurring nor meet the criteria of materiality to be characterised as separate segments. These transactions are recorded as other services. Examples of such transactions are aircraft maintenance services to third party, management income from collaboration arrangements and sale of aircraft. Based on above, no other business segment is reported in accordance to IFRS 8, but only total comprehensive income for the Group.

Note 2 - Revenue

	2016	2015
Air freight services	1,258.0	1,316.5
Technical services	44.8	77.1
Aircraft leasing	13.0	13.4
Other revenue	4.6	2.9
Total	**1,320.4**	**1,409.9**

Note 3 – Report by services

Financial data by type of service

	Airfreight services		Other services		Group Total	
	2016	2015	2016	2015	2016	2015
Revenue*	1,258.0	1,316.5	87.6	103.8	1,345.6	1,420.3

* *Incl. other operating income.*

Financial data per customer

During 2016 the Group serviced four customers which individually accounted for more than 10 % of the Group's total revenue. These three customers accounted for 71 % the total revenue during 2016.

Financial data per geographical area 2016

	Nordic*	UK	Europe	Total
Revenue**	431.9	412.8	500.9	1,345.6
Fixed asset allocation (including tangible and intangible)	357.8	325.0	173.5	856.3

* *Sweden, Norway, Denmark*
** *Including other operating income*

Note 4 - Other operating income

	2016	2015
Operating foreign exchange currency gains	6.7	1.3
Income from collaboration arrangement	-	2.2
Sale of aircraft*	4.6	6.9
CRJ200PF accident**	13.9	-
Total	**25.2**	**10.4**

**4,6 MSEK (4,7) refers to allocated profit sale of aircraft.*
***Received insurance remuneration amounts to MSEK 57.7. Total costs of MSEK 43.8 includes asset disposal (MSEK 31.0), provision for estimated costs (MSEK 0.2) due to obtained requirement and other direct costs (MSEK 12.6) connected to the accident. Note that the net effect does not include indirect costs or the loss between the market value and the book value of the aircraft.*

Note 5 - Other operating costs

	2016	2015
Operating foreign exchange currency losses	-0.3	-4.0
Total	**-0.3**	**-4.0**

Note 6 - Operating costs

	2016	2015
Salaries & other remuneration	-369.0	-370.1
Direct operating expenses*	-176.2	-200.9
Maintenance costs	-219.3	-249.5
Jet Fuel	-92.9	-111.1
Depreciation & impairment	-138.0	-123.6
Operating leasing costs	-116.5	-62.3
Other operating costs	-243.6	-244.4
Other costs	-0.3	-4.0
Total	**-1,355.8**	**-1,365.9**

** Consists of Landing, navigation & handling charges.*

Note 7 – Staff, staff costs and directors remuneration

	Total		whereof men	
Annual average employees	2016	2015	2016	2015
Parent company, Sweden	1	1	1	1
Subsidiaries				
United Kingdom*	268	281	247	259
Sweden	112	114	90	92
Luxembourg	48	60	43	58
Norway	18	20	18	20
Denmark	20	21	18	21
France	10	11	10	11
Total	**477**	**508**	**427**	**462**

Share of women in Board of Directors and Senior Management

	2016	2015
Board of directors	-	-
Senior management	10 %	11 %

Staff costs, other remunerations & social costs

	Salaries and Remuneration		Social costs	
	2016	2015	2016	2015
Parent company	1.4	0.8	1.0	0.6
whereof pension charges	-	-	0.4	0.3
Subsidiaries**	255.1	273.1	60.7	60.8
whereof pension charges	-	-	20.9	21.4
Total	**256.5**	**273.9**	**83.0**	**83.1**
whereof pension charges	-	-	**21.3**	**21.6**

In the Group's pension charges for the year, MSEK 1.1 (0.7) is included for the board of directors and Group president, whereof MSEK 0.9 (0.4) is attributable to the CEO.

Remuneration divided among BoD / President and per country

	BoD & President		Other employees	
	2016	2015	2016	2015
Parent company	1.4	0.8	-	-
Subsidiaries				
United Kingdom**	3.1	2.6	134.1	145.2
whereof bonuses	0.3	0.2	-	-
Sweden	3.4	1.2	55.1	55.0
Luxembourg	-	-	33.3	39.6
Norway	-	-	10.9	12.1
Denmark	-	-	8.3	9.4
France	-	-	6.5	7.9
Total	**8.2**	**4.8**	**248.3**	**269.1**
whereof bonuses	**0.3**	**0.2**	-	-

**Including Isle of Man*
***Restated figures for 2015*

Board of directors

The AGM 2015 decided that an annual remuneration of TSEK 250 should be paid to the Chairman of the Board and a remuneration of TSEK 150 should be paid to each board member (four) not permanent employed by the Group. Of this, in total TSEK 375 was paid during 2015. During 2016, the remaining TSEK 250 has been paid to the previous Chairman of the Board and the remaining TSEK 75 to each of the previous three board members.

The AGM 2016 decided that an annual remuneration of TSEK 150 should be paid to each board member who is not a shareholder or employed by the Group. Of this, none has been paid during 2016.

Group President and CEO

A total remuneration, including benefits, of MSEK 2.1 (0) has been paid to the current president and CEO Mr Fredrik Groth, and MSEK 1.2 (1.2) to previous president and CEO Mr Gustaf Thureborn during 2016, whereof no variable components. Pension premiums have been paid according to a defined plan corresponding up to 35 % of the salary including benefits for both. For the current CEO the following agreement is also applicable. The notice period is six months if the employment is terminated by the company and three months if CEO resigns. The remuneration including pension and benefits are kept during the notice period. Bonus agreements exists.

Senior management

For 2016 a total remuneration, including benefits, of MSEK 7.7 (6.2) has been paid to the senior management, consisting of 9 (8) persons excluding the President and CEO, whereof no variable components.

Customary pension premiums have been paid during 2016 amounting to MSEK 0.9 (0.5). The notice period is one to two months in the event that a senior manager resigns and one to six months if the termination of employment is made by West Atlantic. There are no outstanding agreements for severance pay in the event that the Group terminates the employment. Retirement age is customary 65 years.

Remuneration, variable components

Bonuses and other variable components are generally not paid by the Group. The Group has one outstanding agreement for the CEO of a foreign subsidiary which is entitled to a share of the subsidiary's annually paid dividend.

Note 8 – Remuneration to auditors

	2016	2015
Grant Thornton		
Audit	1.2	1.4
Auditing services in addition to audit	0.1	0.4
Tax advisory services	0.1	0.1
Other assignments	0.1	0.1
Total	**1.5**	**2.0**

Note 9 – Operating leases

Yearly costs of leasing	2016	2015
Aircraft	116.5	62.3
Equipment and installations	4.0	1.8
Offices and hangars	15.0	14.6
Car leasing and other	3.8	3.5
Total	**139.3**	**82.2**

Future leasing costs and rents

Minimum operating lease obligations are due as follows:

	2017	2018-2021	2022-	Rem. term
Aircraft	132.2	327.1	30.9	2-5 years
Equipment and installations	3.1	3.0	-	1-4 years
Offices and hangars	12.6	5.6	-	0-3 years
Car leasing and other	3.5	6.0	-	0-4 years
Total	**151.4**	**341.7**	**30.9**	

The Group has entered into long term operating leasing agreements for two B737-400 aircraft during 2016. The estimated annual payments under these agreements amounts to approximately MSEK 23.4. The Group has no leased assets that are sub-leased.

Note 10 - Financial income and costs

Financial income	2016	2015
Interest income from cash & cash equivalents	0.3	0.5
Interest income from financial loan receivables at deferred acquisition value	0.5	0.1
Foreign exchange currency gains	1.0	1.9
Dividend from associated company	-	1.0
Total financial income	**1.8**	**3.5**

Financial costs	2016	2015
Interest costs from loans at deferred acquisition value*	-63.9	-46.7
Interest costs from finance leasing	-14.3	-15.0
Redemption costs corporate bond loan**	-	-41.8
Interest costs from financial loan receivables at deferred acquisition value	-1.5	-2.1
Foreign exchange currency losses	-6.6	-10.7
Losses from sale of associated company	-	-1.3
Total financial costs	**-86.3**	**-117.5**

**Interest costs also include allocated transaction costs according to the effective interest method.*
***Redemption costs for the corporate bond loan refers to the previous corporate bond loan, which amounted to MSEK 500 and was redeemed 2015-12-31.*

Note 11 - Foreign exchange currency differences

Below is a statement of the foreign exchange currency differences included in the income statement.

	2016	2015
In operating income	6.4	-2.7
In financial items	-5.6	-8.7
Total	**-0.8**	**-11.5**

Note 12 - Taxes

	2016	2015
Recorded tax		
Current tax on profit for the year	-1.6	-0.3
Adjustment of previous years' current tax	-0.3	-0.1
Deferred tax from temporary differences	-1.0	3.3
Deferred tax from non-taxed reserves	16.1	7.2
Total	**13.2**	**10.1**

	2016	2015
Reconciliation recorded tax		
Income before tax	-95.0	-59.7
Swedish income tax (22 %)	20.9	13.1
Tax effects from below:		
Adjustment of previous years' current tax	-0.3	-0.1
Non-deductible items	-1.8	-1.7
Non-taxable items	1.0	1.6
Non-valued loss carry forward	-5.6	-4.4
Non-deductible loss, sale of affiliated company	-	-0.3
Other deferred tax from temporary differences	-1.2	1.8
Differences in tax rates	0.2	-
Other items	-	0.1
Total	**13.2**	**10.1**

Loss carry forward
Non-valued loss carry forward is the net tax effect of non-capitalised loss carry forwards of MSEK -5.6 (-6.3) and thereby have not affected recorded tax, and the tax effect of utilised loss carry forwards which have affected recorded tax, but not have been capitalised previously, MSEK 0 (1.9).

Loss carry forward has been capitalised by the amount corresponding to what is expected to be used against future taxable income. At closing date 2016-12-31 the Group had total taxable loss carry forwards amounting to MSEK 26.6 (23.0) The assessment is that none can be capitalised. The reason is that, currently there are no compelling evidences that these losses can be used against future taxable surpluses. Remaining loss carry forwards are attributable both to the Swedish and the UK operations and have unlimited lifetime.

Other deferred tax from temporary differences
Other deferred tax from temporary differences, primarily concern tangible assets.

