Annual Report
2016

Adopted at the Annual General Meeting
on 29 May 2017.

Chairman of the meeting:

Henrik Holm Jensen, Legal Officer

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

Satair A/S
Amager Landevej 147A
DK-2770 Kastrup
Denmark
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)	2016	2015	2014	2013	2012
	12 mths	12 mths	12 mths	12 mths	12 mths
Income statement					
Revenue	312.9	286.9	282.5	250.8	236.1
Gross profit	35.8	48.0	49.0	42.6	41.3
Operating expenses	(11.8)	(24.8)	(28.9)	(25.8)	(21.9)
Profit before depreciation and amortisation (EBITDA)	24.0	23.1	20.2	16.8	19.4
Operating profit (EBIT)	17.2	20.1	18.0	14.8	17.6
Financial items, net	3.2	1.4	3.3	71.8	(2.0)
Profit before tax	20.4	21.5	21.3	86.7	15.6
Income tax expense	(4.5)	(5.1)	(5.2)	(5.5)	(2.7)
Net profit for the year	15.9	16.4	16.1	81.1	12.9
Financial position					
Property, plant and equipment	6.8	7.0	6.9	7.1	7.5
Total assets	463.1	327.3	278.6	261.8	244.4
Working capital	107.5	74.6	69.5	56.8	63.2
Total equity	188.8	175.6	157.4	145.6	135.4
Net cash balance	(167.7)	(42.2)	(17.4)	(29.4)	(2.2)
Net interest-bearing receivables/(debt)	(0.6)	19.8	32.6	29.8	62.5
Investment in tangible fixed assets	0.4	0.5	0.4	0.1	0.6
Cash flow					
Cash flow from operating activities	(13.1)	16.0	1.2	10.6	5.2
Cash flow from investing activities	(7.2)	(28.9)	(0.7)	(1.5)	(1.4)
Cash flow from financing activities	(105.1)	(12.0)	11.5	(0.8)	(7.1)
Free cash flow	(20.4)	(12.8)	0.5	9.1	3.8
Financial ratios					
Gross profit, %	11.4	16.7	17.4	17.0	17.5
SG&A margin, %	3.8	8.7	10.2	10.3	9.3
EBITDA margin, %	7.7	8.1	7.1	6.7	8.2
EBIT margin, %	5.5	7.0	6.4	5.9	7.5
Return on equity, %	8.7	9.9	10.6	57.8	10.0
Equity ratio, %	40.8	53.7	56.5	55.6	55.4
USD/DKK, average	673.2	672.8	561.8	561.7	579.3
USD/DKK, end of financial year	705.3	683.0	612.1	541.3	565.9
Employees					
Number of FTE, average	182	179	185	180	164
Number of FTE, end of financial year	191	172	187	181	173

Please refer to page 40 for definitions of key figures and ratios.

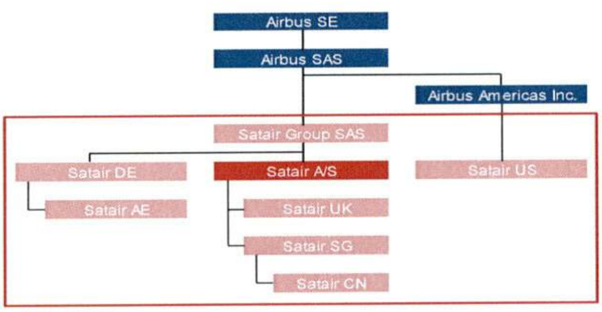
Satair A/S in brief

Satair A/S is a part of Satair Group; a truly global company and world leader in the commercial aerospace aftermarket. Satair Group provides aftermarket solutions for all types of aircraft, offering everything from parts management, parts services and parts support – from nose to tail.

Our organisation

Satair Group is a stand-alone company, and wholly-owned subsidiary of Airbus SAS with more than 10 locations worldwide, 1,200 employees and USD 1.5 billion in revenue.
Satair Group was established on January 1, 2014 when the Airbus division Material And Logistics Management and Satair combined strengths to become the global market leader in the civil aircraft parts management business. The Group is the strong backbone of its two channel brands in the aviation aftermarket – Airbus and Satair.

Below is an illustration of the Satair Group structure from a management responsibility perspective and an overview of the legal entities contributing to Satair Group.



Satair Group

Our commitments

With a vision to become the global market leader in the civil aircraft material management business, Satair Group, including Satair A/S, offers value-adding and integrated services for all types of aircraft for both customers and suppliers and is devoted to developing new business concepts.

Satair Group enters into exclusive or primary distribution arrangements for aerospace component manufacturers and supplies the parts to the customers (airlines, MRO). With a specific obligation towards Airbus customers on the after sales materials support, Satair Group also fulfils the support obligation for a fleet of +8,000 aircraft covering the full range of Airbus aircraft.
Satair Group is committed to delivering excellence in everything they do and ensuring that both ends of the aerospace industry are continuously connected.

