

CONSOLIDATED ANNUAL REPORT

*(Translation of the Estonian original)**

Beginning of financial year: 01.01.2017

End of the financial year: 31.12.2017

Business name: Magnetic MRO AS

Register code: 10865988

Street, building: Väike-Sõjamäe tn 1a

City: Tallinn

Country: Harju maakond

Postal code: 11415

Telephone: +372 6401119

Fax: +372 6401116

E-mail address: info@magneticmro.com

** This version of annual report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the annual report takes precedence over this translation.*

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Management report

Main activity

Magnetic MRO is a Total Technical Care maintenance and asset management organization with a global presence and more than two decades of worldwide experience. The company has a well-established reputation in innovative aviation solutions and proven track record as a one-stop shop for airlines, asset owners, OEMs and operators. It offers a wide range of services varying from asset management and engineering, to line and base maintenance.

Magnetic MRO awarded Company of the Year 2017 and Exporter of the year 2017 titles.

History

After the rebranding in 2014, Magnetic MRO had grown from a simple third party maintenance provider into a true total technical care partner. Ever since that visual and infrastructural transformation, Magnetic MRO has confidently marched towards new market and service expansions; successfully proved itself in asset management and whole lifecycle solutions; expanded the brand to become a group company with many sub-entities full of diverse solutions in aviation.

As from 2014, Magnetic MRO started to launch new business units and adding new capabilities to support its "Total Technical Care positioning" to compete with global players – launched painting services, increased workshop capabilities as well gaining new approvals in design and production fields, expanded into asset management services, and launched new outstations all around Europe. In order to differentiate itself from the other players, Magnetic MRO has also chased the innovative developments in the aviation market and launched the software for 3D visioning of aircraft interiors, right before introducing 3D printing of aviation approved parts. In 2016 it developed a tailor-made Virtual Reality corner dedicated to its interior workshop clients. In 2017 Magnetic MRO announced its new AR solutions which results in allowing their clients to visualize new liveries on an aircraft before proceeding to the painting stage.

Within the last few years, Magnetic MRO has invested in pioneering technologies and sub-brands in the industry to become more competitive and significantly innovative. In 2016, Magnetic MRO has launched very first e-platform in the aviation market (EngineStands24.com) for leasing, purchasing and transporting aircraft engine stands, aiming to provide an easy and fast solution for airlines, MROs, engine shops, engine manufacturers, leasing companies as well as freight forwarders. Same year, it also acquired a UK-based aircraft interiors company (MAC Interiors) to upgrade its interior market and product scope globally, while adding its revenue stream into VIP market. In 2017, Magnetic MRO and US-based Crestline Investors have established a joint venture for aviation asset investments. The newly established company, Magnetic Parts Trading Limited, has been focusing on acquiring aircraft and engines for immediate part-out, or short-term lease and subsequent part-out. Meanwhile, Magnetic MRO kept focusing on strengthening the backbone of their business and entered into the new markets to reinforce its line and base maintenance (wide body market for LM; A320neo for BM); opened a new paint hangar, extended its engine repair capabilities, and increased the investments into sales, marketing, and PR activities to develop a strong brand presence in the global aviation industry.

In a very short time, Magnetic MRO has put its signature under an exponential growth supported by innovative developments and strategic expansions, differentiating from the low-cost, labor-intensive regional MROs.

In January 2018, as a technologically advanced, innovative, know-how and capital driven service and asset management organization, Magnetic MRO has welcomed its new strategic investors, following a private equity firm BaltCap, together with minority shareholders, selling 100% of their shares in Magnetic MRO to Guangzhou Hangxin Aviation Technology ("Hangxin"). Consequently, Magnetic MRO has expanded into Asia, the highest growth market in aviation, with the goal of expanding its global presence and enhancing service portfolio.

Today Magnetic MRO AS is restructured into 5 P&L Business Units:

- Base Maintenance
- Line Maintenance
- Spare Parts & Components (new)
- Engine Management (new)
- Engineering
- Painting (launched in 2015)

Financial Results

Magnetic MRO AS Group consolidated turnover amounts to 90 887 thousand euros, 36% was related to Base maintenance services and 64% was earner from new business directions including engine management and spare part trading.

In 2017 Group's profit is 3 969 thousand euros.

	2017	2016
Net sales (EUR)	90 887 307	50 519 631
Net sales growth	+79%	+38%
Net profit (EUR)	3 969 355	2 474 090
Net margin	+4,0%	+4,9%
Current ratio	1,03	1,16
ROA	+12,0%	+8,6%

Used formulas:

- Revenue growth (%) = (net sales 2017 - net sales 2016) / net sales 2016 * 100
- Net profit margin (%) = net profit / revenue * 100
- Current ratio (times) = current assets / current liabilities
- ROA = Net profit / total assets * 100

Investments

During 2017 Magnetic MRO AS Group invested 8 083 thousand euros in tangible and intangible assets including purchase of engines.

Consolidated financial statements

Consolidated balance sheet (In Euros)

	31.12.2017	31.12.2016	Note
Assets			
Current assets			
Cash and cash equivalents	1 109 973	8 053 415	
Receivables and prepayments	10 732 822	9 631 596	2
Inventories	8 488 262	6 840 715	3
Total current assets	20 331 057	24 525 726	
Non-current assets			
Investments in subsidiaries and associates	516	100	5
Receivables and prepayments	4 436 226	149 519	2
Property, plant and equipment	5 407 691	2 960 956	7
Intangible assets	766 118	892 675	8
Total non-current assets	10 610 551	4 003 250	
Total assets	30 941 608	28 528 976	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liabilities	7 765 922	3 875 333	11
Payables and prepayments	11 796 718	17 331 808	12
Total current liabilities	19 562 640	21 207 141	
Non-current liabilities			
Loan liabilities	200 708	102 017	11
Payables and prepayments	1 287	0	12
Total non-current liabilities	201 995	102 017	
Total liabilities	19 764 635	21 309 158	
Equity			
Equity held by shareholders and partners in parent company			
Issued capital	1 090 189	1 090 189	13
Share premium	6 619 380	6 619 380	
Statutory reserve capital	79 359	79 359	
Unrealised exchange rate	-57 683	-45 483	
Retained earnings (loss)	-523 627	-2 997 717	
Annual period profit (loss)	3 969 355	2 474 090	
Total equity held by shareholders and partners in parent company	11 176 973	7 219 818	
Total equity	11 176 973	7 219 818	
Total liabilities and equity	30 941 608	28 528 976	

