CONSOLIDATED ANNUAL REPORT

*Translation of the Estonian Original

beginning of financial year:	01.01.2018
end of the financial year:	31.12.2018

business name:	Magnetic MRO AS
register code:	10865988

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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.

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 it 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 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. In the last quarter of the 2018 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. 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. MMRO is step by step digitalizing its maintenance activities and moving towards paperless environment. In 2018 digital fingerprint signatures for maintenance related documents was introduced, which reduces significant amount of time related to documents sign off administration.

Subsequent events

On the 21.12.2018 Magnetic MRO issued bonds, which were listed on First North on 14.02.2019.

In March 2019 Magnetic MRO has completed the acquisition of Direct Maintenance, an Amsterdam-based independent MRO provider that’s specialized in Line Maintenance for narrow- and wide-body aircraft.

At the end of second quarter of 2019 Magnetic MRO AS has reached an agreement with investors to raise additional capital by up to 8.95 million euros.

The total share capital of Magnetic MRO AS (“MMRO”) will be increased from 1,090,188.80 euros to 1,283,200 euros by way of issuing up to 30,158 new shares with the nominal value of 6.4 euros each for the aggregate issue price of up to

8,950,000 euros.

According to the agreements, Shenzhen Yongtai Trading Co., Limited, a limited liability company registered under the laws of P.R. China, is authorised to subscribe for up to 26,957 new shares of MMRO granting it a shareholding of up to 13.44% in MMRO for the total issue price of up to 8,000,000 euros and Sapphire Investment Holding Limited, a limited liability company registered under the laws of Hong Kong, is authorised to subscribe for up to 3,201 new shares of MMRO granting it a shareholding of up to 1.60% in MMRO for the total issue price of up to 950,000 euros. The investors may subscribe for the new shares within a one-year period in multiple tranches. The subscription of new shares by Shenzhen Yongtai Trading Co., Limited is subject to certain regulatory approvals of P.R. China.

After the subscription of the new shares in full, the registered share capital of MMRO shall be 1,283,200 euros and the total number of shares of MMRO shall be 200,500. The shareholding of Hangxin Aviation Services Co., Limited, the existing sole shareholder, may decrease as a result of the issue of new shares from 100% to 84.96%.

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

- Base Maintenance
- Line Maintenance
- Spare Parts & Components
- Engine Management
- Engineering
- Painting

Financial Results

Magnetic MRO AS Group consolidated turnover in 2018 is 87,1M euros, 36% was related to Spare Parts, 25% to Engine Management, 24% to Base Maintenance and 15% to other business units.

In 2018 Group's main financial results are:

k	2018	2017
Net sales (EUR)	87 093	90 887
Net sales growth	-4%	+79%
Net profit (EUR)	5 079	3 969
Net profit margin	6%	4%
Current ratio	1,41	1,03
ROA	13%	12%

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 2018 Magnetic MRO AS Group invested 3M Euros in tangible and intangible assets including purchase of engines.

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The annual accounts

Consolidated statement of financial position

(In Euros)

	31.12.2018	31.12.2017	Note
Assets			
Current assets			
Cash and cash equivalents	928 998	1 109 973	
Receivables and prepayments	17 440 853	10 732 822	2
Inventories	7 391 717	8 488 262	3
Total current assets	**25 761 568**	**20 331 057**	
Non-current assets			
Investments in subsidiaries and associates	1 662 865	516	5
Receivables and prepayments	4 922 060	4 436 226	2
Property, plant and equipment	6 221 056	5 407 691	8
Intangible assets	748 538	766 118	9
Total non-current assets	**13 554 519**	**10 610 551**	
Total assets	**39 316 087**	**30 941 608**	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liablities	6 880 818	7 765 922	12
Payables and prepayments	11 353 977	11 796 718	13
Total current liabilities	**18 234 795**	**19 562 640**	
Non-current liabilities			
Loan liablities	4 829 751	200 708	12
Payables and prepayments	1 276	1 287	13
Total non-current liabilities	**4 831 027**	**201 995**	
Total liabilities	**23 065 822**	**19 764 635**	
Equity			
Equity held by shareholders and partners in parent company			
Issued capital	1 090 189	1 090 189	14
Share premium	6 619 380	6 619 380	
Statutory reserve capital	79 359	79 359	
Unrealised exchange rate	-63 111	-57 683	
Retained earnings (loss)	3 445 728	-523 627	
Annual period profit (loss)	5 078 720	3 969 355	
Total equity held by shareholders and partners in parent company	**16 250 265**	**11 176 973**	
Total equity	**16 250 265**	**11 176 973**	
Total liabilities and equity	**39 316 087**	**30 941 608**	

