



**CONSOLIDATED NON-AUDITED INTERIM REPORT FOR Q4 2018 AND 2018
FINANCIAL YEAR**



TALLINN

GENERAL INFORMATION

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.

4Q 2018 OPERATIONS AND ACTIVITIES

- **Our main customer in Base maintenance is in negotiations with MMRO to book heavy maintenance up until year 2024.** In addition, mentioned customer is going to replace their 18 Bombardier Dash 8 Q400s with Airbus A320s, which is additional business potential for MMRO.
- **MMRO has started to evaluate a MRO project in Dubai.** Facility proposal has been received and partnership negotiations with main local operator are next step.
- **Memorandum of Understanding signed in October 2018 with one of the best low-cost carriers.** Company has signed Memorandum with an aim to secure 2019/2020 heavy maintenance line with Magnetic MRO.
- **Line maintenance is starting Airbus 220 capability addition.**
- **Magnetic MRO and Enter Air, Poland's largest and Eastern Europe's second largest charter carrier, have signed a three-year contract for PBH support for the airline's 19 Boeing 737-800s.** The recently signed agreement includes scheduled and 24/7 ad-hoc supply of components, component repair management, loan, exchange and warranty support services for the carrier's Boeing 737 NG fleet at Warsaw Chopin, Katowice-Pyrzowice and at its other main airports.
- **On 21 of December, Magnetic issued bonds, which were listed on First North on 14.02.2019.** As of 31.12.2018 1/3 of the bonds were sold.
- **Subsidiary of Magnetic MRO - MAC Aero Interiors, a commercial aircraft cabin interiors arm of a global provider of Total Technical Care for aircraft operators and lessors, Magnetic MRO, enters the Chinese aircraft cabin interiors market by establishing a Joint Venture with Benniao Aviation.** The newly launched MAC Sichuan will be providing total cabin technical care support to Chinese aircraft owners and operators.

- **In December Magnetic MRO completed a teardown project for an Airbus A320 aircraft which will be used for antiterrorism trainings in Germany by special forces.** Magnetic MRO obtained the aircraft after an emergency landing in Tallinn at the start of 2018. In cooperation with a Netherlands partner organization XTRAPartners the airframe found its way to the German Bundeswehr for training of its special forces.
- **Magnetic MRO has a great honor to paint Latvian airline *airBaltic's* A220-300 aircraft into a unique one-off livery, celebrating Latvia's 100th birthday.** One of the first A220 aircraft painted outside of OEM, the special project was completed under secrecy in Magnetic MRO's Tallinn Paint Hangar in cooperation with *airBaltic* and coatings partner AkzoNobel. The special livery was unveiled at an official ceremony in Riga Airport on Friday, November 9th in the presence of the President of Latvia, Raimonds Vējonis, and the CEO of Air Baltic, Martin Gauss. The unique livery, depicting Latvia's flag colors on the fuselage was applied onto *airBaltic's* newest generation aircraft, A220-300. The one-month-old aircraft registered as YL-CSL will now fly across Europe and Asia, spreading the message of Latvia's 100th birthday all over the globe.

STATEMENT OF THE MANAGEMENT BOARD

The financial and other additional information published in the interim report Q4 2018 is true and complete. The consolidated main financial statements give a true and fair view of the actual financial position, results of operations and cash flows of the Group.

The consolidated financial statements in the report for the period Q4 2018 and Y 2018 are not audited. The financial information in Interim Report is prepared in accordance with the Estonian financial reporting standards. The Estonian financial reporting standards is prescribed by the Accounting Act of Estonia and supplemented by the guidelines issued by the Accounting Standards Board.

Astrit Viisma-Kass

CFO, Member of the Management Board

Tallinn

Consolidated Financial Statements, kEUR

The financial statements are for the group: Magnetic MRO AS and its subsidiary MAC Aero Interiors Ltd

