

MagneticMRO

Your partner for total technical care

21.12.2021 Unsecured Notes

Company Description

01.02.2019

Powered by  Changxin

EngineSTANDS24 | MACAEROINTERIORS

DISCLAIMER

General Information

This Company Description (**the "Document"**) has been drawn up by the Management Board of Magnetic MRO AS (**"Magnetic MRO"**, hereinafter also **the "Company"** or **the "Issuer"**), a public limited company incorporated and operating under the laws of Estonia in connection with the admission to trading of the Company's Bonds on Nasdaq First North. This Company Description is drawn up based on information which was valid as of 01 January 2019.

The Bonds that are mentioned in this Document (the **"Bonds"**) have their own particular terms and conditions, which should be read and considered separately.

In furnishing this Document the Issuer undertakes no obligation to update this Document. The statements of fact, information, opinions and estimates contained in this document have been obtained, compiled or arrived at from sources believed to be reliable and in good faith. The information contained in this Document is published for the assistance of recipients but is not to be relied upon as authoritative or taken in substitution for the exercise of judgment by any recipient. Expressions of opinion herein are subject to change without notice. No person has been authorized to give any information or make any statements, other than those contained herein. Any other information or representations must not be relied upon as having been authorized by the Issuer.

This Document does not constitute an offer to sell or a solicitation of an offer to purchase any securities in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. Each violation of such restrictions may constitute a violation of applicable securities laws of such countries.

This Document shall not be treated as legal, financial or tax advice of any kind. The investors shall conduct their own investigation as to the potential legal risks and tax consequences related to the issue of and investment into the Bonds. Nothing in this Document shall be construed as the giving of investment advice by the Issuer or any other person. If you are in any doubt as to whether to invest in the Bonds described herein, you should consult an independent financial adviser who is qualified to advise on investments of this nature.

The investment into the Bonds involves a degree of risk appropriate to the specific area of activity of the Issuer and only those persons or entities that are able to bear the risks associated with the Bonds should consider making commitments that expose them to such risk.

Applicable Law

This Company Description has been drawn up in accordance with the laws of the Republic of Estonia and the Rules of First North as adopted by Nasdaq Tallinn AS.

First North is a multilateral trading facility (an alternative market), operated by Nasdaq Tallinn AS. It does not have the same legal status as a regulated market. Companies listed in First North are subject to the Rules of First North and not the legal requirements for admission to trading on a regulated market. An investment in a company that is traded on First North may therefore encounter higher risks than an investment in a company that is traded on a regulated market. All companies with shares or bonds admitted to trading on First North have a certified adviser that monitors the company's compliance with the rules. The approval of admitting to trading on First North is in the competence of Nasdaq Tallinn AS.

Certified Adviser

AS Redgate Capital (register code in the Estonian Commercial Register 11532616, registered address Pärnu mnt 10, 10148 Tallinn, Estonia) has agreed to act as the Certified Adviser of the Company based on the Rules of First North up until the redemption of the Bonds. Redgate Capital is an independent partnership-based investment firm operating under license 4.1-1/32 issued by the Estonian Financial Supervision Authority on 12.02.2018, offering a wide range of financial advisory services to the Baltic SME's.

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GLOSSARY

AME	Air Maintenance Estonia	GP2	Gross Profit 2 (incl. Depreciation, cost, excluding administrative overheads)
AOG	Aircraft-on-Ground	JV	Joint Venture
APU	Auxiliary Power Unit	LG	Landing Gear
ATD	Aircraft Tear Down	LM	Line Maintenance
BALTCAP	BaltCap Private Equity Fund	LHT	Lufthansa Technik
BM	Base Maintenance	LRU	Line-Replace Unit
CAMO	Continuing Airworthiness Management Organization	MMRO	Magnetic MRO
CEE	Central-Eastern Europe	MPTL	Magnetic Parts Maintenance Ltd
EASA	European Aviation Safety Agency	MRO	Maintenance & Repair Organization
ES24	EngineStands24	NDT	Non-Destructive Testing
FAA	Federal Aviation Administration	OEM	Original Equipment Manufacturer
GM	Gross Margin	PHC	Power by the Cycle
ADMIN OH	Administrative Overhead	PBH	Power by the Hour
PMA	Parts Manufacturing Approval	RPK	Revenue Passenger Kilometers
RFID	Radio-Frequency Identification		

10-28

EXECUTIVE SUMMARY

- Magnetic MRO AS (hereinafter - the „Issuer“, „MMRO“, „Company“) is a total technical care maintenance and asset management organisation with a global presence and two decades of sectoral expertise. It has a synergistic and focused approach to its comprehensive provision of total technical care for Airbus and Boeing narrow-body aircrafts
- In January 2018 its major shareholder, a private equity firm AS Baltcap, together with minority shareholders, sold 100% of the shares in Magnetic MRO to Guangzhou Hangxin Aviation Technology Co., Ltd (the „Hangxin“); the direct holder of MMRO shares is Hangxin Aviation Services Co., Ltd.
- Magnetic MRO is currently active on three continents, covering more than 17 countries
- Magnetic MRO has one sub-brand (EngineStands24), one subsidiary in the UK (Mac Aero Interiors Ltd., hereinafter - the „Mac Aero Interiors“) and a Joint Venture with Crestline Investors, Inc. („Crestline, „Crestline Investors“) - Magnetic Parts Trading Ltd., (hereinafter - the „MPTL“)
- Headquartered in Tallinn, Estonia, Magnetic MRO issued Bonds in December 2018 in total of EUR 8 M, with a possibility to increase the total amount up to EUR 15 M. The application for admission to trading on the multilateral trading facility Nasdaq First North has been submitted. Proceeds will be used to increase individual trading volumes, acquire a company in Europe and to establish a landing gear workshop in the Baltics

TRANSACTION RATIONALE & USE OF PROCEEDS

 Establishing a landing gear workshop in the Baltics to provide strong opportunities with 180 potential customers across Europe, Russia, Asia, Latin America and the Middle East and Africa	 Acquiring a company in Europe that allows Magnetic MRO to expand its service capabilities and further its expansion into the competitive MRO market	 Raising additional working capital for asset management, spare parts and trading business lines to increase volume and improve profitability
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SUMMARY OF THE BOND TERMS

ISSUER	MAGNETIC MRO AS
NAME OF THE SECURITY	MAGNETIC MRO BOND 21.12.2021
ISIN CODE	EE3300111608
ISSUE SIZE	EUR 8,000,000 (CAN BE EXTENDED UP TO EUR 15,000,000)
ISSUE DATE	21 DECEMBER 2018
MATURITY	21 DECEMBER 2021
COUPON RATE	8% (30/360). QUARTERLY PAYMENTS
COLLATERAL	N/A
ARRANGER	MAGNETIC MRO AS
FIRST NORTH ADVISER	REDGATE CAPITAL AS
LEGAL ADVISER	ELLEX RAIDLA ADVOKAADIBÜROO OÜ
REGISTRAR	NASDAQ CSD SE

FINANCIAL HIGHLIGHTS

(EUR '000S)	2015	2016	2017	2018
REVENUE	36,504	50,520	90,887	88,377 ¹
REVENUE GROWTH	121.0%	38.4%	79.9%	-2.8%
EBITDA	2,922	3,600	7,107 ²	5,909 ³
NET PROFIT	2,251	2,474	3,969	5,130
NET PROFIT MARGIN	6.2%	4.9%	4.4%	4.9%
RECEIVABLE TURNOVER	1.23	1.03	1.16	1.2
TOTAL ASSETS	16,049	28,529	30,942	37,824
EQUITY	2,891	7,220	11,177	16,244
ROE	13.8%	8.6%	12.0%	18.4%

¹MMRO joint venture MPTL generated in total of EUR 37 M of revenues, from which EUR 18 M (44.9%) is attributable to MMRO (since MPTL is not consolidated, EUR 18 M is not included in the revenue row on the table).

²EBITDA adjusted by non-recurring items in total of EUR 792 thousand.

³EBITDA adjusted by non-recurring items in total of EUR 1,262 thousand.

Source: 2015-2017 company's audited annual reports, 2018 unaudited. Redgate Capital calculations.

Overview of the Company



COMPANY SNAPSHOT | Total technical care partner with a global presence

A TOTAL TECHNICAL CARE & AVIATION ASSET MANAGEMENT COMPANY

- MMRO started operations as a provider of heavy checks to B737s in 1995, becoming an independent entity in 2002 and was acquired by AS BaltCap in 2010. As of January 2018, Magnetic MRO is owned by Hangxin and the company offers a wide range of services to airlines and asset owners. MMRO is represented in 17 countries on three continents: Europe, Asia and North-America
- MMRO has refocused and transformed into a synergistically functioning, comprehensive provider of total technical care for Airbus and Boeing narrow body aircrafts
- The Company is dedicated to supporting the existing strategy and executive management team, whilst expanding its global presence and enhancing its service range

ORGANISATIONAL STRUCTURE



MAGNETIC MRO OFFERS WIDE RANGE OF SERVICES FOR THE AIRLINE INDUSTRY

FOR AIRLINES

Line & Base Maintenance: highly regarded, low cost, efficient and profitable narrow body maintenance provider with Tier 1 customers

Engines: dynamic and growing engine fleet management, brokering and leasing specialist

Spares: rapidly growing spares brokering, exchanges and repair management specialist, focused on rotables and consumables for Tier 2/3 airlines and MRO customers who value MMRO's unique aftermarket care

Others: Interiors, Line Maintenance, Painting, Engineering, Component Repairs and Engine Stand Leasing

FOR ASSET MANAGERS

Asset Acquisition & Management

Technical Support During Leases

End of Life Asset Management

Transition Between Lessees

Risk/Rewards Sharing Projects

¹MMRO is owned by Guangzhoy Hangxin Aviation Technology Co., Ltd. through its subsidiary Hangxin Aviation Services Co., Ltd.

Guangzhou Hangxin Aviation Technology Co., Ltd. established in 1994, is committed to delivering effective technical solutions in the field of aircraft engineering and safety, contributing its part to the Chinese aviation industry.

In 2015, Hangxin was officially listed on the Shenzhen Stock Exchange GEM. It has several subsidiaries under its governance namely Hangxin Avionics, Shanghai Hangxin, Tianjin Hangxin, Ha'erbin Hangwei, Hong Kong Hangxin and Beijing Hangxin. The five core businesses are Component MRO, Airborne Equipment R&D, Aviation Test Equipment R&D, Aircraft Retrofit and Aircraft Data Analysis & Application. The business serves government sectors, airlines and customers in Asia, the Middle East, Europe, and North America, including more than 50 major airlines and customers.

Hangxin has various Aviation Airworthiness Certifications including China Civil Aviation Authority, the United States Federal Aviation Administration, and the European Aviation Safety Agency as well as other in-countries aviation approvals. The company is also a Certified Part-147 training institution approved by the Civil Aviation Administration. It is also a Authorized Service Centre for internationally renowned OEM such as L-3AR, CIRCOR, KIDDE AEROSPACE. Hangxin is also a Qualified Aviation Material distributor for various International OEM product lines, and is one of the first MRO-batch Authorised Service Providers for Boeing in China.



HANGXIN GROUP COMPANIES

Hangxin Aviation Services

Repair Management
Aviation Parts Trading
Consignment & Logistics Services

Shanghai Hangxin Aero-Mechanics

CAAC/FAA/EASA 145 Repair Station
CAAC 147 Training Organization
OEM Service Center

Guangzhou Hangxin Avionics

CAAC/FAA/EASA 145 Repair Station
CAAC 147 Training Organization
CAAC Aviation Parts Distributor
OEM Service Center

SkyHo Aviation Technology Co., Ltd. (JV)

Civil Aircraft Leasing
Civil Aircraft/Engine Teardown
Asset Management

Qingdao Xinlong Aviation Engineering Co. Ltd. (JV)

Aircraft Base Maintenance

Beijing Hangxin Aviation Technology Co., Ltd

Aircraft Data Analysis & Application

Harbin Hangwei Aviation Technology Co., Ltd

Airborne Device Repair & Retrofit
CAAC 145 Repair Station
Aircraft Retrofitting

Zhuhai Hangxin Aviation Investment Co., Ltd.