Satair Group Vision
Satair Group will be the global leader in the material management business and will deliver integrated services for all civil aircraft types. Specifically for Airbus customers, Satair Group will provide exclusively the best materials management after sales part support.

Satair Group Mission
We deliver innovative and world-class solutions within the parts management business and we develop extended distribution and parts support services to every unique customer and supplier in the global aerospace value chain.

Our global footprint

Satair Group provides a wide range of products and services to customers and suppliers all over the globe through sales and warehousing locations in Europe, North America, the Middle East, Asia Pacific and China. Suppliers, customer base and distribution network are all global and therefore the organisation also fully benefits from the joint global footprint.

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.

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. Satair A/S, being part of Satair Group, is an international distributor within the aftermarket services and has sales and warehousing locations in Europe and Asia Pacific.

The macroeconomic challenges of previous years lifted off at the end of 2015 which gave a good start on 2016 and the tendency of increased sales continued throughout the year. Most aircraft operators are catching up on the previously deferred maintenance of aircraft and this has caused increased sales throughout 2016. While the inventory levels of Satair's customers are still low, there is not room for further optimisation with the customers which is reflected in more stable sales from Satair A/S.

The low oil prices continued in 2016 but the expected effect of longer years-in-service of aircraft, and thus a growing aftermarket demand, has been offset by the low financing prices which, in turn, has meant that average aircraft retirement age has fallen.

Market outlook

The commercial aftermarket is expected to stay steady throughout 2017 after a normalization period in 2016.

The global aircraft fleet is expected to grow 3.6% in 2017 while the change in available seats is expected to increase by 5.1% as the average size of aircraft in the fleet is continuing to rise slowly. The aircraft expansion has slowed as fuel prices start to rise and the outlook has become less positive.
We also see growing capacity plans with Asian, European, and US airlines' available seat kilometres where growth is expected at 7.6%, 4.3%, and 2.6% respectively.

Financial performance

Revenue

In line with the budget, Satair A/S delivered an increased revenue at USD 312.9 million (USD 286.9 million), however at a lower margin than the previous year which was affected mainly by a general trend of lower margins on sales combined with a larger proportion than expected from intra-group sales. The revenue was mainly coming from Europe being the main market for Satair A/S.
The revenue growth increase was mainly driven by the market picking up pace, investments in new distribution rights, and by diversification into new areas in the aviation aftermarket.

Gross profit

Gross profit landed at USD 35.8 million (USD 48.0 million) for Satair A/S. Gross margin came to 11.4%, significantly lower than 2015, and is affected negatively by 3% from a new management fee policy with intra-group companies. Besides this, the gross profit is showing the expected trend of lower margins, however is expected to stabilize at this level.

SG&A expenses

Operating expenses (Other operating income, staff, general and administrative expenses) totalled USD 11.8 million (USD 24.8 million) including management fees from group companies and transaction costs attributable to the sales process. The improvement compared to 2015 was mainly driven by the a change in management fee calculation and policy as well as from a provision release of USD 2.5 million related to the sale of the OEM business in 2010. This was better than the expectations for the year.

At 31 December 2016, Satair A/S had a total of 191 FTE compared to 172 FTE in 2015.

Financials

Financial items net totalled USD 3.2 million in 2016 against USD 1.4 million in 2015 and they were mainly impacted by interest income related to intra group loans.

Net profit for the year

Net profit for the year amounted to USD 15.9 million (USD 16.4 million) which was below expectations mainly driven by low sales margins and a revision of the group management fee model.

Cash flows

The amount in free cash flow before financing activities came to USD -20.4 million (USD -12.8 million).

As at 31 December 2016, the company had currency hedge commitments for a total of USD 88.0 million (USD 61.5 million) which were made against DKK at an average USD/DKK rate of 642.7. The fair value of principal currency hedging contracts signed at 31 December 2016 amounts to USD 82.7 million (59.7 million). Unrealized losses (fair market value) amounts to USD 5.3 million (USD 1.8 million).

Balance sheet

At the end of 2016, total assets amounted to USD 463.1 million (USD 327.3 million) up USD 135.8 million compared to last year which is mainly impacted by increased investments in distribution rights, increased inventories, and loans to group entities.

The total amount in working capital at year-end was USD 107.5 million (USD 74.6 million).

Net cash balance is negative by USD 167.7 million (USD 42.2 million).

Net interest-bearing debt amounted to USD 0.6 million against a receivable of USD 19.8 million in 2015.

Equity ended at USD 188.8 million (USD 175.6 million) resulting in a solid equity-ratio at 40.8% (53.7%) down 12.9 percentage-points compared to last year, the change being driven by increases in intra group loans.

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 more than 30 years, 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 aircraft in operation, the scope of air carrier operations, and the total number of aircraft.

Aviation is also sensitive to sudden and unexpected events such as war, terrorist attacks, nature 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 of the 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 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.