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Consolidated income statement

(In Euros)

	2017	2016	Note
Revenue	90 887 307	50 519 631	14
Cost of sales	-78 988 044	-40 928 630	16
Gross profit (loss)	11 899 263	9 591 001	
Distribution costs	-487 648	-313 762	
Administrative expense	-8 728 915	-7 087 769	17
Other operating income	1 675 017	528 011	15
Other operating expense	-5 762	-100 215	19
Operating profit (loss)	4 351 955	2 617 266	
Interest income	120 850	0	
Interest expenses	-157 069	-150 359	
Other financial income and expense	-341 243	7 183	
Profit (loss) before tax	3 974 493	2 474 090	
Income tax expense	-5 138	0	
Annual period profit (loss)	3 969 355	2 474 090	
Profit (loss) from shareholders and partners in parent company	3 969 355	2 474 090	

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Consolidated cash flow statement

(In Euros)

	2017	2016	Note
Cash flows from operating activities			
Operating profit (loss)	4 351 955	2 617 266	
Adjustments			
Depreciation and impairment loss	2 095 857	761 254	7,8
Profit (loss) from sale of non-current assets	-1 439 926	-139 450	7,15
Total adjustments	655 931	621 804	
Changes in receivables and prepayments related to operating activities	-1 190 767	-3 541 073	2
Changes in inventories	-1 647 547	-2 194 908	3
Changes in payables and prepayments related to operating activities	-5 533 803	9 698 531	12
Total cash flows from operating activities	-3 364 231	7 201 620	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-7 734 501	-1 230 622	7,8
Proceeds from sales of property, plant and equipment and intangible assets	5 140 344	286 743	7
Other cash payments to acquire subsidiaries	-416	-256 324	5
Loans given	-4 156 455	0	2
Total cash flows from investing activities	-6 751 028	-1 200 203	
Cash flows from financing activities			
Loans received	0	1 500 000	11
Repayments of loans received	-1 949 003	-450 329	11
Proceeds from overdraft	5 781 126	-1 209 047	11
Proceeds from finance lease	-224 795	-34 927	9
Interest paid	-157 069	-450 023	
Total cash flows from financing activities	3 450 259	-644 326	
Total cash flows	-6 665 000	5 357 091	
Cash and cash equivalents at beginning of period	8 053 415	2 717 764	
Change in cash and cash equivalents	-6 665 000	5 357 091	
Effect on exchange rate changes on cash and cash equivalents	-278 442	-21 440	
Cash and cash equivalents at end of period	1 109 973	8 053 415	

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Consolidated comprehensive income statement

(In Euros)

	2017	2016
Annual period profit (loss)	3 969 355	2 474 090
Other comprehensive income (expense):		
Effect on unrealised exchange rate changes	-12 200	-45 483
Total other comprehensive income (expense)	-12 200	-45 483
Annual period comprehensive income (expense)	3 957 155	2 428 607
Comprehensive profit (loss) from shareholders and partners in parent company	3 957 155	2 428 607

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Consolidated statement of changes in equity

(In Euros)

	Equity held by shareholders and partners in parent company					Total
	Issued capital	Share premium	Statutory reserve capital	Unrealised exchange rate	Retained earnings (loss)	
31.12.2015	793 600	5 015 969	79 359	0	-2 997 717	2 891 211
Annual period profit (loss)	0	0		-45 483	2 474 090	2 428 607
Issue of equity	296 589	1 603 411		0	0	1 900 000
31.12.2016	1 090 189	6 619 380	79 359	-45 483	-523 627	7 219 818
Annual period profit (loss)				-12 200	3 969 355	3 957 155
31.12.2017	1 090 189	6 619 380	79 359	-57 683	3 445 728	11 176 973

See Note 13.

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Notes to the consolidated financial statements

Note 1 Accounting policies

General information

The consolidated financial statements (hereinafter referred to as "the financial statements") of Magnetic MRO AS (hereinafter also referred to as "the parent company") for the financial year 2017 have been prepared in accordance with the Estonian financial reporting standard. The Estonian financial reporting standard is prescribed by the Accounting Act of Estonia and supplemented by the guidelines issued by the Accounting Standards Board.

The financial statements are for the group consisting of Magnetic MRO AS and its subsidiary MAC Aero Interiors Ltd (together hereinafter referred to as "the Group").

The financial statements have been prepared on the basis of cost, except when indicated differently. The consolidated financial statements have been prepared in Euros (EUR) if not indicated differently.

Preparation of consolidated statements

The financial information of all subsidiaries under the control of the parent is combined on a line-by-line basis in the consolidated financial statements. Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated income statement, comprehensive income statement, statement of changes in equity and balance sheet.

The purchase method is used to account for all business combinations (except business combinations under common control which are recorded at adjusted purchase method). According to purchase method identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The difference of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as a positive or negative goodwill.

Starting from the date of acquisition acquired assets, liabilities and contingent liabilities of subsidiaries and goodwill from business combination are recorded in consolidated balance sheet, income and expenses of subsidiary belonging to the group are recorded in consolidated income statement, unrealized FX gains and losses are shown in comprehensive income statement. Negative goodwill is recognized directly in profit and loss.

According to Estonian Accounting Act par 29 and taking into consideration materiality principle group does not consolidate subsidiary with total assets less than 5% of the group total assets and revenue less than 5% of the group revenue. Investment in such subsidiary is recorded under equity method.