	Deferred tax receivables		Deferred tax liabilities	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Deferred tax in balance sheet				
Excess depreciation and tax allocation reserves	-	-	-26.8	-42.9
Tangible fixed assets	6.9	7.3	-0.3	-0.7
Financial fixed assets	0.7	0.8	-	-
Other liabilities, financial leasing	5.8	4.2	-	-
Other financial leasing	-	-	-4.0	-2.7
Recovered profit sale	1.8	2.9	-	-
Total deferred tax	**15.2**	**15.2**	**-31.2**	**-46.3**
Netting	-13.4	-15.2	13.4	15.2
Net deferred tax	**1.8**	**-**	**-17.8**	**-31.1**

Maturities of excess deprecation and tax allocation reserves

	2016-12-31	2015-12-31
2016	-	-0.2
2019	-	-1.1
Unlimited lifetime	-26.8	-41.6
Total	**-26.8**	**-42.9**

Note 13 - Intangible assets

	Goodwill	Licenses & IT Systems	Total Intangible fixed assets
Accumulated acquisition value			
Opening balance 2015-01-01	0.2	5.2	5.4
Closing balance 2015-12-31	**0.2**	**5.2**	**5.4**
Opening balance 2016-01-01	0.2	5.2	5.4
Acquisitions	-	0.2	0.2
Closing balance 2016-12-31	**0.2**	**5.4**	**5.6**
Accumulated depreciation & impairment			
Opening balance 2015-01-01	-0.2	-4.0	-4.2
Depreciation for the year	-	-1.0	-1.0
Closing balance 2015-12-31	**-0.2**	**-5.0**	**-5.2**
Opening balance 2016-01-01	-0.2	-5.0	-5.2
Depreciation for the year	-	-0.2	-0.2
Closing balance 2016-12-31	**-0.2**	**-5.2**	**-5.4**
Net book value			
As per 2015-01-01	-	1.2	1.2
As per 2015-12-31	-	0.2	0.2
As per 2016-01-01	-	0.2	0.2
As per 2016-12-31	-	0.2	0.2

The depreciation and impairment have been allocated to the statement of income as according to below:

	2016	2015
Cost of services provided	0.2	0.9
Administrative costs	-	0.1
Total	**0.2**	**1.0**

Note 14 - Tangible assets

	Aircraft & Components	Equipment, tools & installations	Total Tangible fixed assets
Accumulated acquisition value			
Opening balance 2015-01-01	1,145.8	30.4	1,176.2
Reclassifications	-10.5	-	-10.5
Translation differences	1.2	0.3	1.5
Acquisitions	223.6	4.8	228.4
Sales and disposals	-74.4	-0.2	-74.6
Closing balance 2015-12-31	**1,285.8**	**35.4**	**1,321.2**
Opening balance 2016-01-01	1,285.8	35.4	1,321.2
Translation differences	-	-2.2	-2.2
Acquisitions	320.3	1.3	321.6
Sales and disposals	-262.7	-1.0	-263.7
Closing balance 2016-12-31	**1,343.4**	**33.5**	**1,376.9**
Accumulated depreciation & impairment			
Opening balance 2015-01-01	-431.7	-23.7	-455.4
Reclassifications	2.0	-	2.0
Translation differences	-0.4	-	-0.4
Sales and disposals	29.2	0.1	29.4
Impairment	-3.7	-	-3.7
Depreciation for the year	-116.6	-2.3	-118.9
Closing balance 2015-12-31	**-521.2**	**-25.9**	**-547.1**
Opening balance 2016-01-01	-521.2	-25.9	-547.1
Translation differences	-	1.9	1.9
Sales and disposals	161.5	0.9	162.4
Impairment	-3.3	-	-3.3
Depreciation for the year	-132.0	-2.5	-134.5
Closing balance 2016-12-31	**-495.0**	**-25.6**	**-520.6**
Net book value			
As per 2015-01-01	714.1	6.8	720.9
As per 2015-12-31	764.5	9.6	774.1
As per 2016-01-01	764.5	9.6	774.1
As per 2016-12-31	848.4	7.9	856.3

The net book value of the Group's tangible assets mainly consist of aircraft, MSEK 613.2 (542.7) and components, MSEK 235.2 (221.8) connected to the aircraft.

Investments

Investments are described in the Board of Directors report, see page 13.

Disposals

The disposals are mainly attributable to four aircraft, of which one refer to the fatalities CRJ200PF-aricraft (see significant events during the year in the Board of Directors report). The other three aircraft refers to dismantled BAe-ATP aircraft. The disposals have not affected the income significantly, except for the CRJ200PF-aircraft. For more information , see note 4, other operating income.

Depreciation

For depreciation plans, see note 1.8 tangible assets. See also note 33 for discussion about economic useful lives.

Impairment

During the year, an impairment has been made of one long time parked BAe-ATP-aircraft. The amount was MSEK 3.3. The impairment was made according to the one-year rule for parked aircraft. For other aircraft, impairment was not assessed necessary. Impairment testing has been done both under the one-year rule for parked aircraft and the recoverable amount for aircraft in use. For used methods and definitions, see note 1.8 and 1.10 in the section accounting principles. See note 33 for discussions about impairment testing.

The depreciation and impairment have been allocated to the statement of income as according to below:

	2016	2015
Cost of services provided	137.8	122.5
Cost of sales	-	-
Administrative costs	0.1	0.1
Total	**137.9**	**122.6**

Aircraft have been pledged as collateral for loans, please see note 30.

Investment commitments

The Group has no significant outstanding investment commitments on closing date. For commitments concerning operating and finance leasing agreements, see below and note 9.

Leased assets in the balance sheet

Seven BAe ATP aircraft (of a total of 40 BAe ATP aircraft) included in net book value are held under finance leasing agreements in foreign currency. At December 31 2016 the net book value of these seven assets amounted to MSEK 62.1 (69.8). The remaining duration of the leases is six years. The Group has options to acquire the aircraft as from the sixth anniversary (2018-12-18) of the delivery date and then upon each following anniversary.

For further information on duration and maturity of leasing agreements please see note 29. Below is a summary of maturity for all minimum finance leasing payments, the monthly leasing payments are denoted in USD and include no variable components. From the fifth anniversary (2017-12-18) the monthly leasing payments are reduced but includes no variable components.

	2016	2015
Within a year	21.7	19.8
Within one and five years	68.9	66.2
More than five years	16.9	31.2
Total	**107.5**	**117.2**

Included in the total net book value, one B737-400 aircraft are leased out to a customer on an operating lease agreement in foreign currency. At December 31 2016 the net book value of this asset amounted to MSEK 38.4 (43.3). The remaining duration of the lease is two years. Below is a summary of maturity for the minimum operating leasing payments, the monthly leasing payments are denominated in USD and include no variable components throughout the whole period. However, see note 32, Events after closing date.

	2016	2015
Within a year	13.9	12.8
Within one and five years	27.7	38.3
Total	**41.6**	**51.1**

Note 15 - Shares in associated companies

Investments in associated companies	2016	2015
Opening acquisition value	0.1	1.1
Sale of shares	-	-1.0
Closing acquisition value	0.1	0.1

Company	Incorp. No	Domiciled	Capital share	Voting share	Shares	Book value
VACS AB	556814-3241	Stenungsund	33,0%	33,0%	167	0.1
						0.1

The associated company are active in trading of communication and positioning equipment. The associated company is not deemed material by the Group, which is based on both the size of the investment and the nature of the company's business.

Financial information

Associated companies in total	2016-12-31	2015-12-31
Total equity	0.1	0.1
Recorded value, Group's share	0.1	0.1
Income from continuous operations	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Group's share	-	-

Note 16 – Non current financial receivables

	2016-12-31	2015-12-31
Deposits	20.3	23.2
Deferred taxes	1.8	-
Total	**22.1**	**23.2**

For deferred taxes, see note 12.

Note 17 – Intangible current assets

	2016-12-31	2015-12-31
ETS, Emission credits	1.0	1.7
Total	**1.0**	**1.7**

The recorded balance contains the market value of the Group's acquired emission credits. The trading scheme for the credits is regulated through the EU, ETS (Emissions Trading System). Every year at April 30 a reconciliation is made and the Group surrenders emissions rights in exchange for emissions.

Note 18 - Trade receivables

	2016-12-31	2015-12-31
Trade receivables, gross	113.6	118,4
Whereof provisions for bad debt	-1.9	-1,9
Total	**111.7**	**116,5**

Changes in provisions for bad debt:

	2016	2015
Opening balance	1.9	18.7
Previously provisioned receivables paid during the year	-0.9	-18.1
Reclassified as bad debt loss	-0.3	-
Provisions for bad debt	1.2	1.3
Total	**1.9**	**1.9**

For age structure and credit risk, please see note 29.

Note 19 – Other current receivables

	2016-12-31	2015-12-31
Value added tax claims	6.1	6.6
Deposits	6.0	3.6
Balances on bank accounts	7.9	8.9
Customer rechargeables	0.5	0.9
Claims on suppliers	1.5	1.4
IPO transaction costs	-	6.0
Other receivables	2.4	1.7
Total	**24.4**	**29.1**

Balances on bank accounts concerns joint account in connection with the sale of the subsidiary West Air Luxembourg S.A in 2013. These funds are held on account originally awaiting the outcome of the legal processes concerning the social security contributions in France. The processes have been closed during 2016, see note 25 for more information. Some administration details about the processes still remain to be addressed before funds can be released. The company expects these measures will be completed during 2017.

Note 20 – Prepaid expenses and accrued income

	2016-12-31	2015-12-31
Prepaid costs	19.7	24.7
Accrued revenue	6.6	29.9
Total	**26.3**	**54.6**

Note 21 – Statement of cash flows and cash equivalents

Interest and similar paid	2016-21-31	2015-21-31
Interest paid	75.8	64.3
Redemption costs, corporate bond loan	-	34.4
Transaction costs issued corporate bond loan	1.4	17.0
Foreign exchange currency differences	-	0.1
Total	**77.2**	**115.8**

Interest received	2016-21-31	2015-21-31
Interest received	0.3	0.5
Total	**0.3**	**0.5**

Adjustment for items not included in cash flow	2016-21-31	2015-21-31
Depreciation & impairment	138.0	123.6
Changes in allocations	3.5	4.4
Disposal of CRJ200PF, due to accident	31.0	-
Disposal of other fixed assets	70.4	52.1
Foreign exchange differences	-6.1	-3.9
Adjustment for expensing of IPO - receivables	6.0	-
Other non-cash items	6.7	-0.9
Total	**249.5**	**175.3**

Components of cash and cash equivalents	2016-21-31	2015-21-31
Cash & Bank	110.2	266.8
Total	**110.2**	**266.8**

Utilised bank overdraft amounted to MSEK 0 (0). Non-utilised bank overdraft amounted to MSEK 50.0 (50.0). Please see note 26 for further information.

Certain amounts held in cash are subject to terms and conditions of the corporate bond loan and held on deposit accounts. Per 2016-12-31 MSEK 42.1 (150.0) was subject to term and conditions. For more information, see note 24.

Note 22 - Equity

Share Capital
The share capital is made of up 27,004,640 shares at value SEK 1.00. There is only one class of shares, all with equal voting rights.

Reserves
Reserves includes all translation differences from foreign exchange currency fluctuations when consolidating subsidiaries with a functional currency other than SEK.

The composition of the reserves is specified below.

	2016-12-31	2015-12-31
Opening balance	**6.9**	**2.2**
Translation reserve, reversal of foreign bank loan*	-	2.9
Translation differences of foreign subsidiaries, net of tax	-1.3	1.8
Total other comprehensive income during the period	**-1.3**	**4.7**
Total reserves	**5.6**	**6.9**

*****2015-12-31 the Group changed the way to account closing date exchange rate changes in SEK connected to a foreign bank loan in USD. Previously, the exchange rate changes have been accounted as other comprehensive, as a part of the translation reserve in equity. As from year 2015, the change has been accounted in financial items in net income. This also meant that the translation reserve 2014-12-31 from the foreign loan was reversed in 2015, affecting other comprehensive income.

The amount for translation differences from foreign exchange currency fluctuations when consolidating subsidiaries amounts to MSEK 5.6 (6.9). Other comprehensive income has been accounted without regard to deferred tax.

The information requirement according to the Swedish Annual Accounts Act, chapter 5, §14, regarding reconciliation of equity is covered in the consolidated report of shareholders equity, please see page 19.

Profit brought forward including net income for the year
Included net income and accumulated retained earnings for the parent company and its subsidiaries.

Note 23 – Earnings per share

The number of outstanding shares is 27,004,640 (27,004,640). Net income for the year attributable to the shareholders of the parent company amounts to MSEK -81.8 (-49,6). Net income per share amounts to SEK -3.03 (-1.84).

Note 24 – Loans and other non-current liabilities

Non-current interest bearing liabilities	2016-12-31	2015-12-31
Loans	884.6	885.6
Finance leasing liabilities	75.4	76.1
Total	**960.0**	**961.7**

Current interest bearing liabilities	2016-12-31	2015-12-31
Loans	5.3	4.8
Finance leasing liabilities	7.7	5.8
Total	**13.0**	**10.6**

Maturity structure for non-current liabilities	2016-12-31	2015-12-31
Within one & five years	905.8	905.5
More than five years	54.2	56.2
Total	**960.0**	**961.7**

Collaterals have been pledged as subject to loans, for more details please see note 30.

