

SATAIR

Annual Report 2018

Adopted at the Annual General Meeting
on 31 May 2019.

Chairman of the meeting:

Consolidated report for ultimate parent
company, Airbus SE, is reported
separately and attached according to
ÅRL § 112.



Henrik Holm Jensen, Legal Officer

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CVR 78 41 97 17

The office is registered at the municipality of Tårnby, Denmark

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Key figures and financial ratios

USD million (unless otherwise stated)	2018	2017	2016	2015	2014	2013
	12 mths	12 mths	12 mths	12 mths	12 mths	12 mths
Income statement						
Revenue	430.5	402.1	312.9	286.9	282.5	250.8
Gross profit	50.1	51.9	35.8	48.0	49.0	42.6
Operating expenses	(19.6)	(26.0)	(11.8)	(24.8)	(28.9)	(25.8)
Profit before depreciation and amortisation (EBITDA)	30.5	25.9	24.0	23.1	20.2	16.8
Operating profit (EBIT)	23.1	19.1	17.2	20.1	18.0	14.8
Financial items, net	5.8	0.2	3.2	1.4	3.3	71.8
Profit before tax	28.9	19.3	20.4	21.5	21.3	86.7
Income tax expense	(6.3)	(4.3)	(4.5)	(5.1)	(5.2)	(5.5)
Net profit for the year	22.6	15.0	15.9	16.4	16.1	81.1
Financial position						
Property, plant and equipment	7.1	7.4	6.8	7.0	6.9	7.1
Total assets	327.2	513.7	463.1	327.3	278.6	261.8
Working capital *)	135.9	128.2	107.5	74.6	69.5	56.8
Total equity	230.5	212.0	188.8	175.6	157.4	145.6
Net cash balance **)	0.4	(184.6)	(167.7)	(42.2)	(17.4)	(29.4)
Net interest-bearing receivables/(debt)	4.1	(5.2)	(0.6)	19.8	32.6	29.8
Investment in property, plant and equipment	0.4	1.1	0.4	0.5	0.4	0.1
Cash flow						
Cash flow from operating activities	14.7	2.3	(13.1)	16.0	1.2	10.6
Cash flow from investing activities	218.1	(6.9)	(7.2)	(28.9)	(0.7)	(1.5)
Cash flow from financing activities	(2.4)	(12.4)	(105.1)	(12.0)	11.5	(0.8)
Free cash flow	232.8	(4.6)	(20.4)	(12.8)	0.5	9.1
Financial ratios						
Gross profit, %	11.6	12.9	11.4	16.7	17.4	17.0
SG&A margin, %	4.6	6.5	3.8	8.7	10.2	10.3
EBITDA margin, %	7.1	6.5	7.7	8.1	7.1	6.7
EBIT margin, %	5.4	4.7	5.5	7.0	6.4	5.9
Return on equity, %	10.7	7.5	8.7	9.9	10.6	57.8
Equity ratio, %	70.5	41.3	40.8	53.7	56.5	55.6
USD/DKK, average	631.7	660.1	673.2	672.8	561.8	561.7
USD/DKK, end of financial year	651.9	620.8	705.3	683.0	612.1	541.3
Employees						
Number of FTE, average	237	207	182	179	185	180
Number of FTE, end of financial year	244	227	191	172	187	181

*) Working capital = Inventories + Trade receivables - Trade payables

**) Net cash balance = Cash and cash equivalents - Cash pool with Airbus SE

Comparative figures have not been restated upon applying IFRS 9 and IFRS 15 in 2018.

Satair in brief

Satair is a world leader in the commercial aerospace aftermarket and an Airbus services company.

Satair provides OEM parts distribution and offers a multi-fleet service portfolio to customers. In addition, the company provides genuine Airbus Material Support and is the sole Airbus authorised distributor for a wide range of Proprietary Products and Services accessible through the trading partner Airbus SAS.

Satair supports the complete life cycle of the aircraft with a full and integrated portfolio of flexible, value adding material management products, services and tailored support modules. This allows customers to concentrate on their core business; the safe and cost effective operation of their aircraft.

Satair has exclusive and primary distribution arrangements for aerospace component manufacturers and supplies these parts to civil airlines, MROs and other customers. It also fulfils the Airbus support obligation for proprietary materials and services for Airbus in-service aircraft.

Satair's history

Satair was founded and named Scandinavian Air Trading Co A/S in 1957. Renamed Satair in the 1970s, the company grew steadily and by 2010 became the world's largest independent distributor of spares and components for the aviation industry with a strong global reach. In 2011, Satair was acquired by Airbus and in 2014, Satair Group, a wholly owned Airbus subsidiary, was formed from the merger of the Airbus Material and Logistics Management division and the former Satair. Today, Satair has more than US\$ 2 billion in revenues and 1,300+ employees at 10 locations worldwide.

Our purpose and vision

Our focus is to support airlines, MROs and OEMs to reach ever higher levels of performance. In cooperation with customers and partners we

constantly seek to develop new ways to improve aircraft turnaround times and inventory costs while maintaining parts quality.

Through exceptional customer care, embracing innovation and setting the highest industry standards Satair's vision is to be the preferred aerospace supplier for material services and integrated solutions.

Our values

Customer & Supplier Focus

We build long-term relationships and we understand the individual needs of our customers and suppliers by being as close to the market as possible.

Global Teamwork

We take pride in our company and we always maintain an atmosphere based on trust, respect and a free flow of information across borders.

Can-do-Attitude

We are empowered to solve problems locally, we meet challenges with passion and persistence and we pursue any initiative taken to improve our business.

World-Class Excellence

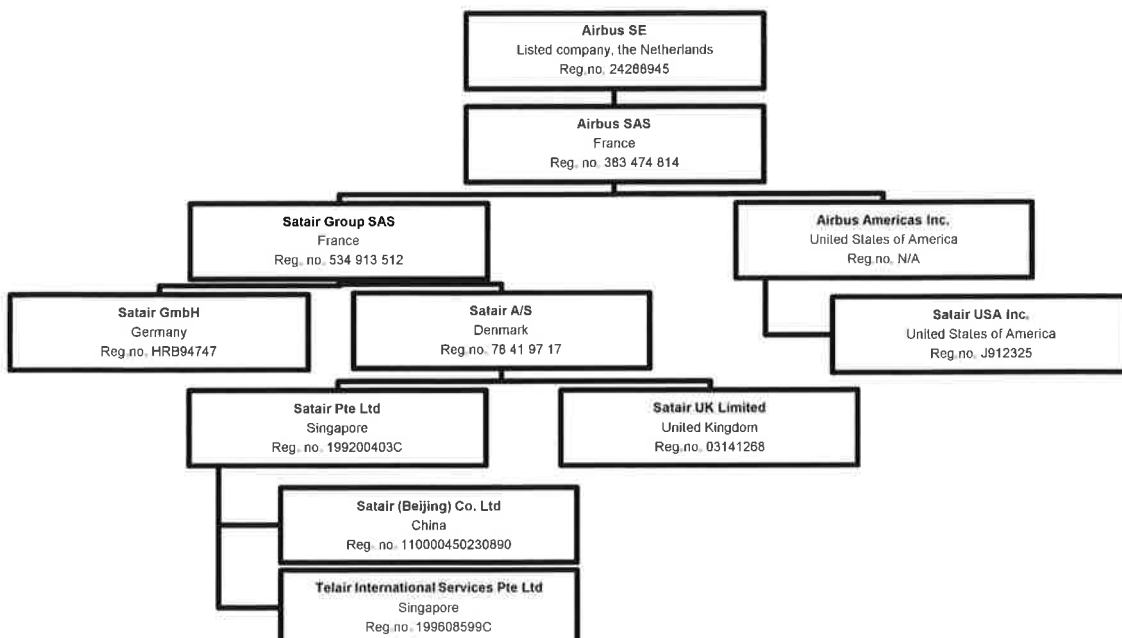
We act with integrity, we conduct our business professionally and we focus on delivering efficient service solutions on time, every time.

Being Innovative

We are flexible and open-minded and we find new ways to satisfy the needs of our customers and suppliers along the entire value chain.

