



ANNUAL REPORT

2017



MagneticMRO is a **Total Technical Care** maintenance and **asset management** organisation 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, spare parts trading, and engineering, to line and base maintenance.



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WELCOME LETTER FROM CEO



Risto Mäeots, CEO of Magnetic MRO from December 2016

We have created Magnetic MRO to reinvent existing business models and industry standards, developing first-class solutions for our customers, partners, employees, and shareholders. Today I am proud to say that we have achieved this challenging goal in so many differentiating and effective ways.

When we say we are your partner for total technical care, we mean it. Through decades of experience and sectoral expertise, we've become one of the few industry leaders in integrated MRO solutions, which are not only the back bone of our business but also the trigger of our growth into new challenges. Our main differentiators are based on constant innovation and strategic expansion. Owing to such mindset, we have confidently marched towards new market and service expansions; successfully proved ourselves in asset management and whole lifecycle solutions; expanded our brand to become a group company with many sub-entities full of diverse solutions in aviation. We have become a one-stop shop for airlines, asset owners, and OEMs, which has resulted in us globalizing and differentiating ourselves from competitors in a very short time.

We are a group of highly dynamic, creative and talented people, ready to go that extra mile to create premium value for our customers. It's our employees that make Magnetic MRO a great place to work, and the reason why our clients choose to work with us on their most challenging projects. This is the foundation on which our successful and innovative reputation is based.

“We have created Magnetic MRO to reinvent existing business models and industry standards.”

Risto Mäeots
CEO of Magnetic MRO

BAY 1

Vision

An integrated MRO organization and customers' preferred choice for improved operational efficiency.

Mission

Reinvent incumbent business models and industry standards to create premium value to customers, partners, employees and shareholders.

2017



广州航新航空科技股份有限公司
GUANGZHOU HANGXIN AVIATION TECHNOLOGY CO., LTD.

Started to negotiate with Guangzhou Hangxin Aviation Technology over the upcoming M&A transactions.

*On January 3rd, 2018, Magnetic MRO announced change in its shareholder structure following Hangxin completed the transaction and acquired 100% of shares of Magnetic MRO.



Opened a new purpose-built paint hangar. It is the company's third hangar at Tallinn home-base.

Established Magnetic Parts Trading Limited - a joint venture for aviation asset investments with Crestline Investors. Shortly after, acquired a package of four Boeing 737-800 airframes and ten CFM56-7B engines through this newly established asset vehicle.

Became a Boeing GoldCare Partner for Line & Base Maintenance services.



EngineStands24 launched its 1st joint aerospace hub in Amsterdam after signing the work agreement with Kuehne+Nagel.



Developed Augmented Reality solutions for aircraft livery visualization.

2016

Launched a tailor-made VR system and initiated 3D visioning of aircraft interiors.

Opened 5 new line stations in Europe.

2016



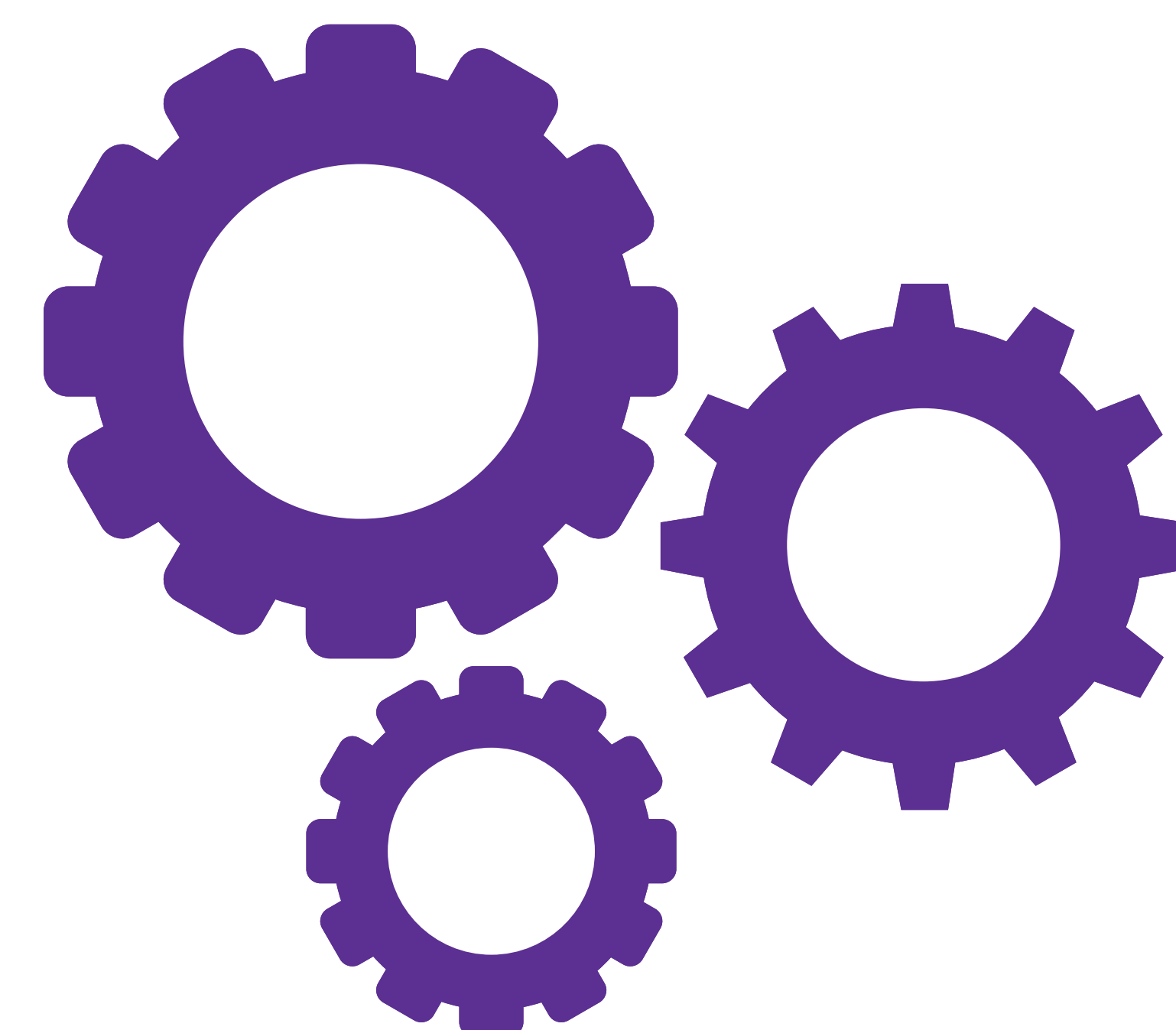
Partnered with Component OH Services in USA to provide landing gear overhaul and repair services globally.