Corporate bond loan (WEST002)
Included in loans is the listed corporate bond loan (WEST002) currently amounting to MSEK 836.3 (833.1). The corporate bond loan with a nominal value of MSEK 850.0 was issued Dec 21, 2015 with a duration of four years with maturity at Dec 21 2019. The loan has a fixed coupon of 7.0 % (6.5%), payable in semi-annually in arrears (June and December).

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

As per December 31, 2016 the Group meets its financial covenants. Financial covenants as per corporate bond terms and conditions:

Financial covenants - definitions
Maintenance test:
The ratio of Net Interest Bearing Debt* to EBITDA** shall not exceed:
(i) 6.00 during the year 2015 and 2016;
(ii) 5.75 during the year 2017;
(iii) 5.50 during the years 2018-2019.

Incurrence test (This test only limits the ability to raise new loans):
(a) the ratio of Net Interest Bearing Debt to EBITDA is not greater than:
(i) 4.25 during the year 2015 and 2016;
(ii) 4.00 during the year 2017;
(iii) 3.75 during the years 2018-2019;
(b) the Interest Coverage Ratio (ratio of Net Finance Charges*** to EBITDA**) shall exceed 2.50; and
(c) no Event of Default is continuing or would occur upon the incurrence

The calculation of the ratio of Net Interest Bearing Debt to EBITDA in relation to the Incurrence Test shall be made as per a testing date determined by the Issuer, falling no more than two months prior to the incurrence of a Subsequent Bond Issue, a Restricted payment, a Permitted debt or a Disposal of assets (that requires that the Incurrence test is met). Net Interest Bearing Debt shall be measured on the testing date so determined, calculated *pro forma* including the new Financial Indebtedness, provided it is an interest bearing obligation (however, any cash balance resulting from the incurrence of the new Financial Indebtedness shall not reduce the Net Interest Bearing Debt). When the Interest Coverage Ratio is measured under the Incurrence Test, as applicable, the calculation of The Interest Coverage Ratio shall be made for the Reference Period ending on the last day of the period covered by the most recent Financial Report.

Calculation of bond defined Net Interest bearing debt*	2016-12-31	2015-12-31
Interest bearing debt	973.0	972.4
Less financial leasing	-83.1	-82.0
Less cash & cash equivalents	-110.2	-266.8
Net interest bearing debt*	**779.7**	**623.6**

Calculation of bond defined EBITDA**	2016	2015
Operating income	-10.5	54.3
Depreciation & Impairment	138.0	123.6
EBITDA	**127.5**	**177.9**
Adjustment for non-recurring items:		
CRJ200PF accident	-9.6	-
Restructuring costs, ATP	13.2	-
Type introduction and start-up costs	12.0	2.6
Legal Costs related to France	2.8	5.5
IPO - costs	7.3	-
Bond defined EBITDA**	**153.2**	**186.0**

Calculation of bond net finance charges***	2016-12-31	2015-12-31
Financial income	-1.9	-3.5
Financial costs	86.3	117.5
Early redemption of bond loan (WEST001)	-	-41.8
Bond transaction costs (WEST001 and WEST002)	-4.6	-0.1
Net foreign exchange differences	-6.0	-8.2
Net finance charges***	**73.8**	**63.9**

Covenants test per closing date	2016-12-31	2015-12-31
Net interest bearing debt*	779.7	623.6
EBITDA	153.2	186.0
Net interest bearing debt to R12M EBITDA	**5.1**	**3.4**

	2016-12-31	2015-12-31
Net finance charges***	73.8	63.9
EBITDA	153.2	186.0
Interest coverage ratio	**2.1**	**2.9**

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

***EBITDA: means, in respect of the Reference Period, the consolidated profit of the Group from ordinary activities according to the latest Financial Report(s): (a) before deducting any amount of tax on profits, gains or income paid or payable by any member of the Group; (b) before deducting any Net Finance Charges; (c) before taking into account any extraordinary items which are not in line with the ordinary course of business, and non-recurring items; (d) before taking into account any Transaction Costs and any transaction costs relating to any acquisition of any target company; (e) not including any accrued interest owing to any member of the Group; (f) before taking into account any unrealised gains or losses on any derivative instrument (other than any derivative instruments which is accounted for on a hedge account basis); (g) after adding back or deducting, as the case may be, the amount of any loss or gain against book value arising on a disposal of any asset (other than in the ordinary course of trading) and any loss or gain arising from an upward or downward revaluation of any asset; (h) after deducting the amount of any profit (or adding back the amount of any loss) of any member of the Group which is attributable to minority interests; (i) plus or minus the Group's share of the profits or losses of entities which are not part of the Group; and (j) after adding back any amount attributable to the amortisation, depreciation or depletion of assets of members of the Group.*

***Net finance charges means, for the Reference Period, the Finance Charges according to the latest Financial Report(s), after deducting any interest payable for that Reference Period to any member of the Group and any interest income relating to cash or cash equivalent investment (and excluding any interest capitalised on Subordinated Loans).

Redemption of the bonds at maturity and early redemption

The Issuer shall redeem all, but not only some, of the Bonds in full on the Final Redemption Date (December 21, 2019) or, to the extent such day is not a Business Day, on the first following Business Day). With an amount per Bond equal to the Nominal Amount together with accrued but unpaid Interest.

The issuer may redeem all but not only some, of the Bonds in full on any Business Day prior to the First Call Date, at an amount equal to the Make Whole Amount together with accrued but unpaid Interest. The issuer may redeem all but not only some, of the Bonds in full on any Business Day falling on or after the First Call Date, but before the Final Redemption Date at the applicable Call Option Amount together with accrued but unpaid Interest.

Note 25 - Provisions

Provisions are considered to be current. The recorded values and changes are shown below:

	France	Other
Opening balance 2016-01-01	10.7	0.8
Additional provisions made	-	2.9
Settled amounts	-9.4	-0.1
Reversed amounts	-1.1	-0.7
Translation differences	0.6	-
Reclassification	-0.8	-
Total	**-**	**2.9**

Legal proceeding in France

The main provision which consisted of the French authority claim for non-paid social contribution and pensions in France for employed flight crew, reported in the annual reports for 2013-2015 has been cleared during the year. A settlement was reached with the authority which meant that West Atlantic made a final payment that was about MSEK 0.3 below what was provisioned. The Group is currently further involved in discussion with authorities in Luxembourg to regain the amounts previously paid in Luxembourg. This amount, MSEK 0.8 has been reclassified to other receivables.

Earlier during the year, two other processes connected to France have been settled, also resulted in lower outcome than what was provisioned.

Other provisions

Other provisions mainly concern provision for lawsuits from French employees and correspond to the amount claimed.

Note 26 – Bank overdraft

Available bank overdraft in SEK and foreign currency amounts to MSEK 50.0 (50.0), whereof MSEK 0.0 (0.0) was utilised as per closing date.

Corporate floating charges of MSEK 67.9 (67.9) has been pledged as collateral.

Note 27 – Other current liabilities

	2016-12-31	2015-12-31
Value added tax	6.8	12.9
Social benefit charges & staff tax	11.2	11.8
Current finance leasing debt	7.7	5.8
Other liabilities	2.9	6.4
Total	**28.6**	**36.9**

Current financial leasing debt constitutes the short term payable part of long term leasing agreements.

Note 28 - Accrued expenses and prepaid income

	2016-12-31	2015-12-31
Prepaid income	11.3	21.5
Accrued vacation pay (incl. Social charges)	12.4	13.2
Accrued interest payable	1.8	1.7
Accrued salaries (including pension and social charges)	3.8	2.0
Other items	31.6	28.0
Total	**60.9**	**66.4**

Note 29 – Financial risk management and financial instruments

The Group is exposed to credit, liquidity and interest rate as well as currency risks in the course of its normal business.

Credit risk

The Group performs counterparty credit evaluations on an on-going basis. Maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The age structure of trade and other receivables excluding provisions is as follows:

Trade receivables	2016-12-31	2015-12-31
Not overdue	91.7	73.9
Overdue 0-30 days	11.1	36.5
Overdue 30-60 days	0.9	6.0
Overdue 60-90 days	0.2	0.3
More than 90 days overdue	9.7	1.7
Total	**113.6**	**118.4**

The table above only includes trade receivables, since the Group does not have any significant other receivables either at 2016-12-31 or 2015-12-31. Overdue balances are not provisioned if management is confident that the balance can be recovered in full. Of the receivables more than 90 days overdue, MSEK 8.1 concern one customer where an agreement on extended terms of credit has been made in exchange for that they paid due invoices with earlier due date. As of this date, MSEK 3.3 remains net of the more than 90 days overdue receivable. Trade receivables are stated net of provision for bad debt of MSEK 1.9 (1.9).

Liquidity risk

Liquidity risk is the risk that the Group may not meet its obligations upon falling due. The Group makes every effort to ensure that it always has sufficient liquidity to meet its obligations when due, under both normal and stressed situations, without risking the Group's reputation or incur losses. The following are the contractual maturities of the financial liabilities, including estimated interest payments:

Maturities of the financial liabilities, incl. estimated interest payments	Bond loan	Bank loans	Finance leases	Trade & other payables	Total	Bond loan	Bank loans	Finance leases	Trade & other payables	Total
	2016	2016	2016	2016	2016	2015	2015	2015	2015	2015
Less than one year	59.5	7.3	21.7	83.8	172.3	55.2	6.9	19.8	114.5	196.4
Between one and five years*	1 087.0	50.1	68.9	13.4	1,219.4	1,071.0	56.2	66.2	2.5	1,195.9
More than five years	-	-	16.9	-	16.9	-	-	31.2	-	31.2
Total	**1,146.5**	**57.4**	**107.5**	**97.2**	**1,408.6**	**1,126.2**	**63.1**	**117.2**	**117.0**	**1,423.5**

**Figure for Bond loan for 2015 has been updated*

Maturities of financial liabilities including interest are shown in the table above, excluding utilised bank overdraft. The bank overdraft which amounts to MSEK 50.0 are prolonged by one year at a time at year end. The Bond loan of nominal MSEK 850.0 mature by 2019-12-21. The Group has its first option to settle the whole financial leasing liability at 2018-12-18. This means that the finance lease payments between one and five years should increase to MSEK 83.3 (99.9).

Interest rate risk

At the closing date the interest rate profile of the Group's interest-bearing borrowings was:

Interestbearing financial instrument profile	2016-12-31			2015-12-31		
	Fixed rate	Variable rate	No rate	Fixed rate	Variable rate	No rate
Non-current financial receivables	18.4	-	1.9	14.7	-	9.0
Current receivables	-	-	129.9	-	-	137.9
Cash and cash equivalents	-	110.2	-	-	266.7	-
Loans, non-current	-876.3	-8.2	-	-873.1	-13.3	-
Finance lease liabilities, non-current	-75.5	-	-	-76.1	-	-
Loans, current	-	-5.3	-	-	-4.0	-
Financial lease liabilities, current	-7.7	-	-	-5.8	-	-
Other non-current liabilities	-13.4	-	-	-	-	-
Other current liabilities	-	-1.0	-82.8	-	-0.1	-116.8
Total	**-954.5**	**95.7**	**49.0**	**-940.3**	**249.3**	**30.1**

The previous table shows the allocation of the financial instruments on interest bearing and non-interest bearing financial assets and liabilities. The main part of the financial liabilities is fixed interest bearing, why the interest risk is relatively low. The Group has no hedging instruments connected to the interests. A sensitivity analysis has been done of the variable interest bearing financial liabilities as at December 31, 2016. This shows that an increase of the market interest by one percent unit affects the Group's income after tax by MSEK –0.2 MSEK. Thus the interest rate risk is assessed not to be significant.