Our organisation

Satair A/S is one of several legal entities within Satair. Below is an illustration of the Satair structure from a management responsibility perspective.



Review of Satair A/S' operations

Market development

The primary market is the aviation aftermarket, where Satair A/S' activities include sales and distribution to all types of commercial operators, maintenance workshops as well as military operators.

The air transport industry in 2018 was favourably influenced by global economic growth - although slowing throughout the year, high business and consumer confidence and strong passenger traffic growth. The growth in freight traffic was low throughout the year. Jet fuel prices increased dramatically due to the development in Iran and Venezuela. However, fuel prices fell back at the end of the year due to increased oil production in other parts of the world. Airline profitability remained solid and the number of stored aircraft remained low.

Market outlook

The outlook for the commercial aftermarket in 2019 is positive based on expectations of continued high global economic growth, increasing demand for passenger air transport and overall solid airline profitability. However, increasing trade conflicts, sudden financial volatility and higher fuel prices may worsen the market conditions in 2019.

The future outlook is positive as air traffic has proven its resilience to slow economic growth by outperforming global GDP, demonstrating the world's appreciation of the benefits aviation brings.

Financial performance

Revenue

Revenue reached USD 430.5 million in 2018 (USD 402.1 million) and Satair A/S thereby delivered a 7% increase in revenue compared to 2017. Favourable market conditions led to higher growth than the expected increase of 5% stated in the Annual Report for 2017. The growth in revenue mainly came from the region of Europe, Middle East and Africa but solid growth was also seen in the regions of the Americas and Asia Pacific. The growth was mainly driven by the market picking up pace, by investments in distribution rights and by diversification into new areas in the aviation aftermarket.

Gross profit

Gross profit reached USD 50.1 million (USD 51.9 million) with a gross profit margin of 11.6% (12.9%). The decrease in margin is mainly driven by a relatively higher proportion of revenue coming from intra-group sales. Profit from intra-group sales is booked as other operating income.

SG&A expenses

Operating expenses (Other operating income, staff, general and administrative expenses) totaled USD 19.6 million (USD 26.0 million) including management fees from group companies. The decrease is related to an increase in management fees.

At 31 December 2018, Satair A/S had a total of 244 FTE compared to 227 FTE in 2017.

Operating profit (EBIT)

Operating profit came to USD 23.1 million (USD 19.1 million) which is more than expected in the Annual Report for 2017. The improvement compared to 2017 is related to higher revenue and higher other operating income (management fee).

Financials

Financial items net totaled USD 5.8 million in 2018 against USD 0.2 million in 2017 and is mainly driven by foreign exchange adjustments and interests.

Net profit for the year

Net profit for the year amounted to USD 22.6 million (USD 15.0 million).

Cash flows

Free cash flow before financing activities came to USD 232.8 million (USD -4.6 million). The positive free cash flow in 2018 is mainly related to a loan given to Satair USA Inc. of 228 million USD that was repaid to Satair A/S in May 2018.

As of 31 December 2018, the company had currency hedge commitments for a total of USD 89.8 million (USD 89.4 million) which were made against DKK at an average USD/DKK rate of 630.43. The fair value of principal currency hedging contracts signed at 31 December 2018 amounts to USD 89.7 million (94.6 million). Unrealized losses (fair market value) amount to USD 0.0 million (USD 5.2 million).

Balance sheet

At the end of 2018, total assets amounted to USD 327.2 million (USD 513.7 million). The decrease compared to last year is due to the repayment of a loan to intra-group companies.

Working capital at year-end was USD 135.9 million (USD 128.2 million).

Net cash balance is positive by USD 0.4 million (negative USD 184.6 million).

Net interest-bearing receivable amounted to USD 4.1 million against a debt of USD 5.2 million in 2017.

Equity ended at USD 230.5 million (USD 212.0 million) resulting in an equity-ratio at 70.5% (41.3%).

Commercial risks

Satair A/S' business transactions involve a variety of commercial risks that may adversely affect the company's future operations and performance. Satair A/S is engaged in a continuous effort to identify these risks and, whenever possible, to counteract and reduce them. Below is an outline of the most important risks identified by Satair A/S. The outline does not necessarily constitute an exhaustive list of risk factors and the factors are not listed in any order of priority.

Developments in aviation activity

For decades, the aviation industry has seen almost constant growth in volumes of passengers and cargo at an average annual rate of approx. 4-5%, interrupted only by the first Gulf war in 1991, the terrorist attack on 11 September 2001 and the financial crisis of 2008.

Satair A/S' marketing potential is primarily determined by the type of aircrafts in operation, the scope of air carrier operations and the total number of aircraft.

Aviation is sensitive to sudden and unexpected events such as war, terrorist attacks, natural catastrophes, accidents and epidemics. When they occur, such events may have dramatic and sudden effects on activity levels within aviation.

Competition and prices

The market for distribution of aviation products is fiercely competitive. To be an attractive intermediary between customers and manufacturers distributors must be able to deliver the right combination of a broad product range, prices and attractive services.

The aftermarket is relatively fragmented and none of the distributors have captured a significant market share in the global market for spares. The majority of Satair A/S' products are exposed to competition.

Consolidation within aviation

Manufacturers in the industry may from time to time undergo a process of considerable consolidation and this may affect Satair A/S. In case an existing Satair supplier is acquired, there is a risk that the new owner will want to evaluate existing sales outlets with a view to optimize them in relation to the rest of their business activities. This may result in a change of distributor or the insourcing of distribution activities.

Airlines may from time to time enter into mergers and alliances and this may also result in a change of distributor.

Satair A/S endeavours to secure a favourable position for itself in the value chain of the aviation industry but as a result of pressure to constantly increase airline earnings as well as changes in the value chain of the industry there may be renewed and increased pressure on Satair A/S' earnings.

Dependency on suppliers

Satair A/S has a number of important suppliers. In 2018 the largest supplier accounted for approx. 11% of Satair A/S' consolidated revenue while the five largest suppliers together accounted for approx. 46% of the revenue.

Satair A/S' supplier contracts are highly varied with regards to the length of termination notices and in connection with negotiations and renegotiations, a specific aim is to ensure longer notices. Typically contracts may be terminated at a notice period of between 3 and 12 months and in the case of important suppliers, the duration of contracts is typically between three and five years.

Only few of Satair A/S' suppliers have terminated their distribution contracts. However, the loss of an important supplier could cause a significant decline in revenues and earnings in the short term.

Satair A/S is or may become a party to agreements with suppliers containing provisions concerning termination or changes to the contract which will or may take effect in case of a change in control of the company.

Dependency on customers

Satair A/S distributes products and offers related services to a wide range of customers worldwide. The distribution of Satair A/S' products and services is generally closely linked to developments in activity levels and the general financial situation within aviation and that is why sales to Satair A/S' existing customers and the conclusion of new customer agreements may be associated with some uncertainty.

Satair A/S sells to more than 900 international customers and has cooperated with most of its customers for many years. The ten largest customers accounted for approx. 40% of the revenue in 2018 with 1 customer contributing more than 12%.

The sales are sometimes based on framework agreements and under certain circumstances such contracts may be terminated prematurely, e.g. in the case of breach of contract on the part of Satair A/S. Framework agreements are, however, no prerequisite for conducting business between Satair A/S and its customer and a termination of an agreement is as such not resulting in a cease of joint business activities.

Satair A/S is or may become a party to agreements with customers containing provisions concerning termination or changes to the contract which will or may take effect in case of a change in control of the company.

Inventories

The most significant inventory risks relate to the situation where types of aircraft are grounded by the air carriers either permanently or for a long period of time. When that happens, Satair A/S' inventories of spares for that particular type of aircraft will fully or partially lose value. Until now, such changes in the use of aircraft types have occurred over a period of several years, thereby increasing the risk of obsolescence of spares for such aircraft.

Sales to the aviation industry are generally characterized by involving a very high number of part numbers many of which are sold relatively rarely. This increases the risk of obsolescence and Satair A/S' business model therefore allows for obsolescence being part of the cost side of distribution in aviation.

Subsequent events

Satair A/S is not aware of events subsequent to 31 December 2018, which are expected to have a material impact on the financial position.