Launched EngineStands24 Project as the very first e-platform in the aviation market for leasing, purchasing & transporting aircraft engine stands. Right after, partnered with Kuehne+Nagel to offer global engine stand management solutions based on EngineStands24 business plan and KN EngineChain's worldwide hubs.

MAC
INTERIORS
A MAGNETIC MRO COMPANY

Acquired MAC Interiors; UK-based aircraft interior company with 50-years of heritage.



2015

Introduced 3D printing into aircraft parts production process.

Expanded into Asset Management services with A321 Part-Out.



Developed its first Paint Hangar and expanded its capacity.

You can find more information about Magnetic MRO history on our website:
<https://magneticmro.com/company/about-us/history/>



For airlines:

Total Technical Support,
M-Care
Heavy Maintenance
Line Maintenance
Engine Solutions
Integrated Engineering Services
Desing & Production
Interior Workshop
Component Repair Capability
Spare Parts & Components
Full Aircraft Painting



For Asset Owners:

Asset Acquisitions
End of Life Management
Full 3P Asset Management
Risk and Rewards Sharing Projects
Technical Support During Leases
Transition Services



For Channel, Distribution Partners:

Distribution and Logistics Services
24/7 AOG Infrastructure Services
Sales and Customer Pooling



Technical Training:

Type Training
Specialized Training
Online Training
On-The-Job Training



PAINT HANGAR

Magnetic MRO launched a purpose built, one-of-a-kind paint hangar in November 2017. The team installed a giant design on the new paint hangar's door right before the opening ceremony to stand out in terms of its unique mindset. Magnetic MRO asked an Estonian street artist called Von Bomb to build a design for the new paint hangar, and by doing so they guaranteed him a free and giant billboard advertising at the Tallinn Airport's most visible point at runway. In an industry where everyone is too scared to step out of conventional ways, Magnetic MRO is way too confident at what they are doing, to be scared of looking both professional and fun at the same time.

All Magnetic MRO painting activities are covered by the internationally recognized environmental quality standard ISO 14001, and therefore every detail has been calculated in order to prove the company's commitment to all customers in terms of meeting and maintaining high quality standards and environmental requirements.

"I am very impressed with the quality and excellence of Magnetic MRO Painting Department. The aircraft looks great in its new livery, and was handed over in a timely manner to the line maintenance department for the re-weigh and post painting checks. Again, this was all achieved with good communication and fore-thought."

A.Wicks, ASL Airlines





"2017 was a dynamic and exciting year for the entire industry as well as for Magnetic MRO."

Magnetic MRO CFO Astrit Viisma-Kass was chosen as the Most Influential CFO of the Year 2018

Dear clients, business partners, shareholders and colleagues,

2017 was a dynamic and exciting year for the entire industry as well as for Magnetic MRO. We have opened a purpose-built paint hangar, established a JV with US-based investors for aircraft teardowns, continued with existing brands development projects, leased out engines for the first time and successfully passed vendor due diligence before the structural change in company's ownership. These achievements were surely the result of long-planned and well-managed processes, reinforced by Magnetic MRO's fast and flexible business approach in the current market situation.

All these mentioned activities are clearly visible on Magnetic MRO Group's financial results and trends.

- Adjusted EBITDA reached 7mEUR
- Debt to assets ratio as of 31.12.2017 was 62% and debt to equity ratio was 1.69
- All bank covenants were met throughout the entire year
- Current ratio stayed in between 1 to 1,3 during 2017
- Total cash flow turned to negative due to investments into inventory and components, including engines.

Future plans cover the expansion of existing maintenance and asset management businesses, establishment of new workshop units, focus on our entrance and growth in Asian market, and many more. As Charles Kettering said, "High achievement always takes place in the framework of high expectation."