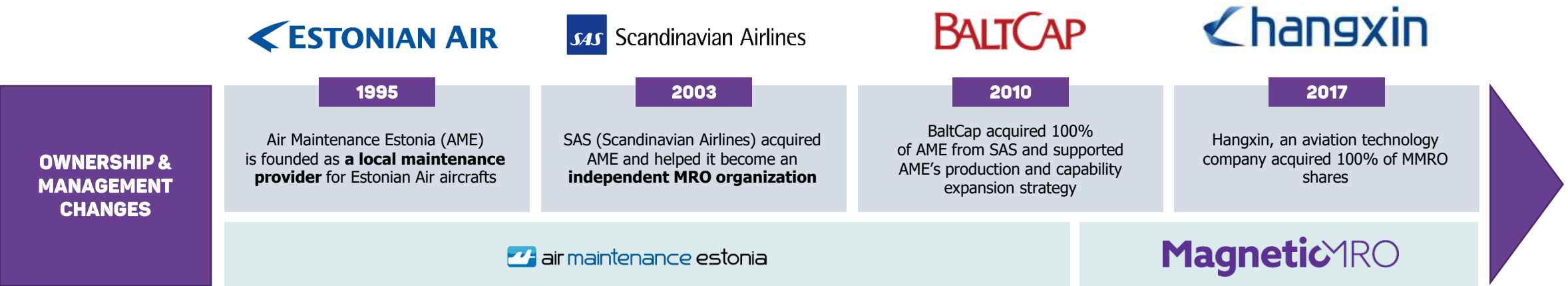
Strategic Investment & Management

Tianjin Hangxin Aviation Technology

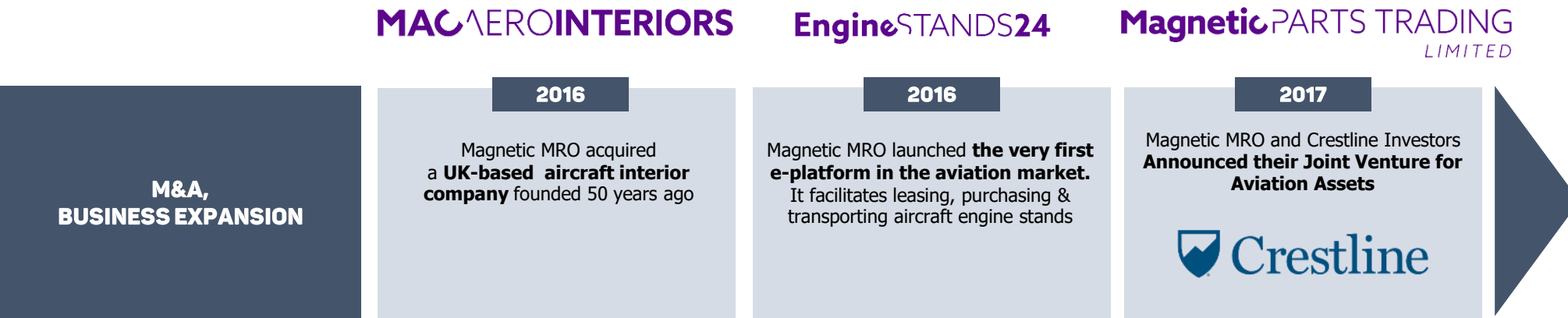
Avionics and Mechanics Repair
CAAC 145 Repair Station
Aircraft Retrofitting

HISTORY

Transformation from being low-margin maintenance department to dynamically growing total technical care provider



In 2014 management changed and **AME rebranded into Magnetic MRO** with the goal of an **organizational transformation** and turning the company into a global **Total Technical Care** provider



MANAGEMENT BOARD MEMBER

Magnetic MRO is led by an experienced, astute and entrepreneurial team of specialists



RISTO MÄEOTS

CEO

- Joined Air Maintenance Estonia in 2007, advanced from being a mechanic on the shop floor to become CEO in December 2016
- Previously worked as an engineer, department manager and COO
- Degree from the Estonian Aviation Academy, followed by an Engineering degree from Tallinn Technical University



ASTRIT VIISMA-KASS

CFO

- Joined Magnetic MRO in October 2015
- Almost 15 years of finance experience, including working within major accounting firms and in the transportation and telecom sectors
- MBA from Tallinn Technical University



YIFAN „FRANCIS“ LIU

MANAGEMENT BOARD MEMBER

- Joined Magnetic MRO in May 2018
- Previous experience includes Aircraft Redelivery Management, AOG Support Directing, and Assisting to the President of the Maintenance & Engineering Division of China Southern Airlines
- Degree from Guangdong University of Foreign Studies



FILIP STANISIC

HEAD OF ENGINES DEPARTMENT

- Joined Magnetic MRO in September 2014
- Previously worked with FL Technics (Lithuania) and Chromally
- Master's degree in Mechanical Engineering from University of Belgrade

SUPRVISORY BOARD MEMBERS



HAIBOLYU

- Joined Magnetic MRO in May 2018
- Previous experience includes Vice President at Guangzhou Hangxin Aviation Technology Company and Deputy General Manager at China Southern Airlines
- Degrees from Civil Aviation University of China, Beijing University of Aeronautics and Astronautics and Tsinghua University



JONAS BUTAUTIS

- Joined Magnetic MRO in 2014
- Previous experience includes CEO at FL Technics, Board Member of Lithuanian Post and CEO at Magnetic MRO
- Degrees from Vytautas Magnus University – Master of Business Administration, MSc in International Economics, Marketing from SDA Bocconi School



XIANGYAO BU

- Joined Magnetic MRO in May 2018
- Previous experience includes Executive Director at Zhuhai Hangxin Aviation Investment Company, Board Member and Senior Investment Director at Guangzhou Hangxin Aviation Technology Company
- Degrees from University of Cambridge BA and MSc of Informational Engineering



CHANG CHEOW TECK

- Joined Magnetic MRO in January 2019
- President at ST Aerospace and ST Marine Limited, Product Manager at Operating Subsidiary in Aviation Division and Engineering Officer in the Air Force
- BA of Mechanical Engineering from National University of Singapore and Business Administration from Harvard University



PAULIUS KAVALIAUSKAS

- Joined Magnetic MRO in December 2016
- Previous experience includes Head of Components and Materials Sales Department at FL Technics and Deputy Executive Officer at Magnetic MRO
- Degrees from Vytautas Magnus University BA degree of Economics and Master's degree of Marketing and International Trading

KEY PEOPLE



JAN KOTKA
COO

- Joined Magnetic MRO in March 2018
- Previously worked as a Production, Plant and Operations Manager and General Director in Enics Group
- MSc. Degree in European Studies from University of Tartu



INGA DUGLAS
COMMERCIAL DIRECTOR

- Joined Magnetic MRO in April 2014
- Previously worked at TNT Express and FL Technics as a Sales Manager
- Bachelor's degree from Mykolo Romerio Universitetas



PRIIT KIMMEL
ENGINEERING MANAGER

- Joined Magnetic MRO in 2017
- Previously worked with TAG Aviation
- Degree from Estonian Aviation Academy



GINTAUTAS GRUODIS
HEAD OF SPARE PARTS

- Joined Magnetic MRO in 2016
- Previously worked as a sales manager at Affecto Lietuva, JSC GRG, Omnitel and TNT
- Bachelor of Computer Science from Vilnius University



ANDREI TSHURIKOV
LM MANAGER

- Joined Magnetic MRO in November 2017
- Professional experience includes working as maintenance engineer and advisor for airlines such: DOT.lt; Cayman Airlines Ltd. and PT Lion Air
- Bachelor's degree from Riga Technical University



SERGEI SHKOLNIK
BM DIRECTOR

- Joined Air Maintenance Estonia in 2006 as a Production Manager
- Previously worked with Ryanair and Maersk Air Maintenance Estonia
- Master's degree in Maintenance of Civil Aviation Aircraft and Engines from Riga Aviation University



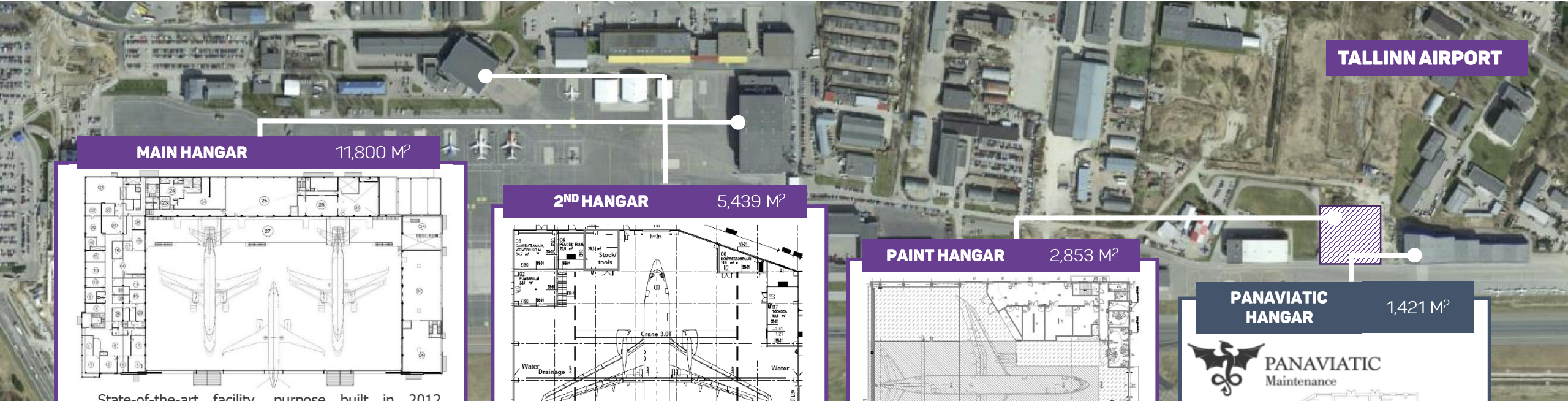
KESTUTIS SAJUS
DIRECTOR OF MPTL

- Joined Magnetic MRO in December 2018
- Previous experience includes being a CFO in BALTPool Energy Exchange
- Degree from Vilnius University, Bachelor's of Economics and Vilnius University, Master's degree in Banking

+ 394 DEVOTED SPECIALISTS

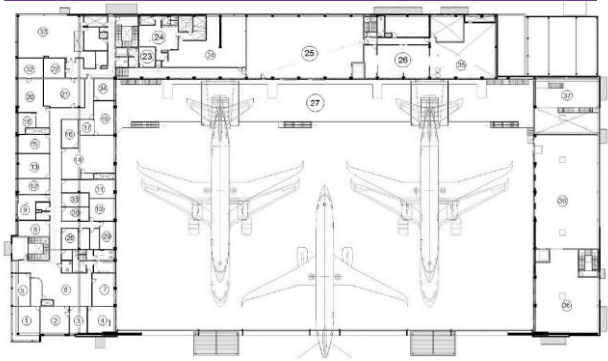
HEADQUARTERS

State-of-the-art facilities in Tallinn comprise of corporate and engineering headquarters, Base Maintenance facilities and a key line station



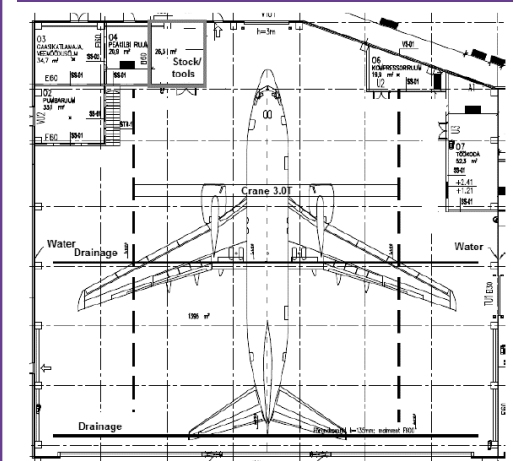
TALLINN AIRPORT

MAIN HANGAR 11,800 M²



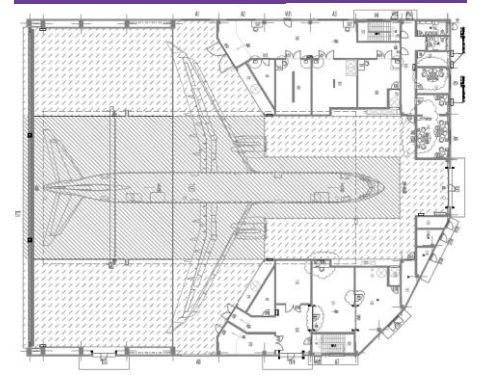
- State-of-the-art facility, purpose built in 2012 (investment of EUR 20 M)
- Hangar area of **4,882 m²**, workshops, storage and office area of **6,918 m²**
- Storage spaces for **3x narrow-body aircrafts**, with two tail docks
- Double story building, with maintenance facility, workshops and storage rooms on 1st floor and offices and interior workshops on the 2nd floor
- Sheet metal, engine and composite repair workshop, comprehensive NDT facilities, heat treatment workshop, painting and interior workshop, avionics room
- Fully automated control system for heating, cooling, ventilation, electrical power, water supply, RFID door control
- Equipment store facility with full inventory of RFID-tagged equipment