The results and financial position of foreign operations that have a functional currency different from the presentation currency of the group are translated into the presentation currency as follows:

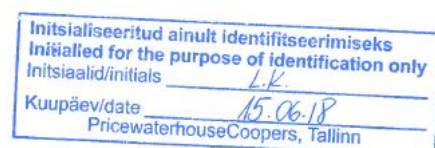
- a) Assets and liabilities for each balance sheet presented and translated at exchange rates of the Central Bank of Europe officially valid on the date of that balance sheet.
- b) Income and expenses for each statement presented and translated at weighted average exchange rates of the Central Bank of Europe officially valid during the financial period.

The separate primary financial statements of the parent are disclosed in the notes to the consolidated financial statements. The accounting policies applied for the preparation of the separate financial statements of the parent are the same as those which have been used for the preparation of the consolidated financial statements. In the separate financial statements of the parent, investments in subsidiaries and associates are recognised at cost.

Investments in associates are accounted for at cost. Investment is initially recognized at cost, which is the fair value of paid fee and costs directly related to the acquisition.

Financial assets

Cash, shares and other securities, trade receivables, accrued income and other short-term and long term receivables are considered to be financial assets. Financial assets are initially recognized at cost, which is the fair value of consideration given or received to acquire the financial liability. Initial cost of financial liabilities includes all direct transaction costs.



Cash and cash equivalents

In the cash flow statement and in the balance sheet cash and cash equivalents include cash on hand and bank balances, term deposits with original maturities of up to 3 months. Cash flow from operating activities are reported under the indirect method. Cash flows from investing and financing activities are reported based on gross receipts and disbursements made during the financial year.

Foreign currency transactions and assets and liabilities denominated in a foreign currency

Transactions denominated in foreign currency are recorded on the basis of the foreign currency exchange rates of the Central Bank of Europe officially valid on the transaction date. Monetary assets and liabilities and non-monetary assets and liabilities that are measured at fair value, denominated in foreign currency have been translated into euro's on the basis of the currency exchange rates of the Central Bank of Europe officially valid on the balance sheet date. Foreign exchange gains and losses resulting from revaluation are recorded in net amount in the income statement of the reporting period.

Receivables and prepayments

Trade receivables, accrued receivables and other short and long-term receivables (incl. loans and deposits) that the company has not purchased for resale, including financial assets that are intended to be held to maturity, are measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on acquisition, as well as expenses directly related to the transaction, over the year to maturity.

Impairment is recognized when there is objective evidence that all amounts due cannot be collected according to the original terms of the contract. Debtor's bankruptcy or significant difficulties to meet payment deadlines are circumstances that indicate a possible impairment loss. Impairment (ie. the need for any write-downs) is evaluated on an individual basis, based on the present value of expected future collectible amounts. Revenue from unfinished projects recorded on "Accrued income" row is computed using the stage of completion method.

Inventories

Inventories are recorded in the balance sheet at cost, consisting of the purchase costs and other costs incurred in bringing the inventories to their present location and condition.

Inventories are expensed using the FIFO method.

Inventories are measured in the balance sheet at the lower of acquisition cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Plant, property and equipment and intangible assets

Property, plant and equipment is initially recorded at cost, including purchase price and other expenses directly associated with the acquisition of those assets, which are necessary for bringing the asset to its operating condition and location. Property, plant and equipment are stated at historical cost less any accumulated depreciation and any impairment losses.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits will flow to the Group and value of the asset could be reliably measured. Other maintenance and repair costs are expensed when incurred.

Depreciation is calculated on the straight-line method. Depreciation rates are assigned separately to each tangible asset or its separately identifiable component depending on its estimated useful life.

Depreciation rates for assets groups are set as follows:

Buildings 10%-30%

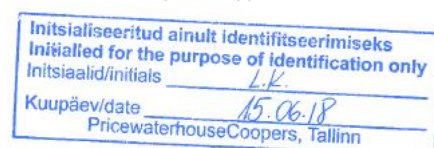
Machinery and equipment 10%-40%

Other inventory 20%-40%

Aircraft components are recorded under Machinery and equipment group. Depreciation rate is 20-40% per annum.

Intangible assets are recorded at cost, which comprises purchase price and other directly attributable expenditures. Following initial recognition, intangible assets are recorded at cost less accumulated depreciation and any accumulated impairment losses.

Amortisation is calculated on the straight-line method. Amortisation rates are set separately to each asset depending on its estimated useful life. If useful life of an intangible asset is unidentifiable, 10 years of amortization period applies.



Depreciation rates for assets groups are set as follows:

Goodwill 10%

Software 10%-40%

Impairment of assets

At each balance sheet date, management estimates whether there is any known indication of impairment of the asset. If there is such indication of impairment, management determines the recoverable amount (i.e. higher of the asset's fair value less cost to sell and its value in use). The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Write-downs on assets are recognized as expenses for the financial year. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. If the asset's recoverable amount is less than its carrying amount, the items of property, plant and equipment are written down to their recoverable amount. When the circumstances of assessing the recoverable amount of the asset have changed, the previous impairment loss is reversed up to the carrying amount (excluding goodwill impairment). Reversals of impairment losses are recognized in the income statement as a reduction of the impairment loss.

Minimal acquisition cost 640 EUR

Leases

A lease is classified as a finance lease, when all substantial risks and returns related to the ownership of the asset are transferred to the lessee. Other lease agreements are classified as operating leases.

The Group is the lessee

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges (interest) so as to achieve a constant rate on the finance balance outstanding. Finance costs are charged to the income statement over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The assets leased under finance leases are depreciated similarly to acquired non-current assets, whereby the depreciation period is the lower of the asset's estimated useful life and the lease term. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease period.

The Group is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Lease revenue is recognised on a straight-line basis over the lease term.

