
Star Air A/S

Kompasrosevej 6, DK-2791 Dragør

Annual Report 2019

CVR No. 19 32 87 32

The Annual Report was presented and adopted at the
Annual General Meeting of the Company on
18 May 2020

DocuSigned by:

Finn Mesgaard

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Finn Mesgaard

Chairman of the General Meeting

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Management's Statement

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Star Air A/S for the financial year 1 January – 31 December 2019.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

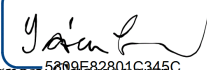
In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations for 2019.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

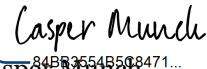
We recommend that the Annual Report be adopted at the Annual General Meeting.


Dragør, 17 April 2020

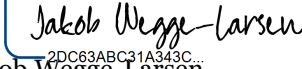
Executive Board

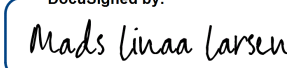
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Søren Graversen
CEO

Board of Directors

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Casper Munch
Chairman

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Thomas Jensen
Staff Representative

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Jakob Wegge-Larsen

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Mads Linnaa Larsen
Staff Representative

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Sean Stanley Fitzgerald

Independent Auditor's Report

To the Shareholder of Star Air A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Star Air A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ('Financial Statements').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements, unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark 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 Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

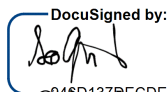
- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Independent Auditor's Report

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

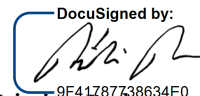
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 17 April 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No. 33 77 12 31

DocuSigned by:


Søren Orjan Jensen

State Authorised Public Accountant
mne33226

DocuSigned by:


Kristian Pedersen

State Authorised Public Accountant
mne35412

Company Information

The Company	Star Air A/S Kompassrosevej 6 DK-2791 Dragør Telephone: +45 3231 4343 CVR No.: 19 32 87 32 Financial period: 1 January - 31 December Municipality of reg. office: Dragør
Board of Directors	Casper Munch, Chairman Jakob Wegge-Larsen Sean Stanley Fitzgerald Thomas Jensen Mads Linaa Larsen
Executive Board	Søren Graversen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

(USD '000)

Key Figures	2019	2018*	2017*	2016*	2015*
Profit / Loss					
Revenue	146,971	150,500	132,424	129,729	146,604
Profit before financial income and expenses	38,194	4,021	27,025	32,021	13,298
Profit/loss from financial income and expenses	-4,238	4,316	-8,561	3,040	7,516
Profit for the year	26,067	5,135	15,853	27,280	15,493
Balance Sheet					
Total assets	303,305	204,098	193,256	171,486	152,510
Equity	161,634	141,579	142,022	110,113	86,850
Provisions	14,794	12,747	7,710	3,121	1,682
Investments in property, plant and equipment	30,421	42,300	32,660	21,402	31,127
Ratios					
Return on invested capital	33%	6%	40%	51%	30%
Return on equity	17%	4%	13%	28%	25%
Solvency ratio	53%	69%	73%	64%	57%
Other Key Figures					
Average number of full-time employees	220	213	211	207	206

Financial highlights for 2015-2017 have not been restated to reflect the change in functional currency in 2019, as described in Note 1 – Accounting Policies.

*The following exchange rates have been applied for 2015 - 2018; 2018: 6.31/6.52, 2017: 6.60/6.21, 2016: 6.73/7.06 and 2015: 6.73/6.83 (P/L/ Balance Sheet). For 2014, an exchange rate of 6.12 is applied on the balance sheet.

The financial ratios are prepared in accordance with below definitions.

Definitions of financial ratios

Return on invested capital	$\frac{\text{Profit before financials} \times 100}{\text{Average operational assets}}$ (Operational assets = Total assets minus receivables from Group entities and deferred tax assets)
Return on equity	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets at year-end}}$

Management's Review

Primary Activities

Star Air A/S is a wholly-owned subsidiary of A/S Maersk Aviation Holding, Dragør.