Yours sincerely,
Astrit Viisma-Kass
CFO of Magnetic MRO

Earnings	2017 consolidated	2016 consolidated	2015 stand alone
Net sales (EUR)	90 887 307	50 519 631	36 504 480
Net sales growth	79%	38%	121%
EBITDA	6 447 812	3 378 520	2 916 971
EBIT	4 351 955	2 617 266	2 410 680
Net result	3 969 355	2 474 090	2 251 402
ROA	12,0%	8,6%	13,8%
Balance			
Balance sheet total	30 941 608	28 528 976	16 048 886
Working capital	768 417	3 318 585	2 548 441
Equity	11 176 973	7 219 818	2 891 211
Net financial debt	6 856 657	-4 076 065	3 192 209

Revenue Growth

+79%

Employees

+24%

Net Result Growth

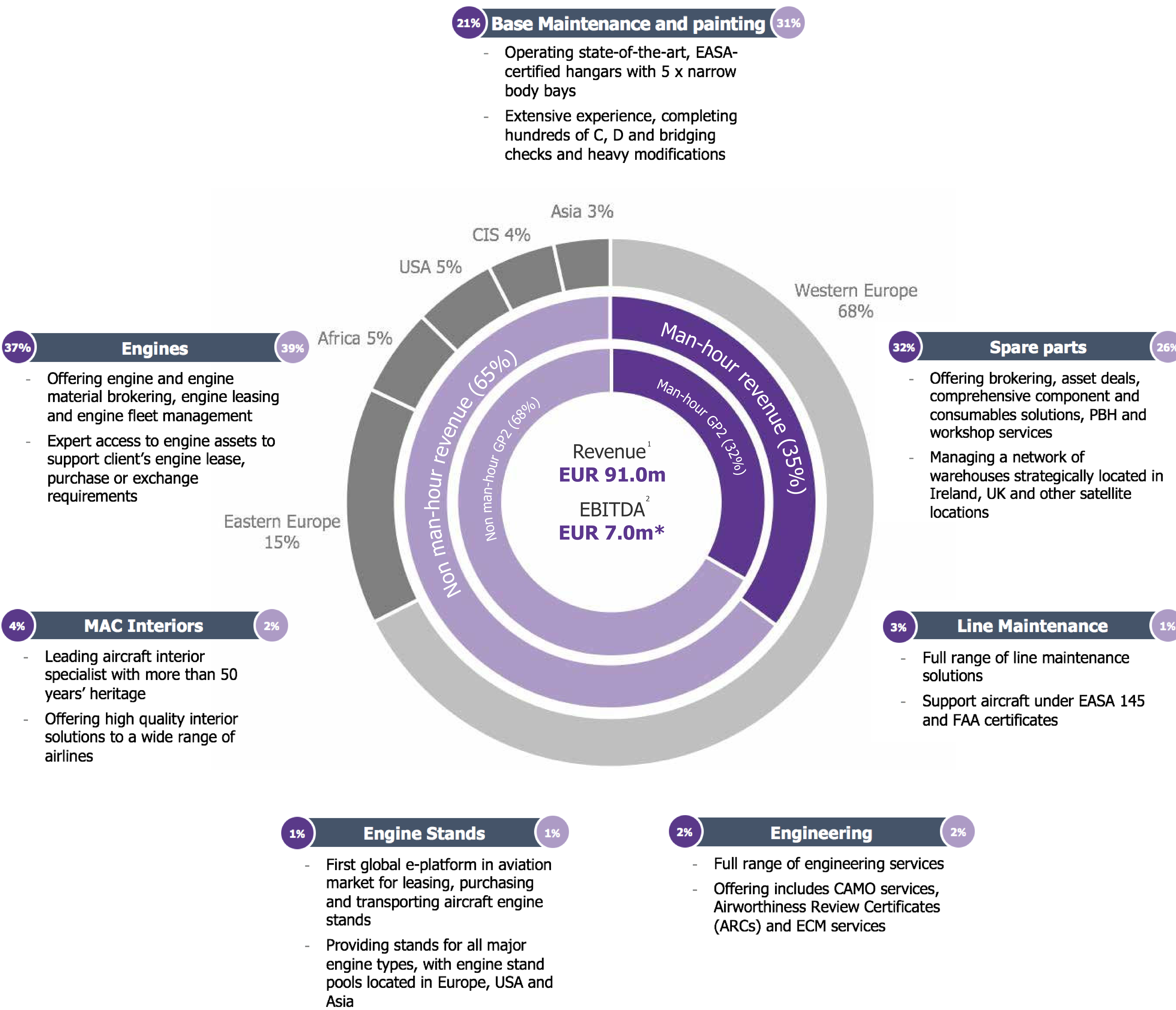
+60%

Maintenance Checks

500+

Total Revenue

90,9 M€



% 2017 revenue contribution

% 2017 GP2 contribution

Source: Magnetic MRO

1) 2017