Financial liabilities

All financial liabilities (trade payables, borrowings, accrued expenses and other current and long-term liabilities) are stated at amortised cost. The amortised cost of current financial liabilities generally equals their nominal value; therefore current financial liabilities are carried in the balance sheet at their net redemption value. For calculating the amortised cost of non-current financial liabilities, they are initially recognised at fair value of the proceeds received (net of transaction costs incurred) and an interest cost is calculated on the liability in subsequent periods using the effective interest rate method.

A financial liability is classified as current if its payment term is within twelve months of the balance sheet date or if the group does not have an unconditional right to postpone the payment of the liability for more than twelve months after the balance sheet date. Loan payables that the lender has the right to recall at the balance sheet date due to a breach of the terms and conditions specified in the loan agreement are also recognised as current liabilities.

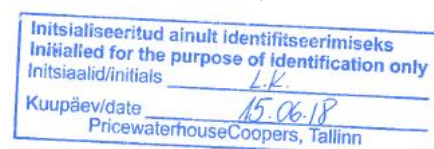
Provisions and contingent liabilities

Provisions are recognized in the balance sheet when the group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The management's judgements and experience as well as evaluation of independent experts (if necessary) are taken as basis for evaluating the provisions. The provisions are recorded in the balance sheet in amount required to settle the obligation at the balance sheet date.

If provision would be settled after 12 month period after balance sheet date, the provision is recognized in discounted value (net present value of the settlement) except in case if discounting is immaterial.

Statutory reserve capital

As per Commercial Code during each financial year, at least 1/20 of the net profit shall be entered in reserve capital, until reserve capital reaches 1/10 of share capital. Reserve capital may be used to cover a loss, or to increase share capital.



Revenue recognition

Revenue is recognized at the fair value of the received / receivable income taking into account all discounts and rebates.

Revenue from sales of goods is recognized when all material risks related to the ownership of the asset have been transferred to the buyer and the amount of revenue and expenses related to the transaction can be reliably measured.

Revenue from provided services is recognized when service is provided and accepted by the third party or for ongoing services revenue is determined on balance sheet date based on method of completion. Completion is determined based on the ratio between the actual and estimated costs on balance sheet date.

Taxation

According to the Income Tax Act, Estonian companies are not subjected to pay income tax on the profit. Rather, they are subjected to income tax on the paid dividends, benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price. The established tax rate is 20/80 of the net dividend paid from 01 January 2015 onwards.

Under certain condition, it is possible to distribute dividends without any additional income tax expense. The payment of dividends and corporate income tax liability are recognized in the income statement in the period when dividends are declared irrespective of the period for which they declared or when they are paid out. Income tax liability arises on the 10th day of the month following the dividend payment.

From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account.

Magnetic MRO AS has a permanent establishment in Lithuania. According to Lithuanian law, income earned from permanent establishment is a subject to corporate income tax at rate of 15%. Income tax payable is accounted under short term liabilities.

The U.K. subsidiary Mac Aero Interiors Ltd net profit is taxed at the income tax rate of 19%. Tax liability is recorded as a current liability at the balance sheet date.

Related parties

The parties are considered related if one party exercises control over the other party or exercises significant influence on the other party's business decisions, including other entrepreneurs belonging to the same group, owners, members of the board and management, their families and companies in which above-mentioned persons have control or significant influence.

Subsequent events

Material circumstances that have an effect on the valuation of assets and liabilities and became evident between the reporting date 31 December 2017 and the date of preparing the financial statements, but are related to transactions that took place in the reporting period or earlier periods, are recorded in the financial statements.

Note 2 Receivables and prepayments

(In Euros)

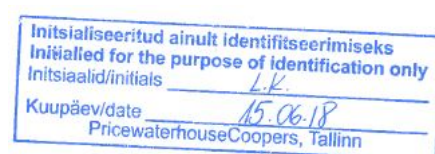
	31.12.2017	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	8 788 503	8 788 503	0	0	
Accounts receivables	8 837 876	8 837 876	0	0	
Allowance for doubtful receivables	-49 373	-49 373	0	0	
Tax prepayments and receivables	731 038	731 038	0	0	4
Other receivables	5 241 946	940 972	132 191	4 168 783	
Loan receivables	4 305 974	5 000	132 191	4 168 783	
Interest receivables	61 520	61 520	0	0	
Accrued income	874 452	874 452	0	0	
Prepayments	407 561	272 309	135 252	0	
Deferred expenses	407 561	272 309	135 252	0	
Total receivables and prepayments	15 169 048	10 732 822	267 443	4 168 783	

	31.12.2016	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	6 455 072	6 455 072	0	0	
Accounts receivables	6 455 072	6 455 072	0	0	
Tax prepayments and receivables	469 026	469 026	0	0	4
Other receivables	2 474 852	2 325 333	149 519	0	
Loan receivables	149 519	0	149 519	0	
Interest receivables	20 809	20 809	0	0	
Accrued income	2 304 524	2 304 524	0	0	
Prepayments	382 165	382 165	0	0	
Deferred expenses	382 165	382 165	0	0	
Total receivables and prepayments	9 781 115	9 631 596	149 519	0	

As of 31.12.2017 loan receivables consists of loans granted to non-consolidated subsidiary in amount of 150 000 USD and 7 118 EUR, interest rate 5%, due date 01.03.2019 and loan granted to the associate in amount of 5 000 000 USD, interest rate 10%, due date 20.07.2024.

As of 31.12.2016 loan receivables consists of loans granted to non-consolidated subsidiary in amount of 150 000 USD and 7 118 EUR.

Revenue from ongoing projects accounted under stage of completion method is recognised under "Accrued income" in amount of 874 452 EUR (31.12.2016: 2 304 524 EUR).



Note 3 Inventories

(In Euros)

	31.12.2017	31.12.2016
Raw materials	4 790 228	4 055 440
Inventory prepayments	3 698 034	2 785 275
Total Inventories	8 488 262	6 840 715

As of 31.12.2016 allowance for inventories was recognised in amount of 303 674 EUR.