2ND HANGAR 5,439 M²



- Built in 1989 and renovated in 2015 to increase Base capacity
- Designated hangar area of **2,725 m²**, office and workshop area of **2,714 m²**
- Provides **storage space for 1x narrow body aircraft**
- Operates as an additional line for Base activity during periods of heavy demand
- Workshops, maintenance office, library, store rooms, and dressing rooms

PAINT HANGAR 2,853 M²



- Hangar area with 2,853 m² of office and workshops space enabling Magnetic MRO to provide commercial and VIP standard painting services for a wide range of aircraft types
- Opened on Nov 2nd 2017 (investment of EUR 4 M)
- Can provide additional line support for Base activity during periods of heavy demand

PANAVIATIC HANGAR 1,421 M²



- Rented on an ad-hoc basis from Panaviatic AS under a long-term agreement
- Provides additional hangarage as required for storage or Base activity

GLOBAL PRESENCE | MMRO is active in 17 airports on three continents

- Offices
- Key Hangxin Bases
- Line Stations
- EngineStands24 Hubs & Warehouses
- Other Partnerships



CLIENT BASE

Diversified client base consisting of airline operators and asset owners

ASSET OWNERS & LEASING COMPANIES

SERVICES

- Asset Acquisitions
- Technical Support During Leases
- End of Life Asset Management
- Asset Management
- Transitions Between Lessees
- Risks/Rewards Sharing Projects



AIRLINES

SERVICES

- Heavy Maintenance
- Base Maintenance
- Line Maintenance
- Engine Fleet Management
- Spare Parts & Components
- Integrated Engineering Services
- Design & Production
- Interior Workshop
- Full Aircraft Painting
- Technical Training Courses



APPROVALS & CERTIFICATES

Magnetic MRO is certified aircraft maintenance organisation

1

EASA Part 145 Approval

Aircraft Maintenance Organisation

Estonian Civil Aviation Administration

29.07.2004

2

EASA Part M Approval

Continuing Airworthiness Management Organisation

Estonian Civil Aviation Administration

08.04.2015

3

EASA Part 21 Subpart J Approval

Design Organisation

European Aviation Safety Agency

29.06.2016

4

EASA Part 21 Subpart G Approval

Production Organisation

Estonian Civil Aviation Administration

16.09.2013

5

EASA Part 147 Approval

Maintenance Training and Examination Organisation

Estonian Civil Aviation Administration

26.01.2016

6

FAA Approval

Air Agency Aircraft Repair Station

USA Federal Aviation Administration

12.11.2015

7

BDCA Approval

Aircraft Maintenance Organisation

Bermuda Civil Aviation Authority

16.02.2007

8

NCAA Approval

Aircraft Maintenance Organisation

Nigerian Civil Aviation Authority

27.11.2014

9

SAAU UA

Aircraft Maintenance Organisation

State Aviation Administration of Ukraine

20.10.2016

10

Guernsey Approval

Aircraft Maintenance Organisation

Civil Aviation of Guernsey

29.06.2016

11

Turkish DGCA Approval

Maintenance & Repair Organisation

Turkish State Directorate General of Civil Aviation

13.12.2016

12

Turkmenistan SCAD Approval

Maintenance & Repair Organisation

Turkmenistan State Civil Aviation Department

13.12.2016

13

ISO 9001 Accreditation

Purchase, Sale, Exchange, and Lease of Aircraft Components

Bureau of Veritas Certification

24.10.2016

14

ISO 14001:2015 Accreditation

Aircraft Maintenance and Painting Services

Bureau of Veritas Certification

28.10.2016

15

ASA 100 Accreditation

Purchase, Sales, Trading

Aviation Suppliers Association

23.05.2016

Operations



OVERVIEW OF THE BUSINESS MODEL

Magnetic MRO aims to reinvent existing business models and deliver superior customer experience to the global MRO industry



FLEET MANAGEMENT

LINE MAINTENANCE

- Standard line maintenance services with 24/7 availability (daily, weekly, transit, A-checks, unscheduled checks, defect rectification)
- Currently operating outstations in 5 countries

BASE MAINTENANCE

- 19,000 m² total hangar area
- 5x narrow body hangar bays for maintenance
- Major & minor aircraft modifications – structural, system and avionics, aircraft repositioning, refurbishment and conversion of aircraft interiors
- Major structural and composite repair

ADDITIONAL SERVICES

ENGINESTANDS24

- First global e-platform for aviation organisations and transportation companies
- Can be utilized for loan engine or repair engine transportation; engine change, tear down or storage; or engine drop requirement during C-checks
- Providing stands for all major engine types, with engine stand pools located in Europe, USA and Asia



ASSET TRADING

ENGINE MANAGEMENT

- Offering engine and engine parts brokering, engine leasing and engine fleet management
- Expert access to engine assets to support client's engine lease, purchase or exchange requirements

SPARE PARTS & COMPONENTS

- Offering brokering, asset deals, comprehensive component and consumables management, PBH & PBC programs and workshop services
- 24/7 AOG support, logistics and distribution
- Aircraft teardown & component repair

MAGNETIC PARTS TRADING LIMITED

- Magnetic MRO and Crestline Investors joint venture
- Established in 2017
- Focus on acquisition of aircrafts and engines for immediate part-out, or short term lease and subsequent part-out



OTHER SERVICES

ENGINEERING

- Full range of engineering services
- CAMO services to aircraft owners and operators. Services include maintenance program development, airworthiness review, technical records administration etc.

PAINTING

- Full scope painting, including flight controls and weight & balance
- Augmented reality Solutions for aircraft livery visualization
- Mobile graphic application team

MAC AERO INTERIORS

- UK-based aircraft-interiors production and engineering company founded more than 50 years ago
- Specialised in retrofitting & refurbishment of lavatories, galleys, seating, partitions, stowage, monuments and VIP interiors for wide variety of commercial aircraft

MMRO HAS ESTABLISHED WELL DIVERSIFIED PORTFOLIO OF AVIATION SERVICES WITH STABLE INCOME AND STRONG CROSS-SELLING POTENTIAL

BUSINESS UNIT	2017		2018	
	REVENUE	GP2 ³	REVENUE	GP2 ³
BROKERING	25,415	2,156	32,695	3,479
ENGINES	43,946	3,019	22,132	1,475
BASE M.	18,299	2,653	22,600	3,166
ENGINEERING	1,879	187	1,966	171
LINE M.	2,995	-3	4,349	384
TOTAL REVENUE	96,629		84,457	
ADMIN OH ¹	-3,565		-1,885	
EBITDA	6,315		4,647	
ADJUSTED EBITDA	7,107		5,909	
CONSOLIDATED EBITDA (INCL. MPTL)²	7,107		9,380	

¹Administrative overheads.

²Pro-forma consolidated EBITDA, MPTL is not actually consolidated.

³GP2 – Gross profit 2 incl. all direct costs & revenues excl. Administrative overheads, rent, purchase services and other general costs.

Source: Company data, Redgate calculations.

Magnetic MRO operates in state-of-the-art EASA certified 5 x bay narrow body hangars in Tallinn, Estonia. The Company has extensive experience in completing hundreds of C-, D-, Phase- checks, heavy modifications, bridging checks, and other heavy maintenance events. Magnetic MRO works closely with the customer in determining the most efficient solution for the Base Maintenance program, as well as seeing it through with the most effective implementation in their hangars.

Magnetic MRO offers a wide range of Base Maintenance services for B737 NG/Classic and A320 family aircrafts.

Magnetic MRO Base Maintenance capabilities:

- Support in Workscoping of Base Maintenance events
- Performing scheduled C-, D-, Phase- checks
- Redelivery or transition checks between operators
- Minor and major modifications
- Cabin, interior works
- Painting Solutions
- In-house NDT capability

TOP CUSTOMERS



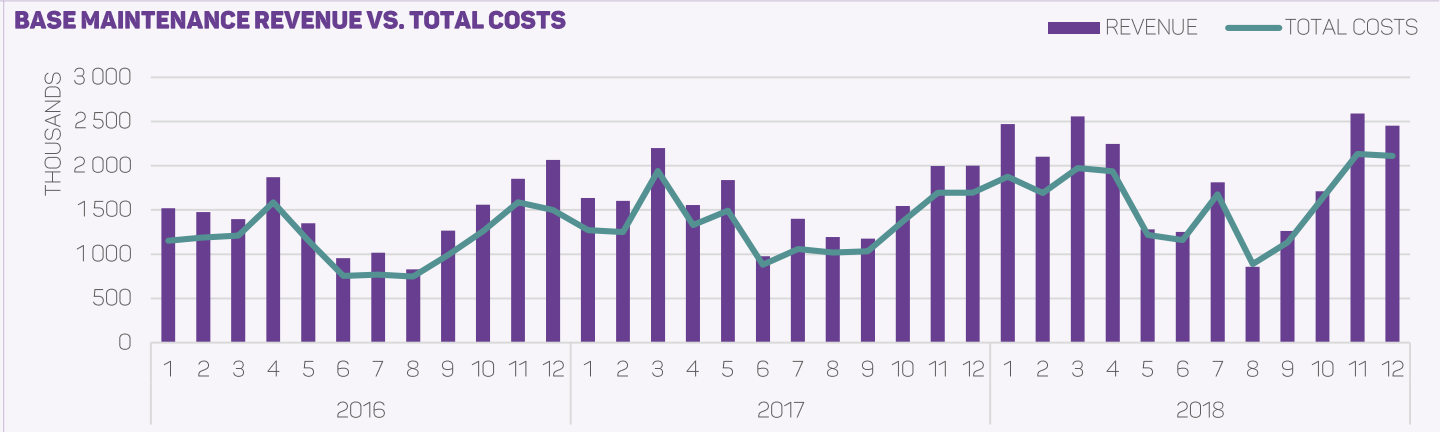
Magnetic MRO's hangars are equipped with the latest efficiency tools like automated docking stations, RFID system for tooling, up to date IT systems and lean processes. All hangar works are backed by extensive in-house shop capabilities and stock of consumables/expendables.

COMPETITIVE ADVANTAGES

Lower wage cost	Significant wage cost advantages over Western-EU peers
Skilled workforce	EASA Part 147 approved internal training facilities provide constant source of technically-qualified apprentices
Loyal customer base	Approximately 80% ¹ of base revenues generated from the core customers
Top facilities	Modern and innovative facilities built in 2012 Hangars built specifically for painting (2017)
No extraordinary expenses on immovable properties	Since the Company is leasing Hangar's from Tallinn Airport, there are no other extraordinary maintenance or other fees regarding the hangars

¹Management estimates.

BASE MAINTENANCE REVENUE VS. TOTAL COSTS



Source: Company's information, Redgate calculations.

FLEET MANAGEMENT | Line Maintenance

Magnetic MRO provides a full range of line maintenance solutions to support the airline's operational needs. Line maintenance services are critical part of any airline's operations, as this is where daily operational activities happen. Thus Magnetic MRO's main focus is on supporting airlines to the highest dispatch reliability standards as well as professional and fast recovery from AOG situations.

Magnetic MRO line maintenance capabilities:

- Transit, daily and weekly checks
- Phase checks, including A-Checks
- Defect rectification
- Engineering support
- Engines, APU, landing gear replacement
- Components and consumables solutions
- Logistics support
- AOG recovery services

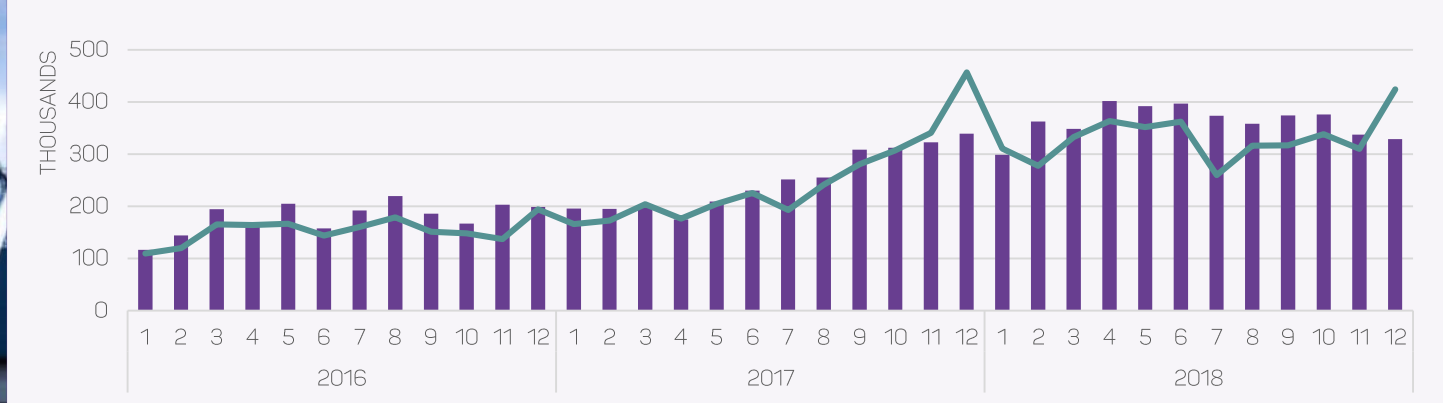
TOP CUSTOMERS



Magnetic MRO opens new line stations upon customer request to support aircrafts under the EASA 145 certificate and local authorities' approvals. New line stations are opened with a 1-3 months lead time, depending on geography and a few other operational factors.