In 2019, the main activity of Star Air A/S remained the operation of 14 B767's, of which 12 are operated on behalf of the global courier company United Parcel Service (UPS) under a long-term agreement. In addition to this, a number of ad hoc cargo charter flights as well as series flights were performed.

Star Air A/S operates with high reliability, safety and flexibility and could in 2019 achieve that 99.2% (99.2% in 2018) of the total number of flights of 10,013 (10,260 in 2018) departed within one minute of scheduled time of departure. Star Air A/S is responsible for the initial and recurrent training of the Company's pilots.

Development in activities and financial position

The Company's income statement for the year ending 31 December 2019 showed a profit of USD 26,067k, and the Company's balance sheet at 31 December 2019 showed equity of USD 161,634k.

Management finds the profit for the year satisfactory. The realised result for 2019 of USD 26.1 million is higher compared to the expectations as set out in the Annual Report 2018, where the expectations to the financial year 2019 was USD 12-16 million. The increased result is a result of lower depreciation and impairments, which is USD 11 million lower than expected. The lower depreciation and impairments is primarily due to the fact, that no recognised maintenance work is impaired.

Uncertainty regarding recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any significant uncertainty.

Outlook

The Company's outlook for the future will be negatively affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak, see also subsequent events disclosures in note 2.

Before the COVID-19 outbreak, Management expected an increase in net profit of approx. USD 5 million as compared to 2019 due to increased activity. However, the COVID-19 outbreak hit the expected increase in activity, and Management expects this could have a negative impact on both revenue and net profit for 2020. The scope of the impact is, however, unknown currently.

Special risks – Operating risks and financial risks

Operating risks

The Company primarily performs air transport for UPS, and the key to our continued success remains to continue serving UPS under this contract. There are currently no significant contractual risks for the duration of our current contract running through 2021-2022. UPS will during 2020 have to declare if they will exercise their option for continued operation into 2023-24. We have contracts in place with GECAS supporting continued availability of aircraft throughout the contract period, including the extension option.

Management's Review

Foreign exchange risks

The Company's primary income currencies are USD, DKK and EUR. Generally, income and expenses in currencies other than USD balance and, thus, there are minimal currency fluctuation risks for the Company. The Company's balance sheet items denominated in currencies other than USD primarily comprise DKK and EUR deposits used to counter currency risks related to payment of salaries and other costs within Europe, which are primarily paid in DKK and EUR. Overall, the Company is thus only subject to minor risks associated with fluctuations in the DKK and EUR exchange rates, as foreign currency translation adjustments of the EUR deposit (net financials) in all material respects are counterbalanced by either higher or lower costs. Management regularly assesses the extent to which risks should be hedged, for example through sale of EUR. Overall, currency risks are assessed as minimal.

Corporate social responsibility

For information about corporate social responsibility, we refer to A.P. Møller - Mærsk A/S' consolidated statement on corporate social responsibility on the website (link: <https://www.maersk.com/about/sustainability/reports>). The Company produces no individual corporate social responsibility statement.

Environmental responsibility

Different laws and regulations impose requirements for reduced climate and environmental impact, including through restrictions on noise levels and greenhouse gas emissions. All laws and regulations concerning the environment and the climate are adhered to by Star Air A/S.

Objectives and policies for the under-represented gender

The Board of Directors believes that its members should be elected on the basis of their combined qualifications and at the same time recognises the advantages of a Board of Directors comprising a wide range of backgrounds such as global experience, style, culture and gender. In March 2017, the Board defined a target on this basis to increase the share of the under-represented gender on the Board of Directors to account for at least 25% of the shareholder-appointed Board of Directors members within four years.

As of 31 December 2019, there are no women among the five Board of Directors members appointed at the Annual General Meeting. Consequently, the target for diversity has not been met. The background for not meeting the target is that no female candidates for vacant seats on the Board of Directors have been found. The Company will continue to work towards achieving the target within the defined timeframe.