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Consolidated income statement

(In Euros)

	2018	2017	Note
Revenue	87 093 001	90 887 307	15
Cost of sales	-74 906 870	-78 988 044	17
Gross profit (loss)	**12 186 131**	**11 899 263**	
Distribution costs	-569 132	-487 648	
Administrative expense	-9 168 922	-8 728 915	18
Other income	708 684	1 675 017	16
Other expense	-122 287	-5 762	20
Operating profit (loss)	**3 034 474**	**4 351 955**	
Profit (loss) from associates	1 662 349	0	7
Interest income	631 214	120 850	
Interest expenses	-242 098	-157 069	
Other financial income and expense	-7 219	-341 243	
Profit (loss) before tax	**5 078 720**	**3 974 493**	
Income tax expense	0	-5 138	
Annual period profit (loss)	**5 078 720**	**3 969 355**	
Profit (loss) from shareholders and partners in parent company	5 078 720	3 969 355	

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Consolidated statement of cash flows

(In Euros)

	2018	2017	Note
Cash flows from operating activities			
Operating profit (loss)	3 034 474	4 351 955	
Adjustments			
Depreciation and impairment loss (reversal)	1 663 380	2 095 857	8,9
Profit (loss) from sale of non-current assets	-343 892	-1 439 926	8,16
Total adjustments	**1 319 488**	**655 931**	
Changes in receivables and prepayments related to operating activities	-6 399 088	-1 190 767	2
Changes in inventories	1 096 545	-1 647 547	3
Changes in payables and prepayments related to operating activities	-454 853	-5 533 803	13
Total cash flows from operating activities	**-1 403 434**	**-3 364 231**	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-2 916 979	-7 734 501	8,9
Proceeds from sales of property, plant and equipment and intangible assets	1 108 322	5 140 344	8
Other cash payments to acquire subsidiaries	-283 293	-416	2,5
Loans given	0	-4 156 455	2
Total cash flows from investing activities	**-2 091 950**	**-6 751 028**	
Cash flows from financing activities			
Loans received	7 222 000	0	12
Repayments of loans received	-83 333	-1 949 003	12
Proceeds from overdraft	-3 488 546	5 781 126	12
Proceeds from finance lease	-212 799	-224 795	10
Interest paid	-229 995	-157 069	
Proceeds from government grants	119 730	0	
Total cash flows from financing activities	**3 327 057**	**3 450 259**	
Total cash flows	**-168 327**	**-6 665 000**	
Cash and cash equivalents at beginning of period	1 109 973	8 053 415	
Change in cash and cash equivalents	**-168 327**	**-6 665 000**	
Effect on exchange rate changes on cash and cash equivalents	-12 648	-278 442	
Cash and cash equivalents at end of period	928 998	1 109 973	

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Consolidated statement of comprehensive income

(In Euros)

	2018	2017
Annual period profit (loss)	5 078 720	3 969 355
Other comprehensive income (expense):		
Effect on unrealised exchange rate changes	-5 428	-12 200
Total other comprehensive income (expense)	**-5 428**	**-12 200**
Annual period comprehensive income (expense)	**5 073 292**	**3 957 155**
Comprehensive profit (loss) from shareholders and partners in parent company	5 073 292	3 957 155

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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)	
31.12.2016	1 090 189	6 619 380	79 359	-45 483	-523 627	7 219 818
Annual period profit (loss)	0	0	0	-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
Annual period profit (loss)	0	0	0	-5 428	5 078 720	5 073 292
31.12.2018	1 090 189	6 619 380	79 359	-63 111	8 524 448	16 250 265

See Note 14.