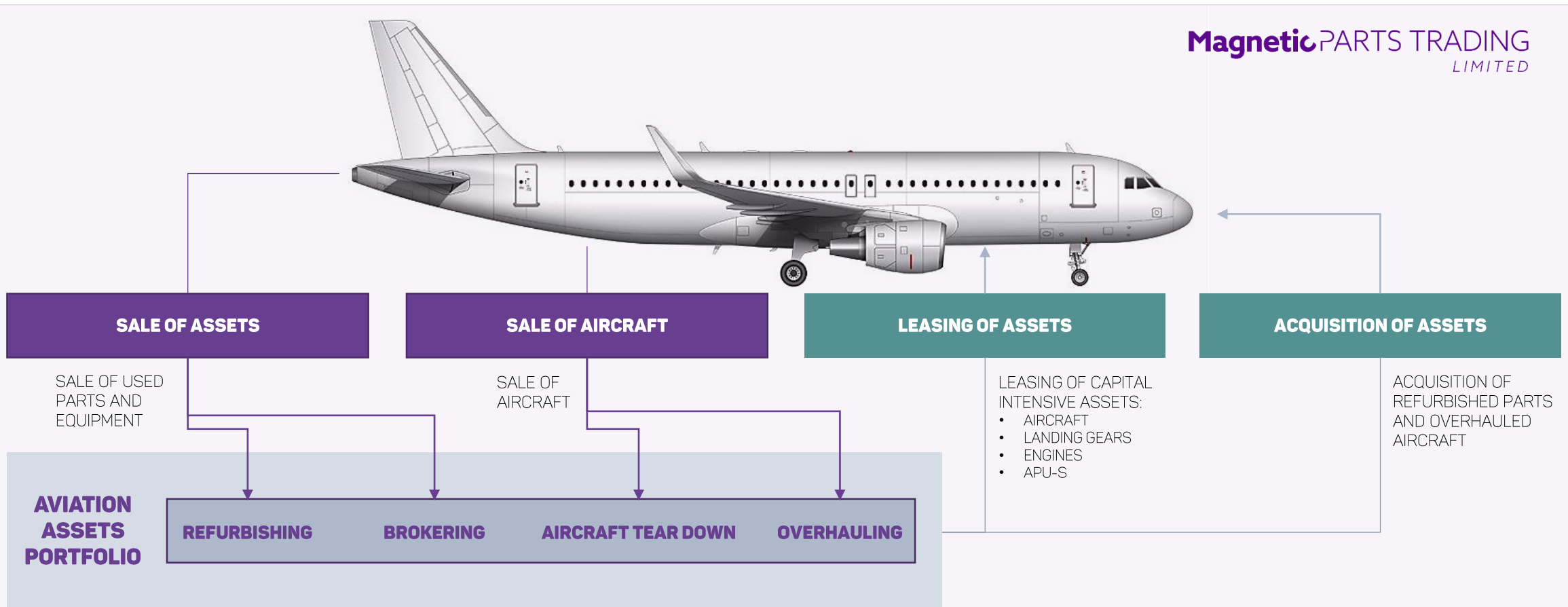


LINE MAINTENANCE REVENUE VS TOTAL COSTS



Source: Company's information, Redgate calculations.

The figure below describes Magnetic Parts Trading Limited' operational structure. MPTL is focusing on acquiring aircraft, engine, and other equipment 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.



Magnetic MRO offers an extensive range of technical support services for engines. Focused on delivering tangible gains through the whole value chain of engine technical support. Through a network of partners and own investments the Company accesses engine assets to support any lease, purchase, exchange, or AOG need.

Magnetic MRO Engine Solutions capabilities:

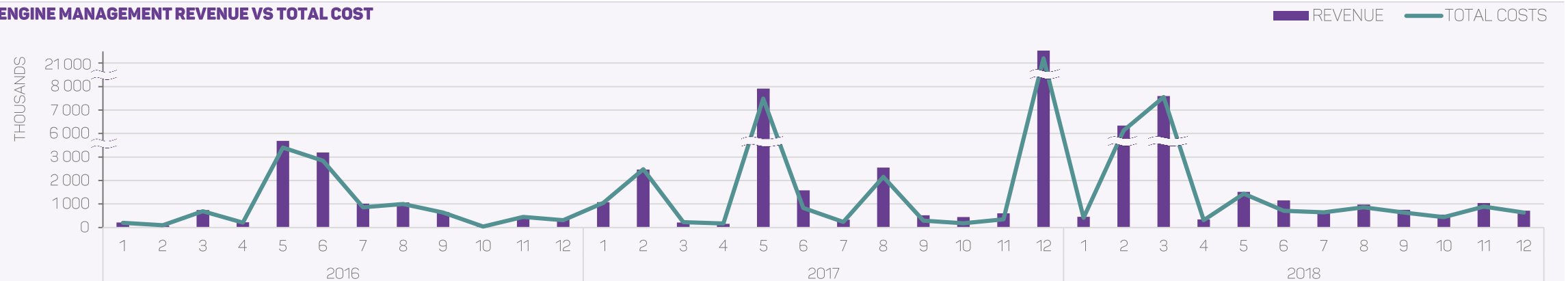
- "Not to Exceed" Comprehensive Technical Support Programs
- Engine Fleet Management Services
- Pre-Purchase Inspections, Records Reviews, Appraisals
- On-Wing Services
- Shop Visit Workscoping
- Technical Support During Shop Visits
- Material Support
- Contract Negotiations
- Warranty Management
- Spare Engine Pooling Solutions

COMPETITIVE ADVANTAGES

Market intelligence	MMRO's network provides Access to opportunities to meet the needs of the customers
Sourcing	Sourcing from less known sources can lead to highly profitable deals
Documentation optimisation	Know-how how to optimise trace paperwork to reduce client's risk and optimise value in the process
EOL solutions	Niche expertise in older engine fleet allowing customers to extend A/C life cycle profitability
Limited risk model	Limited use of own funds to minimise risk for MMRO

Magnetic MRO supports all of the most popular engine types, particularly CFM 56 family, CF34 family, CF6 family, V25 family, etc.

ENGINE MANAGEMENT REVENUE VS TOTAL COST



Source: Company's information, Redgate calculations.

AVIATION ASSET TRADING | Spare Parts & Components

Magnetic MRO supports its customers in more than 80 countries around the world with comprehensive spare parts and components solutions. We manage a network of warehouses strategically located in Ireland, the UK, the US and other satellite locations close to the customer. We have extensive supplier contacts all around the world, which help us find solutions for any customer needs related to spare parts and components. Our AOG support is available 24/7.

Magnetic MRO providing Spare Parts capabilities:

- Any landing gear solutions (overhauls, repairs, exchanges, loans, outright sales, etc.)
- Component trading, lease, exchanges (brakes, wheels, APU's, slides and others from small to structural like rudders, winglets, etc.)
- Power by the Hour (PBH) programs for components
- Aircraft tear-down projects and sales of packages
- Constant purchase of packages or units from the market to fulfill our customers' needs

TOP CUSTOMERS

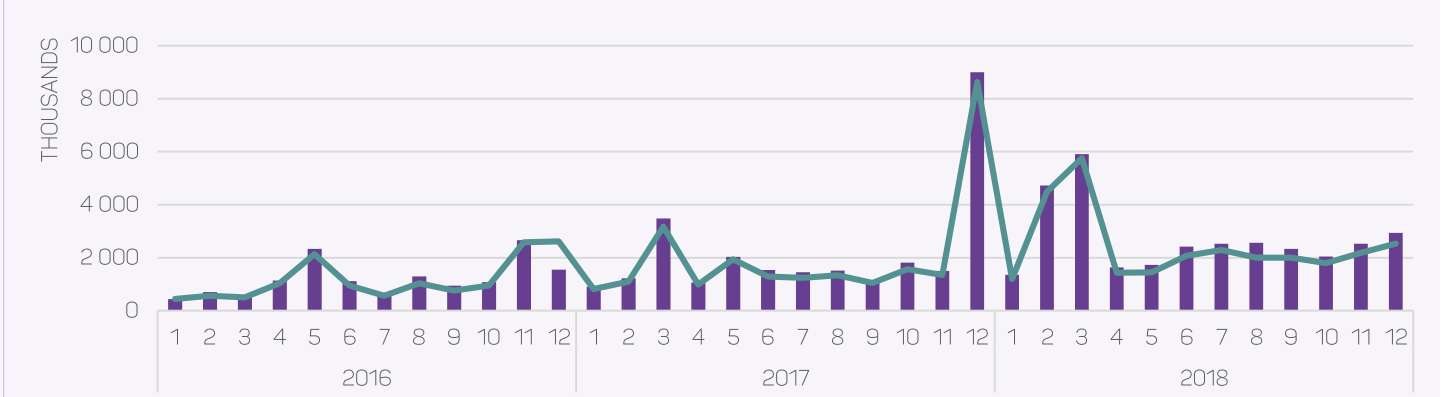


Magnetic MRO supports all of the most popular engine types, particularly CFM 56 family, CF34 family, CF6 family, V25 family, etc.

COMPETITIVE ADVANTAGES

Flexible sourcing	A wide network of smaller less known ATD suppliers, providing profitable deals
Market intelligence	Well-established connections with industry players
Loyal and rapidly growing customer base	Customer base expanding due to the growing reputation of the MMRO.
Successful sales strategy	Effective and driven sales staff incentivised by individual sales targets, with limited central control
Limited risk	Approximately 90% of the deals brokered on a pre-agreed (often pre-funded) basis

SPARE PARTS AND COMPONENTS REVENUES AND TOTAL COSTS

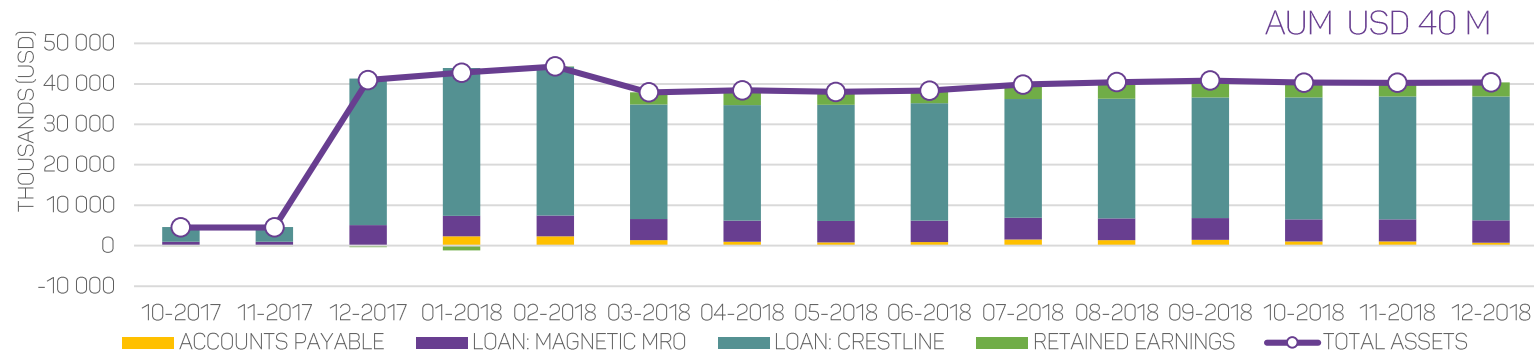


Source: Company's information, Redgate calculations.

