SATAIR
Delivering uptime

The Chairman's presentation at the extraordinary general meeting on June 15, 2011

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(This is a translation into English of the original text in Danish. In case of discrepancies between the two texts, the Danish text shall be considered final and conclusive)

I would like to begin my presentation with a brief outline of developments in the past year.

2010/11

One of Satair's first activities in the year in review was the acquisition of Aero Hardware, a small Miami-based company that has a good strategic fit with the Group's extended cooperation with Eaton Aerospace. We made the first contact to the owner about the transaction in 2002 so, as is often the case with this type of business, it was a lengthy process. Aero Hardware has now become fully integrated into Satair, and our satisfaction with the acquisition remains intact.

Satair presented its Annual Report 2009/2010 on September 14, 2010, and it reflected a revenue of USD 406.5 million (the total consolidated revenue of both the OEM and the Aftermarket Divisions), a profit before tax of USD 25.7 million and a free cash flow of USD 7.8 million. The report also contained our guidance for 2010/2011, which was positive.

Divestment of the OEM Division

On October 25, 2010 we announced the divestment of Satair's OEM Division, which accounted for approx. 25% of the Group's existing business. With a purchase sum of USD 162 million (approx. DKK 870 million) and a profit of USD 65 million, the sale allowed Satair for the first time ever to redeem all its bank debt and have a positive balance on its bank account.

The sale of the OEM Division marked the beginning of a new era for Satair in more ways than one. First of all, it allowed us to focus 100% on the remaining part of our business – the Aftermarket Division – enabling us to benefit in full from our human resources and recent years' massive investments in business and IT development. Secondly, with the change in its financial situation – in particular in a tough financial market – for the first time ever Satair had the financial means and muscle to carry out several and larger acquisitions of companies.

After the sale Satair is now ready, and has the necessary wherewithal, to shape its own future.

It did not take long for the effect to materialize. Satair has been able to benefit from the general upturn in aviation for both passengers and cargo, resulting in a year with steady growth in revenue month after month, an improved earnings capacity and an improved free cash flow. The Group has also been able to raise its forecast for revenue and profit two times, most recently on May 10, 2011, when the revenue forecast was upgraded to USD 390-395 million (the Aftermarket Division only) and profit was forecast at USD 28-29 million. To reach these levels we need to achieve revenue growth of 26% in the last quarter. There have been no changes in the guidance for the full year since May 10, 2011.

The divestment of the OEM Division and the unique financial position also allowed us to carry out our acquisition strategy. On April 8, 2011 we announced the acquisition of AQS at a price of USD 30 million. AQS is a battery distributor with locations in the USA and the UK, and it is a good strategic match for our business. Allow me to devote a few words to Satair's acquisition strategy: Every time we have made an acquisition, we have been criticized by certain parts of the share market for having paid a price that was somewhat on the high side. But every time, Satair has delivered the expected synergies, not least thanks to its competent and experienced employees, who are capable of handling integration processes and achieve sales synergies.

2010/11

To go back to the current fiscal year: on May 10, 2011 we announced the report for the third quarter of fiscal 2010/11, and as mentioned previously increased our guidance for 2010/11 as outlined above.

Strategy plan "Destination 2014"

Satair's former strategy plan, "Delivering 500 +", expired last summer, and we decided to postpone a new strategy process until the sale of the OEM Division had been completed. It is one thing to design a strategy – and another to make sure that the relevant action plans are ready and, not least, to firmly root the strategy with the people that have to live it every day and achieve it.

On May 16, 2011 we announced the new strategy "Destination 2014" in company release no. 203. I will not go through the strategy here, and instead I refer to Satair's website, which contains the full presentation. The strategy foresees an annual average growth rate for the next 3-5 years of 15-17% before possible acquisitions, an EBITDA margin level of 11% against the current level of 9.7%, and a free cash flow before possible acquisitions of minimum USD 30 million at end of period.