As part of the Maersk Group, Star Air adheres to the group policy which was adopted at the Board Meeting in A.P. Møller - Maersk A/S on 21 February 2013 with the aim to increase the share of the underrepresented gender on the company's management levels.

The Maersk gender diversity and inclusion policy was revised in 2019. The policy provides details of our targets and actions to increase gender diversity and is available on the Maersk website <https://www.maersk.com/careers/maersk-culture/diversity>.

To support our ambitions of increasing the number of women in management levels the following actions have been taken and continued also in 2019, women are being recruited into Star Air there is a target of no less than 40% of one gender to be hired for our job levels up to senior management level. During talent reviews which take place for our senior job levels across the company, we measure all data by gender to allow us to assess the diversity of the talent pool.

Management's Review

Subsequent events

The outbreak of the Corona virus during the beginning of 2020 is going to affect the world economy, and the related implications are going to create instability and uncertainty on the global markets throughout 2020. At the time of completing this annual report, the impact and complete extent of the corona virus on the global healthcare and world's economy is undetermined, as the outbreak is still evolving and has yet not been contained or controlled in any country. Consequently, the Corona virus is also affecting the countries and markets in which the Company operates.

Management has evaluated the potential impact of the Corona virus on the Company's operations and expected financial performance for 2020. Management believes that the outbreak is going to have an adverse effect on the Company's revenue and results for 2020 to some extent. Though, it is Management's expectations that the industry in which the Company operates is not going to be significantly affected by the Corona virus outbreak, thus the Company's financial position is not expected to be significantly distorted.

Except for the above, no events have occurred subsequently to the balance sheet date, which would have a material impact on the financial position of the company.

Income Statement 1 January - 31 December

<i>(USD '000)</i>	Note	2019	2018
Revenue	3	146,971	150,500
Production expenses		-25,685	-52,671
Other external expenses		-7,533	-7,249
Gross profit		113,753	90,580
Staff expenses	4	-45,173	-44,327
Depreciation and impairment		-30,386	-42,232
Profit before financial income and expenses		38,194	4,021
Financial income	5	1,743	4,330
Financial expenses	6	-5,981	-14
Profit before tax		33,956	8,337
Tax on profit/loss for the year	7	-7,889	-3,202
Profit for the year	8	26,067	5,135

Balance Sheet at 31 December

Assets

<i>(USD '000)</i>	Note	2019	2018
Property, plant and equipment	9	135,132	27,673
Deferred tax asset	11	4,209	2,791
Deposits		3,736	3,736
Financial assets		7,945	6,527
Fixed assets		143,077	34,200
Spare parts		7,714	7,299
Inventories		7,714	7,299
Trade receivables		20,208	9,041
Receivables from group entities	12	124,335	143,450
Other receivables		5,968	4,084
Corporation tax receivable from group entities		0	3,755
Prepayments	13	1,988	2,254
Receivables		152,499	162,584
Cash at bank and in hand		15	15
Current assets		160,228	169,898
Assets		303,305	204,098

Balance Sheet at 31 December

Liabilities and Equity

<i>(USD '000)</i>	Note	2019	2018
Share capital	14	1,471	1,533
Retained earnings		134,163	133,912
Proposed dividend		26,000	6,134
Equity		161,634	141,579
Provisions for maintenance of leased aircraft and components		13,529	11,284
Other provisions		1,265	1,463
Provisions	15	14,794	12,747
Account payables	16	6,204	11,280
Other payables	16	1,328	0
Lease liabilities, long term part	10	66,118	0
Long-term debt		73,650	11,280
Short-term part of long-term account payables	16	5,076	5,076
Lease liabilities within 1 year	10	20,899	0
Account payables		15,787	18,621
Payables to group enterprises relating to corporation tax		3,673	0
Other payables	16	7,792	8,286
Deferred income	17	0	6,509
Short-term debt		53,227	38,492
Debt		126,877	49,772
Liabilities and equity		303,305	204,098
Accounting policies	1		
Subsequent events	2		
Contingent assets, liabilities and other financial obligations	18		
Related party disclosures	19		