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Notes

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 recognized 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

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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 realizable value. Net realizable 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.

Amortization is calculated on the straight-line method. Amortization 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%

Minimal acquisition cost 640 EUR

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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.

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 capitalized 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 recognized 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 amortized cost. The amortized 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 amortized cost of non-currant financial liabilities, they are initially recognized 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 recognized 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.

Equity 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 of 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.

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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 2018 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.

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Note 2 Receivables and prepayments

(In Euros)

	31.12.2018	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	13 197 637	13 197 637	0		
Accounts receivables	13 548 049	13 548 049	0		
Allowance for doubtful receivables	-350 412	-350 412	0		
Tax prepayments and receivables	1 036 136	1 036 136	0		4
Other receivables	7 198 081	2 693 463	4 504 618		
Loan receivables	4 504 618	0	4 504 618		
Interest receivables	510 475	510 475	0		
Accrued income	2 182 988	2 182 988	0		
Prepayments	931 059	513 617	417 442		
Deferred expenses	647 766	513 617	134 149		
Other paid prepayments	283 293	0	283 293		
Total receivables and prepayments	**22 362 913**	**17 440 853**	**4 922 060**		

	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**	

As of 31.12.2018 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 01.03.2020 and loan granted to the associate in amount of 5 000 000 USD, interest rate 10%, due date 20.07.2024. Revenue from ongoing projects accounted under stage of completion method is recognized under "Accrued income" in amount of 2 182 988

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EUR (31.12.2017: 874 452 EUR).
31.12.2018 prepayment 283 293 EUR is to buy a new subsidiary. It was acquired on 01.03.2019.

Note 3 Inventories

(In Euros)

	31.12.2018	31.12.2017
Raw materials	**6 283 576**	**4 790 228**
Inventory prepayments	**1 108 141**	**3 698 034**
Total Inventories	**7 391 717**	**8 488 262**

As of 31.12.2018 allowance for inventories was recognized in amount of 288 050 EUR.
As of 31.12.2017 allowance for inventories was recognized in amount of 297 642 EUR.
Allowance was recognized to align the inventory carrying value to the net realizable value.

Note 4 Tax prepayments and liabilities

(In Euros)

	31.12.2018		31.12.2017	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Value added tax	495 767	0	402 722	0
Personal income tax	0	322 239	0	268 258
Fringe benefit income tax	0	1 371	0	3 041
Social tax	0	590 116	0	501 510
Contributions to mandatory funded pension	0	19 664	0	24 551
Unemployment insurance tax	0	51 775	0	33 821
Other tax prepayments and liabilities	371 355	237 587	146 523	393 592
Prepayment account balance	169 014		181 793	
Total tax prepayments and liabilities	**1 036 136**	**1 222 752**	**731 038**	**1 224 773**

See note 2 and 13.
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)

	31.12.2018	31.12.2017
Shares of subsidiaries	100	100
Shares of associates	1 662 765	416
Total investments in subsidiaries and associates	**1 662 865**	**516**

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

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 (%)**	
				31.12.2017	**31.12.2018**
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
304924150	Arrowhead Assistance UAB	Lithuania	repair of aircraft components	0	100

Shares of subsidiaries, detaild information			
Name of subsidiary	**31.12.2017**	**Acquisition**	**31.12.2018**
Magnetic Leasing Limited	100	0	100
MAC Aero Interiors	451 460	0	451 460
Arrowhead Assistance UAB	0	3 000	3 000
Total shares of subsidiaries, at end of previous period	**451 560**	**3 000**	**454 560**

Acquired ownership interests			
Name of subsidiary	**Acquired ownership interest %**	**Acquisition date**	**Cost of acquired ownership interest**
Arrowhead Assistance UAB	100	02.10.2018	3 000

In 2018 financial year there was no economic activity in Magnetic Leasing Ltd.