Currency risk

West Atlantic is exposed to a number of currency risks since a large portion of its activities is performed in different currencies than the Swedish Krona (SEK). For instance, many activities in the aviation business – such as aircraft trading, leasing, market valuations and maintenance on core components – are priced in United States Dollar. For the Group the primary risk is related to revaluation of financial assets and liabilities from foreign subsidiaries, other financial assets and liabilities denominated in foreign currency, as well as a financial exposure to foreign currency differences relating finance leasing liabilities and adhering payments. The Group's consolidated operative currency risk is, to a large extent, limited to translation risk, exposure in foreign currency cash holding and liabilities denominated in USD, as the Group's customers carry most of the exchange rate risks given multi-currency pricing and/or price adjustments clauses. At some occasions, but not regularly, the Group enters into foreign exchange forward contracts to handle the currency risk connected to the running payments.

For the mentioned risks above the most material exposure lies in USD, GBP and EUR against SEK. For GBP and EUR the primary risk concern translation risks of financial assets and liabilities from the subsidiaries, while for USD the primary risk concern the Group's finance leasing liabilities denominated in USD. In 2016 non-realised foreign exchange losses of MSEK 6.7 is included in the income statement, connected to the finance leasing liabilities. In addition, there is also a non-significant effect from leasing payments regarding allocation between interest and amortisation.

Ten percent appreciation of the USD, GBP and EUR against the SEK at December 31, 2016 would have impacted equity and profit by the figures shown below. In contrary, ten percent weakening would have had the equal but opposite effect on equity and profit, all else being equal.

Outstanding foreign exchange forward contracts

At December 31 2016 the Group has no outstanding foreign exchange forward contracts.

Sensitivity analysis

As per closing date, a 10 % appreciation of GBP against SEK would increase the Group's income before tax by approximately MSEK 4.6, connected to revaluation of financial assets and liabilities in foreign subsidiaries with reporting currency in GBP.

As per closing date, a 10 % appreciation of USD against SEK would reduce the Group's income before tax by approximately MSEK 5.2 net, connected to revaluation of financial assets and liabilities including finance leasing liabilities, whereof approximately MSEK 9.8 is connected to revaluation of the Group's future finance leasing liabilities. The effect for other financial assets and liabilities is an increase of income before tax by approximately MSEK 4.7.

As per closing date, a 10 % appreciation of EUR against SEK would increase the Group's income before tax by approximately MSEK 4.4, mainly connected to financial assets and liabilities in the parent company.

Calculations above are based on variables denominated in foreign currency being fixed, in order to reflect currency sensitivity. The analysis is not to be construed as a complete sensitivity analysis but rather as an indication of the Group's sensitivity and exposure to foreign currencies.

Fair value and booked value on financial assets and liabilities

	2016-12-31		2015-12-31	
MSEK	**Booked value**	**Fair value**	**Booked value**	**Fair value**
Financial assets				
Non-current financial receivables	20.4	20.4	23.2	23.2
Other receivables incl accounts receivables	129.9	129.9	137.9	137.9
Cash and cash equivalents	110.2	110.2	266.8	266.8
Sum	**260.5**	**260.5**	**427.9**	**427.9**
Financial liabilities				
Loans incl bank overdraft	889.8	903.7	890.4	907.5
Other liabilities incl accounts payables	180.4	180.4	199.0	199.0
Sum	**1,070.2**	**1,084.1**	**1,089.4**	**1,106.5**

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

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

- ***Level 1:*** Market prices (unadjusted) listed on an active market for identical assets or liabilities
- ***Level 2:*** Other observed data for the asset or the liability than noted prices included in level 1, either direct (as price adjustments) or indirect (derived from noted prices).
- ***Level 3:*** Fair value determined out of valuation models, where significant data is based on unobservable data. At the moment, the Group has no assets and liabilities valuated according to this level.

At December 31 2016, the Group has no financial assets or liabilities, valuated at fair value in the income statement.

Items classified in level 1: the corporate bond loan, subject to trade on the NASDAQ OMX in Stockholm. Trading of the corporate loan started in 2016 and at 2016-12-31 the fair value corresponds to the nominal value. The booked value is made at deferred acquisition value with regard to transaction costs.

Items classified in level 2: Non-interest-bearing long term financial receivables valued at deferred acquisition value and where the interest that is used to discount the amount to the acquisition value, is derived from a notation and an assessment is performed by the Group.

For other receivables including accounts receivables, cash and cash equivalents, other loans, other liabilities including accounts payables the booked values are considered to be a reasonable approximation of the fair values. Valuation is made at deferred acquisition value, which corresponds to nominal values adjusted with additional or deductible valuation items.

Note 30 – Pledged collaterals and contingent liabilities

	2016-12-31	2015-12-31
Business floating charges MSEK 127.9		
whereof pledged	67.9	67.9
Aircraft mortgages	906.0	667.6
Bank accounts	42.1	150.0
Net assets in subsidiary	102.4	158.6
Total	**1,118.4**	**1,044.1**

Business floating charges are pledged with credit institutions for the Group's current engagements. Aircraft mortgages and bank accounts are pledged for liabilities to credit institutions and bond-holders for the Group's current engagements. Net assets in subsidiary and bank accounts are pledged for bond-holders for the Group's current engagements.

Note 31 – Transactions with related parties

Transactions between the company, subsidiaries and affiliates
All transactions between the parent company and its subsidiaries and between subsidiaries in the Group have been eliminated in the Group accounts. These transactions including any transactions with affiliated companies are made on current market terms based on the principle of arm's length, meaning between independent parties, well informed and with an own interest in the transactions.

Transactions with directors, key individuals and their related parties
All transactions have been made on current market terms and based on the principle of arm's length.

Below are shown the value of transactions made during the year and the outstanding balances at year-end.

		Jan - Dec 2016	2016-12-31
Party	Transaction(s)		
Horizon Objectives Ltd	Purchase of commercial services	2,6	1,1
All Konsult Langhard KB	Purchase of HR services	1,1	-
Air Transport Services Group	Lease of B767 aircraft and maintenance support*	113,0	3,7

**The Group has operating lease agreements that are 4.5 years long with a wholly owned subsidiary of ATSG, which concern leasing of three B767 aircraft and maintenance support. The agreements includes an option for the Group to terminate the agreement anytime if being without a commercial contract for the aircraft.*

Horizon Ltd
This company is represented by Russell Ladkin whom is a shareholder of West Atlantic AB (publ), board member and a member of senior management.

All Konsult Langhard KB
This company is owned by Claudia Ladkin, whom is a related party to Russell Ladkin.

Air Transport service Group Inc. (ATSG)
ATSG is a shareholder and represented in the board of directors by Joseph Payne.

Note 32 – Events after closing date

Leasing of additional B737-400 aircraft
The Group has entered into one operating lease agreement for one additional B737-400 aircraft.

End of a B737-400 aircraft lease with a customer
The Group is in the final stages of negotiations to prematurely end the operating lease agreement of a B737-400 aircraft with one customer. The lease agreement is described in note 14, tangible assets. When finalised, this means that the stated operating lease revenues within a year will decrease significantly and those within one to five years will be zero.

After redelivery, the aircraft will operate under the extended contract with Royal Mail, see page 13, significant events during the year, B737 market and operations. The expected lower operating lease revenue will be more than offset by the increasing revenue from this contract.

No events have occurred after closing date which significantly affects the assessment of the financial information in this report.

Note 33 – Essential assessments and estimates

In connection with producing the annual report, material assumptions and estimates are made. These are primarily made by the board and senior management and are based on experience and best practise when scrutinising the current conditions. In the event of not being able to determine the value of assets and liabilities by third party information, these assumptions and evaluations forms the base for the valuations. If other assumptions and evaluations are made, the outcome may differ materially from what has been stated in the annual report. West Atlantic has identified the following areas as material in terms of assumptions, assessments and evaluations:

- Lease classification
- Useful economic life of aircraft and components
- Impairment test of aircraft and components
- Taxation (deferred taxes)

Lease classification
West Atlantic currently has a material share of the aircraft fleet financed through leasing agreements. The Group is financed through a mix of operating and finance leasing. The assessment whether a lease agreement is an operating leasing or a finance leasing, may be difficult to perform. The main points in the assessment and applicable cases are described below.

Finance leasing
During 2012 West Atlantic performed sale-leaseback transactions for 7 BAe ATP aircraft, which were assessed as finance leasing. The primary reasons behind the assessment was the length of the leasing agreement (10 years) in combination with an attractive purchase option (by the Group's standards). These factors combined with the fact that the transaction was a sale-leaseback led to the assessment of finance leasing.

Following the assessment, the current factors are important to consider:

- Finance leasing liabilities of MSEK 75.4 and acquisition values for aircraft with adhering depreciation were recorded in the statement of financial position for the first time.
- The profit from sale of aircraft was following the assessment recorded as a prepaid revenue in the statement of financial position and has been allocated over the duration of the leasing agreement, impacting net income annually.
- The annual leasing payments are adjusted to interest and amortisations.

The stated effects above from the assessment had not been recorded if the agreements had been assessed as operating leasing. In that case leasing payments had been continuously expensed in the income statement and no effect on the statement of financial position would be present.

Operating leasing
As per closing date the Group has ten aircraft (three B767, six B737 and one BAe ATP) on operating leasing agreements. The total estimated market value for these assets at the time of entering the agreements was MSEK 940.3. Further, the Group leases one B737 to a third party. These agreements have been determined to be operating leasing through an assessment of all aspects. The primary condition for the assessment have been the fact that no purchase options was agreed. Further the present value of the minimum lease payments under the agreement is not assessed to meet the market value at the time of entering the agreement. Lastly, the duration of the agreements is assessed not to meet the economic life of the asset. All factors indicating operating leasing.

Useful economic life of aircraft and components
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, the physical condition of the asset and overall the economic utilisation. To make a comprehensive assessment of these parameters is a complex exercise, especially when it comes to the BAe ATP-aircraft type that operates in a mature, or potentially shrinking market in Europe. The estimated useful economic life of BAe ATP aircraft has been determined to 15 years, mainly in view of the assessment of the length of existing customer contracts with extension options, the relationships with established customers and that we still aim to operate in the eight tonnes market for many years to come.

In the assessment of the depreciation of the asset the Group also applies component depreciation of the aircraft, meaning that material aircraft components are depreciated according to a separate plan, compared to the airframe. The components are assessed to be engine overhaul/inspections as well as heavy maintenance items such as structural inspections of the aircraft. The asset life of the components is empirically determined by examining the historical asset life of identical components.

All the assumptions for useful economic life impact the value of aircraft and components and has a material impact on the total asset valuation. The expected useful economic life may differ materially from the assumptions which may in turn have a material effect of the Group's income and financial position.

Impairment test of aircraft and components
Impairment test of the tangible assets are performed regularly, see accounting principles p 1.10, and as a part of this assessment the estimated cash flows from the asset in use, are calculated to a net present value, representing the recoverable asset amount. The recoverable amount is then compared with the book value. In the calculation an essential part is the assessment of the asset's useful economic life, as described above. No impairment has been made according to this test. However, for the BAe ATP aircraft fleet in use with a net book value of MSEK 283,0 as per closing date, we can see that the margins to impairment are shrinking.