Statement of Changes in Equity

<i>(USD '000)</i>	Share capital	Retained earnings	Proposed dividends for the financial year	Total
	<hr/>	<hr/>	<hr/>	<hr/>
Equity at 1 January	1,533	133,912	6,134	141,579
Paid dividend	0	0	-6,012	-6,012
Exchange rate effect	-62	184	-122	0
Transferred over the profit appropriation	0	67	26,000	26,067
Equity at 31 December	<hr/> 1,471	<hr/> 134,163	<hr/> 26,000	<hr/> 161,634

Notes to the Financial Statements

1. Accounting Policies

The Annual Report of Star Air A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large entities of reporting class C.

In the financial year, the Company has changed its functional currency from DKK to USD. The change has resulted in a positive effect of USD 1.1 million per 1 January 2019, which is recognised directly in the equity.

Furthermore, the Company has implemented the new leasing standard, IFRS 16, as of 1 January 2019. IFRS 16 was implemented using the modified retrospective approach, and comparative figures have not been restated. See note 10 to the Financial Statements for further information. The implementation of IFRS 16 has resulted in a recognition of lease assets per 1 January 2019 of USD 107,441 thousand.

Except for the change in functional currency and implementation of IFRS 16, the accounting policies are unchanged from 2018.

The Financial Statements for 2019 are presented in USD.

Omission of cash flow statement

Pursuant to Section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The cash flow statement of the Company is included in the Consolidated Financial Statements of A.P. Møller - Mærsk A/S.

Omission of fee to auditors appointed at the general meeting

Pursuant to Section 96(3) of the Danish Financial Statements Act, no fee to auditors appointed at the General Meeting has been presented. The fee to auditors appointed at the General Meeting is included in the Consolidated Financial Statements of A.P. Møller - Mærsk A/S.

Recognition and measurement

Revenue is recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the assets will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Notes to the Financial Statements

1. Accounting Policies (cont'd)

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate at the dates of transaction. Exchange rate differences arising due to differences between the transaction dates rates and the rates at the dates of payment are recognised in the financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivables or the debt arose are recognised in the financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue consists of income relating to air transport and related activities performed during the financial year. Income is recognised in the income statement at the time of flight departure or the delivery date, which is the time where the risks and rewards are transferred to the customer.

Revenue is measured at the consideration received and is recognised excluding VAT and net of discounts relating to sales.

Production expenses

Production expenses comprise the costs and consumables to achieve revenue for the year.

Other external expenses

Other external expenses comprise sales costs and costs related to advertising, administration, office premises, bad debt losses, etc.

Staff expenses

Staff expenses comprise wages and salaries.

Depreciation and impairment losses

Depreciation and impairment losses comprise the year's depreciation and impairment of property, plant and equipment.

Financial items

Financial items include interest and exchange gains and losses on items denominated in foreign currencies.

Notes to the Financial Statements

1. Accounting Policies (cont'd)

Tax on profit/loss for the year

Tax on profit for the year comprises the amount that is expected to be paid for the year together with deferred tax.

The Company is jointly taxed with other Danish companies in the A.P. Møller Holding A/S. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income (full absorption with refunds).

Balance Sheet

Property, plant and equipment

Aircraft and components as well as fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

The cost of components is divided into separate parts, which are depreciated separately if the useful life of the individual parts varies.

Depreciation is provided on a straight-line basis over the following expected useful lives of the assets:

Components	3-10 years
Fixtures and fittings, tools and equipment	3-7 years
Maintenance work	2-10 years
Aircraft (second-hand)	2-18 years

Write-downs apart from the above are made when considered necessary, cf. below.

The useful lives and residual values are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Lease assets

Lease assets are 'right-of-use assets' from lease agreements. If, at inception, it is assessed that a contract contains a lease, a lease asset is recognised. Lease assets are initially measured at the present value of future lease payments, plus the cost of obligations to refurbish the asset. Payments include fixed payments, variable lease payments depending on an index or a rate and the exercise price of purchase options that are reasonably certain to be exercised. The lease assets are depreciated using the straight-line method over the shorter of the expected lease term and the useful life of the underlying asset. The lease assets are tested for impairment whenever there is an indication that the assets may be impaired.