Note 7 Shares of associate

(In Euros)

Shares of associates, general information					
Associate's registry code	**Name of associate**	**Country of incorporation**	**Principal activity**	**Ownership interest (%)**	
				31.12.2017	**31.12.2018**
014999V	Magnetic Parts Trading Limited	United Kingdom	sale of aircraft spare parts	49.90	49.90

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Shares of associates, detaild information			
Name of associate	**31.12.2017**	**Profit (loss) by equity method**	**31.12.2018**
Magnetic Parts Trading Limited	416	1 662 349	1 662 765
Total shares of associates, at end of previous period	416	1 662 349	1 662 765

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Note 8 Property, plant and equipment

(In Euros)

	Buildings	Transportation	Computers and computer systems	Other machinery and equipment	Machinery and equipment	Other property, plant and equipment	Prepayments	Unfinished projects and prepayments	Total
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						0	0	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
Acquisitions and additions	142 101	48 580	96 901	2 283 300	2 428 781	75 893	452 392	452 392	3 099 167
Acquisition of buildings, new building, renovations	142 101						0	0	142 101
Other acquisitions and additions		48 580	96 901	2 283 300	2 428 781	75 893	452 392	452 392	2 957 066
Depreciation	-116 998	-25 270	-29 343	-1 232 372	-1 286 985	-76 654	0	0	-1 480 637
Reversing of impairment loss	0	0	0	-40 735	-40 735	0	0	0	-40 735
Disposals	0	0	0	-764 430	-764 430	0	0	0	-764 430
31.12.2018									
Carried at cost	1 206 384	202 895	255 719	8 732 100	9 190 714	783 075	781 657	781 657	11 961 830
Accumulated depreciation	-323 813	-125 449	-156 278	-4 575 232	-4 856 959	-560 002	0	0	-5 740 774
Residual cost	882 571	77 446	99 441	4 156 868	4 333 755	223 073	781 657	781 657	6 221 056

Disposed property, plant and equipment at selling price

	2018	2017
Machinery and equipment	1 108 322	5 140 344
Trasportation	208	0
Computers and computer systems	0	488

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Other machinery and equipment	1 108 114	5 139 856
Total	**1 108 322**	**5 140 344**

Note 9 Intangible assets

(In Euros)

			Total
	Goodwill	**Computer software**	
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	0	-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
Acquisitions and additions		124 428	124 428
Depreciation	-80 014	-57 563	-137 577
Other changes	-4 431	0	-4 431
31.12.2018			
Carried at cost	827 120	563 713	1 390 833
Accumulated depreciation	-272 512	-369 783	-642 295
Residual cost	554 608	193 930	748 538

Note 10 Finance lease

(In Euros)

Accounting entity as lessee

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	31.12.2018	Allocation by remaining maturity			Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years		
SEB Liising AS	7 047	3 493	3 554	0	EUR	15.12.2020
SEB Liising AS	74 696	25 779	48 917	0	EUR	15.10.2021
Luminor Leasing AS	64 984	64 984	0	0	EUR	03.01.2019
Luminor Leasing AS	37 782	37 782	0	0	EUR	16.11.2019
Luminor Leasing AS	125 117	67 129	57 988	0	EUR	01.11.2020
Luminor Leasing AS	27 608	13 449	14 159	0	EUR	01.01.2021
Luminor Leasing AS	32 680	12 406	20 274	0	EUR	16.07.2021
Luminor Leasing AS	50 875	20 331	30 544	0	EUR	01.08.2021
Luminor Leasing AS	21 103	5 455	15 648	0	EUR	16.06.2022
Finance lease obligations total	441 892	250 808	191 084			
	31.12.2017	**Allocation by remaining maturity**			**Base currencies**	**Due date**
		Within 12 months	**1 - 5 years**	**Over 5 years**		
Overall Finantsinvesteeringud	342	342	0	0	EUR	30.08.2018
SEB Liising 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 obligations total	348 074	147 366	200 708			