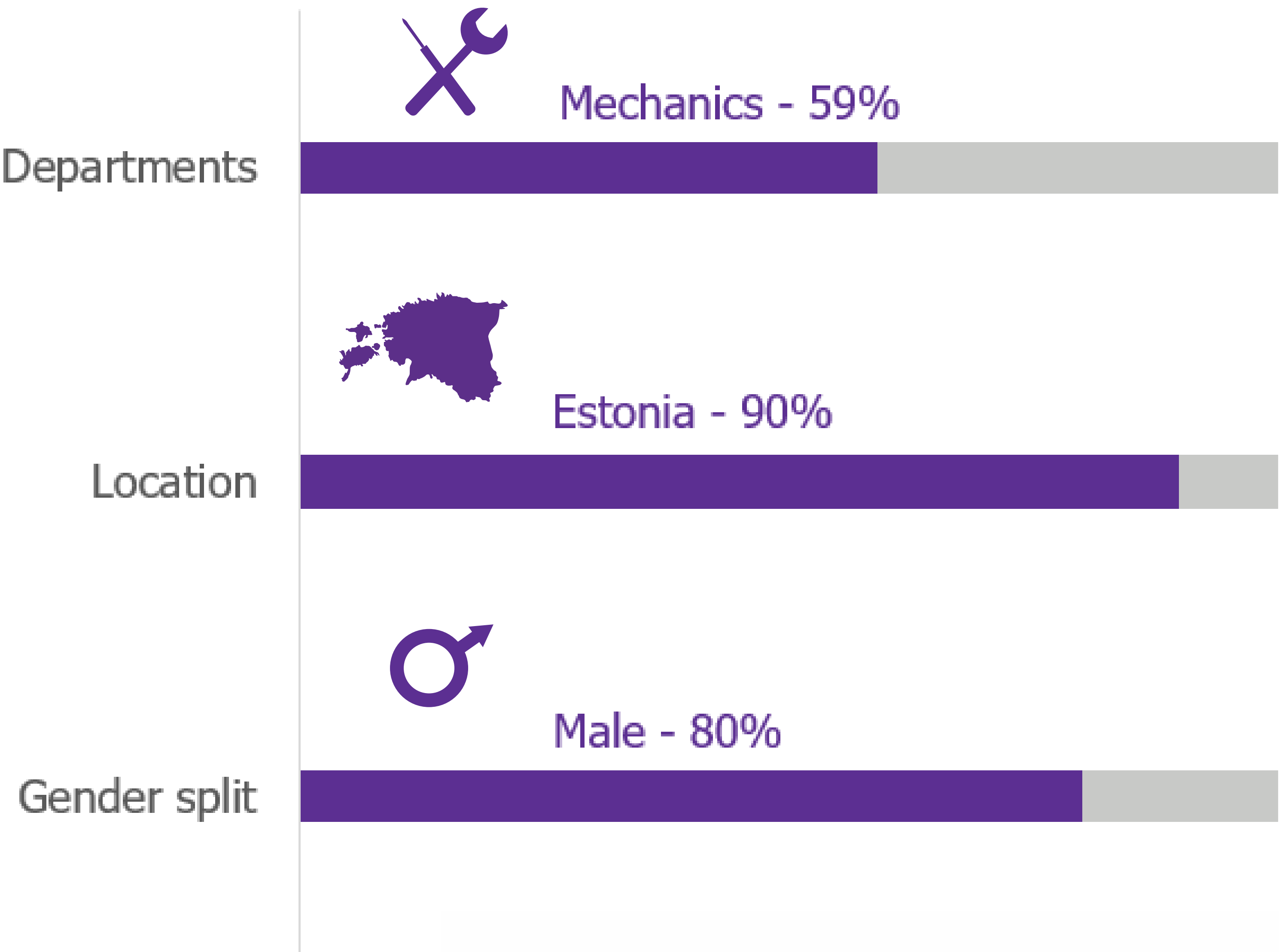
2) 2017 normalised

* Normalized EBITDA

- ⚙ EASA Part 145 MOA
- ⚙ FAA Air Agency Certificate
- ⚙ EASA Part M Subpart G CAMO Approval
- ⚙ EASA Part 21 Subpart J DOA
- ⚙ EASA Part 21 Subpart G POA
- ⚙ EASA Part 147 MTO Approval
- ⚙ Bermuda Aircraft Maintenance Organisation Approval
- ⚙ Nigerian Approved Maintenance Organisation
- ⚙ Ukrainian Maintenance Organisation Approval
- ⚙ Turkish Maintenance Organisation Approval
- ⚙ Bailiwick of Guernsey CAMO Validation
- ⚙ Bailiwick of Guernsey Maintenance Organisation Validation
- ⚙ Azerbaijan Maintenance Organisation Approval
- ⚙ Azerbaijan Design Organisation Approval
- ⚙ ASA-100 Quality System Standard
- ⚙ ISO 9001:2015 Bureau Veritas Certification
- ⚙ ISO 14001:2015 Bureau Veritas Certification