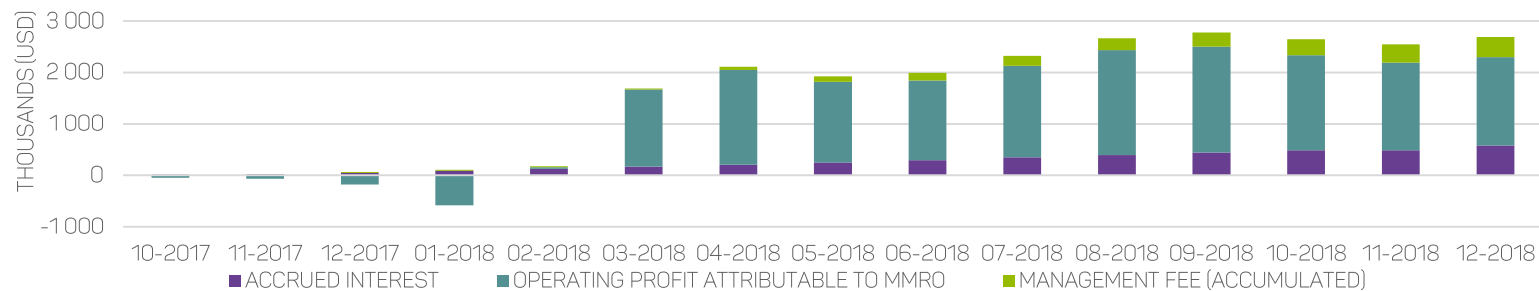
MAGNETIC PARTS TRADING LIMITED – JOINT VENTURE FOR AVIATION ASSET INVESTMENTS

MPTL was established by Magnetic MRO and Crestline Investors as a joint venture in 2017 in order to focus on aviation asset investments. The joint venture will establish a strong capital base which will finance high value ATD, engine part-out and overhauling transactions.

DEVELOPMENT & FINANCING OF AVIATION ASSET PORTFOLIO (USD)



ACCURED INCOME FOR MAGNETIC MRO



Source: Company's information, Redgate calculations.

MagneticPARTS TRADING
LIMITED



Crestline is alternative investment management firm founded in 1997 and based in Fort Worth, Texas. The company specialises in credit and opportunistic investments, total assets under management exceed USD 10 B.

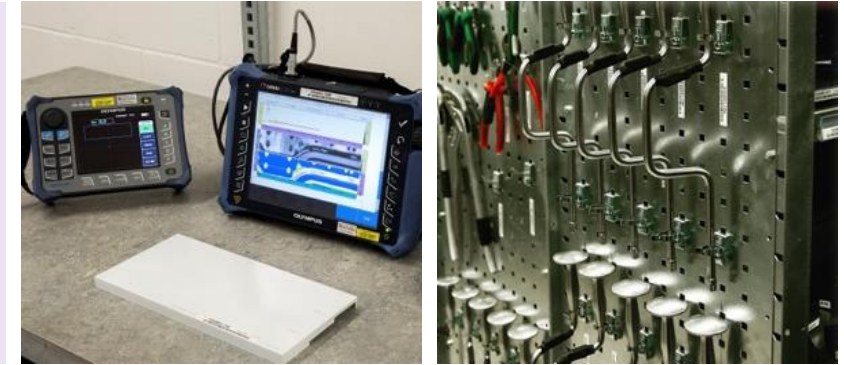
According to its shareholders' agreement Crestline Investors will furnish MPTL with the majority of its capital needs, while MMRO will be responsible for asset management (sourcing, pre-assessment, inspection, process management), overhauling and repairs. The agreed business structure will allow for immediate investments into a significant number of new-generation aircraft and engines, as well as the flexibility to purchase fleets of aircrafts or assets with remaining lease attached.

- Both parties are providing credit for MPTL:
 - MMRO will provide up to USD 5 M
 - Crestline will provide USD 20 M, facility can be increased on mutual agreement (this option was accessed in 2017).
- MMRO receive management fees up to USD 500 thousands per annum, an interest rate of 10% on any outstanding credit facility and 49.9% of profits.

ENGINEERING

Magnetic MRO has a full range of engineering services for our airline customers as well as aircraft owners and managers. Quality of the engineering and planning is the core of efficient airline operations. With proper engineering and aircraft records keeping we maximizing aircraft value and assets liquidity. Engineering Services cover a wide range of projects, from small, ad hoc technical support to comprehensive continued airworthiness management services:

- CAMO services
- Engine condition monitoring services
- Pre-purchase or Re-delivery aircraft inspection
- Structural engineering department
- Other engineering services



PAINTING

Magnetic MRO Painting Services offers a wide range of painted decorative applications for the Airbus 320 family, the B737 NG/Classic and other narrow-body aircraft and maintains compliance with all EASA and FAA maintenance and environmental directives. The Company is able to perform up to 4 commercial aircraft or 2 business jet aircraft painting jobs per month using advanced aircraft painting technologies, including:

- AkzoNobel
- Mankiewicz
- PPG Aerospace
- Sherwin-Williams coating system



MAC AERO INTERIORS

MAC Aero Interiors is a leading aircraft interior specialist with a well-established reputation in production and engineering. The company 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.

MAC Aero Interiors' vast product range covers all aircraft interiors and is diversified from original aircraft production offerings to light-weight replacement components and easy-maintenance alternatives

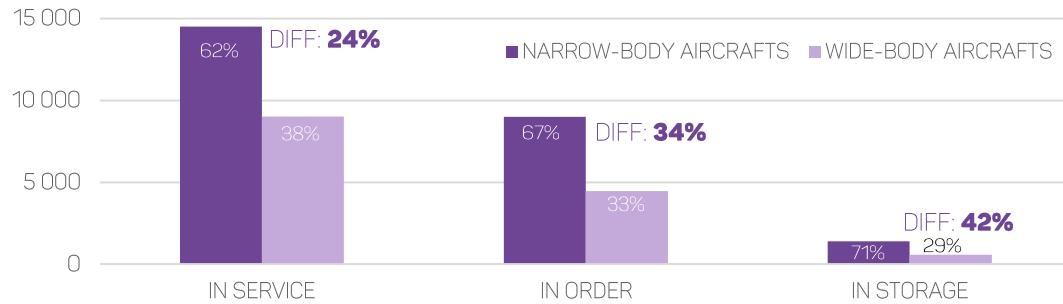


Market overview



MARKET OVERVIEW | Macroeconomic factors support MRO industry

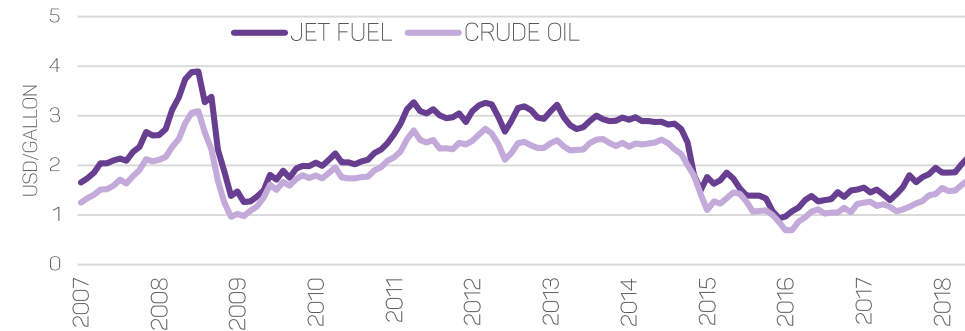
ORDER BOOK FOR NEW AIRCRAFT



Western-built aircrafts that are currently in operation or that have been launched are included in these figures. Some new aircraft developments out of Russia, China and Japan are also considered to be modern and have, therefore, been included as well.

There are 24% more narrow-body aircrafts than wide-body aircrafts in service today; totalling 14,518 and 9,024 respectively.

LOW PRICE OF CRUDE OIL SUPPORTS AVIATION INDUSTRY



Operators are taking advantage of the low fuel prices:

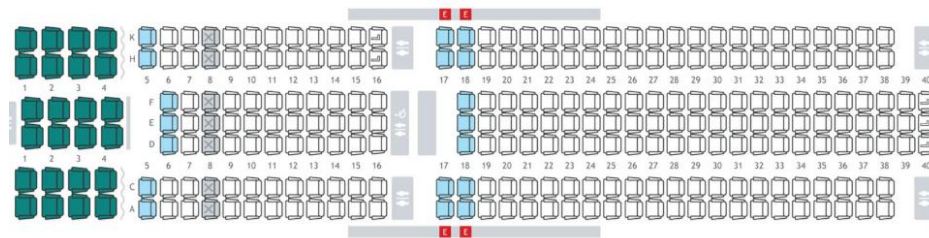
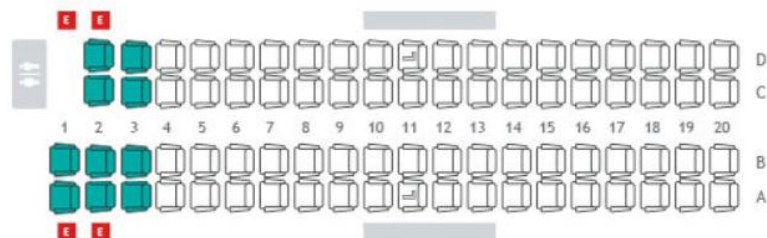
- Jet fuel prices have been rising since the end of 2017 but are still down 45% from 2014
- The arrival of a substantial number of new aircraft is also driving down the leasing costs of legacy aircraft, reducing the total operating cost of the legacy fleet and providing operators with further encouragement to defer retirements

Record high RPK¹ have resulted in historically high profits for airline companies. Airlines are constantly in need of an operational fleet in order to satisfy the demand for global air travel, which means that companies operating in the MRO industry need to meet the changing demands driven by growth, technology and fleet varieties.

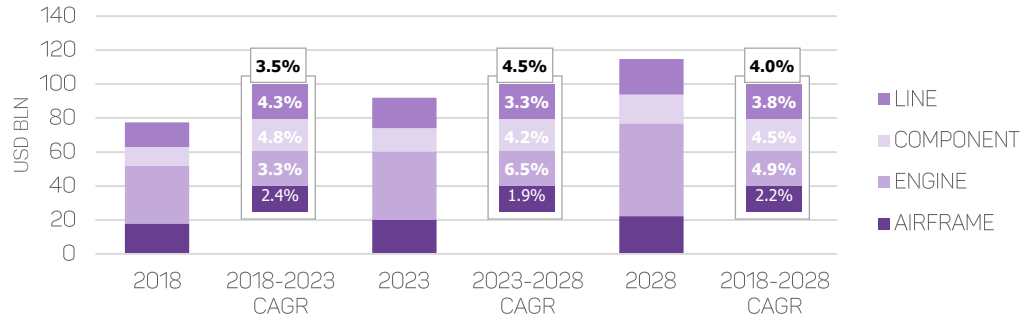
Source: International Monetary Fund, Oliver Wyman - „2018-2028 Global Fleet & MRO Market Forecast“, DVB Bank SE „An Overview of Commercial Aircraft“.

¹ Revenue Passenger Kilometers – RPK statistics on page 28.

NARROW-BODY TYPE AIRCRAFTS VS WIDE-BODY TYPE AIRCRAFTS

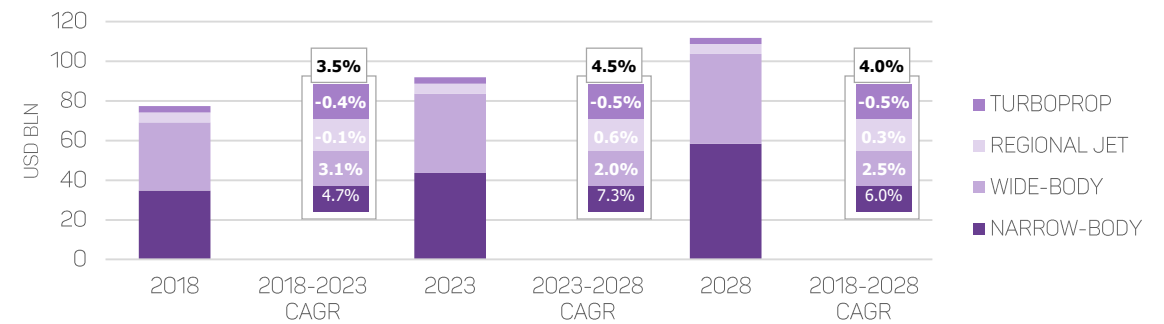


2018-2028 MRO MARKET FORECAST BY MRO SEGMENT



- The total MRO spend in 2018 is expected to be USD 77.4 billion
- It is likely to rise to USD 91.9 billion by 2023, representing a 3.5 percent CAGR over the five-year period
- Over a 10-year period, the global air transport MRO market is expected to grow four percent annually on average, rising to USD 114.7 billion by 2028
- Airframe maintenance will continue its trend of lower unit cost, driven primarily by the heavy maintenance visit intervals stretching to 12 years
- Engines, are operating at ever higher temperatures and pressures, resulting in more expensive shop visits to restore and replace expensive materials, hence the 4.9% average anticipated annual growth rate in engine MRO