Notes to the Financial Statements

1. Accounting Policies (cont'd)

Lease assets relates to "Aircraft and components" and are depreciated over 3 - 6 years.

Short-term leases and leases of low value are recognised as expenses in the income statement on a straight-line basis over the lease term.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation.

If so, the asset is written down to its lower recoverable amount.

Spare parts

Spare parts are measured at cost. Where the net realisable value is lower than cost, spare parts are written down to this lower value.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning the following year.

Equity

Dividends

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions primarily comprise provisions for future scheduled maintenance of leased aircraft and engines as well as ongoing claims. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

Financial liabilities

Financial liabilities are measured at amortised cost, substantially corresponding to nominal value. Finance lease obligations comprise the capitalised residual lease obligation of finance leases.

Notes to the Financial Statements

1. Accounting Policies (cont'd)

Lease liabilities

Lease liabilities are initially recognised at the present value of future lease payments including payments from extension or purchase options that are considered reasonably certain to be exercised.

The lease liability is measured using the implicit borrowing rate in the contracts or, where this is not available, the marginal borrowing rate in Denmark. Star Air applies a single discount rate to portfolios of leases for Denmark based on contract currency and loan periods.

If a lease contract is modified, the lease liability is remeasured. For leases with extension options, lease terms are estimated taking the strategic importance into consideration. The estimated lease term is reassessed at each reporting date.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

2. Subsequent events

The outbreak of the Corona virus during the beginning of 2020 is going to affect the world economy, and the related implications are going to create instability and uncertainty on the global markets throughout 2020. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company. At the time of completing this annual report the impact and complete extent of the corona virus on the global healthcare and world's economy is undetermined, as the outbreak is still evolving and has yet not been contained or controlled in any country. Consequently, the Corona virus is also affecting the countries and markets in which the Company operates.

Management has evaluated the potential impact of the Corona virus on the Company's operations and expected financial performance for 2020. Management believes that the outbreak is going to have an adverse effect on the Company's revenue and results for 2020 to some extent. Though, it is Management's expectations that the industry in which the Company operates is not going to be significantly affected by the Corona virus outbreak, thus the Company's financial position is not expected to be significantly distorted.

Except for the above, no events have occurred subsequently to the balance sheet date, which would have a material impact on the financial position of the company.

3. Revenue

(USD '000)

	2019	2018
Geographical segments		
Revenue, Denmark	7,641	8,265
Revenue, Europe	139,330	142,235
	146,971	150,500

Business segments

The Company has only one business segment, as all revenue relates to air freight.

4. Staff expenses

Wages and salaries	36,325	34,502
Pensions	3,030	3,053
Other social security expenses	1,317	3,735
Other staff expenses	4,501	2,893
	45,173	44,183

Average number of employees	213	213
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5. Financial income

Interest income from group entities	1,743	1,368
Exchange gains	0	2,962
	1,743	4,330

Notes to the Financial Statements

6. Financial expenses

<i>(USD '000)</i>	2019	2018
Lease assets	4,106	0
Other financial expenses	4	14
Exchange losses	1,871	0
	5,981	14

7. Tax on profit/loss for the year

Current tax for the year	10,189	3,928
Deferred tax for the year	-2,719	-1,742
Adjustment of current tax concerning previous years	-882	1,016
Adjustment of deferred tax concerning previous years	1,301	0
	7,889	3,202