Residual cost of leased assets		
	31.12.2018	**31.12.2017**
Machinery and equipment	618 805	489 007
Other property, plant and equipment	110 228	0
Total	**729 033**	**489 007**

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

Note 11 Operating lease

(In Euros)

Accounting entity as lessor

	2018	2017
Operating lease income	3 785 544	2 716 951

Operating lease includes mainly lease of tools and aircraft components.
See also note 15.

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Accounting entity as lessee

	2018	2017
Operating lease expenses	3 717 131	1 838 056
Future lease expense under non-cancellable lease contracts		
	31.12.2018	**31.12.2017**
Within 12 months	1 530 561	1 517 085
1 - 5 years	5 796 958	5 839 963
Over 5 years	4 680 208	4 784 531

Operating lease includes mainly lease agreements of machinery and buildings.
See also notes 17 and 18.

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Note 12 Loan commitments

(In Euros)

	31.12.2018	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)	4 130 010	4 130 010			3,4%+baasmäär	EUR	29.03.2019
HangXin Aviation Services Co., Ltd	800 000	800 000			2,5%+baasmäär	EUR	10.07.2019
Luminor Bank AS	700 000	700 000			2,5%+baasmäär	EUR	19.03.2019
Current loans total	5 630 010	5 630 010					
Non-current loans							
Luminor Bank AS	2 916 667	1 000 000	1 916 667		3,4%+baasmäär	EUR	22.11.2021
Non-current loans total	2 916 667	1 000 000	1 916 667				
Non-current bonds							
Bonds	2 722 000		2 722 000		8%	EUR	21.12.2021
Non-current bonds total	2 722 000		2 722 000				
Finance lease obligations total	441 892	250 808	191 084				
Loan commitments total	**11 710 569**	**6 880 818**	**4 829 751**				

	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			2,07%+baasmäär	EUR	29.03.2018
Current loans total	7 618 556	7 618 556					
Finance lease obligations total	348 074	147 366	200 708				
Loan commitments total	**7 966 630**	**7 765 922**	**200 708**				

Carrying amount of collateral assets		
	31.12.2018	**31.12.2017**
Machinery and equipment	4 256 309	3 942 988
Other property, plant and equipment	223 073	223 834
Other assets	29 471 654	20 182 430
Total	**33 951 036**	**24 349 252**

As of 31.12.2018 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 29.03.2019. At the end of the period parent company plans to extend the usage of existing limits.
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.
As of 14.02.2019 bonds are listed on the Nasdaq Baltic First North bond market.
See also notes 2, 3, 8.

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Note 13 Payables and prepayments

(In Euros)

	31.12.2018	Allocation by remaining maturity		Note
		Within 12 months	1 - 5 years	
Trade payables	7 657 046	7 657 046	0	
Employee payables	965 760	965 760	0	
Tax payables	1 222 752	1 222 752	0	4
Other payables	1 100 206	1 100 206	0	
Interest payables	12 112	12 112	0	
Other accrued expenses	1 088 094	1 088 094	0	
Prepayments received	409 489	408 213	1 276	
Deferred income	408 213	408 213	0	
Other received prepayments	1 276	0	1 276	
Total payables and prepayments	**11 355 253**	**11 353 977**	**1 276**	

	31.12.2017	Allocation by remaining maturity		Note
		Within 12 months	1 - 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	0	1 287	
Total payables and prepayments	**11 798 005**	**11 796 718**	**1 287**	

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

Note 14 Share capital

(In Euros)

	31.12.2018	31.12.2017
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 31.12.2018 were 8 524 448 EUR. The maximum tax liability which would become payable if retained earnings were fully distributed is 1 704 890 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

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distributed is 689 146 EUR.