The Parts Manufacturing Approval (PMA) is today an integral part of the go-to-market strategy for Satair A/S. The traditional PMA market, and in particular the test and computation products, is saturated and no longer enjoys the growth rates seen over the past many years, however, the competitive threat is still present and migrating into new product areas at slow pace.

Consolidation within aviation

Manufacturers in the industry are undergoing a process of considerable consolidation, and this may affect Satair A/S. In case an existing Satair supplier is acquired by a major group, there is a risk that the new owners 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.

In recent years, many airlines have entered into mergers and alliances, and this is generally a period of significant structural change in the industry.

Satair A/S endeavours to secure a favourable position for itself in the value chain of the aviation industry, but after several years of constant pressure on 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, and in 2016 the largest supplier accounted for approx. 14% of Satair A/S' consolidated revenue, while the five largest suppliers together accounted for approx. 51% of the revenue.

Satair A/S' supplier contracts are highly varied as regards the length of termination notices, and in connection with the most recent renegotiations and new negotiations, a specific aim has been 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 very 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.

As regards suppliers, Satair A/S is a party to agreements containing provisions concerning termination or changes to the contract, and 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 600 international customers and has cooperated with most of its customers for many years. The ten largest customers accounted for approx. 44% of the revenue in 2016, with two customers, contributing more than 5% each.

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.

As regards customers, Satair A/S is a party to agreements containing provisions concerning termination or changes to the contract, and 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 alone 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 2016, which are expected to have a material impact on the financial position.

Outlook for 2017

In line with the results of 2016 Satair A/S expects a growing market environment in 2017, and revenue is expected to grow by more than 10% compared to 2016. This is foreseen to be driven by further investments in distribution rights, product diversification within the aviation aftermarket, by organic growth, economies of scale, and continued efficiency gains.
Operating profits are expected to decline compared to 2016 due to increased operating one off costs connected to implementation of new procedures to satisfy customer expectations more efficiently.

Corporate governance

Annual general meeting

The Annual General Meeting is held on 29 May 2017 at 10 a.m. at Satair A/S, Amager Landevej 147A, DK-2770 Kastrup.

Corporate social responsibility

Maintaining a social profile, respecting human rights and contributing to a sustainable environment is considered important in Satair A/S and is anchored in the company's DNA, as the company always strives to operate its business in a responsible manner. However, currently the company has not implemented formal policies for social responsibility, human rights, a sustainable environment, and climate.

Diversity

On 1 April 2013, section 139a of the Danish Companies Act came into force. This provision 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.

However, 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.

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.

Satair A/S had originally set a target of two of the members of the Board of Directors elected by the shareholder shall be female which was to be achieved no later than 1 April 2017. However, as a result of the Guidelines published in March 2016, Satair A/S is no longer required to set a target for female members of the Board of Directors since women are not underrepresented in the Board of Directors of Satair A/S as per below section.

As of 31 December 2016, the Board of Directors consisted of a total of seven members, three of whom were elected by the employees (one woman and two men). The four Board members elected by the shareholder consisted of three men (75%) and one woman (25%).

At Satair A/S' other management levels (heads of department, team leaders and other managers) at 30 December 2016, the number of women were 8 (27%) and the number of men were 22 (73%) which was a decline in the female representation compared to the previous year. The decline is a result of females at other management levels leaving Satair A/S of own free will.

The targeted 40/60 balance mentioned earlier could not be achieved in 2016 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 the recruitment and appointment of new leaders Satair A/S aim to have at least one of each gender among the last three candidates.

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

Management statement

Kastrup, 29 May 2017

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 2016.

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 2016 and of the results of the company's operations and cash flows for the financial year 1 January – 31 December 2016.

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	**Anette Hagelsten** Vice-chairman	**Bart Reijnen**
Henrik Holm Jensen	**Keyvan Diamondo** Employee representative	**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 2016, which comprise an 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 disclosure 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 2016 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 our procedures, 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 disclosure 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 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 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 skepticism 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

Independent auditors' report - continued

disclosures are inadequate, to modify our opinion. Our conclusion is 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.

Frederiksberg, 29 May 2017

Ernst & Young
Godkendt Revisionspartnerselskab
CVR.: 30700228

Jan C. Olsen
State Authorised Public Accountant

Peter Andersen
State Authorised Public Accountant

Income statement

1 January - 31 December

USD thousands	Note	2016	2015
Revenue	3	312,920	286,902
Cost of goods sold	6	(277,101)	(238,928)
Gross profit		**35,819**	**47,974**
Other operating income	4	19,510	9,189
Staff expenses	5	(19,527)	(18,698)
Other expenses		(11,826)	(15,329)
Profit before depreciation and amortisation (EBITDA)		**23,976**	**23,136**
Depreciation & Amortisation	11 + 12	(6,779)	(3,043)
Operating profit (EBIT)		**17,197**	**20,093**
Financial income	16	7,599	4,709
Financial expenses	16	(4,379)	(3,272)
Profit before tax		**20,417**	**21,530**
Income tax expense	21	(4,491)	(5,094)
Net profit for the year		**15,926**	**16,436**

Statement of comprehensive income

1 January - 31 December

USD thousands	Note	2016	2015
Net profit/(loss) for the year		**15,926**	**16,436**
Items that may be subsequently reclassified to the income statement			
Fair value adjustment of derivatives before tax		(3,976)	(4,996)
Hereof recl. of currency derivatives through the income statement (Staff expenses)	18	454	7,250
Tax on other comprehensive income	22	775	(496)
Other comprehensive income		**(2,747)**	**1,758**
Comprehensive income for the year		**13,179**	**18,194**

No dividend is expected to be paid to the owners.