Outlook for 2019

In line with the results of 2018 Satair A/S expects revenue in 2019 to increase around 2% compared to 2018 based on actual invoicing in the first months of 2019. Satair is growing existing product lines to compensate the loss of 2 product lines in 2018.

Operating profit in 2019 is expected to increase compared to 2018 mainly due to higher revenue and higher Other operating income.

Corporate governance

Annual general meeting

The Annual General Meeting is held on 31 May 2019 at Satair A/S, Amager Landevej 147A, DK-2770 Kastrup.

Corporate social responsibility

Satair A/S is committed to promoting responsible business conduct. Product safety, anti-corruption and bribery, labor relations, environment, respect for human rights, diversity and health & safety are areas where Satair is actively engaged to improve the way Satair conducts its business.

Satair A/S does not have policies for human rights, social and labour conditions, anti-corruption, environment and climate. The reason is that it is handled by Airbus SE.

Airbus is a long-standing contributor to the UN Sustainable Development Goals. Airbus published a Responsibility and Sustainability Charter in early 2018 which has been signed by the management of Airbus. General information about Airbus' approach for conducting responsible and sustainable business is available from this site:

<https://www.airbus.com/company/responsibility-sustainability.html>

Diversity

Section 139a of the Danish Companies Act stipulates that certain companies are obliged to set a target for the underrepresented gender in the Supreme Governing Body, i.e. the Board of Directors in Satair A/S' case. These companies are also required to establish a policy for other management levels in order to increase the level of the underrepresented gender.

The long-term purpose of such policy is to achieve a more equal balance of genders and once a company achieves a 40/60 balance between genders, one gender is no longer considered to be underrepresented.

The Danish Business Authority published revised Guidelines on this topic in March 2016 and according to these Guidelines, a company that has four members of the Board of Directors elected by the shareholder comprising three men and one woman, is considered to have adequate gender diversity, i.e. no underrepresentation of women exists in this case.

The Board of Directors currently consists of 5 members, one of whom were elected by the employees. The employees are entitled to elect 2 members.

The Board members elected by the shareholder consists of four men. The Board of Directors has set a target that no gender shall be underrepresented in the Board of Directors by April 1st. 2021.

The targeted 40/60 balance mentioned earlier could not be achieved in 2018 since candidates with the right competencies have not been available.

At Satair A/S' other management levels (heads of department, team leaders and other managers) at 31 December 2018, the number of women were 7 (21%) and the number of men were 26 (79%) which was a slightly higher representation of men compared to the previous year.

The targeted 40/60 balance mentioned earlier could not be achieved in 2018 since candidates with the right competencies have not been available.

The Board of Directors has revised its target date of having 40% of these management positions to be held by women. The revised target date is 1 April 2021.

In order to achieve the objective, Satair A/S aims to have at least one of each gender among the last three candidates in the recruitment and appointment of new leaders.

Both of the abovementioned targets are set to be ambitious although achievable and Satair will endeavour to achieve the targets within the deadline.

Satair A/S is completely unprejudiced in its approach to employment of people regardless of their race, ethnicity, nationality, age, gender, sexual orientation etc. and is accustomed to a highly diverse staff mix.

Management statement

Kastrup, 31 May 2019

The Board of Directors and the Management Board have today considered and adopted the Annual Report of Satair A/S for the financial year 1 January – 31 December 2018.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2018 and of the results of the company's operations and cash flows for the financial year 1 January – 31 December 2018.

In our opinion, the management review includes a true and fair view of the circumstances described in the review.

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

Management Board



Bart Reijnen
Chief Executive Officer

Board of Directors



Morten Olsen
Chairman



Kasper Neerup Villumsen



Bart Reijnen



Henrik Holm Jensen



Per Iversen
Employee representative

Independent auditors' report

To the shareholders of Satair A/S

Opinion

We have audited the financial statements of Satair A/S for the financial year 1 January – 31 December 2018, which comprise income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 misstatements of the Management's review.

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 International Financial Reporting Standards as adopted by the EU and additional requirements of 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 as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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.

Independent auditors' report - continued

- 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.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note 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.

Copenhagen, 31 May 2019

Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Jan C. Olsen
State Authorised Public Accountant
mne 33717



Peter Andersen
State Authorised Public Accountant
mne 34313

Income statement

1 January - 31 December

USD thousands	Note	2018	2017
Revenue	3	430,516	402,088
Cost of goods sold	6	(380,384)	(350,179)
Gross profit		50,132	51,909
Other operating income	4	29,367	16,810
Staff expenses	5	(27,392)	(24,109)
Other expenses		(21,571)	(18,662)
Profit before depreciation and amortisation (EBITDA)		30,536	25,948
Depreciation & Amortisation	11 + 12	(7,446)	(6,888)
Operating profit (EBIT)		23,090	19,060
Financial income	16	8,925	9,172
Financial expenses	16	(3,126)	(8,925)
Profit before tax		28,889	19,307
Income tax expense	22	(6,316)	(4,296)
Net profit for the year		22,573	15,011

Statement of comprehensive income

1 January - 31 December

USD thousands	Note	2018	2017
Net profit/(loss) for the year		22,573	15,011
Items that may be subsequently reclassified to the income statement			
Fair value adjustment of derivatives before tax		(4,614)	9,963
Hereof recl. of currency derivatives through the income statement (Staff expenses)	18	(622)	569
Tax on other comprehensive income	22	1,152	(2,317)
Other comprehensive income		(4,084)	8,215
Comprehensive income for the year		18,489	23,226

No dividend is expected to be paid to the owners.

Statement of financial position

At 31 December

USD thousands	Note	2018	2017
Assets			
Intangible assets	11	31,304	33,013
Property, plant and equipment	12	7,064	7,422
Investments in subsidiaries	13	51,121	51,121
Non-current assets		89,489	91,556
Inventories	6	138,576	136,767
Trade receivables	7	29,451	32,497
Receivables from intra group companies	21+28	13,528	236,839
Receivables from other related parties	21	5,666	6,064
Other receivables	9	4,657	6,495
Cash pool with Airbus SE (ultimate parent company)	15+17+19	45,417	-
Cash and cash equivalents	15	367	3,444
Current assets		237,662	422,106
Total assets		327,151	513,662

Statement of financial position

At 31 December

USD thousands	Note	2018	2017
Equity and liabilities			
Share capital	14	13,138	13,138
Reserves and retained earnings		217,399	198,910
Total equity		230,537	212,048
Deferred tax liabilities	23	2,819	3,238
Loans and borrowings	17	1,141	3,138
Non-current liabilities		3,960	6,376
Current part of loans and borrowings	17 + 19	1,535	1,940
Cash pool with Airbus SE (ultimate parent company)	15+17+19	-	188,061
Trade payables	17	32,145	41,106
Payables to intra-group companies	19+21+28	48,933	49,832
Payables to other related parties	21	1,569	975
Tax payable	17	3,384	1,755
Other liabilities	10	5,088	11,569
Current liabilities		92,654	295,238
Total liabilities		96,614	301,614
Total equity and liabilities		327,151	513,662

Statement of cash flows

1 January - 31 December

USD thousands	Note	2018	2017
Profit before depreciation and amortisation (EBITDA)		30,536	25,948
Non-cash items		(4,264)	13,847
Foreign exchange adjustments		4,899	(3,064)
Interest received		3,247	6,293
Interest paid		(1,725)	(3,550)
Income taxes paid		(2,392)	(2,143)
Changes in working capital	8	(15,620)	(34,992)
Cash flow from operating activities		14,681	2,339
Acquisition of intangible assets	11	(5,670)	(5,857)
Disposal of intangible assets	11	689	-
Acquisition of property, plant and equipment	12	(398)	(1,057)
Loans to subsidiaries and related parties		223,500	(12,000)
Cash flow from investing activities		218,121	(6,914)
Debt regarding intangible assets	19	(2,403)	(375)
Cash flow from financing activities		(2,403)	(12,375)
Net cash inflow/(outflow)		230,399	(16,950)
Cash and cash equivalents at 1 January		(184,615)	(167,665)
Net cash inflow/(outflow)		230,399	(16,950)
Cash and cash equivalents at 31 December	15	45,784	(184,615)