Taxation (deferred taxes)
Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Parent company report

Statement of income and other comprehensive income

MSEK	Note(s)	Jan-Dec 2016	Jan-Dec 2015
Net sales	2	726.8	653.7
Cost of services provided		-692.9	-617.5
Gross income:		**33.9**	**36.2**
Selling costs		-10.8	-1.8
Administrative costs		-16.8	-18.4
Other operating income	3	2.5	3.3
Operating income:	4, 5, 6, 7	**8.8**	**19.3**
Profit from shareholdings in group companies	8	15.3	38.0
Loss from shareholdings in associated companies		-	-0.3
Interest & similar income	9	34.4	28.6
Interest & similar costs	9	-61.4	-85.9
Income after financial items:		**-2.9**	**-0.3**
Appropriations		-	1.5
Tax on income for the year	10	-	1.3
Net Income:		**-2.9**	**2.5**
Statement of other comprehensive income			
Net income:		-2.9	2.5
Other comprehensive income:		-	-
Total comprehensive income for the period		**-2.9**	**2.5**

Statement of financial position

MSEK	Note(s)	2016-12-31	2015-12-31
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	11		
Licenses & IT system		-	0.1
		-	**0.1**
Financial assets			
Shares in group companies	12	64.9	64.9
Claims on group companies		470.0	320.0
Shares in associated companies	12	0.1	0.1
		535.0	**385.0**
TOTAL NON-CURRENT ASSETS		**535.0**	**385.1**
CURRENT ASSETS			
Other current assets			
Accounts receivable - trade	13	40.2	33.0
Claims on group companies		415.8	217.0
Other receivables	14	10.2	19.0
Prepaid expenses and accrued income	15	0.8	6.4
		467.0	**275.4**
Cash and cash equivalents	16	72.3	253.5
TOTAL CURRENT ASSETS		**539.3**	**528.9**
TOTAL ASSETS		**1,074.3**	**914.0**

	Note(s)	2016-12-31	2015-12-31
EQUITY AND LIABILITIES			
EQUITY	17		
Restricted equity			
Share capital		27.0	27.0
Restricted reserves		7.9	7.9
		34.9	**34.9**
Unrestricted equity			
Profit brought forward		21.0	18.5
Unrestricted reserves		6.8	6.8
Profit for the year		-2.9	2.5
		24.9	**27.8**
TOTAL EQUITY		**59.8**	**62.7**
NON-CURRENT LIABILITIES			
Corporate bond loan	18	836,3	833.1
Other liabilities		11.0	1.5
		847.3	**834.6**
CURRENT LIABILITIES			
Bank overdraft	19	-	-
Accounts payable - trade		1.7	1.6
Liabilites to group companies		153.7	11.3
Tax liabilities	10	0.1	-
Other liabilities		0.1	0.1
Accrued expenses and prepaid income	20	11.6	3.7
		167.2	**16.7**
TOTAL EQUITY & LIABILITIES		**1,074.3**	**914.0**

Statement of changes in equity

MSEK	Share capital	Restricted reserves	Unrestricted equity	Total shareholders' equity
Opening shareholders' equity, Jan 1, 2016	27.0	7.9	27.8	**62.7**
Total comprehensive income for the year	-	-	-2.9	**-2.9**
Closing balance Dec 31, 2016	**27.0**	**7.9**	**24.9**	**59.8**
Opening shareholders' equity, Jan 1, 2015	27.0	7.9	25.3	**60.2**
Total comprehensive income for the year	-	-	2.5	**2.5**
Closing balance Dec 31, 2015	**27.0**	**7.9**	**27.8**	**62.7**

Statement of cash flows

MSEK	Note(s)	Jan - Dec 2016	Jan - Dec 2015
Operating activities			
Operating income		8.8	19.4
Adjustments for non-cash items	16	-2.4	-
Income tax paid		-	-0.1
Cash flow from operating activities before changes in working capital		**6.4**	**19.3**
Change in short term receivables		-191.0	-84.9
Change in short term liabilities*		150.3	-2.7
Cash flow from operating activities		**-34.3**	**-68.3**
Investing activities			
Changes in investments in affiliated companies		-	1.7
Changes in other financial fixed assets		-150.0	-
Sale and repayments of other financial fixed assets		-	0.4
Interest received		34.4	28.6
Group contributions and dividend received		15.3	38.0
Cash flow from investing activities		**-100.3**	**68.7**
Financing activities			
Received loans		-	850.0
Amortisation on loans		-	-500.0
Received/repaid deposits		10.4	-
Interest and similar paid	16	-59.5	-98.0
Cash flow from financing activities		**-49.1**	**252.0**
Cash flow for the year		**-183.7**	**252.4**
Cash and cash equivalents at beginning of period		253.5	1.0
Effect of exchange rate changes on cash and cash equivalents		2.5	0.1
Cash and cash equivalents at end of the year	16	**72.3**	**253.5**

Parent company notes

Note 1 - Significant accounting policies

A description of the accounting principles for the Group can be found in note 1 to the Group's financial reports. The Parent Company has prepared annual report in accordance with the Swedish Annual Accounts Act (SAAA) and the Swedish Financial Reporting Board's recommendation RFR2 - Accounting for legal entities. Applying the recommendation RFR2 means that the Parent Company adopts the EU approved IFRS standards to the extent limited by the SAAA and considering differences between accounting and taxation.

The Parent Company applies different accounting principles compared to the Group in some areas. Below are shown the deviations compared to the Group and also if any of the new IFRS standards, changes and interpretations of existing standards that have not come into effect 2016 may impact the Parent Company in another way than the Group.

All figures are in MSEK, unless otherwise stated.

Classifications and statement forms

The Parent Company income statement and statement of financial position is prepared according to the schemes of SAAA. The difference compared to IAS1 – Presentation of financial statement is mainly the presentation of financial income and costs and equity.

Group contributions

The Parent Company accounts both paid and received group contribution as financial items in the statement of income according to the principle rule of RFR 2.

Shares in Group companies

Shares in Group companies are recorded at acquisition value reduced by potential impairments. Business combination costs and potential supplemental purchase price are included in the acquisition value. At the time of an indication of impairment a calculation of the recoverable amount is carried out. If the recoverable amount is deemed lower than recorded value an impairment is made and recorded in the item "profit from shareholdings".

Financial instruments

The Parent Company does not apply IAS39 – Financial instruments: accounting and valuation, the company applies a method based on the acquisition value according to SAAA.

Leasing

All leasing agreements are classified as operating leases.

Contingent liabilities

The Parent Company has outstanding guarantees for the benefit of subsidiaries. The Company records these guarantees as contingent liabilities according to RFR 2, as disclosure. When the Parent Company deems it probable that an outflow of resources is required to settle such obligation, a provision is made.

New IFRS standards, changes and interpretations of existing standards that have not come into effect 2016

International Accounting Standards Board (IASB) has issued new and updated standards, for example IFRS9, IFRS15 and IFRS16.

IFRS16 Leases will replace *IAS17 Leases.* The standard demands that assets and liabilities attributable to all leasing agreements, with a few exceptions, shall be recorded in the balance sheet. This is based on the view that the lessee has the right to use an asset during a specific period, and at the same time, a liability to pay for this right. Lease payments will be transferred to amortisations and interest costs attributable to the lease liability. In the income statement will also depreciations attributable to the lease asset be recorded separately. IFRS16 comes into effect January 1, 2019. The Parent Company has not yet entirely evaluated the effects from the introduction of the standard. However since the Parent Company does not have a significant amount of lease contracts, the initial assessment is that the standard will not have a significant impact for the Parent Company.

Note 2 - Net sales

	2016	2015
Air freight services	726.7	653.6
Other revenue	0.1	0.1
Total	**726.8**	**653.7**

Financial data per geographical area

	Scandinavia	UK	Europe	Total
Revenue from external parties	329.4	-	397.4	726.8

Trade with subsidiaries

During 2016, the purchases of services from subsidiaries amounted to MSEK 698.3 (625.5) and sales to subsidiaries amounted to MSEK 0 (0).

Note 3 - Other operating income

	2016	2015
Operating foreign exchange currency gains	2.5	3.3
Total	**2.5**	**3.3**

Note 4 - Operating costs

	2016	2015
Subcharter costs	-692.9	-616.4
Direct operating costs*	-0.1	-0.2
Other operating costs	-27.5	-21.1
Total	**-720.5**	**-637.7**

* *Consists of Landing, navigation & handling charges*

Note 5 – Staff costs and directors' remuneration

Employees, staff costs, other remunerations and social costs.

The average annual employee has been 1 (1) whereof 1 man (1). The total salaries and other remuneration, excluding benefits amount to MSEK 1.4 (0.8). Social costs amount to MSEK 1.0 (0.6) whereof pension charges MSEK 0.4 (0.3).

CEO

A total remuneration, including benefits, of MSEK 1.2 (0.8) has been paid to the previous CEO Mr Gustaf Thureborn during 2016, whereof no variable components. Pension premiums have been paid according to a defined plan corresponding to 35 % of the salary including benefits.

Board of directors

The AGM 2015 decided that an annual remuneration of TSEK 250 should be paid to the Chairman of the Board and a remuneration of TSEK 150 should be paid to each board member (four) not permanent employed by the company. Of this, in total TSEK 375 was paid during 2015. During 2016, the remaining TSEK 250 has been paid to the previous Chairman of the Board and the remaining TSEK 75 to each of the previous three board members.

The AGM 2016 decided that an annual remuneration of TSEK 150 should be paid to each board member who is not a shareholder or employed by the company. Of this, none has been paid during 2016.

Note 6 - Remuneration to auditors

	2016	2015
Grant Thornton		
Audit	0.9	0.7
Auditing services in addition to audit	0.1	0.3
Tax advisory services	-	-
Other assignments	-	0.1
Total	**1.0**	**1.1**

Note 7 – Operating leasing

During the year, the company rented a hangar, MSEK 0.1 (0.1) and other technical equipment, MSEK 0.3 (0).

The minimum operating lease obligations are due as follows:
2017: Hangar rent, MSEK 0.1. Technical equipment, MSEK 0.3
2018-2021: Technical equipment, MSEK 0.1

The remaining term for hangar rent is 1 year and for technical equipment almost 1.5 year.

Note 8 - Profit from shareholdings in group companies

	2016	2015
Dividend received	-	2.8
Received group contribution	15.3	35.2
Total	**15.3**	**38.0**

Note 9 - Interest & similar income and costs

Interest & similar income	2016	2015
Interest income from cash & cash equivalents	0.2	0.4
Interest income from subsidiaries	34.2	28.2
Total	**34.4**	**28.6**

Interest & similar costs	2016	2015
Interest costs from loans at deferred acquisition value	-61.4	-44.0
Redemption costs corporate bond loan	-	-41.8
Foreign exchange currency losses	-	-0.1
Total	**-61.4**	**-85.9**

Note 10 - Taxes

	2016	2015
Recorded tax		
Deferred tax from temporary differences	-	1.3
Total	**-**	**1.3**

	2016	2015
Reconciliation recorded tax		
Income before tax	-2.9	1.2
Swedish income tax (22 %)	0.6	-0.3
Tax effects from below:		
Dividends from subsidiaries - non-taxable income	-	0.6
Non-deductible items	-1.3	-1.6
Non-deductible loss, sale of affiliated company	-	-0.3
Non-taxable items	-	1.3
Non-recorded taxable income	0.7	-0.8
Non-valued loss carry forward	-	1.1
Deferred tax from temporary differences, loan	-	1.3
Total	**-**	**1.3**

There is no recorded deferred tax in the balance sheet, in 2016 or 2015.

Note 11 - Intangible assets

	Licenses & IT Systems
Accumulated acquisition value	
Opening balance 2015-01-01	0.4
Closing balance 2015-12-31	**0,4**
Opening balance 2016-01-01	0.4
Closing balance 2016-12-31	**0.4**
Accumulated depreciation & impairment	
Opening balance 2015-01-01	-0.2
Depreciation for the year	-0.1
Closing balance 2015-12-31	**-0.3**
Opening balance 2016-01-01	-0.3
Depreciation for the year	-0.1
Closing balance 2016-12-31	**-0.4**
Net book value	
As per 2015-01-01	0.2
As per 2015-12-31	0.1
As per 2016-01-01	0.1
As per 2016-12-31	0.0

All depreciation has been allocated to cost of services provided.

Note 12 – Shares in Group and associated companies

Shares in Group companies

	2016-12-31	2015-12-31
Opening acquisition value	64,9	65.2
Disposal of West Atlantic S.A, through liquidation	-	-0.3
Closing acquisition value	**64,9**	**64.9**

Company	Incorp. No:	Domicile	Capital share	Voting share	Shares	Book value
West Atlantic Sweden AB	556062-4420	Gothenburg, Sweden	100%	100%	15 000 000	17.1
West Atlantic Aircraft Management AB	556609-4800	Gothenburg, Sweden	100%	100%	10 000 000	10.0
Atlantic Airlines Ltd.	50509096	Coventry, United Kingdom	100%	100%	1 000	34.9
Norway Aviation Services AS	895234362	Oslo, Norway	100%	100%	1 000	0.1
European Aviation Maintenance Ltd	119476C	Isle of Man	100%	100%	2002	2.8
						64.9

The parent company is deemed to have controlling influence over the subsidiaries based on the voting share.