Statement of financial position

At 31 December

USD thousands	Note	2016	2015
Assets			
Intangible assets	11	33,567	33,006
Property, plant and equipment	12	6,841	6,954
Investments in subsidiaries	13	51,121	51,121
Deferred tax assets	22	438	-
Non-current assets		**91,967**	**91,081**
Inventories	6	109,793	77,395
Trade receivables	7	24,084	27,418
Receivables from intra group companies	20 + 28	230,164	119,050
Receivables from other related parties	20	3,119	2,412
Other receivables	9	1,423	494
Cash and cash equivalents	15	2,518	9,423
Current assets		**371,101**	**236,192**
Total assets		**463,068**	**327,273**

Statement of financial position

At 31 December

USD thousands	Note	2016	2015
Equity and liabilities			
Share capital	14	13,138	13,138
Reserves and retained earnings		175,684	162,505
Total equity		**188,822**	**175,643**
Deferred tax liabilities	22	-	563
Provisions	23	-	2,500
Loans and borrowings	17	3,542	5,625
Non-current liabilities		**3,542**	**8,688**
Current part of loans and borrowings	17	1,911	1,882
Cash pool with Airbus SE (ultimate parent company)	15 + 17	170,183	51,659
Trade payables	17	26,392	30,223
Payables to intra-group companies	20 + 28	52,212	43,251
Payables to other related parties	20	479	518
Tax payable	17	3,105	4,181
Other liabilities	10	16,422	11,228
Current liabilities		**270,704**	**142,942**
Total liabilities		**274,246**	**151,630**
Total equity and liabilities		**463,068**	**327,273**

Statement of cash flows

1 January - 31 December

USD thousands	Note	2016	2015
Profit before depreciation and amortisation (EBITDA)		23,976	23,136
Non-cash items		(2,129)	(747)
Foreign exchange adjustments		1,280	556
Interest received		3,613	1,901
Interest paid		(1,673)	(1,019)
Income taxes paid		(5,780)	(2,827)
Changes in working capital	8	(32,435)	(4,956)
Cash flow from operating activities		**(13,148)**	**16,044**
Acquisition of intangible assets	11	(7,664)	(28,430)
Disposal of intangible assets	11	789	-
Acquisition of property, plant and equipment	12	(352)	(456)
Cash flow from investing activities		**(7,227)**	**(28,886)**
Debt regarding intangible assets		(2,054)	7,507
Loans to subsidiaries and related parties		(103,000)	(19,500)
Cash flow from financing activities		**(105,054)**	**(11,993)**
Net cash inflow/(outflow)		**(125,429)**	**(24,835)**
Cash and cash equivalents at 1 January		(42,236)	(17,401)
Net cash inflow/(outflow)		(125,429)	(24,835)
Cash and cash equivalents at 31 December	15	**(167,665)**	**(42,236)**

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 2016	13,138	46,010	117,889	(1,394)	175,643
Net profit/(loss) for the year	-	-	15,926	-	15,926
Fair value adjustment of derivatives before tax				(3,976)	(3,976)
Hereof recl. of currency derivatives through the income statement (Staff expenses)				454	454
Tax on other comprehensive income	-	-	-	775	775
Comprehensive income	**-**	**-**	**15,926**	**(2,747)**	**13,179**
Dividend issued to the shareholder	-	-	-	-	-
Equity at 31 December 2016	**13,138**	**46,010**	**133,815**	**(4,141)**	**188,822**
Equity at 1 January 2015	13,138	46,010	101,453	(3,152)	157,449
Net profit/(loss) for the year	-	-	16,436	-	16,436
Fair value adjustment of derivatives before tax				(4,996)	(4,996)
Hereof recl. of currency derivatives through the income statement (Staff expenses)				7,250	7,250
Tax on other comprehensive income	-	-	-	(496)	(496)
Comprehensive income	**-**	**-**	**16,436**	**1,758**	**18,194**
Dividend issued to the shareholder	-	-	-	-	-
Equity at 31 December 2015	**13,138**	**46,010**	**117,889**	**(1,394)**	**175,643**

Notes
2016

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Notes

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 27 May 2017 and issued for approval at the subsequent Annual General Meeting on 29 May 2017.

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.