Statement of changes in equity

1 January - 31 December

USD thousands	Share capital	Share premium	Retained earnings	Hedging reserve	Total equity
Equity at 1 January 2018	13,138	46,010	148,826	4,074	212,048
Net profit/(loss) for the year	-	-	22,573	-	22,573
Fair value adjustment of derivatives before tax				(4,614)	(4,614)
Hereof recl. of currency derivatives through the income statement (Staff expenses)				(622)	(622)
Tax on other comprehensive income	-	-	-	1,152	1,152
Comprehensive income	-	-	22,573	(4,084)	18,489
Equity at 31 December 2018	13,138	46,010	171,399	(10)	230,537
Equity at 1 January 2017	13,138	46,010	133,815	(4,141)	188,822
Net profit/(loss) for the year	-	-	15,011	-	15,011
Fair value adjustment of derivatives before tax				9,963	9,963
Hereof recl. of currency derivatives through the income statement (Staff expenses)				569	569
Tax on other comprehensive income	-	-	-	(2,317)	(2,317)
Comprehensive income	-	-	15,011	8,215	23,226
Equity at 31 December 2017	13,138	46,010	148,826	4,074	212,048

SATAIR

**Notes
2018**

Notes

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Note 1 Accounting policies

CORPORATE INFORMATION

Satair A/S is a limited liability company founded and headquartered in Denmark.

The Annual Report for Satair A/S was discussed and approved by the Management Board and the Board of Directors on 31 May 2019 and issued for approval at the subsequent Annual General Meeting on 31 May 2019.

BASIS FOR PREPARATION

The Annual Report for Satair A/S has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act.

The accounts have been prepared under the historical cost convention, except for areas in which IFRS explicitly requires the use of fair values. The accounting policies outlined below have been applied consistently in the financial year and for the comparative figures. The financial year for Satair A/S is 1 January - 31 December. The accounting policies are unchanged compared to last year with the exception of the changes made necessary by IFRS 9 and IFRS 15.

New and amended standards and interpretations

IFRS 9 - Financial instruments - is effective for annual periods beginning on 1 January 2018. IFRS 9 determines the accounting treatment of financial instruments including the classification and measurement of financial assets and liabilities such as trade receivables.

Satair adopted the new standard on 1 January 2018 and applied the limited exemption in IFRS 9 relating to transition for classification and measurement and impairment. Satair has therefore not restated comparative periods in the year of initial approach. Any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the reporting period with differences recognised in opening equity.

Following the implementation of IFRS 9 Satair A/S assesses on a forward-looking basis the expected credit loss model associated with its trade and intercompany receivables. Satair A/S applies the low credit risk exemption allowing Satair A/S to assume that there is no significant increase in credit risk since initial recognition of a financial instrument, if the instrument is determined to have low credit risk at the reporting date. Similarly, the Company has determined that its trade receivables generally have low credit risk. The Company has applied the simplified approach permitted by IFRS 9 of measuring expected credit losses of trade receivables on a life-time basis from initial recognition.

The new revenue recognition standard IFRS 15 has replaced the previous revenue recognition standards from January 1, 2018. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer (performance obligation) at a point in time.

Satair has applied the modified retrospective method upon implementation, which means that the cumulative impact, at initial adoption is recognised in retained earnings as of January 1, 2018 and comparative figures are not restated.

Satair generates the majority of its revenues without explicit contracts with customers under a resale and distribution model. Satair is entitled to the revenue when Satair has fulfilled its performance obligation i.e. the delivery of the ordered parts to the customer and at the point in time when the customer obtains control of the parts.

IFRS 15 has not had a significant impact on Satair's recognition, measurement or presentation of revenue.

For both IFRS 9 and IFRS 15 the implementation has led to additional disclosure requirements and the accounting policy for revenue recognition and trade receivables has been reworded.

New standards not yet effective

The IASB has issued other standards and interpretations with effective date post 31 December 2018. Satair will implement the new standards and interpretations when they become mandatory.

IFRS 16 Leases applies to financial years beginning on or after 1 January 2019. IFRS 16 introduces a uniform lessee accounting model. Applying that model, a lessee is required to recognise a right-of-use asset representing the lessee's right to use the underlying asset and a financial liability representing the lessee's obligation to make future payments.

Satair will in the transition to IFRS 16, use the modified retrospective method, meaning that as of 1 January 2019 therefore, the cumulative effect will be recognised as an adjustment to the opening balance, with no restatement of comparative information. Satair intends to use the practical expedients in IFRS 16 for not recognizing short-term leases and leases of low value.

The impact of IFRS 16 at initial application is limited and the analysis conducted as part of the initial application resulted in a lease liability totaling USD 2.0 million. Consequently; the impact of applying IFRS 16 will be an increase in EBITDA of USD 0.5 per year, increase of depreciation and finance costs of USD 0.4 million hence a net increase of USD 0.1 million on profit before tax. The change in presentation of operating lease expenses will result in a corresponding improvement in cash flows from operating activities and a decline in cash flows from financing activities.

Except from IFRS 16, none of the other standards and interpretations are expected to have an impact on recognition and measurement, but they will lead to further disclosures in the Notes.

Functional currency

USD is the primary currency used for operations. Hence USD is applied as functional currency for Satair A/S. USD has been chosen as the presentation currency in the presentation of the accounts.

Preparation of separate financial statements

According to IFRS 10, Satair A/S is exempt from preparing consolidated financial statements as:

- Satair A/S is a wholly-owned subsidiary of the ultimate parent company, Airbus SE, which has been informed and does not object to that Satair A/S is not presenting consolidated financial statements.
- Satair A/S is not a publicly listed company or have debt or equity instruments traded on public markets.
- Satair A/S has not filed, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.
- the ultimate parent company, Airbus SE, prepares and publishes consolidated financial statements in accordance with IFRS.

The consolidated financial statements can be found at www.airbus.com.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

Transactions denominated in foreign currencies in the course of the year are translated at the exchange rates at the transaction date. Gains and losses arising between the exchange rates at transaction date and date of payment are recognised in the income statement.

Receivables, payables and other monetary items denominated in foreign currencies which are not settled at the balance sheet date are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at balance sheet date and transaction date is recognised in the income statement.

Notes

Note 1 Accounting policies (continued)

Derivative financial instruments

Satair A/S' derivative financial instruments act as an efficient financial hedge under Satair A/S' risk management policy.

Derivative financial instruments that are seen to qualify for cash flow hedge accounting are called 'effective', whereas derivative financial instruments that are not seen to meet these criteria are called 'ineffective'.

Changes in the fair value of effective derivative financial instruments are recognised directly through other comprehensive income in shareholders' equity in a separate reserve and are released to the income statement in the period during which the hedged item affect the income statement.

Changes in the fair value of ineffective derivative financial instruments are recognised directly in the income statement as financial items.

Derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included under Other receivables and Other liabilities respectively.

For both effective and ineffective derivative financial instruments, such part of the fair value adjustment as is attributable to the time value is always recognised directly in the income statement.

Fair value on derivatives is based on commonly quoted exchange rates and is calculated upon standard pricing models.

INCOME STATEMENT

Revenue from sale of goods

Revenue is recognised when Satair A/S transfers control (i.e. at a point in time) of the promised goods to the customer. Satair A/S measures revenue, for the consideration to which Satair A/S is expected to be entitled in exchange for transferring promised goods. Variable considerations are included in the transaction price when it is highly probable that there will be no significant reversal of the revenue in the future. Satair A/S identifies the various performance obligations of the contract and allocates the transaction price to these performance obligations. Advances and pre-delivery payments (contract liabilities) are normal and not considered a significant financing component as they are intended to protect Satair A/S from the customer failing to complete its obligations under the contract.

Cost of goods sold

Cost of goods sold comprises the cost of commercial products consumed to achieve the revenue for the year and other direct, variable costs including write-downs for obsolescence.

Other operating income

Other operating income includes items of a secondary nature relative to the enterprise's core business. Operating income includes a management fee which is determined as a royalty on external sales based on the intra-group ownership of distribution rights, inventory levels, and market data.

Staff expenses

Staff expenses include wages, salaries and pension for the Satair A/S' employees as well as other staff-related expenses.