Shares in associated companies

	2016-12-31	2015-12-31
Opening acquisition value	0.1	1.1
Sale of shares	-	-1.0
Closing acquisition value	**0.1**	**0.1**

Company	Incorp. No	Domiciled	Capital share	Voting share	Shares	Book value
VACS AB	556814-3241	Stenungsund	33.0%	33.0%	167	0.1
						0.1

The associated company is active in trading of communication and positioning equipment. The associated company is not deemed material by the Group, which is based on both the size of the investment and the nature of the companies' business.

Financial information

Associated company in total	2016-12-31	2015-12-31
Total equity	0.1	0.1
Recorded value, Company's share	0.1	0.1
Income from continuous operations	-	-
Company's share	-	-

Note 13 - Trade receivables

	2016-12-31	2015-12-31
Trade receivables, gross	40.7	33.5
Whereof provisions for bad debt	-0.5	-0.5
Total	**40.2**	**33.0**

Changes in provisions for bad debt:

	2016-12-31	2015-12-31
Opening balance	-0.5	-0,2
Provisions for bad debt	-	-0.3
Total	**-0.5**	**-0.5**

For age structure and credit risk, please see note 21.

Note 14 - Other receivables

	2016-12-31	2015-12-31
Balances on bank accounts	7.9	15.1
Valued added tax	2.3	3.9
Total	**10.2**	**19.0**

Note 15 - Prepaid expenses and accrued income

	2016-12-31	2015-12-31
Prepaid costs	0.8	0.7
Accrued revenue	-	5.7
Total	**0.8**	**6.4**

Note 16 - Statement of cash flows & Cash equivalents

Interest and similar paid	2016-21-31	2015-21-31
Interest paid	58.1	46.6
Redemption costs, corporate bond loan	-	34.4
Transaction costs, corporate bond loan	1.4	17.0
Total	**59.5**	**98.0**

Adjustment for items not included in cash flow	2016-21-31	2015-12-31
Depreciation	0.1	0.1
Reservervation on illiquid claims	-	0.3
Foreign exchange differences	-2.5	0.3
Other	-	-0.7
Total	**-2.4**	**-**

Components of cash and cash equivalents	2016-12-31	2015-21-31
Cash & Bank	72.3	253.5
Total	**72.3**	**253.5**

Utilised bank overdraft amounted to MSEK 0 (0). Non-utilised bank overdraft amounted to MSEK 50.0 (50.0). Please see note 19 for further information.

Note 17 – Equity

Share Capital

The share capital is made of up 27,004,640 (27,004,640) shares at value SEK 1.00. There is one class of shares, all with equal voting rights.

Changes in equity

The information requirement according to the Swedish Annual Accounts Act, chapter 5, §14, regarding reconciliation of equity is covered in the report of share-holders equity for the parent company, please see page 32.

PROPOSED DISPOSITION OF EARNINGS

The following Parent Company earnings are available for disposition by the AGM:

SEK	
Retained earnings and unrestricted reserves	27,767,876
Net income for the year	- 2,906,301
Total unrestricted equity	**24,861,575**

The Board of Directors proposes that the earnings be allocated as follows:

SEK	
Retained earnings and unrestricted reserves	24,861,575
Total	**24,861,575**

Note 18 - Corporate bond loan

The corporate bond loan, amounting to MSEK 850.0 was issued Dec 21 2015 with a duration of four years with maturity at Dec 21 2019.

The loan has a fixed coupon of 7.0 %, payable in arrears (June and December). For more information about the loan, se Group note 24.

For pledged collaterals, please see note 22.

Note 19 – Bank overdraft

Available bank overdraft in SEK and foreign currency amounts to MSEK 50.0 (50.0), whereof MSEK 0.0 (0.0) was utilised as per closing date. Corporate floating charges of MSEK 67.9 (67.9) has been pledged as collateral.

Note 20 - Accrued expenses and prepaid income

	2016-12-31	2015-12-31
Accrued interest payable	1.7	1.7
Prepaid revenue	0.8	1.2
Accrued salaries (including pension and social charges)	1.6	-
Other items	7.5	0.8
Total	**11.6**	**3.7**

Note 21 – Financial risk management and financial instruments

Risk and Risk management

The Parent company is exposed to credit, liquidity and interest rate as well as currency risks in the course of its normal business.

Risks and risk management corresponds to the Group's, please see not 29 for the Group. The tables below illustrate the maturities for trade receivables and financial liabilities including estimated interest payments. In addition, the profile of interest-bearing financial instruments is illustrated.

Credit risk

Trade receivables	2016-12-31	2015-12-31
Not overdue	37.8	21.5
Overdue 0-30 days	2.5	9.1
Overdue 30-60 days	-	2.5
Ovedue 60-90 days	-	-
More than 90 days overdue	0.4	0.4
Total	**40.7**	**33.5**

The table above only included trade receivables excluding provisions. The Company does not have any significant other receivables either at 2016-12-31 or 2015-12-31. Overdue balances are not provisioned if management is confident that the balance can be recovered in full.

Liquidity risk

Liquidity risk is the risk that the Parent company may not meet its obligations upon falling due. The following are the contractual maturities of the financial liabilities, including estimated interest payments:

Maturities of the financial liabilities, incl. estimated interest payments	Bond loan	Trade & other payables	Total	Bond loan	Trade & other payables	Total
MSEK	**2016-12-31**	**2016-12-31**	**2016-12-31**	**2015-12-31**	**2015-12-31**	**2015-12-31**
Less than one year	59.5	1.7	61.2	55.2	3.1	58.4
Between one and five years*	1,087.0	11.0	1,098.0	1,071.0	-	1,071.0
More than five years	-	-	-	-	-	-
Total	**1,146.5**	**12.7**	**1,159.2**	**1,126.2**	**3.1**	**1,129.4**

**Figure for Bond loan for 2015 has been restated*

Maturities of financial liabilities including interest are shown in the previous table, excluding utilised bank overdraft. The bank overdraft facility which amounts to MSEK 50.0 are prolonged by one year at a time at year end. The Bond loan of nominal MSEK 850.0 mature by 2019-12-21.

Interest rate risk

At the closing date the interest rate profile of the parent company's interest-bearing borrowings was:

Interestbearing financial instrument profile						
MSEK		**2016-12-31**			**2015-12-31**	
	Fixed rate	**Variable rate**	**No rate**	**Fixed rate**	**Variable rate**	**No rate**
Current receivables	-	-	48.1	-	-	48.1
Cash and cash equivalents	-	72.3	-	-	244.5	8.9
Bond loan, non-current	-836.3	-	-	-833.1	-	-
Other current liabilities	-	-	-1.7	-	-	-3.1
Other non-current liabilities	-11.0	-	-	-	-	-
Total	**-847.3**	**72.3**	**46.5**	**-833.1**	**244.5**	**53.9**

The table shows the allocation of the financial instruments of interest-bearing and non-interest bearing financial assets and liabilities. The Bond loan is fixed why the interest risk overall is insignificant.

Currency risk

The currency risk for the parent company follows the structure of the Group and is primarily related to expected payments in course of continuous operations. Risk management of foreign currencies follows the structure of the Group, please see note 29 for the Group. In addition, there are risks connected to fluctuations in financial assets and liabilities, denominated in foreign currency.

Sensitivity analysis

As per December 31, 2016, a 10 % appreciation of USD against SEK would increase the company's income before tax by approximately MSEK 3.6, mainly connected to and cash and bank.

A 10 % appreciation of EUR against SEK would increase the income before tax by approximately MSEK 4.8, mainly connected to cash and bank and trade receivables.

In contrary, 10 % weakening would have had the equal but opposite effect on equity and profit, all else being equal. Calculations are based on variables denominated in foreign currency being fixed, in order to reflect currency sensitivity. The analysis is not to be construed as a complete sensitivity analysis but rather as an indication of the parent company's sensitivity and exposure to foreign currencies.

Fair value and booked value on financial assets and liabilities

	2016-12-31		2015-12-31	
MSEK	**Booked value**	**Fair value**	**Booked value**	**Fair value**
Financial assets				
Other receivables incl accounts receivables	48.1	48.1	48.1	48.1
Cash and cash equivalents	72.3	72.3	253.5	253.5
Total	**120.4**	**120.4**	**301.6**	**301.6**
Financial liabilities				
Loans incl overdraft facilities	836.3	850.0	833.1	850.0
Other liabilities incl accounts payables	12.7	12.7	3.1	3.1
Total	**849.0**	**862.7**	**836.2**	**853.1**

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

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

- ***Level 1:*** Market prices (unadjusted) listed on an active market for identical assets or liabilities
- ***Level 2:*** Other observed data for the asset or the liability than noted prices included in level 1, either direct (as price adjustments) or indirect (derived from noted prices). At the moment, the company has no assets or liabilities valuated according to this level.
- ***Level 3:*** Fair value determined out of valuation models, where significant data is based on unobservable data.

At December 31 2016, the company has no financial assets or liabilities, valuated at fair value in the income statement.

Items classified in level 1: the corporate bond loan, subject to trade on the NASDAQ OMX in Stockholm. Trading of the corporate bond loan started in 2016 and at 2016-12-31 the fair value corresponds to the nominal value. The booked value is made at deferred acquisition value with regard to transaction costs.

Items classified in level 2: Non-interest-bearing long term financial receivables valued at deferred acquisition value and where the interest that is used to discount the amount to the acquisition value, is derived from a notation and an assessment is performed by the Parent Company.

For other receivables including accounts receivables, cash and cash equivalents, other loans, other liabilities including accounts payables the booked values are considered to be a reasonable approximation of the fair values. Valuation is made at deferred acquisition value, which corresponds to nominal values adjusted with additional or deductible valuation items.

Note 22 – Pledged collaterals

Pledged collaterals	2016-12-31	2015-12-31
Business floating charges	67.9	67.9
Bank accounts	42.1	150.0
Shares in subsidiary	10.0	10.0
Total	**120.0**	**227.9**

Business floating charges concern liabilities to credit institutions. Bank accounts concern liabilities to credit institutions and bond-holders. Shares in subsidiaries concern liabilities to bond-holders.

Contingent liabilities	2016-12-31	2015-12-31
Contingent liabilities	343.0	254.4
Total	**343.0**	**254.4**

The contingent liabilities concern guarantees for subsidiaries engagements with credit institutions, MSEK 53.6 (57.3) and aircraft lessors, MSEK 289.4 (197.2).

Note 23 – Events after closing date

There has been no events occurred after closing date which significantly affects the assessments of the financial information in this report.

Corporate governance

West Atlantic AB (publ) is the Parent Company of the West Atlantic Group's operations and a Swedish public limited company headquartered in Gothenburg, Sweden. Since April 2014, West Atlantic AB (Publ) has had a Senior Secured Bond listed on the NASDAQ OMX Stockholm, Corporate Bond. The objective of corporate governance is to provide West Atlantic with effective management and control of its operations in combination with providing transparency, clarity and proper business ethics.