New and amended standards and interpretations
No EU adopted IFRS standards and interpretations with relevance for Satair A/S were implemented in 2016.

New standards not yet effective
The IASB has issued a number of new or amended standards and interpretations with effective date post 31 December 2016. Except for IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases, none of these are expected to have a significant impact on recognition and measurement, but they will lead to further information in the notes. Satair A/S will implement the new standards and interpretations when they will enter into force in the EU.

IFRS 9: Financial Instruments was issued in July 2014 and is effective for annual periods beginning on 1 January 2018. A preliminary high-level assessment of IFRS 9 has been performed, which is subject to changes arising from a more detailed ongoing analysis. Overall, no significant impact on recognition and measurement is expected.

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. 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. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Satair A/S plans to adopt the new standard on the required effective date using the full retrospective method.

The most significant changes to IFRS 15 compared with current practice are:
- A sales transaction must be recognised as revenue in the income statement as the control with the goods or the service is transferred to the customer (this may take place at a specific date or over time). (The existing "risk and rewards" concept is thus replaced by a control concept)
- New and more detailed guidance on how partial transactions in a sales contract are identified and how the individual components must be recognized and measured
- New and more detailed guidance on revenue recognition over time.

Satair A/S has performed an analysis of the implications of IFRS for the Company's revenue recognition.

Satair A/S has concluded that the implementation of IFRS 15 will not have material impact on the recognition and measurement of revenue.

IFRS 16 Leases was issued in mid-January 2016. The standard, which applies to financial years beginning on or after 1 January 2019, implies a substantial change in the way that those leases which are today accounted for as operating leases will be accounted for going forward.

Thus, the standard requires that all leases regardless of type - with few exceptions - must be recognised in the lessee's statement of financial position as an asset with an accompanying lease liability. At the same time, the lessee's income statement will be affected going forward, as the annual lease payment will consist of two elements - a depreciation charge and an interest expense - as opposed to now where the annual operating lease expense is recognised as one amount under operating costs.

Satair A/S has not yet performed any in-depth analysis of the implications of IFRS 16 for the Company. However, expectations are that it is going to have some impact, as in 2016 the Company was a party to operating leases involving minimum lease payments in the order of USD 4.5 million, corresponding to approx. 1.0% of the balance sheet total, which must potentially be recognised in the statement of financial position in future.

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.airbusgroup.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.

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

Notes

Note 1 Accounting policies (continued)

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 to the extent that it is probable that the economic benefits will flow to Satair A/S and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Satair A/S has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements has pricing latitude and is also exposed to inventory and credit risks.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

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 and associates 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.

Annually, the company 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. If the assessment shows that a receivable will not be paid in full, the amortised cost will be determined on the basis of such expected reduced payments. Furthermore, the company is assessing indications of impairment in groups of receivables that are not individually significant. Groups of receivables are written down based on the company's experience.

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.

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 less overdraft facilities.

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 have been calculated in accordance with Recommendation & Ratios 2015 issued by the Danish Society of Financial Analysts. The ratios mentioned in the five-year summary are calculated as described in the notes.

Notes

Note 2 Significant accounting estimates and judgements

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 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 and intra-group receivables
Receivables are recognised at the amortised cost less impairment losses due to failing payment capacity. Loss estimates 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. Estimates will be updated if a debtor's payment capacity should change. It is estimated that the write-downs made will be sufficient to cover losses. The financial uncertainty associated with making write-downs to counter loss on doubtful debts is considered limited.

Notes

Note 3 Specification of revenue

USD thousands	2016	2015
Europe, Middle East, Africa	226,099	203,632
Americas	33,880	33,591
Asia Pacific	52,941	49,679
	312,920	**286,902**

Note 4 Other operating income

USD thousands	2016	2015
Management fee [1)]	17,010	8,145
Other income	2,500	1,044
	19,510	**9,189**

1) The management fee is based on a new transfer pricing agreement which includes all entities in Satair Group, as per note 28, and takes revenue, ownership of distribution rights, inventory levels and financing of inventory as well as market data into consideration.

Note 5 Staff expenses

USD thousands	2016	2015
Wages, salaries and fees	(16,846)	(15,770)
Pensions, defined contribution	(1,346)	(1,351)
Other social security expenses, etc.	(234)	(209)
Other staff related expenses	(1,101)	(1,368)
	(19,527)	**(18,698)**
Average number of employees (FTE)	182	179
Remuneration to the Management Board		
Salary and ordinary bonus to the Management Board	(718)	(858)
Change of control clause	-	(190)
	(718)	**(1,048)**

Notes

Note 6 Inventory

USD thousands	2016	2015
Commercial products	103,325	77,345
Prepayments to vendors	6,468	50
Inventory	**109,793**	**77,395**
Cost of goods sold exclusive of write-downs	(275,596)	(238,196)
Inventory write-down for the year	(2,328)	(1,353)
Reversal of inventory write-downs for the year due to sale	823	621
Cost of goods sold	**(277,101)**	**(238,928)**