Other expenses

Other expenses comprise expenses to distribution, sales, advertising, administration, operational leasing, rental of premises, etc. Services received in connection with operational leases are recognized in the income statement, at a linear basis according to the lease period.

Amortisation, depreciation and impairment

Amortisation includes amortisation of intangible assets, while depreciation and impairment comprise depreciation and impairment for the year of property, plant and equipment.

Financial income and expenses, net

Financial income and expenses, net comprise interest received and paid as well as foreign exchange adjustments relating to receivables and payables not stated in the functional currency.

Dividends on capital investments in subsidiaries are recognized as income in Satair A/S' income statement in the financial year in which the dividends are declared. Gain and losses from disposal of subsidiaries and associates are included in the income statement of Satair A/S at the time of disposal.

Tax

Income tax expenses consists of current tax and deferred tax for the year, the effect on deferred tax of changes in tax rates, and adjustments of current tax relating to previous years. Such part of tax for the year as is attributable to items directly under statement of comprehensive income is taken directly to this.

Current tax is calculated at the tax rate applicable for the year. Deferred tax is measured according to the tax rules and at the tax rates applicable by law in the respective countries at the balance sheet date when the deferred tax is expected to materialise as current tax.

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Adjustment is made to deferred tax relating to the unrealised intra-group profits and losses.

Deferred tax assets, including the tax value of tax deficits eligible for carry forward, are measured at the value with which the asset is likely to be realised either in settlement of tax on future earnings or in settlement of deferred tax liabilities within the same legal tax entity.

FINANCIAL POSITION

Intangible assets

Acquired distribution rights are recognised at cost less amortisation. Rights under non-cancellable contracts are amortised on a linear basis over the contract term. Other rights are amortised on a linear basis over the expected useful life. Distribution rights are amortised over the expected useful life of the agreements ranging from 5 to 20 years. Please refer to note 11 for further information on the amortisation profiles of the company's distribution rights.

Acquired IT-software and development costs are recognised at cost and measured at cost less accumulated amortisation and impairment.

The amortisation period is up to 20 years and is determined on the basis of the experience gained with regard to the useful life of the individual groups of assets.

The residual values and useful lives of assets are reassessed and changed annually, if deemed necessary.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition of the asset until the date when it is available for use. Borrowing costs are not recognised in the cost.

Notes

Note 1 Accounting policies (continued)

Depreciation calculated as cost less any residual value is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

- Office and warehouse buildings 30 - 50 years
- IT-hardware 3-5 years
- Fixtures, fittings, tools and equipment 3-7 years

The depreciation periods are based on experience with regard to the duration of the period in which such assets are in use. The residual values and useful lives of assets are reassessed and changed, if necessary, at each balance sheet date.

Gains and losses on the disposal of plant, property and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement under other operating income/expenses.

Investments

Investments in subsidiaries are measured at cost. Impairment testing is carried out if there is an indication of impairment. The carrying amount is written down to recoverable amount whenever the carrying amount exceeds the recoverable amount. The impairment loss is recognized as a finance cost in profit and loss.

Loans to subsidiaries are recognised under long-term assets when these are seen to be part of the investment.

Impairment of non-current assets

The carrying amount of non-current assets is measured at the lower of recoverable amount and carrying amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less cost to sell and its value in use. The fair value less cost to sell is determined based on recent market transactions. The value in use is determined as the net present value of the estimated future cash-flows.

For assets which do not generate cash-flows independently of other assets, the recoverable amount is calculated for the smallest cash-generating unit of which the asset forms part. The determination of cash-generating units follows the management structure, internal finance management and reporting in the company. A cash-generating unit may constitute up to but no more than one segment.

Inventories

Inventories (aircraft spare parts) are recognised at acquisition cost on the basis of the lower of average acquisition cost and net realisable value and kept at weighted landing cost.

Net realisable value is measured on the basis of an individual assessment. Write-downs for obsolescence are made on aircraft spare parts based on a model providing for slow-moving products.

The acquisition cost of aircraft spare parts is measured at purchase price plus delivery costs.

Receivables

Receivables are classified as current except for those falling due 12 months after the balance sheet date or later. The amounts are included under Trade receivables and Other receivables.

Receivables are recognised in the balance sheet at fair value and are subsequently measured at amortised cost. For current non-interest-bearing receivables and receivables with a floating interest, this usually corresponds to the fair value.

The company uses the new method for expected credit loss to make writedowns on receivables. On top of the expected loss method the company also assess indications of impairment of significant individual receivables. This assessment is done on the basis of an age criteria and objective indicators of a debtor's financial difficulties.

As for the intercompany receivables from subsidiaries and for trade receivables, we have amended the specific method in which the impairment provision for expected credit losses for a 12 months period is assessed.

Cash and cash equivalents

Cash and short term deposits in the statement of financial position comprise cash at banks and cash on hand.

Shareholders' equity

Dividend is recognised as a liability at the date when it is adopted at the annual general meeting. Dividend proposed for the financial year is shown separately in the equity.

Distribution of dividend in kind is recognised in equity at the fair value of the assets as at the date of declaration.

Hedging adjustments comprise changes in the fair value of hedging transactions that qualify for recognition as cash flow hedges and where the hedge transactions has not yet been realised.

Provisions

Provisions are recognised when, as a result of events happening before or at the balance sheet date, Satair A/S has a legal or a constructive obligation and it is probable that there may be an outflow of economic benefits to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Financial liabilities

Amounts owed to credit institutions are recognised at the date of borrowing at fair value corresponding to the net proceeds received less transaction costs paid. In subsequent periods, the amounts are measured at amortised cost, meaning that the effective interest rate is recognised in the income statement over the term of the loan.

Other financial liabilities, which include payables to suppliers and subsidiaries, are recognised at the date of borrowing at fair value and subsequently measured at amortised cost which, for these items, usually corresponds to the nominal value.

Other payables are measured at net realizable value.

Fair value measurement

Satair uses the fair value concept in connection with certain disclosure requirements and for recognition of financial instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date ("exit price").

The fair value is a market-based and not an entity-specific measurement. The entity uses the assumptions that the market participants would use for the pricing of the asset or liability based on the current market conditions, including risk assumptions. The entity's purpose of holding the asset or settling the liability is thus not taken into account when the fair value is determined. The fair value measurement is based on the principal market. If a principal market does not exist, the measurement is based on the most advantageous market, i.e. the market that maximizes the price of the asset or liability less transaction and transport costs. All assets and liabilities measured at fair value, or in respect of which the fair value is disclosed, are categorised into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement, see below:

Level 1: Quoted priced in an active market for identical assets or liabilities

Level 2: Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly

Level 3: Inputs that are not based on observable market data (valuation techniques that use inputs that are not based on observable market data)

Notes

Note 2 Significant accounting estimates and judgements

STATEMENT OF CASH FLOWS

The statement of cash flows is based on the indirect method and shows Satair A/S' cash flows for the year from operating, investing and financing activities.

Cash flow from operating activities is calculated as EBITDA of the year adjusted for non-cash operating items, interest received, interest paid, income taxes paid and working capital changes.

Cash flow from investing activities comprises payments in connection with acquisition and divestment of enterprises or assets. Cash flow from financing activities comprises the raising of loans, installments on loans, payment of dividends and increases of the share capital.

Cash flow concerning acquired companies is recognized from the date of acquisition, while cash flow concerning divested companies is recognized until the date of divestment.

Cash and cash equivalents include cash reserves and cash pool.

Debt to credit institutions recognised in the balance sheet under current debt is included in cash flows from financing activities insofar as it is considered to be capital debt.

Ratios

The ratios mentioned in the five-year summary are calculated as described in the notes.

Uncertainties in the estimates

Calculation of the book value of certain assets and liabilities will require certain assessments, estimates and assumptions regarding future events. The estimates made are based on historic experience and other factors deemed proper and adequate under the circumstances by the management, but which by nature are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur.

Estimates of importance for the financial reporting are made in the following areas:

Accounting estimates

On acquisitions of distribution rights, the company's management makes an assessment as to whether, in accounting terms, the acquisition concerns a "business" or a series of individual assets and liabilities. The assessment is based on whether the acquisition is integrated activities or assets.