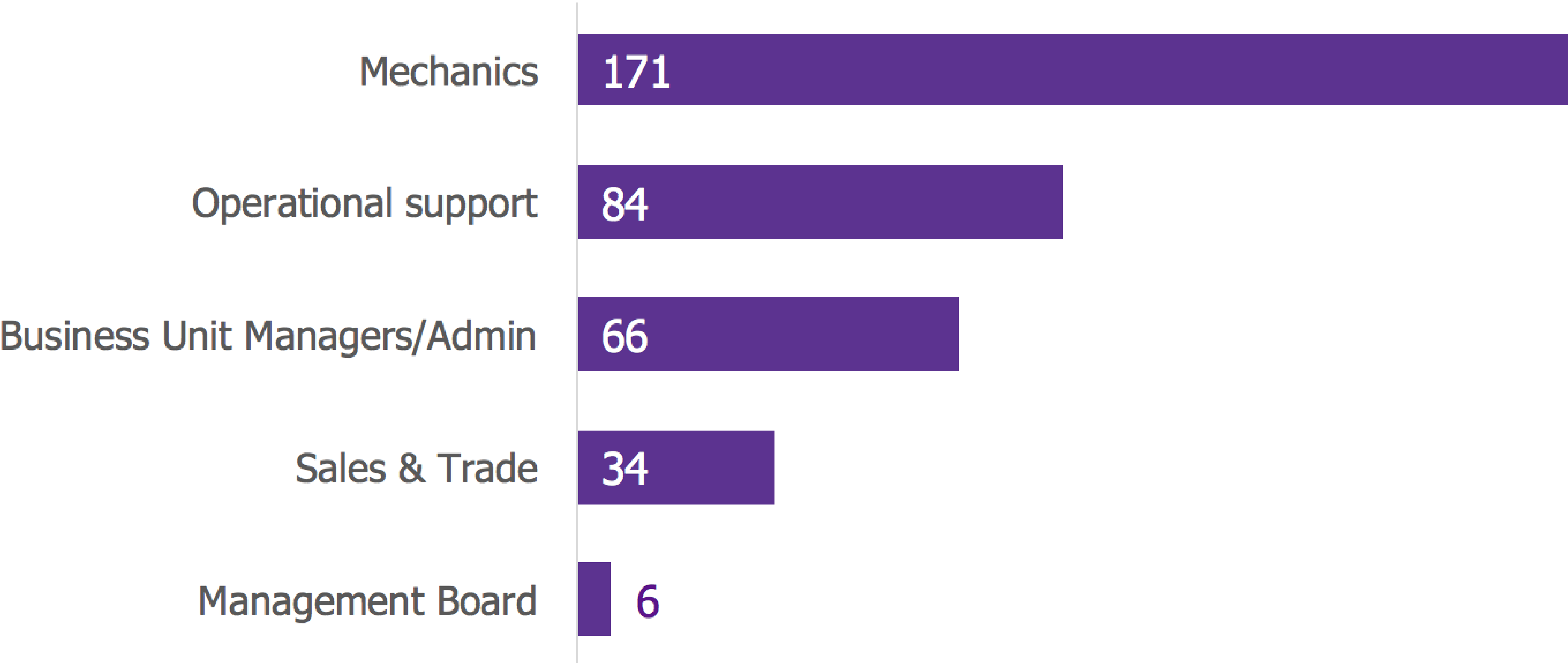


You can find more information about Magnetic MRO certificates on our website:
<https://magneticmro.com/company/certificates-approvals/>