8. Proposed profit appropriation

Retained earnings	67	-999
Proposed dividend	26,000	6,134
	26,067	5,135

9. Property, plant and equipment

<i>(USD '000)</i>	Aircraft and components	Fixtures and fit- tings, tools and equipment	Maintenance work leased aircrafts	Total
Cost at 1 January 2019	46,699	845	179,554	227,098
Lease assets at 1 January 2019	107,441	0	0	107,441
Additions for the year	17,370	53	12,998	30,421
Disposals for the year	0	-97	0	-97
Cost at 31 December 2019	171,510	801	192,552	364,863
Depreciation and impairment losses at 1 January 2019	19,116	755	179,554	199,425
Depreciation for the year	28,530	45	1,811	30,386
Reversed depreciation and im- pairment losses on assets sold	0	-80	0	-80
Depreciation and impairment losses at 31 December 2019	47,646	720	181,365	229,731
Carrying amount at 31 December 2019	123,864	81	11,187	135,132

Notes to the Financial Statements

10. Leases

In 2019, USD 107,441k was recognised as finance leases within “Aircraft and components”. The carrying amount as of 31 December 2019 is USD 85,285k.

Maturity analysis of the lease liability

<i>(USD '000)</i>	2019	2018
Less than 1 year	20,899	0
Between 1 and 5 years	52,914	0
More than 5 years	13,204	0
Undiscounted lease liability at 31 December	87,017	0

11. Deferred tax

Deferred tax at 1 January	2,791	1,049
Deferred tax adjustment for the year in the income statement	2,719	1,742
Adjustment of deferred tax concerning previous years	-1,301	0
	4,209	2,791

The deferred tax asset relates to timing differences between accounting values and tax values.

12. Receivables from group entities

Receivables from group entities consists primarily of cash at bank in a cash pool arrangement with group entities.

13. Prepayments

Prepayments comprise prepaid expenses regarding rent, insurance premiums and subscriptions.

14. Equity

The share capital consists of shares with a nominal value of DKK 10,000 each or multiples thereof. There have been no changes in the share capital during the last five years.

15. Provisions

<i>(USD '000)</i>	Maintenance of leased air- craft and com- ponents	Other
Provision at 1 January	11,284	1,463
Exchange rate adjustment	0	0
Provision used during the year	-1,821	-1,212
Provided during the year	4,066	1,014
	13,529	1,265
The provisions are expected to mature as follows:	2019	2018
Within 1 year	1,547	3,144
Between 1 and 5 years	13,247	9,603
After 5 years	0	0
	14,794	12,747

Notes to the Financial Statements

16. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt. The debt falls due for payment as specified below:

(USD '000)	2019	2018
Trade payables		
After 5 years	0	0
Between 1 and 5 years	7,532	11,280
Long-term part	7,532	11,280
Other short-term trade payables	12,868	13,362
	20,400	24,642

17. Deferred income

Deferred income, USD 0k (2018: USD 6,509k), consists of advance invoicing to customers that may not be recognised until the subsequent financial year.

18. Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	11	24,144
Between 1 and 5 years	12	72,950
After 5 years	0	24,900
	23	121,994

The Company's rent liability amounts to USD 360k at 31 December 2019, with a remaining term of 3-12 months.

Guarantee obligations

The Company's other guarantees amount to USD 577k at 31 December 2019.

Other contingent liabilities

The Company is jointly taxed with all other Danish companies in the A.P. Møller Holding Group. As a consolidated entity, the Company has unlimited and joint liability together with the other companies under joint taxation for Danish corporation tax and withholding tax on dividends, interest and royalties within the jointly taxed companies.

19. Related party disclosures

Star Air A/S' related parties comprise the following:

Companies in the A.P. Møller Holding Group, Esplanaden 50, Copenhagen Denmark.

A/S Maersk Aviation Holding exercises direct control over the Company.

Related party transactions

Purchase of services	2,481	2,593
Sale of services	7,641	7,969
Receivables from A.P. Møller Holding	0	3,755
Receivables from A.P. Møller – Mærsk A/S	121,773	138,159
Receivables from A/S Maersk Aviation Holding	2,562	5,291
Debt to A.P. Møller Holding A/S	3,673	0

Consolidated financial statements

The Company is included in the Consolidated Financial Statements of A.P. Møller – Mærsk A/S (parent company).

The Company is included in the Consolidated Financial Statements of A.P. Møller Holding A/S (ultimate parent).