As of 31.12.2017 allowance for inventories was recognised in amount of 297 642 EUR.

Allowance was recognised to align the inventory carrying value to the net realizable value.

Note 4 Tax prepayments and liabilities

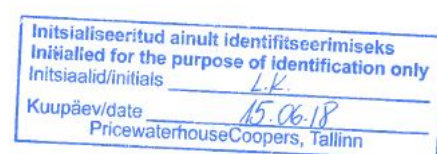
(In Euros)

	31.12.2017		31.12.2016	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Value added tax	402 722	0	234 509	0
Personal income tax	0	268 258	0	221 413
Fringe benefit income tax	0	3 041	0	213
Social tax	0	501 510	0	389 245
Contributions to mandatory funded pension	0	24 551	0	20 240
Unemployment insurance tax	0	33 821	0	27 556
Other tax prepayments and liabilities	146 523	393 592	126 598	241 797
Prepayment account balance	181 793	0	107 919	0
Total tax prepayments and liabilities	731 038	1 224 773	469 026	900 464

See note 2 and 12.

The tax authorities have the right to verify the Company's tax records up to 5 years from the time of submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines.

The Company's management estimates that there are no circumstances which may lead the tax authorities to impose additional significant taxes on the Company.



Note 5 Investments in subsidiaries and associates

(In Euros)

	31.12.2017	31.12.2016
Shares of subsidiaries	100	100
Shares of associates	416	0
Total investments in subsidiaries and associates	516	100

Associate Magnetic Parts Trading Limited was established in 2017, Magnetic MRO AS owns 49,9%.

In February 2016 Magnetic MRO AS acquired a subsidiary MAC Aero Interiors Ltd. Purchase price of 100% ownership amounted to 451 thousand EUR. Fair value of net assets obtained amounted to minus 476 thousand EUR. As a result of the acquisition goodwill in amount of 927 thousand EUR was recognized (see note 8). Transaction was made with independent parties and accounted for using the purchase method. MAC Aero Interiors Ltd is consolidated in current report.

Previously acquired 100% subsidiary Magnetic Leasing Ltd is a dormant company without any economic activity, thus according to Estonian Accounting Act par 29 and taking into consideration materiality principle the parent company does not consolidate subsidiary with total assets less than 5% of the group total assets and revenue less than 5% of the group revenue.

Note 6 Shares of subsidiaries

(In Euros)

Shares of subsidiaries, general information					
Subsidiary's registry code	Name of subsidiary	Country of incorporation	Principal activity	Ownership interest (%)	
				31.12.2016	31.12.2017
537659	Magnetic Leasing Limited	Ireland	sale of aircraft spare parts	100	100
8335187	MAC Aero Interiors Ltd	United Kingdom	production of aircraft interior	100	100

Shares of subsidiaries, detailed information			
Name of subsidiary	31.12.2016	Acquisition	31.12.2017
Magnetic Leasing Limited	100	0	100
MAC Aero Interiors Ltd	451 460	0	451 460
Total shares of subsidiaries, at end of previous period	451 560	0	451 560

Acquired ownership interests			
Name of subsidiary	Acquired ownership interest %	Acquisition date	Cost of acquired ownership interest
MAC Aero Interiors	100	03.02.2016	451 460

In 2017 financial year there was no economic activity in Magnetic Leasing Ltd.

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Note 7 Property, plant and equipment

(In Euros)

									Total
	Buildings				Machinery and equipment	Other property, plant and equipment		Unfinished projects and prepayments	
		Transport	Computers and computer systems	Other machinery and equipment					
31.12.2015									
Carried at cost	574 398	105 385	220 431	3 918 707	4 244 523	590 049	13 440	13 440	5 422 410
Accumulated depreciation	-27 472	-67 126	-165 155	-2 292 809	-2 525 090	-332 259	0	0	-2 884 821
Residual cost	546 926	38 259	55 276	1 625 898	1 719 433	257 790	13 440	13 440	2 537 589
Acquisitions and additions	67 835	3 950	19 435	1 059 600	1 082 985	12 657	83 446	83 446	1 246 923
Additions through business combinations	0	5 072	0	32 341	37 413	0	0	0	37 413
Depreciation	-86 339	-14 675	-29 671	-438 369	-482 715	-74 376	0	0	-643 430
Impairment loss	0	0	0	-70 246	-70 246	0	0	0	-70 246
Disposals	0	0	0	-147 293	-147 293	0	0	0	-147 293
31.12.2016									
Carried at cost	642 234	115 128	189 107	4 713 739	5 017 974	602 706	96 886	96 886	6 359 800
Accumulated depreciation	-113 812	-82 522	-144 067	-2 651 808	-2 878 397	-406 635	0	0	-3 398 844
Residual cost	528 422	32 606	45 040	2 061 931	2 139 577	196 071	96 886	96 886	2 960 956
Acquisitions and additions	422 049	39 187	19 559	7 263 410	7 322 156	106 311	232 379	232 379	8 082 895
Acquisition of buildings, new building, renovations	422 049								422 049
Other acquisitions and additions		39 187	19 559	7 263 410	7 322 156	106 311	232 379	232 379	7 660 846
Depreciation	-93 003	-17 657	-32 384	-1 559 236	-1 609 277	-78 548	0	0	-1 780 828
Impairment loss	0	0	0	-154 914	-154 914	0	0	0	-154 914
Disposals	0	0	-332	-3 700 086	-3 700 418	0	0	0	-3 700 418
31.12.2017									
Carried at cost	1 064 283	154 315	158 819	7 253 965	7 567 099	707 182	329 265	329 265	9 667 829
Accumulated depreciation	-206 815	-100 179	-126 936	-3 342 860	-3 569 975	-483 348	0	0	-4 260 138
Residual cost	857 468	54 136	31 883	3 911 105	3 997 124	223 834	329 265	329 265	5 407 691

Disposed property, plant and equipment at selling price

	2017	2016
Machinery and equipment	5 140 344	286 743
Computers and computer systems	488	0
Other machinery and equipment	5 139 856	286 743
Total	5 140 344	286 743

