

MagneticMRO

CONSOLIDATED NON-AUDITED INTERIM REPORT FOR Q2 2019



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.

Q2 2019 OPERATIONS AND ACTIVITIES

- Magnetic MRO is **raising additional capital** by introducing two new shareholders (announcement at Nasdaq on 06.06.2019). This equity injection is expected to bring 8,950,000EUR additional capital and as a result, 15,04% of shares are issued for two new shareholders. The capital will be used to support companies' organic growth and lower debt facilities.
- Magnetic MRO is proud to announce that the company is one of the partners of the **Estonian Aviation Cluster**, which introduced itself to the public for the first time in Tallinn Airport on Wednesday, April 24th. The Cluster was created in the hope of joining Estonian aviation enterprises and organizations via collaboration, to have a say in the creation of the national aviation strategy, and to increase the attractiveness of Estonia as an aviation country for foreign investors.
- Magnetic MRO has painted the Latvian airline **airBaltic's new A220-300 aircraft** into a unique one-off livery that features the **colours of the Estonian national flag**. Due to the growing popularity of airBaltic's services in Estonia, the Latvian airline decided to paint one of its new Airbus A220-300 aircraft into the Estonian national flag colours at the Magnetic MRO facilities in Tallinn. airBaltic's Airbus A220-300 aircraft, registered as YL-CSJ, will now be carrying the colours of the Estonian flag and the name of its capital – Tallinn – around the world.
- In May 2019, Magnetic MRO and **Finnair, the flag carrier of Finland**, have signed a contract for complete paint work, full interior refurbishment and maintenance on all 12 of the airline's ATR 72 fleet operated for Finnair by its partner company Norra. The first aircraft was delivered from Magnetic MRO's Tallinn hangars to the customer on May 8th.
- Magnetic MRO has launched **Interior Inspector** – a new service which connects airline workers and maintenance teams in logging damages found in the passenger cabin of a commercial airliner.
- In May 2019, **MAC Aero Interiors** published news about cooperation with **TUI Group**. Magnetic MRO 3D scanning the lavatories in order to get all the data to create prototypes.

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- **Direct Maintenance**, subsidiary of Magnetic MRO, is happy to announce that **HAM station (Hamburg airport)** is approved and open. The first aircraft was successfully welcomed by our staff and the newly branded car. With a capability for A380, B777 and B787 we are excited to build this operation and welcome more customers in HAM. Hamburg is the third Germany location where Direct Maintenance has opened a station.
- As of 20th April 2019, **Direct Maintenance** has added **Iberia** to its customer portfolio at the company's brand new station in **Düsseldorf**. Direct Maintenance provides full maintenance support for the airline, both during the daytime operation as well as scheduled maintenance during night-stops. Iberia is already one of the customers at the company's first German station in **Berlin (TXL)**, so this shows the trust our customers have in us and the dedication Direct Maintenance gives to supply the services they rely upon.
- In June 2019, **Direct Maintenance** welcomed its first **A380 flight** at the recently opened station at **Düsseldorf (DUS) airport**. Since it's opening in April, the DUS station has been handling A320s and B767s, however, our DUS capability extends beyond those aircraft types.
- **Direct Maintenance** adds new capability at **Dublin station** the A320 IAE PW1100G engine to our EASA Part-145 line maintenance approval.

STATEMENT OF THE MANAGEMENT BOARD

The financial and other additional information published in the interim report Q2 2019 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 Q2 2019 and Q2 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 subsidiaries MAC Aero Interiors Ltd, MAC Sichuan, Direct Maintenance group and Arrowhead Assistance UAB
PPA for Direct Maintenance group acquisition is on finalization stage.