Note 15 Net sales

(In Euros)

	2018	2017
Net sales by geographical location		
Net sales in European Union		
Estonia	7 214 643	2 338 131
Other European Union net sales	59 583 138	69 652 332
Total net sales in European Union	**66 797 781**	**71 990 463**
Net sales outside of European Union		
Other net sales outside of European Union	20 295 220	18 896 844
Total net sales outside of European Union	**20 295 220**	**18 896 844**
Total net sales	**87 093 001**	**90 887 307**
Net sales by operating activities		
Line maintenance	4 348 669	3 424 944
Base maintenance	20 757 553	29 332 768
Components ovehaul	28 571 728	5 104 655
Sale of materials and other services	29 563 242	51 048 598
Painting	1 359 182	928 832
Engineering services	1 965 493	1 047 510
Training	527 134	0
Total net sales	**87 093 001**	**90 887 307**

Note 16 Other operating income

(In Euros)

	2018	2017
Profit from sale of plant, property and equipment	343 892	1 439 926
Revenue from grants	119 730	0
Profit from exchange rate differences	0	6 657
Fines, penalties and compensations	1 444	0
Other	243 618	228 434
Total other operating income	**708 684**	**1 675 017**

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Note 17 Cost of goods sold

(In Euros)

	2018	2017
Raw materials	48 407 290	60 044 806
Subcontracting work	6 257 746	5 640 233
Transportation expense	733 319	803 093
Leases	1 749 286	0
Labor expense	12 812 662	10 748 091
Depreciation	1 218 350	1 546 560
Other	3 728 217	205 261
Total cost of goods sold	**74 906 870**	**78 988 044**

Note 18 Administrative expense

(In Euros)

	2018	2017	Note
Leases	1 963 845	1 736 325	11
Energy	**503 533**	**448 962**	
Electricity	237 148	224 411	
Heat energy	235 513	196 464	
Fuel	30 872	28 087	
Water supply services	32 063	22 817	
Miscellaneous office expenses	485 970	441 317	
Travel expense	724 522	568 779	
Training expense	316 108	310 749	
State and local taxes	41 557	10 563	
Allowance for doubtful receivables	306 046	45 294	
Labor expense	2 739 888	2 474 826	19
Depreciation	400 111	371 971	
Asset impairment expense	425	25 581	
Other	1 654 854	2 271 731	
Total administrative expense	**9 168 922**	**8 728 915**	

Note 19 Labor expense

(In Euros)

	2018	2017
Wage and salary expense	12 392 005	10 309 768
Social security taxes	3 160 545	2 913 149
Total labor expense	**15 552 550**	**13 222 917**
Average number of employees in full time equivalent units	382	330

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See notes 17 and 18.

Note 20 Other operating expenses

(In Euros)

	2018	2017
Loss from exchange rate differences	98 554	0
Fines, penalties and compensations	13 058	5 762
Other	10 675	0
Total other operating expenses	**122 287**	**5 762**

Note 21 Related parties

(In Euros)

Name of accounting entity's parent company	Hangxin Aviation Services Co., Ltd
Country where accounting entity's parent company is registered	People's Republic of China

Related party balances according to groups

	31.12.2018		31.12.2017	
	Receivables	Liabilities	Receivables	Liabilities
Subsidiary	171 171	0	157 211	0
Associate	5 067 333	0	4 205 655	0
Other entities belonging into same consolidation group	50 055	809 833	552 192	0

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

Purchases and sales

	2018		2017	
	Purchases	Sales	Purchases	Sales
Subsidiary	0	6 723	0	6 961
Associate	19 426 579	2 034 799	0	36 763
Other entities belonging into same consolidation group	257 614	61 439	117 751	5 358 229