2018-2028 MRO MARKET FORECAST BY AIRCRAFT CLASS



- Narrow-body and wide-body aircraft will comprise USD 69.2 billion of the USD 77.4 billion total, with regional and turboprops combining for and MRO spend of just USD 8.2 billion
- In 2018, narrow-bodies make up to 45 percent of MRO market share
- Wide-bodies represent more than 44 percent of the MRO expenditure because the aircraft are more maintenance-intensive and more complex
- Oliver Wyman, an International management consulting firm, forecasts a significant shift in spending away from the regional jets and turboprops toward narrow-body aircraft over the next 10 years.
- Narrow-body MRO spend is likely to increase to nearly 55 percent by 2028

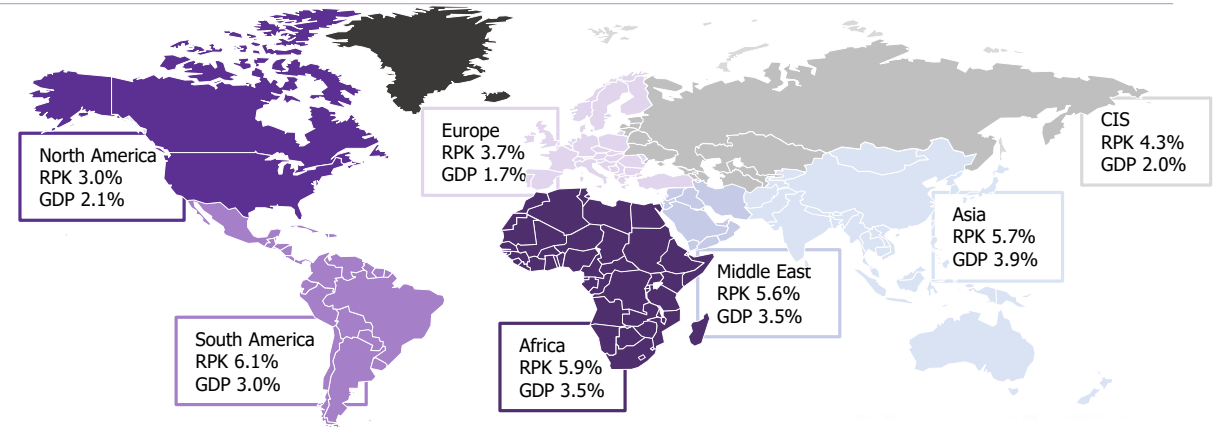
"PASSENGER TRAFFIC HAS OUTPACED GLOBAL GDP "

„Air travel demand is often considered to be closely tied to GDP growth. For a decade, passenger traffic has outpaced global GDP.

Consumers travel more when they have higher income, but there also appear to be spikes in demand related to deregulation of global travel by open-skies agreements, service quality improvements, and additional routes." Oliver Wyman, an International consulting firm.



¹Source: Oliver Wyman - „2018-2028 Global Fleet & MRO Market Forecast“.

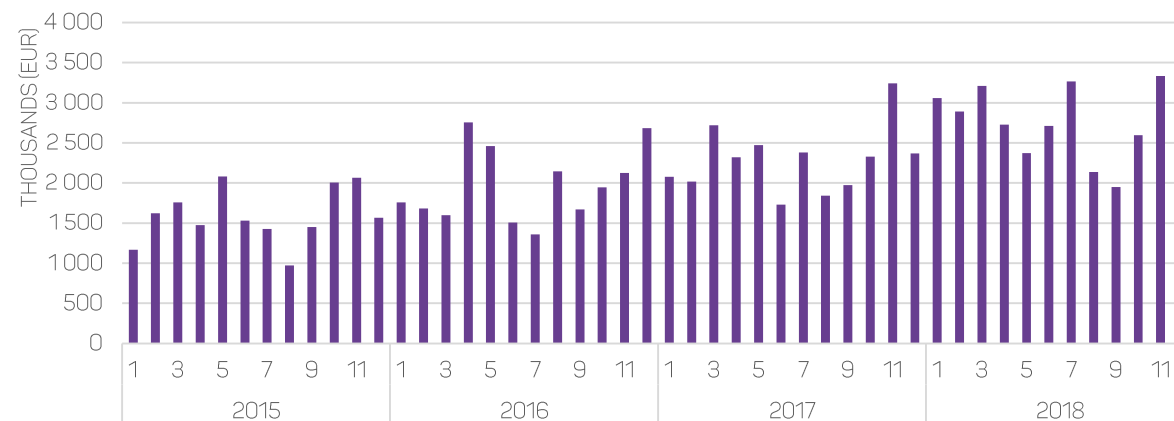


Financial information

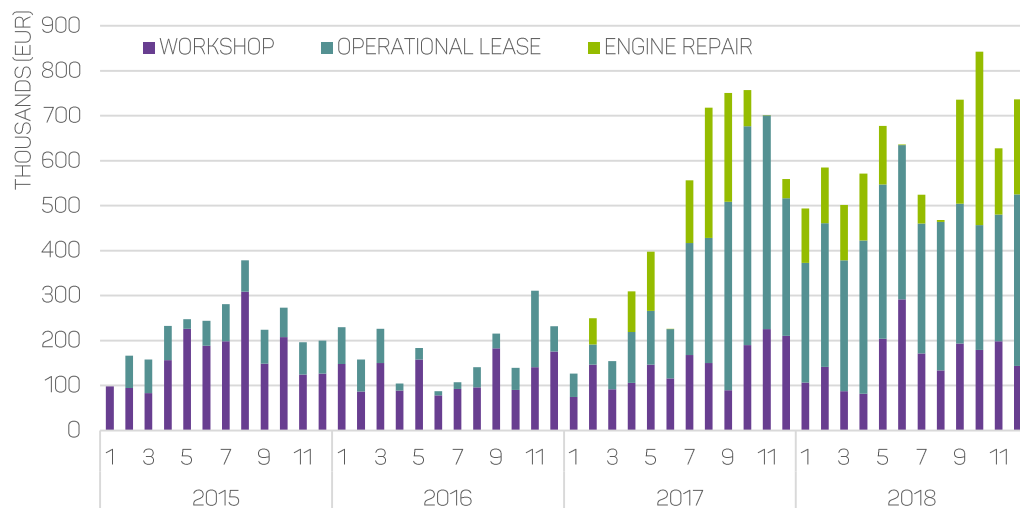


- Stable cash flows from base and line maintenance facilitate investments into new business lines and additional services
- Volatility of the asset trading business is expected to decrease with the incorporation of MPTL which, together with Crestline, will build up a larger aviation asset portfolio with more stable turnover
- Emerging business lines support air maintenance and trading activities with cross and upselling opportunities
- Increasing aviation assets under management will improve capacity utilization and organizational efficiency in the future

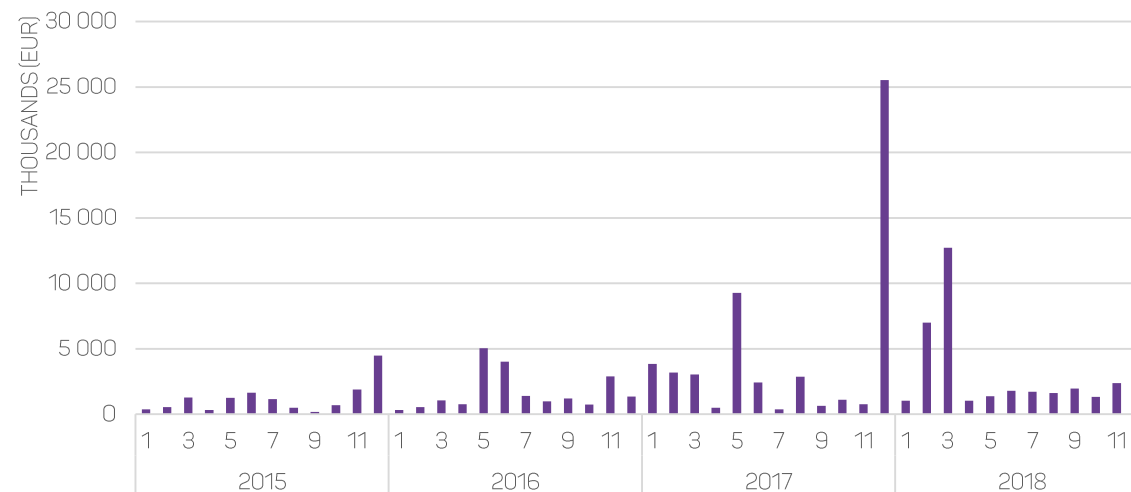
BASE & LINE MAINTENANCE: SOURCE OF STEADY INCOME AND STABLE GROWTH



EMERGING OPPORTUNITIES: REVENUES FROM ADDITIONAL SERVICES AND OPERATIONAL LEASE OF TOOLS



EMERGING OPPORTUNITIES: INCREASED REVENUE VOLUMES OF ASSET TRADING

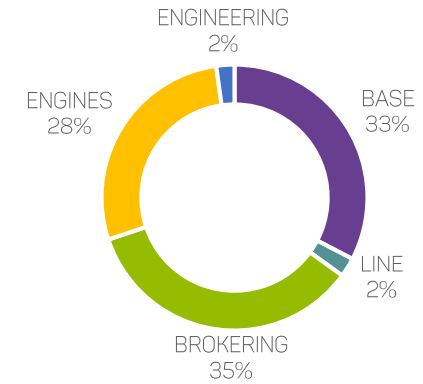


Source: Company's data; Does not include MTPL.

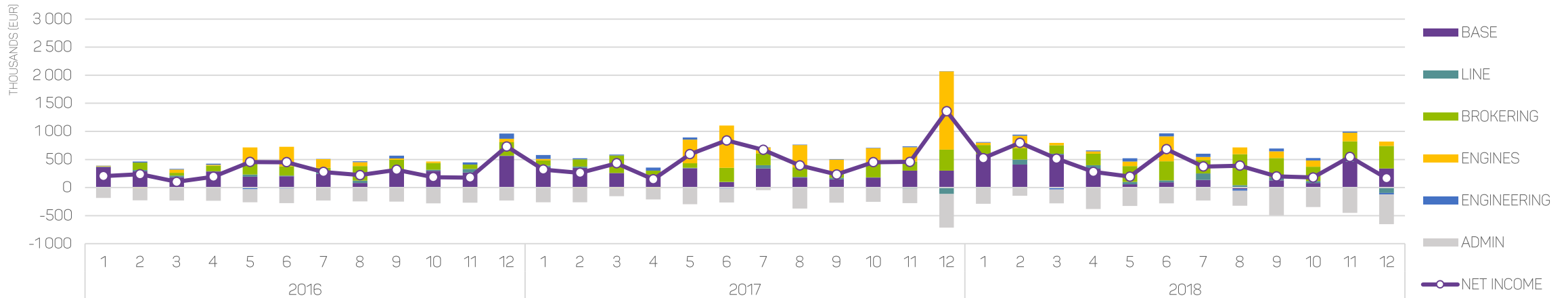
12-MONTH EBITDA CONTRIBUTION (2018)

- Magnetic MRO has been operating with stable EBITDA from traditional MRO business lines. Steady income is supported by a strong order book and loyal client base. Base maintenance contributes to over a quarter of earnings based on financial results for the Issuer
- In recent years, spare parts, brokering and trading business has started to account for a significant part of the Issuer's profits. MPTL is a source of strong additional income from asset aviation trading business with limited risk
- Although experiencing rapid growth, the company has been able to retain high profit margins whilst administrative costs directly unattributable to any cost center have remained in same ballpark figures
- Use of proceeds from the Bond issue will be used to increase the income from the traditional maintenance and overhauling business. This will help to resume balanced growth

12 MONTHS EBITDA CONTRIBUTION (2018)



EBITDA BREAKDOWN BY BUSINESS UNITS



Source: Company data; Does not include MPTL.

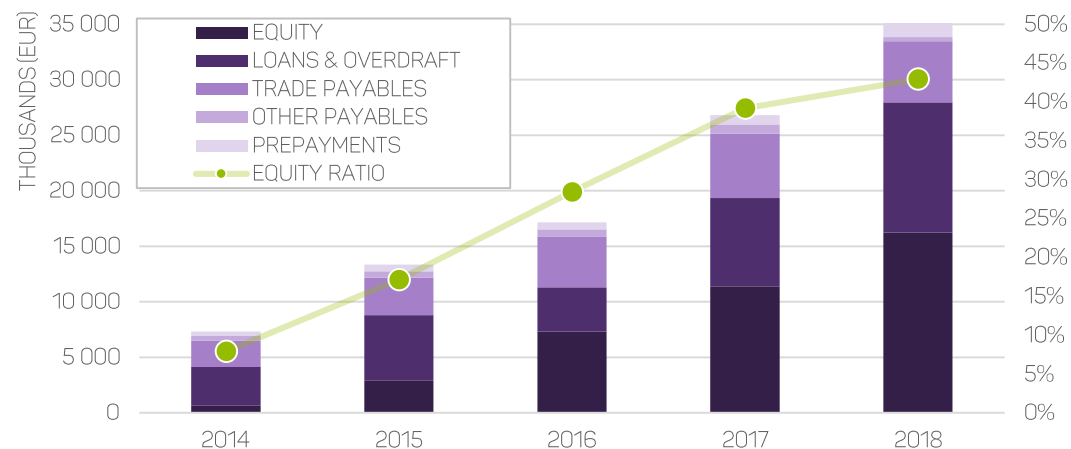
HIGH-QUALITY ASSET BASE IMPROVES LIQUIDITY

Balance sheet for the issuer consist of high-quality aviation assets and receivables from airline operators and asset owners.