PROFIT and LOSS STATEMENT CONSOLIDATED

	Q2 2019	Q2 2018
Sales revenue	24,656	16,472
Variable direct costs	-20,520	-12,824
Fixed direct costs	-197	-119
Other operating income	135	144
Other operating expenses	-436	-206
GROSS PROFIT	3,638	3,467
Marketing expenses	-78	-148
Administrative costs	-1,755	-1,086
Personnel costs	-949	-927
EBITDA	855	1,305
Non-operating income and expenses	-883	1,415
Minority Interest	-60	
NET PROFIT	32	2,721
Adjusted EBITDA	901	1,339

Minority Interest:

MAC Sichan 35,29%

Direct Maintenance East Africa Ltd (Kenya) 49%

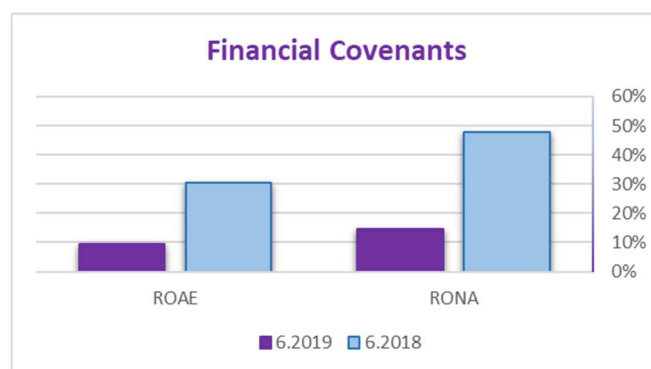
Direct Maintenance Zanzibar Ltd 49%

Adjustments: one-off costs related to Magnetic MRO's change of shareholders and share capital rising.

	as of 30.06.2019	As of 30.06.2018
ROAE	10%	30%
RONA	15%	48%
Working Capital	2,411	3,169

ROAE = Net Profit / Average Owners Equity

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



- The impact to Magnetic MRO 1H results was driven by Power-by-Hour contract start-up. It is a vital and strategically important contract that provides long-term revenues and compliments Magnetic MRO other business units. Currently 24 airplanes exclusive material supply. The performance is expected to improve on H2 2019 as the investment to the own material pool is coming in and the business unit is tuned to scale.

- Growth of Direct Costs in Q2 2019 in comparison with Q2 2018 is caused, in addition to expansion of MMRO, by growth of salaries and related to service agreements costs, and purchased technical services. Situation is saved by decrease of indirect costs.
- 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

	Q2 2019	Q2 2018
OPERATIONAL ACTIVITIES		
Operating profit	855	1,305
<i>Adjustments</i>	-943	-1,415
Change in receivables and prepayments	-3,879	-213
Change in inventories	-1,839	357
Change in liabilities and prepayments	3,765	-442
TOTAL from OPERATIONAL ACTIVITIES	-2,041	-407
INVESTMENT ACTIVITIES		
Proceeds from sale and purchase of Fixed Assets	-540	3,047
Long-Term Investments	-117	-1,801
TOTAL from INVESTMENT ACTIVITIES	-657	1,245
FINANCING ACTIVITIES		
Financing activities	2,670	-177
TOTAL from FINANCING ACTIVITIES	2,670	-177
TOTAL CASHFLOW	-28	661

BALANCE SHEET CONSOLIDATED

	6.2019	6.2018
Cash and bank	912	980
Receivables	19,666	11,757
Inventory	10,954	8,255
Total current assets	31,532	20,991
Non-current assets		
LT Investments	15,956	6,126
Fixed Assets	8,437	5,401
Goodwill	514	600
Total non-current assets	24,906	12,126
TOTAL ASSETS	56,438	33,117
LIABILITIES AND OWNERS EQUITY		
Short term liabilities		
Loans	9,749	7,968
Payables	19,372	9,855
Total Short-term liabilities	29,121	17,822
Long-term liabilities		
Loans Long-Term	9,649	212
Total long-term liabilities	9,649	212
TOTAL LIABILITIES	38,770	18,035
Share capital	1,090	1,090
Share premium	6,619	6,619
Reserves	32	79
Unrealized FX BS	90	-60
Minority Interest	99	
Retained earnings	9,170	3,325
Profit for the period	568	4,029
Total Owners' equity	17,669	15,083
TOTAL LIABILITIES AND OWNERS EQUITY	56,438	33,117

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital	Share premium	Statutory reserve capital	Unrealised exchange rate	Retained earnings (loss)	Total
30.06.2018	1,090	6,619	79	-60	7,354	15,083
31.12.2018	1,090	6,619	79	-63	8,524	16,250
Mergers and Acquisitions					706	706
Annual period profit (loss)			-47	153	508	614
Minority interest	218				-119	99
30.06.2019	1,308	6,619	32	90	9,619	17,669

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