Note 7 Trade receivables

USD thousands	2016	2015
Not due	18,858	23,725
Overdue 1 - 60 days	2,652	2,103
Overdue 60 - 360 days	2,919	1,522
Overdue more than 360 days	1,404	952
Gross trade receivables	**25,833**	**28,302**
Provision for bad debts, not due	-	-
Provision for bad debts, overdue 1 - 60 days	-	-
Provision for bad debts, overdue 60 - 360 days	(345)	(174)
Provision for bad debts, overdue more than 360 days	(1,404)	(710)
Provision for bad debts	**(1,749)**	**(884)**
Write-downs at 1 January	(884)	(639)
Foreign currency exchange rate adjustment	-	33
Write-down for the year	(1,193)	(467)
Reversal of write-downs previously recognised	328	189
Write-downs at 31 December	**(1,749)**	**(884)**
Net trade receivables (maximum credit risk)	**24,084**	**27,418**

Notes

Note 8 Change in working capital

USD thousands	2016	2015
Change in trade receivables	1,754	(698)
Change in inventory	(33,954)	(9,031)
Change in other receivables	(931)	61
Change in trade payables	(3,827)	5,640
Change in intra-group balances	(343)	(991)
Change in other liabilities	4,866	63
	(32,435)	**(4,956)**

Note 9 Other receivables

USD thousands	2016	2015
Prepayments to suppliers	1,366	449
Other receivables	57	45
	1,423	**494**

Note 10 Other liabilities

USD thousands	2016	2015
Prepayments from customers	1,379	511
Derivatives	5,337	3,297
Staff related liabilities	5,419	4,705
Other liabilities	4,287	2,715
	16,422	**11,228**

Notes

Note 11 Intangible assets

2016 USD thousands	Distribution rights	Software and other intangible assets	Total
Cost at 1 January	33,615	9,797	43,412
Additions	7,654	10	7,664
Disposals	(789)	-	(789)
Cost at 31 December	**40,480**	**9,807**	**50,287**
Amortisation and impairment losses at 1 January	(4,056)	(6,350)	(10,406)
Amortisations	(5,242)	(1,072)	(6,314)
Disposals	-	-	-
Amortisation and impairment losses at 31 December	**(9,298)**	**(7,422)**	**(16,720)**
Carrying amount at 31 December	**31,182**	**2,385**	**33,567**

As of 31 December 2016 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 2019: USD 5.4 million (USD 7.5 million)
- Distribution rights regarding sale of specific product lines amortised fully in year 2025: USD 15.5 million (USD 17.2 million)

As per 31 December 2016 there is no indication of impairment of the value of the distribution rights.

2015 USD thousands	Distribution rights	Software and other intangible assets	Total
Cost at 1 January	5,232	9,750	14,982
Additions	28,383	47	28,430
Disposals	-	-	-
Cost at 31 December	**33,615**	**9,797**	**43,412**
Amortisation and impairment losses at 1 January	(2,527)	(5,270)	(7,797)
Amortisations	(1,529)	(1,080)	(2,609)
Disposals	-	-	-
Amortisation and impairment losses at 31 December	**(4,056)**	**(6,350)**	**(10,406)**
Carrying amount at 31 December	**29,559**	**3,447**	**33,006**

Notes

Note 12 Property, plant and equipment

2016

USD thousands	Land and buildings	Plant and equipment	Total
Cost at 1 January	9,986	3,621	13,607
Additions	50	302	352
Disposals	-	-	-
Cost at 31 December	**10,036**	**3,923**	**13,959**
Depreciation and impairment losses at 1 January	(3,560)	(3,093)	(6,653)
Depreciation	(196)	(269)	(465)
Disposals	-	-	-
Depreciation and impairment losses at 31 December	**(3,756)**	**(3,362)**	**(7,118)**
Carrying amount at 31 December	**6,280**	**561**	**6,841**

2015

USD thousands	Land and buildings	Plant and equipment	Total
Cost at 1 January	9,977	3,174	13,151
Additions	9	447	456
Disposals	-	-	-
Cost at 31 December	**9,986**	**3,621**	**13,607**
Depreciation and impairment losses at 1 January	(3,364)	(2,856)	(6,220)
Depreciation	(196)	(237)	(433)
Disposals	-	-	-
Depreciation and impairment losses at 31 December	**(3,560)**	**(3,093)**	**(6,653)**
Carrying amount at 31 December	**6,426**	**528**	**6,954**

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	2016	2015
Cost at 1 January	51,121	51,121
Disposals	-	-
Carrying amount at 31 December	**51,121**	**51,121**

As per 31 December 2016 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 and associates.