Majority of aviation assets are standardized and certified and actively traded on a secondary market. Trading activities of MMRO include mostly high-value items like aircraft, airframe, engines, landing gears and auxiliary power units.

Proceeds from the issue will predominantly used to increase the tangible asset base of the company.

STRONG FINANCIAL RESULTS HAVE STRENGTHENED THE BALANCE SHEET

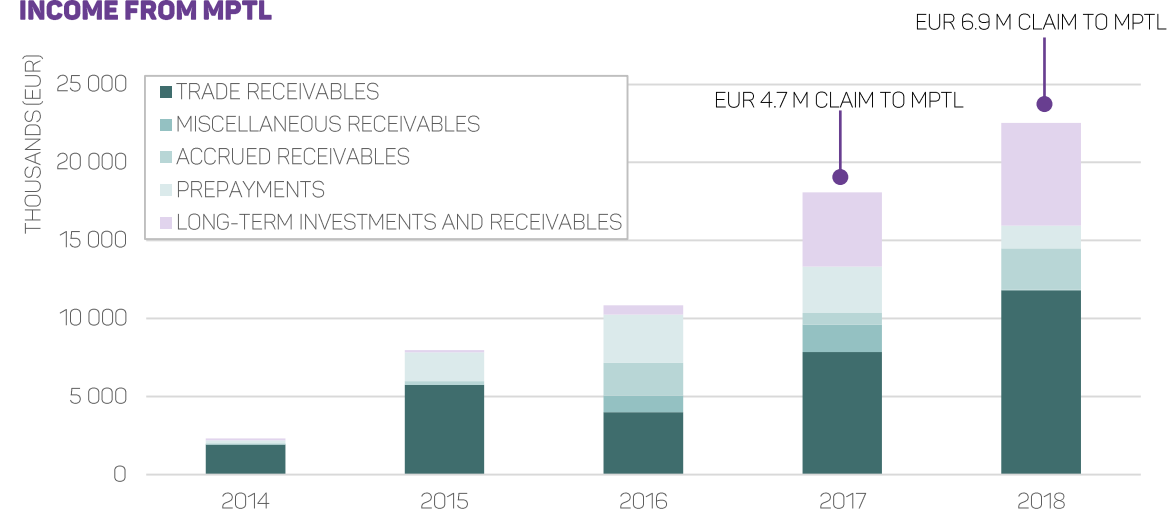


Source: Company data, Redgate calculations.

MAJORITY OF INVENTORIES CONSISTS OF AIRCRAFT PARTS AND SERVICE EQUIPMENT, THAT HAS STRONG SECONDARY MARKET

	2014	2015	2016	2017	2018
AIRCRAFT	3,084,368	3,081,693	3,529,583	4,997,685	4,773,138
BOEING	2,385,974	1,978,294	2,287,361	2,814,470	2,354,974
AIRBUS	542,225	897,071	1,048,198	1,988,422	2,249,718
FOKKER	103,855	95,054	93,865	92,367	91,213
BOMBARDIER	25,174	89,622	82,132	58,965	33,728
ATR	0	0	0	19,474	20,694
EMBRAER	7,328	8,912	8,425	13,160	12,769
SAAB	19,813	12,742	9,603	10,828	10,042
FIXED ASSETS	1,143,847	1,623,736	1,747,003	2,904,486	4,492,592
OTHER INVENTORY	1,362,614	1,418,721	2,025,404	2,314,644	2,288,862
TOTAL TANGIBLE ASSETS	5,590,829	6,124,150	7,301,990	10,216,816	11,554,591

DIVERSIFIED PORTFOLIO OF CLAIMS, PREPAYMENTS AND ACCRUED INCOME FROM MPTL



MMRO Balance Sheet and Profit & Loss Statement

BALANCE SHEET - CONSOLIDATED (EUR '000S)	2015	2016	2017	2018
ASSETS				
CURRENT ASSETS				
CASH AND EQUIVALENTS	2,718	8,053	1,110	924
RECEIVABLES AND PREPAYMENTS	5,943	9,632	10,733	15,951
INVENTORIES	4,651	6,841	8,488	7,392
TOTAL CURRENT ASSETS	13,312	24,526	20,331	24,267
FIXED ASSETS				
INVESTMENTS TO SUBSIDIARIES		1	5	
RECEIVABLES AND PREPAYMENTS	145	150	4,436	6,588
TANGIBLE ASSETS	2,538	2,961	5,408	6,221
INTANGIBLE ASSETS	55	893	766	748
TOTAL FIXED ASSETS	2,737	4,003	10,611	13,557
TOTAL ASSETS	16,049	28,529	30,942	37,824
LIABILITIES				
SHORT-TERM LIABILITIES				
LOAN LIABILITIES	3,516	3,875	7,766	6,881
DEBTS AND PREPAYMENTS	7,248	17,332	11,797	9,868
TOTAL SHORT-TERM LIABILITIES	10,763	21,207	19,563	16,749
LONG-TERM LIABILITIES				
LOAN LIABILITIES	2,394	102	201	4,831
DEBTS AND PREPAYMENTS		0	1	
TOTAL LONG-TERM LIABILITIES	2,394	102	202	4,831
TOTAL LIABILITIES	13,158	21,309	19,765	21,580
EQUITY				
SHARE CAPITAL	794	1,090	1,090	1,090
SHARE PREMIUM	5,016	6,619	6,619	6,619
LEGAL RESERVE	79	79	79	79
PROFIT/LOSS FROM CURRENCY	0	-45	-58	58
RETAINED PROFIT/LOSS	-5,249	-2,998	-524	3,325
NET PROFIT/LOSS FOR THE PERIOD	2,251	2,474	3,969	5,073
OWNER'S EQUITY	2,891	7,220	11,177	16,244
TOTAL LIABILITIES AND OWNERS' EQUITY	16,049	28,529	30,942	37,824

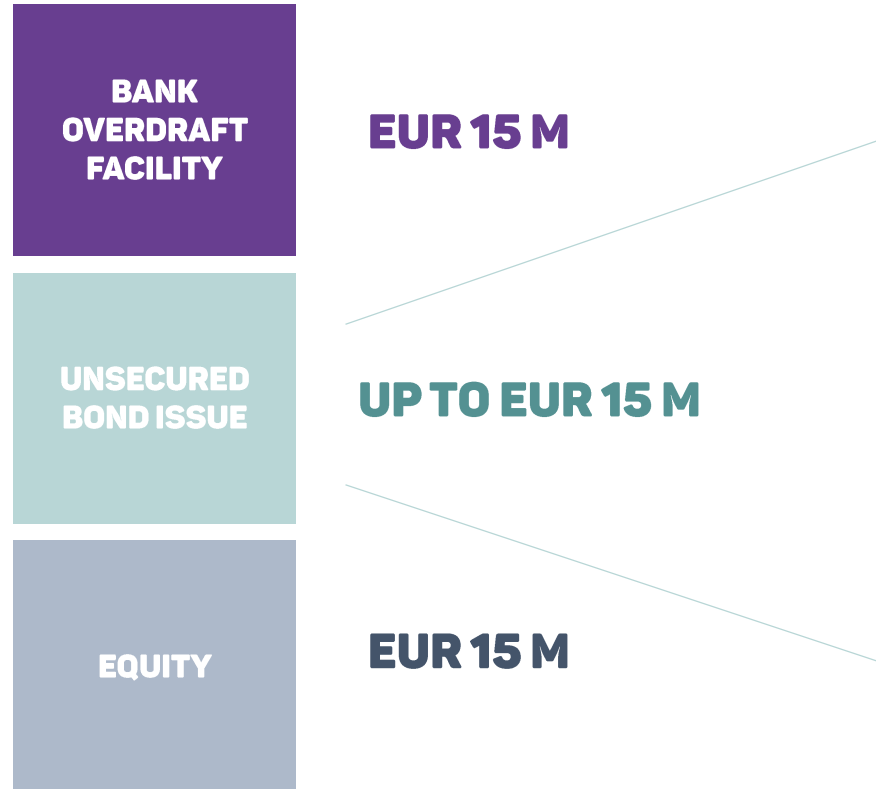
Source: Company data: 2015-2017 annual reports audited, 2018 unaudited.

P&L- CONSOLIDATED (EUR '000S)	2015	2016	2017	2018
REVENUE	36,504	50,520	90,887	88,377
GOODS, RAW MATERIALS AND SERVICES	-29,155	-40,929	-78,988	-74,694
GROSS PROFIT	7,350	9,591	11,899	13,683
MARKETING	-173	-314	-488	-569
ADMINISTRATIVE EXPENSES	-4,812	-7,088	-8,729	-8,467
OTHER OPERATING REVENUE	97	528	1,675	
OTHER OPERATING EXPENSES	-51	-100	-6	
OPERATING PROFIT	2,411	2,617	4,352	3,028
INTEREST INCOME		0	121	
INTEREST EXPENSES	-163	-150	-157	-242
OTHER FINANCIAL INCOME AND EXPENSES	5	7	-341	624
MPTL 49.9% EQUITY METHOD GAIN				1,662
PROFIT BEFORE INCOME TAX	2,253	2,474	3,974	5,072
TAX	-1	0	-5	
UNREALISED FX				58
NET PROFIT	2,251	2,474	3,969	5,130

Financing of the Company



FINANCING OF THE COMPANY



KEY FIGURES	CURRENT	COVENANT ¹
NET DEBT/EBITDA	2.32	MAX 3.20
EQUITY RATIO	43%	MIN 25%

¹Covenants included in the terms and conditions.
Source: Company data.

USE OF PROCEEDS

ESTABLISHMENT OF LG OVERHAUL CENTER

The landing Gear Overhaul Center will provide synergy for current business lines and significant additional income for the group. The existing pipeline for LGs and high profitability of the overhauling process has resulted in the expected EBITDA margin exceeding 30%.

REQUIRED CAPITAL² EUR 6 M

M&A ACTIVITY TO ACQUIRE COMPANY OPERATING IN EUROPE

MMRO is contemplating the acquisition of a company incorporated in Europe, with 70+ employees located in various airports. The company holds valuable certifications for various aircrafts.

REQUIRED CAPITAL³ EUR 4-7 M

ADDITIONAL WORKING CAPITAL

Additional working capital will be used to increase asset trading volumes for MMRO.

REQUIRED CAPITAL EUR 2-5 M

²Forecasted long term EBITDA margin for the project is ca 30%. Estimated positive EBITDA from year 2019 onwards, IRR for the project 18%.

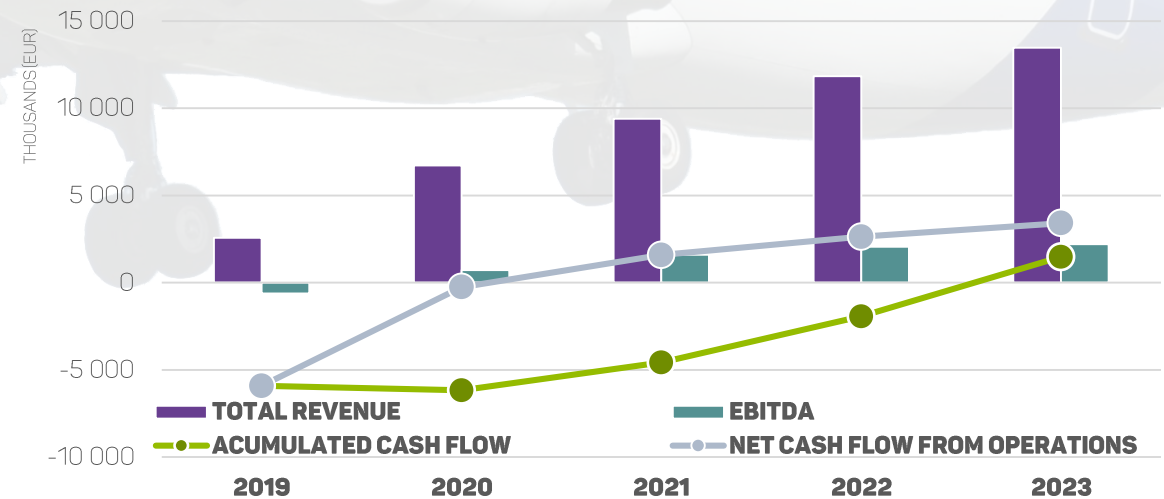
³Actual FY17 EBITDA. It is expected that post acquisition, EBITDA of the company will increase significantly due to synergies resulting from consolidation of the business into MMRO group. Required capital of the M&A activity is estimated to be 6x 2018 EBITDA of the subject company.