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Note 8 Intangible assets

(In Euros)

			Total
	Goodwill	Computer software	
31.12.2015			
Carried at cost	0	283 731	283 731
Accumulated depreciation	0	-229 195	-229 195
Residual cost	0	54 536	54 536
Acquisitions and additions	831 551	138 567	970 118
Depreciation	-86 543	-45 436	-131 979
31.12.2016			
Carried at cost	831 551	422 299	1 253 850
Accumulated depreciation	-86 543	-274 632	-361 175
Residual cost	745 008	147 667	892 675
Acquisitions and additions	0	33 558	33 558
Depreciation	-80 909	-54 160	-135 069
Other changes	-25 046		-25 046
31.12.2017			
Carried at cost	831 551	439 285	1 270 836
Accumulated depreciation	-192 498	-312 220	-504 718
Residual cost	639 053	127 065	766 118

Information related to goodwill is presented in Note 5.

Note 9 Finance lease

(In Euros)

Accounting entity as lessee

	31.12.2017	Allocation by remaining maturity			Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years		
Overall financial investments	342	342	0	0	EUR	30.08.2018
SEB Leasing AS	12 572	5 524	7 048	0	EUR	15.12.2020
Luminor Leasing AS	202 891	65 635	137 256	0	EUR	01.11.2020
Luminor Leasing AS	26 436	5 334	21 102	0	EUR	16.09.2022
Luminor Leasing AS	78 651	43 349	35 302	0	EUR	16.11.2019
Luminor Leasing AS	27 182	27 182	0	0	EUR	01.12.2018
Finance lease total	348 074	147 366	200 708			

	31.12.2016	Allocation by remaining maturity			Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years		
Overall financial investments	811	469	342	0	EUR	30.08.2018
Nordea Finance Estonia	46 114	20 611	25 503	0	EUR	01.12.2018
Nordea Finance Estonia	143 992	67 820	76 172	0	EUR	01.11.2019
Finance lease total	190 917	88 900	102 017	0		

Residual cost of leased assets		
	31.12.2017	31.12.2016
Machinery and equipment	489 007	234 485
Total	489 007	234 485

Financial lease agreements interest rate is between 1,7%-3,25% + 3m or 6m EURIBOR.

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Note 10 Operating lease

(In Euros)

Accounting entity as lessor

	2017	2016
Operating lease income	2 716 951	652 594

Operating lease includes mainly lease of tools and aircraft components.

See also note 14.

Accounting entity as lessee

	2017	2016
Operating lease expenses	1 838 056	1 809 744
Future lease expense under non-cancellable lease contracts		
	31.12.2017	31.12.2016
Within 12 months	1 517 085	1 418 650
1 - 5 years	5 839 963	5 023 069
Over 5 years	4 784 531	4 088 811

Operating lease includes mainly lease agreements of machinery and buildings.

See also notes 16 and 17.

Note 11 Loan liabilities

(In Euros)

	31.12.2017	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years			
Current loans							
Luminor Bank AS (overdraft)	7 618 556	7 618 556	0		2.07% + base rate	EUR	29.03.2018
Current loans total	7 618 556	7 618 556					
Finance lease total	348 074	147 366	200 708				
Loan liabilities total	7 966 630	7 765 922	200 708				

	31.12.2016	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years			
Current loans							
Nordea Bank Finland Estonian branch - overdraft	1 837 430	1 837 430			2,725%	EUR	31.03.2017
Nordea Bank Finland Estonian branch	1 500 000	1 500 000			2,45%+ base rate	EUR	31.05.2017
Current loans total	3 337 430	3 337 430					
Non-current loans							
Nordea Bank Finland Estonian branch	25 367	25 367	0	0	2,15%+ base rate	EUR	02.01.2017
Nordea Bank Finland Estonian branch	423 636	423 636	0	0	2,75%+ base rate	EUR	06.03.2017
Non-current loans total	449 003	449 003	0	0			
Finance lease total	190 917	88 900	102 017	0			
Loan liabilities total	3 977 350	3 875 333	102 017	0			

Carrying amount of assets pledged as collateral

	31.12.2017	31.12.2016
Machinery and equipment	3 942 988	0
Other property, plant and equipment	223 834	67 429
Other assets	20 182 430	5 132 629
Total	24 349 252	5 200 058

As of 31.12.2017 the parent company has the option to use the overdraft from Nordea Bank Finland PLC Estonian branch in the amount of 7 800 000 EUR. The term of the contract is 29.03.2018. At the end of the period parent company plans to extend the usage of existing limits.

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Commercial pledge is set on parent company movable property that belonged to the parent company at the time the commercial pledge entry or which were purchased after the commercial pledge entry was set, with the exception of the Commercial Pledges Act par 2 section 3 listed property.

See also notes 2, 3, 7.

Note 12 Payables and prepayments

(In Euros)

	31.12.2017	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Trade payables	7 112 710	7 112 710	0		
Employee payables	846 275	846 275	0		
Tax payables	1 224 773	1 224 773	0		4
Other payables	375 879	375 879	0		
Other accrued expenses	375 879	375 879	0		
Prepayments received	2 238 368	2 237 081	1 287		
Deferred income	2 237 081	2 237 081	0		
Other received prepayments	1 287		1 287		
Total payables and prepayments	11 798 005	11 796 718	1 287		

	31.12.2016	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Trade payables	5 447 897	5 447 897	0	0	
Employee payables	731 165	731 165	0	0	
Tax payables	900 464	900 464	0	0	4
Other payables	1 404 402	1 404 402	0	0	
Interest payables	3 683	3 683	0	0	
Other accrued expenses	1 400 719	1 400 719	0	0	
Prepayments received	8 847 880	8 847 880	0	0	
Deferred income	8 847 880	8 847 880	0	0	
Total payables and prepayments	17 331 808	17 331 808	0	0	

Other accrued expenses consists of expenses related to ongoing projects accounted under stage of completion method.