+23,6%

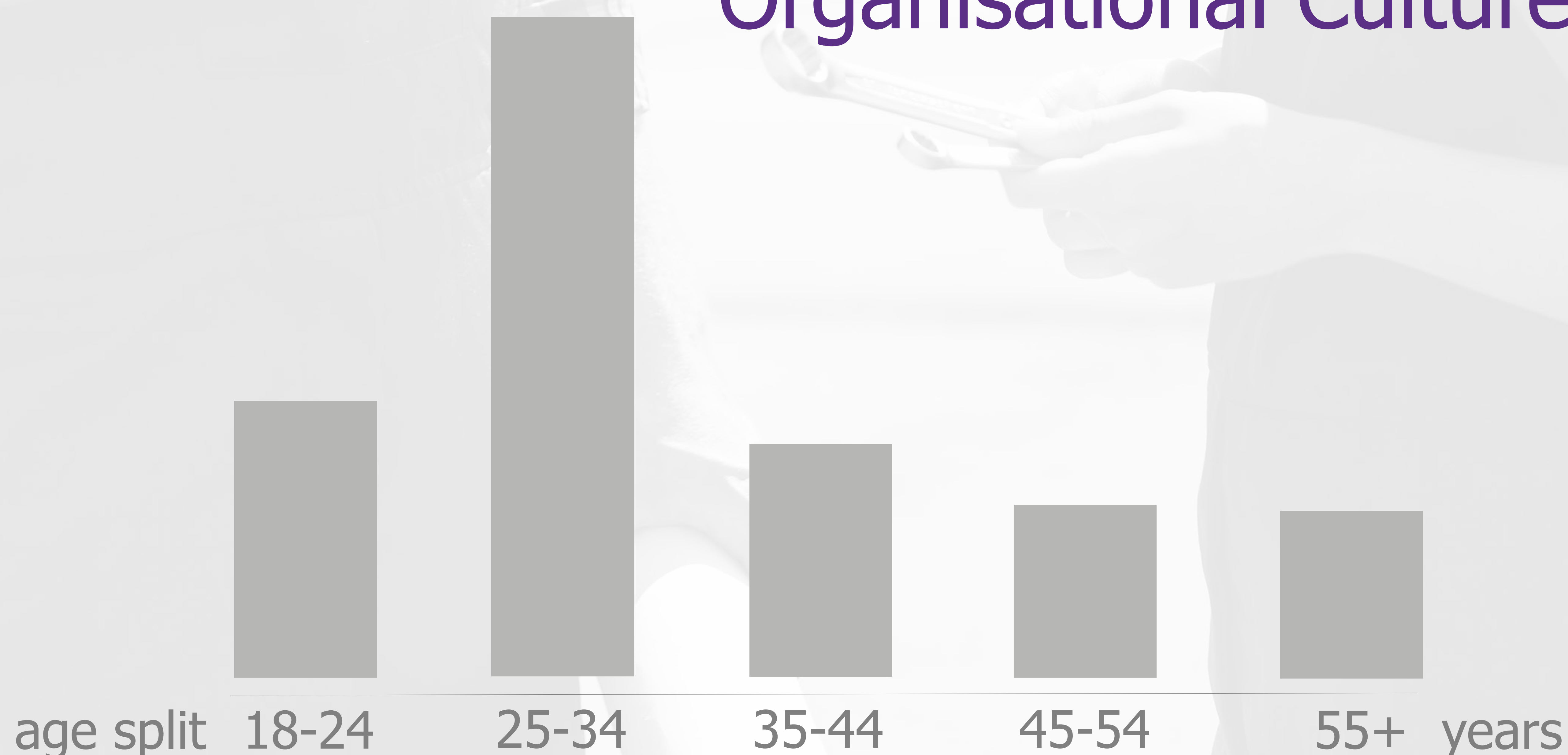
employees compared to 2016



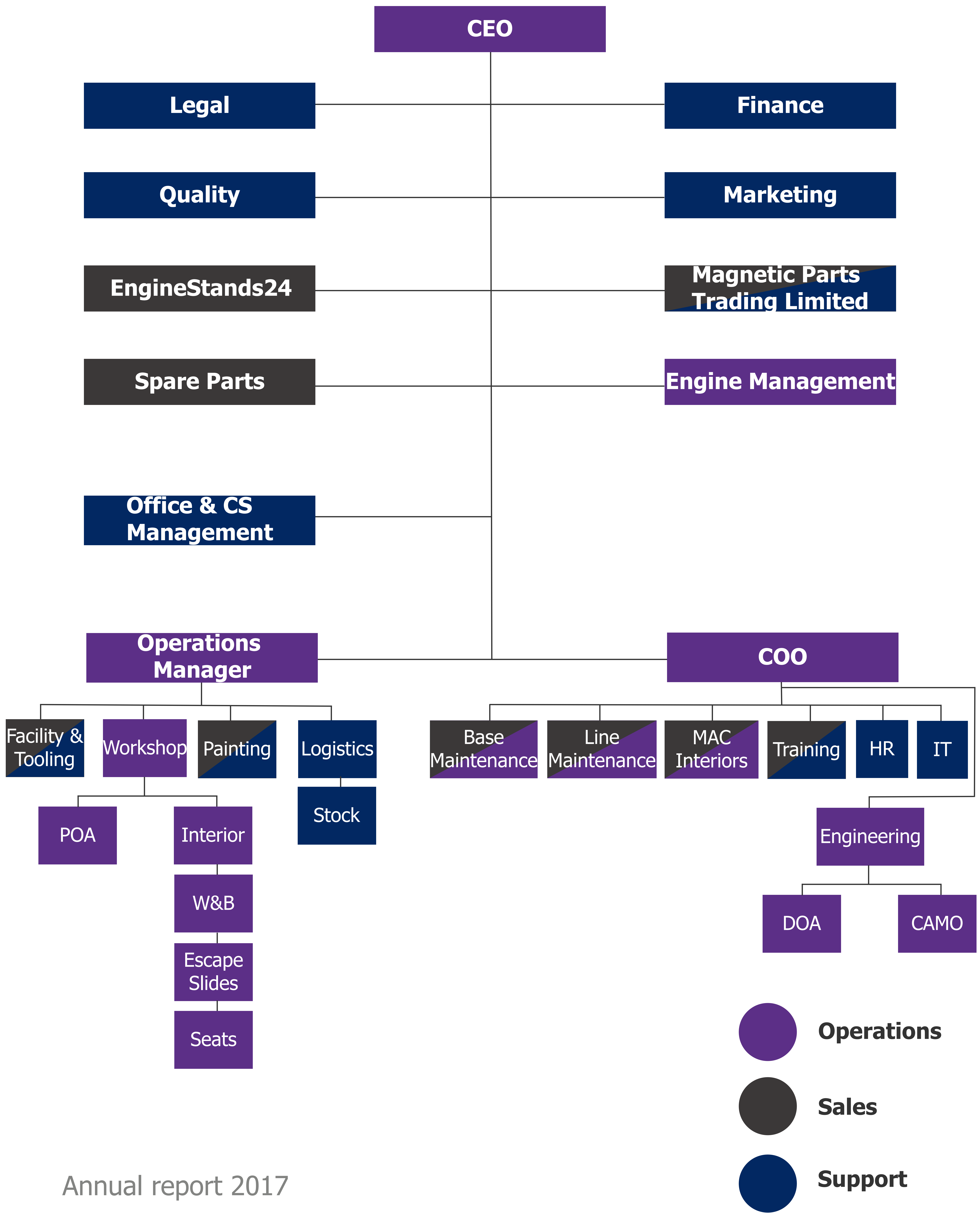
361

full-time employees

Dynamic & Competent
Organisational Culture



Magnetic MRO now operates as 8 major business units (BUs), supported by shared corporate services.