USD thousands	Nominal value	Number of shares
Share capital at 1 January 2015	13,138	4,384,196
Movements during the year	-	-
Share capital at 31 December 2015	**13,138**	**4,384,196**
Movements during the year	-	-
Share capital at 31 December 2016	**13,138**	**4,384,196**

Note 15 Net cash balance

USD thousands	2016	2015
Cash and cash equivalents	2,518	9,423
Cash pool with Airbus SE (ultimate parent company)	(170,183)	(51,659)
	(167,665)	**(42,236)**

Satair A/S has credit facilities in total of USD 191.2 million (USD 74.6 million) of which USD 21.0 million (USD 23.0 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	2016	2015
Financial income		
Derivatives income from intra-group companies	1,985	1,481
Interest income from intra-group companies [1]	3,611	1,899
Other financial income	2	2
Foreign exchange adjustment	2,001	1,327
	7,599	**4,709**
Financial expenses		
Interest expenses to intra-group companies	(835)	(775)
Interest expenses to related parties [2]	(817)	(164)
Derivatives expenses to related parties [2]	(1,985)	(1,481)
Other financial expenses	(20)	(80)
Foreign exchange adjustment	(722)	(772)
	(4,379)	**(3,272)**
Net income/(expense)	**3,220**	**1,437**

[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. In 2016 a new hedging policy was introduced to optimize the company's currency hedging of DKK. 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, up to 80% of its forecasted DKK cash flows in the 4th future year, and up to 50% of its forecasted DKK cash flows in the 5th future year. All hedging facilities are paid in USD.

Market risk

Currency

Invoicing is in USD, GBP, EUR and DKK currencies, with USD as the functional currency. Of the total revenue, sales in USD account for approximately 98.9% 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 89.2%. 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 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 2.6 million (USD 1.5 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 debt amounts to USD 167.7 million (USD 42.2 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.

Liquidity risk

Satair A/S' financial reserves at 31 December 2016 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	2016	2015
Financial assets measured at amortised cost [1]		
Trade receivables	24,084	27,418
Receivables from intra-group companies and other related parties	233,283	121,462
Other receivables	1,423	494
Cash and cash equivalents	2,518	9,423
	261,308	**158,797**
Financial liabilities measured at amortised cost [1]		
Payables to intra-group companies and other related parties	(222,874)	(95,428)
Trade payables	(26,392)	(30,223)
Loans and borrowings	(5,453)	(7,507)
Tax payable	(3,105)	(4,181)
	(257,824)	**(137,339)**
Financial liabilities measured at fair value		
Derivatives [2]	(5,337)	(1,815)
Net financial assets/(liabilities)	**(1,853)**	**19,643**

[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 3,543k (USD 5,625k) 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 propable 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 2016.

As at 31 December 2016, the company had currency hedge commitments for a total of USD 88.0 million (USD 61.5 million) which were made against DKK at an average USD/DKK rate of 642.68. The fair value of principal currency hedging contracts signed at 31 December 2016 amounts to USD 82.7 million (59.7 million). Unrealized losses (fair market value) amounts to USD 5.3 million (USD 1.8 million).

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

2016

USD thousands	Contract value at year-end	Principal fair value at year-end	Realised gain/(loss)	Unrealised gain/(loss)	Maturity
DKK currency	-	-	(454)	-	2016
DKK currency	31,180	28,937	-	(2,243)	2017
DKK currency	33,762	31,848	-	(1,914)	2018
DKK currency	23,107	21,927	-	(1,180)	2019
	88,049	**82,712**	**(454)**	**(5,337)**	

2015

USD thousands	Contract value at year-end	Principal fair value at year-end	Realised gain/(loss)	Unrealised gain/(loss)	Maturity
DKK currency	-	-	(7,250)	-	2015
DKK currency	30,338	29,623	-	(715)	2016
DKK currency	31,180	30,080	-	(1,100)	2017
	61,518	**59,703**	**(7,250)**	**(1,815)**	

Notes

Note 19 Fees to auditors elected at the Annual General Meeting

USD thousands	2016	2015
Audit services	(90)	(90)
Non-audit services	(5)	(1)
	(95)	**(91)**

Note 20 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.
Satair USA Inc. is considered part of Satair Group from a management perspective, hence is disclosed seperately from other Airbus Group entities with which Satair A/S has transactions. Per 31 December 2016, USD 216 million of the receivables with Satair USA Inc. adhere to loans given to support the inventory increase needed to deliver on Satair Group's commercial targets.The receivable from Satair USA Inc. is financed through Airbus Group. All receivables are expected to be paid.
Please refer to Note 28 for relationship information.

USD thousands	2016	2015
Trade		
Sales to intra-group companies [1]	86,121	69,770
Purchase from intra-group companies [1]	(59,200)	(60,745)
Sales to related parties [2]	12,299	7,135
Purchase from related parties [2]	(8,320)	(4,399)
	30,900	**11,761**
Balances		
Receivables from intra-group companies [1] [4]	230,164	119,050
Payables to intra-group companies [1]	(52,212)	(43,251)
Receivables from related parties [2]	3,119	2,412
Payables to related parties [2]	(479)	(518)
Cash pool with related parties [3] [4]	(170,181)	(51,658)
	10,411	**26,035**

[1] Relates to Satair Group entities including the related party Satair USA Inc. Please refer to note 28 for futher information.