Note 13 Share capital

(In Euros)

	31.12.2017	31.12.2016
Share capital	1 090 189	1 090 189
Number of shares (pcs)	170 342	170 342
Nominal value of shares	6.40	6.40

In March 2016 shareholders decided to increase parent company share capital by 296 588 EUR by issuing 46 342 new shares. Shares were issued with premium in amount of 34,599 EUR per share. The shares were paid for with a non-monetary contribution. The object of the non-monetary contribution was BaltCap Private Equity Fund L.P. principal claim against the parent company in amount of 1 900 000 EUR.

Retained earnings as of 31.12.2017 were 3 445 728 EUR. The maximum tax liability which would become payable if retained earnings were fully distributed is 689 146 EUR. The Group did not have any related earning as of 31.12.2016.

Note 14 Revenue

(In Euros)

	2017	2016
Revenue by geographical location		
Revenue in European Union		
Estonia	2 338 131	1 695 871
Other European Union net sales	69 652 332	24 896 858
Total revenue in European Union	71 990 463	26 592 729
Revenue outside of European Union		
Other revenue outside of European Union	18 896 844	23 926 902
Total revenue outside of European Union	18 896 844	23 926 902
Total revenue	90 887 307	50 519 631
Revenue by operating activities		
Line maintenance	3 424 944	2 150 682
Base maintenance	29 332 768	17 157 776
Components overhaul	5 104 655	3 434 704
Sale of materials and other services	51 048 598	26 206 897
Painting	928 832	0
Engineering services	1 047 510	1 569 572
Total revenue	90 887 307	50 519 631

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Note 15 Other operating income

(In Euros)

	2017	2016
Profit from sale of plant, property and equipment	1 439 926	139 450
Profit from exchange rate differences	6 657	0
Other	228 434	388 561
Total other operating income	1 675 017	528 011

Note 16 Cost of sales

(In Euros)

	2017	2016	
Raw materials	60 044 806	27 600 208	
Subcontracting work	5 640 233	2 674 087	
Transportation expense	803 093	547 925	
Labor expense	10 748 091	9 655 675	18
Depreciation	1 546 560	426 887	
Other	205 261	23 848	
Total cost of sales	78 988 044	40 928 630	

Note 17 Administrative expense

(In Euros)

	2017	2016	
Leases	1 736 325	1 577 425	
Energy	448 962	407 211	
Electricity	224 411	214 420	
Heat energy	196 464	170 025	
Fuel	28 087	22 766	
Water supply services	22 817	0	
Transportation expense	0	36 803	
Logistics expense	0	1 661	
Miscellaneous office expenses	441 317	43 448	
Travel expense	568 779	386 301	
Training expense	310 749	78 126	
State and local taxes	10 563	5 637	
Allowance for doubtful receivables	45 294	80 451	
Labor expense	2 474 826	2 270 290	18
Depreciation	371 971	350 667	
Asset impairment expense	25 581	122 436	
Other	2 271 731	1 727 313	
Total administrative expense	8 728 915	7 087 769	

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Note 18 Labor expense

(In Euros)

	2017	2016
Wage and salary expense	10 309 768	9 402 045
Social security taxes	2 913 149	2 523 920
Total labor expense	13 222 917	11 925 965
Average number of employees in full time equivalent units	330	300

See notes 16 and 17.

Note 19 Other operating expense

(In Euros)

	2017	2016
Loss from exchange rate differences	0	84 087
Fines, penalties and compensations	5 762	16 128
Total other operating expense	5 762	100 215

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Note 20 Related parties

(In Euros)

Name of accounting entity's parent company	Baltcap Private Equity Fund L.P
Country where the entity's parent company is registered	Channel Islands

Related party balances according to groups

	31.12.2017		31.12.2016	
	Receivables	Liabilities	Receivables	Liabilities
Subsidiary	157 211	0	170 229	0
Associate	4 205 655	0	0	0
Other entities belonging into same consolidation group	552 192	0	0	10 033

2017	Given loans	Interest rate	Base currencies	Due date
Associates				
Magnetic Parts Trading Limited	4 169 199	10%	USD	20.07.2024

2016	Given loans	Given loans repayments	Loans received	Loans received repayments	Interest rate	Base currencies	Due date
Parent company							
BaltCap Private Equity Fund L.P.	0	0	0	1 900 000	5%	EUR	02.06.2016

Purchases and sales

	2017		2016	
	Purchases	Sales	Purchases	Sales
Parent company	0	0	19 260	0
Subsidiary	0	6 961	0	8 451
Associate	0	36 763	0	0
Other entities belonging into same consolidation group	117 751	5 358 229	58 593	0

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2017	2016
Remuneration	473 474	408 858

On the line "receivables from subsidiaries" receivables from non-consolidated subsidiary is recorded. See Note 5.

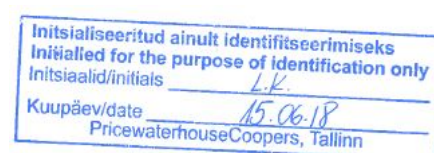
Purchases and sales:

Purchases of goods: 47 783 EUR (2016: 58 593 EUR).

Sales of goods: 2 379 000 EUR (2016: 0 EUR).

Purchases of services: 69 968 EUR (2016: 19 260 EUR).

Sales of service: 3 022 953 EUR (2016: 8 451 EUR).