INNOVATION

One of our main differences is constant innovation. Key capabilities and solutions provided in house:

- ✈ 3D printing of cabin parts – It is certified via our Part-21G and it enables fast turnaround times and significant cost reductions
- ✈ VR for interior - Tailor-made service in respect of 3D visioning of aircraft interiors. It enables customers have an advanced and simulated idea about how the entire cabin would look when new changes are installed in terms of colour, image, material and/or texture.
- ✈ AR for exterior – Customized HoloLens application which results in allowing clients to visualize new liveries on an aircraft before proceeding to the painting stage.
- ✈ RFID tool management.



MAC INTERIORS

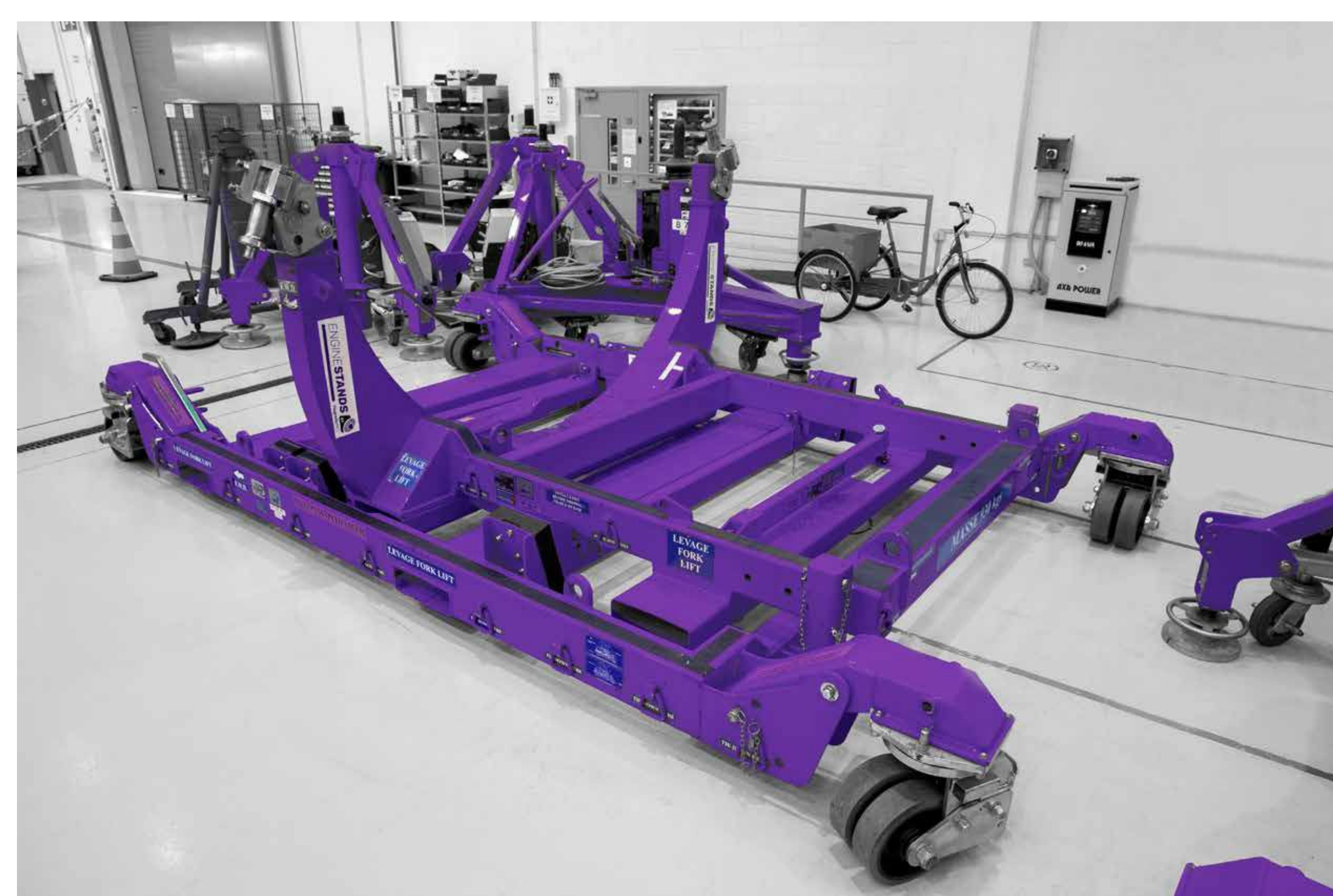
A MAGNETIC MRO COMPANY

MAC Interiors is a leading aircraft interior specialist with a well-established reputation in production and engineering. MAC Interiors has been offering a high level of quality interior solutions to the aerospace market for more than 50 years. The company is specialized in retrofitting and refurbishment of lavatories, galleys, seating, partitions, stowage, monuments and VIP interiors for a wide variety of commercial aircraft.