Upon entering into new distribution rights agreements, the company's management evaluates the useful life, value and potential liabilities inherent in the contract.

Impairment tests of distribution rights are performed upon first recognition in the balance sheet, if and when objective signs of impairment occur, and at least once per fiscal year.

All distribution rights are amortised based on contract period. Refer to note 11 for specification of useful lives of significant contracts.

When entering into new inventory consignment contracts Satair's management determines whether the company is entering into an agency relationship by evaluating if the company is exposed to the significant risks and rewards associated with the sale of goods. There are four criteria that, individually or in combination, indicate that the company is acting as principal:

- Satair has the primary responsibility for providing the goods to the customer or for fulfilling the order;
- Satair has the inventory risk before the customer order or on return;
- Satair has latitude in establishing prices, either directly or indirectly;
- Satair bears the customer's credit risk on the receivable due from the customer.

Impairment of inventories

Inventories are recognised at cost less write-down to net realisable value in case of impairment due to failing demand. The estimate of the required write-downs is made on the basis of a mathematical model based on the individual characteristics and historical information on the sales patterns for the inventories in the perspective of value loss over time. In addition, further write-downs are made to the extent there are specific indications of impairment. The mathematical model ensures reversal of write-downs made for products which are subsequently sold. It is estimated that the write-downs made are sufficient and that the financial uncertainty linked to the depreciation to net realisable value on inventories is considered limited.

Impairment of trade receivables

Credit loss allowances on individual receivables are made on the basis of the customers' payment capacity, historic information on payment patterns and doubtful debts, and customer concentration, customers' credit worthiness and financial trends in the company's sales channels. In addition to this, allowances for expected credit losses are made on the remaining trade receivables based on a simplified approach.

Notes

Note 3 Specification of revenue

USD thousands	2018	2017
Europe, Middle East, Africa	306,047	290,967
Americas	55,995	49,601
Asia Pacific	68,474	61,520
	430,516	402,088

Note 4 Other operating income

USD thousands	2018	2017
Management fee ¹⁾	29,367	16,810
	29,367	16,810

¹⁾ The management fee is based on a transfer pricing agreement between the entities within Satair Group and takes ownership of distribution rights, inventory levels, financing of inventory and revenue into consideration

Note 5 Staff expenses

USD thousands	2018	2017
Wages, salaries and fees	(23,401)	(20,840)
Pensions, defined contribution	(1,883)	(1,567)
Other social security expenses, etc.	(265)	(221)
Other staff related expenses	(1,843)	(1,481)
	(27,392)	(24,109)
Average number of employees (FTE)	237	207

Salary and bonus to the Management Board in 2018 is not shown with reference to ARL § 98b. A group of senior managers are part of a Long-Term Incentive Plan (LTIP) which is designed to reward long-term commitment, company performance as well as engagement on financial targets subject to cumulative performance over a three-year period.

Notes

Note 6 Inventory

USD thousands	2018	2017
Commercial products	138,481	136,682
Prepayments to vendors	95	85
Inventory	138,576	136,767
Cost of goods sold exclusive of write-downs	(379,220)	(348,917)
Inventory write-down for the year	(1,288)	(2,026)
Reversal of inventory write-downs for the year due to sale	124	764
Cost of goods sold	(380,384)	(350,179)

Note 7 Trade receivables

USD thousands	2018	2017
Not due	23,169	25,957
Overdue 1 - 60 days	3,895	3,372
Overdue 60 - 360 days	2,456	4,383
Overdue more than 360 days	2,326	2,387
Gross trade receivables	31,845	36,099
Write-downs at 1 January	(3,602)	(1,749)
Write-down for the year	(235)	(2,023)
Reversal of write-downs previously recognised	1,443	170
Write-downs at 31 December	(2,394)	(3,602)
Net trade receivables (maximum credit risk)	29,451	32,497

Trade receivables ECL model 31 December 2018

	Current	1-30	31-60	61-90	91-180	181-360	+360	Total
Expected credit loss rate	0.3%	0.6%	2.3%	4.9%	7.7%	16.6%	90.2%	
<i>USD thousands</i> Balance 31 December 2018	23,169	2,228	1,667	1,469	617	371	2,326	31,845
Expected credit loss	64	13	38	73	47	62	2,097	2,394

Notes

Note 8 Change in working capital

USD thousands	2018	2017
Change in trade receivables	3,912	(10,266)
Change in inventory	4,806	(26,571)
Change in other receivables	1,838	(5,072)
Change in trade payables	(15,204)	13,225
Change in intra-group balances	(4,096)	496
Change in other liabilities	(6,876)	(6,804)
	(15,620)	(34,992)

Note 9 Other receivables

USD thousands	2018	2017
Prepayments to suppliers	4,647	1,202
Derivatives	-	5,195
Other receivables	10	98
	4,657	6,495

Note 10 Other liabilities

USD thousands	2018	2017
Prepayments from customers	-	1,150
Derivatives	41	-
Staff related liabilities	2,515	5,960
Other liabilities	2,532	4,459
	5,088	11,569

Notes

Note 11 Intangible assets

2018	Distribu- tion rights	Software and other intan- gible assets	Total
USD thousands			
Cost at 1 January	44,591	11,553	56,144
Additions	1,000	4,670	5,670
Disposals	(689)	-	(689)
Cost at 31 December	44,902	16,223	61,125
Amortisation and impairment losses at 1 January	(14,657)	(8,474)	(23,131)
Amortisations	(5,407)	(1,283)	(6,690)
Amortisation and impairment losses at 31 December	(20,064)	(9,757)	(29,821)
Carrying amount at 31 December	24,838	6,466	31,304

As of 31 December 2018 carrying amounts of distribution rights agreements that are material on their own comprise:

- Distribution rights regarding sale of specific product lines amortised fully in year 2025: USD 12 million
- Distribution rights regarding sale of specific product lines amortised fully in year 2026: USD 2.4 million
- Distribution rights regarding sale of specific product lines amortised fully in year 2027: USD 2.1 million

As per 31 December 2018 there is no indication of impairment of the value of the distribution rights.

2017	Distribu- tion rights	Software and other intan- gible assets	Total
USD thousands			
Cost at 1 January	40,480	9,807	50,287
Additions	4,111	1,746	5,857
Disposals	-	-	-
Cost at 31 December	44,591	11,553	56,144
Amortisation and impairment losses at 1 January	(9,298)	(7,422)	(16,720)
Amortisations	(5,359)	(1,052)	(6,411)
Amortisation and impairment losses at 31 December	(14,657)	(8,474)	(23,131)
Carrying amount at 31 December	29,934	3,079	33,013

Notes

Note 12 Property, plant and equipment

2018

USD thousands	Land and buildings	Plant and equipment	Total
Cost at 1 January	10,050	4,966	15,016
Additions	167	231	398
Cost at 31 December	10,217	5,197	15,414
Depreciation and impairment losses at 1 January	(3,874)	(3,720)	(7,594)
Depreciation	(202)	(554)	(756)
Depreciation and impairment losses at 31 December	(4,076)	(4,274)	(8,350)
Carrying amount at 31 December	6,141	923	7,064

2017

USD thousands	Land and buildings	Plant and equipment	Total
Cost at 1 January	10,036	3,923	13,959
Additions	14	1,043	1,057
Cost at 31 December	10,050	4,966	15,016
Depreciation and impairment losses at 1 January	(3,756)	(3,362)	(7,118)
Depreciation	(118)	(358)	(476)
Depreciation and impairment losses at 31 December	(3,874)	(3,720)	(7,594)
Carrying amount at 31 December	6,176	1,246	7,422

Notes

Note 13 Investments in subsidiaries

The investments comprise of the wholly owned subsidiaries Satair Pte. Ltd., Singapore and Satair UK Ltd., United Kingdom.

USD thousands	2018	2017
Cost at 1 January	51,121	51,121
Carrying amount at 31 December	51,121	51,121

As per 31 December 2018 there is no indication of impairment of the investments in subsidiaries.