Note 21 Nonconsolidated balance sheet

(In Euros)

	31.12.2017	31.12.2016
Assets		
Current assets		
Cash and cash equivalents	1 099 453	7 990 249
Receivables and prepayments	11 621 348	10 045 114
Inventories	7 863 482	6 508 510
Total current assets	20 584 283	24 543 873
Non-current assets		
Investments in subsidiaries and associates	452 076	451 660
Receivables and prepayments	4 300 874	149 419
Property, plant and equipment	5 059 433	2 925 974
Intangible assets	86 018	120 790
Total non-current assets	9 898 401	3 647 843
Total assets	30 482 684	28 191 716
Liabilities and equity		
Liabilities		
Current liabilities		
Loan liabilities	7 765 922	3 875 333
Payables and prepayments	11 135 584	16 880 829
Total current liabilities	18 901 506	20 756 162
Non-current liabilities		
Loan liabilities	200 708	102 017
Total non-current liabilities	200 708	102 017
Total liabilities	19 102 214	20 858 179
Equity		
Issued capital	1 090 189	1 090 189
Share premium	6 619 380	6 619 380
Statutory reserve capital	79 359	79 359
Retained earnings (loss)	-455 391	-2 997 717
Annual period profit (loss)	4 046 933	2 542 326
Total equity	11 380 470	7 333 537
Total liabilities and equity	30 482 684	28 191 716

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Note 22 Nonconsolidated income statement

(In Euros)

	2017	2016
Revenue	87 246 530	46 515 795
Cost of sales	-77 539 754	-38 633 634
Gross profit (loss)	9 706 776	7 882 161
Distribution costs	-436 699	-296 269
Administrative expense	-6 598 471	-5 397 237
Other operating income	1 674 812	528 011
Other operating expense	-3 861	-75 284
Total operating profit (loss)	4 342 557	2 641 382
Interest income	120 850	0
Interest expenses	-152 291	-140 816
Other financial income and expense	-264 183	41 760
Profit (loss) before tax	4 046 933	2 542 326
Annual period profit (loss)	4 046 933	2 542 326

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Note 23 Nonconsolidated cash flow statement

(In Euros)

	2017	2016
Cash flows from operating activities		
Operating profit (loss)	4 342 557	2 641 382
Adjustments		
Depreciation and impairment loss	1 801 891	740 107
Profit (loss) from sale of non-current assets	-1 439 926	-139 450
Total adjustments	361 965	600 657
Changes in receivables and prepayments related to operating activities	-900 544	-2 990 913
Changes in inventories	-1 354 972	-1 858 001
Changes in payables and prepayments related to operating activities	-5 745 245	9 942 337
Total cash flows from operating activities	-3 296 239	8 335 462
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-7 219 044	-1 180 362
Proceeds from sales of property, plant and equipment and intangible assets	5 140 344	286 743
Other cash payments to acquire subsidiaries	-416	-451 560
Loans given	-4 827 145	-1 067 978
Total cash flows from investing activities	-6 906 261	-2 413 157
Cash flows from financing activities		
Loans received	0	1 500 000
Repayments of loans received	-1 949 003	-450 329
Proceeds from overdraft	5 781 126	-1 209 047
Proceeds from finance lease	-224 795	-34 927
Interest paid	-152 291	-450 023
Total cash flows from financing activities	3 455 037	-644 326
Total cash flows	-6 747 463	5 277 979
Cash and cash equivalents at beginning of period	7 990 249	2 717 764
Change in cash and cash equivalents	-6 747 463	5 277 979
Effect on exchange rate changes on cash and cash equivalents	-143 333	-5 494
Cash and cash equivalents at end of period	1 099 453	7 990 249

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Note 24 Nonconsolidated statement of changes in equity

(In Euros)

					Total
	Issued capital	Share premium	Statutory reserve capital	Retained earnings (loss)	
31.12.2015	793 600	5 015 969	79 359	-2 997 717	2 891 211
Annual period profit (loss)	0	0	0	2 542 326	2 542 326
Issue of equity	296 589	1 603 411	0	0	1 900 000
31.12.2016	1 090 189	6 619 380	79 359	-455 391	7 333 537
Carrying amount of investments under control and significant influence	0	0	0	-451 560	-451 560
Value of investments under control and significant influence under the equity method	0	0	0	745 008	745 008
Restated non consolidated equity 31.12.2016	1 090 189	6 619 380	79 359	-161 843	7 627 085
Annual period profit (loss)	0	0	0	4 046 933	4 046 933
31.12.2017	1 090 189	6 619 380	79 359	3 591 542	11 380 470
Carrying amount of investments under control and significant influence	0	0	0	-451 560	-451 560
Value of investments under control and significant influence under the equity method	0	0	0	639 000	639 000
Restated non consolidated equity 31.12.2017	1 090 189	6 619 380	79 359	3 779 082	11 568 010

Note 25 Subsequent events

In the first quarter of 2018 Balticap Private Equity Fund L.P. entered into sale-purchase agreement with Guanczhou Hangxin Aviation Technology for purchase of 100% of Magnetic MRO AS shares.

Final transfer of shares to Guanczhou Hangxin Aviation Technology was performed in the second quarter of 2018.

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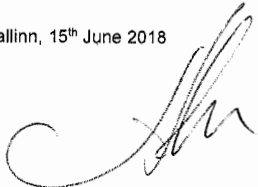
Signatures of the management board to the 2017 annual report

The Management Board of Magnetic MRO AS have adopted the Consolidated Financial Statements for the year ended 31.12.2017.

The Consolidated Financial Statements are prepared in accordance with the Estonian financial reporting standard.

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as of 31.12.2017 and of the results of the Group's operations and cash flows for the financial year ended 31.12.2017.

Tallinn, 15th June 2018



Astrit Viisma-Kass

Member of the Management Board



INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholder of Magnetic MRO

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Magnetic MRO and its subsidiary (together the Group) as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Estonian financial reporting standard.

We audited the Group's consolidated financial statements that comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated comprehensive income statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated 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.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Auditors Activities Act of the Republic of Estonia.

Other information

The Management Board is responsible for the other information contained in the consolidated annual report in addition to the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise



appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Estonian financial reporting standard and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

AS PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read "Tiit Raimla".

Tiit Raimla
Auditor's certificate no.287

A handwritten signature in blue ink, appearing to read "Oksana Popova".

Oksana Popova
Auditor's certificate no.633

15 June 2018

** This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*