Code of practise

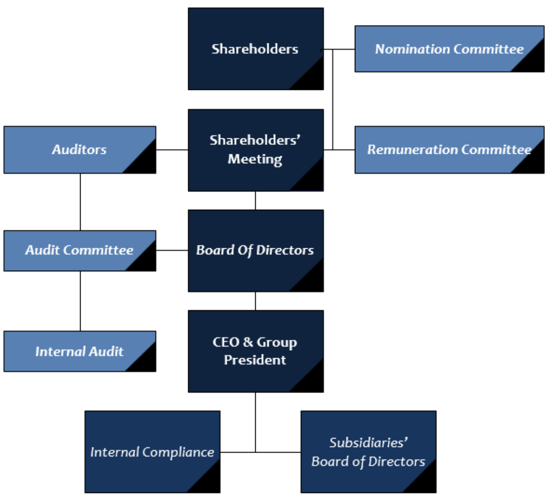
The governing rules and regulations for West Atlantic AB (publ) and its subsidiaries are:

- Swedish legislation and other National laws and/or regulation where the Group has operations
- NASDAQ OMX Rules for Issuers
- The Company's Articles of Association
- Internal Policy framework – Code of Conduct, information/IR policy
- Work plan for the Board of Directors and its instructions to CEO and Group President
- Recommendations from relevant organisations
- Swedish ABL (Aktiebolagslagen)

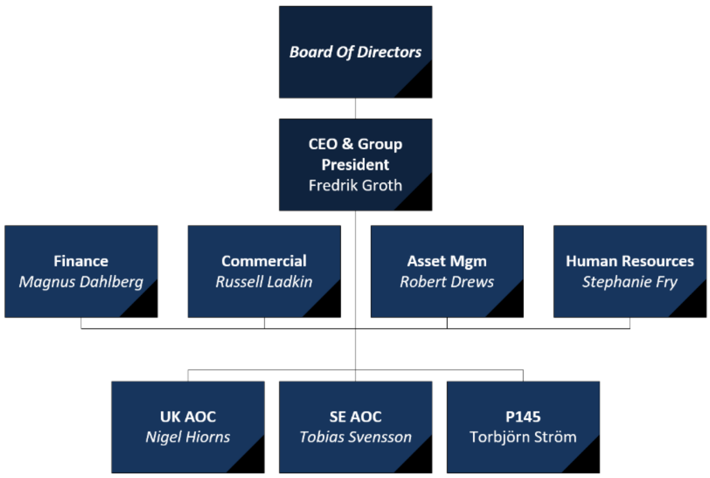
Per its understanding, West Atlantic is compliant with its Code of Practise and to this date, neither NASDAQ's Disciplinary Committee nor the Swedish Securities Council has reported a breach of the exchange rules or of good market practices. The Swedish Corporate Governance Code has not been fully implemented by the Group since the shares are not publicly traded on a stock exchange and since that close to half of the shareholders are from the United States and the United Kingdom.

Organisational structure and governance control

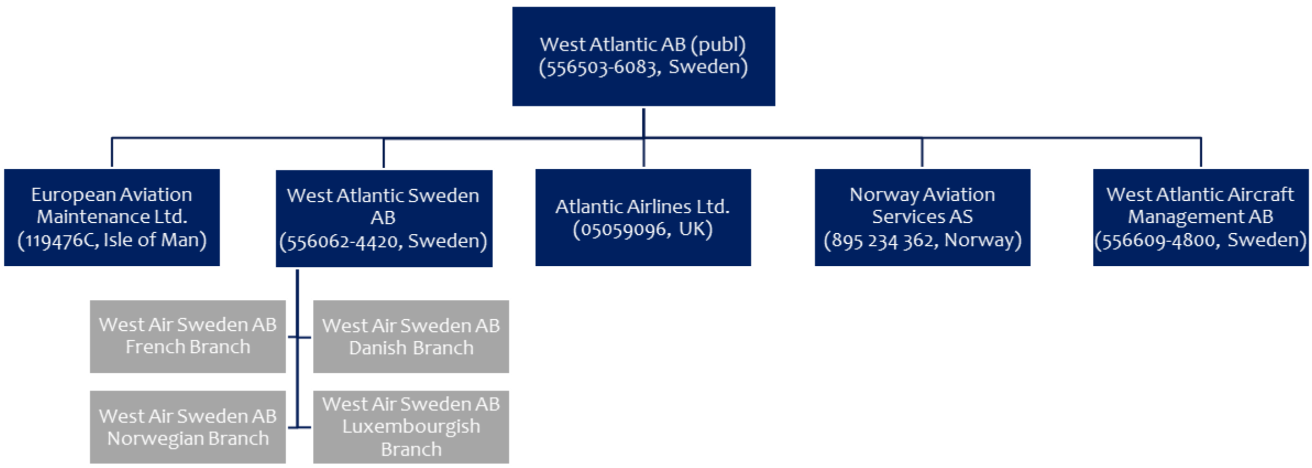
Governance structure



Reporting structure



Corporate structure



Board of Directors

Göran Berglund – ***Chairman of the Board***

Dr Berglund served as Chairman of the Board of West Atlantic AB (publ) between 1995 and 2015 and was reappointed chairman in 2016. Dr Berglund does not hold any managing director position in the company nor in any of its subsidiaries but holds board director seats in West Atlantic Sweden AB and West Atlantic Aircraft Management AB.

Dr Berglund holds a medical degree and previous work ranges from Dean of Medical Faculty at Lund University to engagements in private equity ventures and directorships since 1995. During four decades, Dr Berglund acquired significant knowledge of business strategy and management, especially from working with large and public organisations. Several of the companies have been listed and Dr Berglund has long experience from working with growth companies.

Shareholding: 10 058 559 shares.

Joseph Payne – ***Member of the Board***

Mr Payne has been a Director of West Atlantic AB (publ) since 2014 but does not hold any managing director position in the company nor in any of its subsidiaries. During 2013, West Atlantic formed a strategic partnership with Air Transport Services Group, Inc. (ATSG), in which ATSG acquired a 25 percent shareholding of West Atlantic AB (publ) via ATSG WEST Ltd, registered seat in Dublin, Ireland.

Mr Payne has been the Chief Legal Officer and Secretary of ATSG since May 2016. He was the Senior Vice President, Corporate General Counsel and Secretary of ATSG from February 2008 to May 2016. Mr. Payne has also been the Vice President, General Counsel and Secretary of ABX Air, Inc. since January 2005. Mr. Payne earned a Juris Doctor from the University of Dayton School of Law, and a Bachelor of Business Administration from the University of Cincinnati College of Business Administration.

Shareholding: - shares.

Tony Auld – ***Member of the Board***

Mr Auld served as a director of West Atlantic AB (Publ) between 2011 and 2014 and was reappointed Director in 2016. Mr Auld does not hold any managing director position in the company nor in any of its subsidiaries.

Mr Auld has during his more than 30 years in aviation accumulated significant experience in the industry and held numerous positions ranging from Commercial manager to chief executive. Mr Auld also acted as Managing Director of West Atlantic's UK operations between 1999 and 2014.

Shareholding: 2 025 348 shares.

Russell Ladkin – ***Member of the Board***

Mr Ladkin served as a director of West Atlantic AB (Publ) between 2011 and 2014 and was reappointed Director in 2016. Mr Ladkin also serves as Chief Commercial Officer of the company and all its subsidiaries.

Mr Ladkin joined the Group 1989, initially serving as a pilot accruing more than 6,000 flying hours for the airline. Mr Ladkin has prevously held roles such as Director of Flight Operations and Managing Director.

Shareholding: 2 025 348 shares.

Group Management 2016

Fredrik Groth – *Chief Executive Officer & President*

Mr Groth joined the company in 2016 from his position as COO of MEGA Global Air Services with over 25 years' experience in aviation. Previous positions include Executive Vice President of Pemco World Air Services, Managing Director of Swiftair Spain, Chief Executive Officer of Airworks India and Managing Director of Maldivian Air Taxi. Mr Groth holds a BSc in management and international business from the American College of Switzerland and an MBA from University of Michigan. Shareholding: - shares

Magnus Dahlberg – *Chief Financial Officer*

Mr Dahlberg commenced his aviation career in 2001 as Finance Director for a Swedish regional passenger airline before joining West Atlantic Sweden in 2002 as Finance Director. Between 1988 and 2001, Mr Dahlberg worked for an international financial institution, Skandinaviska Enskilda Banken (SEB), in a number of positions within the accounting and financial reporting division. Mr Dahlberg holds a university degree in Business Administration. Shareholding: - shares.

Robert Drews – *Group Tech. Director & Asset Management*

Mr Drews serves as the Group Technical Director and manages the Group's aviation assets. Holding a university aeronautical degree, having accumulated over 25 years of experience in senior roles within aviation maintenance and operations, joining West Atlantic Sweden in 1995 as Technical Manager Part 145 and Part M. Thereafter, Mr Drews was appointed Technical Director for Sweden in 2003, subsequently promoted to Group Technical Director. Shareholding: - shares.

Nigel Hiorns – *Accountable Manager UK operations*

Mr Hiorns was appointed Accountable manager in 2016. He joined the Group in 1989 as an Aircraft Technician, went on to Base Maintenance Manager and eventually Aircraft Serviceability Director, organising and controlling the maintenance activities for the UK fleet.
Shareholding: 253 168 shares.

Torbjörn Ström – *Accountable Manager P145*

Mr Ström was appointed Accountable Manager for the Group's Part 145 maintenance organisation in 2016. He joined the Group in 2011 as Maintenance Manager. His background includes extensive aviation experience as a licensed engineer, combined with over 20 years of serving in different management positions within maintenance, engineering and project management. Shareholding: - shares.

Russell Ladkin – *Chief Commercial Officer*

Mr Ladkin is responsible for West Atlantic Group's global sales activity, including strategic direction, development of new products and services, new markets and regions, customer relationship management, operational service delivery and marketing communications. Mr Ladkin joined the Group in 1989, initially serving as a pilot accruing more than 6,000 flying hours for the airline. Mr Ladkin has held roles such as Director of Flight Operations and Managing Director. Shareholding: 2 025 348 shares.

Stephanie Fry – *Group HR Manager*

Miss Fry, CMIPD is the Human Resources Manager for the West Atlantic Group since November 2016 and has been with the group for over 2 years. She is an experienced HR professional with more than 25 years generalist HR and T&D experience. Her background is from the global manufacturing industry, where she was involved at a senior management level. Previous professional experience includes 15 years as an HR Consultant covering every aspect of the Human Resource function. Shareholding: - shares

Tobias Svensson – *Accountable Manager SE operations*

Mr. Svensson is the Accountable Manager for the Swedish Airline, also holding the position as Emergency Director. He joined West Atlantic Sweden in 2011 with an extensive background from the passenger airline industry, holding various manager positions. He is certified in business and project management.
Shareholding: - shares.

Greg Little – *General Manager UK*

Mr Little serves as General Manager of the UK airline, holding an Honours Degree in Engineering. He joined operations of the Group's UK division Atlantic Airlines in 1993. Following commercial appointments and managing operations for the light aircraft and the passenger division, Mr Little was appointed General Manager of Atlantic Airlines in 2004.
Shareholding: - shares.

Board assurance

The Board of Directors and the CEO of West Atlantic AB (publ) hereby provide their assurance that the Annual Report has been prepared pursuant to the Swedish Annual Accounts Act and the recommendation from the Swedish Financial Reporting Board "Accounting for legal entities" (RFR 2) and provides a true and fair view of the Parent company's financial position and earnings and that the Report by the Board of Directors provides a true and fair overview of the company's operations, financial position and earnings, as well as describes the significant risks and uncertainty factors to which the Parent company is exposed.

The Board of Directors and CEO and President of West Atlantic AB (publ) hereby give their assurance that the consolidated financial statements have been prepared pursuant to the International Financial Reporting Standards (IFRS) as adopted by the EU, and provide a true and fair view of the Group's financial position and earnings, and that the Report by the Board of Directors for the Group provides a true and fair overview of the performance of the Group's operations, financial position and earnings, as well as describes the significant risks and uncertainty factors to which the companies in the Group are exposed.