Note 14 Share capital

The share capital consists of 4,384,196 shares in denominations of DKK 20, corresponding to a total capital of DKK 87,683,920. Translated into historical cost, the share capital amounts to USD 13,138,366.

There are no specific rights, preferences or restrictions attached to the shares. The share capital has remained unchanged for 5 years.

No dividend is expected to be paid to the owners and the solvency ratio is expected to remain unchanged.

Please refer to Note 28 regarding subsidiaries.

USD thousands	Nominal value	Number of shares
Share capital at 31 December 2017	13,138	4,384,196
Movements during the year	-	-
Share capital at 31 December 2018	13,138	4,384,196

Note 15 Net cash balance

USD thousands	2018	2017
Cash and cash equivalents	367	3,444
Cash pool with Airbus SE (ultimate parent company)	45,417	(188,061)
	45,784	(184,617)

Satair A/S has credit facilities in total of USD 11.5 million (USD 203.9 million) of which USD 11.5 million (USD 15.8 million) are not utilised. The not utilised credit facilities are deemed sufficient to secure Satair A/S' ongoing operations.

Please refer to note 20 for further information.

Notes

Note 16 Financial income and expenses

USD thousands	2018	2017
Financial income		
Derivatives income from intra-group companies	1,103	2,149
Interest income from intra-group companies ¹⁾	3,243	6,253
Other financial income	4	40
Foreign exchange adjustment	4,575	730
	8,925	9,172
Financial expenses		
Interest expenses to intra-group companies	(1,585)	(1,269)
Interest expenses to related parties ²⁾	(81)	(2,273)
Derivatives expenses to related parties ²⁾	(1,103)	(2,149)
Other financial expenses	(59)	(9)
Foreign exchange adjustment	(298)	(3,225)
	(3,126)	(8,925)
Net income/(expense)	5,799	247

¹⁾ Relates to the related party Satair USA Inc. Please refer to Note 28 for further information.

²⁾ Relates to Airbus SE (ultimate parent company)

Notes

Note 17 Financial assets and liabilities

Financial risks

Satair A/S' risk management policy

Because of the nature of Satair A/S' operations, investments, and financing, it is exposed to changes in foreign exchange rates and interest rates. It is Satair A/S' policy not to engage in speculation in financial risks.

Satair A/S engages in hedging of forecasted major cash flows in DKK through currency forward agreements. These cash flows primarily pertain from staff costs and other operating expenses. According to the company's hedging policy Satair A/S will hedge up to 100% of its forecasted DKK cash flows in the nearest 3 future years. All hedging facilities are paid in USD.

Market risk

Currency

Invoicing is in USD, GBP and EUR currencies, with USD as the functional currency. Of the total revenue, sales in USD account for approximately 98% and does not represent a currency risk. The remainder has not been hedged.

Purchases of supplies are done in USD, CHF, GBP, EUR and DKK currencies, with USD as the primary currency. Of total purchases of supplies, purchases in USD account for 87%. Hence cash flows to purchase of supplies have not been hedged.

Satair A/S and its subsidiaries defray their own operating costs in local currency, i.e. DKK, SGD and GBP. Assessments and possible cover of the currency risks are done in accordance with the adopted policy and only by Satair A/S by means of forward contracts.

A 10% increase of USD against DKK for the financial assets and commitments recognised in the balance sheet will have a positive impact on Satair A/S' profit and shareholders' equity of USD 0.3 million (USD 4.3 million), all other variables being held constant.

Interest rates

Satair A/S' interest rate risk concerns loans with group companies, credit institutions, vendors and cash funds. The total net cash amounts to USD 45.8 million (USD 184.6 million).

Capital management

The carrying amount of shareholders' equity is considered to be Satair A/S' capital. Satair A/S' capital structure is characterised by a high equity interest of which the purpose is to ensure stable conditions for the execution of the approved corporate strategy.

Credit risk

Satair A/S is exposed to credit risks related to its receivables and bank deposits. The maximum credit risk corresponds to the book value. No credit risks are found to be associated with cash and cash equivalents, as the counterparts are banks and the parent company, all with good credit ratings. In accordance with the established procedure, outstanding receivables are regularly followed up on by corporate management. If any uncertainty should arise concerning a customer's ability or will to pay a given receivable, and the outstanding balance is found to be risk-prone, write-downs are made to cover this risk.

As per January 1, 2018 Satair A/S has implemented IFRS 9 using the simplified expected credit loss model. The model implies that the expected loss over the lifetime of the asset is recognised in the profit and loss immediately and is monitored on an ongoing basis until realisation. Historically there has been limited losses on trade receivables. The inputs to the expected credit loss model reflects this. The effect of implementation of IFRS 9 has been assessed insignificant.

Refer to note 7 for specification of the expected credit loss on receivables from trade receivables

Liquidity risk

Satair A/S' financial reserves at 31 December 2018 consist of loans and credits taken out with the parent company or with banks.

Categories of financial instruments

Financial assets and liabilities at fair value are related to foreign exchange rate forward contracts which have been valued using a valuation technique with market observable inputs (level 2).

Satair A/S enters into derivative financial instruments with Airbus SE. Derivatives valued using valuation techniques with market observable inputs are foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing models using present value calculations. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and Satair A/S' own non-performance risk.

Notes

Note 17 Financial assets and liabilities (continued)

USD thousands	2018	2017
Financial assets measured at amortised cost ¹⁾		
Trade receivables	29,451	32,497
Receivables from intra-group companies and other related parties	19,194	242,903
Other receivables	4,657	6,495
Cash and cash equivalents	367	3,444
	53,669	285,339
Financial assets measured at fair value		
Derivatives ²⁾	-	5,195
Financial liabilities measured at amortised cost ¹⁾		
Payables to intra-group companies and other related parties	(50,502)	(238,868)
Trade payables	(32,145)	(41,106)
Loans and borrowings	(2,676)	(5,078)
Tax payable	(3,384)	(1,755)
	(88,707)	(286,807)
Financial liabilities measured at fair value		
Derivatives ²⁾	(41)	-
Net financial assets/(liabilities)	(35,079)	3,728

¹⁾ The carrying amount of financial assets and financial liabilities measured at amortised cost are a fair approximation of the fair value.

²⁾ Valued using a valuation technique with market observable inputs (level 2).

The financial liabilities are expected to mature within one year except for USD 1,449k (USD 3,138k) which are expected to mature within 1-5 years.

Notes

Note 18 Derivatives

Satair A/S uses forward contracts to manage the currency risk. Use of forward contracts are included in the company's risk management. The risk management includes proper identification of the hedged transactions which are related to operating costs in foreign currencies. The risk management includes effectiveness analysis including identification of the transactions which are deemed to be highly probable and presents an actual exposure to affect profit and loss. All derivatives are qualified as effective cash-flow hedging at the balance sheet date. No ineffectiveness regarding cash-flow hedges has occurred in 2018.

As at 31 December 2018, the company had currency hedge commitments for a total of USD 89.8 million (USD 89.4 million) which were made against DKK at an average USD/DKK rate of 630.43. The fair value of principal currency hedging contracts signed at 31 December 2018 amounts to USD 89.7 million (94.6 million). Unrealized loss (fair market value) amounts to USD 0.0 million (loss USD 5.2 million).

The following net outstanding forward contracts at 31 December were used as a hedge of future transactions:

2018

USD thousands	Contract value at year-end	Principal fair value at year-end	Realised gain/(loss)	Unrealised gain/(loss)	Maturity
DKK currency	-	-	622	-	2018
DKK currency Year 1	43,703	43,598	-	(105)	2019
DKK currency Year 2	46,070	46,134	-	63	2020
	89,774	89,732	622	(41)	

2017

USD thousands	Contract value at year-end	Principal fair value at year-end	Realised gain/(loss)	Unrealised gain/(loss)	Maturity
DKK currency	-	-	(569)	-	2017
DKK currency Year 1	33,762	35,175	-	1,413	2018
DKK currency Year 2	34,978	37,195	-	2,217	2019
DKK currency Year 3	20,694	22,259	-	1,565	2020
	89,434	94,629	(569)	5,195	

Note 19 Changes in liabilities arising from financing activities

USD thousands	1 January	Cash flows	Other	31 December
Current interest bearing loans & borrowings	1,940		(405)	1,535
Non-current interest bearing loans & borrowings	3,138	(2,403)	464	1,200
Payables to intra-group companies *)	43,500	(4,500)		39,000
Total liabilities from financing activities	48,578	(6,903)	59	41,735

*) Payables to intra-group companies in the Statement of Financial Position includes liabilities resulting from ordinary operating activities that are not shown here.