[2] Relates to other Airbus Group entities

[3] Relates to Airbus SE (ultimate parent company)

[4] The receivables from Satair USA Inc. is expected to be received within 1 year which will result in a decrease of the negative cash pool balance with Airbus SE. The payment of the receivable from Satair USA Inc. is planned to be funded by Satair USA Inc. entering into Airbus cash pool.

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.

Notes

Note 21 Income taxes

USD thousands	2016	2015
Current tax on profit/(loss) for the year	(4,717)	(5,282)
Deferred tax on profit/(loss) for the year	225	188
Adjustments regarding previous years	1	-
Income taxes	**(4,491)**	**(5,094)**
Tax specification		
Tax charged to the income statement	(4,491)	(5,094)
Tax charged to the equity	(449)	170
	(4,940)	**(4,924)**
Reconciliation of tax percentage		
Danish tax percentage	22.0%	23.5%
Tax effect from previous years	0.0%	0.0%
Other deviations	0.0%	0.2%
Effective tax percentage	**22.0%**	**23.7%**

Note 22 Deferred tax

USD thousands	2016	2015
Deferred tax (assets)/liabilities at 1 January	563	254
Tax on profit/(loss) for the year	(225)	(188)
Tax on other comprehensive income/equity	(775)	496
Deferred tax regarding previous years	(1)	1
Deferred tax (assets)/liabilities at 31 December	**(438)**	**563**
Deferred tax specification		
Property, plant and equipment	755	971
Derivatives	(1,174)	(399)
Other	(19)	(9)
	(438)	**563**

Notes

Note 23 Provisions

USD thousands	2016	2015
Provisions at 1 January	2,500	3,448
Reversed during the year	(2,500)	(948)
Provisions at 31 December	**-**	**2,500**

The provisions relates to liabilities with uncertainties as to timing and/or amount regarding the sale of the OEM business in 2010. The provisions matured completely in 2016.

Note 24 Contingent liabilities

Satair A/S has issued guarantees of USD 2.0 million (USD 10.0 million) for loans and credit facilities to subsidiaries and related parties. At 31 December 2016, USD 0.0 million (USD 0.0 million) of the credit facilities was utilised.

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 4.3 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	2016	2015
Lease payable within 1 year	1,999	2,021
Lease payable within 1-5 years	2,366	2,236
Lease payable after 5 years	-	-
	4,365	**4,257**

During 2016, USD 2,214 thousands (USD 2,370 thousands) was recognised as an expense in the income statement in respect of operational leases for the company.

Notes

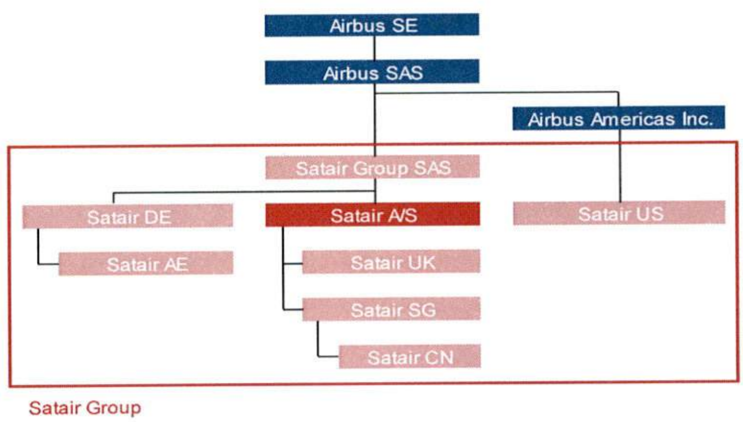
Note 27 Subsequent events

Satair A/S is not aware of events subsequent to 31 December 2016, which are expected to have a material impact on the financial position.

Note 28 Subsidiaries and associates

USD thousands	Country	Ownership	Net profit	Equity
Subsidiaries				
Satair UK Ltd.	United Kingdom	100%	838	8,208
Satair Pte. Ltd.	Singapore	100%	9,746	112,517

Legal structure including related group companies



Definitions

The key figures and ratios are calculated in accordance with "Recommendations and Key Figures 2015' issued by the Danish Association of Financial Analysts and as stated below:

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
SG&A margin	$\frac{\text{Selling, General and Administrative expenses x 100}}{\text{Revenue}}$
EBITDA margin	$\frac{\text{Profit before depreciation and amortisation (EBITDA) x 100}}{\text{Revenue}}$
EBIT margin	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$
Working capital	Inventory + Trade receivables - Trade payables
Return on equity	$\frac{\text{Net profit/(loss) for the year x 100}}{\text{Average equity - Minorities}}$
Equity ratio	$\frac{\text{Total equity x 100}}{\text{Total assets}}$
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