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2018	**2017**
Remuneration	315 702	473 474

On the line “receivables from subsidiaries” receivables from non-consolidated subsidiary is recorded. See Note 5.
Purchases and sales:

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Purchases of goods: 19 672 391 EUR (2017: 47 783 EUR).
Sales of goods: 130 385 EUR (2017: 2 379 000 EUR).
Purchases of services: 11 802 EUR (2017: 69 968 EUR).
Sales of service: 1 972 576 EUR (2017: 3 022 953 EUR).
In 2018 no discounts were made against related parties receivables.

Note 22 Non consolidated statement of financial position

(In Euros)

	31.12.2018	31.12.2017
Assets		
Current assets		
Cash and cash equivalents	580 505	1 099 453
Receivables and prepayments	19 555 916	11 621 348
Inventories	6 175 833	7 863 482
Total current assets	**26 312 254**	**20 584 283**
Non-current assets		
Investments in subsidiaries and associates	2 117 325	452 076
Receivables and prepayments	4 787 911	4 300 874
Property, plant and equipment	5 864 156	5 059 433
Intangible assets	166 926	86 018
Total non-current assets	**12 936 318**	**9 898 401**
Total assets	**39 248 572**	**30 482 684**
Liabilities and equity		
Liabilities		
Current liabilities		
Loan liablities	6 880 818	7 765 922
Payables and prepayments	10 862 766	11 135 584
Total current liabilities	**17 743 584**	**18 901 506**
Non-current liabilities		
Loan liablities	4 829 750	200 708
Total non-current liabilities	**4 829 750**	**200 708**
Total liabilities	**22 573 334**	**19 102 214**
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)	3 591 542	-455 391
Annual period profit (loss)	5 294 768	4 046 933
Total equity	**16 675 238**	**11 380 470**
Total liabilities and equity	**39 248 572**	**30 482 684**

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Note 23 Non consolidated income statement

(In Euros)

	2018	2017
Revenue	83 171 224	87 246 530
Cost of sales	-72 410 721	-77 539 754
Gross profit (loss)	**10 760 503**	**9 706 776**
Distribution costs	-522 899	-436 699
Administrative expense	-7 725 772	-6 598 471
Other income	708 684	1 674 812
Other expense	-111 632	-3 861
Total operating profit (loss)	**3 108 884**	**4 342 557**
Profit (loss) from associates	1 662 349	0
Interest income	523 541	120 850
Interest expenses	-236 404	-152 291
Other financial income and expense	236 398	-264 183
Profit (loss) before tax	**5 294 768**	**4 046 933**
Annual period profit (loss)	**5 294 768**	**4 046 933**

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Note 24 Non consolidated statement of cash flows

(In Euros)

	2018	2017
Cash flows from operating activities		
Operating profit (loss)	3 108 884	4 342 557
Adjustments		
Depreciation and impairment loss (reversal)	1 525 436	1 801 891
Profit (loss) from sale of non-current assets	-343 892	-1 439 926
Total adjustments	**1 181 544**	**361 965**
Changes in receivables and prepayments related to operating activities	-7 734 401	-900 544
Changes in inventories	1 687 649	-1 354 972
Changes in payables and prepayments related to operating activities	-284 930	-5 745 245
Total cash flows from operating activities	**-2 041 254**	**-3 296 239**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-2 868 881	-7 219 044
Proceeds from sales of property, plant and equipment and intangible assets	1 108 322	5 140 344
Other cash payments to acquire subsidiaries	-286 293	-416
Loans given	0	-4 827 145
Total cash flows from investing activities	**-2 046 852**	**-6 906 261**
Cash flows from financing activities		
Loans received	7 222 000	0
Repayments of loans received	-83 333	-1 949 003
Proceeds from overdraft	-3 488 546	5 781 126
Proceeds from finance lease	-212 799	-224 795
Interest paid	-224 292	-152 291
Proceeds from government grants	119 730	0
Total cash flows from financing activities	**3 332 760**	**3 455 037**
Total cash flows	**-755 346**	**-6 747 463**
Cash and cash equivalents at beginning of period	1 099 453	7 990 249
Change in cash and cash equivalents	**-755 346**	**-6 747 463**
Effect on exchange rate changes on cash and cash equivalents	236 398	-143 333
Cash and cash equivalents at end of period	580 505	1 099 453