Gothenburg, Sweden, April 24, 2017

Göran Berglund
Chairman of the Board

Tony Auld
Member of the Board

Joseph Payne
Member of the Board

Russell Ladkin
Member of the Board

Fredrik Groth
CEO & President

As stated above, the annual accounts and consolidated financial statements were approved for issuance by the Board of Directors on April 24, 2017. The Group's statement of income and balance sheet and the Parent Company's statement of income and balance sheet will be subject to adoption by the Annual General Shareholders' Meeting.

Auditor's report was submitted on April 28, 2017

Grant Thornton Sweden AB

Claes Jörstam
Authorized Public Accountant

West Atlantic discloses the information contained in this annual report pursuant to the Swedish Securities Market Act and/or the Swedish Financial Instrument Trading Act.

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

Auditor's report

To the general meeting of the shareholders of West Atlantic AB (publ) Corporate identity number 556503-6083

Report on the annual accounts and consolidated accounts

Opinions

I have audited the annual accounts and consolidated accounts of West Atlantic AB (publ) for the year 2016, except for the corporate governance statement on pages 37-39 . The annual accounts and consolidated accounts of the company are included on pages 12-40 in this document.

In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 37-39. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

I therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

I conducted my audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the "Auditor's Responsibilities" section. I am independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in my professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of my audit of, and in forming my opinion thereon, the annual accounts and consolidated accounts as a whole, but I do not provide a separate opinion on these matters.

Income statement for performed air transport
(See also Accounting Policies / Revenue on pages 21 and 22)

Revenues for performed air transport are reported when air transport has been carried out and the compensation is largely based on long-term contracts. Unbilled air transport carried out is recorded in the balances as an asset to the estimated billing value of air operations performed. Since these assignments are essential to the company's revenue recognition, we have estimated that the revenue report of the air missions is a particularly important area for our audit.

Our audit measures have included a review of the internal control of the company's follow-up of billed air transport and that the accounting complies with the agreements that underlie the air carriers, as well as a review of the accounting for a sample of the revenues associated with air transport. We have also reviewed the company's valuation of unpaid air cargoes and how these have been calculated and reported in the financial statements.

Valuation of aircraft and aircraft components
(See also Accounting Policies / Valuation of Aircraft and Aircraft Components on pages 22 and 23)

At each balance date, the reported values are tested to determine if there are any indications of impairment. The assessment is done step by step according to a particular valuation model and if such indications are deemed to exist, an impairment test is carried out where a calculation of the asset's recoverable amount is compared with the asset's carrying amount. The Group reports aircraft and aircraft components of MSEK 848.4 per 2016-12-31. The balance amounts to significant amounts as it constitutes 66% of the balance sheet total. The valuations are complex and depend on management's assessments based on assumptions about primarily residual economic life, residual value and discount rate and are therefore considered to be a particularly important area. For further information on these assets, refer to Notes 1.10 and 14.

Our review actions conducted by valuation expert included a review of the valuation model and of the completed impairment tests for the aircraft. An examination has been made of the cash flow model and of selected assumptions, assumptions and parameters in these trials. The audit measures also included review of the company's analysis of the aircraft utilisation rate.

Other Information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises pages 2-11 (but does not include the annual accounts, consolidated accounts and my auditor's report thereon).

My opinion on the annual accounts and consolidated accounts does not cover this other information and I do not express any form of assurance conclusion regarding this other information. In connection with my audit of the annual accounts and consolidated accounts, my responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure I also take into account my knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If I, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU.

The board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

My objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of my responsibility for auditing the annual accounts and the consolidated accounts is available on the Auditors' Board's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the audit report.

Report on other legal and regulatory requirements

Opinions

In addition to my audit of the annual accounts and consolidated accounts, I have also audited the administration of the Board of Directors and the Managing Director of West Atlantic AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

I recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

I conducted the audit in accordance with generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the "Auditor's Responsibilities" section. I am independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

My objective concerning the audit of the administration, and thereby my opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

My objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby my opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of my responsibility for the audit of the administration is available on the Auditors' Board's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the audit report.

Auditor's review of corporate governance statement

The Board of Directors is responsible for the the corporate governance statement on pages 37-39 and for its preparation in accordance with the Annual Accounts Act. My review has been done according to FAR's statement RevU 16 Auditor's review of the corporate governance report. This means that my review of the corporate governance statement has a different focus and a significantly smaller extent than the focus and scope of an audit under International Standards on Auditing and good auditing practice in Sweden. I think this review gives me sufficient grounds for my statements.

A corporate governance statement has been prepared. Information in accordance with Cchapter 6. § 6 Second paragraph, paragraphs 2 to 6 Annual Act and Chapter 7. § 31, second paragraph of the same Act are consistent with the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg April 28, 2017

Claes Jörstam

Authorized Public Accountant

Definitions

Corporate Bond definitions

Bond transaction costs	All direct costs in connection with the issue of bond loan such as consultant costs and fees.
Call option amount	Means a) 100 plus 50% of the Interest Rate of the Nominal Amount if the call option is exercised on or after the First Call Date up to (but not including) the date falling 30 months after the First Issue Date; b) 100 plus 37,5% of the Interest Rate of the Nominal Amount if the call option is exercised on the date falling 30 months after the First Issue Date up to (but not including) the date falling 36 months after the First Issue Date; c) 100 plus 25 % of the Interest Rate of the Nominal Amount if the call option is exercised on the date falling 36 months after the First Issue Date up to (but not including) the date falling 42 months after the First Issue Date; d) 100 plus 12,5% of the Interest Rate of the Nominal Amount if the call option is exercised o the date falling 42 months after the First Issue Date up to (but not including) the Final Redemption Date.
Escrow account	Means a bank account of the Issuer, into which the Net Proceeds from the Bond issue was transferred and which has been pledged in favour of The Trustee and the Bond Holders (represented by the Trustee) under the Escrow Account Pledge Agreement.
Finance charges	The aggregate amount of the accrued interest, commission, fees, discounts, payment fees, premium or charges and other Finance payments in respect of financial Indebtedness whether paid, payable or capitalised by any member of the Group according to the latest Financial Report(s) (calculated on a consolidated basis) other than Transaction costs, capitalised interest in respect of any loan owing to any member of the Group or any Subordinated Loan, lease expenses related to Leased Aircraft, and taking no account of any unrealised gains or losses on any derivative instruments other than any derivative instrument which are accounted for on a hedge accounting basis.
Financial costs	Includes costs from: a) interest on loans at deferred acquisition value b) interest on financial loan receivables at deferred acquisition value c) any losses from sale of financial loan receivables d) losses from sale of any company which are not part of the Group e) any losses from market valuation of foreign exchange derivatives (hedging instruments) f) redemption costs for loans g) foreign exchange currency losses from revaluation of financial loan receivables, loans and finance leasing.
Financial income	Includes income from: a) interest on cash & cash equivalents b) interest on financial loan receivables at deferred acquisition value c) any sale of financial loan receivables d) dividend from any company which are not part of the Group e) gain from sale of any company which are not part of the Group f) any gains from market valuation of foreign exchange derivatives (hedging instruments) g) foreign exchange currency gains from revaluation of financial loan receivables, loans and finance leasing.
Financial Indebtedness	Means any indebtedness in respect of; a) monies borrowed or raised, including Market Loans; b) the amount of any liability in respect of any finance leases, to the extent the arrangements is treated as a finance lease in accordance with the accounting principles applicable on the First Issue Date (a lease which in the accounts of the Group is treated as an asset and a corresponding liability); c) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis); d) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; e)any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and when calculating the value of any derivative transaction, only the mark to market value shall be taken into account, provided that if any actual amount is due as a result of termination or a close-out, such amount shall be used instead); f) Any counter indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and g) (without double counting) any guarantee or other assurance against financial loss in respect of a type referred to in the above items (a)-(f).
First call date	Means the date falling 24 months after the First Issue Date or, to the extent such day is not a Business Day, the Business Day following from an application of the Business Day Convention.
First Issue Date Means	December 21 2015
Final Redemption Date	Means December 21 2019
Interest coverage ratio	The ratio between EBITDA and Net finance costs
Make Whole Amount	Means a) the present value on the relevant record date of 103.25% of the Nominal Amount as if such payment originally should have taken place on the First Call Date ; and b) the present value on the relevant record date of the remaining coupon payments, less any accrued but unpaid Interest, through and including the First Call Date, both calculated by using a discount rate of 50 basis over the comparable Swedish Government Bond Rate (i.e. comparable to the remaining duration of the Bonds until the mentioned date falling on the First Call Date) and where "relevant record date" shall mean a date agreed upon between the Trustee, the CSD and the Issuer in connection with such repayment.
Subordinated Loan	Means any loan of the Issuer or any of its Subsidiaries, where the Issuer or the relevant Subsidiary is the debtor, if such loan (a) according to its terms and pursuant to a subordination agreement on terms and conditions satisfactory to the Trustee, is subordinated to the obligations of the Issuer under the Terms and Conditions, (b) according to its terms have a final redemption date or, when applicable, early redemption dates or instalment dates or instalment dates which occur after the Final, Redemption date, (c) according to its terms yield only payment-in-kind interest.

Other definitions

ACMI	Aircraft, Crew, Maintenance, Insurance. A type of Wet-lease agreement where the airline offers the mentioned services in the contract with the customer.
Administration costs	Indirect cost demanded to create revenue connected to administration including part of salaries & other remuneration and depreciation, travel, IT and other administration costs.
Aircraft fleet	The aircraft types BAe ATP, CRJ200PF, B737-300SF/-400SF and B767-200. The aircraft the Group currently operates. For more Information, see page 11
AOC	Aircraft operating certificate. Approval granted by a national aviation authority to an operator to allow to use aircraft for commercial purposes.
ATSG	Air Transport Services Group Inc. US based partner which owns 25 % of the shares of West Atlantic AB (publ)
Cash flow from operations	Cash flow from operating activities according to the statement of cash flows
Cost of services provided	All direct operating cost demanded to create the revenue including aircraft maintenance, fuel, aircraft leasing, part of salaries & other remuneration and depreciation, hangar rents and other direct operating expenses
Collaboration agreement	The Group is a part of an agreement for aircraft management and leasing activities with an external party. For more information, accounting principles, p 1.10
Redemption costs	Means the total costs in connection with the redemption of the previous corporate bond loan December 21, 2015, with originally redemption date May 8, 2018. The costs are included in financial costs and consist of a "make whole amount" including an early redemption fee of 4% of the nominal loan value which was MSEK 500, further also included are remaining interest payments up to the next ordinary interest maturity date. In addition, reversed transaction costs related to the loan acquisition are included.
EBITDA	Income before interest, tax, depreciation (including impairment) and amortisation. Operating income adjusted for depreciation.
EBITDA margin (%)	The percentage ratio between EBITDA and revenue
EBIT	Operating income according to statement of income and other comprehensive income
EBT	Income before tax
Equity ratio	Ratio between equity and total assets
Fleet Dispatch Regularity	Defined as % of flights departing according to plan, i.e. flights that are not cancelled
Global Integrator	Referring to the three major global express providers (FedEx, DHL, UPS)
IPO costs	Costs in direct connection with a preparatory equity transaction (share issue) such as fees to lawyers, auditors and other advisors, prospectus and registration costs. The costs which were balanced at first, amounted to MSEK 7.3 and the Group expensed these during 2016, due to that the equity transaction did not occur.
Items affecting comparability	Non-recurring Items that occur infrequently or are unusual in the ordinary business activities, such as type introduction and start-up costs, redemption cost of loans, restructuring, financial FX gains- or losses from loans and finance leasing
NMO	National mail organisation such as PostNord (Sweden), Royal Mail (UK), Norwegian Mail (Norway), La Poste (France)
Other items	Items affecting comparability included in non-recurring items. This includes disputes and legal processes in France, IPO costs and impairment of aircraft components.
Overdraft facility	The total overdraft facility of the Group amounts to MSEK 50
Underlying revenue growth	Revenue growth in constant currency rates and fuel prices, excluding effects from aircraft sales
Wet-lease	Airline providing aircraft capacity to another airline

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