EMERGING OPPORTUNITIES | Landing Gear Overhaul Center

- MMRO is currently evaluating the establishment of a regional Landing Gear Overhaul Centre of Excellence
- Magnetic MRO is looking to increase the volume of the base load in terms of landing gear business within the company. Ideal location would be in a region with the lack of competition, competitive labour rates and the economically favorable conditions to increase potential development of the company
- MMRO currently outsources its LG repair cases and has access to power-by-hour lease transactions for LGs. Total estimated combined value of these transactions related to MMRO was approximately EUR 4,6 M in 2017
- LG workshop will focus on **Airbus A320 Family** and **Boeing 737 NG/Classic** LGs, further expansion to wide-body aircraft is being contemplated

TOTAL INVESTMENT: EUR 6M

IRR: 18%



FACILITIES

RENTAL AGREEMENT

GLA¹ 3,000 M²

FURTHER EXPANSION POSSIBILITIES

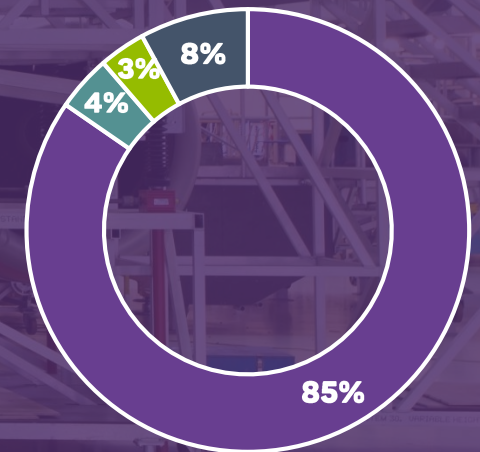
INVESTMENTS

LG EQUIPMENT

INTANGIBLE ASSETS

OTHER EQUIPMENT

OVERHEADS, TRAINING AND OTHER SET-UP COSTS



¹GLA – Gross Leasable Area.
Source: Company data, Redgate calculations.

Other information



MACROECONOMIC RISKS

MARKET RISK	Economic disruptions and global economy affects business operations, financial results and capital resources (incl. other countries, where MMRO is actively operating)
GOVERNMENT RISK	Government decision making could lead to compliance threats originating in politics, law, regulations and corporate governance

MMRO'S MARKET AND BUSINESS OPERATION RISKS

COMPETITION RISK	Similar enterprises to MMRO that possess greater economies of scale, investment capacity, and brand value, which can lead to MMRO not being able to compete
STRATEGIC RISK	Strategy and business management risks that can lead to product delays and cost overruns
DEPENDENCY RISK	Each MMRO's each business unit has top 10 main customers, that produce lions share of the revenues
TECHNOLOGY RISK	Aviation industry is highly technological and subject to rapid technological change
CYBERSECURITY	Increased digitalization increases the threat of cyber attacks in the Aviation industry
MANAGING AND RETAINING TALENT	Due to the specialised nature of the industry, MMRO is dependent on the services of highly engaged and talented workforce
OPERATIONAL RISK	Internal processes, procedures, policies, people or systems may fail or be otherwise inadequate, which may, in turn, lead to financial or reputational losses or may increase financing costs

REPUTATIONAL RISK	Failed contracts or other related services can adversely affect the brand value and financial performance of the company
EXPANSION RISK	Investments and acquisitions are subject to risks, unforeseen costs, and complications whenever MMRO is deciding to expand
LEGAL RISK	Legal, administrative, and regulatory dispute risks
OWNERSHIP RISK	MMRO is controlled by one shareholders that mainly operates and is legally registered in China
SUSTAINABILITY RISK	Production-line reliability is essential to maintaining revenues
INVENTORY MANAGEMENT RISK	Too little or too many inventories can lead to different obstacles. For example if the company has too many inventories, then they are unnecessarily using up space and may find themselves with an excess of antiquated inventory parts as the technologies change
LIQUIDITY RISK	Lack of capital to expand operations or to expand to emerging markets can lead to staying behind of the competition
FINANCING RISK	Magnetic MRO may not receive necessary financing to continue expanding, when needed
CUSTOMER BASE RISK	Subject to risk if the Company is not able to retain or attract new customers

OTHER INFORMATION |

TRANSACTIONS WITH RELATED PARTIES

Related parties shall mean transactions between the Issuer and the following entities:

- Subsidiary – MAC Aero Interiors Ltd, Magnetic Leasing Ltd¹
- Associated company – Magnetic Parts Trading Limited
- Other entities belonging into the same consolidation group – West Coast Aviation²

BALANCES/TRANSACTIONS	31.12.2017		31.12.2016		
	TH EUR	RECEIVABLES/PURCHASES	LIABILITIES/SALES	RECEIVABLES/PURCHASES	LIABILITIES/SALES
PARENT COMPANY	-/0	-/0	-/19	-/0	-/0
SUBSIDIARY	157/0	0/7	170/0	0/8	0/8
ASSOCIATED COMPANY	4,206/0	0/37	0/0	0/0	0/0
ENTITIES BELONGING TO THE CONSOLIDATION GROUP	552/118	0/5,358	0/59	10/0	10/0

SIGNIFICANT CONTRACTS

Joint Venture with Crestline Investors

Shareholders agreement, between Crestline Investors and Magnetic MRO, states that Crestline Investors furnish MPTL with majority of its capital need, while MMRO is responsible for asset management (incl. sourcing, pre-assessment, inspection, process management), overhauling and repairs.

MMRO will receive management fee up to USD 500 thousands per annum, an interest rate of 10% on any outstanding credit facility and 49.9% of the profit.

OTHER STATEMENTS

LEGAL PROCEEDINGS – the Issuer is not involved in any ongoing civil court proceedings

SHARE INCENTIVE PROGRAMS – there are no share-based incentive programs or extraordinary bonus programs in place for the Issuer

SIGNIFICANT PATENTS – the Issuer does not hold any significant patents

¹Magnetic Leasing Ltd. was a dormant company without any economic activity, thus according to the Estonian Accounting Law par 29 and taking into consideration materiality principle the parent company does not consolidate subsidiary. As at 2018, the company does not belong in the Company's structure.

²One of the previous shareholders of Magnetic Leasing Ltd. was the owner of West Coast Aviation.

Source: 2017 audited annual report.

Securities notes



ISSUER	Magnetic MRO AS
REGISTRATION CODE	10865988
LEI CODE	894500IY99QLL9M0SV16
NAME OF THE ISSUE	Magnetic MRO Bond 21.12.2021
SECURITIES	Unsecured notes
ISIN CODE	EE3300111608
ISSUE DATE	21 December 2018
CURRENCY OF DENOMINATION	EUR
NOMINAL VALUE OF THE NOTE	EUR 100
NUMBER OF OUTSTANDING NOTES	80,000 (can be increased up to 150,000)
OUTSTANDING ISSUE SIZE	EUR 8,000,000 (can be increased up to 15,000,000)
INTEREST RATE	8.00% (30/360)
INTEREST PAYMENT DATES	Quarterly (21 March, 21 June, 21 September, 21 December)
MATURITY DATE	21 December 2021
EARLY REDEMPTION DATE (CALL)	On each interest payment day; prior to 30 days notice
EARLY REDEMPTION PRICE	Nominal value + accrued interest + call premium
COLLATERAL	N/A
USE OF PROCEEDS	<ul style="list-style-type: none"> • M&A activity to acquire wide-body maintenance company • Establishment of the LG overhaul center • Additional working capital
COVENANTS	<ul style="list-style-type: none"> • Disposal of assets • NET Debt/EBITDA ratio <3.2 • Equity ratio > 25%
ARRANGER	Magnetic MRO AS
FIRST NORTH ADVISER	Redgate Capital AS
LEGAL ADVISER	Ellex Raidla Advokaadibüroo OÜ
REGISTRAR AND PAYMENT AGENT	Nasdaq CSD SE

* For full overview please refer to the Terms and Conditions and Final Terms of the Notes Issue.

OTHER INFORMATION | Risks related to financing

PRICE RISK	Adverse movement in the market price of the bonds
REGULATORY RISK	Changes to the current legislation, e.g. changes to tax rates or the imposition of extra costs on Investors, thus altering investors' potential total returns
LIQUIDITY RISK	Risk, where investors are seeking to sell their bonds may not receive a price that reflects the true value of the bonds
INTEREST RATE RISK	There is potential for the investment to decrease in value due to a change in the market level of interest rates. The price of a bond moves in the opposite direction to the interest rate
CREDIT RISK	Issuer failing to make timely interest or principal payments or the issuer defaulting on the bond
INFLATION RISK	If the cost of living increases at a rate faster than income investment, investors will see their purchase power erode and may achieve a negative rate of return
CLIENT DEFAULT RISK	Losses associated with the client violating contractual obligations or declaring bankruptcy
COMPLEXITY RISK	Complexity of the Aviation industry can negatively affect MMRO chances to attract additional financing
FINANCING RISK	Future growth potential and service of debt liabilities are dependent upon the company attracting financing. Poor investor relationships or failure to attract new sources of financing may damage growth prospects or lead to non-compliance with contractual obligations relating to financial liabilities
COLLATERAL RISK	The Issue is not subject to any collateral or guarantees
EARLY REDEMPTION RISK	The company has the right to redeem and purchase the notes prior to maturity

AN INVESTOR SHALL HAVE THE RIGHT, BUT NOT THE OBLIGATION, TO DEMAND IMMEDIATE REDEMPTION OF THE NOTES HELD BY THE INVESTOR UPON OCCURRENCE OF ANY OF THE FOLLOWING CIRCUMSTANCES:

- the Issuer has not paid the interest payments in full amount for more than 5 (five) Banking Days from the respective interest payment date;
- an insolvency claim has been submitted (in Estonian: pankrotiavaldus) by the Issuer or by a third party in respect of the Issuer to the competent court of Estonia or a claim in effect similar to insolvency claim has been submitted, which provides interim relieve procedure from the claims of Issuer's creditors, such as the application for the reorganisation of the Issuer (in Estonian: saneerimisavaldus) and such claim is not withdrawn or proceedings not terminated by the respective court within 45 (forty five) Banking Days;
- the Issuer breaches any of the covenants set forth in Section 3.4, of terms and condition, unless the breach is not corrected within 14 (fourteen) Banking Days and the Issuer provides clear proof to the Investors that the breach has been cured in due time;
- the Issuer has filed an application for liquidation with the Estonian Commercial Register (äriregister);
- The Issuer fails to fulfil any of its obligations under any loan, credit, guarantee or capital/finance lease agreement or under any Bond, letter of credit or any other instrument issued by a bank or financial institution when due nor within any originally applicable grace period (cross-default clause);
- The Issuer has failed to provide a quarterly report or annual report or information required under Sections 3.5.4 and 3.5.5, of terms and conditions, to the Investors pursuant to the Terms and the breach is not cured within 7 (seven) Banking Days.

* The slide presents a short and fractional summary of certain sections of the Terms and Conditions of the Notes issue. For full overview please refer to the Terms and Conditions.

Contact information



Redgate Capital acts as the First North Certified Adviser for Magnetic MRO AS.
Redgate Capital AS is an investment firm operating under license 4.1-1/32 issued by the Estonian Financial Supervision Authority on 12.02.2018.

Official name Redgate Capital AS
Registration number 11532616
Main field of activity Financial advisory
Address Pärnu mnt 10, Tallinn 10148, Estonia
Web page www.redgatecapital.eu

Duration of the agreement with a Certified Adviser is valid until the redemption of all Bonds.

Representatives:



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MANAGEMENT BOARD MESSAGE

We declare that, to the best of our knowledge, the information provided in this Document is accurate and that, to the best of our knowledge, the Document is not subject to any omissions that may serve to distort the picture of the Document provided, and that all relevant information of the board meetings, auditors' records and other internal Documents are included in the Document.

Signed _____

RISTO MAEOTS
Risto.Maeots@magneticmro.com
Magnetic MRO AS
CEO of the Company

MagneticMRO



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