Budget 2011/12

Only this week Satair added the final touches to the budget for FY 2011/12, and the preliminary projections show revenue in the region of USD 500 million, a profit before tax of approx. USD 37 million and a free cash flow of approx. USD 18 million. The budget builds upon the assumption of unchanged positive market conditions and a USD/DKK rate of 525. The budget does not take account of any acquisitions.

It will appear that Satair is ready to embark on the new strategy period and the new financial year: it has a well-documented plan, competent employees, a strong financial situation and a market environment that remains positive.

Dividend on account

As early as at the Annual Shareholders' Meeting in the fall of 2010, Satair's Board of Directors suggested the possibility that the sale of the OEM Division could result in the declaration of an extraordinary dividend to the Group's shareholders, but that it depended upon several other factors, one of them being the strategy plan.

Satair now finds that in the present situation, with no debts and with unutilized credit facilities of USD 150 million in its banks, and with the prospects of a good free cash flow going forward, the right thing to do is to propose the declaration of an extraordinary dividend to the Group's shareholders. Hence the proposal for the declaration of a dividend on account. If the proposal is carried, the Board of Directors is likely to make a resolution on the declaration of dividend immediately upon the adjournment of the present shareholders' meeting, with expected payment of the amount on June 21, 2011.

The general dividend policy under which approx. 30% of the profit for the year is declared in dividend, and the result of that policy, remain unchanged. For fiscal 2010/11 the dividend is calculated on the basis of the profit on the continuing activities.

Unsolicited non-committal inquiries

While Satair was busy going about its daily business, its Board of Directors received unsolicited non-committal inquiries from investors announcing their interest in Satair – and by a strange coincidence the inquiries arrived almost simultaneously.

To avoid the spreading of rumors in the market, and to prevent Satair from being criticized for failing to give sufficient information to its shareholders, the Board of Directors decided to go public with these inquiries. We also did this because we felt that the company's development and, in particular, its future were very positive and that by announcing acquisitions, guidance upgradings and strategy plan we could make the company's shareholders understand not only the risks of the company, but also its potential.

After adopting and announcing the strategy plan we decided to initiate a structured process to look into the best future for Satair and all of its stakeholders and then come up with our recommendation – probably in September 2011. To give our shareholders an opportunity to air their opinions on this topic, we convened this shareholders' meeting and included this information item on the agenda.

Remuneration to Management

Allow me to highlight one point in particular, as it has played a prominent role in the public debate in Denmark recently: the remuneration to Management in situations such as this. The members of Satair's Executive Committee and Management Team all receive a fixed amount in salary and a bonus as part of the annual remuneration. Also, Satair launched a warrant program in 2007 under which warrants were allocated in 2007/08 and 2008/09, but not in 2009/10 as the revenue target was not met that year. If all warrants currently allocated were utilized at a time when the Satair share price was at the yesterday's level, it would trigger the payment of a net amount before tax of DKK 25.7 million broken down on 11 employees. There are no special bonus arrangements for members of the Executive Committee or the Management Team in case of a sale of all the shares in the company, but the employment contracts of the members of the Executive Committee and certain employees in the Management Team contain a standard "change of control" clause.

Closing remarks

It is typical of a trading company without a production of its own, such as Satair, that employees and Management have forged close relations to customers and suppliers. For that reason it is important that the Board of Directors and the Executive Committee work closely together in situations such as this – and we do.

Satair has emerged as a unique company with a focused concept in a global and growing industry subject to cyclical changes. Also, there is always a price for a commodity which makes all other considerations secondary. If the shareholders have views on what they feel is best for them in their capacity of shareholders as well as for Satair, we look forward to hearing them.

Thank you for your attention.

Further information:
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About Satair
Satair is among the world leaders in sales and distribution of spares for aircraft maintenance and provides a range of services that reduce costs in the supply chain.

Headquartered in Denmark, Satair provides services to customers and suppliers all over the globe through its sales and warehousing locations in Europe, North America, the Middle East, Asia Pacific and China.

Satair has around 360 employees worldwide and posts an annual revenue of USD 390-395 million.