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Note 25 Non consolidated statement of changes in equity

(In Euros)

					Total
	Issued capital	Share premium	Statutory reserve capital	Retained earnings (loss)	
31.12.2016	1 090 189	6 619 380	79 359	-455 391	7 333 537
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
Governing and material influence ownership interest value of financial position	0	0	0	-451 460	-451 460
Governing and material influence on the value Of holdings under the e quity 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**
Annual period profit (loss)	0	0	0	5 294 768	5 294 768
31.12.2018	1 090 189	6 619 380	79 359	8 886 310	16 675 238
Governing and material influence ownership interest value of financial position	0	0	0	-451 460	-451 460
Governing and material influence on the value Of holdings under the e quity method	0	0	0	26 487	26 487
Restated non consolidated equity 31.12.2018	**1 090 189**	**6 619 380**	**79 359**	**8 461 337**	**16 250 265**

Note 26 Subsequent events

On the 21.12.2018 Magnetic MRO issued bonds, which were listed on First North on 14.02.2019.

In March 2019 Magnetic MRO has completed the acquisition of Direct Maintenance, an Amsterdam-based independent MRO provider that's specialized in Line Maintenance for narrow- and wide-body aircraft. The deal adds Airbus A380 and Boeing 787 to Magnetic MRO group's capabilities, and doubles its global line stations network while allowing the Dutch company to keep the Direct Maintenance brand.

At the end of second quarter of 2019 Magnetic MRO AS has reached an agreement with investors to raise additional capital by up to 8.95 million euros.

The total share capital of Magnetic MRO AS ("MMRO") will be increased from 1,090,188.80 euros to 1,283,200 euros by way of issuing up to 30,158 new shares with the nominal value of 6.4 euros each for the aggregate issue price of up to 8,950,000 euros.

According to the agreements, Shenzhen Yongtai Trading Co., Limited, a limited liability company registered under the laws of P.R. China, is authorised to subscribe for up to 26,957 new shares of MMRO granting it a shareholding of up to 13.44% in MMRO for the total issue price of up to 8,000,000 euros and Sapphire Investment Holding Limited, a limited liability company registered under the laws of Hong Kong, is authorised to subscribe for up to 3,201 new shares of

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MMRO granting it a shareholding of up to 1.60% in MMRO for the total issue price of up to 950,000 euros.

After the subscription of the new shares in full, the registered share capital of MMRO shall be 1,283,200 euros and the total number of shares of MMRO shall be 200,500. The shareholding of Hangxin Aviation Services Co., Limited, the existing sole shareholder, may decrease as a result of the issue of new shares from 100% to 84.96%.

Signatures of the management board to the 2018 consolidated annual report

The Management Board of Magnetic MRO AS have adopted the Consolidated Financial Statements for the year ended 31.12.2018.

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 31.12.2018 and of the results of the Group's operations and cash flows for the financial year ended 31.12.2018.

Tallinn, 06th June 2019

Astrit Viisma-Kass

Member of the Board

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholder of Magnetic MRO AS

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Magnetic MRO AS and its subsidiary (together the Group) as at 31 December 2018, 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 statement of financial position as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of comprehensive income 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.

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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

Tiit Raimla	Oksana Popova
Auditor's certificate no.287	Auditor's certificate no.633

6 June 2019

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[*] *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.*