PROFIT and LOSS STATEMENT CONSOLIDATED

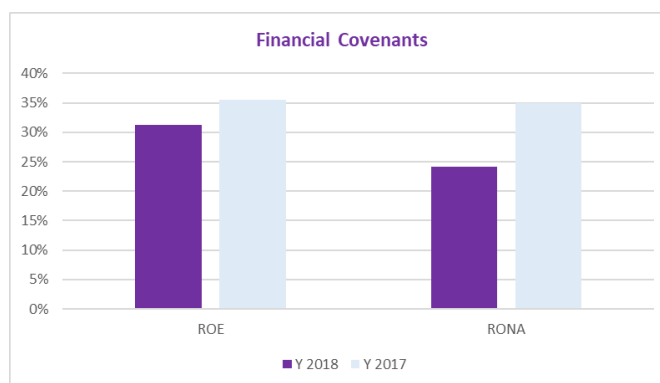
| | Q4 2018 | Q4 2017 | Y 2018 | Y 2017 |
|-------------------------------|--------------|--------------|---------------|---------------|
| Sales revenue | 19,439 | 43,297 | 88,377 | 96,129 |
| Variable direct costs | -15,645 | -37,688 | -73,948 | -80,495 |
| Fixed direct costs | -151 | -175 | -505 | -647 |
| Other operating income | 102 | 232 | 616 | 740 |
| Other operating expenses | -531 | -178 | -851 | -655 |
| GROSS PROFIT | 3,214 | 5,487 | 13,689 | 15,071 |
| Marketing expenses | -189 | -200 | -569 | -437 |
| Administrative costs | -1,315 | -1,506 | -4,767 | -4,976 |
| Personnel costs | -867 | -1,102 | -3,701 | -3,343 |
| EBITDA | 842 | 2,679 | 4,653 | 6,315 |
| Financial income and expenses | -569 | -1,023 | 426 | -2,346 |
| NET PROFIT | 273 | 1,656 | 5,079 | 3,969 |

| | Y 2018 | Y 2017 |
|------------------------|--------------|-------------|
| ROE | 31% | 36% |
| RONA | 24% | 35% |
| DEBT*/EBITDA | 2.52 | 1.26 |
| Working Capital | 7,527 | 768 |

ROE = Net Profit / Owners Equity

RONA = Net Profit / (Fixed Assets + Working Capital)

*Interest bearing liabilities



- Sales revenue in Q4 2017 includes extraordinary sale of two aircrafts in total amount of 24 586 kEUR.
- Expenses in Q4 2018 include impairment of doubtful receivables in amount of 267 kEUR. One-off expenses related to M&A by Hangxin Group and Bonds issuance amounted to 140 kEUR in 2018.
- Under finance income and expenses are reflected interest income and gain under equity method from JV company Magnetic Parts Trading Ltd (49,9%); interest expenses related to loan liabilities and bonds; FX gain and losses on assets and liabilities revaluation as of balance sheet date.

CASHFLOW CONSOLIDATED

| | Q4 2018 | Q4 2017 | Y 2018 | Y 2017 |
|--|---------------|---------------|---------------|---------------|
| OPERATIONAL ACTIVITIES | | | | |
| Operating profit | 842 | 2,679 | 4,653 | 6,315 |
| Change in receivables and prepayments | -1,079 | 495 | -5,819 | -1,988 |
| Change in inventories | 417 | 252 | 248 | -2,524 |
| Change in liabilities and prepayments | -581 | 532 | -483 | -3,899 |
| TOTAL from OPERATIONAL ACTIVITIES | -401 | 3,958 | -1,402 | -2,095 |
| INVESTMENT ACTIVITIES | | | | |
| TOTAL from INVESTMENT ACTIVITIES | -1,389 | -3,693 | -6,012 | -8,604 |
| FINANCING ACTIVITIES | | | | |
| TOTAL from FINANCING ACTIVITIES | 1,928 | -337 | 7,232 | 3,755 |
| TOTAL CASHFLOW | 137 | -73 | -181 | -6,943 |

BALANCE SHEET CONSOLIDATED

| | 12.2018 | 12.2017 |
|--|---------------|---------------|
| Cash and bank | 929 | 1,110 |
| Receivables | 15,956 | 10,137 |
| Inventory | 7,392 | 7,639 |
| Total current assets | 24,277 | 18,886 |
| Non-current assets | | |
| LT Investments | 6,588 | 4,437 |
| Fixed Assets | 6,415 | 5,535 |
| Goodwill | 555 | 639 |
| Total non-current assets | 13,558 | 10,611 |
| TOTAL ASSETS | 37,834 | 29,497 |
| LIABILITIES AND OWNERS EQUITY | | |
| Short term liabilities | | |
| Loans | 6,881 | 7,766 |
| Payables | 9,869 | 10,352 |
| Total Short-term liabilities | 16,750 | 18,118 |
| Long-term liabilities | | |
| Loans Long-Term | 4,831 | 202 |
| Total long-term liabilities | 4,831 | 202 |
| TOTAL LIABILITIES | 21,581 | 18,320 |
| Share capital | 1,093 | 1,090 |
| Share premium | 6,619 | 6,619 |
| Reserves | 79 | 79 |
| Unrealised FX BS | 58 | 38 |
| Retained earnings | 3,325 | -620 |
| Profit for the period | 5,079 | 3,969 |
| Total owners equity | 16,253 | 11,177 |
| TOTAL LIABILITIES AND OWNERS EQUITY | 37,834 | 29,497 |

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