ENGINESTANDS 24

MagneticMRO

EngineStands24 was founded by Magnetic MRO in 2016 as a global digitalized one-stop solution, providing 24/7 solutions for transportation and storage of aerospace engine stands worldwide. EngineStands24.com is the very first e-platform on the aviation market for leasing, purchasing and transporting aircraft engine stands via online booking, aiming to provide an easy and fast solution for airlines, MROs, engine shops, engine manufacturers, asset owners and freight forwarders.



Magnetic Parts Trading Limited

Magnetic Parts Trading Limited was established by Magnetic MRO and Crestline Investors as a joint venture in 2017 in order to focus on aviation asset investments. While Crestline Investors is furnishing Magnetic Parts Trading Limited with the majority of its capital needs, Magnetic MRO gets to focus on project management, part-out and the value realization process. Magnetic Parts Trading Limited will focus on acquiring aircraft and engines for immediate part-out, or short-term lease and subsequent part-out. It aims to invest in the most popular narrow-body aircraft types, such as the A320 and B737 families and their corresponding engines.

CUSTOMER PORTFOLIO

Austrian

Thomas Cook
Airlines

brussels airlines

ASL
AIRLINES
BELGIUM

airBaltic

SAS

FINNAIR

BRITISH AIRWAYS

Primera Air

air astana

AIREST

ROSSIYA

SMARTLYNX

AEROFLOT
Russian Airlines

AIR NOSTRUM
LINEAS AEREAS

AF PEACE
... your peace our goal

RYANAIR

NORDAVIA

easyJet

Med-View Airline

АЛРОСА
АВИАКОМПАНИЯ

SWIFT AIR

POLISH AIRLINES
LOT

nordica

WINDROSE
AIRLINES



Carpatair

CIMBER

AZMAN
AIR SERVICES LTD

TURKISH
AIRLINES



vueling

UTair

NEXTJET

GRAND CRU AIRLINES

cargoair
www.cargoair.bg

“Amazing, such a good experience! This was my first time working as a materials rep away from base and it has been fabulous, I don't think other MROs will be able to meet the standards you have now set for them!”

J. Barbour, Thomas Cook Airlines



RECENT AWARDS

Company of the Year

Best Estonian Enterprises 2017

Exporter of the Year

Best Estonian Enterprises 2017

Best Integrated MRO Specialists in Europe

Air Transport Awards 2017

Award for Excellence in Engine Management Services in Europe

Air Transport Awards 2017

Ruban d'Honneur Recipient for The Business of the Year Award

Estonian Business
Awards 2016-17

National Champion for Estonia

Estonian Business
Awards 2016-17







-  Offices
-  Line stations
-  EngineStands24 + Warehouses
-  Partnership

A grayscale photograph of an office desk. In the foreground, a thick binder with multiple rings is open, showing a page with a table of data. In the background, a laptop is open, and an Epson printer is visible. The scene is softly lit, creating a professional atmosphere.

CONSOLIDATED FINANCIAL STATEMENTS

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) .

Consolidated balance sheet

(In Euros)

	31.12.2017	31.12.2016
Assets		
Current assets		
Cash and cash equivalents	1 109 973	8 053 415
Receivables and prepayments	10 732 822	9 631 596
Inventories	8 488 262	6 840 715
Total current assets	20 331 057	24 525 726
Non-current assets		
Investments in subsidiaries and associates	516	100
Receivables and prepayments	4 436 226	149 519
Property, plant and equipment	5 407 691	2 960 956
Intangible assets	766 118	892 675
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
Payables and prepayments	11 796 718	17 331 808
Total current liabilities	19 562 640	21 207 141
Non-current liabilities		
Loan liabilities	200 708	102 017
Payables and prepayments	1 287	0
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
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

Consolidated income statement

(In Euros)

	2017	2016
Revenue	90 887 307	50 519 631
Cost of sales	-78 988 044	-40 928 630
Gross profit (loss)	11 899 263	9 591 001
Distribution costs	-487 648	-313 762
Administrative expense	-8 728 915	-7 087 769
Other operating income	1 675 017	528 011
Other operating expense	-5 762	-100 215
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

Consolidated cash flow statement

(In Euros)

	2017	2016
Cash flows from operating activities		
Operating profit (loss)	4 351 955	2 617 266
Adjustments		
Depreciation and impairment loss	2 095 857	761 254
Profit (loss) from sale of non-current assets	-1 439 926	-139 450
Total adjustments	655 931	621 804
Changes in receivables and prepayments related to operating activities	-1 190 767	-3 541 073
Changes in inventories	-1 647 547	-2 194 908
Changes in payables and prepayments related to operating activities	-5 533 803	9 698 531
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
Proceeds from sales of property, plant and equipment and intangible assets	5 140 344	286 743
Other cash payments to acquire subsidiaries	-416	-256 324
Loans given	-4 156 455	0
Total cash flows from investing activities	-6 751 028	-1 200 203
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	-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

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

Consolidated statement of changes in equity

(In Euros)

						Total
	Equity held by shareholders and partners in parent company					
	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

Full consolidated financial statement with disclosures and auditors report is available
<https://ariregister.rik.ee/index?lang=eng>



MagneticMRO

Your partner for total technical care