Notes

Note 20 Fees to auditors elected at the Annual General Meeting

USD thousands	2018	2017
Audit services	95	85
Non-audit services	2	1
	97	86

Note 21 Transactions with related parties

The sole shareholder of Satair A/S, Satair Group SAS, has controlling influence in the company. The ultimate controlling company of Satair A/S is Airbus SE. Please refer to Note 28 for relationship information.

USD thousands	2018	2017
Trade		
Sales to intra-group companies ¹⁾	124,429	108,448
Purchase from intra-group companies ¹⁾	(82,924)	(74,969)
Sales to related parties ²⁾	16,360	13,700
Purchase from related parties ²⁾	(14,122)	(12,251)
	43,743	34,928
Balances		
Receivables from intra-group companies ¹⁾	13,528	236,839
Payables to intra-group companies ¹⁾	(48,933)	(50,807)
Receivables from related parties ²⁾	5,666	6,064
Payables to related parties ²⁾	(1,569)	(975)
Cash pool with related parties ³⁾	45,417	(188,061)
	14,109	3,060

¹⁾ Relates to Satair Group entities including the related party Satair USA Inc. Please refer to note 28 for further information.

²⁾ Relates to other Airbus Group entities

³⁾ Relates to Airbus SE (ultimate parent company)

Please refer to Note 16 for further information on financial income from and expenses to intra-group companies and related parties.

Please refer to Note 5 for further information on transactions with Management.

Please refer to Note 4 for further information on Management fee.

Notes

Note 22 Income taxes

USD thousands	2018	2017
Current tax on profit/(loss) for the year	(5,776)	(3,849)
Deferred tax on profit/(loss) for the year	(618)	(413)
Adjustments regarding previous years	78	(34)
Income taxes	(6,316)	(4,296)
Tax specification		
Tax charged to the income statement	(6,316)	(4,296)
Tax charged to the equity	1,152	(2,317)
	(5,164)	(6,613)
Reconciliation of tax percentage		
Danish tax percentage	22.0%	22.0%
Tax effect from previous years	-0.3%	0.0%
Other deviations	0.2%	0.2%
Effective tax percentage	21.9%	22.2%

Note 23 Deferred tax

USD thousands	2018	2017
Deferred tax (assets)/liabilities at 1 January	3,238	(438)
Tax on profit/(loss) for the year	618	413
Tax on other comprehensive income/equity	(1,152)	2,317
Deferred tax regarding previous years	115	946
Deferred tax (assets)/liabilities at 31 December	2,819	3,238
Deferred tax specification		
Property, plant and equipment	1,657	962
Derivatives	(9)	1,143
Other	1,171	1,133
	2,819	3,238

Notes

Note 24 Contingent liabilities

Satair A/S is currently involved in a transfer pricing audit with the Danish Tax Authorities. The Danish Tax Authorities have proposed a preliminary reassessment of taxable income for the years 2013-2014 between Satair A/S and one of its subsidiaries that would redistribute income between the legal entities. Satair A/S does not agree with the assessment and is in process to dispute this assessment with the Authorities. The outcome of the case is uncertain and as such, no liability has been recognised in the balance sheet.

Satair A/S has issued a guarantee of 5.2 million USD for its subsidiary Satair UK Ltd. related to a lease agreement.

Satair A/S has guaranteed a bank debt of USD 60 thousands as a security of delivery of certain spare parts to one specific customer.

Note 25 Pledges and security

A mortgage bond registered to Satair A/S at a total value of DKK 30 million (DKK 30 million) equal to USD 4.6 million has been issued and is in the company's possession.

Note 26 Lease commitments

Satair A/S leases property, vehicles and other equipment under operating leases. Non-cancellable operating lease rentals are payables as follows:

USD thousands	2018	2017
Lease payable within 1 year	1,737	2,653
Lease payable within 1-5 years	574	829
Lease payable after 5 years	-	-
	2,311	3,482

During 2018, USD 3,554 thousands (USD 3,833 thousands) was recognised as an expense in the income statement in respect of operational leases for the company.

Notes

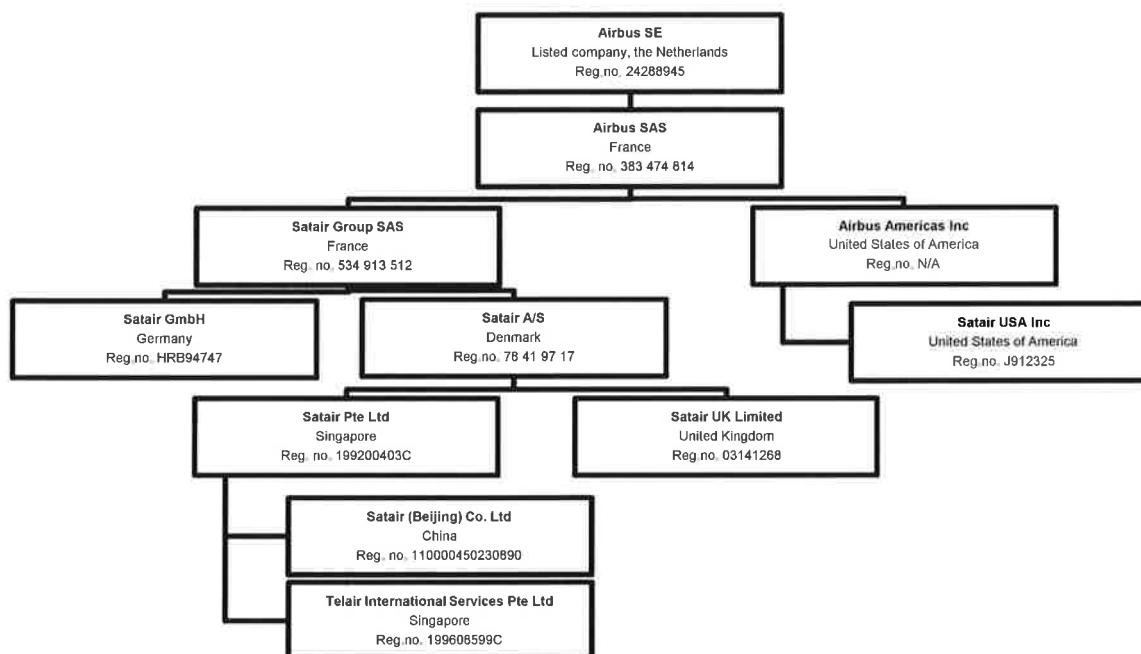
Note 27 Subsequent events

Satair A/S is not aware of events subsequent to 31 December 2018, which are expected to have a material impact on the financial position.

Note 28 Subsidiaries

USD thousands	Country	Ownership	Net profit	Equity
Subsidiaries				
Satair UK Ltd.	United Kingdom	100%	139	7,524
Satair Pte. Ltd.	Singapore	100%	12,017	126,689

Legal structure including related group companies



Definitions

The key figures and ratios are calculated in accordance with "Recommendations and Key Figures issued by the Danish Association of Financial Analysts and as stated below:

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
SG&A margin	$\frac{\text{Selling, General and Administrative expenses} \times 100}{\text{Revenue}}$
EBITDA margin	$\frac{\text{Profit before depreciation and amortisation (EBITDA)} \times 100}{\text{Revenue}}$
EBIT margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Return on equity	$\frac{\text{Net profit/(loss) for the year} \times 100}{\text{Average equity} - \text{Minorities}}$
Equity ratio	$\frac{\text{Total equity} \times 100}{\text{Total assets}}$
Net interest-bearing receivables/(debt)	Cash and cash equivalents +/- Loan and borrowings - Interest-bearing intra-group receivables/payables +/- Interest-bearing related parties receivables/payables
Free cash flow	Cash flow from operating activities - Cash flow from investing activities